



Annual Report  
2019



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**ANNUAL REPORT**  
**2019**  

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# Main Figures

As of December 31, 2019

## CSAV INDICATORS

CSAV Assets  
**2,517**  
US\$ million

CSAV Equity  
**2,224**  
US\$ million

CSAV Net Income  
**125**  
US\$ million

CSAV's Interest  
in Hapag-Lloyd  
**27.8%**

CSAV's Investment in  
Hapag-Lloyd over Total Assets  
**86.1%**

## CONTAINERS SHIPPED

Hapag-Lloyd  
Volume Transported  
**12**  
million TEUs

Hapag-Lloyd  
Revenue  
**14,115**  
US\$ million

Hapag-Lloyd  
EBITDA  
**2,223**  
US\$ million

## VEHICLES SHIPPED

CSAV  
Volume Transported  
**327**  
thousand tons

CSAV  
Revenue  
**93**  
US\$ million

CSAV  
EBITDA  
**20**  
US\$ million







# Chairman's Remarks

**In 2019, CSAV achieved its best result since the merger of its container shipping business with Hapag-Lloyd in 2014, with net income of US\$ 124.6 million, representing growth of 585% over the previous year.**

## DEAR SHAREHOLDERS:

Despite the significant challenges faced by our industry in 2019, we can be satisfied with our good results and the long-term prospects for the Company.

The industry has been operating under highly demanding global conditions. Weak global economic growth—below 3% for the first time in ten years—was compounded by the “tariff war” between China and the United States, with import tariffs that directly impacted our business. Furthermore, shipping companies have had to adapt to the new IMO 2020 emissions standard, especially during the last quarter of the year, as it became effective worldwide from January 1, 2020. This process is driving the largest environmental transformation within shipping companies.

As we have explained on other occasions, the 2008 crisis left the industry with many shipbuilding orders and global growth in the container shipping business below traditional trends, leading to growth close to that of global GDP. Accordingly, this triggered numerous consequences for the industry, such as mergers, suspended investments, large operating alliances, bankruptcy for some companies and other consequences. Today we can be reasonably certain that in general the key industry indicators measuring balance, such as comparing current supply with demand, and comparing the forecast orderbook with estimated demand growth, are aligned and do not indicate any destabilization risks.





At the beginning of 2020 the orderbook represented less than 10% of the total fleet. This indicator measures predicted supply growth over the next two or three years, and it has reached a record low, which confirms the success of industry consolidation efforts, through mergers and acquisitions, and the benefits of operational coordination achieved by the three global alliances. In particular,

Hyundai Merchant Marine joined THE Alliance, which is the global alliance that Hapag-Lloyd belongs to, thus making it stronger and extending it through to 2030. In 2019, CSAV achieved its best result since the merger with Hapag-Lloyd in 2014, with net income of US\$ 124.6 million, representing growth of 585% over the previous year. This increase is mainly

related to the performance of Hapag-Lloyd's container shipping business, which reported its highest net income since 2010 of US\$ 418 million. This figure is 670% higher than in 2018. Operating cash flows generated during the year reduced its financial debt by US\$ 981 million, which included prepaying a US\$ 450 million bond scheduled to mature in 2022.

These achievements are the result of several years of hard work to build a highly efficient company, which incorporates the synergies arising from the mergers with CSAV in 2014, with the United Arab Shipping Company in 2017, and cost-cutting programs that had already achieved US\$ 1,200 million in annual savings by 2019, to which a further US\$ 200 million will be added by 2021. These accomplishments have positioned HLAG as one of the most efficient shipping lines in the industry.

Hapag-Lloyd has continued to deploy a strategic plan initiated in 2018 with targets for 2023, in order to strengthen its long-term competitive position. Its objectives are to become a leading company in terms of service quality and set itself apart for its customer focus, to maintain its strong global position especially in niche and expanding markets, to improve the profitability of its business supported by further advances in digitalization and automation and to increase its organizational agility.

The objectives defined by CSAV's Board include the important achievement of attaining a 30% interest in Hapag-Lloyd. As widely known, CSAV controls this German shipping company together with the City of Hamburg and Kühne Maritime. Our influential and active participation

has been fundamental in aligning the company's strategic objectives. Our current shareholder agreement expires at the end of 2024 and the objective of achieving 30% before that date is related to CSAV retaining its "grandfather rights". Even if we are not included in the controlling shareholder agreement, these rights grant us the option to buy more shares and reach 51% of the company's capital, without the obligation to make a public offer for all the issued shares. Notwithstanding our commitment to extend the controlling shareholder agreement beyond 2024, we believe that this option leaves CSAV in a better position to achieve its objective of maintaining influence and control over Hapag-Lloyd's future.

We have selectively acquired shares on the stock market, in order to achieve this shareholding objective. At the beginning of 2020, we reached 30% by acquiring a significant package from the Qatar Investment Authority (QIA) after a long negotiation. Total payments including this latest acquisition total US\$ 450 million, which has taken our holding from 25.86% to 30%. This has been financed with bonds issued by CSAV and bridge loans mainly granted by our controlling shareholder, Quiñenco. Therefore, CSAV's Board has communicated through a material event that it will have to increase its capital, which

is expected to take place during 2020, depending on capital market conditions for debt and equity.

We decided to terminate the vehicle transport (RoRo) business towards the end of 2019 in order to focus the Company's management on our main asset, our investment in Hapag-Lloyd. This business has been a longstanding part of CSAV, although it no longer represents a significant part of our financial assets or performance.

I would like to take this opportunity to thank our RoRo customers for trusting and preferring our services in this business segment for many years, as well as all our employees for their valuable professional and personal dedication and commitment, especially in sustaining the Company as an active, competitive and highly visible operator during these last few years.

Looking ahead to the challenges in 2020, it would appear that complying with the IMO 2020 standard is fundamental. This new regulation requires the industry to use more refined and significantly more expensive fuel, effective as of January. Hapag-Lloyd's strategy to tackle this problem included retrofitting some of its vessels with scrubbers that comply with the standard, and a pilot plan that

introduced LNG to fuel a vessel in 2019. However, to a large extent it has chosen to buy the better quality fuel and seek a mechanism to transfer this extra cost to its customers. This is undoubtedly one of the most important challenges for the year and overcoming it will be important in order to meet our financial objectives.

A challenge with another order of magnitude is of course the COVID-19 outbreak throughout the world, which has very strongly affected Asia, Europe and the U.S., and these are very important markets for our global business. Although it is still too early to estimate the impact of this pandemic on our business, the Company has focused on safeguarding the health of our employees, maintaining operational continuity and improving our liquidity, without affecting the flexibility of our cost structure.

Finally, I would like to thank our shareholders and employees for their tremendous commitment and dedication to the growth of our Company.

Yours sincerely,

**Francisco Pérez Mackenna**  
**Chairman of CSAV**



# Our Company



## MAIN CONTAINER BUSINESS INDICATORS

1.7

million TEUs of  
transport capacity

239

container ships

2.5

million TEUs of  
container capacity

121

transport services

6

regional centers

392

sales offices

129

countries

12,996

employees





# CSAV Profile

**Compañía Sud Americana de Vapores S.A. is a shipping company based in Chile. Its principal business is container shipping, through its interest acquired in 2014 in the German company Hapag-Lloyd AG, the world's fifth-largest shipping line in this segment.**

CSAV is a principal shareholder with a 27.79% interest in the German company as of December 31, 2019. It is party to a shareholder agreement that controls approximately 71% of that company. Thus, CSAV exercises significant influence and joint control over Hapag-Lloyd, so it is classified in its financial statements as a joint venture. Its investment in Hapag-Lloyd represented 86.1% of the Company's consolidated assets as of December 31, 2019. Furthermore, it negotiated an increase in its interest in Hapag-Lloyd during 2019 and this process was completed in January 2020, leaving CSAV with a 30% interest in Hapag-Lloyd.

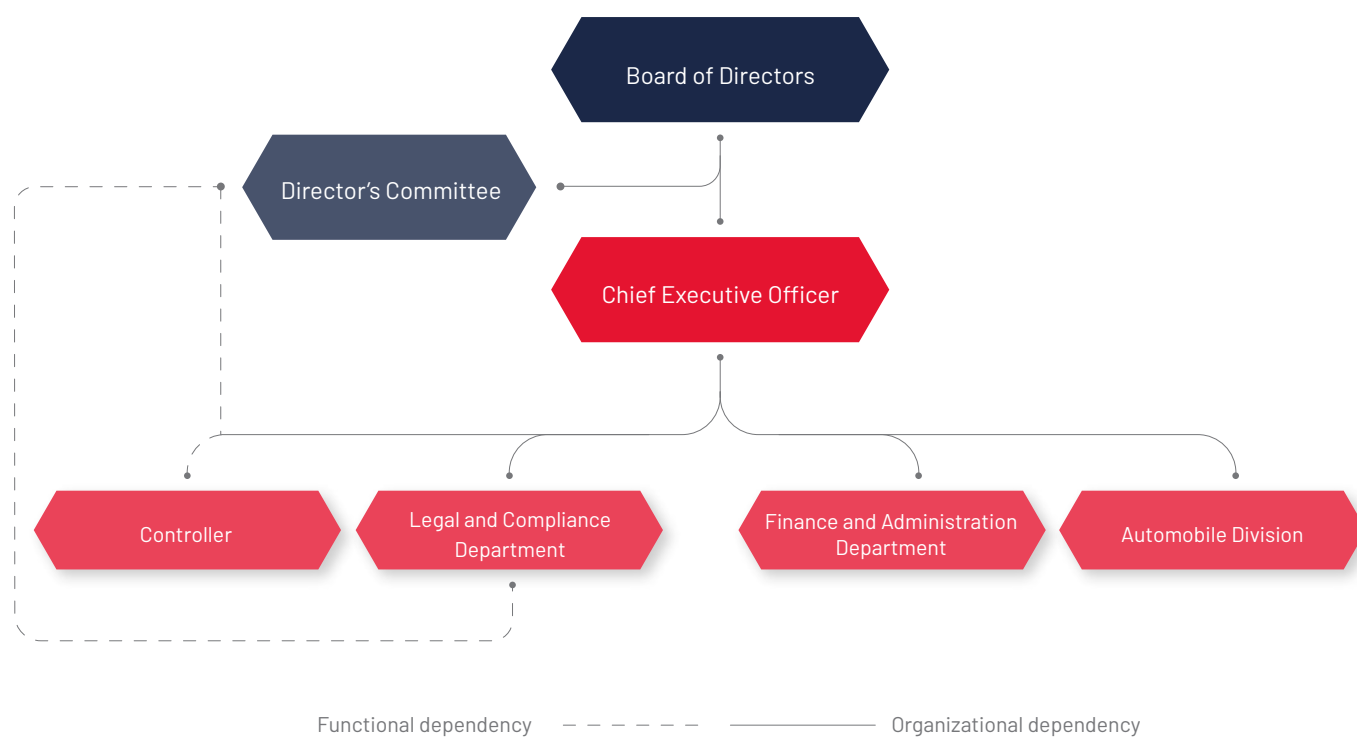
With a fleet of 239 container vessels and total capacity of 1.7 million TEU as of December 31, 2019, Hapag-Lloyd boasts a portfolio of 121 services and a highly diversified, well-balanced logistics network, operating in 129 countries and along the most important global shipping routes. Furthermore, it is the main member of THE Alliance, one of three alliances that together represent more than 90% of global shipping capacity on east-west routes.

CSAV was founded in 1872 and is a publicly traded company listed on the Chilean stock exchange since 1893.

# Corporate Governance

CSAV's corporate governance is led by its Board of Directors, which consists of seven members elected by shareholders at the annual general meeting, in accordance with Art. 31 of Law 18,046 on Corporations.

## GOVERNANCE STRUCTURE



## BOARD OF DIRECTORS

The most recent elections took place on April 26, 2019, electing members for a three-year term. On August 23, 2019, following the unfortunate passing of Mr. Gonzalo Menéndez Duque, the Board of Directors appointed Mr. Alberto Alemán Zubieta to replace him, in accordance with Article 32 of Law 18,046, the Corporations Act. Until that date he had served as an advisor to the Board.

The Company's bylaws do not require alternate directors. The Company's General Counsel, Mr. Edmundo Eluchans Aninat, serves as secretary to the Board.

FRANCISCO PÉREZ MACKENNA	ANDRÓNICO LUKSIC CRAIG
Chairman	Vice-Chairman
Commercial Engineer	Businessman
Board member since April 2011	Board member since April 2013
Chilean ID number: 6.525.286-4	Chilean ID number: 6.062.786-K
ALBERTO ALEMÁN ZUBIETA	CHRISTIAN BLOMSTROM BJUVMAN
Director	Independent Director
Civil Engineer	Civil Engineer
Board member since August 2019	Board member since April 2019
Chilean ID number: 48.214.110-2	Chilean ID number: 10.672.019-3
HERNÁN BÜCHI BUC	ARTURO CLARO FERNÁNDEZ
Director	Director
Civil Engineer	Agricultural Engineer
Board member since April 2012	Board member since April 1987
Chilean ID number: 5.718.666-6	Chilean ID number: 4.108.676-9
JOSÉ DE GREGORIO REBECO	SECRETARY TO THE BOARD
Director	Edmundo Eluchans Aninat
Civil Engineer	General Counsel
Board member since April 2012	Chilean ID number: 12.089.134-0
Chilean ID number: 7.040.498-2	





## DIRECTOR'S COMMITTEE

CSAV's Directors' Committee was formed in accordance with Art. 50 bis of the Corporations Act and has an independent director and two other directors selected by him.

### MEMBERS

COMMITTEE CHAIRMAN	DIRECTOR
Christian Blomstrom Bjuvman	Arturo Claro Fernández
Independent Director	José De Gregorio Rebeco

Following the unfortunate passing of Mr. Gonzalo Menéndez Duque, Mr. Christian Blomstrom Bjuvman, in his capacity as the only independent director of CSAV, appointed Mr. José De Gregorio to replace Mr. Gonzalo Menéndez Duque, as the third member of the Directors' Committee on July 26, 2019, in accordance with Article 50 bis, paragraph 9, of Law 18,046, the Corporations Act. The directors Christian Blomstrom Bjuvman and Arturo Claro Fernández have been members of the Directors' Committee since April 26, 2019.

The Company's General Counsel, Mr. Edmundo Eluchans Aninat, acts as its secretary. He is also the Company's Legal Compliance Officer and Crime Prevention Officer. The following individuals regularly attend Directors' Committee meetings with a right to speak: Óscar Hasbún Martínez, Chief Executive Officer; Roberto Larraín Sáenz, Chief Financial Officer; and Claudio Salgado Martínez, Controller, who is also responsible for risk management.

The additional information chapter of this annual report contains the Directors' Committee's 2019 management report.



## SENIOR EXECUTIVES

### CHIEF EXECUTIVE OFFICER

Óscar Hasbún Martínez

Commercial Engineer

Appointment: March 31, 2012

Chilean ID number: 11.632.255-2

### CHIEF FINANCIAL OFFICER

Roberto Larraín Sáenz

Civil Engineer

Appointment: September 3, 2018

Chilean ID number: 9.487.060-7

### SENIOR VICE PRESIDENT, AUTOMOBILES

Hernán Martínez Fermandois

Civil Engineer

Appointment: February 27, 2015

Chilean ID number: 14.243.645-0

### CHIEF FINANCIAL OFFICER

Roberto Larraín Sáenz

Civil Engineer

Appointment: September 3, 2018

Chilean ID number: 9.487.060-7

# History



**Services expanded to New York.** Opening the Panama Canal allowed services to expand, which was intensified by the withdrawal of European vessels at the beginning of World War I.



1872

**Founding** The Company was founded in Valparaíso on October 4, 1872, following the merger of Compañía Chilena de Vapores and Compañía Nacional de Vapores.

1914



1938

**Services expanded to Europe.** The great crisis of 1929 was followed by the addition of three vessels, and the service to New York was strengthened and extended to Europe. Subsequently, another three vessels were incorporated.

1945



**Refrigerated cargo services launched.** After the end of the World War II, the holds of some vessels were converted into refrigerated chambers and began transporting fruit on regular services.



1961

**Air and maritime agency business began.** SAAM (Sudamericana Agencias Aéreas y Marítimas S.A.) was created.

1984



**Service expansions and new business.** New trades were established to Northern Europe, the Far East, Japan, the Mediterranean, the Americas, the Pacific and South East Asia, with tremendous growth in specialized services for refrigerated cargo, vehicles and bulk cargo.





1997

**Liquid bulk cargo business launched.**  
The Company began transporting mainly chemical products using specialized vessels between Chile and other countries on the west coast of South America.



**Volumes increased on North-South trades.**

CSAV acquired a controlling interest in Brazil's Companhia Libra de Navegação S.A. and Uruguay's Montemar Marítima S.A., which operated container shipping services between South America's east coast, the United States and Europe.

1999



2000

**Volumes increased on East-West trades.**  
The Company acquired the container shipping assets of Norasia Container Lines Ltd. and Norasia China Ltd., which served Asia-Europe, Transpacific and Transatlantic routes.



**Port operator business began.** The Company was awarded concessions to operate several ports in Chile, through its subsidiary SAAM.

2005



2006

**New vessels received.**  
CSAV received the final 13 container ships under a shipbuilding program for 22 vessels ordered in 2003.

2009



**Financial restructuring.**

CSAV undertook financial restructuring following the subprime crisis in 2008, which included capital increases, renegotiating shipbuilding contracts and additional financing.





**New vessels received and SAAM spun off.** The Company received the three remaining vessels in the shipbuilding program for seven 8,000 TEU vessels. SAAM was spun off, to become SM SAAM.



2011

**Operational restructuring and new controller.** A profound operational restructuring began, which was successfully completed in 2012. Quiñenco S.A. (Luksic Group) acquired an interest in CSAV, thus achieving joint control with Maritima de Inversiones S.A. (Claro Group), each with 20.6%. CSAV received four new 8,000 TEU vessels and one 6,600 TEU vessel.

2012



2013

**Vessel investment plan.** The capital increase was successfully completed totaling US\$ 330 million, to build seven 9,300 TEU vessels with deliveries scheduled to begin at the end of 2014, and to prepay liabilities. Quiñenco S.A. increased its interest to 46.0%.

2014



2015

**Hapag-Lloyd's IPO.** Hapag-Lloyd successfully conducted its Initial Public Offering (IPO) on the stock exchanges in Frankfurt and Hamburg, in accordance with the original agreement. CSAV and Kühne Maritime subscribed 10.33% of the shares issued at the IPO, contributing EUR 27.3 million each. Consequently, CSAV reduced its interest to 31.35%.





**Financing the investment in Hapag-Lloyd.** The Company placed bonds on the local market for US\$50 million, which were used to repay the US\$30 million loan used to finance its contribution to Hapag-Lloyd's IPO. It sold its shares in the joint venture with Odjell Tankers.



2016

2017

**Hapag-Lloyd merged with UASC.** The merger between Hapag-Lloyd and United Arab Shipping Company (UASC) was completed in May and CSAV's interest was diluted to 22.57%. However, after a EUR 352 million capital increase by Hapag-Lloyd and CSAV acquiring additional shares, it closed the year with 25.46%. It financed this investment with a capital increase of US\$ 294 million completed in November. CSAV sold Norgistics Chile S.A., to close its logistics and freight forwarder business.

**Interest increased in Hapag-Lloyd.** CSAV increased its interest in Hapag-Lloyd to 25.86% as of June 30, 2018, through acquisitions on German stock exchanges. This investment totaled US\$ 28.4 million, financed with a bridge loan, which was subsequently repaid from Hapag-Lloyd's dividends announced in March and paid in July 2018.



2018

2019

**Interest increased again in Hapag-Lloyd.** CSAV increased its interest in Hapag-Lloyd during 2019 through acquisitions on the German stock exchanges, and reached 27.79% by the end of the period. These investments were financed with bridge loans, subsequently repaid using funds from placing a US\$ 100 million bond on the local market, and bridge loans from its parent company, Quiñenco, of US\$ 30 million.

# Hapag-Lloyd

# Ownership and Control

## SHAREHOLDERS

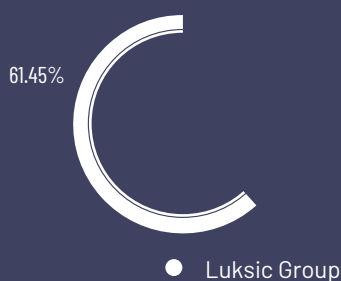
The Company had issued 36,796,876,188 fully subscribed and paid, single-series shares, with no par value, held by 3,590 shareholders, as of December 31, 2019. It did not increase or decrease its shares during 2019.

The Company's 12 largest shareholders as of December 31, 2019, hold 83.91%.

Shareholder	Shares	Ownership Interest
Inversiones Rio Bravo S.A.	12,460,691,856	33.86%
Quiñenco S.A.	7,512,081,524	20.42%
Inmobiliaria Norte Verde S.A.	2,639,009,900	7.17%
Marítima de Inversiones S.A.	1,979,016,803	5.38%
Bolsa de Comercio de Santiago, Bolsa de Valores	1,748,359,027	4.75%
BTG Pactual Chile S.A. Corredores de Bolsa	1,001,033,049	2.72%
Banco Itaú Corpbanca on behalf of foreign investors	806,881,522	2.19%
Banco de Chile on behalf of non-resident third parties	644,174,715	1.75%
Banco Santander on behalf of foreign investors	560,495,286	1.52%
Inversiones Beta Ltda.	530,500,000	1.44%
Inversiones Megeve Dos Ltda.	503,107,172	1.37%
Banchile Corredores de Bolsa S.A.	489,274,672	1.33%
<b>Total</b>	<b>30,874,625,526</b>	<b>83.91%</b>

## CONTROL

The Luksic Group exercises control over the Company, as defined in Chapter XV of Law 18,045, through Quiñenco S.A. and its subsidiaries, Inversiones Río Bravo S.A. and Inmobiliaria Norte Verde S.A. As of December 31, 2019, its ownership interest totaled 61.45%.



Shareholder	Shares	Ownership Interest
Inversiones Río Bravo S.A.	12,460,691,856	33.86%
Quiñenco S.A.	7,512,081,524	20.42%
Inmobiliaria Norte Verde S.A.	2,639,009,900	7.17%
Total Luksic Group	22,611,783,280	61.45%

82.9% of Quiñenco S.A. is owned by Andsberg Inversiones Ltda., Ruana Copper A.G. Agencia Chile, Inversiones Orengo S.A., Inversiones Consolidadas Ltda., Inversiones Salta SpA., Inversiones Alaska Ltda., Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. The Luksburg Foundation indirectly controls 100% of Andsberg Inversiones Ltda., 100% of Ruana Copper A. G. Agencia Chile and 99.76% of Inversiones Orengo S.A.

Andronico Mariano Luksic Craig (Chilean ID number 6.062.786-K) and family control 100% of Inversiones Consolidadas Ltda. and Inversiones Alaska Ltda. Andrónico Luksic Craig's family holds 100% of Inversiones Salta SpA. Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. are indirectly controlled by the Emian Foundation, in which the successors of the late Mr. Guillermo Antonio Luksic Craig† (Chilean ID Number 6.578.5978) have interests.

There is no shareholder agreement between the controllers of the Company.



# Our Businesses





# Container Shipping Industry

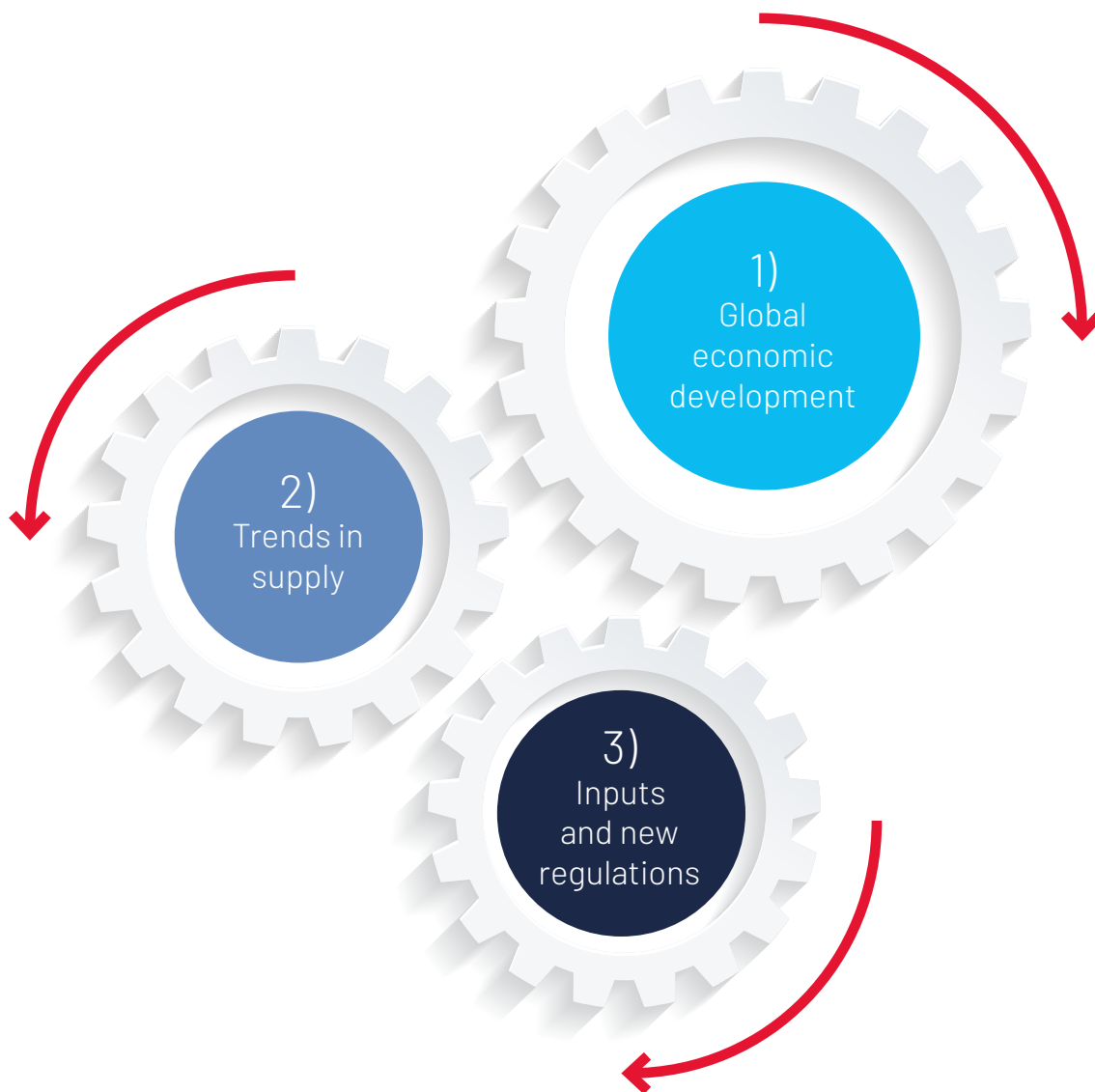
**The Company participates in the container shipping business through its investment in Hapag-Lloyd. It has a global presence and is involved in all major industrial processes.**

The container shipping industry continued to face challenging circumstances for all its participants during 2019, in particular weak global economic growth caused by trade tensions between China and the U.S., which have directly affected the shipping industry since 2018. However, over the last few years there has been a constant improvement in fleet indicators, mainly in the orderbook, which has been at historical minimums, indicating lower growth in global transport capacity and greater stability in the balance between supply and demand, as the industry can now organically absorb these fluctuations. This progress has been reflected in improved operational results by various shipping companies and a greater number with positive returns in this period.

The long process of consolidation within the industry is almost complete, which involved several mergers and bankruptcies, and the formation of global operating alliances to reduce investments and achieve greater efficiencies. Over the next few years, the industry will continue to be fully focused on capturing synergies from the new organizations, optimizing operational costs and increasing productivity, in order to improve asset utilization and fuel efficiency, and deal with its next challenges.

However, the new environmental standard IMO 2020 imposed by the International Maritime Organization (IMO) raises uncertainty due to the impact of these changes, especially as operational costs are likely to rise due to the higher price of the new cleaner fuel. This option was adopted for over 90% of the fleet at the beginning of 2020. Another significant influence is the effect of COVID-19 on the main markets connected to the shipping industry, which had yet to be quantified when this annual report was published.

### THREE MAIN FACTORS SHAPE THE SHIPPING INDUSTRY



## 1) GLOBAL ECONOMIC DEVELOPMENT

### COMPLEX WORLD ECONOMIC CONDITIONS

Global annual GDP growth began to decline in 2018, mainly due to the complex economic situation associated with trade tensions between the United States and China that arose in the middle of that year and continued to intensify during 2019.

The closing 2019 forecast for the shipping industry and for global GDP (which are closely aligned) were for annual growth of 1.8% and 2.9%, respectively. These were the lowest figures since the 2009 crisis. These trends indicated substantial weakness and volatility in global growth.

### Moderate recovery could be seen in 2020.

The January 2020 International Monetary Fund (IMF) report projected recovery in global GDP growth to 3.3% for 2020 and a 2.4% increase in demand for containerized shipping, aligned to improved global growth, although at a slower rate. Therefore, a moderate recovery for both indicators could occur, which depends on favorable news about the global economy, especially regarding U.S.-China trade negotiations, progress on a Brexit agreement and control of the COVID-19 pandemic.

## 2) TRENDS IN SUPPLY

### SUPPLY MATCHED TO CURRENT ECONOMIC CONDITIONS

Supply growth over the next few years can be measured as the total transport capacity of vessels under construction divided by the total transport capacity of the current fleet. These vessels will be incorporated into the fleet over the next two or three years, which is the average vessel construction period. The number of vessels scrapped per year must be subtracted from this calculation.

Vessels under construction have reached record lows and net supply growth is aligned with a less dynamic economy worldwide.



Over the last few years, this indicator has remained positive. Vessels under construction totaled 10.5% of the current global operating fleet as of December 31, 2019, which is historically low.

This figure represents approximate supply growth for the next two or three years of around 4% per year. For example, if we consider that the vessels have a useful life of 25 years, this increase would exactly match fleet renewal.

The indicator that effectively measures fleet renewal is the vessel scrapping rate, which has remained low over the last two years at close to 1% per year. Therefore, net supply growth is close to 3%, which is closely aligned with the lower dynamism of transport demand, although it is still keeping some pressure on supply growth as this is continually low.

Additionally, the new global fuel standard could accelerate scrapping and subsequent recycling of older and smaller vessels, as their fuel consumption is inefficient and retrofitting them with scrubbers is technically unfeasible.

## Excluding the effect of the new IMO 2020 regulations, the number of idle vessels remains low and controlled.

Another sensitive indicator reflecting the balance between supply and demand is the size of the idle fleet, which has been kept low and controlled since mid-2017. Recently, a larger number of vessels are out of service for scrubber retrofits to comply with the new IMO 2020 fuel regulations, which came into effect in January 2020. Excluding this effect, the indicator has not significantly increased, which reflects that current transport capacity is well integrated into the present global market. Furthermore, it would imply that an increase in the idle fleet could significantly reduce the growth in active global supply, which would reduce the risk of destabilization.

These reasons all indicate that the industry has balanced its growth and can organically adjust its transport capacity to changes in demand, using techniques such as slow sailing and voyage cancellation.



## CONSOLIDATION PROCESS COMPLETED AND EFFICIENCIES BEING SOUGHT

The top 10 companies operate 85% of the world's shipping capacity, while the top 5 operate 66%.

Even though the container shipping industry still boasts a large number of players, especially in the segment of smaller-sized companies, the industry is far more consolidated. The top 10 companies operated 85% of the world's shipping capacity at the end of 2019 (61% in 2013), while the top 5 operated 66%.

This trend has continued since the 2009 crisis, due to shipping company mergers and acquisitions. The wave began at CSAV when it merged with Hapag-Lloyd in 2014, and continued when the latter merged with the United Arab Shipping Company (UASC) in 2017, followed by joint operation agreements and alliances on the main trades. These have enabled it to improve customer services, extending geographical coverage while achieving economies of scale and network.

The current structure of global alliances has developed on various trades since the second quarter of 2017, and has resulted in more efficient use of resources and orderly and coherent growth plans that meet joint requirements. The three alliances are: 2M, comprising Maersk and Mediterranean Shipping Company (MSC); Ocean Alliance, led by CMA CGM and COSCO; and THE Alliance, which comprises Hapag-Lloyd, ONE (K-Line, NYK and MOL, the three leading Japanese shipping lines) and Yang Ming, and will be joined in April 2020 by Hyundai Merchant Marine (HMM). They concentrate the total transport capacity for the main long-haul east-west trades.



## Focus on effective integration and post-merger synergies.

Following these processes, the main global operators have already reached a size that enables them to benefit from economies of scale, optimize their fleet and logistics network and increase the scope of their service network. However, larger companies that have emerged from mergers and acquisitions have identified far less benefits, due to decreasing returns on synergies and greater complexities with regulatory issues. Therefore, no new consolidations are envisaged over the next few years, and they will continue to focus on effective integration and harnessing post-merger synergies.

### **STIFF COMPETITION CHASING THIN MARGINS IN THE SHIPPING MARKET**

Over the last three years the Shanghai Containerized Freight Index (SCFI) has been significantly more stable than in 2015 and 2016, when it also reached its lowest historical point. This stability is due to the balanced relationship between supply and demand, to reduced vessel construction and delivery and to the large operating alliances that became effective in 2017.

Profitability is still below that of a sustainable balance and an adequate return on assets.

However, the effect of rising fuel prices has been moderate but continual since 2016. Ex-bunker freight rates (excluding the cost of fuel), which are used by companies to cover all their remaining operating and finance costs, have remained similar to periods with greater crises. Thus, they are lower than rates that the industry considers sustainable to obtain an adequate return on its assets. It is clear that only a marginal increase in ex-bunker rates might provide shipping lines with sufficient revenue to pay all their expenses and achieve profits. This scenario that has not yet been regularly achieved by a significant proportion of the industry.

Average margins between late 2018 and mid-2019 increased, compared to the same period for the previous year, which partially improved the industry's operating conditions. However, average margins fell during the second half of 2019, compared to the same period in 2018, although they improved towards the end of 2019 due to the decrease in the price of high-sulfur fuel. The change in IMO regulations in January 2020 implies this fuel will no longer be used, so demand for it began to fall away and its price fell. It was also due to integrating the price of new low-sulfur fuel into spot rates, which is more expensive because it requires extensive refining. Unfortunately, these margin improvements are temporary and could fall significantly at the beginning of 2020.

### 3) INPUTS AND NEW REGULATIONS

#### PRICES FOR THE PRINCIPAL INPUT REMAIN VERY VOLATILE

Fuel is the most important input in the shipping industry. A moderate but continuous increase in the price of fuel has continued since early 2016, and by the end of 2018 it had broadly recovered to its peak prior to its fall in 2015, which has maintained constant pressure on operating costs and equilibrium shipping rates.

Its price has been very volatile over the last few years, especially at the end of 2018 and during the second half of 2019, because of lower demand for high-sulfur fuel (known as IFO 380) due to the introduction of IMO 2020, which significantly limits its use for long-haul oceanic voyages.

The worldwide application of this environmental regulation to all vessels implies that companies must use a less contaminating fuel known as VLSFO (Very Low Sulfur Fuel Oil) with a maximum sulfur content of 0.5%. This is considerably lower than the current limit of 3.5%, and probably implies higher operational costs due to its extensive refining and consequently higher price. This is the first and most sustainable short-term option that complies with this regulation, and should apply to over 90% of global transport capacity.





At the end of 2019 and the beginning of 2020, the VLSFO price was similar to the price for IFO 380 during the second half of 2018, prior to the effects of the new environmental regulations. However, there is still substantial uncertainty regarding how it will evolve.

There are other options to comply with the new environmental measures in the IMO 2020 regulation, but these have limited application within the total fleet at the moment, and would involve testing, evaluations and potential investment over the next few years.

The second option is retrofitting vessels with scrubbers, which capture the atmospheric sulfur emissions from combustion and allow these vessels to continue using the cheaper high-sulfur fuel. However, companies must then take responsibility for disposing of this waste, which is a complex, expensive logistical process. Furthermore, many jurisdictions no longer allow this fuel to be used within their maritime territories.

The third option is converting vessels to burn liquefied natural gas (LNG), which is the longest term solution for the industry, but could become a new operational paradigm for the shipping industry of the future. This fuel reduces atmospheric sulfur and particle emissions by over 90% and carbon dioxide emissions by over 20% compared to VLSFO, making it the best option currently available. However, the number of new vessels that have adopted this technology and that could be converted is limited. Therefore, it could take several years to achieve significant progress.

# Container Shipping Business

**The results of Hapag-Lloyd's transformations over recent years have been reflected in its operational and financial indicators. Currently, it is achieving industry leading performance.**

The German company Hapag-Lloyd is the fifth-largest container shipping company in the world, with a total transport capacity of 1.7 million TEUs. It operates a very modern, ecological and efficient fleet in comparison to the rest of the industry. Its average vessel size exceeds that of the top 10 global shipping companies by 16%, and 62% of its fleet is company-owned.

The company's extensive network gives it global coverage that connects the main east-west (Far East, Trans-Pacific and Atlantic) trades, north-south (Latin America) trades and internal and emerging trades (intra-Asia, intra-Europe, intra-America, Africa and Oceania). Its services include specialized and over-sized cargo, together with chemical and refrigerated cargo, serving a highly diversified commercial portfolio. Hapag-Lloyd is

organized into six regions: Asia (Singapore), North America (Piscataway-NJ), Latin America (Valparaiso), Europe (Hamburg), Middle East (Dubai) and Southern Europe (Genoa).

Hapag-Lloyd has been actively involved in transforming the industry over the past few years. It initiated the last wave of industry consolidation by merging with CSAV in December 2014, followed by merging with the United Arab Shipping Company in May 2017, to become the fifth-largest global shipping line. Hapag-Lloyd has benefited from significant operational synergies and implemented cost reduction plans, which already total over US\$ 1 billion in savings since 2014. Furthermore, its latest cost management program began in 2018, which will result in estimated additional annual savings of between US\$ 350 million



## EXCELLENT OPERATIONAL AND FINANCIAL PERFORMANCE

Revenue  
**US\$ 14,115**  
million

EBIT / TEU transported  
**US\$ 75**

Net income for the year  
**US\$ 418**  
million

### SOUND FINANCIAL POSITION

- Operating cash flows of US\$ 2,270 million
- Reduction of financial debt by US\$ 981 million

### ACTIVE ROLE IN INDUSTRIAL CHANGES

- Successful mergers with CSAV and UASC
- Main member of THE Alliance
- Complete adoption of IMO 2020 regulations

### CONTINUAL SEARCH FOR IMPROVEMENTS

- Cost optimization by 2021
- 2023 strategy

and US\$ 400 million by 2021, although it has already captured over 50% in 2019.

Similarly, it has negotiated joint operating agreements and global alliances that have extended the scope of its services. It has participated in "THE Alliance" since April 2017, which includes the Japanese companies K-Line, Mitsui O.S.K. Lines (MOL), and Nippon Yusen Kaisha (NYK), aligned since 2018 in the Ocean Network

Express(ONE), in addition to Yang Ming. The integration of Hyundai Merchant Marine (HMM) is scheduled for April 2020. THE Alliance represents 17% of the world's total container shipping capacity and operates a significant share of the major east-west trades, such as the Transatlantic, Transpacific and Far East trades, with shares of 36%, 26% and 24%, respectively.

Hapag-Lloyd has been developing a strategic plan since 2018 that captures the increasingly complex nature of improvements from economies of scale, synergies and efficiency plans. Its focus has been on creating greater value for its customers. A key objective of its 2023 strategy is to lead by quality and provide a superlative transport service supported by digital transformation and organizational agility.

# Vehicle Transport Business and Industry

## BUSINESS

CSAV directly operates the business of shipping vehicles in specialized vessels known as Pure Car and Truck Carriers (PCTC). These vessels can load and unload vehicles on their own wheels using Roll-on Roll-off (RoRo) ramps and can transport a wide range of vehicles, such as passenger vehicles, commercial vehicles, trucks, industrial machinery and any rolling cargo.

The Company mainly served South America's west coast markets during 2019, which import vehicles from the main global production centers, such as Asia, Europe, North America, and the east coast of South America. The wide geographic scope of these services has made CSAV a regional market leader.

The operational structure implemented during 2019 mainly affected the trades from Europe and North America, and reflects vessel charter agreements with other operators in the industry. This has significantly reduced its operating cost structure.

No CSAV customer individually represented over 10% of the Company's revenue during 2019. Only two suppliers individually represented over 10% of the Company's purchases in 2019.

## INDUSTRY

Chile and Peru are the main import markets for CSAV on the west coast of South America, and they grew in 2017 and 2018, due to greater economic dynamism and increased consumer expectations regarding prevailing economic conditions, which was reflected in significant vehicle imports and sales. However, demand growth began to weaken towards the end of 2018, which was accentuated during 2019 when local economic conditions generated a swift contraction in vehicle demand that reduced imports.





Furthermore, global vessel charter rates rose, due to greater supply rationalization, reduced investment in vessel construction worldwide and increased vessel scrapping while demand recovered, which increased pressure on CSAV's business.

## CSAV'S MARKETS AND SERVICES

### AUSTRAL SERVICE

Monthly service that calls at the main ports with rolling cargo production in Brazil and Argentina, destined for markets in Chile and Peru, and connections to Ecuador. This service operates vessels with a capacity of 5,000 to 7,400 RT.

### EUMEXSA SERVICE

Monthly service that connects the main hub port of Zeebrugge in Belgium for vehicles in Europe, with ports on the east coast of the United States and continues via the Panama Canal to the Pacific coast of South America. This service operates vessels with a capacity of 5,000 to 6,000 RT.

### AUSTRAL SERVICE



### EUMEXSA SERVICE



### NASA SERVICE

Monthly service that serves ports in Germany, Belgium and Spain and transshipment connections from England, Sweden, Italy and Turkey, among others, collecting cargo destined directly for Chile and Peru and via transshipment to Colombia and Ecuador. This service operates vessels with a capacity of 6,400 to 7,600 RT.

### AJAP SERVICE

Twice monthly service from Japan and China to Peru and Chile with connections from China, which extends its coverage to that region. This service operates vessels with a capacity of 6,000 to 7,700 RT.

### NASA SERVICE



### AJAP SERVICE



At the end of January 2020 CSAV decided to close its vehicle transport business and discontinue these services in an orderly manner to focus all of its financial and management strengths on developing its main asset, its share of the German shipping company Hapag-Lloyd.

During 2019, the Company's financial statements continued to present as discontinued activities its subsidiaries associated with its freight forwarder and integrated logistics business, which were discontinued in 2018.

# Consolidated Results

**Net income attributable to the owners of the company** of MMUS\$ 124.6 for the year ended December 31, 2019, represents an improvement of MMUS\$ 106.4 over the same period in 2018.

The Company reported an **operating loss** of MMUS\$ 10.7 for the year ended December 31, 2019, which represents a decrease of MMUS\$ 14.4,4 with respect to the same period last year, explained in part by the **negative gross margin** of MMUS\$ 0.9, marking a drop of MMUS\$ 5.1 from last year, related to reduced results from CSAV's direct operations in the vehicle transport business, which was negatively affected by increased operating costs stemming from higher vessel charter prices with respect to the same period last year, and a smaller volume of vehicles transported, in addition to an increase in provisions for onerous contracts for voyages over the next few months.

CSAV's Income Statement shows **revenue** of MMUS\$ 93.0 for 2019, which represents an increase of MMUS\$ 1.6 with respect to the same period in 2018, explained by the Company's shift in operating structure due to lower volumes of vehicles transported, which resulted in higher income from vessel charters and slot sales to third parties on operated vessels with respect to 2018, which helped offset the costs from diminished vessel usage. Excluding this effect, in 2019 there was a decrease in freight income as a result of lower demand. A portion of this income was impacted by indexation to variations in fuel prices, but the effect was not significant with fuel prices rising a mere 1% during the year.

**Cost of sales** reached MMUS\$ 93.9 for the year ended December 31, 2019, up MMUS\$ 6.7 from last year, explained by increases in fleet costs related mostly to vessel charters, and the rise in provisions for onerous contracts associated with voyages over the next few months.



**Administrative expenses** totaled MMUS\$ 12.2 in 2019, reflecting an increase of MMUS\$ 1.7 over the same period last year, which also includes costs related to closing the vehicle transport service.

**Other operating income** reached MMUS\$ 2.4, down MMUS\$ 7.6 from the same period last year, related mainly to the sale of offices not used for operations and classified as investment property within the Company's assets.

In share of income (loss) from equity method associates and joint ventures, CSAV recognized income of MMUS\$ 147.8 for the year ended December 31, 2019, which is MMUS\$ 133.8 greater than the figure recorded in 2018. This improvement is due an increase of MMUS\$ 99.2 in CSAV's direct share in Hapag-Lloyd's net income compared to 2018, which in turn is due to the significant increase of MMUS\$ 363.6 in Hapag-Lloyd's net income for the year and to CSAV's increased interest during 2019. Another contributing factor was the greater badwill in 2019 of MMUS\$ 33.6 compared to 2018 associated with the recently increased interest, and greater amortization of the PPA for the investment in Hapag-Lloyd of MMUS\$ 1.0 compared to 2018.

For the year ended December 31, 2019, CSAV recognized an income tax expense of MMUS\$ 1.3, representing an increase of MMUS\$ 8.4 over the same period in 2018. This change is mainly due to the increase in deferred tax expense in 2019 because of the effect of the depreciating euro on the CSAV Group's financing structure for its investment in Hapag-Lloyd.

Therefore, the Company's **net income attributable to the owners of the company** of MMUS\$ 124.6 for the year ended December 31, 2019, represents an improvement of MMUS\$ 106.4 over the same period in 2018.

## MAIN INDICATORS

Financial Position <sup>(1)</sup> MMUS\$	2019	2018	2017	2016	2015	2014
Equity method investments	2,168.4	1,939.5	1,932.3	1,771.7	1,792.5	1,765.2
Total assets	2,517.4	2,257.9	2,266.0	2,168.2	2,237.0	2,210.6
Total liabilities	293.2	127.7	148.5	161.7	176.3	310.7
Total equity	2,224.2	2,130.2	2,117.5	2,006.5	2,060.7	1,899.9
Statement of Income <sup>(1)(2)</sup> MMUS\$	2019	2018	2017	2016	2015	2014
Revenue	93.0	91.4	109.9	109.3	167.0	235.3
Cost of sales	(93.9)	(87.2)	(102.6)	(105.9)	(164.2)	(237.1)
Net operating income (loss) <sup>(3)</sup>	(10.7)	3.7	1.3	7.9	(12.8)	825.6
Share of income (loss) of equity method associates and joint ventures	147.8	14.0	(139.5)	(7.0)	(6.5)	(86.7)
Non-operating income (loss) <sup>(4)</sup>	(10.3)	(6.1)	(3.4)	(4.0)	(1.1)	8.6
Net income (loss) attributable to owners of the Company	124.6	18.2	(188.1)	(23.3)	(14.7)	388.7
Earnings (loss) per share attributable to the owners of the Company (US\$*100)	0.4	0.1	(0.6)	(0.1)	(0.0)	2.3
Key Financial Indicators	2019	2018	2017	2016	2015	2014
Return on average assets %	5.2	0.8	(8.5)	(1.1)	(0.7)	17.6
Return on average equity %	5.7	0.9	(9.1)	(1.1)	(0.7)	20.5
Current liquidity	0.7	1.6	1.8	1.5	1.3	0.4
Leverage ratio	0.1	0.1	0.1	0.1	0.1	0.2
Operational Indicators for CSAV <sup>(5)</sup>	2019	2018	2017	2016	2015	2014
Paying cargo, in millions of tons <sup>(6)</sup>	0.3	0.3	0.4	1.1	1.1	24.8
Vessel operating days <sup>(7)</sup>	1,407	1,570	1,965	2,560	2,991	19,446
Vessel annual equivalent <sup>(8)</sup>	3.9	4.3	5.4	7.0	8.2	57.3
Indicators for Investment in Hapag-Lloyd	2019	2018	2017	2016	2015	2014
CSAV's interest at year end (%)	27.8%	25.9%	25.5%	31.4%	31.4%	31.4%
Hapag-Lloyd's net income for the year (MMUS\$)	417.9	54.3	35.3	(102.9)	126.4	(802.2)
Hapag-Lloyd's dividends (MMUS\$) <sup>(9)</sup>	29.8	117.3	-	-	-	-

<sup>(1)</sup> The financial statements for 2014 to 2019 have been prepared under International Financial Reporting Standards (IFRS).

<sup>(2)</sup> The Statement of Net Income for 2016, 2015 and 2014 have been restated to reflect discontinued operations in 2017, 2016 and 2015, respectively.

<sup>(3)</sup> Net operating income (loss) under IFRS.

<sup>(4)</sup> Net income (loss) before taxes, less net operating income and share of income (loss) of equity method associates and joint ventures under IFRS.

<sup>(5)</sup> The information for 2017 includes Norgistics' freight forwarding and logistical services for eleven months, and the Company's remaining businesses for twelve months. The information for 2016 includes the liquid bulk service for nine months, and the Company's remaining businesses for twelve months.

<sup>(6)</sup> Paying cargo: a freight payment unit, basically one thousand kilograms, or for volumes, a cubic meter or 40 cubic feet. This calculation includes all of CSAV's services: container shipping, car carrier, reefer cargo and bulk solids and liquids.

<sup>(7)</sup> Vessel operating days: this includes all of CSAV's services: container shipping, car carrier, reefer cargo and bulk solids and liquids.

<sup>(8)</sup> Vessel annual equivalent: vessel operating days divided by the days in a year.

<sup>(9)</sup> Dividends distributed in the year and charged to earnings for the previous year.



# Risk Management

The container shipping business is CSAV's main asset, through its investment in Hapag-Lloyd. Although CSAV is not directly exposed to the financial risks of the container shipping industry as an operator, it is indirectly exposed because these risks affect the value of the Company's investment in that joint venture, the associated dividend flow from Hapag-Lloyd and its capital requirements, which could result in CSAV having to subscribe to capital increases. If it chooses not to subscribe, its interest could be diluted. Consequently, the value of its investment and associated future dividends would decline.

CSAV announced its decision to close its vehicle transport business in January 2020. Accordingly, CSAV's direct operational risks have significantly reduced, as very limited business will continue for the first half of 2020 only, in order to bring these services to an orderly close.

## MARKET RISK

### SUPPLY-DEMAND EQUILIBRIUM

The demand for maritime transport is highly correlated with growth of global GDP and trade, whereas, the supply of vessels is determined by the global fleet. An imbalance between supply and demand could affect the container shipping business managed by Hapag-Lloyd, and negatively impact the financial performance of all shippers by not keeping vessel chartering costs correlated with changes in freight rates, discounting the cost of fuel (ex-bunker rate).

A sudden global economic slowdown could potentially lead to the risk of imbalance, due to lower growth in the demand for shipping services compared to forecast growth in supply, with the latter represented by the delivery of vessels whose construction is already committed. A greater imbalance could result in an oversupply of capacity and general conditions would deteriorate, since the industry operates with low profit margins and is fiercely competitive. Such a situation could be triggered by the COVID-19 virus,



which has been spreading from China since the beginning of 2020 and has suspended businesses around the world. However, it is still too early to assess the potential effects of this virus on the shipping industry.

The imbalance between supply and demand can affect shippers to a greater or lesser extent depending on the characteristics of their operating fleet, such as vessel age, fuel consumption, versatility and other characteristics, the proportion of their fleet that is owned versus chartered, or operational leverage, in comparison to the industry. The duration and age of charter agreements can limit shipping companies' capacity to match their operated fleets and change their vessel sailing speed, in response to abrupt drops in shipping demand, or streamlining and cost-cutting initiatives.

Consequently, a tremendous challenge facing shippers is establishing a fleet strategy that balances company-owned with chartered vessels that is consistent with its market position and forecasts for the next few years. Hapag-Lloyd has medium and long-term contracts with a significant portion of its customers that include freight rates that are either fixed, or indexed to changes in fuel prices, in order to mitigate fluctuations in the demand for its services.

## **GEOGRAPHICAL MARKETS**

Hapag-Lloyd participates in the container shipping business across all major global trades and it distributes its services across diverse geographical markets. As a result, this business does not particularly expose the Company to a restricted group of geographical markets, and it may compensate for potential market contingencies on certain trades, but still leave it exposed to global fluctuations. Even with a balanced global service network, Hapag-Lloyd's relative exposure is above the industry average on Transatlantic, Latin American and Middle East trades and below average on Asia-Europe and Transpacific trades.

## FUEL PRICES

Fuel is an important component in the cost structure of the shipping industry and is commonly called “bunker”. Shipping companies are exposed to risk that its price may increase. The greatest risk arises from customers with a service contract at fixed rates, which may lead to deteriorating operating conditions unrelated to the agreement.

Price adjustments based on changes to the cost of fuel, known as Bunker Adjustment Factor (BAF), are normally effective in covering the risk of volatile fuel prices. However, their effectiveness may be affected by price movements between the calculation date and the invoice date. The Company also has fixed-price sales and contracts without a BAF, and sales with a BAF clause that limits its coverage. Therefore, it purchases fuel hedges with terms that match the volumes it wants to hedge in order to ensure that fuel costs match the corresponding freight contracts. However, the Company cannot ensure that these hedges will completely mitigate the negative impact of a rise in fuel prices or other price variations that affect performance, such as foreign exchange or interest rates.

Furthermore, a regulation issued by the International Maritime Organization (IMO), also known as “IMO 2020”, came into effect on January 1, 2020, which aims to reduce atmospheric sulfur emissions and protect the environment. Companies are now required to retrofit scrubbers on their vessels, or buy cleaner fuels or invest in alternative fuels for their vessels, which are likely to have a higher price. Therefore, a risk arises that this rise in operating costs may not be transferred to freight rates, due to contractual conditions or fierce competition within the industry.

Accordingly, shipping companies have been incorporating improvements to their BAF clauses when renewing their contracts, by making them simpler, easier to understand and correlating them to fluctuations in the price of new fuels. The industry has also implemented new temporary and permanent surcharges to cover the investment and start-up costs related to these new inventories.

CSAV and Hapag-Lloyd’s exposure is fairly limited as they use the techniques already described, such as updating BAF clauses in contracts with their customers and fuel price hedges.

## REGULATORY CHANGES IN MARKETS

Shipping companies are subject to a wide variety of laws, regulations and local, national and international agreements related to operating permits and environmental requirements that apply to the shipping business. These laws, regulations and agreements can change substantially and affect companies' operating performance or ability to comply.

The shipping business is exposed to the impact that governments may have on many aspects of the public and private sector, such as changes in tax, labor, monetary and other policies, which impact domestic economies. CSAV and Hapag-Lloyd do not control and can by no means predict how government intervention and policies will affect domestic economies.

## INTEREST RATE FLUCTUATIONS

Interest rate fluctuations impact floating rate obligations. The Company does not hedge interest rates on loans with variable interest rates based on Libor. The potential effect of unhedged interest rate fluctuations on variable-rate financial instruments (assets and liabilities) held by CSAV as of December 31, 2019, is estimated to be ThUS\$(296). This effect includes the combined effect on net income of: (i) an increase of 1% in the variable benchmark rate, which is used for variable-rate financial liabilities, and (ii) an increase of 1% in the overnight Libor rate, which is primarily used to invest cash surpluses.

## 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. It is also Hapag-Lloyd's functional currency. However, CSAV also has revenue and costs in other currencies, such as Chilean pesos, euros, Brazilian reals and Chinese yuan.

Most of the Company's assets and liabilities are denominated in US dollars. However, it also has specific assets and liabilities in other currencies, which are detailed in Note 33 to the 2019 Consolidated Financial Statements.

The Company does not have any foreign currency hedges as of December 31, 2019, and manages the risk of exchange rate fluctuations by regularly converting into US dollars any local currency balances that exceed payment requirements in that currency.

A 10% depreciation in the US dollar with respect to other important currencies to which the Company is exposed as of December 31, 2019, would result in an estimated loss of ThUS\$ 23, keeping all other variables constant.

Furthermore, CSAV has a financing structure in euros with its subsidiary CSAV Germany Container Holding GmbH, which holds the investment in Hapag-Lloyd. Thus, changes in the euro-dollar exchange rate can affect CSAV's standalone net income, which is used to calculate taxes in Chile and can significantly impact its deferred tax expense and deferred tax assets.

## **RISKS INHERENT TO THE SHIPPING BUSINESS**

### **CREDIT RISK**

CSAV has a strict credit policy for managing its receivables portfolio. Most of the Company's customers are direct customers. This policy is based on lines of credit and payment terms granted on the basis of an individual analysis of the solvency, payment capacity, and general references for each customer, their shareholders, industry and market, and their payment performance.

The Company supports its agreements for vessel and slot charters to third parties using Charter Party and Slot Charter Agreements drafted using industry standard models that appropriately cover its interests. CSAV charters vessels to third parties and slots to other shipping companies, always taking into consideration the counterparty's creditworthiness. However, CSAV often charters slots from the same shipping companies to which it charters its own slots on other voyages and services, which significantly reduces the risk of default.

The Company makes provisions for impaired trade receivables in accordance with the impairment model based on expected credit losses, which also includes fully providing for judicial collections, bounced checks, related situations and high-risk customers and agencies, based on a case-by-case analysis.



## LIQUIDITY RISK

This risk refers to the Company's exposure to business or market factors that may affect its ability to generate income and cash flow, including the effect of contingencies and regulatory requirements associated with its business. CSAV has specific long-term borrowing to finance its investment in Hapag-Lloyd.

However, if necessary the Company has negotiated a line of credit totaling US\$10 million, which had not been drawn down as of December 31, 2019.

## OPERATIONAL RISK

The risks of operating vessels include the possibility of accidents and maritime disasters with environmental consequences, death, loss or damage to property and cargo, among others. These can be caused by mechanical failure, human error, war, terrorism, piracy, adverse meteorological conditions, strikes or other labor problems at ports, among other reasons.

CSAV and Hapag-Lloyd operate in numerous countries and, therefore, are exposed to risks related to strikes, political instability and other events that could lead to business interruptions or the impairment of owned or chartered assets. Such events could result in partial or total closure of ports or waterways, such as the Panama Canal.

Shipping companies take out insurance to protect their fleet, with policies covering hull and machinery, war, strike and other maritime risks. Protection and indemnity insurance covers potential liability for damage to cargo, bodily injury for crew members, damage to third parties, liability for pollution, and other risks, such as policies covering the remaining property, plant and equipment.

## RISK MANAGEMENT MECHANISMS

Although CSAV jointly controls Hapag-Lloyd together with two other shareholders, 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 German and European Union regulations. A more detailed description of these risks and how they are managed by Hapag-Lloyd can be found in its 2019 Annual Report, which is available in English at the following link: <https://www.hapag-lloyd.com/en/ir/publications/financial-report.html>

CSAV manages the risks associated with its own internal processes, such as operational, financial and management risks, primarily through a program that includes internal and independent audits, a risk management plan, and administrative policies and procedures.

The audit plan is based on regularly updating the Company's process map and reviewing it in detail. A severity analysis was conducted on the updated process map in order to allocate the time required for each department and process within the audit plan. This analysis evaluated the effect and the likelihood of occurrence of risks for each process and sub-process. The basis for this analysis is the Company's risk appetite, established in its formal risk management procedure.

Summary audit results are regularly reviewed by the Directors' Committee. Management also manages risk by process, using a system that includes risk management policies and procedures, risk profiles, annually updated risk inventories and a Risk Committee that meets at least four times a year to review all risk-related matters and action plans to mitigate the most significant risks. This process is validated by the Directors' Committee and approved by the Board when necessary, based on the risk definitions in the policy. Risk management is audited by an independent third party every year.

## RISK RATING AGENCIES

In April 2019, International Credit Rating Clasificadora de Riesgo Ltda. (ICR) upgraded CSAV's credit and bond rating from BBB- to BBB with a stable outlook, mainly due to greater stability of its cash flows from Hapag-Lloyd (rated B1 by Moody's) and as a result of its improved operational performance over the last few years. Subsequently, ICR ratified these credit and bond ratings in its annual rating in May 2019, and its share rating as First Class Level 3.

Feller Rate Clasificadora de Riesgo Ltda. upgraded the outlook for the Company's credit rating in June 2019, from negative to stable, ratifying its general rating as BBB- and its share rating as First Class Level 4.



# Investment and Financing

## CONTAINER SHIPPING BUSINESS

CSAV signed a Business Combination Agreement (BCA) with Hapag-Lloyd in April 2014, which contained the terms for merging their container shipping businesses. All the conditions defined in the BCA were fulfilled in December 2014, and the container shipping business was transferred to Hapag-Lloyd, making CSAV the largest shareholder in this German company with a 30% interest. After the merger, Hapag-Lloyd became a leading global operator of containerized cargo. CSAV's interest increased to 34% during December, after contributing EUR 259 million to a Hapag-Lloyd capital increase of EUR 370 million. The shareholder agreement agreed between Hapag-Lloyd's controlling partners—CSAV, Kühne Maritime and the city of Hamburg—took effect when this transaction was closed. The agreement formed a long-term partnership to give stability to the new entity's control structure.

The Company fully prepaid all its bonds issued in UF in September 2015, in order to improve its financial structure. The prepayment was financed with a long-term loan of US\$45 million from Banco Itaú Chile.

Hapag-Lloyd successfully completed its Initial Public Offering (IPO) on the stock exchanges in Frankfurt (Prime Standard) and Hamburg in November 2015, in accordance with the original transaction conditions. CSAV and Kühne Maritime subscribed 10.33% of the shares issued at the IPO, contributing EUR 27.3 million each. The IPO was primarily intended for the market. Accordingly, CSAV reduced its interest from 34.0% to 31.35%. Thus, the voting rights exercised by parties to the shareholder agreement, through Hamburg Container Lines Holding GmbH & Co. KG, were reduced from 51% to 45%. Nevertheless, the parties to the shareholder agreement jointly controlled 72% of Hapag-Lloyd. Subsequently, the Company placed bonds in the local market in October for US\$50 million, which were used to repay the loan of US\$30 million to its parent company, Quiñenco S.A, used to finance its contribution to the Hapag-Lloyd IPO in 2015.

Hapag-Lloyd and United Arab Shipping Company (UASC) signed a Business Combination Agreement in July, whereby the German company acquired all the shares of UASC in exchange for 28% of its own shares. This resulted in Hapag-Lloyd becoming the fifth-largest shipping company in the world, with CSAV remaining the principal shareholder of the combined entity with a 22.6% interest. After a second capital increase, its interest increased to 25%. The merger between Hapag-Lloyd and UASC was announced in 2016



and was concluded in May 2017. This resulted in Hapag-Lloyd remaining the fifth-largest shipping company in the world. The merger diluted CSAV's interest in Hapag-Lloyd from 31.35% to 22.57%, but it remained the largest shareholder of the combined entity and retained joint control of the company through a shareholder agreement with its partners Kühne Maritime and the city of Hamburg. Hapag-Lloyd increased its capital by EUR 352 million (approx. US\$414 million) in October, in accordance with the BCA, in order to strengthen the combined company's financing structure, which brought CSAV's interest down to 24.7%. However, in accordance with agreements prior to closing the BCA, towards the end of that month CSAV increased its interest from 24.7% to 25%, by acquiring additional Hapag-Lloyd shares from Kühne Maritime. The Company financed





these transactions with two bridge loans for a total of US\$120 million from commercial banks and funds raised from CSAV's majority shareholders in its capital increase in Chile. In November, CSAV successfully concluded its capital increase in Chile that began in October, and issued 6,100 million new shares through a rights issue at a price of Ch\$30.55 per share, raising a total of US\$294 million. CSAV attained a 25% interest in Hapag-Lloyd in December and repaid its bank commitments, and it further increased its holding in the German shipping line to 25.46% as of the close of the 2017 financial statements.

CSAV increased its share in Hapag-Lloyd by 0.4% during the second quarter of 2018, from 25.46% to 25.86% as of June 30, 2018, through purchases on German stock exchanges. This investment required funds totaling US\$ 28.4 million, which were covered by bridge loans that were subsequently repaid from Hapag-Lloyd's dividends paid in July 2018. This dividend was proposed by Hapag-Lloyd's Board of Directors on March 28, 2018, together with the publication of its 2017 Annual Report, and was approved at a meeting of Hapag-Lloyd's shareholders on July 10, 2018. The dividend was euro 0.57 per share. The total dividend payable to Hapag-Lloyd shareholders amounted to Euro 100 million, and CSAV received US\$ 30.2 million for its 25.86% interest.



CSAV continued to increase its interest in Hapag-Lloyd through selective acquisitions on German stock exchanges throughout the first three quarters of 2019 and purchased 1.93% during that period to close 2019 with 27.79%. CSAV stopped acquiring further shares at the beginning of 2020 after reaching its target of a 30% interest in Hapag-Lloyd when it acquired 2.21% from the Qatar Investment Authority (QIA). The funds required to increase its interest from 25.86% to 30% totaled about US\$ 450 million. This transaction was partially financed by a bridge loan of US\$ 100 million (US\$ 70 million from Banco Consorcio and US\$ 30 million from Compañía de Seguros de Vida Consorcio) during the second quarter of 2019, which was repaid during the third quarter with funds from issuing and placing Series C bonds for the same amount and charged to the US\$ 150 million line registered with the Financial Market Commission. It was also partially financed with bridge loans received in 2019 and 2020, mainly from its controlling shareholder, Quiñenco. Therefore, CSAV has announced in a Material Event that it intends to increase its capital, which is expected to be completed during 2020, depending on market conditions.

# People

## CSAV WORKFORCE

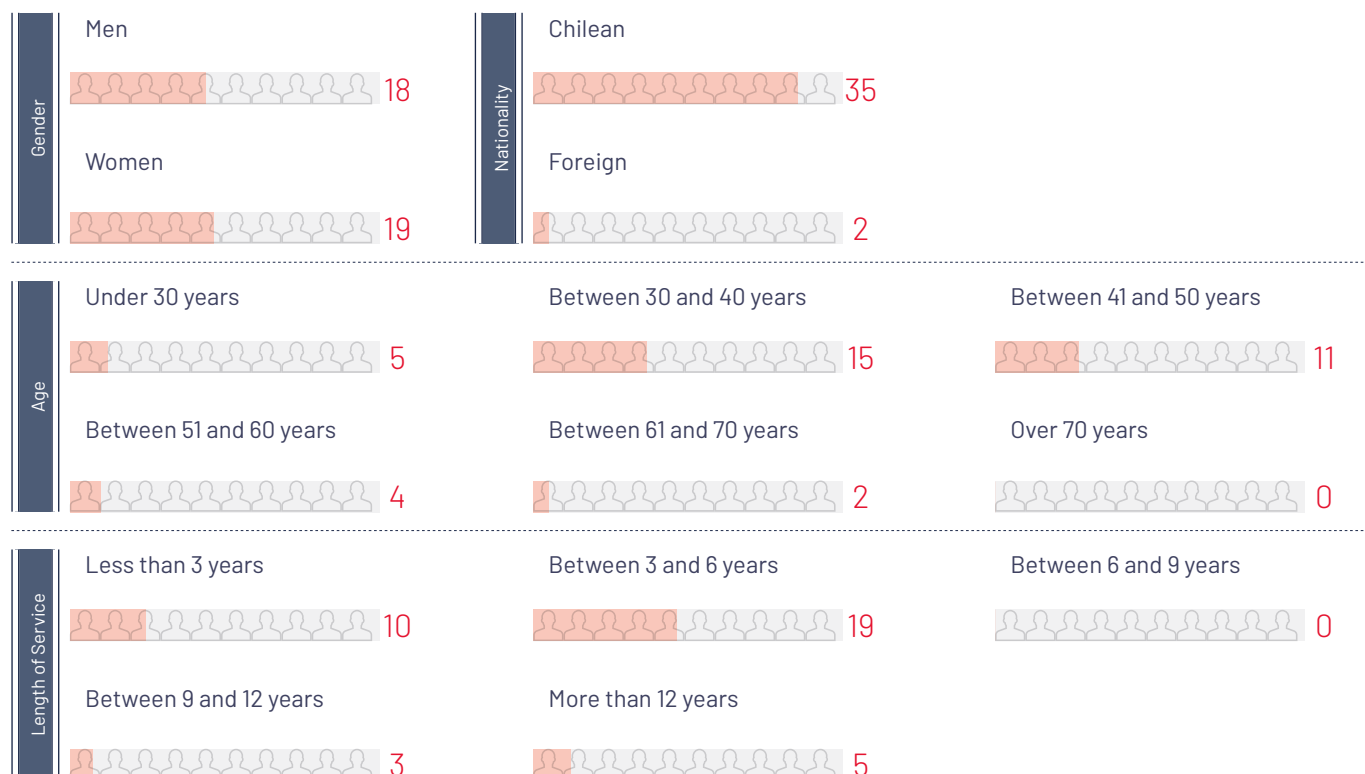
Global workforce of CSAV and its subsidiaries as of December 31, 2019.  
All employees are located in Chile.



## EMPLOYEE DIVERSITY

As of December 31, 2019

### NUMBER OF PEOPLE BY CLASSIFICATION



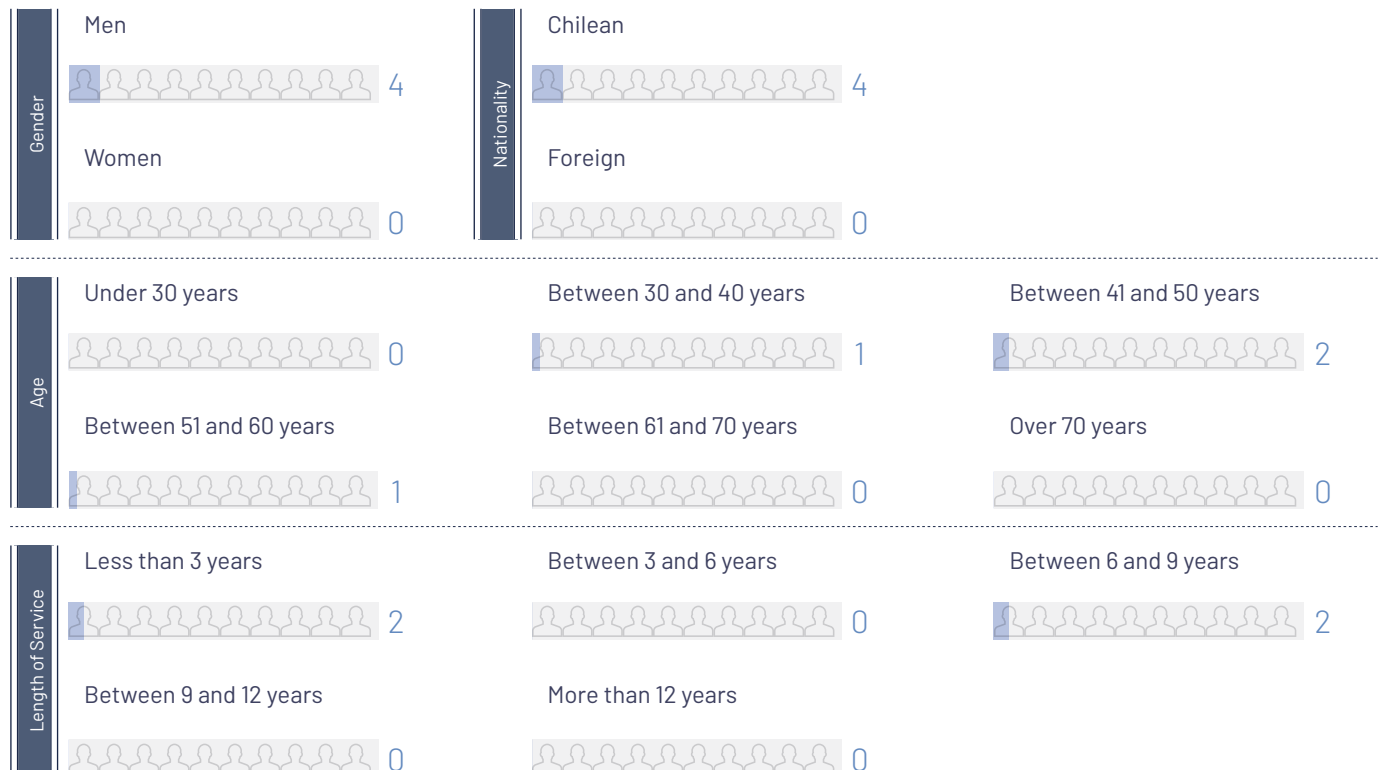




## MANAGEMENT DIVERSITY

As of December 31, 2019

### NUMBER OF PEOPLE BY CLASSIFICATION

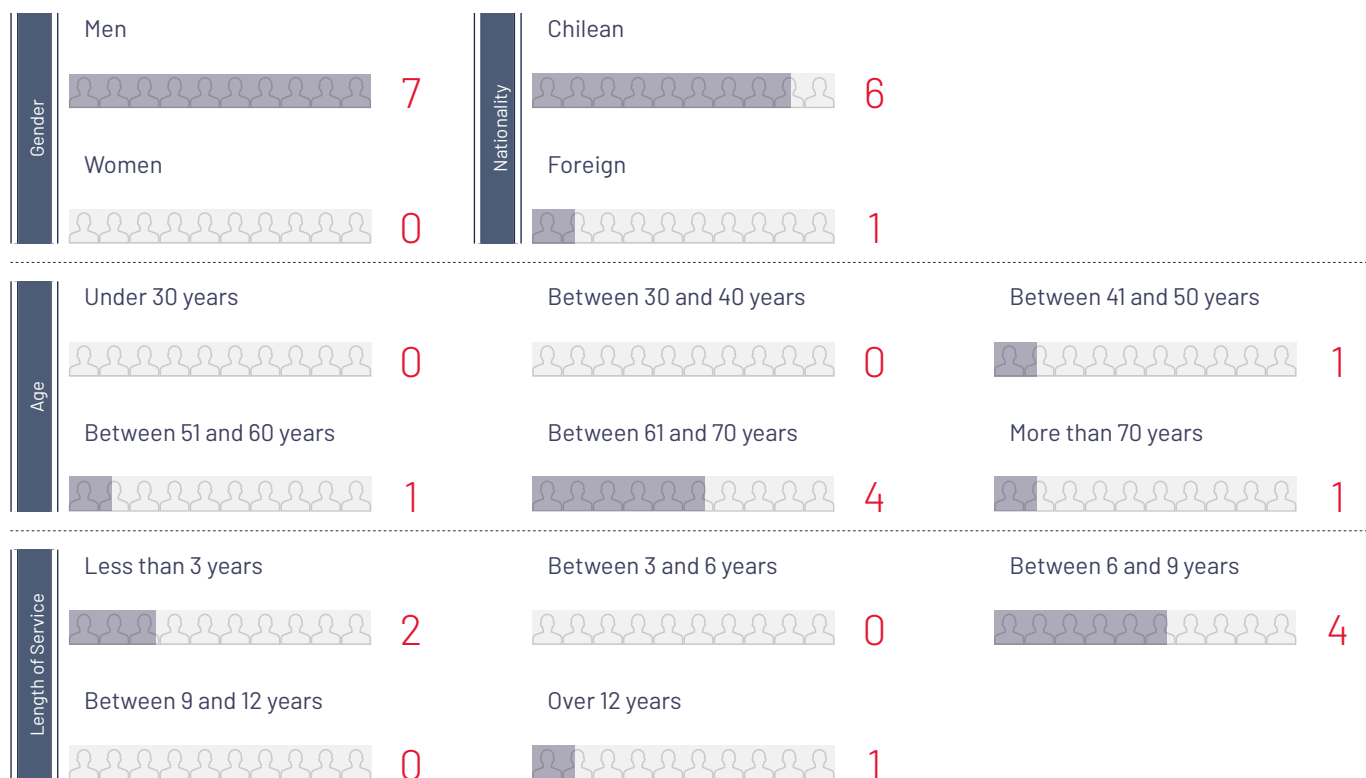


## BOARD DIVERSITY

As of December 31, 2019



### NUMBER OF PEOPLE BY CLASSIFICATION



## SALARY GAP BY GENDER

The following table shows the proportion of average gross salary for women relative to men for each hierarchical level in the organization. This analysis does not apply to managers and deputy managers as there are no women in these positions.

Position	Proportion
Managers	Not applicable
Deputy managers	Not applicable
Department heads and senior specialists	98.5%
Supervisors and specialists	98.6%
Coordinators	94.0%
Administrative staff	97.0%
General	97.0%





# Environmental Management

## SUSTAINABILITY AT HAPAG-LLOYD

Hapag-Lloyd's sustainability policy declares that compliance with all environmental laws and regulations are essential. This approach has applied to its preparations for the IMO 2020 standard that comes into effect on January 1, 2020.

This International Maritime Organization (IMO) measure aims to significantly improve the ecological footprint of shipping and reduce emissions from vessels across the industry by 77% globally, equivalent to about 8.5 million metric tons of sulfur oxide per year.

The IMO 2020 regulation is the most radical and complex change in the industry in years and has involved a number of technical challenges, as well as preparing for a significant impact on the industry's costs. An additional annual fuel cost of US\$ 60 billion has been initially estimated for the industry, and US\$ 1 billion for Hapag-Lloyd, in the early years.

IMO 2020 proposes three options to meet this standard, using alternative fuels, installing exhaust gas cleaning systems, and using low-sulfur fuels. Hapag-Lloyd has responded by implementing the high standards contained in environmental regulations and expertise in proactively reducing its emissions, while continuing to evaluate other technological options.

Its entire fleet is running on low-sulfur fuel, which is the best solution for Hapag-Lloyd, and the most viable in the short term.

It will also test two vessels in 2020, with systems that clean exhaust gases (known as EGCS) before they are released into the atmosphere.

It also took a technological leap by reconditioning the "Sajir", one of 17 vessels in Hapag-Lloyd's fleet configured to run on Liquefied Natural Gas (LNG). This 15,000 TEU capacity vessel will be the first container vessel converted to burn this fuel in the world and is expected to be fully operational during the last four months of 2020. More importantly, this pilot project aims to demonstrate that the existing fleet can also be adapted to burn LNG and convince the industry that converting their vessels is feasible.



If the shipping industry switches to LNG it will not only reduce sulfur dioxide and particulate emissions by over 90%, but also potentially reduce CO<sub>2</sub> emissions by approximately 20%. This not only progresses towards the IMO's goal of zero industry emissions by 2100, but also reaffirms Hapag-Lloyd's commitment as a leading company in the reduction of carbon emissions.

The Marine Fuel Recovery (MFR) mechanism was launched during 2019, which simplified the rate structure and replaced all fuel charges. This transparent and fair system aims to recover the fuel-related costs caused by IMO 2020 and has been widely accepted by customers and various stakeholders.

Hapag-Lloyd's sustainability strategy includes progressing towards the goal of reducing specific CO<sub>2</sub> emissions from its fleet by 20% (per TEU km) during 2020.

Therefore, it has become more involved in the Ship Recycling Transparency Initiative (SRTI) over the past year, which has introduced greater transparency and harmony to competition in this area, and leveled the playing field within the industry so that all shipping companies can eventually recycle their ships in an environmentally friendly manner.

Hapag-Lloyd is a founding partner of SRTI. The organization spent 2019 identifying shipyards that comply with EU standards, although it also expects to certify sites outside Europe.

Hapag-Lloyd will continue to work tirelessly on mitigating climate change, and responding to the UN's call to action.



# Environmental Protection Measures in the Hapag-Lloyd Fleet

- Compliance with ISO 9001 and ISO 14001 worldwide.
- Certified compliance with the highest environmental standards.
- GL Excellence - 5 stars (covers multiple criteria).
- Energy Efficiency Design Index (EEDI) for the entire owned fleet.

Active meteorological navigation with route optimization.

Self-adjusting and adaptive autopilot.

"No Trash Overboard" Policy.

Sophisticated performance management reduces the movement of empty containers around the world.

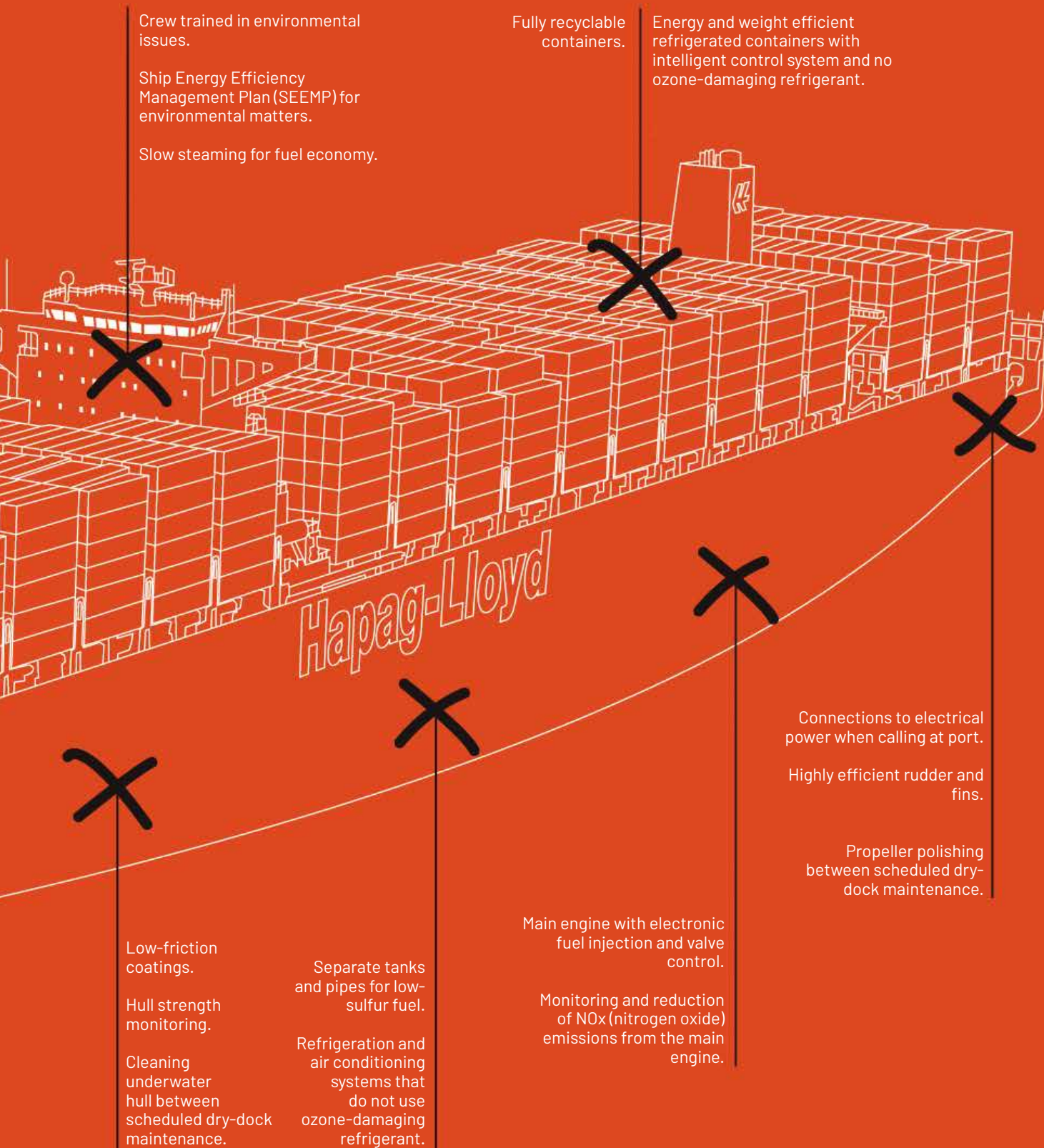
Electrical deck machinery.

HAMBURG EXPRESS

Tanks and biological treatment plants for waste water.

Strict management and treatment of ballast water.

Large bilge holding tanks, and water / bilge separator.



Crew trained in environmental issues.

Ship Energy Efficiency Management Plan (SEEMP) for environmental matters.

Slow steaming for fuel economy.

Fully recyclable containers.

Energy and weight efficient refrigerated containers with intelligent control system and no ozone-damaging refrigerant.

Hapag-Lloyd

Connections to electrical power when calling at port.

Highly efficient rudder and fins.

Propeller polishing between scheduled dry-dock maintenance.

Low-friction coatings.

Hull strength monitoring.

Cleaning underwater hull between scheduled dry-dock maintenance.

Separate tanks and pipes for low-sulfur fuel.

Refrigeration and air conditioning systems that do not use ozone-damaging refrigerant.

Main engine with electronic fuel injection and valve control.

Monitoring and reduction of NOx (nitrogen oxide) emissions from the main engine.





## CSAV QUALITY AND ENVIRONMENTAL MANAGEMENT

CSAV's Quality and Environmental Policy commits it to meeting customer requirements and expectations, by providing secure cargo shipping services that comply with the terms of the contract.

This commitment is based on the Company's strategic pillars, as follows:

- Continuous improvement of the Integrated Quality and Environmental Management System.
- Compliance with the laws and regulations that apply to the shipping business.
- Environmental sensitivity to the stakeholders involved in CSAV's shipping services.

The Integrated Quality and Environmental Management System monitors all processes, ensures that they comply with ISO standards, and that the Continuous Improvement Cycle (Plan, Execute, Measure, Act) is systematically applied.

Senior management defines responsibilities and reviews the Integrated Management System, which complements this monitoring. They align strategies and introduce corrections as necessary to ensure compliance with their objectives. Regular internal audits contribute to achieving these objectives.



## PURPOSES OF THE INTEGRATED QUALITY AND ENVIRONMENTAL MANAGEMENT SYSTEM

- To regularly and effectively monitor processes, evaluate the results and report to senior management. The objective is to achieve excellence, optimize resources and reduce risks that could impact the business or the environment.
- To influence stakeholders when applying specific controls, in order to avoid environmental impacts. CSAV only commercially operates the vessels it charts.
- To monitor customer satisfaction surveys, ensure compliance with contracts and respond to suggestions and complaints in a timely manner.
- To improve relationships with all stakeholders, using a Corporate Social Responsibility (CSR) approach.
- To continually evaluate process management and results, by analyzing and monitoring management indicators and report to senior management as appropriate.







The Company's policies and initiatives also extend the concept of sustainability to other CSAV departments, such as:

- Compliance with the Crime Prevention Model and Law 20,393 governing the criminal liability of legal entities, by the entire organization and its domestic suppliers and service providers. This Crime Prevention Model has been certified by BH Compliance for two years from February 2019.
- Continual review and adoption of corporate governance practices, as reflected in the Appendix to General Regulation 385 issued by the Financial Market Commission, and the approval of the new Internal Regulations governing Occupational Health and Safety, which include the latest labor regulations in Chile, and other regulations.

## **QUALITY AND ENVIRONMENTAL CERTIFICATIONS (ISO)**

CSAV has achieved certified Quality and Environmental compliance with the ISO 9001 and ISO 14001 standards since 1998, and with the 2015 version since 2018.

CSAV must contract an independent external audit to review its Integrated Management System annually, in order to maintain its certification, which is currently performed by Lloyd's Register Quality Assurance (LRQA).

CSAV achieved an unqualified external audit report during 2019, where LRQA verified that "the audited processes comply with the regulatory requirements and CSAV's Integrated Management System is being effective in achieving the expected results".

Therefore, LRQA confirmed the Quality and Environment certificates, and extended their validity until 2022.

# Additional Information





# Basic Information

Company name	Compañía Sud Americana de Vapores S.A.
Ticker code	Vapores
Taxpayer ID number	90.160.000 - 7
Legal nature	Publicly listed corporation
Securities registry number	76
Legal address	Santiago and Valparaíso, Chile

## INCORPORATION

Compañía Sud Americana de Vapores S.A. (hereinafter also “CSAV” or the “Company”) was incorporated by public instrument dated October 4, 1872, signed before Valparaíso Notary Julio César Escala. This was authorized by Supreme Decree 2,347 dated October 14, 1872. These documents were registered on page 486 number 147 and page 497 number 148, respectively, of the Valparaíso Chamber of Commerce on October 15, 1872. Subsequently, the Company was registered on page 4228 number 2260 of the Santiago Registry of Commerce in 1959.

## PROPERTIES AND FACILITIES

### Property, Plant and Equipment

Use	Address	Location	Surface area (m <sup>2</sup> )	Registration
Offices	Hendaya 60, Offices 1401-1402	Santiago	1,048	No. 214-151 & 152

### Investment Properties

Use	Address	Location	Surface area (m <sup>2</sup> )	Registration
Offices	Plaza Sotomayor 50	Valparaíso	10,010	No. 8-004
	Blanco 937, Offices 501 & 502	Valparaíso	1,582	No. 12-45 & 46
	Rua Brás Cubas 37, Room 46	Santos, Brasil	153	Cep 11013-919
Warehouse	Tomas Ramos 22	Valparaíso	1,046	No. 90-22
Land	Blanco 509 to 529 and 541 to 545	Valparaíso	1,480	No. 8-001 & 002



# Compliance Framework



Governmental regulation, international treaties, legal standards and each country's national regulations significantly impact the countries where the Company operates or has established a presence. However, it is difficult to reasonably quantify the cost of continually complying with these regulations or to measure their impact on the Company's revenue or on the value of its assets and investments, including its interest in Hapag-Lloyd. Nevertheless, CSAV expects to obtain the permits and authorizations required to continue operating.



Shipping in Chile is mainly governed by the following laws:

- Law 18,680 dated January 11, 1988, which replaced the latest version of the Third Book of the Chilean Commercial Code, which was first issued in 1865. The current version of the Third Book was modified by Law 20,667 of 2013, which regulates insurance contracts, and Law 20,720 of 2014, which replaced the existing bankruptcy regime with a law on reorganization and liquidation.
- Decree Law 2,222, dated May 31, 1978, which replaced the Navigation Act of 1878. The DL was amended by Law 18,011, dated July 1, 1981; Law 18,454, dated November 11, 1985; Law 18,680, dated January 11, 1988; Law 18,692, dated February 19, 1988; Law 18,892, dated December 23, 1989; Law 19,079, dated September 6, 1991; Law 19,929 dated February 11, 2004; Law 20,070 dated November 8, 2005 and Law 21,066 dated February 16, 2018.
- Decree Law 3,059, dated December 22, 1979, containing the new Merchant Navy Act, which includes standards for cargo reserves and special regulatory and tax standards.

There are also a number of regulations governing various shipping matters, such as shipbuilding and repairs, collision prevention, registering of vessels and marine craft, pilotage and ships' agents. Environmental matters are covered by the Navigation Act. Additionally, Chile has ratified the International Convention for the Prevention of Pollution from Ships dated 1973 (MARPOL) and the International Convention on Civil Liability for Oil Pollution Damage dated 1969 and its 1992 Protocol.





Several international provisions apply to aspects of the shipping business. These include regulations referring to shipbuilding and operation, the carriage of goods by sea, responsibility for collisions, salvage of vessels and marine crafts, anti-terrorism and anti-collusion regulations, and immunities and exemptions. Thus, the prohibitions in Articles 101 and 102 of the Treaty on the Functioning of the European Union and block exemptions to these joint agreements or “consortia” in terms of regulations issued by the European Commission, as well as the standards of the US Shipping Act (1984) and Federal Maritime Commission regulations, which apply to shipping to and from those countries. The United Nations Convention on a Code of Conduct for Liner Conferences is also applicable.

Finally, the safety standards adopted by the UN-dependent International Maritime Organization (IMO) are also relevant to shipping safety and risk prevention issues, and the need to have vessels inspected and registered by classification societies.



# Trademarks, Patents and Licenses

The main trademark used in 2019 by the Company was "CSAV". The Company does not own any patents, licenses, franchises, royalties or concessions, and only registers its trademark. CSAV gave Hapag-Lloyd an indefinite license, without any associated royalties, to use the CSAV brand, when it transferred its container business in December 2014.



# Stock Market Statistics

The Company's shares are traded on Santiago Exchange, the Chilean Electronic Stock Exchange and the Valparaíso Stock Exchange.

	Period	Number of Shares Traded	Value Traded (Ch\$)	Average Price (Ch\$/share)	Market Presence (%)
2017	First Quarter	7,800,664,700	166,672,905,334	21.37	98.89%
	Second Quarter	4,482,449,113	116,257,522,341	25.94	100.00%
	Third Quarter	6,808,656,950	213,858,206,888	31.41	100.00%
	Fourth Quarter	5,992,548,228	195,408,366,372	32.61	100.00%
2018	First Quarter	4,925,621,226	150,286,840,529	30.51	100.00%
	Second Quarter	5,419,888,505	134,269,189,934	24.77	100.00%
	Third Quarter	4,071,540,890	79,640,191,467	19.56	100.00%
	Fourth Quarter	1,693,467,063	35,343,329,661	20.87	100.00%
2019	First Quarter	2,043,146,350	42,764,699,948	20.93	100.00%
	Second Quarter	2,023,062,316	43,450,338,644	21.48	100.00%
	Third Quarter	5,475,324,773	137,122,609,804	25.04	100.00%
	Fourth Quarter	3,603,688,103	92,581,718,289	25.69	100.00%

Source: Chile's Santiago and Electronic Stock Exchanges

# Dividend Policy and Payment

At the annual general meeting held on April 16, 2004, the shareholders established a dividend policy of distributing 30% of earnings. This policy was also reconfirmed at the shareholders' meetings for 2005 to 2018 and ratified on April 26, 2019. At these meetings, shareholders also authorized the board to define the timing and value of interim dividends, provided that the Company has earnings and that these have absorbed any accumulated losses.

No dividends have been paid in the last eight years.

## EARNINGS DISTRIBUTION

The Company reported net income for the year ended December 31, 2019, of ThUS\$ 124,616. Including its 2019 results, the Company has an accumulated deficit of ThUS\$ 1,369,360 as of December 31, 2019.

## EQUITY

CSAV's equity as of December 31, 2019, was as follows:

Share capital	3,493,509,703
Accumulated deficit	(1,228,876,195)
Other reserves	(40,446,403)
<b>Total</b>	<b>2,224,187,105</b>

These figures indicate that the book value of each share was US\$0.0604 as of December 31, 2019.

# Compensation

of the Board, the Directors' Committee  
and Senior Executives



At the annual general meeting held on April 26, 2019, shareholders agreed to a UF 100 per meeting fee for attendance at board meetings, with a maximum of one meeting per month, except for the Chairman who receives double that of a director. Plus variable compensation, where each director receives 0.25% of the dividends distributed from earnings for 2019, either as additional mandatory or minimum dividend, except for the Chairman who receives double that of a director, being 0.5% of such dividends.



In the event of a change in the composition of the Board, the aforementioned distribution shall be paid in proportion to the number of months (or fraction of a month greater than 15 days) that each director or the Chairman have held that position during 2019.

Each director on the Directors' Committee receives an attendance fee of UF 33.33 for each committee meeting attended and a variable amount of one third of the distributed dividends payable to him as director for the year. This shall result in 0.25% of the dividend, plus one third of that 0.25% (or the corresponding proportion, as the case may be).

The annual operating budget for the Directors' Committee and its advisors is the sum of its members' annual compensation, which is UF 1,200.

The total amount paid by CSAV in fees, profit-sharing and other compensation during 2019 is detailed as follows:

#### BOARD OF DIRECTORS' COMPENSATION FOR 2019 AND 2018

Chilean National ID	Director	Annual Total	
		2019 US\$	2018 US\$
48.214.110-2	Alberto Alemán Zubieta	15,007	-
10.672.019-3	Christian Blomstrom Bjuvman	35,172	-
5.718.666-6	Hernán Büchi Buc	47,662	50,987
4.108.676-9	Arturo Claro Fernández	43,550	50,963
7.040.498-2	José De Gregorio Rebeco	47,662	50,963
6.062.786-K	Andrónico Luksic Craig	8,259	8,129
5.664.265-K	Isabel Marshall Lagarrigue	8,358	50,963
5.569.043-K	Gonzalo Menéndez Duque	20,573	42,777
6.525.286-4	Francisco Pérez Mackenna	95,324	101,926
<b>Total</b>		<b>321,566</b>	<b>356,708</b>

#### BOARD ADVISORS IN 2019 AND 2018

Advisor	Advisory service	Amount	
		2019 US\$	2018 US\$
Alberto Alemán Zubieta	Board advisors	70,000	70,000
<b>Total</b>		<b>70,000</b>	<b>70,000</b>

## DIRECTORS' COMMITTEE COMPENSATION FOR 2019 AND 2018

Chilean National ID	Director	Annual Total	
		2019 US\$	2018 US\$
10.672.019-3	Christian Blomstrom Bjuvman	11,723	-
4.108.676-9	Arturo Claro Fernández	17,254	16,959
7.040.498-2	José De Gregorio Rebeco	6,312	-
5.664.265-K	Isabel Marshall Lagarrigue	5,531	16,959
5.569.043-K	Gonzalo Menéndez Duque	6,889	12,827
<b>Total</b>		<b>47,708</b>	<b>46,745</b>

The Directors' Committee did not incur in any expenses for advisory services during 2019 and 2018.

The compensation earned by the Company's senior executives for 2019 was US\$ 2,764,089 (US\$ 2,421,557 in 2018), of which US\$ 1,689,983 was variable compensation and includes bonuses accrued during the year (US\$ 1,215,342 in 2018). The compensation received by the Company's senior executives for 2019 was US\$ 2,499,293 (US\$ 2,495,167 in 2018), of which US\$ 1,425,187 was variable compensation.

Variable compensation is linked to the fulfillment of commercial, operational or financial targets. It is awarded to those executives that have had a direct effect on these objectives and is defined by the board. CSAV has no special compensation plans or benefits for its senior executives.

## SHAREHOLDINGS

As of December 31, 2019, the Vice Chairman Andrónico Luksic Craig held an interest in CSAV through companies with controlling interests in the Company.

The Chairman of the Board, Francisco Pérez Mackenna, has 41 personal shares. The Director Arturo Claro Fernández has 2,773 personal shares, his spouse Cecilia Montes Matte has 2,806,951 shares and together they have 27,205,724 shares, through Inversiones Transart S.A., Inversiones Quimetal S.A. and Sociedad Pesquera Holando Chile Ltda., giving them total of 30,015,448 shares. The Director Christian Blomstrom Bjuvman has 8,412,421 personal shares.

The Company's senior executives do not have any shares in the Company.

# Directors' Committee Yearly Report



The committee held 12 ordinary meetings during 2019, (numbers 210 to 213 and 215 to 222) and one extraordinary meeting (number 214), at which it addressed the following matters:

1. Meeting 210, held on January 25, 2019. The committee approved the Directors' Committee yearly report for 2018. It agreed the schedule of regular meetings with CSAV's external auditors. It was agreed that these meetings would be held in March, to review the annual financial statements, the external auditors' report, and the management letter on internal control; in June, to review the external audit plan for the current year; and in August, to review the financial statements as of June 30, 2019 and the limited audit review. The Controller's report was presented, which explained compliance with the 2018 Audit Plan and Integrated Risk Management. The Legal Compliance Officer presented the compliance report, which informed the committee that the Fourth Monitoring and Recertification process for the Crime

Prevention Model had begun, and that certification would begin shortly for the four crimes included by Law 21,121 into Law 20,393 on the criminal liability of legal entities, which are bribery between individuals, incompatible negotiation, misappropriation and unfair administration.

2. Meeting 211, held on February 27, 2019. The Controller presented the completion of the Action Plan arising from the 2018 Audit Findings, together with the ongoing reviews under the 2019 Audit Plan. The Legal Compliance Officer reported that BH Compliance had recertified the Crime Prevention Model for a further 2 years to February 2021. He also reported that certification had begun for the four crimes included by Law 21,121 into Law 20,393 on the criminal liability of legal entities, which are bribery between individuals, incompatible negotiation, misappropriation and unfair administration. He reported the recent publication in the Official Gazette of Law 21,132, which modernizes and strengthens the public function of the National Fishing Service (Sernapesca), and includes four crimes into Law 20,393, which include water pollution, which could be relevant to the Company's business. Finally, information regarding a related party transaction with Banco del Estado de Chile was examined and approved without comments. This transaction was the purchase by a third party of a CSAV property at José Tomás Ramos 22, Valparaíso, through a lease with that bank.
3. Meeting 212, held on March 22, 2019. The committee examined the Consolidated Annual Financial Statements for the year ended December 31, 2018, together with the external auditors' report, and which will be presented at the annual general meeting for 2019. Therefore, representatives of the external audit firm KPMG Chile attended this meeting. KPMG reported that there are no differences in the treatment or accounting balances in the financial statements prepared by CSAV's management and that its report would contain a clean opinion of the financial position of the Company and its subsidiaries in accordance with IFRS. The committee endorsed the report issued by the external auditors, KPMG Chile, and CSAV's Consolidated Financial Statements for the year ended December 31, 2018, submitted by management, including additional information in the 2018 CSAV Annual Report. It examined the proposals received from external audit firms KPMG Chile, Ernst & Young (EY) and PricewaterhouseCoopers (PwC), to audit the financial year 2019. It agreed to recommend KPMG Chile to the Board, and subsequently PwC, in order to present their proposal at the annual general meeting for 2019. It also agreed to propose to the Board that Feller-Rate and International Credit Rating (ICR) be appointed as risk rating companies and that the Board propose these to the next annual general meeting. The Controller's report was presented, which mentioned the ongoing audits. The Legal Compliance Officer reported that the Company's compliance procedures had been updated during the certification process for the crimes included by Law 21,121 into Law 20,393, and that the Risk Committee will meet in April to analyze these crimes, in addition to those introduced by Law 21,132. The committee, with Mr. Menéndez abstaining,



examined and approved without comment the information describing a related party transaction. This was a bridge loan with Quiñenco S.A. for up to US\$150 million to finance the purchase of shares in the German shipping company Hapag-Lloyd AG.

4. Meeting 213, held on April 25, 2019. The Controller's report was presented, which described the status of insurance and agency audits in Brazil. Mr. Eluchans presented the Compliance report regarding the certification status of the crimes included by Law 21,121 into Law 20,393. The Controller gave an extended presentation on the conclusions reached by the Risk Committee, with the advice of experts such as criminal lawyers and domestic and international maritime law experts regarding the crimes described by Law 21,132, which modernizes and strengthens Sernapesca. It concluded that it was appropriate to incorporate into the Company's Compliance Risk Matrix the crime of water pollution, based on the specific assumptions discussed. Finally, information regarding a related party transaction with Banco del Estado de Chile was examined and approved without comments. This transaction was the purchase by a third party of CSAV properties (offices 401 & 402 in the Tecnopacifico Building at Blanco 937, Valparaíso), through a lease with that bank.
5. Extraordinary meeting 214, held on April 26, 2019. This meeting was especially called after the annual general meeting. Information regarding a related party transaction ("RPT") with Banco del Estado de Chile was re-examined and approved without comments. This transaction was the purchase by a third party of CSAV properties (offices 401 & 402 in the Tecnopacifico Building at Blanco 937, Valparaíso) through a lease with that bank. This information had already been examined by the committee at its ordinary meeting on April 25, 2020. However, Management considered it appropriate to re-examine this RPT after the Annual General Shareholders' Meeting held on April 26, due to the appointment of a new Independent Director. The Extraordinary meeting held on April 26 also examined and approved without comments information regarding an RPT using finance from Banco Consorcio and

Compañía de Seguros de Vida Consorcio Nacional de Seguros for up to US\$100 million. Finally, the composition of the Company's Board of Directors was reported, following the Annual General Shareholders' Meeting where Mr. Christian Blomstrom Bjuvman was appointed as the new Independent Director.

6. Meeting 215, held on May 23, 2019. The 5733rd Ordinary Board Meeting on April 26 appointed a new Directors' Committee following the appointment of the Board of Directors at the Annual General Shareholders' Meeting held on April 26, 2019. Therefore, the committee was composed of Mr. Blomstrom as Chairman, in his capacity as an independent director, Mr. Claro and Mr. Menéndez. The committee examined the interim consolidated financial statements as of March 31, 2019 and their principal changes with respect to the previous period without making any comments. It recommended that the Board of Directors approve them, and empowered its Chairman to report this to the Board of Directors. Mr. Eluchans presented the Compliance report and advised the committee of progress with crime certification, which will shortly include the crime of water pollution, as discussed in previous committee meetings. The Chairman proposed to review the Controller's report at the next meeting, due to the length of the current agenda, which was approved by those present. Finally, related party transactions as of March 31, 2019 were reviewed, including those under the Customary Transactions Policy.
7. Meeting 216, held on June 27, 2019. Representatives of KPMG Chile presented progress with the 2019 Audit Plan, in accordance with the plan for their attendance at committee meetings (NCG 385 of the FMC). KPMG Chile presented the new accounting standards implemented with effect from January 1, 2019 (IFRS 16 and IFRIC 23) and January 1, 2020 (amendments to the conceptual framework references, IFRS 3, IAS 1 and IAS 8), and their impact on CSAV and Hapag-Lloyd. The Legal Compliance Officer reported on the certification status of the crimes included by Law 21,121 into Law 20,393, and that this process will include the crime of water pollution. The Controller's report was presented, which explained the revisions to the inventory process and the accounting and consolidation sub-process. He then commented on the current audits and progress with the 2019 Audit Plan, then the committee agreed to incorporate a new external resource into the Controller's team.
8. Meeting 217, held on July 25, 2019. The recent death of Mr. Gonzalo Menéndez Duque was recorded in the minutes. He had been a member of the CSAV Board of Directors and of the Directors' Committee for the last few years. The committee praised the

commitment with which Mr. Menéndez contributed to CSAV, and the dedication, talent and thoroughness with which he performed his duties as a director. Mr. Eluchans presented the Compliance report, including an update on the current certification process. He also mentioned that BH Compliance had begun the first post-certification monitoring exercise of the Crime Prevention Model, and other matters reported every month to the committee, such as the complaints channel. Mr. Salgado presented the Controller's report, in particular the results of the Agency audit in Ecuador, the current reviews of the Colombian Agency and human resources processes.

9. Meeting 218, held on August 22, 2019. Mr. José De Gregorio Rebeco was appointed as the new member of the Director's Committee to replace the late Mr. Menéndez. He was appointed by Mr. Blomstrom, as the only independent director of CSAV, in accordance with Section 9 of Article 50 bis of Law 18,046 on Corporations, at the Ordinary Board Meeting number 5736 held on July 26, 2019. Accordingly, the CSAV Directors' Committee was composed of the directors Mr. Blomstrom as Chairman, in his capacity as an independent director, Mr. Claro and Mr. De Gregorio. Representatives of the external audit firm KPMG Chile presented the unqualified results of their limited review of the interim statement of financial position as of June 30, 2019. The committee heard presentations from CSAV's management and its external auditors (KPMG), then examined the Interim Consolidated Financial Statements as of June 30, 2019, the management analysis and the unqualified limited review report from the external auditors. It recommended that the Board of Directors approve them, and empowered its Chairman to report this to the Board of Directors. The Chairman proposed to review the Controller's report at the next meeting, due to the length of the current agenda, which was approved by those present. Nevertheless, Mr. Salgado briefly referred to ongoing reviews of the executive payroll, the car carrier business and information technology. The Legal Compliance Officer reported on the first post-recertification monitoring report by BH Compliance regarding the Crime Prevention Model, which was favorable and unqualified. He also reported on the status of the current crime prevention certification process.
10. Meeting 219, held on September 30, 2019. The Controller's report was presented, which explained the results from the general payroll and Colombian Agency reviews. He also referred to audits of internal control within IT, Human Resources processes (executive payroll), the car carrier business and the Peruvian Agency. Mr. Eluchans presented the Compliance report, the status of the crime prevention certification process and the update of all the Company's compliance procedures.

11. Meeting 220, held on October 24, 2019. The Controller's report was presented, which included a summary of the executive payroll audit, several draft review reports, plans for the next audits, monitoring management's commitments in response to the audit findings as of September 2019 and risk management. The Legal Compliance Officer reported on the status of the current crime prevention certification process and that the second stage of this process will begin shortly. The committee appointed KPMG Chile to prepare the Company's Business Continuity Plan, in accordance with Article 242 of Law 18,045 on the Stock Market. It empowered the Chairman, Mr. Blomstrom, to report this agreement to the Board of Directors at its next meeting. Management presented the payment status from the sale of Norgistics Chile S.A. Information regarding this sale was examined by the committee at its November 2017 meeting as a related party transaction ("RPT"). The committee, with Mr. De Gregorio abstaining, examined and approved without comments an RPT to extend a bridge loan from Quiñenco S.A. from US\$150 million to US\$330 million, to acquire shares in the German shipping company Hapag-Lloyd. Information regarding this loan was examined by the committee at its March 2019 meeting.
12. Meeting 221, held on November 21, 2019. The committee reviewed the interim consolidated financial statements as of September 30, 2019, and the corresponding notes. It recommended that the Board of Directors approve them, and authorized its Chairman to report this to the Board of Directors. The Chairman proposed to review the Controller's report at the next meeting, due to the length of the current agenda, which was approved by those present. Nevertheless, Mr. Salgado briefly referred to ongoing reviews of the Peruvian Agency and information technology. The Legal Compliance Officer reported on the crime prevention certification process covering bribery between individuals, incompatible negotiation, misappropriation, unfair administration and water pollution. He referred to his report from the previous meeting, and indicated that BH Compliance was expected to conclude the second stage of the certification process shortly, then begin the compliance tests, and finally issue the certification report. Related party transactions as of September 30, 2019, were reviewed, including those under the Customary Transactions Policy. The committee examined and approved without comment information describing a related party transaction consisting of a loan for US\$35 million from Banco Consorcio to acquire shares in the German shipping company Hapag-Lloyd. It approved the schedule of ordinary meetings for 2020.





13. Meeting 222, held on December 19, 2019. The Controller's report was presented, and the Audit Plan and Budget for 2020 was approved. He also presented the audit results regarding IT, operations and the Peruvian Agency. The Legal Compliance Officer reported on the status of the current crime prevention certification process, that most of the new compliance procedures were complete and that employee training on these procedures had begun. The committee examined the compensation policy for managers, executives and employees, in accordance with number 4) of section 8 of Article 50 bis of Law 18,046 on Corporations.





## COMMENTS AND PROPOSALS BY THE DIRECTORS' COMMITTEE

There are no comments or proposals by the Directors' Committee nor by the shareholders regarding the Company's business during 2019 that should be included in this Report. This was confirmed by the committee in its Annual Report, in accordance with Article 74, paragraph 3, of Law 18,046.

## BOARD TRAINING

Board training during 2019 followed Board Training Procedure and covered "Hazardous maritime cargo"

# Material Events

CSAV reported the following matters as Material Events to the Financial Market Commission during 2019.





## **APRIL 26, 2019 APPOINTMENT OF THE BOARD AND THE DIRECTORS' COMMITTEE**

In accordance with Articles 9 and 10-2 of the Securities Market Act and General Standard 30, as I am duly authorized, I hereby inform this Commission of the following material event at Compañía Sud Americana de Vapores S.A. ("CSAV"):

### **I Appointment of the Board of Directors**

At the annual general meeting held on this date, the shareholders appointed the Board of Directors for a new period of three years. The new Board of Directors became:

- Andrónico Luksic Craig
- Francisco Pérez Mackenna
- Gonzalo Menéndez Duque
- Hernán Büchi Buc
- José De Gregorio Rebeco
- Arturo Claro Fernández
- Christian Blomstrom Bjuvman

### **II Chairman and Vice-Chairman**

A board meeting was held immediately after the annual general meeting, where Mr. Francisco Pérez Mackenna was elected Chairman and Mr. Andrónico Luksic Craig was elected Vice-Chairman.

### **III Directors' Committee**

At the same board meeting, Mr. Christian Blomstrom Bjuvman was appointed to the Directors' Committee as the only independent director, in accordance with Article 50 bis of Law 18,046, the Corporations Act, and he appointed Mr. Arturo Claro Fernandez and Mr. Gonzalo Menéndez Duque as the other members of this Committee.

## **AUGUST 23, 2019 APPOINTMENT OF NEW DIRECTOR**

In accordance with Articles 9 and 10-2 of the Securities Market Law and General Standard 30, as I am duly authorized, I hereby inform this Commission of the following material event at Compañía Sud Americana de Vapores S.A. ("CSAV"):

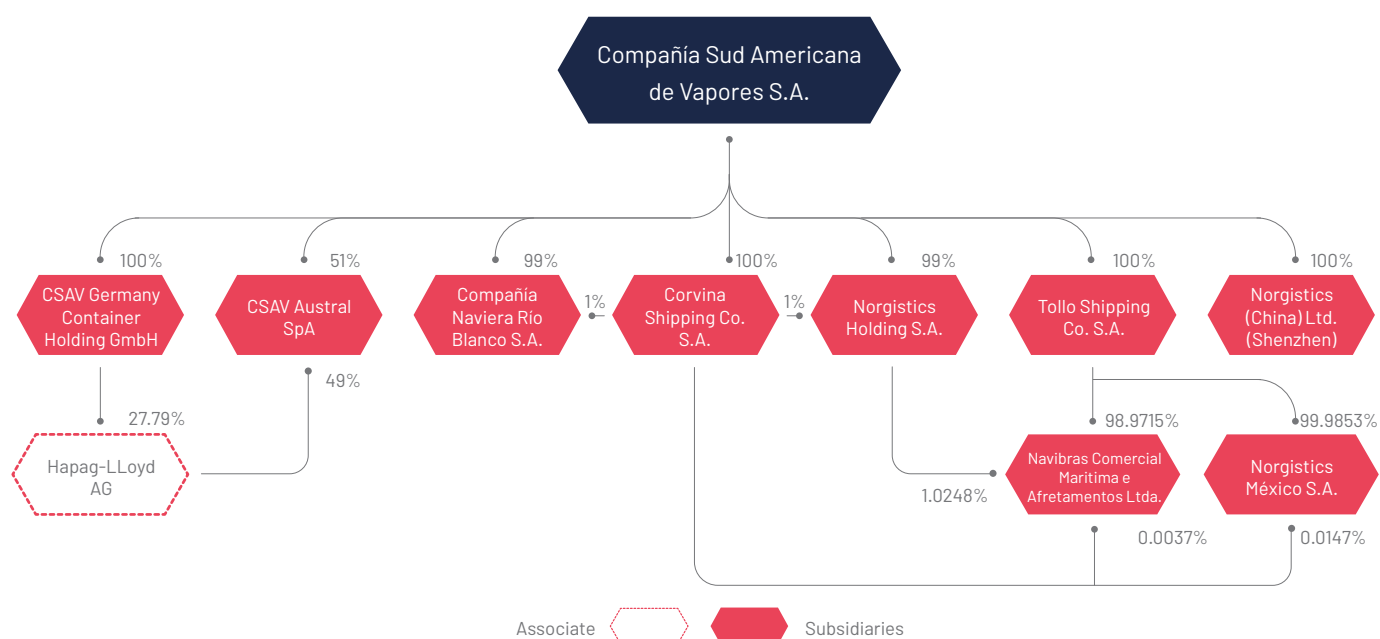
As a result of the death of Mr. Gonzalo Menéndez Duque, a vacancy arose on CSAV's Board of Directors. At a board meeting held today, the Board appointed Mr. Alberto Alemán Zubieta to replace him, in accordance with Article 32 of the Corporations Act 18,046, who had served as an advisor to the Board until that date.

The Board of Directors acknowledged the commitment of Mr. Gonzalo Menéndez Duque to CSAV, especially in its most difficult moments, and the dedication, talent and thoroughness with which he carried out his duties as a director and member of the Directors' Committee.



# Corporate Structure

As of December 31, 2019



# Information on Associates and Subsidiaries

Data as of December 31, 2019

## ASSOCIATE

Company Information	Company Name	Hapag-Lloyd AG (“Hapag Lloyd”)	
	Legal Nature	Publicly listed corporation	
	Jurisdiction	Germany	
	Subscribed and Paid Capital	Euro 175,760,293	
	CSAV S.A.’s Interest	27.79%	
Supervisory Board and Chief Executive Officer	Chairman	Michael Behrendt	
	Directors	Maya Schwiegershausen-Güth Óscar Hasbún Martínez (CEO, CSAV) Turqi Alnowaiser H.E. Sheikn Ali Bin Jassim Al-Thani Jutta Diekamp Nicola Gehrt Uwe Zimmermann Karl Gernandt	Annabell Kröger Sabine Nieswand Dr. Rainer Klemmt-Nissen Arnold Lipinski Francisco Pérez Mackenna (Chairman of the Board, CSAV) Klaus Schroeter Felix Albrecht
	Chief Executive Officer	Rolf Habben Jansen	
	Business Purpose	Participate in maritime trade through liner services, undertaking logistics operations, undertaking shipping, vessel brokering, freight brokering, storage and agency services, and, if applicable, operating terminals, buying, selling, developing, improving and leasing property, providing data-processing services, and all other commercial activities related to the foregoing, unless that requires prior approval. The main business is shipping containers on owned and chartered vessels.	

## SUBSIDIARIES

Company Information	Company Name	CSAV Germany Container Holding GmbH
	Legal Nature	Limited liability company
	Jurisdiction	Germany
	Subscribed and Paid Capital	US\$ 84,449.71
	CSAV S.A.'s Interest	100%
Management	Managers	Óscar Hasbún Martínez (CEO, CSAV) Pablo Bauer Novoa
Business Purpose	Ownership and management of investments in companies, especially those dedicated to container shipping.	
Business Relationships / Significant Contracts	Loan for EUR 791.6 million plus accrued interest.	

Company Information	Company Name	CSAV Austral SpA
	Legal Nature	Private limited company
	Jurisdiction	Chile
	Subscribed and Paid Capital	US\$ 100,539,773.57
	CSAV S.A.'s Interest	51%
Directors and Chief Executive Officer	Chairman	Andrés Kulka Kuperman
	Directors	Héctor Arancibia Sánchez Christian Seydewitz Munizaga Sergio Hurtado Olavarria Vivien Swett Brown Rene Scholem Appel
	Chief Executive Officer	Héctor Arancibia Sánchez
Business Purpose	Maritime, ground and air transport and all types of shipping services.	

Company Information	Company Name	Compañía Naviera Rio Blanco S.A.
	Legal Nature	Private limited corporation
	Jurisdiction	Chile
	Subscribed and Paid Capital	US\$ 3,550,000
	CSAV S.A.'s Interest	100% (Direct and Indirect)
Directors and Chief Executive Officer	Chairman	Roberto Larraín Sáenz (CFO, CSAV)
	Directors	Edmundo Eluchans Aninat (General Counsel, CSAV) Hernán Martínez Fernandois (Senior Vice President, Automobiles, CSAV)
	Chief Executive Officer	Edmundo Eluchans Aninat (General Counsel, CSAV)
Business Purpose	Maritime transport, as vessel owner or vessel charterer or by any other means, both in Chile and abroad, entering into shipping contracts, chartering and leasing vessels; acquiring any maritime vessel; providing services related to maritime transport and trade. This company was dormant this year.	

Company Information	<b>Company Name</b>	Navibras Comercial Maritima e Afretamentos Ltda.
	<b>Legal Nature</b>	Limited liability company
	<b>Jurisdiction</b>	Brazil
	<b>Subscribed and Paid Capital</b>	US\$ 1,259,652.22
	<b>CSAV S.A.'s Interest</b>	100% (Indirect)
Management	<b>Legal Representative</b>	Jobelino Vitoriano Locateli
Business Purpose	Shipping agencying. This company was dormant this year.	

Company Information	<b>Company Name</b>	Tollo Shipping Co. S.A.
	<b>Legal Nature</b>	Private limited corporation
	<b>Jurisdiction</b>	Panama
	<b>Subscribed and Paid Capital</b>	US\$ 383,677,650.79
	<b>CSAV S.A.'s Interest</b>	100%
Directors and Chief Executive Officer	<b>Chairman</b>	Orelys Massiel Cedeño B.
	<b>Directors</b>	Edmundo Eluchans Aninat (General Counsel, CSAV) Roberto Larrain Sáenz (CFO, CSAV) Mirtha C. de Fernández Hernán Martínez Fermandois (Senior Vice President, Automobiles, CSAV)
Business Purpose	a) Purchasing, selling, chartering and generally managing vessels and operating shipping lines in Panama or any part of the world. b) Operating maritime agencies and maritime business in general in Panama or abroad. c) Purchasing, selling, bartering, leasing and trading real or personal property, merchandise of any kind and any other commercial or financial transactions, related to and dependent on this purpose, and investing in other Panamanian or foreign companies. d) Purchasing and trading of shares or securities and any other commercial, maritime, financial, or movable transactions permitted by the laws of the Republic of Panama, or that may be permitted in the future. This is a holding company within the CSAV group.	



Company Information	Company Name	Corvina Shipping Co. S.A.
	Legal Nature	Private limited corporation
	Jurisdiction	Panama
	Subscribed and Paid Capital	US\$ 493,258,458.40
	CSAV S.A.'s Interest	100%
Directors and Chief Executive Officer	Chairman	Orelys Massiel Cedeño B.
	Directors	Edmundo Eluchans Aninat (General Counsel, CSAV) Roberto Larrain Sáenz (CFO, CSAV) Mirtha C. de Fernández Hernán Martínez Fernandois (Senior Vice President, Automobiles, CSAV)
Business Purpose	a) Purchasing, selling, chartering and generally managing vessels and operating shipping lines in Panama or any part of the world. b) Operating maritime agencies and maritime business in general in Panama or abroad. c) Purchasing, selling, bartering, leasing and trading real or personal property, merchandise of any kind and any other commercial or financial transactions, related to and dependent on this purpose, and investing in other Panamanian or foreign companies. d) Purchasing and trading of shares or securities and any other commercial, maritime, financial, or movable transactions permitted by the laws of the Republic of Panama, or that may be permitted in the future. This is a holding company within the CSAV group.	

Company Information	Company Name	Norgistics Holding S.A.
	Legal Nature	Private limited corporation
	Jurisdiction	Chile
	Subscribed and Paid Capital	US\$ 5,000,000.00
	CSAV S.A.'s Interest	100% (Direct and Indirect)
Directors and Chief Executive Officer	Chairman	Roberto Larrain Sáenz (CFO, CSAV)
	Directors	Edmundo Eluchans Aninat (General Counsel, CSAV) Hernán Martínez Fernandois (Senior Vice President, Automobiles, CSAV)
	Chief Executive Officer	Edmundo Eluchans Aninat (General Counsel, CSAV)
Business Purpose	Investing and participating in Chilean or foreign companies involved in logistics services, shipping agencies or sea, air, ground or multimodal transport services.	

Company Information	Company Name	Norgistics (China) Ltd. (Shenzhen)
	Legal Nature	Limited liability company
	Jurisdiction	China
	Subscribed and Paid Capital	US\$ 1,000,000.00
	CSAV S.A.'s Interest	100%
Directors and Chief Executive Officer	Legal Representative	Tomás Tafrá Rioja Roberto Larrain Sáenz (CFO, CSAV) Edmundo Eluchans Aninat (General Counsel, CSAV) Hernán Martínez Fernandois (Senior Vice President, Automobiles, CSAV)
Business Purpose	Booking and stuffing containers, repairing and maintaining containers, coordinating operations with terminals and warehouses, receiving cargo and contracting services from transportation companies.	

Company Information	Company Name	Norgistics Mexico S.A.
	Legal Nature	Variable capital corporation
	Jurisdiction	Mexico
	Subscribed and Paid Capital	US\$ 3,406,252.00
	CSAV S.A.'s Interest	100% (Indirect)
Management	Legal Representative	Roberto Larrain Sáenz (CFO, CSAV) Edmundo Eluchans Aninat (General Counsel, CSAV) Hernán Martínez Fernandois (Senior Vice President, Automobiles, CSAV)
Business Purpose	Non-vessel operating common carrier (NVOCC), freight forwarder and ground transport brokering. Maritime and intermodal freight brokerage.	



## SUMMARY OF SUBSIDIARY OWNERSHIP

Investing Company								
Issuing Company	Compañía Sud Americana de Vapores S.A.	CSAV Germany Container Holding GmbH	Hapag-Lloyd AG	Tollo Shipping Co. S.A.	Corvina Shipping Co. S.A.	Norgistics Holding S.A.	Others	Total
CSAV Germany Container Holding GmbH	100.00%							100%
Hapag-Lloyd AG		27.79%					72.21%	100%
CSAV Austral SpA	51.00%		49.00%					100%
Tollo Shipping Co. S.A.	100.00%							100%
Corvina Shipping Co. S.A.	100.00%							100%
Compañía Naviera Río Blanco S.A.	99.00%				1.00%			100%
Norgistics (China) Ltd. [Shenzhen]	100.00%							100%
Norgistics Holding S.A.	99.00%				1.00%			100%
Norgistics Mexico S.A.				99.9853%	0.0147%			100%
Navibras Comercial Marítima e Afretamentos Ltda.				98.9715%	0.0037%	1.0248%		100%

On April 3, 2019, the subsidiary Norgistics Perú S.A.C. was liquidated.



## INVESTMENT AS A PERCENTAGE OF THE PARENT COMPANY'S TOTAL ASSETS

Investing Company					
Issuing Company	Compañía Sud Americana de Vapores S.A.	CSAV Germany Container Holding GmbH	Tollo Shipping Co. S.A.	Corvina Shipping Co. S.A.	Norgistics Holding S.A.
CSAV Germany Container Holding GmbH	26.37%				
Hapag-Lloyd AG		100.00%			
CSAV Austral SpA	2.62%				
Tollo Shipping Co. S.A.	-29.98%				
Corvina Shipping Co. S.A.	29.98%				
Compañía Naviera Río Blanco S.A.	-0.09%			0.00%	
Norgistics (China) Ltd. [Shenzhen]	0.04%				
Norgistics Holding S.A.	0.07%			0.00%	
Norgistics Mexico S.A.			21.05%	0.00%	
Navibras Comercial Marítima e Afretamentos Ltda.			-223.97%	0.00%	-0.24%



# Financial Reports



# FINANCIAL STATEMENTS

COMPAÑÍA SUD AMERICANA DE VAPORES S.A. AND SUBSIDIARIES

**Hapag-Lloyd**



## Informe de los Auditores Independientes

Señores Accionistas y Directores de:  
Compañía Sud Americana de Vapores S.A. y Subsidiarias

Hemos efectuado una auditoría a los estados financieros consolidados adjuntos de Compañía Sud Americana de Vapores S.A. y Subsidiarias, que comprenden los estados de situación financiera consolidados al 31 de diciembre de 2019 y 2018 y los correspondientes estados consolidados de resultados integrales, de cambios en el patrimonio y de flujos de efectivo por los años terminados en esas fechas y las correspondientes notas a los estados financieros consolidados.

### ***Responsabilidad de la Administración por los estados financieros consolidados***

La Administración es responsable por la preparación y presentación razonable de estos estados financieros consolidados de acuerdo con Normas Internacionales de Información Financiera. Esta responsabilidad incluye el diseño, implementación y mantención de un control interno pertinente para la preparación y presentación razonable de estados financieros consolidados que estén exentos de representaciones incorrectas significativas, ya sea debido a fraude o error.

### ***Responsabilidad del auditor***

Nuestra responsabilidad consiste en expresar una opinión sobre estos estados financieros consolidados a base de nuestras auditorías. Efectuamos nuestras auditorías de acuerdo con Normas de Auditoría Generalmente Aceptadas en Chile. Tales normas requieren que planifiquemos y realicemos nuestro trabajo con el objeto de lograr un razonable grado de seguridad que los estados financieros consolidados están exentos de representaciones incorrectas significativas.


Una auditoría comprende efectuar procedimientos para obtener evidencia de auditoría sobre los montos y revelaciones en los estados financieros consolidados. Los procedimientos seleccionados dependen del juicio del auditor, incluyendo la evaluación de los riesgos de representaciones incorrectas significativas de los estados financieros consolidados, ya sea debido a fraude o error. Al efectuar estas evaluaciones de los riesgos, el auditor considera el control interno pertinente para la preparación y presentación razonable de los estados financieros consolidados de la entidad con el objeto de diseñar procedimientos de auditoría que sean apropiados en las circunstancias, pero sin el propósito de expresar una opinión sobre la efectividad del control interno de la entidad. En consecuencia, no expresamos tal tipo de opinión. Una auditoría incluye, también, evaluar lo apropiadas que son las políticas de contabilidad utilizadas y la razonabilidad de las estimaciones contables significativas efectuadas por la Administración, así como una evaluación de la presentación general de los estados financieros consolidados.

Consideramos que la evidencia de auditoría que hemos obtenido es suficiente y apropiada para proporcionarnos una base para nuestra opinión de auditoría.



### **Opinión**

En nuestra opinión, los mencionados estados financieros consolidados presentan razonablemente, en todos sus aspectos significativos, la situación financiera de Compañía Sud Americana de Vapores S.A. y Subsidiarias al 31 de diciembre de 2019 y 2018 y los resultados de sus operaciones y los flujos de efectivo por los años terminados en esas fechas de acuerdo con Normas Internacionales de Información Financiera.



Alejandro Cerda G.

Santiago, 20 de marzo de 2020

KPMG SpA



**COMPAÑÍA SUD AMERICANA DE VAPORES S.A. AND SUBSIDIARIES**  
**Consolidated Statements of Financial Position**  
As of December 31, 2019 and 2018

ASSETS	Note	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	53,619	24,339
Other non-financial assets	13	117	1,222
Trade and other receivables	9	16,234	17,654
Receivables from related parties	10	74	67
Inventories	11	1,884	4,832
Current tax assets	20	356	261
Disposal groups classified as held for sale	35	306	784
<b>Total current assets</b>		<b>72,590</b>	<b>49,159</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	8	63	63
Other non-financial assets	13	1	1
Equity method investments	15	2,168,383	1,939,465
Intangible assets other than goodwill	16	-	-
Goodwill	17	17	17
Property, plant and equipment	18	10,969	2,395
Investment property	19	10,870	12,198
Deferred tax assets	21	254,487	254,579
<b>Total non-current assets</b>		<b>2,444,790</b>	<b>2,208,718</b>
<b>TOTAL ASSETS</b>		<b>2,517,380</b>	<b>2,257,877</b>

The attached notes 1-39 are an integral part of these Consolidated Financial Statements.

LIABILITIES AND EQUITY	Note	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
<b>CURRENT LIABILITIES</b>			
Other financial liabilities	22	53,911	11,524
Trade and other payables	23	11,132	10,226
Payables to related payables	10	30,301	104
Other provisions	24	6,085	2,038
Current tax liabilities	20	947	29
Employee benefit provisions	26	1,528	1,556
Other non-financial liabilities	25	3,997	5,617
Disposal groups classified as held for sale	35	81	
<b>Total current liabilities</b>		<b>107,982</b>	<b>31,136</b>
<b>NON-CURRENT LIABILITIES</b>			
Other financial liabilities	22	173,696	84,189
Other provisions	24	11,000	11,935
Deferred tax liabilities	21	502	254
Other non-financial liabilities	25	13	160
<b>Total non-current liabilities</b>		<b>185,211</b>	<b>96,538</b>
<b>TOTAL LIABILITIES</b>		<b>293,193</b>	<b>127,674</b>
<b>EQUITY</b>			
Issued capital	28	3,493,510	3,493,510
Retained earnings (accumulated deficit)	28	(1,228,876)	(1,353,413)
Other reserves	28	(40,447)	
<b>Equity attributable to owners</b>		<b>2,224,187</b>	
<b>TOTAL EQUITY</b>		<b>2,224,187</b>	<b>2,130,203</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,517,380</b>	<b>2,257,877</b>

The attached notes 1-39 are an integral part of these Consolidated Financial Statements.

**COMPAÑÍA SUD AMERICANA DE VAPORES S.A. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
For the years ended December 31, 2019 and 2018

STATEMENT OF INCOME	Note	For the year ended December 31,	
		2019 ThUS\$	2018 ThUS\$
<b>NET INCOME (LOSS) FOR THE YEAR</b>			
Revenue	29	92,955	91,436
Cost of sales	29	(93,878)	(87,187)
<b>Gross margin</b>		<b>(923)</b>	<b>4,249</b>
Other income	30	1,098	1,306
Administrative expenses	29	(12,156)	(10,546)
Other gains (losses)		1,317	8,691
<b>Net operating income (loss)</b>		<b>(10,664)</b>	<b>3,700</b>
Finance income	31	592	660
Finance cost	31	(10,905)	(5,537)
Share of income (loss) of equity method associates and joint ventures	15	147,812	13,974
<b>Exchange differences</b>	<b>32</b>	<b>(23)</b>	<b>(1,188)</b>
Net income (loss) before taxes		126,812	11,609
Income tax benefit (expense) from continuing operations	21	(1,271)	7,092
Net income (loss) from continuing operations		125,541	18,701
<b>Net income (loss) from discontinued operations</b>	<b>35</b>	<b>(925)</b>	<b>(453)</b>
<b>NET INCOME (LOSS) FOR THE YEAR</b>		<b>124,616</b>	<b>18,248</b>
Net income (loss) attributable to:			
Net income (loss), attributable to owners of the company		124,616	18,248
<b>NET INCOME (LOSS), ATTRIBUTABLE TO NON-CONTROLLING INTEREST</b>		<b>-</b>	<b>-</b>
<b>NET INCOME (LOSS) FOR THE YEAR</b>		<b>124,616</b>	<b>18,248</b>
Basic earnings per share			
<b>Basic earnings (loss) per share from continuing operations</b>	<b>34</b>	<b>0.0034</b>	<b>0.00051</b>
<b>Basic earnings (loss) per share</b>	<b>34</b>	<b>0.0034</b>	<b>0.00051</b>

The attached notes 1-39 are an integral part of these Consolidated Financial Statements.

STATEMENT OF COMPREHENSIVE INCOME	For the year ended December 31,	
	2019 ThUS\$	2018 ThUS\$
Net income (loss) for the year	124,616	18,248
COMPONENTS OF OTHER COMPREHENSIVE INCOME (LOSS), BEFORE TAX:		
Exchange differences on translation of foreign operations		
Gain (loss) from exchange differences on translation of foreign operations, before tax	(2,077)	(4,709)
Other comprehensive income (loss), before tax, foreign exchange differences on translation of foreign operations	(2,077)	(4,709)
CASH FLOW HEDGES		
Gain (loss) on cash flow hedges, before tax	(3,969)	(6,686)
Other comprehensive income (loss), before tax, cash flow hedges	(3,969)	(6,686)
Actuarial gains (losses) for defined benefit plans, before tax	(17,696)	3,488
Other comprehensive income (loss), before tax	(23,742)	(7,907)
INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME (LOSS):		
Income tax relating to cash flow hedges	(204)	204
Total income tax relating to components of other comprehensive income (loss)	(204)	204
Other comprehensive income (loss) for the period	(23,946)	(7,703)
Total comprehensive income (loss) for the period	100,670	10,545
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:		
Owners of the company	100,670	10,545
Non-controlling interest	-	-
Total comprehensive income (loss) for the year	100,670	10,545

The attached notes 1-39 are an integral part of these Consolidated Financial Statements.



**COMPAÑÍA SUD AMERICANA DE VAPORES S.A. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
For the years ended December 31, 2019 and 2018

Statement of Cash Flows	Note	For the year ended December 31,	
		2019 ThUS\$	2018 ThUS\$
<b>CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
<b>Classes of revenue from operating activities</b>			
Proceeds from sales of goods and services		91,326	98,735
Other income from operating activities		1,082	1,361
<b>Classes of payments from operating activities</b>			
Payments to suppliers for goods and services		(59,443)	(112,112)
Payments to and on behalf of employees		(5,536)	(4,876)
Other payments for operating activities		(56)	(8,569)
<b>Net cash flows used in operations</b>		<b>27,373</b>	<b>(25,461)</b>
Income taxes paid (refunded)		(19)	(561)
Other cash inflows (outflows)		6	(17)
<b>NET CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		<b>27,360</b>	<b>(26,039)</b>
<b>Cash flows provided by (used in) investing activities</b>			
Cash flows arising from the loss of control of subsidiaries	14	-	549
Other payments to acquire interest in joint ventures	15	(120,339)	(28,492)
Proceeds from sale of property, plant and equipment		2,176	10,771
Purchases of property, plant and equipment	18	(16)	(3)
Interest received		<b>592</b>	<b>660</b>
Dividends received	<b>15</b>	<b>8,043</b>	<b>30,244</b>
<b>Net cash flows provided by (used in) investing activities</b>		<b>(109,544)</b>	<b>13,729</b>
<b>CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>			
Proceeds from long-term loans		99,801	-
Proceeds from long-term loans		34,554	31,354
Loans from related parties	10	60,000	-
Loan repayments		(10,000)	(31,500)
Payment of finance lease liabilities	22	(32,571)	-

The attached notes 1-39 are an integral part of these Consolidated Financial Statements.

Loan repayments to related parties		(30,000)	-
Interest paid	22	(9,234)	(4,909)
Other cash inflows (outflows)		(1,078)	-
<b>Net cash flows provided by (used in) financing activities</b>		<b>111,472</b>	<b>(5,055)</b>
<b>Increase (decrease) in cash and cash equivalents, before effect of exchange rate changes</b>		<b>29,288</b>	<b>(17,365)</b>
Effect of exchange rate changes on cash and cash equivalents		(8)	(737)
<b>Increase (decrease) in cash and cash equivalents</b>		<b>29,280</b>	<b>(18,102)</b>
Cash and cash equivalents at beginning of period	7	24,339	42,441
Increase (decrease) in cash and cash equivalents		29,280	(18,102)
<b>Cash and cash equivalents at end of period</b>	<b>7</b>	<b>53,619</b>	<b>24,339</b>

The attached notes 1-39 are an integral part of these Consolidated Financial Statements.

**COMPAÑÍA SUD AMERICANA DE VAPORES S.A. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
For the years ended December 31, 2019 and 2018

	Issued Capital ThUS\$	Other Reserves				Total Other Reserves ThUS\$	Retained Earnings (Accumulated Deficit) ThUS\$	Total Equity ThUS\$
		Translation Reserve ThUS\$	Cash Flow Hedge Reserve ThUS\$	Reserve for Actuarial Gains and Losses on Defined-Benefit Plans ThUS\$	Other Miscellaneous Reserves ThUS\$			
Opening balance, current period (January 1, 2019)	3,493,510	(11,308)	(3,233)	1,068	3,579	(9,894)	(1,353,413)	2,130,203
<b>CHANGES IN EQUITY</b>								
Net income (loss) for the year	-	-	-	-	-	-	124,616	124,616
Other comprehensive income (loss)	-	(2,077)	(4,173)	(17,696)	-	(23,946)	-	(23,946)
Total comprehensive income (loss)	-	(2,077)	(4,173)	(17,696)	-	(23,946)	124,616	100,670
Increase (decrease) due to transfers and other changes		-	-	-	(6,607)	(6,607)	(79)	(6,686)
<b>Total changes in equity</b>	-	(2,077)	(4,173)	(17,696)	(6,607)	(30,553)	124,537	93,984
<b>CLOSING BALANCE AS OF DECEMBER 31, 2019</b>	<b>3,493,510</b>	<b>(13,385)</b>	<b>(7,406)</b>	<b>(16,628)</b>	<b>(3,028)</b>	<b>(40,447)</b>	<b>(1,228,876)</b>	<b>2,224,187</b>

The attached notes 1-39 are an integral part of these Consolidated Financial Statements.

		Other Reserves						Total Equity ThUS\$
	Issued Capital ThUS\$	Translation Reserve ThUS\$	Cash Flow Hedge Reserve ThUS\$	Reserve for Actuarial Gains and Losses on Defined- Benefit Plans ThUS\$	Other Miscellaneous Reserves ThUS\$	Total Other Reserves ThUS\$	Retained Earnings (Accumulated Deficit) ThUS\$	
Opening balance, prior period (January 1, 2018)	3,493,510	(6,714)	3,249	(2,420)	1,493	(4,392)	(1,371,661)	2,117,457
<b>CHANGES IN EQUITY</b>								
Net income (loss) for the year	-	-	-	-	-	-	18,248	18,248
Other comprehensive income (loss)	-	(4,709)	(6,482)	3,488	-	(7,703)	-	(7,703)
Total comprehensive income (loss)	-	(4,709)	(6,482)	3,488	-	(7,703)	18,248	10,545
Increase (decrease) due to transfers and other changes	-	115	-	-	2,086	2,201	-	2,201
Total changes in equity	-	(4,594)	(6,482)	3,488	2,086	(5,502)	18,248	12,746
Closing balance as of December 31, 2018	3,493,510	(11,308)	(3,233)	1,068	3,579	(9,894)	(1,353,413)	2,130,203

The attached notes 1-39 are an integral part of these Consolidated Financial Statements



**COMPAÑÍA SUD AMERICANA DE VAPORES S.A.**  
**Notes to the Consolidated Financial Statements**  
 As of and for the year ended December 31, 2019

**NOTE 1 GENERAL INFORMATION**

Compañía Sud Americana de Vapores S.A. (hereinafter “CSAV” or “the Company”), Taxpayer ID No. 90.160.000-7, is a publicly-held corporation registered under number 76 in the Securities Registry of the Chilean Financial Market Commission (CMF), formerly the Superintendency of Securities and Insurance, and supervised by that entity. The Company’s registered address is Hendaya 60, piso 14, Las Condes, Santiago, Chile and its stock is listed on Santiago Exchange (since 1893) and the Chilean Electronic Exchange.

The Company was founded in Valparaíso in 1872. Its main business is maritime cargo transport, mainly containers, although it also transports automobiles and other wheeled cargo. The car carrier business is developed directly by the Company, while the container shipping business is operated entirely by Hapag-Lloyd AG and its subsidiaries (hereinafter “HLAG”), which is headquartered in Hamburg, Germany. As of December 31, 2019, CSAV is the largest shareholder of this entity, with a 27.79% stake. In addition, the Company has signed an agreement to jointly control HLAG with two other shareholders, which together hold approximately 71.05% of the German company.

Hapag-Lloyd AG is one of the five largest container shipping companies in the world, covering all major global routes, with consolidated annual sales of over US\$14.1 billion in 2019. For CSAV, its investment in HLAG is a joint venture that is presented in the Consolidated Financial Statements using the equity method.

CSAV is controlled by the Quiñenco Group through the following companies:

Company	Ownership Interest	No. of Shares
Quiñenco S.A.	20.42%	7,512,081,524
Inversiones Río Bravo S.A.	33.86%	12,460,691,856
Inmobiliaria Norte Verde S.A.	7.17%	2,639,009,900
<b>Total Quiñenco Group</b>	<b>61.45%</b>	<b>22,611,783,280</b>

As of December 31, 2019 and 2018, the Company and its subsidiaries had a total of 42 and 41 employees, respectively. For the year ended December 31, 2019, CSAV and subsidiaries (hereinafter the “CSAV Group”) had an average of 42 employees, based mainly at its offices in Chile.

## **NOTE 2 PRESENTATION BASIS OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The significant accounting policies adopted for the preparation of these Consolidated Financial Statements are described below.

### **(A) STATEMENT OF COMPLIANCE**

The Consolidated Financial Statements as of December 31, 2019 and 2018, have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), issued by the International Accounting Standards Board (IASB).

The Consolidated Financial Statements as of December 31, 2019, presented in this report were approved by the Company's board of directors on March 20, 2020.

In the preparation of these Consolidated Financial Statements as of December 31, 2019, management has utilized to the best of its knowledge its information and understanding of the standards and interpretations applied and the current facts and circumstances.

### **(B) BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

These Consolidated Financial Statements have been prepared in accordance with IFRS, largely on a historical cost basis, except for items recognized at fair value such as derivative instruments. The carrying amounts of assets and liabilities hedged with transactions that qualify for hedge accounting are adjusted to reflect changes in the fair value in relation to the hedged risks.

These Consolidated Financial Statements are expressed in United States dollars (USD), which is the functional currency of both the CSAV Group and the HLAG joint venture. The figures in these statements have been rounded to thousands of United States dollars (ThUS\$).

The accounting policies defined by CSAV and adopted by all consolidated subsidiaries, based on certain critical accounting estimates for quantifying some assets, liabilities, income, expenses and commitments, have been used in the preparation of these Consolidated Financial Statements. The areas that involve a greater degree of judgment or complexity, or the areas in which the assumptions and estimates are significant for the Consolidated Financial Statements are detailed as follows:

**COMPAÑÍA SUD AMERICANA DE VAPORES S.A.**  
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**As of and for the year ended December 31, 2019**

1. The evaluation of possible impairment losses on certain assets.
2. The hypotheses used in the actuarial calculation of employee benefits liabilities.
3. Useful lives of fixed assets and intangible assets.
4. The criteria used in the valuation of certain assets (such as derivative instruments, deferred tax assets, etc.).
5. The probability that certain liabilities and contingencies (provisions) will materialize and their valuations.

These estimates are made on the basis of the best available information about the matters being analyzed. In any event, it is possible that future events may make it necessary to modify such estimates in future periods. If necessary, such modifications would be made prospectively, such that the effects of the change would be recognized in future financial statements.

Starting the last quarter of 2017, CSAV's board and management decided to discontinue operations of its freight forwarder and logistics services unit, operated by the Norgistics subsidiaries (hereinafter Norgistics), given the unit's inability to sustain enough business volume to make its operations profitable and to develop it within CSAV's business context. This decision was made in order to maintain the proper strategic focus on its main businesses and secure the greatest value possible for CSAV and its shareholders.

As of December 31, 2019, given that the Company's plan for disposing of this business unit has been defined, has been approved by CSAV's senior management and is currently being implemented, the Company decided to present all assets and liabilities related to the logistics services unit as "held for sale" in the Consolidated Statement of Financial Position ("Disposal groups classified as held for sale"), in accordance with IFRS 5. The Consolidated Statement of Income and the respective notes in these Consolidated Financial Statements have been expressed consistently with these modified classifications of assets and liabilities and other provisions of IFRS 5.

As explained in Note 14, on April 3, 2019, the subsidiary Norgistics Perú S.A.C. was liquidated and on August 21, 2018, Tollo Shipping Co. S.A. sold the subsidiary Norgistics (China) Ltd. [Hong Kong] to third parties. However, because it still maintains control over other subsidiaries from the same business unit, the assets and liabilities of the Norgistics business unit as well as the discontinued unit's results and cash flows, separated into operating, investing and financing cash flows, are separately disclosed in Note 35 of this report (Discontinued Operations). This presentation provides more clarity for analyzing the performance and financial position of CSAV's continued operations and a better comparison with financial information from prior periods.

## (C) NEW ACCOUNTING PRONOUNCEMENTS

(C.1) THERE ARE STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT ARE MANDATORY FOR THE FIRST TIME FOR PERIODS BEGINNING ON OR AFTER JANUARY 1, 2019, AND HAVE BEEN APPLIED IN PREPARING THESE CONSOLIDATED FINANCIAL STATEMENTS:

### NEW STANDARDS AND INTERPRETATIONS

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments

### AMENDMENTS TO IFRS

- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements Cycle 2015-2017 (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)

(C.2) THE FOLLOWING NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS HAVE BEEN ISSUED BUT APPLICATION IS NOT YET MANDATORY:

New IFRS	Mandatory Effective Date
IFRS 17: Insurance Contracts	Annual periods beginning on or after January 1, 2021. Early adoption is permitted for entities that apply IFRS 9 and IFRS 15 on or before that date.
<b>Amendments to IFRS</b>	
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).	Effective date deferred indefinitely.
Amendments to References to the Conceptual Framework in IFRS Standards	Annual periods beginning on or after January 1, 2020.
Definition of a Business (Amendments to IFRS 3)	Annual periods beginning on or after January 1, 2020. Early adoption is permitted.
Definition of Material (Amendments to IAS 1 and IAS 8)	Annual periods beginning on or after January 1, 2020. Early adoption is permitted.
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	Annual periods beginning on or after January 1, 2020. Early adoption is permitted.

Management does not intend to adopt these standards early and, to date, has not estimated the potential impact of adopting these amendments early on its Consolidated Financial Statements.



**COMPAÑÍA SUD AMERICANA DE VAPORES S.A.**  
**Notes to the Consolidated Financial Statements**  
**As of and for the year ended December 31, 2019**

**NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 CONSOLIDATION BASIS**

**(A) SUBSIDIARIES**

Subsidiaries include all of the entities over which CSAV has control.

Control is achieved when the Company has exposure, or rights, to variable returns from the investor's involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns. Specifically, the Company controls an investee if and only if it has all of the following elements:

- (i) power over the investee (i.e. existing rights that give it the ability to direct the relevant activities of the investee);
- (ii) exposure, or rights, to variable returns from its involvement with the investee;
- (iii) the ability to use its power over the investee to affect the amount of the investor's returns.

When the Company has less than the majority of the voting rights in an investee, it still has power over the investee when these voting rights are sufficient to give it the practical ability to unilaterally direct the investee's relevant activities. The Company considers all of the facts and circumstances in evaluating whether the voting rights in an investee are sufficient to give it power, including:

(a) the size of its holding of voting rights relative to the size and dispersion of holdings of other vote holders; (b) potential voting rights held by the investor, other vote holders or other parties; (c) rights from other contractual agreements; and (d) any additional facts and circumstances that indicate that the investor has, or does not have, the current ability to unilaterally direct the relevant activities when decisions need to be made.

The Company will reevaluate whether or not it has control in an investee if the facts and circumstances indicate that there have been changes in one or more of the three elements of control mentioned above. A subsidiary will be consolidated from the date on which the investor obtains control of the investee and consolidation shall cease when control over the investee is lost.

The acquisition method is used to account for the acquisition of subsidiaries by the CSAV Group. Based on this method, the acquisition cost is the fair value of the assets delivered, equity instruments issued and liabilities incurred or assumed at the date of exchange. The excess of the acquisition cost over the fair value of the Group's share in the net identifiable assets acquired is recognized as purchased goodwill. If the acquisition cost is lower than the fair value of the net assets of the acquired subsidiary, the identification and measurement of the acquiring company's identifiable assets, liabilities and contingent liabilities, as well as the measurement of

the acquisition cost, shall be reconsidered. Any remaining difference will be recognized directly in net income or loss.

Subsidiaries are consolidated using the line-by-line method for all of their assets, liabilities, income, expenses and cash flows.

Non-controlling interest in subsidiaries is included in the total equity of the CSAV Group.

Intercompany transactions, balances and unrealized gains on transactions between entities of the CSAV Group are eliminated during the consolidation process. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. When necessary in order to ensure consistency with the policies adopted by the CSAV Group, the accounting policies of its subsidiaries are modified.

## **(B) ASSOCIATES**

Associates are defined as all entities over which the CSAV Group exercises significant influence but over which it has no control, generally with an ownership interest between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognized at their acquisition cost, which requires assigning a value to these assets, commonly known as Purchase Price Allocation (PPA). The CSAV Group's investments in associates include purchased goodwill identified in the acquisition, net of any accumulated impairment loss identified in that investment.

Acquisitions of additional shares in an associate that do not change the significant influence over the investment are accounted for at acquisition cost by the CSAV Group, considering the total purchases made continuously during a given period within a year and preparing one single purchase price allocation (PPA) for those purchases.

Partial or total sales of shares in an associate are subtracted from the book value of the investment, allocating the shares sold to the oldest PPAs, and subsequently adjusting PPA amortization in proportion to the shares sold.

The CSAV Group's share in the losses or net income subsequent to the acquisition of its associates is recognized in net income or loss, and its share in movements of equity reserves, including other comprehensive income, subsequent to the acquisition is recorded as reserves. Accumulated movements subsequent to the acquisition are recorded against the carrying amount of the investment. When the CSAV Group's share of the losses of an associate is equal to or greater than its ownership interest in that associate, including any other uninsured receivable, the Company does not recognize additional losses, unless it has incurred obligations that exceed the invested capital.

**COMPAÑÍA SUD AMERICANA DE VAPORES S.A.**  
**Notes to the Consolidated Financial Statements**  
**As of and for the year ended December 31, 2019**

**(C) JOINT ARRANGEMENTS**

Joint ventures are entities in which the CSAV Group exercises control over its activities through contractual agreements with other shareholders and that require mainly the unanimous consent of the parties sharing control.

Investments in joint ventures are accounted for using the equity method and are initially recorded at their acquisition cost, which requires assigning a value to these assets, commonly known as Purchase Price Allocation (PPA). This methodology must be applied equally for any acquisition of additional interest in a joint venture, preparing a separate PPA report as of the date of the respective transaction and a separate record of the effects on net income or loss of amortizing its fair value adjustments. The cost of investments in joint ventures includes any directly related transaction costs.

The Company's share in the losses or net income subsequent to the acquisition of its joint ventures is recognized in net income or loss, and its share in movements of equity reserves, including other comprehensive income, subsequent to the acquisition is recorded as reserves. Accumulated movements subsequent to the acquisition are recorded against the carrying amount of the investment. When the CSAV Group's share of the losses of a joint venture is equal to or greater than its ownership interest in that associate, including any other uninsured receivable, the Company does not recognize additional losses, unless it has incurred obligations that exceed the invested capital.

### 3.2 ENTITIES INCLUDED IN CONSOLIDATION

These Consolidated Financial Statements include the assets, liabilities, results and cash flows of CSAV and all subsidiaries, which are listed in the table below. Significant transactions and related balances between group companies have been eliminated during the consolidation process.

Taxpayer ID No.	Company	Country	Currency	Ownership Interest as of December 31,					
				2019			2018		
				Direct	Indirect	Total	Direct	Indirect	Total
Foreign	CSAV Germany Container Holding GmbH	Germany	USD	100.00%		100.00%	100.00%		100.00%
Foreign	Tollo Shipping Co. S.A. and Subsidiaries	Panama	USD	100.00%	-	100.00%	100.00%	-	100.00%
Foreign	Norgistics México S.A. de C.V.	Mexico	USD	-	100.00%	100.00%	-	100.00%	100.00%
Foreign	Navibras Comercial Marítima e Afretamentos Ltda.	Brazil	USD	-	100.00%	100.00%	-	100.00%	100.00%
Foreign	Corvina Shipping Co. S.A	Panama	USD	100.00%	-	100.00%	100.00%	-	100.00%
96.838.050-7	Compañía Naviera Rio Blanco S.A.	Chile	USD	99.00%	1.00%	100.00%	99.00%	1.00%	100.00%
76.028.729-6	Norgistics Holding S.A. and Subsidiaries	Chile	USD	99.00%	1.00%	100.00%	99.00%	1.00%	100.00%
Foreign	Norgistics Peru S.A.C. (1)	Peru	USD	-	-	-	23.50%	76.50%	100.00%
Foreign	Norgistics (China) Ltd. [Shenzhen]	China	RMB	100.00%	-	100.00%	100.00%	-	100.00%

(1) This subsidiary was liquidated in April 2019, as described in Note 2 b) and Note 35 of this report.



**COMPAÑÍA SUD AMERICANA DE VAPORES S.A.**  
**Notes to the Consolidated Financial Statements**  
**As of and for the year ended December 31, 2019**

### **3.3 OPERATING SEGMENT REPORTING**

An operating segment is defined as a component of an entity's business for which separate financial information is available and is reviewed regularly by the Company's senior management.

Segment information is presented according to CSAV's main business lines, which have been identified as: (i) container shipping and (ii) other transport services.

### **3.4 FOREIGN CURRENCY TRANSACTIONS**

#### **(A) PRESENTATION AND FUNCTIONAL CURRENCY**

The items included in the financial statements of each of the entities of the CSAV Group are valued using the currency of the primary economic environment in which the entity operates ("functional currency"). The Consolidated Financial Statements are expressed in US dollars, which is both the functional and presentation currency of the CSAV Group.

#### **(B) TRANSACTIONS AND BALANCES**

Transactions in foreign currency are converted to the Company's functional currency using the exchange rate in force as of the date of the transaction. Losses and gains in foreign currency arising from settling these transactions and from converting monetary assets and liabilities denominated in foreign currencies using period-end exchange rates are recorded in net income or loss.

Exchange differences for non-monetary items such as equity instruments at fair value through profit and loss are presented as part of the gain or loss in fair value. Exchange differences for non-monetary items such as equity instruments at fair value through profit and loss are presented as part of the gain or loss in fair value.

#### **(C) CONVERSION OF CSAV GROUP ENTITIES TO PRESENTATION CURRENCY**

The results and the financial situation of all CSAV Group entities (none of which uses the currency of a hyperinflationary economy) that use a functional currency other than the presentation currency are converted to the presentation currency as follows:

- (i) The assets and liabilities of each statement of financial position presented are converted at the closing exchange rate as of the reporting date.
- (ii) The income and expenses of each income statement account are converted at the average exchange rate, unless the average is not a reasonable approximation of the cumulative effect of the exchange rates in force on the transaction dates, in which case income and expenses are converted on the dates of the transactions.
- (iii) Cash flows are translated in accordance with the provisions of point (ii) above.
- (iv) All resulting translation differences are recognized as a separate component of net equity, within “translation reserve” in other equity reserves.

In consolidation, exchange differences arising from the conversion of a net investment in foreign entities or Chilean entities with a functional currency other than the functional currency of the CSAV Group, and of other instruments in foreign currency that are designated as hedges for those investments, are recorded in other comprehensive income. When an investment is sold or disposed of, these exchange differences are recognized in net income or loss as part of the loss or gain on the sale or disposal.

Adjustments to purchased goodwill and to fair value arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and converted at the year- or period-end exchange rate, as appropriate.

### **3.5 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are measured at acquisition cost, less accumulated depreciation and impairment losses. In addition, the acquisition cost must include financial expenses that are attributable to the acquisition, and they shall be recorded until the asset in question is operating.

After initial recognition, property, plant and equipment continues to be measured at acquisition cost, less accumulated depreciation and impairment losses.

Subsequent costs are included in the value of the asset or recognized as a separate asset, only when it is likely that its future economic benefits will flow to the Company and the cost of the component can be determined reliably. The value of the replaced component is derecognized while other repairs and maintenance are charged to net income or loss for the period in which they are incurred. When significant parts of an item of property, plant and equipment have different useful lives among themselves, these parts shall be recorded as separate components.

Depreciation is recognized in net income or loss, using the straight-line method based on the estimated useful life of each component of an item of property, plant and equipment, starting from the date on which the asset becomes available for use.

**COMPAÑÍA SUD AMERICANA DE VAPORES S.A.**  
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The estimated useful lives for assets are as follows:

Buildings	40 to 100 years
Machinery and operating equipment	5 to 14 years
Leasehold facilities and improvements	Term of lease
Furnishings and fixtures	3 to 10 years
Computer equipment	2 to 3 years

At each consolidated financial statement period-end, the residual value and useful life of the assets are reviewed and adjusted where necessary.

When the value of an asset is greater than its estimated recoverable amount, its value is immediately lowered to its recoverable amount.

Losses and gains on the sale of property, plant and equipment are calculated by comparing the income obtained with the carrying amount and are recorded net in the Statement of Income.

Property (land or buildings) used to earn rentals and/or for capital appreciation, rather than for use in the production of services or for administrative purposes, is presented within "investment property" (in section 3.6 below). Items of property, plant and equipment that are not used in operations or for investment are disposed of in order to recover their residual value.

Lease agreements are recorded in property, plant and equipment by recognizing a right-of-use asset for property under an operating lease. These right-of-use assets are depreciated on a straight-line basis over the life of the agreement.

### **3.6 INVESTMENT PROPERTY**

Investment property is property (land or buildings or parts of buildings) held by the Company as owner or lessee under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment property is recognized as an asset only when: (i) it is probable that the future economic benefits that are associated with the property will flow to the Company; and (ii) the cost of the property can be reliably measured.

The CSAV Group records investment property at acquisition cost, less accumulated depreciation and impairment losses. In addition, the acquisition cost must include financial expenses that are directly attributable to the acquisition, and they shall be recorded as such until the asset in question is operating.

The simple reclassification of land or buildings from property, plant and equipment to investment property will not generate any gains or losses for the Company since both items are valued at historical cost and, therefore, will be recorded at the same amount for which they were recorded originally.

Losses and gains on the sale of investment property are calculated by comparing the income obtained with the carrying amount and are recorded net in the Consolidated Statement of Income.

### 3.7 INTANGIBLE ASSETS

Only those intangible assets whose costs can be reasonably objectively estimated and those assets from which it is likely that economic benefits will be obtained in the future are recognized for accounting purposes. Such intangible assets shall be initially recognized at acquisition or development cost, and they shall be valued at cost less the corresponding accumulated amortization and any impairment losses incurred, for those intangible assets with a finite useful life.

For intangible assets with a finite useful life, amortization is recognized in net income or loss, using the straight-line method based on the estimated useful life, starting from the date on which the asset is available for use or another method that better represents its usage or wear. Intangible assets with an indefinite useful life and goodwill are not amortized but impairment testing is performed on an annual basis.

The classes of intangible assets held by the CSAV Group and the corresponding periods of amortization are summarized as follows:

Class	Minimum	Maximum
Acquired goodwill	Indefinite	
Development costs	2 years	4 years
Computer software	2 years	4 years

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**(A) SOFTWARE**

Acquired software licenses are capitalized on the basis of costs incurred to acquire them and prepare them for use. These intangible assets are amortized over their estimated useful lives.

**(B) PATENTS, TRADEMARKS AND OTHER RIGHTS**

These assets are presented at historical cost. These rights have no defined useful life and, therefore, are not amortized. However, the indefinite useful life is subject to periodic review in order to determine whether the indefinite useful life is still applicable.

**3.8 GOODWILL**

Goodwill represents the difference between the acquisition cost and the value of the CSAV Group's share of the net acquired assets and liabilities of the subsidiary, associate or joint venture, measured as of the acquisition date. Acquired goodwill is presented separately in the Statement of Financial Position and is tested for impairment on an annual basis and valued at cost less accumulated impairment losses. Goodwill related to acquisitions of associates and joint ventures is included in the investment value and tested for impairment as a whole. Gains and losses related to the sale of an investment include in the cost the carrying amount of acquired goodwill related to the investment that was sold.

Purchased goodwill is allocated to cash-generating units for impairment testing purposes. The allocation is made for those cash-generating units that are expected to benefit from the business combination or acquisition in which such acquired goodwill was generated.

Negative goodwill arising from the acquisition of an investment or business combination is recorded in accordance with Note 3.1 a).

**3.9 BORROWING COSTS**

Borrowing costs incurred for the construction of any qualified asset (an asset that necessarily takes a substantial period of time to get ready for use) are capitalized over the period of time needed to complete and prepare the asset for its intended use. Other borrowing costs are recorded in net income or loss as finance costs.



### 3.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life (e.g. goodwill and intangible assets with indefinite useful lives) are not amortized and are tested for impairment on an annual basis.

Assets that are not amortized are tested for impairment whenever an event or change in circumstances indicates that the carrying amount may not be recoverable. If this is the case, an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the greater of: (i) the fair value of an asset or cash generating unit (CGU) less costs to sell; and (ii) the value in use. To determine its value in use, future cash flows estimated for the asset or CGU are discounted to their present value using a before-tax discount rate that reflects the current market valuations over the cost of money and the specific risks that apply to the asset or business.

To conduct impairment testing, assets or CGUs are grouped by operating segment, as indicated in Note 6 to these Consolidated Financial Statements.

Non-financial assets other than purchased goodwill for which an impairment loss has been recorded are reviewed at each year-end in case the loss has been reversed, in which case the reversal may never be greater than the original impairment amount.

Impairment of purchased goodwill is not reversed.

### 3.11 FINANCIAL ASSETS

#### (A) INITIAL RECOGNITION AND MEASUREMENT

Upon initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income or fair value through profit and loss.

Financial assets are not reclassified after initial recognition, unless the Company changes its business model to one of managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

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A financial asset must be measured at amortized cost if it meets the following two conditions and is not measured at fair value through profit and loss:

- the financial asset is maintained within a business model whose objective is to hold the financial assets to obtain contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding.

An investment in debt must be measured at fair value through other comprehensive income if it meets the following two conditions and is not measured at fair value through profit or loss:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding.

The Company evaluated the objective of the business model in which it holds financial assets at portfolio level since this is the level that best reflects how the business is managed and the information provided to management. The information considered includes:

- The mentioned policies and objectives for the portfolio and the operation of these policies in practice. These include whether the management strategy focuses on collecting contractual interest income, maintaining a particular interest yield profile or coordinating the duration of financial assets with the duration of the liabilities that those assets are financing or the expected cash outflows or realizing cash flows through sale of the assets;
- how portfolio performance is evaluated and how it is reported to the Company's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held in the business model) and, in particular, how those risks are managed;
- how business managers are compensated (e.g. whether compensation is based on the fair value of the managed assets or the contractual cash flows obtained); and
- the frequency, value and timing of sales in prior periods, the reasons for these sales and expectations regarding future sales.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, based on the Company's ongoing recognition of the assets.

Financial assets that are maintained for trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through profit and loss.

## EVALUATION OF WHETHER CONTRACTUAL CASH FLOWS ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST

For the purposes of this evaluation, 'principal' is defined as the fair value of the financial asset upon initial recognition. 'Interest' is defined as the consideration for the time value of money for the credit risk associated with the outstanding principal amount during a given period of time and for other risks and basic borrowing costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

Upon evaluating whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes evaluating whether a financial asset contains a contractual condition that could change the timing or amount of the contractual cash flows so that it would not meet this condition. To perform this evaluation, the Company considers:

- contingent facts that would change the amount or timing of the cash flows;
- terms that could adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's right to the cash flows from specific assets (e.g. without recourse features).

A prepayment feature is consistent with the criterion of solely payment of principal and interest if the amount of the prepayment substantially represents the amounts of unpaid principal and interest over the principal amount, which can include reasonable additional compensation for early termination of the contract. In addition, in the case of a financial asset acquired at a discount or a premium over its contractual nominal amount, a feature that allows or requires prepayment of an amount that substantially represents the contractual nominal amount plus the accrued (but unpaid) contractual interest (that can also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant upon initial recognition.

These assets are measured subsequently at amortized cost using the effective interest method. Amortized cost is net of impairment losses. Interest income, gains from exchange differences and impairment are recognized in net income or loss. Any gain or loss upon derecognition is recognized in net income or loss.

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**(B) DERECOGNITION OF FINANCIAL INSTRUMENTS**

In general, financial assets are derecognized when they mature or when contractual rights to receive cash flows have been transferred or when the entity has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they have been extinguished (i.e. when the obligation specified in the contract has been paid, canceled or has expired or when it is legally released from liability by the creditor.

**(C) SUBSEQUENT RECOGNITION AND MEASUREMENT**

Financial instruments are classified as stated in Note 3.11.a) at amortized cost, fair value through other comprehensive income or fair value through profit and loss.

**(i) Amortized Cost**

Financial instruments at amortized cost are accounted for at their amortized cost according to the effective interest method. Amortized cost is net of impairment losses. Finance income and costs, gains and losses from exchange differences and impairment are recognized in net income or loss. Any gain or loss upon derecognition is recognized in net income or loss for the year.

**(ii) At Fair Value Through Other Comprehensive Income**

Financial instruments at fair value through other comprehensive income are subsequently measured at fair value. Interest income is calculated using the effective interest method and recognized in net income or loss. Other net gains or losses are recognized in equity.

**(iii) At Fair Value through Profit and Loss**

Financial instruments at fair value through profit and loss are subsequently measured at fair value. Net gains or losses, including any interest or dividend income, are recognized in net income or loss for the year.

**(D) FINANCIAL ASSET IMPAIRMENT**

The Company recognizes corrections in value for expected credit losses for financial assets measured at amortized cost. The Company measures corrections in value for an amount equal to the asset's lifetime expected credit losses.

Corrections in value for trade receivables are always measured for an amount equal to the lifetime expected credit losses.

Upon determining whether the credit risk of a financial asset has increased significantly since initial recognition by estimating expected credit losses, the Company considers the reasonable and supportable information that is relevant and is available without undue costs or effort. This includes quantitative and qualitative information and analysis, based on the Company's historical experience and an informed credit evaluation including references to the future.

Lifetime expected credit losses are the credit losses that result from all possible default events over the life of the financial instrument.

A financial asset that is not recorded at fair value through profit and loss is evaluated at each period-end in order to determine whether there is objective evidence of impairment. A financial asset is impaired if there is objective evidence that a loss event has occurred after the initial recognition of the asset, and that this loss event has had a negative effect on the asset's future cash flows that can be reliably estimated.

Objective evidence that financial assets are impaired may include, among others, delay or default by a debtor, restructuring of an amount owed to the Company in terms that that Company would not consider in other circumstances, indications that a debtor or issuer will declare bankruptcy, or the disappearance of an active market for an instrument.

In addition, for an investment in an equity instrument, a significant or prolonged decrease in the fair value of the asset, below its cost, represents objective evidence of impairment.

For receivables, the Company uses the simplified approach permitted by IFRS 9, which requires it to recognize expected losses over the life of the instrument since initial recognition of the receivable.

All individually significant receivables are tested for specific impairment. Receivables that are not individually significant are tested for collective impairment by grouping items with similar risk characteristics.

In evaluating collective impairment, the Company uses historical trends of probability of noncompliance, the timing of recoveries and the amount of the loss incurred, all adjusted according to management's judgment as to whether under the prevailing economic and credit conditions it is likely that the actual losses will be greater or lesser than the losses indicated by historical trends.



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### **3.12 TRADE AND OTHER RECEIVABLES**

Trade receivables are initially recognized at fair value and subsequently at amortized cost less any provision for impairment, calculated using the expected credit loss model as required by IFRS 9.

In the Consolidated Statement of Income the subsequent recovery of previously provisioned amounts is credited to cost of sales.

### **3.13 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash held internally and in banks; time deposits in credit entities; other highly liquid, short-term investments with an original term of three months or less; and bank overdrafts. In the Statement of Financial Position, bank overdrafts are classified as external resources in current liabilities.

### **3.14 TRADE AND OTHER PAYABLES**

Accounts payable to suppliers are initially recognized at fair value and subsequently, if applicable, at amortized cost using the effective interest method.

### **3.15 INTEREST-BEARING LOANS AND OTHER FINANCIAL LIABILITIES**

Loans, bonds payable and other financial liabilities of a similar nature are initially recognized at fair value, net of the costs incurred in the transaction. Subsequently, they are valued at amortized cost and any difference between the funds obtained (net of costs to obtain them) and repayment value are recognized in the Statement of Income over the life of the debt using the effective interest rate method.

### **3.16 ISSUED CAPITAL**

The Company's subscribed and paid shares are classified within equity under issued capital.

Incremental costs directly attributable to the issuance of new shares are presented in net equity as a deduction, net of taxes, from the income obtained in the placement. Until the Company's shareholders approve the deduction of these costs against issued capital, they are recorded within other equity reserves.

### 3.17 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACTIVITIES

Derivative financial instruments used to hedge risk exposure in foreign currency purchases, fuel purchases and interest rates are initially recognized at fair value.

After initial recognition, derivative financial instruments are periodically measured at fair value, and any changes are recorded as described below:

#### (i) Accounting Hedges

The CSAV Group documents the relationship between hedge instruments and the hedged items at the beginning of the transaction, as well as its risk management objectives and strategy for carrying out diverse hedge transactions. The Company also documents its evaluation, both initially and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective at offsetting changes in fair value or in the cash flows from the hedged items.

Derivative financial instruments that satisfy hedge accounting criteria are initially recognized at fair value plus (less) the transaction costs that are directly attributable to contracting or issuing the instrument, as appropriate.

Changes in the fair value of these instruments shall be recognized directly in equity, to the extent that the hedge is effective. When it is not effective, changes in fair value shall be recognized in net income or loss.

If the instrument no longer satisfies hedge accounting criteria, the hedge shall be discontinued prospectively. Any accumulated gains or losses that were previously recognized in equity will remain until the forecasted transactions occur.

#### (ii) Economic Hedges

Derivative financial instruments that do not satisfy hedge accounting criteria are classified and valued as financial assets or liabilities at fair value through profit and loss.

The fair values of derivative instruments used for hedging purposes are shown in Note 12. Movements in the hedge reserve within equity are shown in Note 28. The total fair value of the hedge derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is greater than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

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### **3.18 INVENTORIES**

Inventories are valued at cost or net realizable value, whichever is lower. The cost is determined by the “first-in-first-out,” or FIFO, method and includes the acquisition cost and other costs incurred in bringing it to its place and conditions of use.

The net realizable value is the estimated sales value in the normal course of business, less estimated selling costs.

### **3.19 CURRENT AND DEFERRED INCOME TAXES**

Income taxes for the period include current income taxes and deferred income taxes. Taxes are recognized directly in net income or loss except for certain items recognized directly in equity.

Current income taxes are calculated based on each country's tax laws in force as of the reporting date.

Deferred taxes are calculated using the Statement of Financial Position based on temporary differences that arise between the tax basis of assets and liabilities and their carrying amount in the financial statements. However, if the deferred taxes arise from the initial recognition of a liability or an asset in a transaction other than a business combination, which at the time of the transaction neither affected the accounting result nor the tax gain or loss, it is not accounted for. Deferred taxes are determined using tax rates (and laws) that have been enacted or approved as of the date of the Statement of Financial Position and that are expected to be applied when the corresponding deferred tax asset or liability is realized.

Deferred tax assets are recognized to the extent that it is likely that future tax benefits are available with which to effectively offset these differences.

Deferred taxes are measured using the tax rate applicable to CSAV under this tax system, or 27%.

### **3.20 EMPLOYEE BENEFITS**

#### **(A) CONTRACT TERMINATION INDEMNITY**

Commitments undertaken in a formal detailed plan, either in order to terminate the contract of an employee before normal retirement age or to provide termination benefits, are recognized directly in net income or loss.

## **(B) SHORT-TERM BENEFITS AND INCENTIVES**

The CSAV Group recognizes this obligation on an undiscounted basis when it is contractually bound to do so or when past practice has created an implicit obligation. It is accounted for in net income or loss on an accrual basis.

### **3.21 PROVISIONS**

The CSAV Group recognizes provisions when the following requirements are satisfied:

- (a) there is a current obligation, whether legal or implicit, as a result of past events;
- (b) it is likely that an outflow of resources will be needed to settle the obligation; and
- (c) the amount can be reliably estimated.

In the case of a service contract that is considered onerous, a provision will be recognized and charged to net income or loss for the period, for the lesser of the cost of settling the contract and the net cost of continuing it.

Provisions for restructuring purposes are recognized to the extent that the CSAV Group has approved a formal detailed plan for restructuring an operation, and that such restructuring has been internally reported or has already begun.

Provisions are not recorded for future operating losses except for the onerous contracts mentioned above.

These provisions are valued at the present value of the disbursements that are expected to be necessary to settle the obligation using, if applicable, a discount rate that reflects the current market assessments of the time value of money and the specific risks of the obligation.

### **3.22 OTHER NON-FINANCIAL LIABILITIES**

This item includes liabilities that are not of a financial nature and do not qualify as any other specific type of liability.

For the Company, the most relevant liabilities recorded within this account are those related to income from voyages in transit (i.e. those that have not yet reached their destination) and, therefore, the performance obligation with the customer has not been satisfied as of the reporting date.

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### **3.23 OPERATING INCOME**

The Company has analyzed and considered all relevant facts and circumstances when applying each step of the model in IFRS 15 to customer contracts, identifying:

- i) a sole type of contract,
- ii) a single performance obligation,
- iii) a price that depends on whether the customer has a contract or is a spot customer, allocated to this single performance obligation,
- iv) a performance obligation that is satisfied when the shipping service route is completed.

This occurs, for example, when a journey completes its full itinerary. At that time, customers receive and simultaneously consume the benefits of the service that the Company is providing. In the case of sub-chartered vessels or other operating income, the performance obligation is related to the effective availability of the chartered asset or the specific service provided.

### **3.24 DISCONTINUED OPERATIONS**

The preparation criteria for discontinued operations is described in Note 2 b).

### **3.25 FINANCE INCOME AND COSTS**

Finance income is accounted for based on its effective rate. Finance costs are recognized in net income or loss when accrued, except for costs incurred to finance the construction or development of qualified assets that are capitalized.

Finance costs are capitalized starting from the date on which knowledge about the asset to be constructed is obtained. The amount of the capitalized finance costs (before taxes) for the period is determined by applying the effective interest rate of the loans in force during the period in which financial expenses were capitalized to the qualified assets.

### **3.26 LEASES**

Lease agreements are recognized in property, plant and equipment by recognizing a right-of-use asset for property under an operating lease and a liability equivalent to the present value of payments associated with the agreement. An agreement is or contains a lease if it transmits the right to control the use of an identified asset for a period of time in exchange for a consideration. In terms of the effects on net income, each month amortization of the right-of-use asset will be recognized in PPE on a straight-line basis over the life of the agreement, along with the corresponding installment of the finance cost to update the lease liability. In the event of amendments



to the lease agreement, such as the lease value, term, unit of indexation, associated interest rate, etc., the lessee will recognize the amount of the new measurement of the lease liability as an adjustment to the right-of-use asset.

The Company may choose not to apply the requirements of IFRS 16 for short-term leases and leases in which the underlying asset is of low value. However, CSAV will adopt the standard for both short and long-term lease agreements.

### **3.27 DETERMINATION OF FAIR VALUE**

Some of the CSAV Group's accounting policies and disclosures require that the fair value of certain financial assets be determined as follows:

#### **(A) FINANCIAL ASSETS**

The fair value of financial assets at fair value through profit and loss and available-for-sale financial assets is determined at market value.

#### **(B) DERIVATIVES**

The fair value of derivative contracts is based on market quotes.

### **3.28 EARNINGS (LOSS) PER SHARE**

Basic earnings(loss) per share are calculated as the ratio between net income(loss) for the period divided by the daily weighted average number of common shares outstanding during the period.

### **3.29 DIVIDEND DISTRIBUTIONS**

Until there is a positive balance of distributable net income as of period-end (i.e. the initial balance plus the results for the period), the Company will not distribute dividends to its shareholders (Art. 78 Law No. 18,046). This calculation is shown in Note 28 g) to these Consolidated Financial Statements.

The distribution of dividends to the Company's shareholders is recognized as a liability in CSAV's annual consolidated accounts in the period in which they become payable. The Company's policy is to distribute 30% of distributable net income.

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### 3.30 ENVIRONMENT

Disbursements related to environmental protection are recorded in income when incurred.

### NOTE 4 CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

The Interim Consolidated Financial Statements as of December 31, 2019, present some changes in policies and accounting estimates as required because of mandatory adoption of IFRS 16 starting January 1, 2019. These changes do not involve significant changes in financial reporting from prior years that can affect comparability with the previous period.

#### IFRS 16 LEASES

This standard requires lease agreements currently classified as operating to be accounted for similarly to finance leases. In general, this means recognizing a right-of-use asset for property under an operating lease and a liability equivalent to the present value of payments associated with the agreement.

In terms of the effects on net income, monthly lease payments will be replaced by amortization of the right-of-use asset plus recognition of a finance cost. In the event of amendments to the lease agreement, such as the lease value, term, unit of indexation, associated interest rate, etc., the lessee will recognize the amount of the new measurement of the lease liability as an adjustment to the right-of-use asset.

The Company has determined that the lease commitments that must be analyzed within the scope of IFRS 16 are mainly those for vessel and slot charters. The impact of the initial adjustment as of January 1, 2019, on the Statement of Financial Position is:

	As of January 1, 2019 ThUS\$
Increase in right-of-use assets	30,499 *
Increase in lease liabilities	30,499 *

\* The present value of the payments related to the lease agreements.

## **NOTE 5 FINANCIAL RISK MANAGEMENT**

The container business is CSAV's main asset, through its investment in HLAG. Although CSAV is not directly exposed to the financial risks of the container industry as an operator, it is indirectly exposed because these risks directly affect the value of CSAV's investment in that joint venture and the associated dividend flow from HLAG and its capital requirements, which may result in CSAV having to subscribe to capital increases in that joint venture, or seeing its stake diluted and the economic value of its investment and future dividends reduced if it chooses not to subscribe.

CSAV's investment in HLAG represents 86.14% of its total consolidated assets, as of December 31, 2019. 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, 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.

The businesses that CSAV operates directly are mainly vehicle transport services, which are exposed to various financial risks that include: (a) Business Risk, (b) Credit Risk, (c) Liquidity Risk and (d) Market Risk.

The Company seeks to minimize the potential effects of these risks by establishing internal financial risk management policies and using hedges and financial derivatives.

### **(A) BUSINESS RISK**

The main business risks for CSAV are those related to the balance of supply and demand for maritime transport, as well as risks associated with its main geographical markets and fuel prices.

The container transport business is exclusively operated by HLAG, and its management autonomously manages the financial risks associated with this business, using the instruments and tools offered by the industry and the financial market in accordance with the standards of a publicly-listed company in Germany. Additional information on these risks and how they are managed by HLAG can be found in its Annual Report 2019, which includes its audited Consolidated Financial Statements prepared under IFRS, which are published on its website at the following link (in English): <https://www.hapag-lloyd.com/en/ir/publications/financial-report.html>.

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#### **(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. Both the container transport business, operated and managed by HLAG, and the vehicle transport business are directly affected by changes in these variables in their respective industry.

The imbalance between supply and demand can affect shipping operators to a greater or lesser extent depending on their operating fleet (vessel age, fuel consumption and versatility, among other characteristics), the proportion of their fleet that is owned and the proportion chartered (operational leverage) in comparison to the industry. Significant exposure to chartered vessels can negatively impact the results and the financial position of operators when charter rates are not correlated with freight rates before fuel costs (ex-bunker rates), either because of market imbalances or the duration of vessel charter agreements at fixed rates. The duration and age of charter agreements can limit shipping companies' capacity to adjust their operated fleets and modify their vessel sailing speed in response to abrupt drops in shipping demand and streamlining and cost-cutting initiatives.

Vessel supply and demand imbalances for the maritime transport services directly operated by CSAV (vehicle transport) can cause volatility in vehicle transport charter and freight rates for roll-on/roll-off vessels.

#### **(II) GEOGRAPHICAL MARKETS**

The HLAG joint venture 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.

The vehicle transport services directly operated by CSAV expose the Company to changes within South American markets, particularly the vehicle and wheeled machinery markets on the west coast of the continent (mainly Chile and Peru), which are directly linked to new vehicle sales in these markets. Beginning in 2016, there has been a rise in sales of light vehicles in Chile—CSAV's most important market. This trend held until 2018 when vehicle sales peaked, recovering volumes last seen in 2013. However, in 2019 there was a fall in vehicle sales with respect to the prior period, which also involved a reduction in import volumes to Chile.

### (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. In the vessels it operates, the Company primarily uses the fuels IFO 380, IFO 180 and MGO/LS.

In January 2020, new regulations from the International Maritime Organization (IMO 2020) took effect, reducing permitted vessel sulfide emissions from 3.5% to 0.5% in order to improve air quality and protect the environment. In emission control areas (ECA), the current standard of 0.1% sulfur content will be maintained.

Most of CSAV's maritime freight sales are agreed with contracts and generally a percentage of those rates are subject to price adjustments, based on changes in the cost of fuel, known as a Bunker Adjustment Factor ("BAF"). Likewise, beginning January 1, 2019, HLAG will gradually implement a Marine Fuel Recovery (MFR) mechanism to recover the incremental costs from using more refined fuel, to be calculated per TEU.

The Company contracts fuel price hedges on volumes that are not covered by sales and contracts subject to fuel price adjustment clauses, or which are not at a fixed price, or for that portion of sales with this clause where the coverage is limited, in order to reduce the impact of potential upward volatility in fuel prices.

For example, for transport services directly operated by the Company during 2019, an increase in fuel prices of US\$10 per metric ton of fuel would have had a negative impact of around ThUS\$393 on the Company's results. This effect is significantly reduced by using price adjustment clauses and/or fuel derivatives.



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**(B) CREDIT RISK**

Credit risk is derived from the CSAV Group's exposure to (i) potential losses resulting mainly from non-fulfillment of obligations by customers, third-party agencies and carriers with which the Company has signed vessel charter and/or slot sale agreements, (ii) counterparty risk in the case of financial assets maintained with banks and (iii) counterparty risk in the case of financial hedges with banks or other institutions.

**(I) ACCOUNTS RECEIVABLE**

The Company has a strict credit policy for managing its portfolio of accounts receivable. Most of the Company's customers are direct customers. This policy is based on lines of credit and payment terms granted on the basis of an individual analysis of the solvency, payment capacity, and general references of each customer, the customer's shareholders, industry and market where it does business, as well as its payment history with the Company.

These lines of credit are reviewed at least yearly, and special care is taken so that the conditions offered, with respect to both amounts and terms, are appropriate given market conditions and expected volumes. Payment behavior and the percentage of use of these lines are regularly monitored and updated to reflect changes in volume and sales estimates.

Agencies that represent CSAV are constantly monitored to ensure that the administrative, commercial, operational and collection processes, and their relationship with customers and suppliers complies with agreed contract terms.

Furthermore, there is a rigorous policy to record an allowance for doubtful accounts for any debt carrying a material credit risk or based on historical portfolio delinquency, even when the debt may be recoverable.

Regarding vessel and slot charters to third parties, the Company supports its agreements using Charter Party and Slot Charter Agreements drafted using industry standard models that appropriately cover its interests. CSAV charters vessels to third parties and slots to other shipping companies, always taking into consideration the counterparty's creditworthiness. However, CSAV often leases slots from the same shipping companies to which it leases its own slots on other voyages and services, which significantly reduces the risk of default.

The Company's maximum credit risk exposure from trade and other receivables corresponds to the total of these accounts net of impairment, as detailed below:

	Note	As of December 31, 2019	As of December 31, 2018
		ThUS\$	ThUS\$
Trade receivables	9	12,244	15,285
Impairment of trade receivables	9	(169)	(214)
<b>Trade receivables, net</b>		<b>12,075</b>	<b>15,071</b>
	9	4,159	2,583
<b>Other receivables, net</b>	<b>9</b>	<b>4,159</b>	<b>2,583</b>
<b>Total receivables, net</b>		<b>16,234</b>	<b>17,654</b>

The Company records impairment provisions for trade receivables using the expected credit loss model, which also considers certain special conditions as defined in the following chart:

	Factor
Legal collections, checks issued with insufficient funds and other similar concepts	100%
Customers and agencies with a high risk of financial impairment	100%
Case-by-case analysis of particular past due debtors	100%

During the period, the provision for impairment of accounts receivable has reported the following movements:

	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Opening balance	214	280
Increase (decrease) in impairment for the year	(45)	(66)
<b>Impairment of accounts receivable, closing balance (note 9)</b>	<b>169</b>	<b>214</b>

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## (II) FINANCIAL ASSETS

The Company has a policy for managing its financial assets, which includes time deposits and repurchase agreements. It has its current accounts and investments in financial institutions with risk classification of "investment grade."

The carrying amount of these financial assets represents the maximum exposure to counterparty risk, as detailed as follows:

	Note	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Banks	7	8,590	4,248
Time deposits	7	45,015	20,077
<b>Total</b>		<b>53,605</b>	<b>24,325</b>

## (III) HEDGING POSITIONS

As part of its risk management policy, the Company can take out interest rate, exchange rate and oil price hedges. These hedge positions are contracted through financial institutions that are highly regarded in the industry and investment grade risk ratings. The Company's open hedge positions as of December 31, 2019 and 2018, are as follows.

		Note	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Goldman Sachs	Fuel Oil Swaps	12	-	(756)
Total			-	(756)

## (C) 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 business, as explained in this note, but indirectly as a main shareholder 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 to finance its investment in HLAG.

CSAV has sufficient liquidity to cover its direct transport services. However, considering the risks described above, if necessary the Company has an available line of credit with HSBC Chile for up to US\$10,000,000 expiring in July 2020. As of December 31, 2019, this credit line has not been drawn down.

As of December 31, 2019, the contractual maturities of its financial liabilities, including estimated interest payments, are detailed below:

As of December 31, 2019	Note	Carrying Amount ThUS\$	Contractual Cash Flows ThUS\$	6 Months or Less ThUS\$	6 to 12 Months ThUS\$	1 - 2 Years ThUS\$	2 - 5 Years ThUS\$	More than 5 Years ThUS\$
<b>NON-DERIVATIVE FINANCIAL LIABILITIES</b>								
Bonds payable	22	(149,719)	(184,212)	(3,924)	(3,924)	(56,564)	(40,840)	(78,960)
Unsecured bank instruments	22	(70,017)	(74,637)	(5,805)	(41,734)	(11,217)	(15,881)	-
Trade and other payables and payables to related parties	10 and 23	(41,433)	(41,433)	(41,433)	-	-	-	-
<b>Other financial liability</b>	<b>22</b>	<b>(7,871)</b>	<b>(7,871)</b>	<b>(7,871)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DERIVATIVE FINANCIAL LIABILITIES</b>								
Hedge liabilities	12	-	-	-	-	-	-	-
<b>Total</b>		<b>(269,040)</b>	<b>(308,153)</b>	<b>(59,033)</b>	<b>(45,658)</b>	<b>(67,781)</b>	<b>(56,721)</b>	<b>(78,960)</b>

Note: The cash flows included in the maturity analysis are not expected to occur significantly before or after the maturity date.

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As of December 31, 2018, the contractual maturities of its financial liabilities, including estimated interest payments, are detailed below:

As of December 31, 2018	Note	Carrying Amount ThUS\$	Contractual Cash Flows ThUS\$	6 Months or Less ThUS\$	6 to 12 Months ThUS\$	1 - 2 Years ThUS\$	2 - 5 Years ThUS\$	More than 5 Years ThUS\$
<b>NON-DERIVATIVE FINANCIAL LIABILITIES</b>								
Bonds payable	22	(49,586)	(56,418)	(1,283)	(1,284)	(2,568)	(51,283)	-
Unsecured bank instruments	22	(45,371)	(50,974)	(6,160)	(6,017)	(11,719)	(27,078)	-
Trade and other payables and payables to related parties	10 and 23	(10,330)	(10,330)	(10,330)	-	-	-	-
<b>DERIVATIVE FINANCIAL LIABILITIES</b>			-	-	-	-	-	-
Hedging liabilities	12	(756)	-	-	-	-	-	-
<b>Total</b>		<b>(106,043)</b>	<b>(117,722)</b>	<b>(17,773)</b>	<b>(7,301)</b>	<b>(14,287)</b>	<b>(78,361)</b>	<b>-</b>

Note: The cash flows included in the maturity analysis are not expected to occur significantly before or after the maturity date.

## (D) MARKET RISK

Market risk, as analyzed in this section, 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, (ii) exchange rates, and (iii) fuel prices.

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. Details of the derivatives held by the Company, including their fair value, are presented in Note 12 to these Consolidated Financial Statements.



## (I) INTEREST RATE FLUCTUATIONS

Interest rate fluctuations impact the Company's floating rate obligations.

As of December 31, 2019 and 2018, the Company's net asset and liability position in interest-bearing financial instruments with fixed or variable rates, is detailed as follows:

	Note	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
<b>FINANCIAL ASSETS AT FIXED RATES:</b>			
Time deposits	7	45,015	20,077
Other financial assets	8	-	-
<b>Total financial assets at fixed rates</b>		<b>45,015</b>	<b>20,077</b>
<b>FINANCIAL ASSETS AT VARIABLE RATES:</b>			
Cash on hand and bank balances		5,533	-
<b>Total financial assets at variable rates</b>		<b>5,533</b>	<b>-</b>
<b>Total financial assets</b>		<b>50,548</b>	<b>20,077</b>
<b>FINANCIAL LIABILITIES AT FIXED RATES:</b>			
Bonds payable	22	(149,719)	(49,586)
<b>Total financial liabilities at fixed rates</b>		<b>(149,719)</b>	<b>(49,586)</b>
<b>FINANCIAL LIABILITIES AT VARIABLE RATES:</b>			
Bank loans	22	(70,017)	(45,371)
Loans from related parties	10	(30,194)	-
<b>Total financial liabilities at variable rates</b>		<b>(100,211)</b>	<b>(45,371)</b>
<b>Total financial liabilities</b>		<b>(249,930)</b>	<b>(94,957)</b>
Net fixed-rate position		(104,704)	(29,509)
Net variable-rate position		(94,678)	(45,371)

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The Company does not hedge interest rates on loans with variable interest rates based on Libor.

The potential effect of interest rate fluctuations on variable-rate financial instruments (assets and liabilities) held by CSAV as of December 31, 2019, that are not hedged is shown in the following table. The variation considers: (i) an increase of 1% in the 6-month Libor rate, which is used for variable-rate financial liabilities, and (ii) an increase of 1% in the Libor rate, which is primarily used to invest cash surpluses. The combined effect on the Company's results for each period would be the following:

	For the year ended December 31,	
	2019 ThUS\$	2018 ThUS\$
Effect on net income or loss of increase of 100 basis points in 180-day LIBOR and overnight LIBOR	(296)	(65)

## (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 reals, Chinese yuan and others.

Most of CSAV's assets and liabilities are expressed in US dollars. However, the Company has certain assets and liabilities in other currencies, which are detailed in Note 33 to these Consolidated Financial Statements.

The Company does not have any foreign currency hedges as of December 31, 2019, 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.

The following table shows the maximum exposure to fluctuations in foreign currency of the Company's non-U.S. dollar-denominated financial assets and liabilities as of December 31, 2019 and 2018:

As of December 31, 2019	Euro ThUS\$	Real ThUS\$	Chilean Peso/UF ThUS\$	Yuan ThUS\$	Other ThUS\$	Total ThUS\$
Cash and cash equivalents	126	1	162	896	91	1,276
Trade and other receivables (current and non-current)	19	155	202	-	11	387
Receivables from related parties (current and non-current)	-	-	74	-	-	74
Tax assets	-	-	356	-	-	356
Trade payables and tax liabilities (current and non-current)	(384)	(163)	(2,838)	-	(65)	(3,450)
Payables to related parties (current and non-current)	-	-	(78)	-	-	(78)
<b>Net exposure</b>	<b>(239)</b>	<b>(7)</b>	<b>(2,122)</b>	<b>896</b>	<b>37</b>	<b>(1,435)</b>

As of December 31, 2018	Euro ThUS\$	Real ThUS\$	Chilean Peso/UF ThUS\$	Yuan ThUS\$	Other ThUS\$	Total ThUS\$
Cash and cash equivalents	92	1	65	993	27	1,178
Trade and other receivables (current and non-current)	146	30	228	-	210	614
Receivables from related parties (current and non-current)	-	-	67	-	-	67
Tax assets	-	-	261	-	-	261
Trade payables and tax liabilities (current and non-current)	(561)	(31)	(1,288)	-	(120)	(2,000)
Payables to related parties (current and non-current)	-	-	(84)	-	-	(84)
<b>Net exposure</b>	<b>(323)</b>	<b>-</b>	<b>(751)</b>	<b>993</b>	<b>117</b>	<b>36</b>

The potential effect of a 10% depreciation in the US dollar with respect to other important currencies to which the Company is exposed as of December 31, 2019, would produce an estimated gain of ThUS\$144 in the Company's results (loss of ThUS\$4 as of December 31, 2018), keeping all other variables constant.

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**NOTE 6 SEGMENT REPORTING**

The Company's operating segments have been determined in accordance with IFRS 8, based on the main business lines developed by the CSAV Group. The performance of these businesses is reviewed routinely by the Company's senior management using regularly available information in order to: (i) measure each business's performance; (ii) evaluate its risks; and (iii) allocate the resources that each business requires.

In determining the operating segments to report, certain segments have been grouped together because they share similar economic characteristics, services and processes, as well as a common regulatory environment, as stipulated in IFRS 8. The information routinely examined by CSAV's senior management consists of the results and management information for each of the operating segments, whether operated directly by CSAV or its domestic or foreign subsidiaries, associates and joint ventures.

Although the Company's management and accounting reports may have different classifications and viewpoints, they are both determined using the policies described in Note 3 to these Consolidated Financial Statements. As a result, there are no differences in the totals in measurements of results, assets and liabilities for each segment and the accounting criteria applied in preparing the Consolidated Financial Statements.

In accordance with the preceding paragraphs, the CSAV Group has identified the following two operating segments as of December 31, 2019:

- (i) Container Shipping: These are the container shipping services operated by HLAG, represented by the investment in that joint venture, plus certain assets and liabilities related to the container shipping business that are controlled by CSAV (deferred tax assets, financial liabilities to finance the investment and others).
- (ii) Other Transport Services: These are the vehicle transport services operated directly by CSAV and its subsidiaries. The freight forwarder and logistics services operated by Norgistics were part of this segment until December 2017, when they were discontinued. As a result, from that point on their results are presented as discontinued operations (see Note 35 to these Consolidated Financial Statements).

During 2019, no single customer represented more than 10% of CSAV's consolidated revenue. Similarly, no customers met this criterion in 2018.

Results by operating segment for the years ended December 31, 2019 and 2018, are presented as follows:

Statement of Income by Operating Segment	For the year ended December 31, 2019			For the year ended December 31, 2018		
	Container Shipping ThUS\$	Other Transport Services ThUS\$	Total ThUS\$	Container Shipping ThUS\$	Other Transport Services ThUS\$	Total ThUS\$
Revenue	-	92,955	92,955	-	91,436	91,436
Cost of sales	-	(93,878)	(93,878)	-	(87,187)	(87,187)
<b>Gross margin</b>	<b>-</b>	<b>(923)</b>	<b>(923)</b>	<b>-</b>	<b>4,249</b>	<b>4,249</b>
Other income	-	1,098	1,098	-	1,306	1,306
Administrative expenses	(4,791)	(7,365)	(12,156)	(4,155)	(6,391)	(10,546)
Other gains (losses)	-	1,317	1,317	-	8,691	8,691
<b>Net operating income (loss)</b>	<b>(4,791)</b>	<b>(5,873)</b>	<b>(10,664)</b>	<b>(4,155)</b>	<b>7,855</b>	<b>3,700</b>
Finance income	37	555	592	-	660	660
Finance costs	(10,159)	(746)	(10,905)	(5,537)	-	(5,537)
Share of income (loss) of associates	147,812	-	147,812	13,974	-	13,974
Exchange differences	6	(29)	(23)	(681)	(507)	(1,188)
<b>Net income (loss) before tax</b>	<b>132,905</b>	<b>(6,093)</b>	<b>126,812</b>	<b>3,601</b>	<b>8,008</b>	<b>11,609</b>
Income tax benefit (expense) from continuing operations	(1,591)	320	(1,271)	5,737	1,355	7,092
<b>Net income (loss) from continuing operations</b>	<b>131,314</b>	<b>(5,773)</b>	<b>125,541</b>	<b>9,338</b>	<b>9,363</b>	<b>18,701</b>
Net income (loss) from discontinued operations	-	(925)	(925)	-	(453)	(453)
<b>Net income (loss) for the year</b>	<b>131,314</b>	<b>(6,698)</b>	<b>124,616</b>	<b>9,338</b>	<b>8,910</b>	<b>18,248</b>
<b>Net income (loss) attributable to:</b>						
Net income (loss) attributable to owners of the company	131,314	(6,698)	124,616	9,338	8,910	18,248
<b>Net income (loss) for the year</b>	<b>131,314</b>	<b>(6,698)</b>	<b>124,616</b>	<b>9,338</b>	<b>8,910</b>	<b>18,248</b>



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Assets and liabilities by segment as of December 31, 2019 and 2018, are summarized as follows:

	As of December 31, 2019			As of December 31, 2018		
	Container Shipping ThUS\$	Other Transport Services ThUS\$	Total ThUS\$	Container Shipping ThUS\$	Other Transport Services ThUS\$	Total ThUS\$
Assets per segment	202,498	146,499	348,997	179,079	139,333	318,412
Associates and joint ventures	2,168,383	-	2,168,383	1,939,465	-	1,939,465
Liabilities per segment	247,926	45,267	293,193	95,713	31,961	127,674
<b>Net assets</b>	<b>2,122,955</b>	<b>101,232</b>	<b>2,224,187</b>	<b>2,022,831</b>	<b>107,372</b>	<b>2,130,203</b>

Cash flows by segment for the years ended December 31, 2019 and 2018, are presented as follows:

Statement of Cash Flows by Operating Segments	For the year ended December 31, 2019		
	Container Shipping ThUS\$	Other Transport Services ThUS\$	Total ThUS\$
Net cash flows provided by (used in) operating activities	(4,791)	32,151	27,360
Net cash flows provided by (used in) investing activities	(112,296)	2,752	(109,544)
Net cash flows provided by (used in) financing activities	144,789	(33,317)	111,472
Effect of exchange rate changes on cash and cash equivalents	6	(14)	(8)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>27,708</b>	<b>1,572</b>	<b>29,280</b>

Statement of Cash Flows by Operating Segments	For the year ended December 31, 2018		
	Container Shipping ThUS\$	Other Transport Services ThUS\$	Total ThUS\$
Net cash flows provided by (used in) operating activities	(4,155)	(21,884)	(26,039)
Net cash flows provided by (used in) investing activities	1,752	11,977	13,729
Net cash flows provided by (used in) financing activities	(5,055)	-	(5,055)
Effect of exchange rate changes on cash and cash equivalents	(680)	(57)	(737)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(8,138)</b>	<b>(9,964)</b>	<b>(18,102)</b>

Revenue detailed by geographic area is as follows. For freight revenue, the cargo's country of origin is used.

	Other Transport Services For the year ended December 31,	
	2019 ThUS\$	2018 ThUS\$
Asia	15,864	17,179
Europe	42,341	39,271
North and South America	34,750	34,986
<b>Total</b>	<b>92,955</b>	<b>91,436</b>

The Company uses the following criteria to measure results, assets and liabilities within each reported segment:

- (i) Results for the segment is composed of revenues and expenses related to operations that are directly attributable to the reporting segment.
- (ii) Results were recorded by measuring operating revenues and expenses using the same criteria defined in Note 3.23 of these Consolidated Financial Statements;
- (iii) The assets and liabilities reported for the operating segment consist of all those that are directly involved in the provision of a certain service or operation and those directly or indirectly attributable to each segment.

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In accordance with IFRS 8, paragraph 33, non-current assets detailed by geographic segment are as follows:

Non-Current Assets (1)	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Asia	8,009	-
Europa	2,168,954	1,939,465
North and South America	13,259	14,593
Chile	13,259	14,593
Others	-	-
<b>Total</b>	<b>2,190,222</b>	<b>1,954,058</b>

(1) Includes balances of property, plant and equipment, investment property, intangible assets other than goodwill and equity method investments.

## **NOTE 7 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are detailed in the following table:

	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Cash on hand	14	14
Bank balances	8,590	4,248
Time deposits	45,015	20,077
<b>Total</b>	<b>53,619</b>	<b>24,339</b>

As of both December 31, 2019 and 2018, the Company does not have any funds classified as cash and cash equivalents that are not freely available.

As of December 31, 2019 and 2018, cash and cash equivalents are detailed as follows by currency:

Currency	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
US dollar	52,343	23,161
Chilean peso	162	65
Euro	126	92
Real	1	1
Yuan	896	993
Other currencies	91	27
<b>Total</b>	<b>53,619</b>	<b>24,339</b>

## NOTE 8 OTHER FINANCIAL ASSETS

Other financial assets are detailed as follows:

	Non-Current	
	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Investments in other companies	63	63
<b>Total other current financial assets</b>	<b>63</b>	<b>63</b>

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**NOTE 9 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are detailed as follows:

	Current	
	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Trade receivables	12,244	15,285
Impairment of trade receivables	(169)	(214)
<b>Trade receivables, net</b>	<b>12,075</b>	<b>15,071</b>
Other receivables	4,159	2,583
Impairment of other receivables	-	
<b>Other receivables, net</b>	<b>4,159</b>	<b>2,583</b>
<b>Total receivables, net</b>	<b>16,234</b>	<b>17,654</b>

Trade receivables are derived mainly from operations to provide vehicle transport services. Most current trade receivables are due within three months from the reporting date of these Consolidated Financial Statements.

There are no debtors classified as non-current for the years ended December 31, 2019 and 2018.

Other receivables primarily include freight payable from agencies, advances to suppliers, receivables from shipowners and receivables from personnel, among others.

The fair value of trade and other accounts receivable does not differ significantly from their carrying amount.

The Company records impairment provisions for trade receivables using the expected credit loss model. The estimated percentage per segment is detailed in the following chart:



	Current	1 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 180 days	181 to 210 days	More than 210 days
% Impairment estimate per segment	0.13%	0.13%	0.13%	0.13%	0.13%	2.94%	3.19%	10.21%

This estimate also considers certain special conditions described below:

	Factor
Legal collections, checks issued with insufficient funds and other similar concepts	100%
Customers and agencies with a high risk of financial impairment	100%
Case-by-case analysis of particular past due debtors	100%

Trade and other receivables, net of impairment, are detailed by maturity in the following table:

	As of December 31, 2019		As of December 31, 2018	
	No. of Customers	ThUS\$	No. of Customers	ThUS\$
Current	46	10,576	55	13,843
Due between 1 and 30 days	41	3,737	54	3,252
Due between 31 and 60 days	17	971	17	246
Due between 61 and 90 days	8	525	5	74
Due between 91 and 120 days	5	108	9	188
Due between 121 and 150 days	4	107	2	4
Due between 151 and 180 days	3	119	14	47
Due in more than 180 days	13	91	-	0
<b>Closing balance</b>		<b>16,234</b>		<b>17,654</b>

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Changes in impairment on trade and other receivables are detailed as follows:

Allowance for Doubtful Accounts	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Opening balance	214	280
Increase (decrease) in impairment for the year	(45)	(66)
<b>Closing balance</b>	<b>169</b>	<b>214</b>

Once out-of-court and legal collections have been exhausted, the respective receivables are written off against the provision that was recorded. The CSAV Group only uses the allowance method and not the direct write-off method in order to better control and visualize these accounts.

**NOTE 10 BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

The net balance of accounts receivable from and payable to non-consolidated related parties is detailed in the following table:

Current	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Receivables from related parties	74	67
Payables to related parties	(30,301)	(104)
<b>Total</b>	<b>(30,227)</b>	<b>(37)</b>

**RECEIVABLES FROM AND PAYABLES TO RELATED PARTIES:**

Receivables from and payables to related parties arise from routine business transactions carried out under market conditions, with respect to price and payment.

No write-offs or provisions have been recorded during the period for accounts receivable from related parties.

As of December 31, 2019 and 2018, the Company has no receivables from or payables to related parties classified as non-current.

Receivables from related parties are detailed as follows:

Taxpayer ID No.	Country	Company	Transaction	Relationship	Currency	Current	
						12.31.2019 ThUS\$	12.31.2018 ThUS\$
76.380.217-5	Chile	Hapag-Lloyd Chile SpA	Current account	Common shareholder and/or director	USD	74	67
Total						74	67

Payables to related parties are detailed as follows:

#### A) PAYABLES TO RELATED PARTIES THAT ACCRUE INTEREST:

Taxpayer ID No.	Country	Company	Transaction	Relationship	Currency	Annual Interest Rate	Amortization	12.31.2019 ThUS\$	12.31.2018 ThUS\$
91.705.000-7	Chile	Quiñenco S.A.	Loan	Parent company	USD	4.24%	Upon maturity	30,194	-
Total								30,194	-

#### B) PAYABLES TO RELATED PARTIES THAT DO NOT ACCRUE INTEREST:

Taxpayer ID No.	Country	Company	Transaction	Relationship	Currency	Corrientes	
						12.31.2019 ThUS\$	12.31.2018 ThUS\$
92.048.000-4	Chile	SAAM S.A.	Current account	Common shareholder and/or director	USD	79	74
Foreign	Brazil	SAAM Smit Towage Brasil S.A.	Current account	Common shareholder and/or director	USD	28	20
99.567.620-6	Chile	Terminal Puerto Arica S.A.	Current account	Common shareholder and/or director	USD	-	10
Total						107	104

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**TRANSACTIONS WITH RELATED PARTIES:**

The following table details transactions with related parties:

Company	Taxpayer ID No.	Country	Relationship	Transaction
Banco Itau Chile (*)	76.645.030-K	Chile	Common shareholder and/or director	Interest on loans
Ecuastibas S.A.	Foreign	Ecuador	Common shareholder and/or director	Services received
Banco Estado de Chile	97.030.000-7	Chile	Common shareholder and/or director	Sale of real estate
Hapag Lloyd Chile SPA	76.380.217-5	Chile	Common shareholder and/or director	Real estate lease
Iquique Terminal Internacional S.A	96.915.330-0	Chile	Common shareholder and/or director	Port services received
Quiñenco S.A.	91.705.000-7	Chile	Parent company	Loans (net)
Quiñenco S.A.	91.705.000-7	Chile	Parent company	Interest on loans
Cia. de Seguros de Vida Consorcio Nacional de Seguros SA	99.012.000-5	Chile	Common shareholder and/or director	Loans received
Cia. de Seguros de Vida Consorcio Nacional de Seguros SA	99.012.000-5	Chile	Common shareholder and/or director	Interest on loans
Banco Consorcio	99.500.410-0	Chile	Common shareholder and/or director	Loans received
Banco Consorcio	99.500.410-0	Chile	Common shareholder and/or director	Interest on loans
SAAM S.A.	92.048.000-4	Chile	Common shareholder and/or director	Services received
SAAM Smit Towage Brasil S.A.	Foreign	Brazil	Common shareholder and/or director	Services received
Terminal Portuario de Arica S.A. (*)	99.567.620-6	Chile	Common shareholder and/or director	Port services received

(\*) As of the second quarter, these companies are no longer related.

	Amount of the Transaction for the Year Ended December 31,		Amount of the Transaction for the Year Ended December 31,	
	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$
	769	2,122	(769)	(2,122)
	140	194	(100)	(192)
	2,526	-	2,141	-
	819	882	819	882
	-	13	-	(13)
	30,000	-	-	-
	1,257	-	(1,257)	-
	-	-		
	432	-	(432)	
	35,000	-		
	1,175	-	(1,175)	-
	382	383	(312)	(375)
	217	195	(187)	(144)
	12	94	(12)	(94)



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**COMPENSATION OF BOARD OF DIRECTORS AND KEY PERSONNEL**

**(A) BOARD COMPENSATION**

During the year ended December 31, 2019, the Company's directors have received ThUS\$369 (ThUS\$404 as of December 31, 2018) for attending board and committee meetings.

**(B) COMPENSATION OF KEY PERSONNEL**

Key personnel include executives who define the CSAV Group's strategic policies and have a direct impact on the results of the business.

Compensation of the CSAV Group's key management personnel amounts to ThUS\$2,764 for the year ended December 31, 2019 (ThUS\$1,070 for the year ended December 31, 2018).

	For the year ended December 31, 2019	
	2019 ThUS\$	2018 ThUS\$
Short-term employee benefits	1,074	1,000
Other benefits	1,690	70
<b>Total</b>	<b>2,764</b>	<b>1,070</b>

On average, four CSAV executives were classified as key personnel during the year ended December 31, 2019. On average, four CSAV executives were classified as key personnel during the same period in 2018.

The Company has not given any guarantees on behalf of key management personnel.

The Company does not have any compensation plans for key management personnel based on share price.

## NOTE 11 INVENTORIES

The Company's inventories as of December 31, 2019 and 2018, are detailed as follows:

	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Fuel	1,882	4,832
Other inventories	2	-
<b>Total</b>	<b>1,884</b>	<b>4,832</b>

The items included under fuel correspond to fuel found on vessels in operation that will be consumed in the normal course of services provided. These entries are valued in accordance with Note 3.18.

Fuel consumed and recorded in net income or loss under continuing operations amounts to ThUS\$17,231 for the year ended December 31, 2019 and ThUS\$19,824 for the year ended December 31, 2018.

## NOTE 12 HEDGE ASSETS AND LIABILITIES

Hedge assets and liabilities are presented under other current financial assets and other current financial liabilities, respectively: As of December 31, 2019 and 2018, the Company has hedge contracts in effect.

Current	Note	As of December 31, 2019		As of December 31, 2018	
		Assets ThUS\$	Liabilities ThUS\$	Assets ThUS\$	Liabilities ThUS\$
Fuel swaps (a)	8	-	-	-	(756)
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(756)</b>

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**(A) FUEL PRICE HEDGING CONTRACTS**

Details of CSAV's fuel price hedging contracts for the period ended December 31, 2019, were as follows:

Derivative	Institution	Date of Agreement	Date of Maturity	Currency	As of December 31, 2019		
					Recognized in Equity ThUS\$	Recognized in Net Income or Loss ThUS\$	Total ThUS\$
Swap	Goldman Sachs	Nov -2018	Dec -2019	USD	-	(408)	(408)
Swap	Goldman Sachs	Jan -2019	Nov -2019	USD	-	225	225
<b>Total</b>					<b>-</b>	<b>(183)</b>	<b>(183)</b>

Details of CSAV's fuel price hedging contracts for the year ended December 31, 2018, were as follows:

Derivative	Institution	Date of Agreement	Date of Maturity	Currency	As of December 31, 2018		
					Recognized in Equity ThUS\$	Recognized in Net Income or Loss ThUS\$	Total ThUS\$
Swap	Koch Supply & Trading	Feb -2018	Jun -2018	USD	-	275	275
Swap	Goldman Sachs	Nov -2018	Dec -2019	USD	(756)	-	(756)
<b>Total</b>					<b>(756)</b>	<b>275</b>	<b>(481)</b>

**(B) INTEREST RATE HEDGES**

As of December 31, 2019, the CSAV Group has not contracted any interest rate swaps to hedge its exposure to variable interest rates.

**(C) EXCHANGE RATE HEDGES**

As of December 31, 2019, the CSAV Group does not have any exchange rate hedge contracts.

## NOTA 13 OTHER NON-FINANCIAL ASSETS

Other non-financial assets are detailed below:

Other Non-Financial Assets Current	Current		Non-Current	
	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Prepaid charters	74	66	-	-
In-transit expenses	-	1,156	-	-
Others	-	-	-	-
Total Current	43	-	1	1
<b>Total corriente</b>	<b>117</b>	<b>1,222</b>	<b>1</b>	<b>1</b>

Prepaid insurance is insurance premiums for shipping operations and certain real estate and personal property that remain in effect after the date these Consolidated Financial Statements were closed.

Prepaid charters are for vessels operated by the CSAV group, according to the contractual terms and conditions with shipowners.

The item other includes payments of other customary duties and guarantees for maritime transport operations.

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**NOTE 14 INVESTMENTS IN SUBSIDIARIES**

**(A) CONSOLIDATED SUBSIDIARIES**

The Company has consolidated investments in subsidiaries, as described in Note 3 of these Consolidated Financial Statements, which are detailed as follows:

Chilean National ID:	Company	Country	Currency
Foreign	CSAV Germany Container Holding GmbH	Panama	US dollars
Foreign	Tollo Shipping Co. S.A. and Subsidiaries	Mexico	US dollars
Foreign	Norgistics México S.A. de C.V.	Brazil	US dollars
Foreign	Navibras Comercial Maritima e Afretamentos Ltda.	Panama	US dollars
Foreign	Corvina Shipping Co. S.A	Chile	US dollars
96838050-7	Compañía Naviera Rio Blanco S.A.	Chile	US dollars
76028729-6	Norgistics Holding S.A. and Subsidiaries	Peru	US dollars
Foreign	Norgistics Peru S.A.C. (1)	China	RMB
Foreign	Norgistics (China) Ltd. [Shenzhen]	China	RMB

(1) This subsidiary was liquidated in April 2019, as described in Note 2 b) and Note 35 of this report.

s follows:

	Ownership Interest as of December 31,					
	2,019			2,018		
	Direct	Indirect	Total	Direct	Indirect	Total
	100.00%		100.00%	100.00%		100.00%
	100.00%	-	100.00%	100.00%	-	100.00%
	-	100.00%	100.00%	-	100.00%	100.00%
	-	100.00%	100.00%	-	100.00%	100.00%
	100.00%	-	100.00%	100.00%	-	100.00%
	99.00%	1.00%	100.00%	99.00%	1.00%	100.00%
	99.00%	1.00%	100.00%	99.00%	1.00%	100.00%
	-	-	-	23.50%	76.50%	100.00%
	100.00%	-	100.00%	100.00%	-	100.00%



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**(B) SUMMARIZED FINANCIAL INFORMATION:**

The summarized financial information of the Company's subsidiaries as of December 31, 2019 and 2018, is as follows:

**AS OF DECEMBER 31, 2019:**

Company Name	Current Assets ThUS\$	Non-Current Assets ThUS\$	Current Liabilities ThUS\$	Non-Current Liabilities ThUS\$	Revenue ThUS\$	Net Income (Loss) for the Year ThUS\$
Tollo Shipping Co. S.A. and Subsidiaries	779	-	781,047	-	-	(911)
Corvina Shipping Co. S.A.	755,256	13	-	-	-	(14)
Norgistics (China) Ltd.	1,008	-	-	-	-	298
Norgistics Holding S.A. and Subsidiaries	1,877	-	128	-	-	39
Compañía Naviera Rio Blanco S.A.	23	-	2,250	-	-	(798)
CSAV Germany Container Holding GmbH	5,640	2,168,384	1,509,806	-	-	126,974

#### AS OF DECEMBER 31, 2018:

Company Name	Current Assets ThUS\$	Non-Current Assets ThUS\$	Current Liabilities ThUS\$	Non-Current Liabilities ThUS\$	Revenue ThUS\$	Net Income (Loss) for the Year ThUS\$
Tollo Shipping Co. S.A. and Subsidiaries	1,121	-	780,323	-	-	(677)
Corvina Shipping Co. S.A.	755,267	22	2,662	-	-	(103)
Norgistics (China) Ltd.	1,080	-	356	-	19	(626)
Norgistics Holding S.A. and Subsidiaries	1,971	-	94	-	-	(197)
Compañía Naviera Rio Blanco S.A.	23	974	2,426	-	-	(27)
CSAV Germany Container Holding GmbH	53	1,939,466	1,371,085	-	-	24,849

As of December 31, 2019 and 2018, there are no subsidiaries with non-controlling interests.

CSAV granted loans of M€ 791,598, equivalent to ThUS\$794,116, to its subsidiary CSAV Germany Container Holding GmbH during its 2014 merger with HLAG. These loans, granted in euros, mature in 10 years and accrue annual interest of 4.7%. As a result, CSAV recognizes the interest accrued on a monthly basis and eliminates the transaction upon consolidation. Any exchange differences generated and interest on these loans accrued by CSAV are not eliminated to determine taxable income in Chile, in accordance with current tax law. As of December 31, 2019, the balance of this loan is Th€ 982,829, equivalent to ThUS\$1,102,073.

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**(C) MOVEMENTS IN INVESTMENTS:**

c.1) During the year ended December 31, 2019, the CSAV Group has not acquired or sold any investments in subsidiaries.

c.1.1) On April 3, 2019, the subsidiary Norgistics Perú S.A.C. was liquidated. It was formerly consolidated by Norgistics Holding S.A.

c.2) During the year ended December 31, 2018, the CSAV Group has recorded the following movements in investments in subsidiaries.

c.2.1) On August 21, 2018, Tollo Shipping Co. S.A. ("Tollo") sold its subsidiary Norgistics (China) Ltd. [Hong Kong] to a third party. The outcome of the sale is presented in the Statement of Income within income (loss) from discontinued operations.

c.2.2) During the year 2018, it received payment on the balance from the sale of the subsidiary Norgistics Chile S.A. in December 2017. That cash inflow is presented in the Statement of Cash Flows under "Cash flows arising from the loss of control of subsidiaries" for ThUS\$538.

c.2.3) On February 2, 2018, CSAV participated in a capital increase by Norgistics Perú, acquiring 23.50% of the company.

c.2.4) On January 18, 2018, Norgistics Holding S.A. sold its subsidiary Norgistics México S.A de C.V to the CSAV Group subsidiary, Tollo Shipping Co. S.A.

c.2.5) On January 19, 2018, Norgistics Holding S.A. sold its subsidiary Norgistics (China) Ltd. [Hong Kong] to the CSAV Group subsidiary, Tollo Shipping Co. S.A.

## NOTE 15 EQUITY METHOD INVESTMENTS

As described in Note 1 to these Consolidated Financial Statements, as of December 31, 2019, CSAV has a 27.79% interest in and is one of the largest shareholders of Hapag-Lloyd AG (HLAG), which is headquartered in Hamburg, Germany. In addition, with respect to its investment in HLAG, the Company is party to a joint control agreement with the two other shareholders of this German company: the City of Hamburg, through its holding company HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV), which holds 13.86% of the share capital; and German businessman Klaus Michael Kühne, through Kühne Maritime GmbH (KM), who owns 29.40%; together, they hold approximately 71.05% of HLAG. By virtue of the above, based on CSAV's shareholding in HLAG and the existence and characteristics of the aforementioned joint control agreement, in accordance with IFRS 11, CSAV's investment in HLAG has been defined as a joint venture that must be accounted for using the equity method in accordance with IAS 28. This definition has remained unchanged since the date on which CSAV acquired its original interest in HLAG during the business combination of its container shipping business and HLAG in 2014.

Movements in investments in associates and joint ventures as of December 31, 2019, are detailed as follows:

Name of Associate or Joint Venture	Country	Local Currency	Direct and Indirect Ownership Interest	Opening Balance ThUS\$	Capital Movements ThUS\$	Gain (Loss) on Acquisition of Interest ThUS\$	Share of Income (Loss) ThUS\$	Share of Other Comprehensive Income ThUS\$	Share of Other Equity Reserves ThUS\$	Dividends Received ThUS\$	Dividends Received ThUS\$
Hapag-Lloyd A.G.	Germany	USD	27.79%	1,939,465	120,339	34,567	113,245	(24,504)	(6,686)	(8,043)	2,168,383
			<b>Total</b>	<b>1,939,465</b>	<b>120,339</b>	<b>34,567</b>	<b>113,245</b>	<b>(24,504)</b>	<b>(6,686)</b>	<b>(8,043)</b>	<b>2,168,383</b>

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Movements in CSAV's investment in the Hapag-Lloyd AG (HLAG) joint venture during the year ended December 31, 2019, are detailed as follows.

- (a) **Gain (Loss) on Acquisition of Interest:** As part of the plan to acquire HLAG shares, during 2019 CSAV increased its interest by 1.93%, equivalent to ThUS\$120,339, thus giving it 27.79% ownership of the German company. This investment was recognized at acquisition cost. In accordance with IAS 28, CSAV also determined the fair value of the net assets acquired based on the PPA report for HLAG, generating goodwill of ThUS\$34,567, which was recognized in net income as a gain for CSAV.
- (b) **Share of Income (Loss):** HLAG's net income attributable to owners of the company for the year ended December 31, 2019, reached ThUS\$405,228. Based on the percentage owned by CSAV at the end of each quarter in 2019, the Company recognized net income of ThUS\$110,636. To that amount, CSAV must add the fair value adjustment of HLAG's assets and liabilities, based on the Purchase Price Allocation (PPA) reports prepared for each acquisition. That adjustment for the year ended December 31, 2019, based on the percentage ownership each quarter, gives an improved result of ThUS\$2,609 in addition to its direct share of HLAG's results. With that, the result from CSAV's interest in that joint venture for the year ended December 31, 2019, was net income of ThUS\$113,245.
- (c) **Share of Other Comprehensive Income (Loss) and Other Equity Reserves:** HLAG recorded other comprehensive loss (in US dollars) for the period ended December 31, 2019, consisting of a loss of ThUS\$65,646 from revaluing its defined benefit plans (CSAV's stake is ThUS\$17,696), a loss of ThUS\$7,922 for exchange differences (CSAV's stake is ThUS\$2,083) and a loss of ThUS\$17,285 on cash flow hedges (CSAV's stake is ThUS\$4,725), giving a total loss of ThUS\$90,853 and a loss of ThUS\$24,504 for CSAV's stake in the other comprehensive loss of the joint venture. During the period, the Company also recognized its share of HLAG's other equity movements, namely a decrease of ThUS\$6,686 in equity presented in other reserves.
- (d) **Dividend:** During the second quarter of 2019, it received a dividend of ThUS\$8,043.

For example, since HLAG is a publicly-listed corporation in Germany that trades its shares on several stock exchanges in that country, the market value of CSAV's investment in the joint venture as of December 31, 2019, was ThUS\$4,156,469.

Considering the indications of impairment present as of December 31, 2018, CSAV conducted impairment testing on its investment in HLAG as of the end of the year and concluded that the recoverable amount of its investment in HLAG is greater than its carrying amount, using value in use methodology in IAS 36.

In addition, movements in investments in associates and joint ventures for the year ended December 31, 2018, are detailed as follows:

Name of Associate or Joint Venture	Country	Functional Currency	Direct and Indirect Ownership Interest	Opening Balance ThUS\$	Capital Movements ThUS\$	Gain (Loss) on Acquisition of Interest ThUS\$	Share of Income (Loss) ThUS\$	Share of Other Comprehensive Income ThUS\$	Share of Other Equity Reserves ThUS\$	Dividends Received ThUS\$	Balance as of December 31, 2018 ThUS\$
Hapag-Lloyd A.G.	Germany	US dollars	25.86%	1,932,258	28,492	926	13,048	(7,139)	2,122	(30,242)	1,939,465
<b>Total</b>				<b>1,932,258</b>	<b>28,492</b>	<b>926</b>	<b>13,048</b>	<b>(7,139)</b>	<b>2,122</b>	<b>(30,242)</b>	<b>1,939,465</b>



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Movements in CSAV's investment in the Hapag-Lloyd AG (HLAG) joint venture during the period ended December 31, 2018, are detailed as follows:

- (a) Result due to Dilution of Interest: During the second quarter of 2018, CSAV increased its interest by 0.4%, equivalent to ThUS\$28,492, thus giving it a 25.86% share of the German company. In accordance with IAS 28, CSAV calculated the fair value of the net assets acquired in purchasing the additional 0.4% based on the most recent PPA report on HLAG, which gave a value of ThUS\$29,418 and generated goodwill of ThUS\$926, which was recognized in net income or loss as a gain for CSAV, in accordance with IFRS.
- (b) Share of Income (Loss): HLAG's net income attributable to owners of the company for the year ended December 31, 2018, reached ThUS\$43,500. Based on the percentage owned by CSAV at the end of each quarter in 2018, the Company recognized net income of ThUS\$11,431. To that amount, CSAV must add the fair value adjustment of HLAG's assets and liabilities, based on the Purchase Price Allocation (PPA) reports prepared for each acquisition. That adjustment for the period ended December 31, 2018, based on the percentage ownership each quarter, gives an improved result of ThUS\$1,617 in addition to its direct share of HLAG's results. With that, the result from CSAV's interest in that joint venture for the year ended December 31, 2018, was net income of ThUS\$2,757.
- (c) Share of Other Comprehensive Income (Loss) and Other Equity Reserves: HLAG recorded other comprehensive loss (in US dollars) for the period ended December 31, 2018, consisting of a gain of ThUS\$13,500 from revaluing its defined benefit plans (CSAV's stake is ThUS\$3,488), a loss of ThUS\$18,000 for exchange differences (CSAV's stake is ThUS\$4,697) and a loss of ThUS\$21,800 on cash flow hedges and costs (CSAV's stake is ThUS\$5,930), giving a total loss of ThUS\$26,300 and a loss of ThUS\$7,139 for CSAV's stake in the other comprehensive loss of the joint venture. During the period, the Company also recognized its share of HLAG's other equity movements, namely an increase of ThUS\$2,122 in equity presented in other reserves.

Summarized financial information regarding associates and joint ventures as of:

Name of Associate or Joint Venture	Hapag-Lloyd AG. (1) As of December 31,	
	2019	2018
Ownership interest	27.79%	25.86%
	ThUS\$	ThUS\$
Current assets	2,680,723	2,812,600
Non-current assets	15,501,003	14,709,100
Current liabilities	4,481,997	3,866,800
Non-current liabilities	6,269,385	6,487,400
Revenue	14,114,540	13,741,100
Cost of sales	13,246,702	12,489,700
Net income (loss) for the year (2)	405,228	43,500
Other comprehensive income (loss)	(90,853)	(26,300)
Cash and cash equivalents	574,121	752,400
Current financial liabilities	851,513	776,100
Non-current financial liabilities	4,988,734	6,001,600
Depreciation and amortization	1,314,720	821,200
Interest income	13,664	18,600
Interest expense	457,765	450,100
<b>Income tax expense</b>	<b>48,072</b>	<b>37,700</b>

(1) This information comes directly from the Consolidated Financial Statements of HLAG in US\$ and, therefore, does not include the effects of the PPAs presented by CSAV.

(2) Net income (loss) attributable to the owners of the Company.

## NOTE 16 INTANGIBLE ASSETS OTHER THAN GOODWILL

As of December 31, 2019 and 2018, the Company has no intangible assets other than goodwill.

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**NOTE 17 GOODWILL**

Goodwill is detailed as follows:

	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Norgistics Holding S.A.	17	17
<b>Total</b>	<b>17</b>	<b>17</b>

There have been no movements in goodwill for the periods ended December 31, 2019 and 2018.

Goodwill has been generated in the acquisition of subsidiaries and businesses that have enabled the Company to operate its business segments.

**NOTE 18 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment (PPE) are summarized as follows:

	As of December 31, 2019			As of December 31, 2018		
	Gross PP&E ThUS\$	Accumulated Depreciation ThUS\$	Net PP&E ThUS\$	Gross PP&E ThUS\$	Accumulated Depreciation ThUS\$	Net PP&E ThUS\$
Buildings						
Machinery and equipment	2	-	2	-	-	-
Office equipment	82	(69)	13	68	(64)	4
Rights-of-use assets	35,588	(27,008)	8,580	-	-	-
Other	1,128	-	1,128	1,128	-	1,128
<b>Total</b>	<b>38,478</b>	<b>(27,509)</b>	<b>10,969</b>	<b>2,874</b>	<b>(479)</b>	<b>2,395</b>

The item Buildings includes buildings and facilities belonging to the CSAV Group that are used for its normal operations. As of the date these Consolidated Financial Statements were closed, the Company and its subsidiaries had not detected any signs of impairment in its property, plant and equipment.

The details and movements of the different categories of property, plant and equipment as of December 31, 2019, are provided in the following table:

For the year ended December 31, 2019	Buildings, Net ThUS\$	Machinery and Equipment, Net ThUS\$	Office Equipment, Net ThUS\$	Right-of-Use Assets (*) ThUS\$	Other Property, Plant and Equipment, Net ThUS\$	Property, Plant and Equipment, Net ThUS\$
Additions	-	2	14	5,089	-	5,105
Depreciation expense	(17)	-	(5)	(27,008)	-	(27,030)
Adoption of IFRS 16	-	-	-	30,499	-	30,499
Total changes in PPE	(17)	2	9	8,580	-	8,574
<b>Closing balance</b>	<b>1,246</b>	<b>2</b>	<b>13</b>	<b>8,580</b>	<b>1,128</b>	<b>10,969</b>

(\*) This corresponds to lease commitments mainly related to vessel charters.

The details and movements of the different categories of property, plant and equipment as of December 31, 2018, are provided in the following table:

For the year ended December 31, 2018	Buildings, Net ThUS\$	Office Equipment, Net ThUS\$	Other Property, Plant and Equipment, Net ThUS\$	Total Property, Plant and Equipment, Net ThUS\$
Opening balance	1,592	10	1,128	2,730
Additions	-	3	-	3
Transfers to (from) investment property	(315)	-	-	(315)
Depreciation expense	(14)	(9)	-	(23)
Total changes in PPE	(329)	(6)	-	(335)
<b>Closing balance</b>	<b>1,263</b>	<b>4</b>	<b>1,128</b>	<b>2,395</b>

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**NOTE 19 INVESTMENT PROPERTY**

The details and movements of the different categories of investment property as of December 31, 2019 and 2018, are provided in the following table:

For the year ended December 31, 2019	Land ThUS\$	Buildings, Net ThUS\$	Investment Property ThUS\$
Opening balance	1,963	10,235	12,198
Depreciation expense	-	(122)	(122)
Disposals (sale of assets)	-	(1,206)	
<b>Total changes</b>	<b>-</b>	<b>(1,328)</b>	<b>(1,328)</b>
Closing balance	1,963	8,907	10,870

For the year ended December 31, 2018	Land ThUS\$	Buildings, Net ThUS\$	Investment Property ThUS\$
Opening balance	1,963	13,331	15,294
Transfers from (to) PPE	-	315	315
Depreciation expense	-	(160)	(160)
Disposals (sale of assets)	-		
<b>Total changes</b>	<b>-</b>	<b>(3,096)</b>	<b>(3,096)</b>
Closing balance	1,963	10,235	12,198

As of December 31, 2019, the Company has classified part of its property, plant and equipment that is not directly used in its operations but is leased to third parties or kept for investment purposes as investment property in accordance with the accounting policy described in section 3.6 to these Consolidated Financial Statements.

In May 2019, the Company sold part of its investment property and recorded a gain on the sale within other gains in the Statement of Income (See Note 30).

During the years ended December 31, 2019 and 2018, the Company has disclosed rental income on its investment property of ThUS\$1,098 and ThUS\$1,300, respectively, in other income.

The estimated fair value of the Company's investment property as of December 31, 2019, amounts to ThUS\$18,200, which is greater than its carrying amount.

## NOTE 20 TAX ASSETS AND LIABILITIES

The balances of current and non-current tax assets and liabilities are detailed as follows:

### CURRENT TAX ASSETS:

Current Tax Assets	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Other recoverable taxes	356	261
<b>Total current tax assets</b>	<b>356</b>	<b>261</b>

### CURRENT TAX LIABILITIES:

Current Tax Liabilities	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Income taxes payable	947	29
<b>Total current tax liabilities</b>	<b>947</b>	<b>29</b>

## NOTE 21 CURRENT AND DEFERRED INCOME TAXES

- (a) According to tax laws and regulations in effect as of December 31, 2019, using the current rate of 27% as stipulated by Law No. 20,780, CSAV has calculated an estimated tax loss of ThUS\$923,762. Therefore, it has not made a standalone income tax provision. As of December 31, 2018, the Company had a standalone tax loss of ThUS\$922,780, calculated in estimating deferred taxes in its financial statements.
- (b) As of December 31, 2019, CSAV has recorded a provision for single tax under Article 21 of the Income Tax Law of ThUS\$24. The Company had a provision for this tax of ThUS\$29 as of December 31, 2018.
- (c) As of December 31, 2019 and 2018, the Company has no accumulated tax losses.
- (d) Deferred Income Taxes



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Deferred tax assets and liabilities are offset if the right to set-off has been legally recognized and if the deferred taxes are associated with the same tax authority, and if the type of temporary differences is equivalent.

The detail of deferred tax assets as of December 31, 2019 and 2018, is as follows:

Types of Temporary Differences	Deferred Tax Assets	
	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Tax losses	249,416	250,124
Provisions	5,071	4,251
Revaluation of financial instruments	-	204
<b>Total</b>	<b>254,487</b>	<b>254,579</b>

The Company has recorded the aforementioned amount for the balance of tax losses as of period end as deferred tax assets, since it is likely that its future tax earnings will enable it to use that asset, in accordance with IAS 12. As of December 31, 2019, the Company estimates that these future tax earnings will come mainly from the container shipping segment and, specifically, from dividends from CSAV's investment in the HLAG joint venture through its subsidiary in Germany, CSAV Germany Container Holding GmbH.

The detail of deferred tax liabilities as of December 31, 2019 and 2018, is as follows:

Types of Temporary Differences	Deferred Tax Liabilities	
	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Others	(502)	(254)
<b>Total</b>	<b>(502)</b>	<b>(254)</b>

The following table shows movements of deferred tax assets and liabilities recorded during the year ended December 31, 2019:

Types of Temporary Differences	Balance as of January 1, 2019 ThUS\$	Recognized in Net Income (Loss) ThUS\$	Recognized in Equity ThUS\$	Balance as of December 31, 2019 ThUS\$
Tax losses	250,124	(708)	-	249,416
Provisions	4,251	820	-	5,071
Other deferred taxes	204	-	(204)	-
<b>Total deferred tax assets</b>	<b>254,579</b>	<b>112</b>	<b>(204)</b>	<b>254,487</b>

Types of Temporary Differences	Balance as of January 1, 2019 ThUS\$	Recognized in Net Income (Loss) ThUS\$	Recognized in Equity ThUS\$	Balance as of December 31, 2019 ThUS\$
Other deferred taxes	254	248	-	502
<b>Total deferred tax liabilities</b>	<b>254</b>	<b>248</b>	<b>-</b>	<b>502</b>

The following table shows movements of deferred tax assets and liabilities recorded during the year ended December 31, 2018:

Types of Temporary Differences	Balance as of January 1, 2018 ThUS\$	Recognized in Net Income (Loss) ThUS\$	Recognized in Equity ThUS\$	Balance as of December 31, 2018 ThUS\$
Tax losses	244,600	5,524	-	250,124
Provisions	2,208	2,043	-	4,251
Other deferred taxes	-	-	204	204
<b>Total deferred tax assets</b>	<b>246,808</b>	<b>7,567</b>	<b>204</b>	<b>254,579</b>

Types of Temporary Differences	Balance as of January 1, 2018 ThUS\$	Recognized in Net Income (Loss) ThUS\$	Recognized in Equity ThUS\$	Balance as of December 31, 2018 ThUS\$
Other deferred taxes	332	(78)	-	254
<b>Total deferred tax liabilities</b>	<b>332</b>	<b>(78)</b>	<b>-</b>	<b>254</b>

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(e) Effect of current and deferred income taxes on net income or loss

	For the year ended December 31,	
	2019 ThUS\$	2018 ThUS\$
<b>CURRENT INCOME TAX EXPENSE</b>		
Current tax expense (*)	(188)	(521)
Expense for ITL Art. 21 tax (*)	(24)	(29)
Adjustments to prior year taxes	(923)	(2)
Other tax expenses	-	(1)
<b>Total current tax expense, net</b>	<b>(1,135)</b>	<b>(553)</b>
<b>DEFERRED TAX EXPENSE</b>		
Origin and reversal of temporary differences	(136)	7,645
Reversal of value of deferred tax assets	-	-
Other deferred tax expense	-	-
<b>Total deferred tax benefit (expense), net</b>	<b>(136)</b>	<b>7,645</b>
<b>Income tax benefit (expense)</b>	<b>(1,271)</b>	<b>7,092</b>
Income tax benefit (expense), continuing operations	(1,271)	7,092
Income tax benefit (expense), discontinued operations	(463)	(199)

(\*) Mainly foreign taxes

(f) Taxes recognized in net income or loss by foreign and Chilean entities

	For the year ended December 31,	
	2019 ThUS\$	2018 ThUS\$
<b>CURRENT TAX BENEFIT (EXPENSE):</b>		
Current tax benefit (expense), net, foreign	-	-
Current tax benefit (expense), net, Chilean	(1,135)	
<b>Current tax benefit (expense), net</b>	<b>(1,135)</b>	<b>(553)</b>
<b>DEFERRED TAX BENEFIT (EXPENSE):</b>		
Deferred tax benefit (expense), foreign	-	-
Deferred tax benefit (expense), Chilean	(136)	7,645
<b>Deferred tax benefit (expense), net</b>	<b>(136)</b>	<b>7,645</b>
<b>Income tax benefit (expense), net</b>	<b>(1,271)</b>	<b>7,092</b>
Income tax benefit (expense), continuing operations	(1,271)	7,092
Income tax benefit (expense), discontinued operations	(463)	(199)

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(g) Reconciliation of Effective Tax Rate

An analysis and reconciliation of the income tax rate calculated in accordance with Chilean tax legislation and of the effective tax rate are detailed below:

Reconciliation of Effective Tax Rate	For the year ended December 31,	
	2019 ThUS\$	2018 ThUS\$
<b>Net income (loss) for the year</b>	<b>124,616</b>	<b>18,248</b>
Total income tax benefit (expense)	(1,271)	7,092
Net income (loss) before tax	125,887	11,156
<b>Reconciliation of effective tax rate</b>	<b>27.00% (33,989)</b>	<b>27.00% (3,012)</b>
Tax effect of rates in other jurisdictions	0.11% (137)	(3.41%) (380)
Tax effect of non-taxable revenue	(26.10%) 32,855	88.95% 9,923
Other increase (decrease) in statutory taxes	0.00% -	5.03% 561
<b>Total adjustments to tax benefit (expense) using statutory rate</b>	<b>(25.99%) 32,718</b>	<b>90.57% 10,104</b>
<b>Income tax benefit (expense) using effective rate</b>	<b>1.01% (1,271)</b>	<b>117.57% 7,092</b>
Income tax benefit (expense), continuing operations	(1,271)	7,092
Income tax benefit (expense), discontinued operations	(463)	(199)

As mentioned in Note 14 of these Consolidated Financial Statements, the euro depreciated with respect to the dollar during the year ended December 31, 2019, thus generating a negative exchange difference on the interest accrued and principal owed on the euro-denominated loan that CSAV (standalone entity) maintains with its consolidated German subsidiary CSAV Germany Container Holding GmbH. This gave rise to a financial loss for the Company, which is eliminated for consolidation purposes but for tax purposes results in an increase in the tax loss presented by CSAV (standalone) and, therefore, an increase in the deferred tax asset recognized for that tax loss carryforward as of December 31, 2019.

## NOTE 22 OTHER FINANCIAL LIABILITIES

Other financial liabilities are detailed as follows:

Other Financial Liabilities	As of December 31, 2019 Current ThUS\$	As of December 31, 2018 Current ThUS\$
Bank loans (a)	45,286	10,768
Bonds payable (c)	754	-
Hedge liabilities (Note 12)	-	756
Finance lease liabilities (d)	7,871	-
<b>Total current</b>	<b>53,911</b>	<b>11,524</b>

Other Financial Liabilities	As of December 31, 2019 Non-Current ThUS\$	As of December 31, 2018 Non-Current ThUS\$
Bank loans (b)	24,731	34,603
Bonds payable (c)	148,965	49,586
Hedge liabilities (Note 12)	-	-
Other financial liabilities	-	-
<b>Total non-current</b>	<b>173,696</b>	<b>84,189</b>

Balances of other financial liabilities are reconciled as follows:

	As of December 31, 2018 ThUS\$	Cash Flows		Changes that Do Not Affect Cash Flows		As of December 31, 2019 ThUS\$
		Principal ThUS\$	Interest ThUS\$	Accrued Interest ThUS\$	Other ThUS\$	
<b>BANK LOANS</b>	<b>10,768</b>					<b>45,286</b>
Bonds payable	-	-	(5,207)	5,954	7	754
Hedge liabilities	756	-	-	-	(756)	-
Finance lease liabilities	-	(32,571)	(746)	746	40,442	7,871
Non-Current						
<b>BANK LOANS</b>	<b>34,603</b>	-	-	-	(9,872)	<b>24,731</b>
Bonds payable	49,586	100,000	-	-	621	148,965
Total	95,713	92,429	(8,178)	8,825	38,818	227,607
<b>Total</b>	<b>95,713</b>	<b>92,429</b>	<b>(8,178)</b>	<b>8,825</b>	<b>38,818</b>	<b>227,607</b>



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**(A) CURRENT BANK LOANS:**

**AS OF DECEMBER 31, 2019**

Taxpayer ID of Debtor	Name of Debtor	Country of Debtor	Taxpayer ID of Creditor	Creditor Entity (Bank)	Country of Creditor	Currency
90.160.000-7	Compañía Sud Americana de Vapores S.A.	Chile	76.645.030-K	Banco Itau Chile	Chile	USD
90.160.000-7	Compañía Sud Americana de Vapores S.A.	Chile	99.500.410-0	Banco Consorcio	Chile	USD
<b>Total</b>						

**AS OF DECEMBER 31, 2018**

Taxpayer ID of Debtor	Name of Debtor	Country of Debtor	Taxpayer ID of Creditor	Creditor Entity (Bank)	Country of Creditor	Currency
90.160.000-7	Compañía Sud Americana de Vapores S.A.	Chile	76.645.030-K	Banco Itau Chile	Chile	USD
<b>Totales</b>						

**(B) NON-CURRENT BANK LOANS:**

**AS OF DECEMBER 31, 2019**

Taxpayer ID of Debtor	Name of Debtor	Country of Debtor	Taxpayer ID of Creditor	Creditor Entity (Bank)	Country of Creditor	Currency	Type of Amortization
90.160.000-7	Compañía Sud Americana de Vapores S.A.	Chile	76.645.030-K	Banco Itaú Chile	Chile	USD	Semi-annual
90.160.000-7	Compañía Sud Americana de Vapores S.A.	Chile	99.500.410-0	Banco Consorcio	Chile	USD	Semi-annual
<b>Total</b>							

**AS OF DECEMBER 31, 2018**

Taxpayer ID of Debtor	Name of Debtor	Country of Debtor	Taxpayer ID of Creditor	Creditor Entity (Bank)	Country of Creditor	Currency	Type of Amortization
90.160.000-7	Compañía Sud Americana de Vapores S.A.	Chile	76.645.030-K	Banco Itaú Chile	Chile	USD	Semi-annual
<b>Total</b>							

Loans are presented net of origination and underwriting fees.

Type of Amortization	Up to 90 Days	Over 90 Days up to 1 Year	Current Portion	Annual Interest Rate	
	ThUS\$	ThUS\$	ThUS\$	Nominal	Effective
Semi-annual	5,805	4,690	10,495	LB 6M+2.5%	4.55%
Semi-annual	-	34,791	34,791	LB 6M+3.5%	5.40%
	5,805	39,481	45,286		

Type of Amortization	Up to 90 Days	Over 90 Days up to 1 Year	Current Portion	Annual Interest Rate	
	ThUS\$	ThUS\$	ThUS\$	Nominal	Effective
Semi-annual	5.768	5.000	10.768	LB 6M+2.5%	5.02%
	5.768	5.000	10.768		

	1 to 2 Years	2 to 3 Years	3 to 5 Years	Non-Current Portion	Total Debt	Annual Interest Rate	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	Nominal	Efectiva
	10,237	9,802	4,692	24,731	35,226	LB 6M+2.5%	4.55%
	-	-	-	-	34,791	LB 6M+3.5%	5.40%
	10,237	9,802	4,692	24,731	70,017		

	1 to 2 Years	2 to 3 Years	3 to 5 Years	Non-Current Portion	Total Debt	Annual Interest Rate	
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	Nominal	Efectiva
	11,719	11,229	11,655	34,603	45,371	LB 6M+2.5%	5.02%
	11,719	11,229	11,655	34,603	45,371		

**COMPAÑÍA SUD AMERICANA DE VAPORES S.A.**  
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**(C) BONDS PAYABLE:**

AS OF DECEMBER 31, 2019

**CURRENT**

Registry Number	Series	Currency	Nominal Amount Placed ThUS\$	Contractual Interest Rate	Type of Interest Rate	Type of Amortization
955	C	USD	100.000	5.35%	Annual	Semi Bullet

**NON-CURRENT**

Registry Number	Series	Currency	Nominal Amount Placed ThUS\$	Contractual Interest Rate	Type of Interest Rate	Type of Amortization	Issuing Company
839	B	USD	50,000	5.20%	Annual	Bullet	Compañía Sud Americana de Vapores S.A.
955	C	USD	100,000	5.35%	Annual	Semi Bullet	Compañía Sud Americana de Vapores S.A.
<b>Total</b>							

Bonds are presented net of origination and underwriting fees.

AS OF DECEMBER 31, 2018

**NON-CURRENT**

Registry Number	Series	Currency	Nominal Amount Placed	Contractual Interest Rate	Type of Interest Rate	Type of Amortization	Issuing Company
839	B	USD	50,000	5.20%	Annual	Bullet	Compañía Sud Americana de Vapores S.A.
<b>Total</b>							

The financial obligations that place restrictions on management and require fulfillment of certain financial indicators (covenants) are described in Note 36 to these Consolidated Financial Statements.

Issuing Company	Country of Issuer	Up to 90 Days ThUS\$	More than 90 Days ThUS\$	Total Current ThUS\$
Compañía Sud Americana de Vapores S.A.	Chile	754	-	754
<b>Totales</b>		<b>754</b>	<b>-</b>	<b>754</b>

Country of Issuer	More than 1 up to 2 ThUS\$	More than 2 up to 3 ThUS\$	More than 3 up to 5 ThUS\$	More than 5 up to 10 ThUS\$	Total Non-Current ThUS\$
Chile	49,749	-	-	-	49,749
Chile	-	-	-	99,216	99,216
	<b>49,749</b>	<b>-</b>	<b>-</b>	<b>99,216</b>	<b>148,965</b>

Country of Issuer	More than 1 up to 2 ThUS\$	More than 2 up to 3 ThUS\$	More than 3 up to 5 ThUS\$	More than 5 up to 10 ThUS\$	Total Non-Current ThUS\$
Chile	2,567	47,019	-	-	49,586
	<b>2,567</b>	<b>47,019</b>	<b>-</b>	<b>-</b>	<b>49,586</b>

**COMPAÑÍA SUD AMERICANA DE VAPORES S.A.**  
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**(D) FINANCE LEASE LIABILITIES**

Finance Lease Liabilities	Interest Rate	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Less than one year	4%	7,871	-
<b>Total</b>	<b>7,871</b>	<b>-</b>	<b>-</b>

Right-of-use and finance lease liabilities recognized as of December 31, 2019, and depreciation and interest expense recognized for the same period correspond to both old finance leases contracts and the effect of adopting IFRS 16 since January 1, 2019.

**NOTE 23 TRADE AND OTHER PAYABLES**

**TRADE PAYABLES ARE SUMMARIZED AS FOLLOWS:**

Trade payables primarily represent amounts owed to regular service providers in the Group's normal course of business, which are detailed as follows:

Current	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Operating costs	9,181	9,168
Consortia and other	189	50
Administrative costs	857	707
Dividends	34	37
Others	871	264
<b>Total</b>	<b>11,132</b>	<b>10,226</b>

Up-to-date and past due trade payables as of December 31, 2019, are as follows:

#### UP-TO-DATE TRADE PAYABLES:

Type of Supplier	Amount by Payment Terms						Total ThUS\$
	Up to 30 Days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	91-120 ThUS\$	121-365 ThUS\$	Over 366 Days ThUS\$	
Products	1,281	-	-	-	-	-	1,281
Services	8,554	122	229	-	-	55	8,960
<b>Total</b>	<b>9,835</b>	<b>122</b>	<b>229</b>	<b>-</b>	<b>-</b>	<b>55</b>	<b>10,241</b>

#### PAST-DUE TRADE PAYABLES:

Type of Supplier	Amounts by Days Past Due						Total ThUS\$
	Up to 30 Days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	91-120 ThUS\$	121-180 ThUS\$	Over 181 Days ThUS\$	
Services	507	258	6	7	16	97	891
<b>Total</b>	<b>507</b>	<b>258</b>	<b>6</b>	<b>7</b>	<b>16</b>	<b>97</b>	<b>891</b>

Up-to-date and past-due trade payables as of December 31, 2018, are as follows:

#### UP-TO-DATE TRADE PAYABLES:

Type of Supplier	Amount by Payment Terms						Total ThUS\$
	Up to 30 Days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	91-120 ThUS\$	121-365 ThUS\$	Over 366 Days ThUS\$	
Products	1,318	-	-	-	-	-	1,318
Services	7,944	188	516	11	-	36	8,695
<b>Total</b>	<b>9,262</b>	<b>188</b>	<b>516</b>	<b>11</b>	<b>-</b>	<b>36</b>	<b>10,013</b>

#### PAST-DUE TRADE PAYABLES:

Type of Supplier	Amount by Days Past Due						Total MUS\$
	Up to 30 Days ThUS\$	31-60 ThUS\$	61-90 ThUS\$	91-120 ThUS\$	121-180 ThUS\$	Over 181 Days ThUS\$	
Services	141	6	18	17	23	8	213
<b>Total</b>	<b>141</b>	<b>6</b>	<b>18</b>	<b>17</b>	<b>23</b>	<b>8</b>	<b>213</b>



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As of December 31, 2019, the average term for past-due supplier payments was 35 days (35 days as of December 31, 2018), and no suppliers were classified as non-current for those periods.

As of the reporting date, none of the payables detailed above accrue interest for the Company.

## NOTE 24 PROVISIONS

Current and non-current provisions as of December 31, 2019, are detailed as follows:

Current	Legal Claims ThUS\$	Onerous Contracts ThUS\$	Other Provisions ThUS\$	Total ThUS\$
Balance as of January 1, 2019	1,791	47	200	2,038
Additions during the period	129	4,764	-	4,893
Decreases during the period	(1,415)	(289)	(78)	(1,781)
Transfer from (to) non-current provisions	935	-	-	935
<b>Closing balance of current provisions</b>	<b>1,440</b>	<b>4,522</b>	<b>122</b>	<b>6,085</b>

Non-Current	Legal Claims ThUS\$	Total ThUS\$
Balance as of January 1, 2019	11,935	11,935
Decreases during the period	-	-
Transfer from (to) non-current provisions	(935)	(935)
<b>Closing balance of non-current provisions</b>	<b>11,000</b>	<b>11,000</b>

Current and non-current provisions as of December 31, 2018, are detailed as follows:

Current	Legal Claims ThUS\$	Onerous Contracts ThUS\$	Other Provisions ThUS\$	Total ThUS\$
Balance as of January 1, 2018	10,067	1,394	500	11,961
Additions during the period	1,491	47	-	1,538
Decreases during the period	(10,365)	(1,394)	(300)	(12,059)
Transfer from (to) non-current provisions	598	-	-	598
<b>Closing balance of current provisions</b>	<b>1,791</b>	<b>47</b>	<b>200</b>	<b>2,038</b>

Non-Current	Legal Claims ThUS\$	Total ThUS\$
Balance as of January 1, 2018	15,549	15,549
Decreases during the period	(3,016)	(3,016)
Transfer from (to) current provisions	(598)	(598)
<b>Closing balance of non-current provisions</b>	<b>11,935</b>	<b>11,935</b>

Provisions for legal claims correspond mainly to lawsuits and other legal proceedings, including legal costs and possible disbursements, to which the Company is exposed, including those stemming from investigations carried out by anti-monopoly authorities in the car carrier business and contingencies related to these cases, as indicated in Note 36 to the Consolidated Financial Statements.

Within onerous contracts, the Company provisions estimates of services to which it has committed (in-transit voyages or contracts) for which there is reasonable certainty that the revenue obtained will not cover the costs incurred at the end of the voyage and, therefore, the voyages or contracts are expected to end with operating losses. These provisions are expected to be used within the current period, based on the Company's business cycle. Nevertheless, new provisions may be made in future periods.

All legal claims and contingencies related to the direct operations of the container shipping business are presently, following the merger with HLAG in 2014, the legal and financial responsibility of HLAG and its subsidiaries, including legal expenses and possible disbursements, even when CSAV is party to the claim. The Company has established provisions in the accounts legal claims and other provisions for other contingencies not related to the direct operation of this business where it believes disbursements to be reasonably likely.

As of the reporting date of these Consolidated Financial Statements, all amounts provisioned by the Company and its subsidiaries have been classified as either current or non-current based on the best estimate of the timing of their use or consumption.

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**NOTE 25 OTHER NON-FINANCIAL LIABILITIES**

Other non-financial liabilities are detailed as follows:

Current	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Revenue from voyages in transit	3,997	5,617
<b>Total current</b>	<b>3,997</b>	<b>5,617</b>

Non-Current	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Other non-financial liabilities	13	160
<b>Total non-current</b>	<b>13</b>	<b>160</b>

Revenue from voyages in transit corresponds to income documented as of the reporting date for vessels in transit towards their destinations at that date (i.e. that have not yet completed the service, at which time the performance obligation is completed). These amounts are presented net of the respective expenses for each voyage in transit and transferred to net income or loss once the voyage has been completed, normally within the following 30 days.

Other non-current non-financial liabilities include guarantees received for real estate leases and the provision of other services that involve third-party use of the Company's assets or equipment.

## NOTE 26 EMPLOYEE BENEFIT OBLIGATIONS

### A) EMPLOYEE BENEFIT EXPENSES

	For the year ended December 31,	
	2019 ThUS\$	2018 ThUS\$
Salaries and wages	5,976	4,263
Short-term employee benefits	187	190
<b>Total employee benefits expense</b>	<b>6,163</b>	<b>4,453</b>

### B) EMPLOYEE BENEFIT PROVISIONS

	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Vacations payable	144	131
Other benefits	1,384	1,425
<b>Total employee benefit provisions</b>	<b>1,528</b>	<b>1,556</b>

The Company had not made any employee benefit provisions classified as non-current as of December 31, 2019 and 2018.

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**NOTE 27 CLASSES OF FINANCIAL ASSETS AND LIABILITIES**

The following table details the carrying amount and fair value of consolidated financial assets and liabilities:

Description of Financial Assets	Note	Current		Non-Current		Fair Value	
		As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cash and cash equivalents	7	53,619	24,339	-	-	53,619	24,339
Other financial assets	8	-	-	63	63	63	63
Trade and other receivables	9	16,234	17,654	-	-	16,234	17,654
Receivables from related parties	10	74	67	-	-	74	67
<b>Total</b>		<b>69,927</b>	<b>42,060</b>	<b>63</b>	<b>63</b>	<b>69,990</b>	<b>42,123</b>

Description of Financial Liabilities	Note	Current		Non-Current		Fair Value	
		As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018	As of December 31, 2019	As of December 31, 2018
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Bank loans	22	45,286	10,768	24,731	34,603	70,797	45,961
Bonds payable	22	754	-	148,965	49,586	151,254	50,500
Finance leases	22	7,871	-	-	-	7,871	-
Hedge liabilities	12	-	756	-	-	-	756
Trade and other payables	23	11,132	10,226	-	-	11,132	10,226
Payables to related parties	10	30,301	104	-	-	30,109	104
<b>Total</b>		<b>95,344</b>	<b>21,854</b>	<b>173,696</b>	<b>84,189</b>	<b>271,163</b>	<b>107,547</b>

The average interest rates used to determine the fair value of financial liabilities as of December 31, 2019 and 2018, are summarized below:

	As of December 31, 2019	As of December 31, 2018
Variable-rate financial liabilities	Libor + 2.5%	Libor + 2.5%
Fixed-rate financial liabilities	5.30%	5.20%

Other financial assets and liabilities are recorded at fair value or their carrying amount is a reasonable approximation of their fair value.

## NOTE 28 EQUITY AND RESERVES

### (A) CHANGES IN ISSUED CAPITAL

Subscribed and paid-in capital as of December 31, 2019 and 2018, amounts to US\$3,493,509,703.09, divided into 36,796,876,188 shares.

### (B) MOVEMENTS IN SHARES FOR 2019 AND 2018

As of December 31, 2019, the Company's shares are detailed as follows:

Series	Number of Subscribed Shares	Number of Paid-in Shares	Number of Voting Shares
Single	36,796,876,188	36,796,876,188	36,796,876,188

	As of December 31, 2019	As of December 31, 2018
Number of Shares	Common Stock	Common Stock
Issued as of January 1	36,796,876,188	36,796,876,188
From capital increase		
Shares canceled	-	-
<b>Total at end of period</b>	<b>36,796,876,188</b>	<b>36,796,876,188</b>



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**(C) TREASURY SHARES**

The Company had no treasury stock as of December 31, 2019 and 2018.

**(D) SHARE ISSUANCE COSTS**

As of December 31, 2019 and 2018, the cumulative share issuance costs from the most recent capital increase in 2017 total ThUS\$1,128, and are presented in the equity account other miscellaneous reserves.

**(E) OTHER RESERVES**

Other reserves are detailed as follows:

	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Translation adjustment reserve	(13,385)	(11,308)
Cash flow hedge reserve	(7,406)	(3,233)
Reserve for gains and losses on defined-benefit plans	(16,628)	1,068
Other miscellaneous reserves	(3,028)	3,579
<b>Total reserves</b>	<b>(40,447)</b>	<b>(9,894)</b>

**EXPLANATION OF MOVEMENTS:**

**TRANSLATION ADJUSTMENT RESERVE**

The translation reserve includes all foreign exchange differences that arise from translating to the Group's functional currency the financial statements of Group companies with a different functional currency, based on the currency translation methodology defined in IAS 21. This applies to both the CSAV Group and the consolidated entities of its associates and joint ventures, such as HLAG.

The balance and movement of the translation adjustment reserve are explained as follows:

	As of December 31, 2019	As of December 31, 2018
	ThUS\$	ThUS\$
Balance as of January 1	(11,308)	(6,714)
Subsidiaries and other investments	6	103
Share of equity method associates and joint ventures (Note 15)	(2,083)	(4,697)
<b>Closing balance</b>	<b>(13,385)</b>	<b>(11,308)</b>

## CASH FLOW HEDGE RESERVE

The hedge reserve includes the effective portion of the net accumulated effect on fair value of cash flow hedging instruments related to hedged transactions that have not yet taken place. Movements during the period are explained by accounting hedges realized during the period and new hedges entered into.

The balance and movement of this reserve are explained below:

	As of December 31, 2019	As of December 31, 2018
	ThUS\$	ThUS\$
Balance as of January 1	(3,233)	3,249
Deferred taxes on hedges	552	204
Increase (decrease) from hedge derivatives	-	(756)
Share of equity method associates and joint ventures (Note 15)	(4,725)	(5,930)
<b>Closing balance</b>	<b>(7,406)</b>	<b>(3,233)</b>

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#### RESERVE FOR GAINS AND LOSSES ON DEFINED EMPLOYEE BENEFIT PLANS

The reserve for actuarial gains on post-employment benefits consists of the variation in the actuarial values of provisions for defined-benefit plans.

The balance and movement of this reserve are explained below:

	As of December 31, 2019	As of December 31, 2018
	ThUS\$	ThUS\$
Balance as of January 1	1,068	(2,420)
Share of equity method associates and joint ventures (Note 15)	(17,696)	3,488
<b>Closing balance</b>	<b>(16,628)</b>	<b>1,068</b>

#### OTHER MISCELLANEOUS RESERVES

The balance and movement of other miscellaneous reserves are explained as follows:

	As of December 31, 2019	As of December 31, 2018
	ThUS\$	ThUS\$
Balance as of January 1	3,579	1,493
Share issuance costs	79	(8)
Share of equity method associates and joint ventures (Note 15)	(6,686)	2,122
Other movements in reserves	-	(28)
<b>Closing balance</b>	<b>(3,028)</b>	<b>3,579</b>

#### (F) DIVIDENDS AND RETAINED EARNINGS (ACCUMULATED DEFICIT)

The dividend policy described in Note 3.29 of these Consolidated Financial Statements establishes that net income to be distributed consists of 30% of net distributable income determined based on the instructions in CMF Ruling 1945.

Distributable net profits are determined on the basis of “profit attributable to owners of the Company” presented in the Consolidated Statement of Income for each reporting period. This net income shall be adjusted, if necessary, to reflect all gains resulting from variations in the fair value of certain assets and liabilities that have not been realized as of period end. Thus, these gains will be incorporated into the determination of distributable net income in the period in which they are realized or accrued.

The Company has decided to maintain adjustments from first-time adoption of IFRS, included in retained earnings as of December 31, 2009, as non-distributable income. For the purpose of determining the balance of distributable retained earnings or accumulated losses, separate records are kept for these first-time adoption adjustments and they are not considered in determining that balance.

The following table details how distributable net income as of December 31, 2019 and 2018, is determined:

	As of December 31, 2019	As of December 31, 2018
	ThUS\$	ThUS\$
Initial distributable loss	(1,493,897)	(1,512,145)
Dividends Distributed		
Net income attributable to owners of the company	124,616	18,248
Adjustments to net income for the year for fair value assets and liabilities, unrealized	-	-
Adjustments for first-time adoption of IFRS, realized	-	-
Other adjustments to accumulated losses for the period	(79)	-
<b>Distributable net loss</b>	<b>(1,369,360)</b>	<b>(1,493,897)</b>
<b>Accumulated deficit</b>	<b>(1,228,876)</b>	<b>(1,353,413)</b>

As of December 31, 2019 and 2018, the Company has not recorded a mandatory minimum dividend provision because it has an accumulated deficit and, therefore, all profits have first been allocated to absorb these losses in accordance with article 78 of the Corporations Law.

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**NOTE 29 REVENUE, COST OF SALES AND ADMINISTRATIVE EXPENSES**

Revenue and cost of sales are detailed in the following table:

Revenue	For the year ended December 31,	
	2019 ThUS\$	2018 ThUS\$
Revenue from transport services	90,485	89,792
Other income	2,470	1,644
<b>Total operating income</b>	<b>92,955</b>	<b>91,436</b>

Cost of sales	For the year ended December 31,	
	2019 ThUS\$	2018 ThUS\$
Cargo, intermodal and other related costs	(11,954)	(13,408)
Vessel charter, port, canal and other related expenses	(33,580)	(53,159)
Fuel expenses	(17,231)	(19,824)
Depreciation of right-of-use asset	(30,348)	-
Other costs	(765)	(796)
<b>Total cost of sales</b>	<b>(93,878)</b>	<b>(87,187)</b>

In accordance with IFRS 15, starting January 1, 2018, revenue and cost of sales for maritime services in-transit are no longer recognized in the Statement of Income based on the percentage of completion to date, but rather based on satisfaction of its performance obligations.

Should the Company determine that a voyage or committed contract will produce a loss, it shall be provisioned in cost of sales (onerous contract as described in Note 24 recording its income and expenses separately.

Administrative expenses are detailed in the following table:

Administrative Expenses	For the year ended December 31,	
	2019 ThUS\$	2018 ThUS\$
Personnel payroll expenses	(6,163)	(4,453)
Advisory and other services	(3,387)	(2,387)
Communications and reporting expenses	(317)	(358)
Depreciation and amortization	(144)	(183)
Others	(2,145)	(3,165)
<b>Total administrative expenses</b>	<b>(12,156)</b>	<b>(10,546)</b>

As described in Note 6 (Segment Reporting) to this report, consolidated administrative expenses have been separated for the purposes of controlling and measuring the performance of each CSAV business segment. During the year ended December 31, 2019, total administrative expenses were ThUS\$12,156—the container shipping business segment represents ThUS\$4,791 and the other transport services business segment (vehicle transport and others) represents expenses of ThUS\$7,365—accounting for 39% and 61% of total administrative expenses, respectively.

## **NOTE 30 OTHER INCOME AND OTHER GAINS (LOSSES)**

### **(A) OTHER INCOME**

For the year ended December 31, 2019, this account includes:

- (i) Income related to leasing real estate of ThUS\$1,098.

For the year ended December 31, 2018, this account includes:

- (i) Income related to leasing real estate of ThUS\$1,300.
- (ii) Other income of ThUS\$6.



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**(B) OTHER INCOME (LOSSES)**

For the year ended December 31, 2019, this account includes:

- (i) Net gain on the sale of real estate classified as investment property, of ThUS\$934.
- (ii) Other gains or losses from operating the other transport services segment resulting in a gain of ThUS\$383.

For the year ended December 31, 2018, this account includes:

- (i) Net gain on the sale of a portion of the real estate assets classified as investment property (see Note 19) of ThUS\$7,957.
- (ii) Other gains or losses from operating the other transport services segment resulting in a gain of ThUS\$734.

**NOTE 31 FINANCE INCOME AND COSTS**

Finance income and costs are detailed as follows:

Finance income	For the year ended December 31,	
	2019 ThUS\$	2018 ThUS\$
Interest income from time deposits	592	660
<b>Total finance income</b>	<b>592</b>	<b>660</b>

Finance costs	For the year ended December 31,	
	2019 ThUS\$	2018 ThUS\$
Interest expense on financial liabilities	(8,079)	(5,099)
Interest expense on other financial instruments	(1,257)	-
Interest expense on leases	(746)	-
Other finance costs	(823)	(438)
<b>Total finance costs</b>	<b>(10,905)</b>	<b>(5,537)</b>

## NOTE 32 EXCHANGE DIFFERENCES

Exchange differences generated by items in foreign currency, other than differences generated by financial investments at fair value through profit and loss, were credited (charged) to net income or loss for the period according to the following table:

	For the year ended December 31,	
	2019 ThUS\$	2018 ThUS\$
Cash and cash equivalents	6	(793)
Trade and other receivables, net	(23)	(771)
Current tax receivables	16	(19)
<b>Total assets</b>	<b>(1)</b>	<b>(1,583)</b>
Provisions	6	15
Trade and other payables	(28)	385
Payables to related parties	-	(5)
Tax payables	-	-
<b>Total liabilities</b>	<b>(22)</b>	<b>395</b>
<b>Total exchange differences</b>	<b>(23)</b>	<b>(1,188)</b>

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**NOTE 33 FOREIGN CURRENCY**

Current Assets	Currency	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Cash and cash equivalents	CH\$	162	65
	USD	52,343	23,161
	EUR	126	92
	BRL	1	1
	CNY	896	993
	OTHER	91	27
Other non-financial assets	USD	-	-
Other non-financial assets	USD	117	1,222
Trade and other receivables	CH\$	202	228
	USD	15,847	17,040
	EUR	19	146
	BRL	155	30
	OTHER	11	210
Receivables from related parties	CH\$	74	67
	USD	-	-
Inventories	USD	1,884	4,832
Current tax assets		356	261
Disposal groups classified as held for sale	USD	306	784
Total current assets	CH\$	794	621
	USD	70,497	47,039
	EUR	145	238
	BRL	156	31
	YUAN	896	993
	OTHER	102	237
<b>Total</b>		<b>72,590</b>	<b>49,159</b>

Non-Current Assets	Currency	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
Other financial assets	USD	63	63
Other non-financial assets	USD	1	1
Equity method investments	USD	2,168,383	1,939,465
Goodwill	USD	17	17
Property, plant and equipment	USD	10,969	2,395
Investment property	USD	10,870	12,198
Deferred tax assets	USD	254,487	254,579
Total non-current assets	USD	2,444,790	2,208,718
<b>Total</b>		<b>2,444,790</b>	<b>2,208,718</b>
TOTAL ASSETS	CHS	794	621
	USD	2,515,287	2,255,757
	EUR	145	238
	BRL	156	31
	YUAN	896	993
	OTHER	102	237
<b>Total</b>		<b>2,517,380</b>	<b>2,257,877</b>

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Current Liabilities	Currency	As of December 31, 2019			As of December 31, 2018		
		90 Days ThUS\$	90 Days to 1 Year ThUS\$	Total ThUS\$	90 Days ThUS\$	90 Days to 1 Year ThUS\$	Total ThUS\$
Other financial liabilities	USD	13,507	40,404	53,911	6,524	5,000	11,524
Trade and other payables	CH\$	2,838	-	2,838	1,288	-	1,288
	USD	7,682	-	7,682	8,226	-	8,226
	EUR	384	-	384	561	-	561
	BRL	163	-	163	31	-	31
	OTHER	65	-	65	120	-	120
Payables to related parties	CH\$	78	-	78	84	-	84
	USD	30,223	-	30,223	20	-	20
Other provisions	USD	6,085	-	6,085	2,038	-	2,038
Current tax liabilities	USD	947	-	947	29	-	29
Employee benefit provisions	CH\$	144	-	144	131	-	131
	USD	1,384	-	1,384	1,425	-	1,425
Other non-financial liabilities	USD	3,997	-	3,997	5,617	-	5,617
Disposal groups classified as held for sale	USD	81	-	81	42	-	42
Total current liabilities	CH\$	3,060	-	3,060	1,503	-	1,503
	USD	63,906	40,404	104,310	23,921	5,000	28,921
	EUR	384	-	384	561	-	561
	BRL	163	-	163	31	-	31
	OTHER	65	-	65	120	-	120
<b>Total</b>		<b>67,578</b>	<b>40,404</b>	<b>107,982</b>	<b>26,136</b>	<b>5,000</b>	<b>31,136</b>

Pasivos No Corrientes	Moneda	As of December 31, 2019			Total ThUS\$	As of December 31, 2018		
		1 to 3 Years ThUS\$	3 to 5 Years ThUS\$	5 to 10 Years ThUS\$		1 to 3 Years ThUS\$	3 to 5 Years ThUS\$	5 to 10 Years ThUS\$
Other financial liabilities	USD	69,788	4,692	99,216	173,696	72,534	11,655	84,189
Other provisions	USD	11,000	-	-	11,000	11,935	-	11,935
Deferred tax liabilities	USD	502	-	-	502	254	-	254
Other non-financial liabilities	CH\$	13	-	-	13	160	-	160
<b>Total non-current liabilities</b>	<b>USD</b>	<b>81,290</b>	<b>4,692</b>	<b>99,216</b>	<b>185,198</b>	<b>84,723</b>	<b>11,655</b>	<b>96,378</b>
	CH\$	13	-	-	13	160	-	160
<b>Total</b>		<b>81,303</b>	<b>4,692</b>	<b>99,216</b>	<b>185,211</b>	<b>84,883</b>	<b>11,655</b>	<b>96,538</b>
TOTAL LIABILITIES	CH\$				3,073			1,663
	USD				289,508			125,299
	EUR				384			561
	BRL				163			31
	OTHER				65			120
	<b>Total</b>				<b>293,193</b>			<b>127,674</b>

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**NOTE 34 EARNINGS (LOSS) PER SHARE**

Earnings (loss) per share as of December 31, 2019 and 2018, are determined as follows:

	For the year ended December 31,	
	2019 ThUS\$	2018 ThUS\$
Net income (loss) from continuing operations attributable to owners of the company	125,541	18,701
Loss from discontinued operations attributable to owners of the company	(925)	(453)
<b>Net income (loss) attributable to owners of the company</b>	<b>124,616</b>	<b>18,248</b>
<b>Weighted average shares (number)</b>	<b>36,796,876,188</b>	<b>36,796,876,188</b>
Earnings (loss) per share for continuing operations US\$	0.0034	0.0005
Earnings (loss) per share for discontinued operations US\$	(0.0000)	(0.0000)
Earnings (loss) per share US\$	0.0034	0.0005

Number of Subscribed and Paid Shares	For the year ended December 31,	
	2019	2018
Issued as of January 1	36,796,876,188	36,796,876,188
Proceeds from capital issuance	-	-
Issued as of year end	36,796,876,188	36,796,876,188
<b>Weighted average number of shares</b>	<b>36,796,876,188</b>	<b>36,796,876,188</b>



## **NOTE 35 DISCONTINUED OPERATIONS**

As described in Note 2b) of this report, since the Company has carried out a disposal plan for its freight forwarder and logistics operations business unit operated by the Norgistics subsidiaries (hereinafter "Norgistics"), which was part of the other transport services segment defined in Note 6, it has decided to classify that business unit as held for sale and discontinued operations in the Consolidated Financial Statements as of December 31, 2019, in accordance with IFRS 5.

As described before, in accordance with the other provisions of IFRS 5, from now on the activities and transactions of the Norgistics business unit must be considered discontinued operations and be presented separately in the Consolidated Statement of Income. The discontinued unit's results and net cash flows from operating, investing and financing activities must also be detailed separately in this note.

Section a) of this note details each of Norgistics's asset and liability accounts to be disposed of or discontinued in the sale, which have been classified as held for sale, as explained in the preceding paragraph. Sections b) and c) of this note detail the results of Norgistics's discontinued operations and a breakdown of its net cash flows, respectively, in comparison to the prior year.

As indicated in Note 14, on April 3, 2019, Norgistics Holding S.A. liquidated the subsidiary Norgistics Perú S.A.C.

On August 21, 2018, as stated in Note 14, the subsidiary Tollo Shipping Co. S.A. sold its interest in Norgistics (China) Ltd. [Hong Kong]. The remaining subsidiaries in this unit are not operating and are controlled by CSAV as of December 31, 2019. Therefore, their assets and liabilities are presented in the consolidated statement of financial position as held for sale, as indicated in the preceding paragraphs.

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**(A) STATEMENT OF FINANCIAL POSITION FROM DISCONTINUED OPERATIONS**

ASSETS AND LIABILITIES	As of December 31, 2019 ThUS\$	As of December 31, 2018 ThUS\$
<b>CURRENT ASSETS</b>		
Trade and other receivables	51	69
Current tax assets	163	174
<b>Total current assets</b>	<b>214</b>	<b>243</b>
<b>NON-CURRENT ASSETS</b>		
Intangible assets other than goodwill	81	82
Investment property	11	14
Non-current tax assets	-	445
<b>Total non-current assets</b>	<b>92</b>	<b>541</b>
<b>TOTAL ASSETS</b>	<b>306</b>	<b>784</b>
<b>(Disposal groups classified as held for sale)</b>	<b>306</b>	<b>784</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	75	36
Current tax liabilities	6	6
<b>Total current liabilities</b>	<b>81</b>	<b>42</b>
<b>TOTAL LIABILITIES</b>		
<b>(Disposal groups classified as held for sale)</b>	<b>81</b>	<b>42</b>

## (B) STATEMENT OF INCOME FROM DISCONTINUED OPERATIONS

STATEMENT OF INCOME	For the year ended December 31,	
	2019 ThUS\$	2018 ThUS\$
Revenue	-	25
Cost of sales	-	(26)
<b>Gross margin</b>	<b>-</b>	<b>(1)</b>
Other income	-	-
Administrative expenses	(227)	(499)
Other gains (losses)	(235)	240
<b>Net operating income (loss)</b>	<b>(462)</b>	<b>(260)</b>
Finance income	-	6
Exchange differences	-	-
<b>Net income (loss) before taxes</b>	<b>(462)</b>	<b>(254)</b>
Income tax expense	(463)	(199)
<b>Net income (loss) for the year</b>	<b>(925)</b>	<b>(453)</b>

## (C) STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS	For the year ended December 31,	
	2019 ThUS\$	2018 ThUS\$
Net cash flows provided by (used in) operating activities	(132)	(401)
Net cash flows provided by (used in) investing activities	-	-
Net cash flows provided by (used in) financing activities	-	-
<b>Increase (decrease) in cash and cash equivalents before effect of exchange rate changes</b>	<b>(132)</b>	<b>(401)</b>
Effect of exchange rate changes on cash and cash equivalents	(14)	42
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(146)</b>	<b>(359)</b>

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**NOTE 36 CONTINGENCIES AND COMMITMENTS**

**(A) GUARANTEES GRANTED**

- (i) Bank guarantees: As of December 31, 2019, the Company has a bank guarantee granted by Scotiabank Chile (stand by letter of credit) for US\$ 300,000, that expires on April 30, 2020, to guarantee compliance with U.S. local regulations for its vehicle transport operations.
- (ii) Guarantee notes: There are minor guarantees, mainly associated with rental of premises in subsidiaries, whose disclosure is not necessary for the interpretation of these Consolidated Financial Statements.

**(B) OTHER LEGAL CONTINGENCIES**

The Company is party to some lawsuits and arbitration claims seeking compensation for damages and losses during cargo transport. Most of these potential losses are covered by insurance policies. For the portion not covered by insurance, including the cost of the respective deductibles, the Company has recorded sufficient provisions to cover the estimated amount of likely contingencies. The amount of the respective provisions is presented in Note 24 of this report within legal claims.

On February 21, 2018, the European Commission fined four international maritime shipping companies, including the Company, for practices that infringed the rules of its fair competition law between October 2006 and September 2012, in relation to its investigation into infringements of free competition rules in the vehicle transport (car carrier) business, during 2018 and through to December 31, 2019. Thanks to CSAV's collaboration since the start of the investigation and its limited involvement in those practices, the Company was fined approximately MEUR 7,033 based on an agreement reached with that commission. This is 1.8% of the total fines imposed by the European regulatory (EUR 395 million).

These payments had no impact on the Company's net income since a provision was estimated for such purposes in the Q1 2013 financial statements, which was disclosed to the market in May of that year.

On January 27, 2015, the Chilean National Economic Prosecutor's Office (FNE) issued a summons against several shipping companies, including CSAV, for violating letter a) of article 3 of Decree Law 211 of 1973, regarding the Defense of Free Competition ("DL 211"), in the car carrier business (the "Summons"). As indicated in the Summons and set forth in article 39 bis of DL 211, because the Company is cooperating with the FNE's investigation, it is exempt from fines relating to the practices referred to in the Summons. On April 24, 2019 the TDLC ruled on the case, and CSAV was declared exempt from the fine, because it was entitled to the leniency benefit and had demonstrated that it met the requirements for eligibility. The Court fined two of the shipping companies under investigation, partially

upholding the FNE's injunction. There are pending appeals filed by some participants in the case, and the final resolution lies with the Supreme Court.

Additionally, on March 13, 2017, the Peruvian National Institute in Defense of Competition and Protection of Intellectual Property (INDECOP) initiated an administrative procedure against several shipping companies, including the Company, for alleged collusive practices in the maritime vehicle transport business. The Company is exempt from fines in relation to conduct described in the administrative procedure as a result of its cooperation in the INDECOP investigation, so this process does not have any financial effect on CSAV's results. On May 14, 2018, INDECOP concluded these proceedings and exempted CSAV from any fines, in accordance with Peruvian law.

Some vehicle end buyers, distributors and freight forwarders or direct contract holders have filed a class action "on their own behalf and on behalf of those in a similar situation" before the US Federal Maritime Commission (CMF) based on investigations by the US Department of Justice (US DOJ), against a group of companies engaged in the car carrier business, including the Company and its former agency in New Jersey, for damages and losses suffered directly by contracting freight services or indirectly by buying imported cars in the United States. These class action suits were consolidated in the District Court of New Jersey. However, in late August 2015 the court ruled that they should be decided by the CMF, based on a motion filed by the Company. The U.S. Supreme Court dismissed the motions that were pending against this ruling.

Fiat Chrysler automobiles NV, FCA US LLC, and FCA Italy SpA (together Fiat Chrysler) filed a demand before the CMF against a group of companies engaged in maritime vehicle transport, including the Company. The US Shipping Act of 1984 and the CMF's regulations do not provide for resolving class action suits. Therefore, on May 7, 2018 the CMF rejected these proceedings. The parties reached an agreement with respect to the Fiat Chrysler claim, so the case has been dropped.

On April 17, 2019, the South African Fair Competition Commission filed an injunction against the Company for alleged anti-competitive behavior when negotiating a contract to transport vehicles from South Africa to Europe in 2011. The injunction is currently before the South African Competition Tribunal. Therefore, an estimate of any potential financial impact on CSAV cannot be made at this time.

On August 23, 2019, CSAV was served with a claim for damages by Daimler AG against the company and the shipping companies MOL, WWL, K-Line and NYK before the High Court of Justice, Commercial and Property Courts, England and Wales. The claim is based on alleged losses suffered by the plaintiff as a result of agreements or collusion between the defendants and others in connection with providing international roll-on/roll-off maritime transport services (referred to as 'RoRo Services') from February 1997 to at least September 6, 2012. On September 26, 2019, CSAV responded to the lawsuit, objecting to the period covered by the claim and other issues, and the case is currently in its discussion stage. Therefore, an estimate of any potential financial impact on CSAV cannot be made at this time.

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As of December 31, 2019, claims have been filed against the Company related to its container shipping business prior to the merger with HLAG. However, in accordance with the merger agreement between CSAV and HLAG, HLAG is now legally and financially liable for all legal contingencies related to the operations of the container shipping business, including legal expenses and possible disbursements, even when CSAV is party to the claim.

On April 29, 2019, the Company received Summons No. 43 from the Chilean Internal Revenue Service (SII) requesting that it clarify some items in its income tax returns for tax years 2016 and 2017 for expenses related to payments of fines, indemnities and/or penalties made abroad related to the car carrier case. On June 28, 2019, the Company responded, within legal deadlines, to that summons and provided all supporting documentation requested by tax authorities. Subsequently, it provided additional information on August 13, 2019.

However, the SII determined the fines paid abroad during commercial years 2015 and 2016 to be rejected expenses. As a result, on August 30, 2019, the Company received Tax Assessments Nos. 95 to 98 for a total of ThUS\$2,670 plus interest and fines as of that date, giving a grand total of ThUS\$4,594.

On October 16, 2019, the Company filed a Voluntary Administrative Request for Reconsideration (RAV) against Tax Assessments Nos. 95 to 98 from August 2019, which was resolved by the SII as described in Note 39 b) of these Consolidated Financial Statements.

### **(C) GUARANTEES FOR FINANCIAL COMMITMENTS**

As of December 31, 2019, the Company has no guarantees or liens on its assets to secure its financial obligations.

## (D) OPERATING RESTRICTIONS

CSAV's financial obligations place restrictions on management or on the fulfillment of certain financial indicators (covenants), as described in the following table:

Indicators	31-12-19	31-12-18
<b>Total Liabilities / Total Equity &lt; 1.30</b>	<b>0.13</b>	<b>0.06</b>
Total Liabilities [ThUSD]	293,193	127,674
Total Equity [ThUSD]	2,224,187	2,130,203
<b>Unencumbered assets / Financial debt unsecured by issuer &gt;= 1.30</b>	<b>10.07</b>	<b>23.59</b>
Total Assets [ThUSD]	2,517,380	2,257,877
Encumbered assets [ThUSD](*)	0	-
<b>Unencumbered assets [ThUSD]</b>	<b>2,517,380</b>	<b>2,257,877</b>
Other current financial liabilities [ThUSD]	53,911	11,524
Other non-current financial liabilities [ThUSD]	173,696	84,189
Lease liabilities (IFRS 16) [ThUSD](*)	(7,871)	-
/a/ Other current and non-current financial liabilities, net of IFRS 16 [ThUSD]	219,736	95,713
Current and non-current trade and other payables [ThUSD]	11,132	10,226
Non-interest accruing trade and other payables [ThUSD](*)	(11,132)	(10,226)
/b/ Interest accruing trade payables [ThUSD]	0	-
Current and non-current payables to related parties [ThUSD]	30,301	104
Non-interest accruing current and non-current payables to related parties [ThUSD](*)	(107)	(104)
/c/ Interest-accruing payables to related parties [ThUSD]	30,194	-
Financial debt (/a/+b/+c/) [ThUSD]	249,930	95,713
Financial debt secured by issuer [ThUSD]	0	-
<b>Financial debt unsecured by issuer [ThUSD]</b>	<b>249,930</b>	<b>95,713</b>
<b>Total Assets &gt;= USD 1,614 million</b>	<b>2,517,380</b>	<b>2,257,877</b>
<b>Total Assets [ThUSD]</b>	<b>2,517,380</b>	<b>2,257,877</b>

(\*) Adjustments based on Notes 10, 22, 23 and 36 of these Consolidated Financial Statements

As of December 31, 2019, the Company has complied with all of the above financial restrictions.



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**NOTE 37 ENVIRONMENTAL ISSUES**

The Company has a Quality and Environmental Policy, which has resulted in the implementation of diverse initiatives involving energy efficiency in operations and compliance with international environmental protection regulations. To monitor and control its policies and programs, the Company uses an internal integrated quality management and environmental system, which is externally audited by an international certifier based on ISO 9001:2008 and ISO 14001:2004 standards.

**NOTE 38 SANCTIONS**

During the years ended December 31, 2019, and 2018, neither the Company nor its subsidiaries, directors and managers have been sanctioned by the CMF (former SVS). The Company and its subsidiaries have also not received any significant sanctions from any other regulatory bodies or jurisdictions, other than those included in Note 36 to these Consolidated Financial Statements.

**NOTE 39 EVENTS AFTER THE REPORTING PERIOD**

Between the closing date and issuance of these Consolidated Financial Statements, the following relevant events occurred and are presented as subsequent events:

- (a) On January 13, 2020, the Company concluded the process to purchase shares in Hapag-Lloyd AG ("HLAG") through CSAV's wholly owned German subsidiary, CSAV Germany Container Holding GmbH ("CG Hold Co"). This purchase is part of the plan to obtain 30% ownership of HLAG.

During 2019, it acquired 3,390,141 shares equivalent to 1.93% and in January 2020, it purchased an additional 3,890,899 shares equivalent to 2.21%, giving it a total of 52,728,038 shares, or an interest of nearly 30% in Hapag-Lloyd AG. This last purchase involved an investment of around ThUS\$330,000 that was financed mainly with a bridge loan CSAV secured from its controller, Quiñenco S.A.

As to the financial effect of these transactions, for the 2019 acquisition the Company calculated goodwill of ThUS\$34,567 based on the purchase price allocation report (PPA) prepared for HLAG. For the acquisition in January 2020, it estimated goodwill of ThUS\$151,218 based on the most recent PPA. That amount will be adjusted once the PPA for this purchase is available.

- (b) On January 22, 2020, the Chilean Internal Revenue Service (SII) issued Exempt Resolution No. 110539/2020 with its decision on the Voluntary Request for Administrative Reconsideration filed by CSAV against Tax Assessments Nos. 95 to 98 received in August 2019. As a result of that reconsideration, the amount payable was reduced to ThUS\$1,119, thus fully resolving this matter.

- (c) On January 23, 2020, CSAV announced the orderly closure of its vehicle transport business and the discontinuation of services. The decision was made by CSAV to focus all economic and management efforts on developing its main asset—its interest in the German shipping company Hapag Lloyd AG, where CSAV is currently the largest shareholder and party to a controlling agreement with the city of Hamburg and Kühne Maritime. The vehicle transport business has historically represented less than 1% of CSAV's total assets.
- (d) On February 26, 2020, CSAV signed a sale promise agreement for real estate classified as investment property in these Consolidated Financial Statements. The agreement is for UF 45,000 plus VAT and the deal should be completed within 90 days.
- (e) On March 10, 2020, the Board of Hapag-Lloyd AG informed the market of a decision made at the annual general meeting (AGM) to distribute a dividend of EUR 1.10 per share, equivalent to EUR 193.3 million. The amount payable to CSAV Germany Container Holding GmbH is estimated at EUR 58 million, which is equivalent to approximately US\$66.5 million at the Euro/dollar exchange rate in effect on the date of the announcement. The estimated date of payment for the dividend is still unknown but will be after the aforementioned AGM scheduled for June 5, 2020.

Between January 1, 2020 and the date of issuance of these Consolidated Financial Statements, the Company's management is not aware of any other subsequent events that significantly affect the financial position and/or comprehensive results of Compañía Sud Americana de Vapores S.A. and subsidiaries as of December 31, 2019.

# Annual Analysis

**Based on the Consolidated Financial Statements  
as of December 31, 2019**





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## 1. ANALYSIS OF FINANCIAL POSITION

### 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 December 31, 2019 MMUSS	As of December 31, 2018 MMUSS	Change MMUSS
Current assets	72.6	49.2	23.4
Non-current assets	2,444.8	2,208.7	236.1
<b>Total assets</b>	<b>2,517.4</b>	<b>2,257.9</b>	<b>259.5</b>

LIABILITIES	As of December 31, 2019 MMUSS	As of December 31, 2018 MMUSS	Change MMUSS
Total current liabilities	108.0	31.1	76.9
Total non-current liabilities	185.2	96.6	88.6
Equity attributable to owners of the company	2,224.2	2,130.2	94.0
<b>Total liabilities and equity</b>	<b>2,517.4</b>	<b>2,257.9</b>	<b>259.5</b>

For a better understanding of the figures in this report, bear in mind that in 2017 the Company decided to stop operating its logistics and freight forwarder business, as explained in Note 2 b) and Note 35 of these Consolidated Financial Statements. As a result, in the financial statements as of December 31, 2019 and December 31, 2018, the assets and liabilities of the subsidiaries engaged in this business have been reclassified as assets and liabilities held for sale. Results from the logistics and freight forwarder business for the years ended December 31, 2019 and 2018, are presented as discontinued operations in accordance with IFRS 5.

In addition, as explained in Note 39 of the Consolidated Financial Statements as of December 31, 2019, in January 2020 CSAV decided to close its vehicle transport business and discontinue those activities. The decision was made to focus all economic and management efforts on developing its main asset—its interest in the German shipping company Hapag-Lloyd AG (HLAG). Closing these operations does not materially impact the assets, liabilities or income statement accounts in the Consolidated Financial Statements as of December 31, 2019. They will be reclassified as discontinued activities for the financial statements as of March 31, 2020, and beyond.

Moving on to analyze the main financial statement variations, as of December 31, 2019, total assets were up MMUS\$ 259.5 with respect to December 31, 2018. This variation is explained by an increase of MMUS\$ 236.1 in non-current assets and an increase of MMUS\$ 23.4 in current assets.

The increase of MMUS\$ 234.1 in non-current assets is explained by an increase of MMUS\$ 228.9 in equity method investments and an increase of MMUS\$ 8.6 in property, plant and equipment, both of which were partially offset by a decrease in investment property of MMUS\$ 1.3 and a decrease in deferred tax assets of MMUS\$ 0.1. These variations are analyzed in detail below.

The variation in equity method investments during the year 2019 is related to CSAV's investment in the German shipping line HLAG. During that period, CSAV increased its interest in HLAG by a total of 1.93% with respect to the 25.86% stake it held as of December 31, 2018, by first increasing to 26.05% as of March 31, 2019, then 27.48% as of June 30, 2019, and finally to 27.79% as of September 30, 2019. It maintained this last percentage until December 31, 2019.

These acquisitions were materialized through share purchases on German stock exchanges, requiring an investment of MMUS\$ 120.3. They were financed with a bridge loan of MMUS\$ 100 (MMUS\$ 70 from Banco Consorcio and MMUS\$ 30 from Compañía de Seguros de Vida Consorcio) obtained during the second quarter of 2019 and a bridge loan from its parent company Quiñenco for MMUS\$ 30.0 obtained during the third quarter of 2019. The bridge loan of MMUS\$ 100 mentioned above was paid during the third quarter with funds obtained from issuing and placing new C series bonds for the same amount, charged to the MMUS\$ 150 bond line registered with the Financial Market Commission.

As indicated in Note 39 of the Consolidated Financial Statements as of December 31, 2019, and as reported as an Essential Event by the Company on January 13, 2020, during the month of January 2020, CSAV acquired additional HLAG shares representing 2.21% of the German shipping company, thus giving it total ownership of almost 30%. Including this most recent purchase and those made during 2019, the Company has invested a total of approximately MMUS\$ 450 to acquire shares of HLAG. Of these MMUS\$ 450, MMUS\$ 100 were financed by placing C series bonds, as indicated above, while the remaining MMUS\$ 350 were financed with short-term debt from banks and its parent company Quiñenco, including the MMUS\$ 30 loan mentioned above. The Company expects to pay off the entire MMUS\$ 350 in debt through a capital increase for the same amount, which was announced in the Essential Event indicated above, reported on January 13, 2020.

In accordance with provisions in IAS 28 applicable to the process of acquiring an additional interest in HLAG that CSAV carried out in 2019, the Company had to directly recognize the goodwill from acquiring these shares at an average price below the fair value of the assets as a gain in net income, based on the purchase price allocation (PPA) analysis for HLAG, commissioned by CSAV from PricewaterhouseCoopers in 2019.

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Therefore, the variation in equity method investments is explained as follows: (i) an increase related to the income recorded within share of income (loss) of equity method associates and joint ventures in the income statement of MMUS\$ 147.8, which is comprised of income of MMUS\$ 110.6 from CSAV's direct share of HLAG's results, based on the ownership interest for each quarter, a gain of MMUS\$ 2.6 from the effect of PPA amortization on HLAG's results, and a gain of MMUS\$ 34.6 related to income recorded for the additional acquisition of HLAG shares, explained above; (ii) an increase in capital movements of MMUS\$ 120.3 due to the purchase cost of the additional interest in HLAG, as mentioned above; (iii) a decrease of MMUS\$ 8.0 for dividends distributed by HLAG to its shareholders during the second quarter of 2019; (iv) a decrease of MMUS\$ 24.5 for CSAV's share of HLAG's other comprehensive income during the period; and (v) a decrease of MMUS\$ 6.7 for CSAV's share of other changes in HLAG's equity. The table below summarizes these movements.

Detail of Movements in CSAV's Investment in HLAG

	MMUS\$
Balance as of January 1, 2019	1,939.5
<b>Total Income Recognized</b>	<b>147.8</b>
Share of HLAG's Net Income	110.6
Effect of PPA on Results	2.6
Gain (Loss) on Acquisition of Interest	34.6
Capital Movements	120.3
Dividends received	(8.0)
Share of Other Comprehensive Income	(24.5)
Other Changes in Equity	(6.7)
<b>Movements during the period</b>	<b>226.9</b>
<b>Balance as of December 31, 2019</b>	<b>2,168.4</b>

More information on the accounting balance of CSAV's investment in HLAG and all movements during the years ended December 31, 2019 and 2018, can be found in Note 15 of the Consolidated Financial Statements .



The increase in property, plant and equipment of MMUS\$ 8.6 is explained mainly by first-time adoption of IFRS 16 “Leases” starting January 1, 2019. This standard requires lease agreements currently classified as operational to have a similar accounting treatment as finance leases. In general, this means recognizing a right-of-use asset for property under an operating lease and a liability equivalent to the present value of payments associated with the agreement.

The Company has determined that lease commitments that must be analyzed within the scope of IFRS 16 are mainly those related to vessel and slot charters. The effects of adopting this standard as of December 31, 2019, are detailed as follows:

Impact per account of adopting IFRS 16 as of December 31, 2019	MMUS\$
Decrease in current non-financial assets for prepayments	(0.7)
Increase in property, plant and equipment for right-of-use assets	8.6
Increase in current financial liabilities for lease liabilities	7.9

The decrease in investment property of MMUS\$ 1.3 is related to the sale of offices not currently being used for operations completed during the second quarter of 2019.

The increase of MMUS\$ 0.1 in deferred tax assets can be explained mainly by net income for the year, partially offset by the net effect on taxes of the existing financing structure in euros that the CSAV Group used to invest in HLAG. During 2019, the net effect of the variation in the euro/dollar exchange rate and interest on that financing generated tax profits for CSAV in Chile, thus resulting in a negative charge in income tax expense and a decrease in deferred tax assets for the period, which was partially offset by the effect on taxes of net income for the year.

Moving on to the main variations in current assets, the increase of MMUS\$ 23.4 in current assets is attributable to an increase in cash and cash equivalents of MMUS\$ 29.3, which is explained in more detail below in letter d) Analysis of Cash Flows Statement, and to a larger extent, to the funds obtained from the bridge financing from Banco Consorcio of MMUS\$ 35.0 during the fourth quarter of 2019, for the aforementioned acquisition of an additional stake in HLAG in January 2020, and an increase of MMUS\$ 0.1 in current tax assets.

The above was partially offset by a decrease in fuel inventories of MMUS\$ 2.9, due to a reduction in tons used because of smaller number of ships operating despite the higher average price; by a reduction in trade and other receivables of MMUS\$ 1.5 as a result of lower sales and reduced transported volumes in the vehicle transport business as of year-end 2019 in comparison to year-end 2018; by a decrease of MMUS\$ 1.1 in other non-financial assets, explained primarily by a reduction in prepayments for vessel charters related to

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adopting IFRS 16, as explained above; and by a reduction of MMUS\$ 0.5 in groups of assets held for sale related to efforts to close the logistics and freight forwarder business.

As of December 31, 2019, total liabilities increased by MMUS\$ 165.5 compared to December 31, 2018. This variation is explained by an increase of MMUS\$ 88.6 in non-current liabilities and an increase of MMUS\$ 76.9 in current liabilities.

The increase in non-current liabilities of MMUS\$ 88.6 is explained mainly by the increase in other non-current liabilities of MMUS\$ 89.5, related essentially to the bond of MMUS\$ 100 issued by the Company during the third quarter to finance the acquisitions of HLAG shares in 2019, less MMUS\$ 10.0 in pay commitments for the outstanding loan from Banco Itaú reclassified from long to short-term due to maturity. This loan has an outstanding balance of MMUS\$ 35 as of December 31, 2019.

The increase of MMUS\$ 76.9 in current liabilities can be explained mostly by the increase in other financial liabilities of MMUS\$ 42.4, related mainly to the bridge loan from Banco Consorcio of MMUS\$ 35 and operating lease commitments recognized as required by IFRS 16, both mentioned previously, and also by the increase in payables to related parties of MMUS\$ 30.1, related to the loan received from the parent company Quiñenco of MMUS\$ 30.0, also described above.

Along the same lines, there were also increases in other provisions of MMUS\$ 4.1, related mainly to onerous contracts for operations over the next few months; in trade and other payables of MMUS\$ 1.0 related to the vehicle transport business; in current tax liabilities of MMUS\$ 0.9 and in groups of liabilities held for sale of MMUS\$ 0.1.

The aforementioned increases are partially offset by the reduction in other non-financial liabilities of MMUS\$ 1.6, related mainly to income from voyages in transit in the vehicle transport business and the decrease in employee benefit provisions of MMUS\$ 0.1.

As of December 31, 2019, equity increased by MMUS\$ 94.0 compared to December 31, 2018. This change is explained by the net income of MMUS\$ 124.5 recorded for the year ended December 31, 2019, partially offset by a decrease in other reserves of MMUS\$ 30.5, 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 28 f) of the Consolidated Financial Statements.

## B) STATEMENT OF INCOME

	As of December 31, 2019 MMUS\$	As of December 31, 2018 MMUS\$	Change MMUS\$
Revenue	93.0	91.4	1.6
Cost of sales	(93.9)	(87.2)	(6.7)
Gross margin	(0.9)	4.2	(5.1)
Administrative expenses	(12.2)	(10.5)	(1.7)
Other operating income	2.4	10.0	(7.6)
Net operating income	(10.7)	3.7	(14.4)
<b>EBITDA (without associates)*</b>	<b>19.8</b>	<b>3.9</b>	<b>15.9</b>
Finance costs, net	(10.3)	(4.9)	(5.4)
Share of income (loss) of equity method associates	147.8	14.0	133.8
Exchange differences and other non-operating expenses	-	(1.2)	1.2
Income tax benefit (expense)	(1.3)	7.1	(8.4)
<b>Net income after tax from continuing operations</b>	<b>125.5</b>	<b>18.7</b>	<b>106.8</b>
<b>Loss after tax from discontinued operations</b>	<b>(0.9)</b>	<b>(0.5)</b>	<b>(0.4)</b>
<b>Net income for the period</b>	<b>124.6</b>	<b>18.2</b>	<b>106.4</b>

\*EBITDA is operating income (loss) plus depreciation and amortization. For the year ended December 31, 2019, it includes depreciation for right-of-use assets of MMUS\$ 30.3 related to adopting IFRS 16.

**Net income attributable to the owners of the company** of MMUS\$ 124.6 for the year ended December 31, 2019, represents an improvement of MMUS\$ 106.4 over the same period in 2018.

The Company reported an **operating loss** of MMUS\$ 10.7 for the year ended December 31, 2019, which represents a decrease of MMUS\$ 14.4 with respect to the same period last year, explained in part by the **negative gross** margin of MMUS\$ 0.9, marking a drop of MMUS\$ 5.1 from last year, related to reduced results from CSAV's direct operations in the vehicle transport business, which was negatively affected by increased operating costs stemming from higher vessel charter prices with respect to the same period last year, and a smaller volume of vehicles transported, in addition to an increase in provisions for onerous contracts for voyages over the next few months.

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CSAV's Income Statement shows **revenue** of MMUS\$ 93.0 for 2019, which represents an increase of MMUS\$ 1.6 with respect to the same period in 2018, explained by the Company's shift in operating structure due to lower volumes of vehicles transported, which **resulted** in higher income from vessel charters and slot sales to third parties on operated vessels with respect to 2018, which helped offset the costs from diminished vessel usage. Excluding this effect, in 2019 there was a decrease in freight income as a result of lower demand. A portion of this income was impacted by indexation to variations in fuel prices, but the effect was not significant with fuel prices rising a mere 1% during the year.

**Cost of sales** reached MMUS\$ 93.9 for the year ended December 31, 2019, up MMUS\$ 6.7 from last year, explained by increases in fleet costs related mostly to vessel charters, and the rise in provisions for onerous contracts associated with voyages over the next few months.

**Administrative expenses** totaled MMUS\$ 12.2 in 2019, reflecting an increase of MMUS\$ 1.7 over the same period last year, which also includes costs related to closing the vehicle transport service.

**Other operating income** reached MMUS\$ 2.4, down MMUS\$ 7.6 from the same period last year, related mainly to the sale of offices not used for operations and classified as investment property within the Company's assets, as mentioned above.

In **share of income (loss) from equity method associates and joint ventures**, CSAV recognized income of MMUS\$ 147.8 for the year ended December 31, 2019, which is MMUS\$ 133.8 greater than the figure recorded in 2018. This improvement is explained mainly by improved results from CSAV's direct interest in HLAG of MMUS\$ 99.2 with respect to the same period in 2018, by greater goodwill recorded in 2019 compared to 2018 of MMUS\$ 33.6, as indicated in the preceding section, and greater PPA amortization for the investment in HLAG of MMUS\$ 1.0 with respect to the same period last year.

Resuming the analysis of the results of the investment in HLAG, according to the accounting method that should be used for joint ventures under IFRS, each quarter CSAV reflects in net income or loss its direct share of the net income or loss attributable to the owners of HLAG and also the effect on profit or loss of the amortization of PPAs, determined as of the closing of the business combination between CSAV and HLAG in December 2014 and, in addition, incremental acquisitions of HLAG shares after closing the business combination with UASC in 2017 and throughout the year 2019 (in accordance with IFRS 3 and IAS 28).

For the year ended December 31, 2019, the account equity method investments is comprised of net income attributable to the owners of the company reported by HLAG each quarter, which totaled MMUS\$ 104.0, MMUS\$ 51.6, MMUS\$ 166.5 and MMUS\$ 83.1 for the first through fourth quarters, respectively, and were then multiplied by the proportional interest as of each quarter end of 26.05%, 27.48%, 27.79% and 27.79%, respectively.

The Company must also consider the quarterly PPA amortization for CSAV's original purchase of HLAG shares in 2014, the investments made after the HLAG-UASC merger in 2017 and those made in 2019, which amount to a gain of MMUS\$ 4.1, a loss of MMUS\$ 4.9 and a loss of MMUS\$ 8.0, respectively, which must then be multiplied by the proportional interest for these processes as of each quarter end of 22.58%, 3.28% and 0.19% for the first quarter of 2019 (totaling 26.05% as of March 31, 2019), of 22.58%, 3.28% and 1.62% for the second quarter (totaling 27.48% as of June 30, 2019) and 22.58%, 3.28% and 1.93% for the third and fourth quarters (totaling 27.79% as of September 30 and December 31, 2019).

Thus, CSAV recorded income of MMUS\$ 110.6 for its direct share of HLAG's results and income of MMUS\$ 2.6 for its share of the PPA amortization, recording total income of MMUS\$ 113.2 for both concepts. To this, we must add the gain generated by goodwill as of December 31, 2019, of MMUS\$ 34.6, mentioned above, obtaining total income of MMUS\$ 147.8.

For the year ended December 31, 2019, CSAV recognized an **income tax expense** of MMUS\$ 1.3, representing an increase of MMUS\$ 8.4 over the same period in 2018. This variation is explained mainly by a larger deferred tax expense in 2019 because of the impact of the depreciating euro on the CSAV Group's financing structure for its investment in HLAG, as detailed in letter a) above.

Therefore, the Company's **net income attributable to the owners of the company** of MMUS\$ 124.6 for the year ended December 31, 2019, represents an improvement of MMUS\$ 106.4 over the same period in 2018.

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### C) OPERATING RESULTS BY SEGMENT

CSAV reports two business segments as of December 31, 2019: Container Shipping and Other Transport Services. Each segment is described briefly below:

- **Container Shipping:** These are the container shipping services operated by HLAG, represented by the investment in that joint venture, plus certain assets and liabilities related to the container shipping business that are controlled by CSAV (deferred tax assets, financial liabilities to finance the investment and others).
- **Other Transport Services:** These are the vehicle transport (car carrier) services operated directly by CSAV, plus certain real estate assets held by the Company. In January 2020, CSAV decided to close its vehicle transport business, as indicated above in this report. Furthermore, as a result of the Company's decision to stop operating its logistics and freight forwarder business during the fourth quarter of 2017, from that point on the results of that business unit are presented as discontinued operations in accordance with IFRS 5.

The following chart shows the income statement by segment for the year ended December 31, 2019 (more details in Note 6 to the Consolidated Financial Statements):

Container Shipping	As of December 31, 2019 MMUSS	As of December 31, 2018 MMUSS	Change MMUSS
Administrative expenses	(4.8)	(4.2)	(0.6)
<b>Net operating loss</b>	<b>(4.8)</b>	<b>(4.2)</b>	<b>(0.6)</b>
Finance costs, net	(10.1)	(5.5)	(4.6)
Share of income (loss) of equity method associates	147.8	14.0	133.8
Exchange differences and other non-operating expenses	-	(0.7)	0.7
Income tax benefit (expense)	(1.6)	5.7	(7.3)
<b>Net income attributable to owners of the company</b>	<b>131.3</b>	<b>9.3</b>	<b>122.0</b>

The container shipping segment reported net income of MMUS\$ 131.3 for the year ended December 31, 2019, representing an increase of MMUS\$ 122.0 with respect to the same period last year, explained mainly by an improved result from its share of HLAG's net income of MMUS\$ 133.8, detailed above, and a smaller loss on exchange differences of MMUS\$ 0.7 with respect to 2018. This was partially offset by a larger tax expense of MMUS\$ 7.3 related mainly to the financing structure for the investment in HLAG, as explained in above sections, to an increase in net finance costs of MMUS\$ 4.6 due to interest on the additional financing obtained in 2019 and an increase in administrative expenses of MMUS\$ 0.6.

Other Transport Services	As of December 31, 2019 MMUS\$	As of December 31, 2018 MMUS\$	Change MMUS\$
Revenue	93.0	91.4	1.6
Cost of sales	(93.9)	(87.2)	(6.7)
Gross margin	(0.9)	4.2	(5.1)
Administrative expenses	(7.4)	(6.3)	(1.1)
Other operating income	2.4	10.0	(7.6)
<b>Net operating income (loss)</b>	<b>(5.9)</b>	<b>7.9</b>	<b>(13.8)</b>
Finance costs, net	(0.2)	0.6	(0.8)
Exchange differences and other non-operating expenses	-	(0.5)	0.5
Income tax benefit	0.3	1.4	(1.1)
Net income (loss) after tax from continuing operations	(5.8)	9.4	(15.2)
Loss after tax from discontinued operations	(0.9)	(0.5)	(0.4)
<b>Net income (loss) attributable to owners of the company</b>	<b>(6.7)</b>	<b>8.9</b>	<b>(15.6)</b>

The other transport services segment reported a loss of MMUS\$ 6.7 for the year ended December 31, 2019, which represents a decrease of MMUS\$ 15.6 with respect to the same period last year, explained mainly by a smaller gross margin of MMUS\$ 5.1, and reduced sales of real estate classified as investment property in 2019 compared to 2018. Both variations are explained in section b) above.



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## D) ANALYSIS OF STATEMENT OF CASH FLOWS

The main variations in cash flows are explained as follows.

	For the year ended December 31, 2019 MMU\$	For the year ended December 31, 2018 MMU\$	Change MMU\$
<b>Cash flows from operating activities</b>	<b>27.4</b>	<b>(26.0)</b>	<b>53.4</b>
Proceeds from operating activities	92.4	100.1	(7.7)
Payments from operating activities	(65.0)	(125.6)	60.6
Income taxes and other	-	(0.5)	0.5
<b>Cash flows from investing activities</b>	<b>(109.6)</b>	<b>13.7</b>	<b>(123.3)</b>
Payments to acquire interests in joint ventures	(120.3)	(28.5)	(91.8)
Dividends received	8.0	30.2	(22.2)
Proceeds from sale of property, plant and equipment	2.1	10.8	(8.7)
Cash flows arising from the loss of control of subsidiaries	-	0.5	(0.5)
Interest received	0.6	0.7	(0.1)
<b>Cash flows from financing activities</b>	<b>111.5</b>	<b>(5.1)</b>	<b>116.6</b>
Proceeds from long-term loans	134.4		134.4
Short-term loans obtained and paid		(0.2)	0.2
Loans obtained from and paid to related parties, net	30.0	-	30.0
Loan payments, net	(10.0)	-	(10.0)
Interest and other payments	(10.3)	(4.9)	(5.4)
Repayment of finance lease liabilities	(32.6)	-	(32.6)
<b>Effect of change in exchange rate</b>	<b>-</b>	<b>(0.7)</b>	<b>0.7</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>29.3</b>	<b>(18.1)</b>	<b>47.4</b>

The net change in **cash and cash equivalents** between December 31, 2018 and December 31, 2019, was a positive MMU\$ 29.3, which represents a net improvement of MMU\$ 47.4 over the same period in 2018.

**Operating activities generated positive net cash flows** of MMUS\$ 27.4 for the year ended December 31, 2019, which includes reclassifications of MMUS\$ 32.6 in payments on vessel operating leases presented under financing cash flows as financial lease payments as of January 1, 2019, as a result of adopting IFRS 16 "Leases". Reversing this reclassification would result in a negative operating cash flow for the year of MMUS\$ 5.2, compared to a negative cash flow of MMUS\$ 26.0 recognized during the same period last year, which represents a positive variation of MMUS\$ 20.8. This variation is explained mainly by increased payments of non-recurring provisioned obligations in 2018 of MMUS\$ 13.8 related to the conclusion of the penalty processes conducted by anti-monopoly authorities in the vehicle transport business.

**Investing activities generated negative net cash flows** of MMUS\$ 109.6 for the year ended December 31, 2019, marking an increase of MMUS\$ 123.3 over the same period last year, which is explained mainly by an increase in additional investments in HLAG of MMUS\$ 91.8, as described in preceding sections, decreased cash flows from dividends distributed by HLAG of MMUS\$ 22.2, fewer proceeds from the sale of real estate classified as investment property of MMUS\$ 8.7, fewer proceeds from loss of control in subsidiaries related to cash received in the first quarter of 2018 of MMUS\$ 0.5 on the balance of the sale of the subsidiary Norgistics Chile S.A, and reduced interest received on time deposits of MMUS\$ 0.1.

**Financing activities generated positive net cash flows** of MMUS\$ 111.5 for the year ended December 31, 2019, which includes IFRS 16 reclassifications of MMUS\$ 32.6 discussed previously in the operating cash flow section. Excluding that reclassification, financing cash flows for this year would have produced positive net cash flows of MMUS\$ 144.1, compared to the negative cash flow of MMUS\$ 5.1 recorded during the same period last year, which represents a positive change of MMUS\$ 149.2, explained mainly by funds from the bond issued of MMUS\$ 100.0, the bridge financing provided by the parent company Quiñenco of MMUS\$ 30 and the loan from Banco Consorcio for MMUS\$ 35.0, used to finance the purchase of additional shares of HLAG in 2019, and to subsequently obtain a 30% interest in HLAG in January 2020, as indicated above, partially offset by amortization of principal owed on the outstanding loan from Banco Itaú for MMUS\$ 10.0 and an increase in interest and other payments of MMUS\$ 5.8.

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## 2. MARKET ANALYSIS

### A) CONTAINER SHIPPING SEGMENT

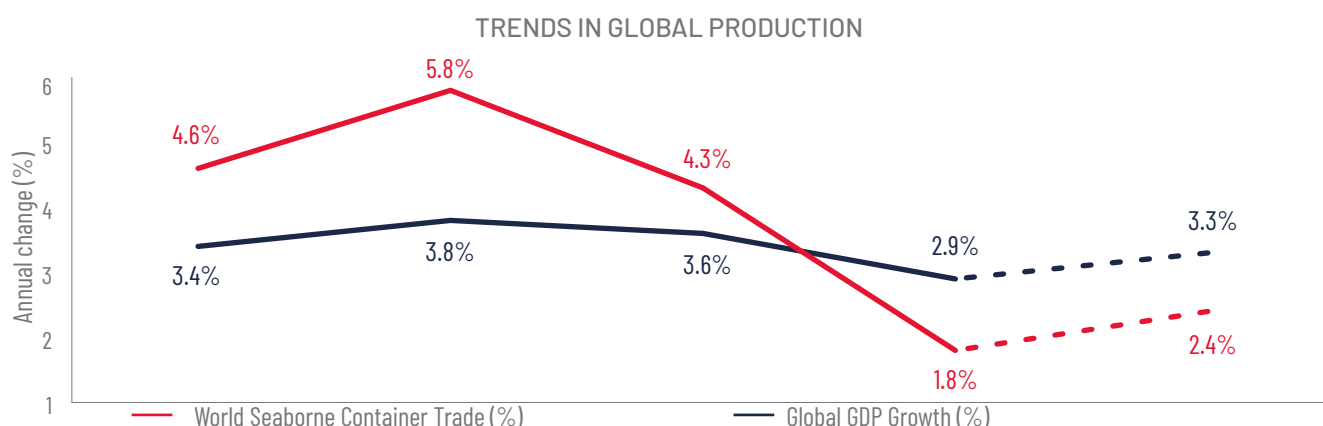
The Company participates in the container shipping business through its investment in HLAG (accounted for as a joint venture using the equity method). As of December 31, 2019, it has a 27.79% interest, which it subsequently increased to nearly 30% in January 2020, as indicated in preceding sections. Although CSAV jointly controls HLAG together with two other shareholders, 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.

With that said, although the container shipping industry's main indicators seem to have been evolving favorably in recent quarters, it continues to face a volatile, highly competitive market characterized by:

#### • WEAK GLOBAL ECONOMIC GROWTH

There is a direct relationship between global GDP and international trade in goods, which takes place mainly through ocean container shipping.

From 2016 to 2018, global GDP growth hovered steadily around 3.6%, while container volume growth evolved positively at a rate of 4.9% per year, higher than global GDP. In 2017, both of these indicators reported their highest annual growth since 2012.



Source: International Monetary Fund - Global Economic Prospects Jan-20, Clarkson Research Feb-20.

However, in 2018 global GDP growth started to slow, affected primarily by the complex worldwide economic conditions that began mid-year and continued and intensified in 2019, related mostly to trade tensions between the United States and China.

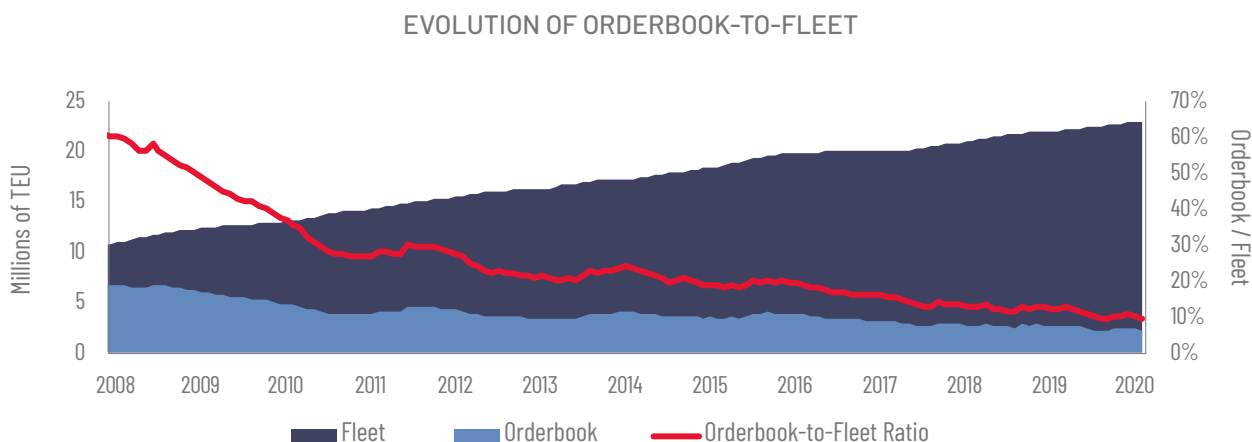
Under such conditions, container volume growth was impacted since it is highly linked to outlooks for global economic growth, reflected in year-end projections for the shipping industry and global GDP for 2019, which reached their lowest levels since the 2009 crisis. These trends show high weakness and volatility in global growth.

In its January 2020 report, the International Monetary Fund (IMF) forecasted recuperating global GDP growth in 2020 of 3.3%. Container shipping demand is projected to grow 2.4% in 2020, linked to stronger global growth, although at a lower rate. Therefore, a recovery scenario is forecast for both growth indicators, albeit at moderate levels, as they still continue to depend on favorable news regarding U.S.-China trade negotiations and progress on a Brexit agreement.

#### • SUPPLY ADJUSTED TO DECELERATING DEMAND

Growth in supply over the next few years can be measured by the total transport capacity of vessels under construction at shipyards with respect to the total fleet, which represents the capacity that will be incorporated into the operative fleet within the next two to three years—the average construction and delivery time for vessels. In addition, the number of scrapped vessels must also be deducted from this growth.

Over the last few years, this indicator has evolved positively, with orderbook levels accounting for 10.5% of the global fleet as of December 31, 2019, within historical minimum levels.



Source: Clarkson Research Feb-20.

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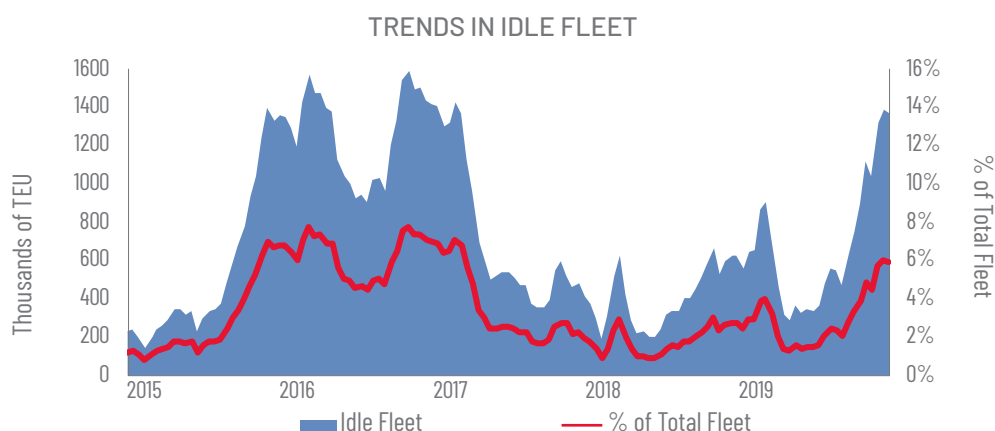
This positive trend has been developing since the 2009 crisis thanks to shipping companies seeking joint operating agreements, operating alliances along the most important routes and greater industry consolidation through mergers and acquisitions. Through these measures, they have achieved greater efficiency in the use of resources and a more orderly growth plan that is consistent with the collective needs of the global alliances, which has encouraged greater rationalization in vessel construction and subsequent positioning.

The current orderbook level represents approximate supply growth for the next two to three years of around 4%, which, considering a useful life of 25 years for most vessels, corresponds almost exclusively to fleet renewal. However, vessel scrapping, the indicator that reflects the fleet renewal rate, has remained low—at around 1%—for the past couple of years. Consequently, based on the current vessel scrapping level over the figure for annual supply growth estimated above, we expect net supply growth of around 3%, which is more closely aligned with less dynamic demand for transport as analyzed in the previous section, although it still applies some pressure on growth of supply capacity.

In addition, the container shipping industry has organic tools to manage its operating capacity, which are used broadly by the main global shipping companies and alliances. Thanks to this improved supply-demand balance in recent years, these tools have recovered their effectiveness in offsetting deviations in equilibrium conditions. These measures call for reducing vessel speeds, suspending voyages, increasing idle fleets and even closing or restructuring transport services, as well as scrapping unused vessels.

Idle fleet is another sensitive indicator that reflects supply-demand balance and the processes developed by the industry. This indicator remained high from late 2015 until mid-2017 due to the opening of the expanded Panama Canal in July 2016. As a result, a large number of Panamax vessels (the largest size that could sail through the former canal) were repositioned. Coupled with an important number of large, high-efficiency vessels delivered in 2014 and 2015, this subsequently led to scrapping of smaller vessels. During this global fleet repositioning process, vessel scrapping exceeded 3%, which is high for vessel scrapping, with the 2016 and 2017 figures being the first and third highest levels ever recorded for this indicator.

Afterwards, from mid-2017 to mid-2019, the idle fleet stayed at controlled levels, which is explained by the industry's strong scrapping efforts in prior years, and by the incorporation of part of the idle fleet into the industry's new service configuration when the new global alliances began operating in April 2017, albeit with a limited increase because of the drop in charter rates due to diminished outlooks for activity levels as described above. This was then offset by reactivating part of the idle fleet to cover positions of vessels that would be out of service for scrubber retrofits over the next few months in order to comply with the new regulation standards for "IMO 2020" fuels that took effect in January 2020 to reduce sulfide air emissions.



Source: Alphaliner – Monthly Report Feb-20

Therefore, as these vessels are docked for scrubber retrofits, during which time the ship is considered “inactive” or “out of service,” this indicator goes up, as observed since mid-2019. Excluding this effect on the out-of-service fleet, there has not been a relevant increase in this indicator, which has remained steady since mid-2017, thanks to a better supply and demand balance.

Furthermore, the new global fuel regulations, and the higher prices of the new fuel, could accelerate disuse and subsequent recycling of vessels in 2020 and 2021 with inefficient fuel consumption that lack the technical capacity for scrubber retrofits. Currently, the idle fleet corresponds mainly to vessels of between 1,000 and 5,000 TEUs.

#### • STIFF COMPETITION AND LOW PROFITABILITY IN THE SHIPPING MARKET

Thanks to the more balanced relationship between supply and demand, decreases in the orderbook and vessel deliveries and the 2017 start of operations of the major operating alliances, within the last three years the Shanghai Containerized Freight Index (SCFI) has been more stable than the high variable levels seen in 2015 and 2016, during which time it reported a record low. Also, in recent years, there has been clearer evidence of the seasonal nature of demand for container shipping services, which rises in the peak season—normally between June and September—and falls during slack season—normally the first few months of the year.

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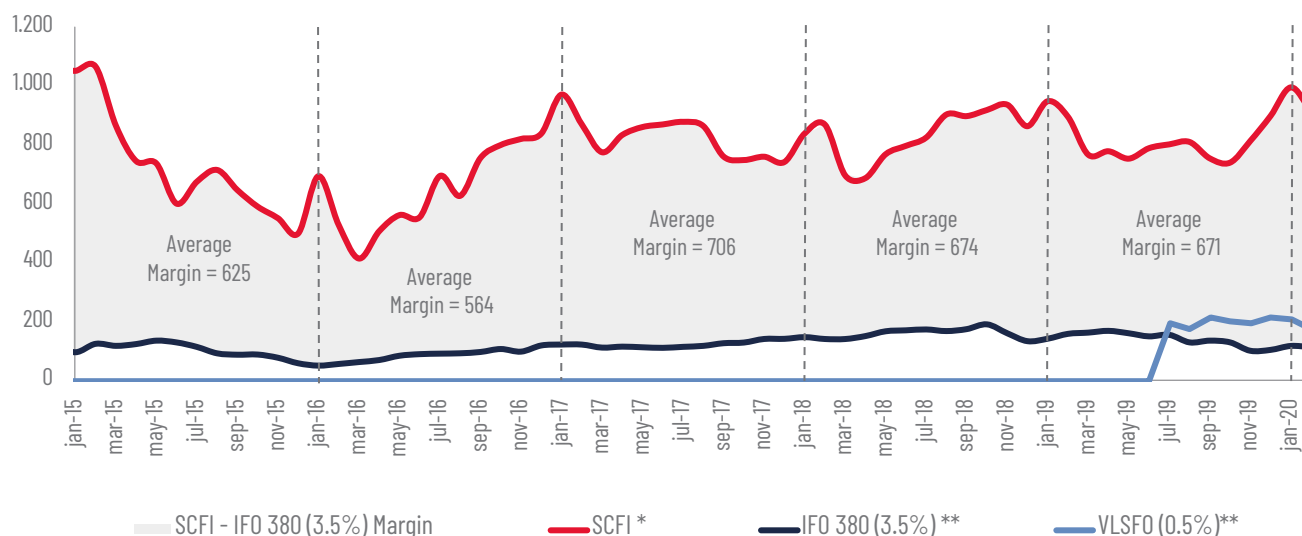
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However, considering the effect of fuel prices, where an upward trend, albeit moderate, has been observed since 2016, ex-bunker freight rates (net of fuel costs) with which companies must cover all other operating and finance costs, continue to be relatively similar to times of greater crisis and less than levels at which the industry could consider a sustainable equilibrium to obtain a suitable return on its assets.

The area in gray in the chart below approximates the ex-bunker margin, understanding that an increase in the margin could place companies in a better position for covering all expenses and attaining profits, a scenario that has still not been solidly achieved by an important percentage of the industry.

EVOLUTION OF SCFI - IFO 380 MARGIN



\* Shanghai Containerized Freight Index [USD/TEU].

\*\* Average price of one tonne of bunker in Rotterdam, considering a consumption factor of 0,4 tons per TEU [USD/TEU]

Source: Shanghai Shipping Exchange, Index of average fuel price (IFO 380 and VLSFO at the Port of Rotterdam).



Regarding the recent evolution of these indicators, the chart illustrates that the average margins observed from late 2018 to mid-2019 are higher than the same period last year, partially improving the industry's operating conditions. However, during the second half of 2019 there was a lower average margin with respect to the same period last year, which was partly offset by the drop in fuel prices when one supplier liquidated inventory in anticipation of the new regulations that took effect January 1, 2020.

#### • HIGH VOLATILITY AND UNCERTAINTY FOR MAIN INPUT

In the shipping industry, fuel is one of the main inputs for logistical operations. Due to its significant influence on operating costs, fuel prices are customarily indexed to freight rates in contracts with shipping customers.

As for historical trends, from 2011 until late 2014 the price of fuel remained very high but relatively stable. Afterwards, until late 2015, there was a sharp drop in this input, reaching a record low. However, since early 2016, there has been a moderate but continuous increase in fuel prices, managing to recover 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.

Since that date, fuel prices have been highly volatile, especially in late 2018, and then exhibited a marked downward trend during the second half of 2019. This stemmed essentially from decreased estimated demand for this fuel in the short term and the effect of suppliers liquidating it to make way for "IMO 2020"—the new sulfide air emissions regulations for the shipping industry. These new rules mandate worldwide use of fuel with a maximum sulfur content of 0.5% starting January 2020, far below the 3.5% sulfur content of fuels currently used on long ocean voyages.

However, this benefit is temporary since it is expected to increase operating costs for the shipping industry, due to the higher price of the new, low-sulfur product, which is more refined than the regular IFO 380 used. The price of VLSFO (very low sulfur fuel oil) was relatively similar to the price of IFO 380 as of late 2018, prior to the effects of the new regulations, although there is currently heightened uncertainty as to how it will evolve.

Therefore, the new environmental measures are leading the industry towards another change process, which will involve testing, evaluations and possible investment plans to comply with the new regulations in an efficient and sustainable manner. For the time being, these measures are not very prevalent in the total fleet.

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#### • CONSOLIDATION PROCESS SEEKING EFFICIENCIES

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 development during this consolidation process was the bankruptcy and discontinuation of services of Hanjin Shipping in 2016, the seventh largest container shipping company by hauling capacity as of that date and the largest Korean line. This is the largest bankruptcy case in the history of the container shipping industry.

Following all these business combinations and Hanjin's bankruptcy, by the end of 2018, the ten largest global shipping operators accounted for 83% of installed capacity, while the five largest had 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, which will take effect in April 2020 for a period of 10 years.

In summary, all container shipping industry players continue operating in challenging conditions, albeit with significant improvements in some key indicators that substantiate better outlooks. The improvement in fleet indicators in recent years lays a foundation for projections of future stability in supply-demand balance, despite downgrades in economic growth estimates and the resulting drop in activity expected for the maritime shipping industry.

Progress has been partly reflected in improved operating results from many industry players in 2019 versus 2018. However, the new environmental regulation IMO 2020 cultivates uncertainty with respect to the degree of impact the changes will have, especially regarding an imminent rise in the price of this input—the fuel of choice for more than 90% of the current fleet in 2020.

The industry, therefore, remains properly focused on the new paradigm of optimizing operating costs and boosting productivity, aiming for greater asset usage and more efficient fuel consumption stemming from the intensive consolidation process in recent years and collaborative operations through joint operating alliances and agreements. Currently, the technological change process is practically completed. All major operators and global alliances are shipping a very significant portion of their volumes in very large, efficient vessels. This explains, to a large extent, the decrease in new shipbuilding orders and the constant reduction in inventories of vessels under construction. This is especially important to deal with the cost pressures that a recovering market can bring, in the markets for both vessel charters and maritime and port services.

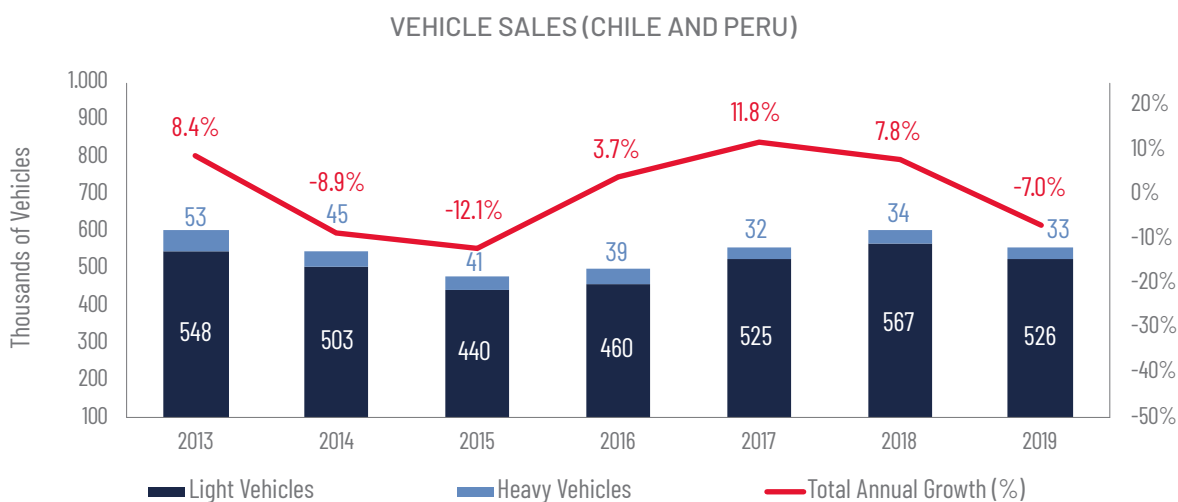
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## B) OTHER TRANSPORT SERVICES SEGMENT

The vehicle transport business, like other areas of the shipping industry, is influenced by macroeconomic variables, local import market developments and changes in manufacturing countries. These factors all define demand for new vehicles and the need to transport these goods. After the 2008 financial crisis, global demand for vehicle transport plummeted by more than 30% in 2009, followed by a slow recovery until 2013, at which point it leveled out for several years.

Unlike demand, supply of transport services, measured by total global shipping capacity, was practically unchanged after the crisis and maintained a high rate of growth from then until 2016, resulting in excess supply during that period. However, the significantly lower growth in demand during this period sparked a process of greater supply rationalization, generating low vessel investment worldwide that led to low orderbook levels and rising scrapping rates over the past few years.

CSAV mainly transports vehicles from Asia, Europe, the USA and the east coast of South America to markets along the west coast of South America, with the largest volume going to Chile and Peru. Starting in 2016 these markets were positively affected by more dynamic economic activity and also by improved consumer expectations regarding future economic conditions, with a very strong impact on vehicle imports and sales. However, growth in demand slowed slightly in 2018 and more sharply throughout 2019, a year in which local economic conditions produced a strong contraction in demand for vehicles, thus reducing imports.



Source: ANAC and AAP

In Chile, CSAV's main market, new vehicle sales fell 10.3% in 2019 with respect to the prior year, although it marked the second-best year since 2014. As of December 31, 2019, a total of 374,045 light vehicles (combustion, hybrid and electric) were sold, equivalent to a drop of 10.5% with respect to last year. In the truck segment, 12,859 units were sold, which represents a decrease of 8.3% in relation to 2018. The bus segment sold 3,483 units, up 15.3% in comparison to the prior year, as a result of the renewal of the Transantiago fleet. However, these vehicles are mainly manufactured regionally and transported by land (Source: ANAC).

In Peru, CSAV's second largest market, sales of light vehicles in 2019 were up 2.4%, to 151,997 units. Truck sales were down by 4.3% with respect to last year, with 16,650 units sold during the period (Source: SUNARP-AAP).

In aggregate, CSAV's two main markets reported a drop in vehicle sales of 7.0% for the year ended December 31, 2019. However, excluding 2018, the 2019 figure is the highest seen since 2014. To this we must add the continued upward trend in vessel charter rates observed since 2018, due to greater fleet rationalization and rising fuel prices, which generated a year of greater pressure for the business.

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### **3. ANALYSIS OF MARKET RISK**

As described in Note 5 to these Consolidated Financial Statements, CSAV's investment in HLAG is presently its primary asset (86% of total assets as of December 31, 2019). Therefore, although the market risks of the container shipping business are not directly reflected in the Company's cash flows, they are indirectly reflected since they affect HLAG's results and, consequently, the value of CSAV's investment in that joint venture, as well as expected cash flows from dividends and for capital needs. Therefore, even though CSAV contributed its entire container shipping business to HLAG through the business combination completed in 2014, the main business risks continue to be related to the container shipping industry.

As a result, it is important to mention that HLAG 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 principal risks that the Company faces from both the container shipping segment and its direct operating segments (other transport services segment) stem mainly from the possibility of deteriorating demand for ocean transport, an increase in the supply of transport capacity, a drop in freight rates and a rise in oil prices. Other risks that may affect the industry include heightened competition for market share (volumes), asset obsolescence (technological risk), environmental risks and potential regulatory changes.

On the demand side, for the container shipping business risk comes primarily from global economic conditions and the impact of global economic slowdown. The latest figures published by the International Monetary Fund (IMF) forecast weaker global growth than prior years but no material change in current growth conditions, and do not predict changes involving significant short-term risks.

On the supply side, there is the risk that new ship construction causes shipping supply to exceed future demand, thus exacerbating the imbalance between supply and demand and putting additional pressure on freight rates, even though container ship construction levels are currently at historical lows. In addition, the idle fleet has decreased considerably over the high levels seen in late 2016, due to vessel scrapping and the re-incorporation of many vessels into the currently operated fleet. These factors have reduced the risk of a significant increase in the supply-demand imbalance within the industry, given the possibility of re-incorporating the idle fleet into the operated fleet.

On the other hand, the main risk in the vehicle transport business stems from the weakness of key markets for CSAV (west coast of South America) and global balance of supply and demand for roll-on/roll-off ("RO-RO") vessels. CSAV is a niche operator in this business.

In addition, fuel prices have been increasing in recent years and continue to show certain volatility with respect to their future evolution. In order to mitigate this risk, part of the freight sales in the vehicle transport business is indexed to variations in fuel prices.

Risk from receivables is related largely to receivables from customers in the vehicle transport business. These customers have mainly long-term contracts, which are also governed by a credit policy, payment management and a rigorous doubtful accounts policy. Another minor portion of receivables is related to slot and vessel charters to other shipping lines. In addition to the aforementioned policies and management efforts, in many cases the Company also charters services from these same shipping lines, thus minimizing their net exposure.

Regarding the risk of interest rate fluctuations, as of December 31, 2019, only part of CSAV's financial liabilities are currently at variable rates indexed to the Libor rate. The Company does not have any derivatives to hedge variations in the Libor rate.

As for exchange rate volatility, most of the Company's income and expenses are denominated in US dollars. However, the Company has certain assets and liabilities in other currencies, which are detailed in Note 33 to the Consolidated Financial Statements. As of December 31, 2019, CSAV does not have any foreign currency hedges. It manages the risk of exchange rate changes on working capital by periodically converting any balances in local currency that exceed payment requirements in that currency into US dollars.



**COMPAÑÍA SUD AMERICANA DE VAPORES S.A.**  
**Annual Analysis**  
**Based on the Consolidated Financial Statements**  
**as of December 31, 2019**

#### 4. FINANCIAL RATIOS

As of December 31, 2019 and 2018, the main financial indicators are as follows:

##### A) LIQUIDITY RATIOS

Liquidity Ratios			As of December 31, 2019	As of December 31, 2018
Current Liquidity Ratio	=	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.672	1.579
Acid-Test Ratio	=	$\frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$	0.655	1.424

- Current Liquidity:** This ratio decreased in comparison to December 2018 since the increase in current liabilities (247% / MMUS\$ 76.8) was larger than the increase in current assets (48% / MMUS\$ 23.3). The increase in current liabilities as of December 31, 2019, can be explained mainly by the loan granted by its parent company Quiñenco of MMUS\$ 30 during the third quarter of 2019 and another from Banco Consorcio for MMUS\$ 35 during the fourth quarter of 2019, as well as the increase of MMUS\$ 7.9 from adopting IFRS 16 "Leases", which generated a lease liability in current financial liabilities, as explained previously in this report. The increase in current assets is attributable mostly to an increase in cash and cash equivalents from the bridge loan obtained from Banco Consorcio of MMUS\$ 35.0 during the fourth quarter of 2019 to finance the acquisition of an additional interest in HLAG in January 2020, as mentioned above. Another contributing factor was the decrease in other non-financial assets, explained by the implementation of IFRS 16. All these increases are explained in point 1 letter a) of this report.
- Acid-Test Ratio:** This ratio decreased in comparison to December 2018 since the increase in current liabilities (247% / MMUS\$ 76.8) was larger than the increase in current assets less inventory (60% / MMUS\$ 26.4). Both increases (in assets and financial liabilities) are explained in the section for the previous ratio, while inventory decreased from one year to the next because of decreased operating activity in the vehicle transport business.

## B) INDEBTEDNESS RATIOS

Indebtedness Ratios			As of December 31, 2019	As of December 31, 2018
Leverage	=	$\frac{\text{Total Liabilities}}{\text{Equity}}$	0.132	0.060
Short-Term Leverage	=	$\frac{\text{Current Liabilities}}{\text{Total Liabilities}}$	0.368	0.244
Long-Term Leverage	=	$\frac{\text{Non-Current Liabilities}}{\text{Total Liabilities}}$	0.632	0.756
Financial Expense Coverage	=	$\frac{\text{Net Income before Taxes} - \text{Finance Costs}}{\text{Finance Costs}}$	12.629	3.097

- **Leverage:** This ratio fell with respect to December 2018, largely because the increase in total liabilities (MMUS\$ 165.5 / 130% chg.), as explained in section 1 a) of this report, was greater than the increase in equity (MMUS\$ 92.0/ 4% chg.), mainly because of variations in the investment in HLAG, as explained above.
- **Short-Term Leverage:** This ratio decreased with respect to December 2018, because the increase in current liabilities (MMUS\$ 76.8 / 247% chg.), was greater than the increase in total liabilities (MMUS\$ 165.5 / 130% chg.), explained in section 1a) of this report.
- **Long-Term Leverage:** In contrast to the previous ratio, this indicator increased with respect to December 2018, because the increase in non-current liabilities (MMUS\$ 89.5 / 93% chg.), was less than the increase in total liabilities (MMUS\$ 165.5 / 130% chg.), explained in section 1a) of this report.
- **Financial Expense Coverage:** This ratio improved in relation to December 2018 because the increase in net income before taxes net of finance costs in 2019 (MMUS\$ 120.6 / 703% chg.) was greater than the increase in finance costs (MMUS\$ 5.4 / 97% chg.) with respect to December 2018. Both effects are explained in section 1 b) of this report.

**COMPAÑÍA SUD AMERICANA DE VAPORES S.A.**  
**Annual Analysis**  
**Based on the Consolidated Financial Statements**  
**as of December 31, 2019**

**C) PROFITABILITY RATIOS**

Profitability Ratios		As of December 31, 2019	As of December 31, 2018
Return on Equity	= $\frac{\text{Net Income Attributable to Owners of the Company}}{\text{Average Equity}}$	0.0572	0.0086
Return on Assets	= $\frac{\text{Net Income Attributable to Owners of the Company}}{\text{Average Assets}}$	0.0522	0.0081
Dividend Yield	= $\frac{\text{Dividends Paid in Last 12 Months}}{\text{Market Value of Stock}}$	0.0000	0.0000
Earnings per Share	= $\frac{\text{Net Income Attributable to Owners of the Company}}{\text{Number of shares}}$	0.0034	0.0005
<b>Market Value of Stock (CLP) =</b>		<b>27.4</b>	<b>19.7</b>

\* Operating assets: Total assets less deferred taxes and intangible assets.

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

- **Return on Equity:** This ratio improved over December 2018, due to greater net income attributable to the owners of the company of MMUS\$ 124.6 recorded for the year 2019 in comparison to net income of MMUS\$ 18.2 for 2018 (MMUS\$ 106.4 / 583% chg.), offset slightly by the increase in average equity (MMUS\$ 53.4 / 3%).
- **Return on Assets:** This ratio improved in relation to December 2018, due to a larger net income attributable to the owners of the company, explained above (MMUS\$ 106.4, / 583% chg.), offset slightly by greater average assets (MMUS\$ 125.7 / 6% chg.).
- **Dividend Yield:** This ratio remained constant because no dividends were distributed in 2019 or 2018.

- **Earnings per Share:** Earnings per share improved with respect to December 2018 because of improved results (MMUS\$ 106.4 / 583% chg.), 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 December 31, 2019, rose by 39% compared to December 2018.

## D) ACTIVITY RATIOS

Activity Ratios		As of December 31, 2019	As of December 31, 2018
Inventory Turnover	= $\frac{\text{Fuel Costs}}{\text{Average Inventories}}$	5.133	4.968
Inventory Permanence	= $\frac{\text{Average Inventories} * 360}{\text{Fuel Costs}}$	70.1	72.5

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

- **Inventory Turnover:** This indicator increased with respect to December 31, 2018, as a result of a relatively greater reduction in average inventories (MMUS\$ -0.6 / -16% chg.) with respect to the cost of fuel consumed (MMUS\$ -2.6 / -13% chg.).
- **Inventory Permanence:** Since inventory turnover increased, permanence decreased in relation to December 2018, falling from 72.5 to 70.1 days.

# Summarized Subsidiary

## FINANCIAL STATEMENTS





**COMPAÑÍA SUD AMERICANA DE VAPORES S.A.**  
**Summarized Subsidiary Financial Statements**  
**As of December 31, 2019**

Summarized Statements of Financial Position of Subsidiaries As of December 31, 2019 and 2018	Tollo Shipping Co. S.A. and Subsidiaries (Panama)		Norgistics Holding S.A. and Subsidiaries (Chile)	
	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$
Current assets	317	1,121	1,877	1,971
Non-current assets	-	-	-	-
<b>Total assets</b>	<b>317</b>	<b>1,121</b>	<b>1,877</b>	<b>1,971</b>
Current liabilities	755,382	780,323	128	94
Non-current liabilities	-	-	-	-
Issued capital	383,678	358,477	5,000	5,000
Retained earnings (accumulated deficit)	(1,138,697)	(1,137,613)	(3,251)	(3,127)
Other reserves	(41)	(61)	-	-
Non-controlling interest	(5)	(4)	-	4
<b>Total liabilities and equity</b>	<b>317</b>	<b>1,121</b>	<b>1,877</b>	<b>1,971</b>



	Norgistics (China) Limited (Shenzhen) (China)		Compañía Naviera Rio Blanco S.A. (Chile)		Corvina Shipping Co. S.A. (Panama)		CSAV Germany Container Holding GmbH (Germany)	
	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$
	1,008	1,080	23	23	755,257	755,267	5,640	53
	-	-	-	974	17	22	2,168,384	1,939,466
	1,008	1,080	23	997	755,274	755,289	2,174,024	1,939,519
	-	356	2,250	2,426	5	2,662	1,509,806	1,371,085
	-	-	-	-	-	-	-	-
	1,000	1,000	3,550	3,550	493,258	490,600	84	84
	(1)	(299)	(5,777)	(4,979)	262,004	262,020	(197,624)	(324,598)
	9	23	-	-	7	7	861,758	892,948
	-	-	-	-	-	-	-	-
	1,008	1,080	23	997	755,274	755,289	2,174,024	1,939,519

## COMPAÑÍA SUD AMERICANA DE VAPORES S.A.

### Summarized Subsidiary Financial Statements

As of December 31, 2019

Summarized Statements of Income of Subsidiaries For the years ended December 31, 2019 and 2018	Tollo Shipping Co. S.A. and Subsidiaries (Panama)		Norgistics Holding S.A. and Subsidiaries (Chile)	
	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$
Revenue	-	-	-	-
Cost of sales	-	-	-	-
<b>Gross margin</b>	-	-	-	-
Other income	-	-	-	-
Administrative expenses	(11)	(14)	(115)	(98)
Other expenses, by function	-	-	-	-
Other gains (losses)	-	3	153	(101)
<b>Net operating income (loss)</b>	<b>(11)</b>	<b>(11)</b>	<b>38</b>	<b>(199)</b>
Finance income	-	-	-	3
Finance costs	-	-	-	-
Share of income (loss) of equity method associates and joint ventures	-	-	-	-
Exchange differences	-	(7)	1	(2)
<b>Net income (loss) before taxes</b>	<b>(11)</b>	<b>(18)</b>	<b>39</b>	<b>(198)</b>
Income tax benefit (expense)	-	-	-	1
<b>Net income (loss) from continuing operations</b>	<b>(11)</b>	<b>(18)</b>	<b>39</b>	<b>(197)</b>
Net income (loss) from discontinued operations	(900)	(659)	-	-
<b>Net income (loss) for the year</b>	<b>(911)</b>	<b>(677)</b>	<b>39</b>	<b>(197)</b>
Net income (loss) attributable to owners of the company	(911)	(677)	43	(199)
Net income (loss) attributable to non-controlling interest	-	-	(4)	2
<b>Net income (loss) for the year</b>	<b>(911)</b>	<b>(677)</b>	<b>39</b>	<b>(197)</b>

	Norgistics (China) Limited (Shenzhen) (China)		Compañía Naviera Rio Blanco S.A. (Chile)		Corvina Shipping Co. S.A. (Panama)		CSAV Germany Container Holding GmbH (Germany)	
	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$
	-	19	-	-	-	-	-	-
	-	(37)	-	-	-	-	-	-
	-	(18)	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	(54)	(499)	(3)	(4)	(10)	(102)	(268)	(168)
	-	-	-	-	-	-	-	-
	350	(60)	204	-	-	-	-	-
	<b>296</b>	<b>(577)</b>	<b>201</b>	<b>(4)</b>	<b>(10)</b>	<b>(102)</b>	<b>(268)</b>	<b>(168)</b>
	-	3	-	-	-	-	37	-
	-	-	(26)	(24)	-	-	(42,168)	(44,469)
	-	-	-	-	(8)	(2)	147,812	13,974
	2	(52)	1	1	4	1	21,561	55,512
	<b>298</b>	<b>(626)</b>	<b>176</b>	<b>(27)</b>	<b>(14)</b>	<b>(103)</b>	<b>126,974</b>	<b>24,849</b>
	-	-	(974)	-	-	-	-	-
	<b>298</b>	<b>(626)</b>	<b>(798)</b>	<b>(27)</b>	<b>(14)</b>	<b>(103)</b>	<b>126,974</b>	<b>24,849</b>
	-	-	-	-	-	-	-	-
	<b>298</b>	<b>(626)</b>	<b>(798)</b>	<b>(27)</b>	<b>(14)</b>	<b>(103)</b>	<b>126,974</b>	<b>24,849</b>
	-	-	-	-	-	-	-	-
	298	(626)	(798)	(27)	(14)	(103)	126,974	24,849
	-	-	-	-	-	-	-	-
	<b>298</b>	<b>(626)</b>	<b>(798)</b>	<b>(27)</b>	<b>(14)</b>	<b>(103)</b>	<b>126,974</b>	<b>24,849</b>

**COMPAÑÍA SUD AMERICANA DE VAPORES S.A.**  
**Summarized Subsidiary Financial Statements**  
**As of December 31, 2019**

Summarized Statements of Equity of Subsidiaries For the years ended December 31, 2019 and 2018	Tollo Shipping Co. S.A. and Subsidiaries (Panama)		Norgistics Holding S.A. and Subsidiaries (Chile)	
	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$
<b>Equity, opening balance</b>	<b>(779,201)</b>	<b>(645,121)</b>	<b>1,877</b>	<b>1,786</b>
Total comprehensive income (loss)	(890)	(677)	39	(197)
Equity issuance	25,201	-	-	-
Dividends	-	-	-	-
Increase (decrease) for other distributions to owners	-	-	-	-
Increase (decrease) due to transfers and other changes	(175)	(133,404)	(167)	288
Other increases (decreases) in net equity	-	-	-	-
"Increase (decrease) for changes in interest in subsidiary that do not involve loss of control"	-	-	-	-
<b>Equity, closing balance</b>	<b>(755,065)</b>	<b>(779,201)</b>	<b>1,749</b>	<b>1,877</b>

Summarized Statements of Cash Flows of Subsidiaries For the years ended December 31, 2019 and 2018	Tollo Shipping Co. S.A. and Subsidiaries (Panama)		Norgistics Holding S.A. and Subsidiaries (Chile)	
	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$
Cash flows provided by (used in) operating activities	8	972	(69)	(2,114)
Cash flows provided by (used in) investing activities	-	(1,343)	-	1,388
Cash flows provided by (used in) financing activities	-	-	-	-
<b>"Net increase (decrease) in cash and cash equivalents before exchange rate effects"</b>	<b>8</b>	<b>(371)</b>	<b>(69)</b>	<b>(726)</b>
Effect of exchange rate changes on cash and cash equivalents	-	61	(1)	-
<b>Increase (decrease) in cash and cash equivalents</b>	<b>8</b>	<b>(310)</b>	<b>(70)</b>	<b>(726)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>14</b>	<b>324</b>	<b>80</b>	<b>806</b>
<b>Cash and cash equivalents at end of period</b>	<b>22</b>	<b>14</b>	<b>10</b>	<b>80</b>

Norgistics (China) Limited (Shenzhen) (China)		Compañía Naviera Rio Blanco S.A. (Chile)		Corvina Shipping Co. S.A. (Panama)		CSAV Germany Container Holding GmbH (Germany)	
2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$
724	1,333	(1,429)	(1,402)	752,627	752,729	568,434	548,602
284	(574)	(798)	(27)	(14)	(103)	102,470	17,710
-	-	-	-	2,658			
-	-	-	-				
-	-	-	-				
-	(35)	-	-	(2)	1	(6,686)	2,122
-	-	-	-				
-	-	-	-				
1,008	724	(2,227)	(1,429)	755,269	752,627	664,218	568,434

Norgistics (China) Limited (Shenzhen) (China)		Compañía Naviera Rio Blanco S.A. (Chile)		Corvina Shipping Co. S.A. (Panama)		CSAV Germany Container Holding GmbH (Germany)	
2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$	2019 ThUS\$	2018 ThUS\$
(51)	(359)	-	-	(6)	(183)	(225)	(208)
-	-	-	-	-	-	(112,259)	1,749
-	-	-	-	-	-	117,991	(2,512)
(51)	(359)	-	-	(6)	(183)	5,507	(971)
(13)	(46)			-	-	80	(680)
(64)	(405)	-	-	(6)	(183)	5,587	(1,651)
1,069	1,474	1	1	8	191	53	1,704
1,005	1,069	1	1	2	8	5,640	53

# Statement of Responsibility

The directors and the Chief Executive Officer signing this Annual Report for the year ended December 31, 2019, take responsibility under oath for the accuracy of all information provided in this Annual Report in compliance with General Standard 30 issued by the Financial Market Commission.

Francisco Pérez Mackenna  
Chairman  
Chilean ID number: 6.525.286-4

Andrónico Luksic Craig  
Vice Chairman  
Chilean ID number: 6.062.786-K

Alberto Alemán Zubieta  
Director  
Chilean ID number: 48.214.110-2

Christian Blomstrom Bjuvman  
Director  
Chilean ID number: 10.672.019-3

Hernán Büchi Buc  
Director  
Chilean ID number: 5.718.666-6

Arturo Claro Fernández  
Director  
Chilean ID number: 4.108.676-9

José De Gregorio Rebeco  
Director  
Chilean ID number: 7.040.498-2

Óscar Hasbún Martínez  
Chief Executive Officer  
Chilean ID number: 11.632.255-2





## **DESIGN:**

- BAOBAB Diseño Limitada

## **PHOTOGRAPHS:**

- CSAV archives
- Hapag-Lloyd archives





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