COMPAÑÍA SUD AMERICANA DE VAPORES S.A. AND SUBSIDIARIES

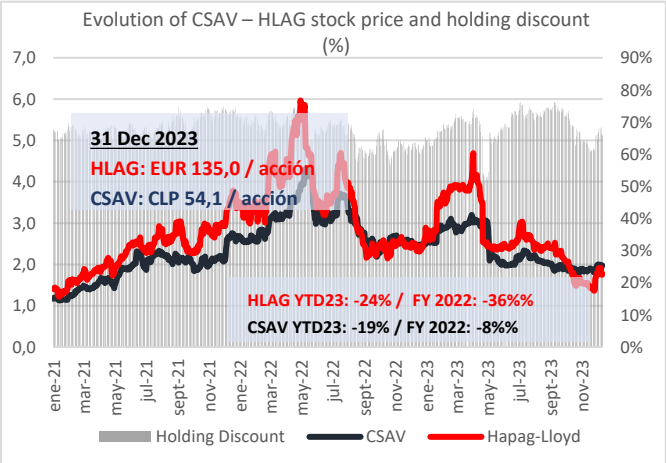
QUARTERLY ANALYSIS

Based on the Consolidated Financial Statements
As of December 31, 2023

4Q 2023 AT A GLANCE

CSAV		As of December 31,		Change	
		2023	2022	%	#
Share of HLAG's net income	MUS$	**947**	5.378	(82%)	(4.431)
Net Income	MUS$	**258**	5.563	(95%)	(5.305)

Hapag-Lloyd		As of December 31,		Change	
		2023	2022	%	#
Revenue	MUS$	**19.393**	36.401	(47%)	(17.008)
EBITDA	MUS$	**4.825**	20.474	(76%)	(15.649)
EBIT	MUS$	**2.738**	18.467	(85%)	(15.729)
Net income	MUS$	**3.191**	17.959	(82%)	(14.768)
Freight rate	US$/TEU	**1.500**	2.863	(48%)	(1.363)
Transport volume	MTEU	**11.907**	11.843	1%	64
Fuel price	USD/t	**614**	753	(18%)	(139)



- For the year 2023, CSAV reported net income of MMUS$258.1, down from net income of MMUS$5,563.2 for the same period last year.

- CSAV's reduced net income is mainly explained by weaker results from Hapag-Lloyd / HLAG, where CSAV recognized net income of MMUS$947.0, lower than the MMUS$5,378.3 from the same period of the previous year; and by a higher tax expense of MMUS$677.4 (MMUS$926.6 higher than in 2022). This expense is mainly due to dividends repatriated from Germany during the year.

- Additionally, CSAV redeemed the C series bond in advance in December, giving it no financial debt at the end of the year.

- In 2023, the market environment was weaker, with HLAG's results down 82%, reflecting the impact of lower freight rates (-48%). Meanwhile, volumes showed slight growth (+1%).

- The focus on cost management led to a reduction in operating expenses, in addition to lower bunker costs, which has partially alleviated inflationary pressures during the period.

- Results can be segmented between the shipping business and the terminals and infrastructure business. Although the latter is not consolidated for the entire year, it contributed MMUS$50 to EBITDA.

- Towards the end of the year, new logistical problems began, this time in the Red Sea. Following the Israeli-Palestinian conflicts, a Yemeni group, the Houthis, began attacking ships in the area. This prompted the main shipping lines to avoid the area, preferring a longer route via the Cape of Good Hope. This led to an increase in spot rates, which closed the year at a peak of US$1,760 / TEU. To date, the situation continues.

Hapag-Lloyd published its earnings outlook for 2024 of EBITDA of between MMUS$1,100 and MMUS$3,300 (2023: MMUS$4,825) and EBIT of between -MMUS$1,100 and MMUS$1,100 (2023: MMUS$2,783).

Contents

1. Financial Position Analysis

a) Statement of Financial Position

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

ASSETS	As of December 31, 2023	As of December 31, 2022	Change	
	MUS$	MUS$	%	MUS$
Current assets	**1,805.2**	**611.4**	**195.3%**	**1,193.8**
Cash and cash equivalents	278.3	97.2	186.3%	181.1
Current tax assets	1,526.4	513.8	197.1%	1,012.6
Other	0.4	0.4	18.3%	0.1
Non-current assets	**6,463.5**	**9,685.2**	**(33.3%)**	**(3,221.7)**
Equity method investments	6,449.9	9,169.7	(29.7%)	(2,719.7)
Deferred tax assets	0.7	502.3	(99.9%)	(501.5)
Investment property and Other	12.8	13.3	(3.4%)	(0.5)
Total assets	**8,268.7**	**10,296.6**	**(19.7%)**	**(2,028)**

LIABILITIES AND EQUITY	As of December 31, 2023	As of December 31, 2022	Change	
	MUS$	MUS$	%	MUS$
Current liabilities	**105.8**	**2,272.0**	**(95.3%)**	**(2,166.2)**
Financial liabilities, current	0.0	560.9	(100.0%)	(560.9)
Commercial and others, current	18.7	18.0	4.2%	0.8
Tax liabilities, current	8.5	9.8	(13.7%)	(1.3)
Other	78.6	1,683.2	(95.3%)	(1,604.6)
Non-current liabilities	**74.3**	**110.1**	**(32.5%)**	**(35.8)**
Financial liabilities, non-current	0.0	99.6	(100.0%)	(99.6)
Other	74.3	10.5	608.0%	63.8
Total liabilities	**180.1**	**2,382.1**	**(92.4%)**	**(2,202.0)**
Total equity	**8,088.6**	**7,914.5**	**2.2%**	**174.1**
Total liabilities and equity	**8,268.7**	**10,296.6**	**(19.7%)**	**(2,028)**

Total assets decreased by ThUS$2,027.9 compared to December 31, 2022, explained by a decrease of ThUS$3,221.7 in **non-current assets**, partially offset by an increase of ThUS$1,193.8 in **current assets**. These variations are analyzed below.

The increase of MMUS$1,193.8 in **current assets** is mainly explained by an increase in current taxes of MMUS$1,012.6 and greater cash and cash equivalents of MMUS$181.1, which are analyzed below.

The rise of MMUS$181.1 in **cash and cash equivalents** is mainly explained by the dividend distributed by Hapag-Lloyd and the recovery of retentions made on dividends from Germany; both effects are partially offset by the minimum dividend paid to CSAV shareholders and by operating expenses. A more detailed analysis is provided in the Cash Flow Analysis section (page 10) below.

Current Tax Assets MMUS$	As of Dec 31, 2023	As of Dec 31, 2022
Remaining VAT tax credit	1.7	1.1
Income tax to recover	1,207.0	512.7
Credits for taxes paid abroad	317.8	0.0
Total current tax assets	**1526.4**	**513.8**

(Further details can be found in Note 18 to these financial statements).

Current tax assets increased by MMUS$1,012.6 mainly due to: (a) the balance of credits for taxes paid in Germany, amounting to MMUS$317.8 and (b) recoverable income taxes in euros for the equivalent of MMUS$694.3, corresponding to retentions made in Germany, for both dividends distributed to CSAV Germany by HLAG and dividends distributed to Chile by CSAV Germany during the year 2023. These retentions amount to MMEUR876 and MMEUR234, respectively, as detailed in the following table:

Entity Paying Dividend	Payment Date	Dividend [MMEUR]	Retention Rate [%]	Retention [MMEUR]	Entity Receiving Retention
Hapag-Lloyd	May 8, 2023	3.322	26,375%	876*	CSAV Germany
CSAV Germany	May 8, 2023	1.732	10,550%	183	CSAV Chile
CSAV Germany	August 8, 2023	480	10,550%	51	CSAV Chile
			Total	**1.110****	

Notes: (*) Tax payments of 1.61% must be deducted from this amount. When recovered by CSAV Germany, this retention is subject to a new retention of 26.375% (15.825% tax and 10.550% recoverable retention).
(**) EUR/USD exchange rate fluctuations will not be hedged with financial instruments.

Additionally, the MMUS$317.8 is composed of: MMUS$385.7 in taxes paid abroad corresponding to the 15.825% withholding tax on dividends distributed from CSAV Germany to CSAV Chile and MMUS$18.5 in corporate tax paid by the subsidiary CSAV Germany Container Holding GmbH, less MMUS$86.4 charged to the income tax provision in Chile.

Account Movements Equity Method Investments	MMUS$
Balance as of January 1, 2023	**9,169.7**
HLAG results	947.0
Share of other comprehensive income (loss)	(5.3)
Dividends received	(3,660.1)
Other movements in equity	(1.3)
Total movements during the period	(2,719.7)
Balance as of December 31, 2023	**6,449.9**

The main movements in this account of CSAV's investment in HLAG are explained by the distribution of HLAG dividends made on May 8, 2023, against 2022 earnings of MMUS$3,660.1, partially offset by the recording of CSAV's share of HLAG's results during the year 2023 of MMUS$947.0, given the strong results in the container ship business that will be detailed below, in addition to equity adjustments in other comprehensive income of MMUS$6.6 in the period. CSAV's stake in HLAG remained unchanged at 30% during the period.

The dividend distribution by HLAG to CSAV's subsidiary in Germany, CSAV Germany Container Holding GmbH (hereinafter "CSAV Germany"), was EUR63 per share, equivalent to MMEUR3,321.9 (MMUS$3,660.1 at the EUR/USD exchange rate published by the Chilean Central Bank on the day of payment). However, this dividend is subject to a provisional retention of 26.375% equivalent to MMEUR876.2, so CSAV's German subsidiary received a net cash flow of MMEUR2,445.8.

The income tax rate in Germany is 32.275% on net taxable income. According to German law, 95% of the dividend distributed by Hapag-Lloyd is tax-exempt income in Germany. The provisional retention indicated in the preceding paragraph can be credited to the income tax payable by CSAV Germany, and CSAV Germany may request a refund of the excess retention. The estimated retention to be recovered by CSAV Germany is MMEUR823.

With respect to the funds paid between CSAV Germany and its parent company in Chile, the subsidiary distributed a total for MMEUR1,732.4, on which a second retention of 26.375% was made for MMEUR456.9, with CSAV Chile receiving a net flow of MMEUR1,275.5 in dividends. CSAV can request a refund of 40% of the retention, resulting in an effective tax rate of 15.825% for MMEUR274 and a recoverable retention of MMEUR183 in Chile. In addition, CSAV Germany paid the balance of intercompany debt held with its parent company in Chile and a capital distribution, totaling MMEUR695.4. Thus, the net cash flow received by CSAV in Chile amounted to MMEUR1,970.9.

The decrease of MMUS$501.5 in the account **deferred tax assets** is explained by the use of the tax loss accumulated as of the end of 2022 of US$496.9.

In the context of an audit of the tax loss carryforward declared by CSAV for the tax year 2020, the Chilean Internal Revenue Service ("SII") requested specific background information regarding the origin of the referred tax loss carryforward as of said date. This request was also extended to the corporate structure of CSAV's investment in Germany, CSAV’s influence in the administration or management of Hapag-Lloyd and the way in which CSAV recognizes foreign source income, in light of Article 41 G of the Income Tax Law. Within this context, on April 28, 2023, the SII communicated Summons No. 33, requesting clarification and additional explanation of the answers provided by CSAV, expressing certain questions regarding the Company’s criteria for the tax treatment of foreign source income, within the framework of article 41 G of the Income Tax Law, as well as certain minor legal expenses. On October 2, 2023, the SII issued a Notice of Termination of Audit stating that no tax differences were detected with respect to the items reviewed.

As of December 31, 2023, **total liabilities** decreased by MMUS$2,202.2 compared to December 31, 2022. This variation is mainly explained by a decrease in **current liabilities** of MMUS$2,166.2 and a decrease in **non-current liabilities** of MMUS$35.8.

Current financial liabilities decreased by MMUS$560.9, largely explained by the repayment of MMUS$520 on the loan to finance retentions from 2022, added to the repayment of the loan from Banco Security for MMUS$35 and the final payment on the loan from Banco Itaú for MMUS$5.

Current Tax Liabilities MMUS$	As of Dec 31, 2023	As of Dec 31, 2022
Income tax provision	127.9	18.0
Reclassification of recoverable income tax	(20.2)	(8.2)
Reclassification of Provisional Tax Payment and taxes paid abroad	(99.2)	-
Other payable taxes	0.0	0.0
Total current tax liablities	**8.5**	**9.8**

Current tax liabilities decreased slightly due to a larger income tax provision of MMUS$109.9, mainly generated by dividends received in CSAV Chile, offset by greater recoverable income taxes in Germany of MMUS$12.0, by credits for taxes paid abroad of MMUS$86.4 and by monthly provisional payments paid in Germany of MMUS$12.8.

Other current non-financial liabilities decreased by MMUS$1,604.6 mainly due to the distribution of MMUS$1,669.0 in minimum mandatory dividends by CSAV in Chile charged to 2022 earnings on May 25, 2023, partially offset by the recording of the minimum mandatory dividend for the accumulated results for 2023 of MMUS$77.4.

Meanwhile, **non-current liabilities** decreased by MMUS$35.8 compared to the prior year, due to the early redemption of the C series bond for MMUS$100 and the reclassification of non-current provisions to current for MMUS$2.5. These decreases were offset by a larger deferred tax liability of MMUS$66.5, generated by deferred income from retentions to be recovered abroad, which were not received within the year 2023. It should be noted that as of year-end the Company no longer has any financial debt.

As of December 31, 2023, **equity** increased by MMUS$174.1 compared to December 31, 2022. This variation is explained by greater net income for 2023 of MMUS$258.1, offset by the minimum dividend provision for half-year results presented in other current liabilities by MMUS$77.4 and by a decrease in other comprehensive income and other minor changes of MMUS$6.6, which is explained by CSAV's share of HLAG's other comprehensive income and other equity reserves.

b) Income Statement

Income Statement	December 31, 2023	2022	Change	
	MUS$	MUS$	%	MUS$
Administrative and other operating expenses	(15.4)	(40.9)	(62%)	25.6
Other operating income	0.1	2.5	(98%)	(2.4)
Operating income (loss)	**(15.3)**	**(38.4)**	**(60%)**	**23.1**
Finance costs, net	2.6	(20.0)	(113%)	22.6
Share of net income (loss) of associates and joint ventures	947.0	5,378.3	(82%)	(4,431.3)
Exchange rate differences and other non-operational items	1.2	(5.8)	(120%)	7.0
Income tax expense	(677.4)	249.2	(372%)	(926.6)
Net income for the year	**258.1**	**5,563.2**	**(95%)**	**(5,305.1)**

For the six months ended December 31, 2023, **net income** attributable to the owners of the company was MMUS$258.1, compared to MMUS$5,563.2 last year.

Administrative expenses totaled MMUS$15.4 for the year, up MMUS$25.6 from last year mainly as a result of the directors' smaller variable share of dividends to be distributed from earnings for the year.

Other operating income recorded a lower gain compared to MMUS$2.5 in the prior year period explained by the sale of an item of property, plant and equipment.

Net financial expenses were down MMUS$22.6 during the period. During the first half of the year, despite higher financial debt and a higher average debt rate in USD, these expenses were offset by financial income from a higher average cash balance during the month of May, and by reduced interest payments in EUR associated with the EUR/USD cross currency swaps contracted on the financing of retentions taken out in USD in June 2022, in order to better match the debt in EUR with the retentions to be recovered in the same currency. Meanwhile, in the second half of the year debt decreased to MMUS$100, lower than the MMUS$660 recorded for the second half of 2022. It should also be noted that this debt balance was prepaid on December 26, 2023.

Regarding the Company's **share of net income (loss) of associates and joint ventures**, CSAV recognized net income of MMUS$947.0 for 2023, considerably less than the MMUS$5,378.3 recorded for the same period last year. This is mainly explained by a post-pandemic market adjustment and a greater supply of vessels, which has been reflected in lower freight rates. This normalization process is still looking for a new long-term equilibrium.

The Company recorded a loss from **exchange differences** of MMUS$53.7, mainly due to the EUR/USD exchange rate variation associated with retentions to be recovered from Germany denominated in EUR, which were also considerably higher after the dividend distribution made by Hapag-Lloyd on May 8, 2023. It should be noted that in May 2023 the foreign exchange hedges contracted in the previous period were settled, which largely offset the variations in the EUR/USD exchange rate during the hedging

period. However, the Company will not continue with this foreign exchange hedge because there is no certain date for the refund of the retained amount and a significant fluctuation of the euro against the dollar could lead to a cash mismatch.

The **income tax expense** for the year 2023 amounted to MMUS$677.4, which represents a higher expense of MMUS$926.6 compared to the previous year. This is mainly explained by the reversal of deferred tax assets of MMUS$496.9 generated by accumulated tax loss carryforwards, the recording of deferred taxes of MMUS$71.1 and an income tax provision of MMUS$41.4 in CSAV Germany and MMUS$86.5 in CSAV, offset by corporate credit income of MMUS$18.5 in CSAV Germany.

c) Analysis of Statement of Cash Flows

The main variations in cash flows are explained as follows.

Statement of Cash Flow	As of December 31, 2023	As of December 31, 2022	Change	
Cash and cash equivalents at the beginning of the period	**97.2**	**23.7**	**310.3%**	**73.5**
Cash flows from operating activities	**(709.0)**	**(29.6)**	**2297%**	**(679.4)**
Payments from operating activities	(34.9)	(29.6)	18%	(5.4)
Income taxes and other	(674.0)	(0.0)	-	(674.0)
Cash flows from investing activities	**3,248.2**	**1,468.6**	**121%**	**1,779.7**
Dividends received	3,660.1	1,989.8	84%	1,670.4
Other inflow (outflow) of cash	(429.1)	(524.8)	(18%)	95.7
Purchase (sale) of property, plant and equipment	(0.0)	(1.4)	(98%)	1.4
Interest received and other	17.3	1.9	831%	15.4
Cash flows from financing activities	**(2,335.6)**	**(1,334.0)**	**75%**	**(1,001.6)**
Loans received (paid), net	(677.7)	59.3	(1243%)	(737.0)
Dividends paid	(1,643.7)	(1,371.3)	20%	(272.4)
Interest paid and other payments	(14.2)	(22.0)	(35%)	7.8
Exchange rate effect	**(22.6)**	**(31.5)**	(28%)	**8.9**
Increase (decrease) in cash and cash equivalents	**181.1**	**73.5**	**146%**	**107.6**
Cash and cash equivalents at the end of the period	**278.3**	**97.2**	**186%**	**181.1**

The net change in **cash and cash equivalents** between December 31, 2022, and 2023, was a positive MMUS$181.1.

Cash flows from operating activities were a negative MMUS$709.0 in the period, which represents a higher outflow of MMUS$679.4 compared to the previous year, mainly explained by the retentions on the dividends distributed from CSAV Germany to CSAV Chile of MMUS$674.0. Of this amount, MMUS$257.1 corresponds to income taxes to be recovered by CSAV and MMUS$416.9 to taxes paid abroad by CSAV and CSAV Germany.

Cash flows from investing activities were a positive MMUS$3,248.2, which represents a higher cash inflow of MMUS$1,779.7 compared to the previous year, explained primarily by greater dividends received by CSAV Germany from HLAG of MMUS$3.660.1, added to greater interest received due to the higher cash balance during the month of May and since August after recovering amounts retained in Germany. These effects are partially offset by other cash outflows of MMUS$429.1, corresponding to the retention of 26.375% of the HLAG dividend of MMUS$965.3, net of the refund of the retention on a 2022 dividend of MMUS$536.3.

Cash flows from financing activities for the first nine months of the year were a negative MMUS$2,335.6, which represents a greater outflow of MMUS$1,001.6 compared to the previous year, mainly explained by the net repayment of loans for MMUS$677.7 during 2023 compared to the net inflow of MMUS$59.3 last year, in addition to a larger payment of minimum mandatory dividends of MMUS$1,643.7, given the good results in 2022. This year's loan repayments are largely associated with the financing of retentions in 2022.

d) Financial Ratios

As of December 31, 2023 and December 31, 2022, the main financial indicators are as follows:

i. Liquidity ratios

Liquidity Ratios			As of December 31, 2023	As of December 31, 2022
Current Liquidity Ratio	=	Current Assets / Current Liabilities	**0.279**	0.063

Current Liquidity: This ratio improved as compared to December 2022 due to a decrease in current liabilities (MMUS$2,166.2) and an increase in current assets (MMUS$1,193.8). The main factor for the decrease in current liabilities is the payment of the minimum mandatory dividend by CSAV in Chile provisioned at the end of 2022, while the increase in current assets corresponds mainly to retentions to be recovered by CSAV.

ii. Indebtedness ratios

Indebtedness Ratios			As of December 31, 2023	As of December 31, 2022
Leverage	=	Total Liabilities / Equity	2.2%	30.1%
Short-Term Leverage	=	Current Liabilities / Total Liabilities	58.8%	95.4%
Long-Term Leverage	=	Non-Current Liabilities / Total Liabilities	41.2%	4.6%

Leverage: This ratio improved with respect to December 2022, due to a decrease in total liabilities (-MMUS$2,202.0 / -92% chg.) and an increase in equity (MMUS$174.1/ 2% chg.). The decrease in liabilities is mainly explained by the payment in 2023 of the minimum mandatory dividend provisioned at the end of 2022.

Short-term Leverage: This ratio increased very slightly with respect to December 2022, because the decrease in current liabilities (-MMUS$2,166.2 / -95% chg.), was proportionally less than the decrease in total liabilities (-MMUS$2,202.0 / -92% chg.), as explained in section 1a) of this report.

Long-term Leverage: In contrast to the previous ratio, this indicator decreased very slightly with respect to December 2022, because the decrease in non-current liabilities (MMUS$35.8 / 33% chg.) is proportionally greater than the rise in total liabilities (MMUS$2,202.0 / -92% chg.), both of which are explained in section 1a) of this report.

iii. Profitability ratios

Profitability Ratios			As of December 31, 2023	As of December 31, 2022
Return on Equity	=	Net Income Attributable to Owners of the Company / Average Equity	3.2%	86.9%
Return on Assets	=	Net Income Attributable to Owners of the Company / Average Assets	2.8%	68.2%
Dividend Yield		Dividends Paid in the last 12 Months / Market Capitalization at the End of the Period	52.7%	34.1%
Dividend Payout	=	Net Income Attributable to Owners of the Company / Number of Shares	646.6%	24.6%
Earnings per Share	=	Net Income Attributable to Owners of the Company / Number of Shares	0.005	0.108
Market Value of Stock (in Chilean pesos)			53.3	67.0

*Closing observed exchange rate of US$ 895.06

Average: (Period-end value + Value twelve months before period end) / 2

- **Return on Equity:** This ratio worsened with respect to December 2022, due to lower 12M net income attributable to the owners of the company of MMUS$258.1 in comparison to net income of MMUS$5,563.2 for the 2022 period (MMUS$5,305.1 / -95% chg.) and an increase in average equity (MMUS$1,602.9 / 25%).

- **Return on Assets:** This ratio worsened in relation to December 2022, due to a decrease in net income attributable to the owners of the company (-MMUS$5,305.1, / -95% chg.) and an increase in average assets (MMUS$1,086.9 / 13% chg.).

- **Dividend Yield:** This ratio increased due to the increase in dividends paid in the last 12 months, coupled with the decrease in the market price of the share at the end of 2023 versus December 2022.

- **Dividend Payout Ratio:** This ratio increased due to the increase in dividends paid in the last 12 months, coupled with the decrease in net income attributable to the owners of the company for the last twelve months compared to the end of 2022.

- **Earnings per Share:** Earnings per share worsened with respect to December 2022 because of weaker 12M results (-MMUS$5,305.1 / -95% 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 stock price as of December 31, 2023, was down 19% compared to December 31, 2022.

2. Hapag-Lloyd's Quarterly Financial Report as of December 31, 2023

i. Analysis of key Hapag-Lloyd figures

HLAG Key Figures		As of December 31,		Change	
		2023	2022	%	#
Total vessels		266	251	6%	15
Aggregate capacity of vessels	MTEU	1,972	1,797	10%	175
Aggregate container capacity	MTEU	2,975	2,972	0%	3
Freight rate (average for the period)	USD/TEU	1,500	2,863	(48%)	(1,363)
Transport volume	MTEU	11,907	11,843	1%	64
Revenue	MUS$	19,393	36,401	(47%)	(17,008)
Transport expenses	MUS$	(12,854)	(14,469)	(11%)	1,615
Bunker price (combined MFO / MDO, average for the period)	USD/t	614	753	(18%)	(139)
EBITDA	MUS$	4,825	20,474	(76%)	(15,649)
EBIT	MUS$	2,738	18,467	(85%)	(15,729)
Group profit / loss	MUS$	3,191	17,959	(82%)	(14,768)
Cash flow from operating activities (1)	MUS$	4,966	20,591	(76%)	(15,625)
KPI					
EBITDA margin (EBITDA / revenue)		24.9%	56.2%	(31%)	
EBIT margin (EBIT / revenue)		14.1%	50.7%	(37%)	
ROIC (NOPAT/IC) 2)		15.6%	111.6%	(96%)	

Notes: 1) Since 4Q22, interest payments are recorded in investing cash flows instead of operating cash flows

2) In 1Q23, adjustments were made to the ROIC calculation, which were adjusted to historical figures. NOPAT: *Net Operating Profit After Tax* / IC: Invested Capital excluding money market financial investments

The year 2023 was a time of market adjustments after the periods of good results during the pandemic. It was marked by weak demand with inventories declining worldwide in the first part of the year and improved volumes in the second part of the year, closing the year with almost no growth in global container volumes for the industry. In terms of supply, the year saw a large number of new vessels with 8.2% growth. As a result, rates dropped considerably, by 48% from US$2,863/TEU in 2022 to US$1,500/TEU in 2023.

Transport expenses (bunker, handling and haulage, equipment and repositioning, vessels and voyages and other) decreased by 11.2%, mainly due to lower bunker costs, explained by lower bunker prices, shorter transit times due to the dissipation of congestion and slower sailing speeds. In turn, the drop in handling and haulage costs (-18%) is largely explained by shorter detention and demurrage of cargo because of less congestion. Total costs per container (including transport costs plus depreciation and amortization) decreased 12% from US$/TEU 1,320 in 2022 to US$/TEU 1,160 in 2023. Although this cost has been decreasing, dropping -16% in one year, it is 13% above the 2019 level (US$1,012/TEU).

In short, the first nine months of the year show lower revenue (-47%) due to a drop in freight rates (-48%) and relatively flat transport volumes (0.5%). Gross operating costs were down 11.2%, which was greater than the drop in volumes, which pushed costs per TEU down. As a result, margins are lower and EBITDA decreased by 76% year over year, reflecting an EBITDA margin of 24.9% (2022: 56.2%). Accordingly, net income fell 82% to MMUS$17,959 with a profit margin over sales of 16.5% (2022: 49.3%).

After acquiring the terminal business from Sociedad Matriz SAAM S.A. on August 1, 2023, HLAG began to report on the shipping business segment separately from the terminal and infrastructure business, The terminal and infrastructure business includes the results of Spinelli since January 2023, JMBaxi since April 2023 and SAAM Terminals since August 2023. For the year 2023, the terminals business contributed MMUS$50 in EBITDA and MMUS$21 in EBIT.

ii. Hapag-Lloyd balance sheet and liquidity indicators

Balance Sheet KPI		As of December 31, 2023	As of December 31, 2022	Change	
				%	#
Total assets	MUS$	32,135	41,298	(22.2%)	(9,163)
Total liabilities	MUS$	11,348	11,503	(1.3%)	(155)
Total equity	MUS$	20,787	29,795	(30.2%)	(9,008)
Equity ratio (equity / balance sheet total)		64.7%	72.1%	(10.3%)	
Debt					
Financial debt	MUS$	5,572	5,804	(4%)	(232)
Cash and cash equivalents	MUS$	8,479	19,241	(56%)	(10,762)
Liquidity reserve	MUS$	(2,907)	(13,437)	(78%)	10,530

When analyzing the balance sheet indicators, the decrease in assets (MMUS$9,163) is mainly explained by a decrease in cash and cash equivalents due to dividend payments during the year (MMUS$12,226.1), partly offset by an increase in property, plant and equipment (+MMUS$2,766). The latter is mainly explained by an increase in vessels, equipment and containers of MMUS$2,742 and the acquisitions of SAAM Terminals, Spinelli and JMBAxi Ports & Logistics, among other entities, offset by depreciation for the period (MMUS$1,967).

Total liabilities decreased MMUS$155, due to a decrease of MMUS$291 in current liabilities and an increase of MMUS$135 in non-current liabilities. Current liabilities fell mainly due to a drop in unfinished voyages because of the lower freight rates. Financial debt decreased by MMUS$232 due to a drop in charters (MMUS$336) and an increase in debt of MMUS$104. Hapag-Lloyd closed the year with cash of MMUS$8,479 and net liquidity of MMUS$2,907. Meanwhile, equity was down MMUS$9,008 as a result of the dividend payment of MMUS$12,242, partially offset by MMUS$3,191 in net income for the year.

Towards the end of the year, new logistical problems began, this time in the Red Sea. Following the Israeli-Palestinian conflicts, a Yemeni group, the Houthis, began attacking ships in the area. This prompted the main shipping lines to avoid the area, preferring a longer route via the Cape of Good Hope. This led to an increase in spot rates, which closed the year at a peak of US$1,760 / TEU. To date, the situation continues.

Lastly, Hapag-Lloyd published its earnings outlook for 2024 of EBITDA of between MMUS$1,100 and MMUS$3,300 (2023: MMUS$4,825) and EBIT of between MMUS$-1,100 and MMUS$1,100 (2023: MMUS$2,783).

3. Market Analysis

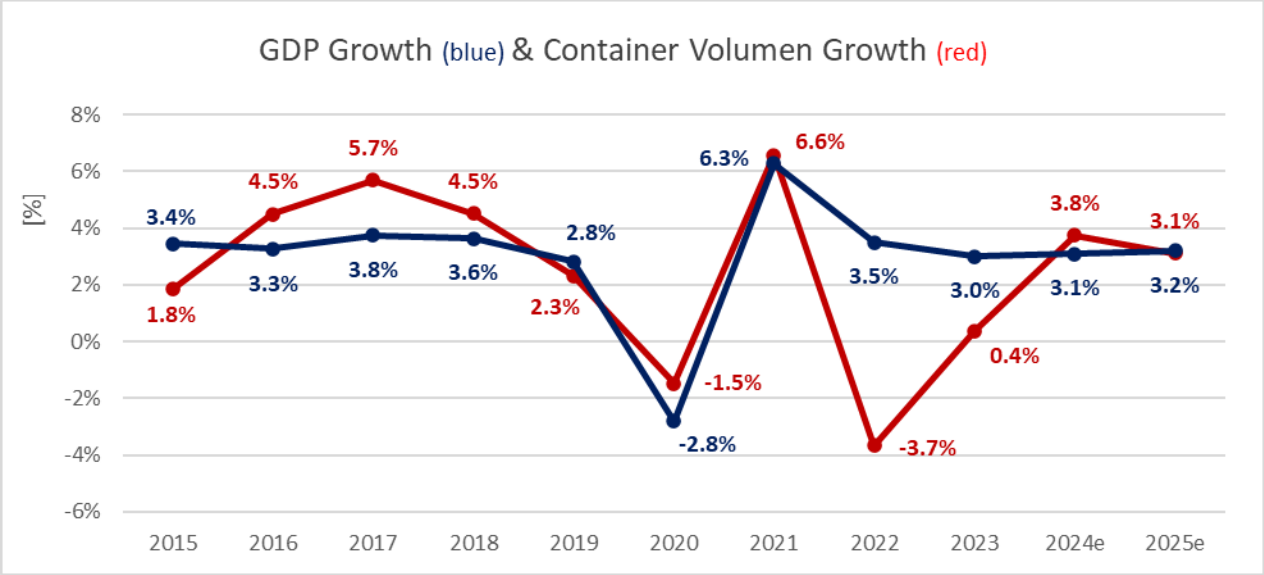
The following section discusses the container shipping industry. CSAV has participated in this industry since 2014 through its investment in the German shipping company Hapag-Lloyd (accounted for as a joint venture using the equity method), in which it has a 30% stake as of December 31st.

a) Historical Context

i. Industry growth directly correlated to global GDP growth.

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

Between 2012 and 2018, global GDP maintained steady growth of around 3.5% and container transport volumes remained slightly above that value. However, in 2018 amidst trade tensions between the United States and China, we began to observe a slight reduction in annual GDP growth trends. This downward trend intensified in 2019 and worsened further at the close of 2020 and 2022 (because of COVID-19). The year 2023, on the other hand, showed lower growth of 0.4%. A higher industry growth trend of over 3% is expected for the next few years.



Source: Clarksons Research Container Volume 2013-2023 (Mar-24); Global GDP - IMF (Jan-24)

ii. Industry consolidation in search of efficiencies and new strategies.

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

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

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

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

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

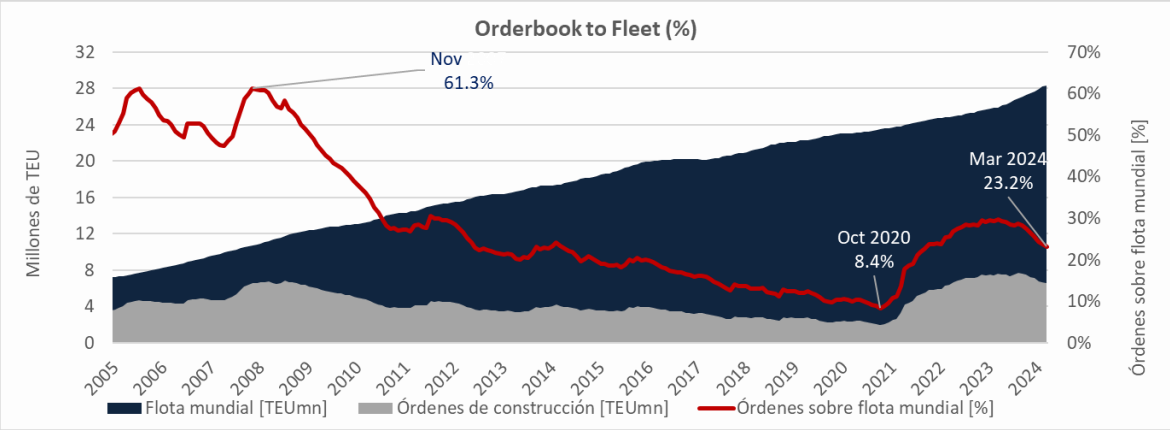
Following all these business combinations and Hanjin's bankruptcy, currently the ten largest global shipping operators account for almost 85% of installed capacity, while the five largest have close to 65%.

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 three new alliances: Ocean Alliance, led by CMA CGM and COSCO; THE Alliance, of which HLAG is a member; and the 2M alliance between Maersk and MSC. During the second quarter of 2019, HMM's integration into THE Alliance was confirmed and the joint operation agreement was renewed in April 2020 for a period of 10 years.

The industry has seen changes to these alliances over the past year. In January 2023 Maersk and MSC announced that their alliance would not be renewed and would therefore end in January 2025. Most recently, in January 2024, Hapag-Lloyd announced it was leaving THE Alliance and forming the "Gemini Cooperation" with Maersk, set to start operating in February 2025. Ocean Alliance extended its operating commitment for 5 additional years until 2032.

iii. Ship supply indicators



Source: Clarksons Research (Mar-24)

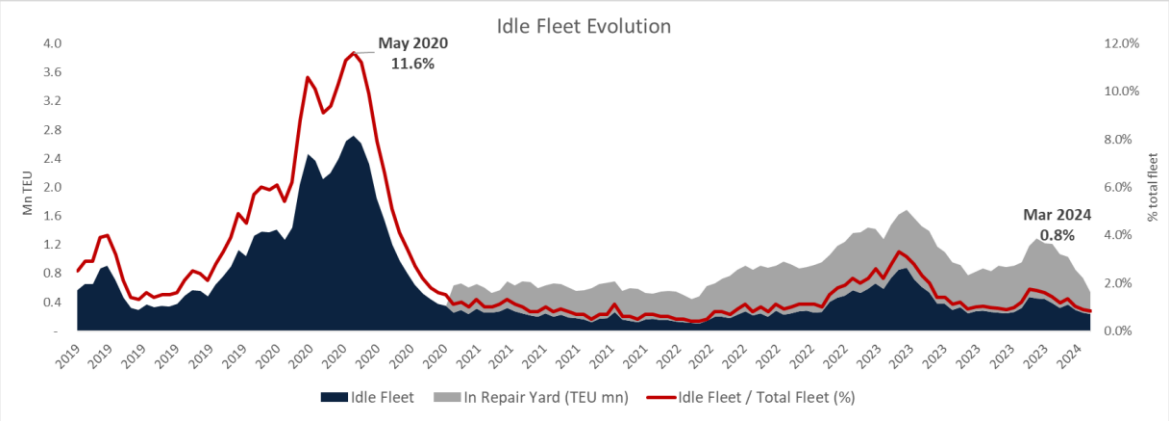
As mentioned before, the global economy and demand for containers grew sharply in the 2000s (before the subprime crisis), which drove shipbuilding orders up to meet this strong demand. Between 2005 and 2008, the global orderbook to total fleet ratio averaged around 55%. Then the industry faced a financial crisis in 2008, which led to significant oversupply in the shipping market. In subsequent years, the industry managed to significantly decrease oversupply, which reached historic lows of 8.4% in October 2020. This trend has tended upward in recent years, only to decrease again in recent months as a result of ship deliveries and a drop in new orders, so that, as of March 2024, this indicator stands at 23%.

Growth in supply in upcoming years can be calculated by, on one hand, the total shipping capacity of the orderbook with respect to the total fleet, which represents the capacity that will be incorporated into the operative fleet within the next 24 to 30 months (the average construction

and delivery time for vessels) and, on the other hand, the shipping capacity scrapped each year and, thus, no longer operating. In terms of fleet renewal, scrapping has remained low in recent years (e.g. a yearly average of 0.5% for the past five years). Based on a typical vessel useful life of 25 years, a scrapping rate of 4% per year should be expected.

iv. Effective fleet management maintained supply-demand equilibrium

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



NOTE:

[1] Until mid-November 2021 the "unemployed" fleet included vessels undergoing extraordinary repairs or being retrofit, but excluded ships that were idle for routine repairs. Since then, the "unemployed" fleet includes only those considered "commercially inactive" (excess capacity in the market or in the operator's fleet).

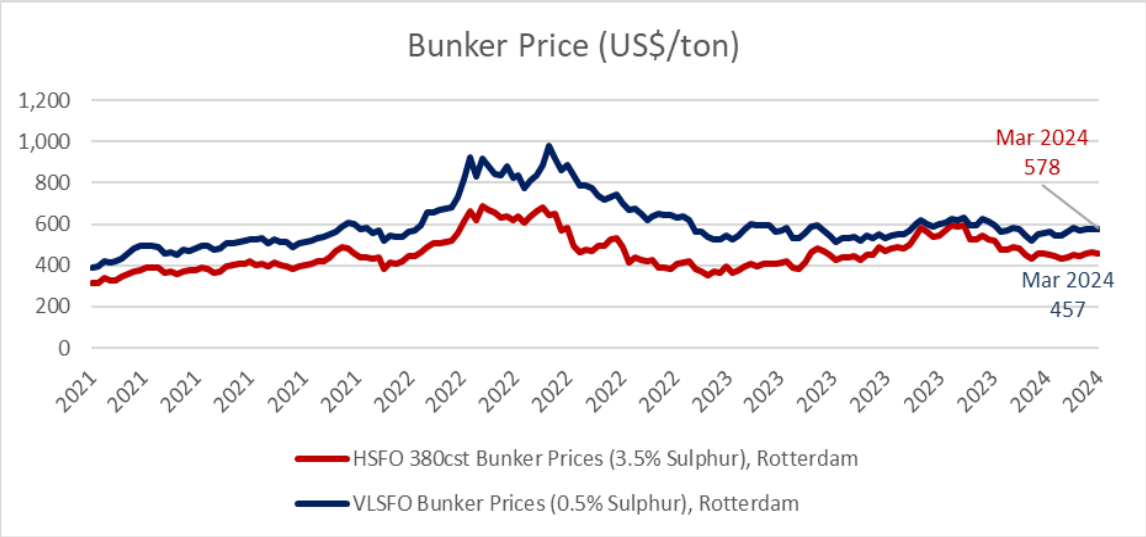
Source: Alphaliner Monthly Monitor (Feb-24)

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

In April 2017, the new global alliances began operating and, as a result, part of the idle fleet at that time was reincorporated into the active fleet. This, in addition to the industry's scrapping efforts in previous years, kept the indicator stable from mid-2017 to mid-2019. Meanwhile, the strong increases in the idle fleet during the first half of 2020 and subsequent sharp drop since late 2020 result in an almost 100% active global fleet. This is explained mainly by demand fluctuations and distortions caused by the COVID-19 pandemic. Over the last year, the idle fleet has remained at low levels. This is explained, despite zero growth in demand, by the fact that a large part of the chartered fleet is contracted for the medium to long term.

v. Fuel: the industry's main consumable

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



Source: Clarksons Research (Mar-24)

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

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

The IMO2020 standard has led to changes in infrastructure. From here on out, shipping lines have the option of powering vessels with more refined, more expensive fuel; retrofitting them with scrubbers that enable them to use high-sulfur fuel or seeking new fuel alternatives such as GNL. For example, almost 37% of the total fleet of container ships has been fully retrofit, while other alternatives such as GNL still account for 4% of the current fleet.

New orders are comprised of 15% conventional vessels, 27% ships with scrubbers, 34% vessels that can run on GNL (or dual) and 25% methanol-powered ships. These changes in the orderbook respond to an industry undergoing a decarbonization process and searching for cleaner alternative fuels.

In relation to the above, a new environmental measure "IMO2023" came into force in 2023, which seeks to gradually reduce CO2 emissions from commercial vessels. Under this regulation, each vessel must measure its Energy Efficiency Existing ship Index (EEXI) and Carbon Intensity Indicator (CII). Ships will be categorized based on these indicators. Those in the most inefficient categories have one to three years to take corrective measures or else they will not be able to continue operating.

Additionally, in the European Union (EU) the shipping industry has been included in the carbon credit market. This means that ships will have to measure their emissions, which will be accounted for at 100% if the route is between two EU ports or 50% if it is between one EU port and one non-EU. With this, CO2e emissions will be calculated and must be offset by 40% from 2024, followed by 70% from 2025 and 100% in 2026.

In view of these environmental changes, Hapag-Lloyd has taken various measures to reduce its emissions. Part of this has to do with the fact that its new acquisitions have LNG engines or are LNG ready, which reduces emissions by around 25%. It has also continued and expanded the use of biofuels. In 2020 it started pilot tests with this fuel and by the end of 2022 it was already using this fuel (as a blend with normal bunker) on 24 ships, with the possibility of expanding to more ships in the future. Biofuel, which is mainly generated from reused (household) cooking oils, produces 80% less emissions than normal bunker.

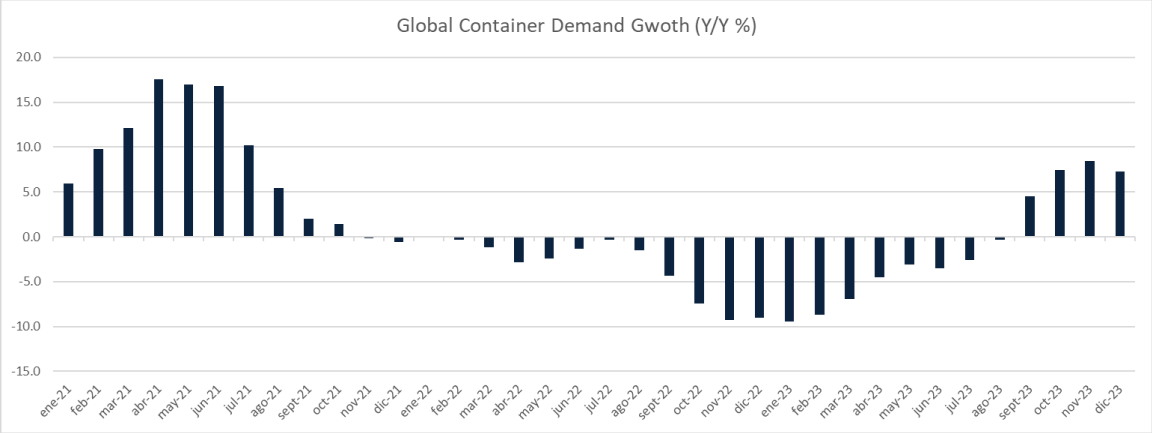
In addition, Hapag-Lloyd is moving forward with its Fleet Re-optimization Program. This is a 5-year plan to upgrade 150 ships by changing propellers, upgrading to more hydrodynamic hulls and improving hull paints to minimize frictional resistance and thus reduce their carbon footprint. This plan is expected to reduce fuel consumption by 6-7%, in addition to increasing the cargo capacity of the ships, and involves an investment of around MMUS$750 million.

For its part, Hapag-Lloyd expects to pass on the costs of decarbonization related to specific EU regulations to customers through surcharges.

Although fuel prices have been lower this year than last year, it is important to underscore that they are on the rise and have been exacerbated by developing geopolitical conflicts in Russia/Ukraine, and more recently in Israel/Palestine. Remember that freight prices include a surcharge in the event of increases in fuel prices (MFR: marine fuel recovery surcharge), but it operates with a certain lag.

b) Current Conditions

i. Fluctuations in demand marked by COVID-19



Source: Clarksons Research (Mar-24)

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

Despite this contraction, as of the second half of 2020 and throughout 2021 the industry began to see an abrupt recovery in shipping volumes for several reasons. These include strong global demand for durable goods (to the detriment of services), companies' needs to restock to meet greater demand, easing of mobility measures, government assistance, etc.

After the robust demand seen during this phase of the pandemic, since late 2021 the market has been showing signs of weakening. According to estimates by Clarksons Research, volume of transported containers fell 1.5% YoY in 2020, increased 6.6% in 2021 and then fell once again in 2022 by 3.7%. The latter is mainly associated with congestion issues and lower demand towards the end of the year. The year 2023 closed with a lower growth rate of 0.4%. For 2024 and 2025 Clarksons Research projects shipping demand growth of 3.8% and 3.1%, respectively.

ii. Disruptions in the logistics chain 2020-2022

The strong demand in the second half of 2020 and pandemic-related mobility restrictions led to a scarcity of shipping containers and significant congestion throughout the entire logistics chain. Despite the fact that almost the industry's entire fleet was active, the logistics chain was affected and prices surged.

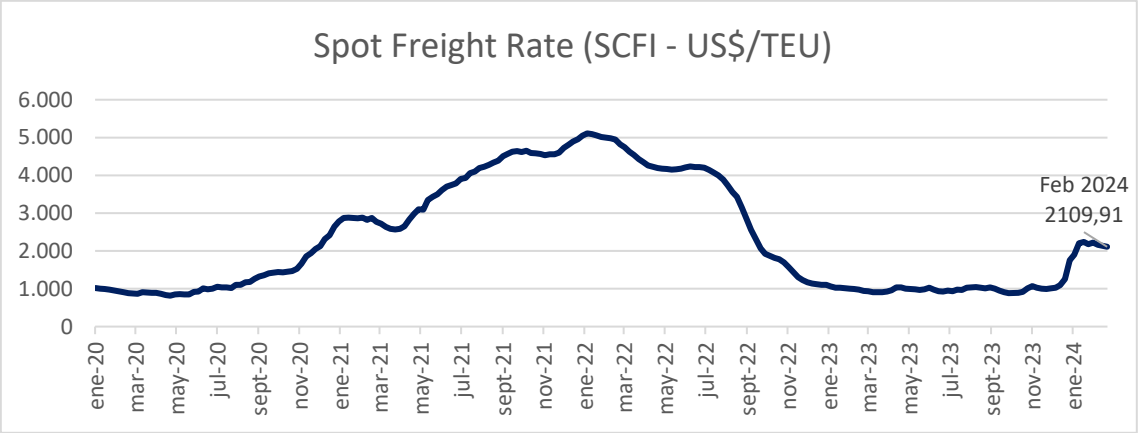
This historical increase is due primarily to the high inelasticity of shipping demand from producers and importers of goods around the world, faced with limited shipping capacity during a given time,

even though the industry is operating at full capacity. This rise has also proven that the logistic costs of shipping cargo are just one link in a longer logistics chain, representing a small portion of the total cost of transportation and, even more, of the commercial value of the transported good.

The logistics chain was saturated with a series of "bottle necks" and limitations. Some such limiting factors in the logistics chain are the COVID health protocols, which resulted in: (i) reduced personnel throughout the entire logistics chain: customs, ports, ground transportation, etc., (ii) reduced personnel because some migrated to industries that are less exposed to the crisis, (iii) greater port congestion resulting in longer waiting periods at ports, (iv) lower container turnover due to a slower supply chain, which generated container scarcity at in-demand locations, which was partly resolved through container purchases and repositioning, (v) longer ground transport times due to cordons sanitaires, checkpoints, curfews, personnel shortages, among others.

In an attempt to counteract logistics issues, Hapag-Lloyd implemented measures to offer better service to its customers. These measures include: (i) optimizing networks and relocating vessels to points of high demand, (ii) redirecting cargo to less congested ports and seeking better ground alternatives, (iii) purchasing second-hand vessels, chartering additional vessels and hiring additional stevedores, (iv) purchasing additional containers and repairing more old containers, (v) adding more personnel, boosting capacity and incorporating technological solutions, among others.

The Shanghai Containerized Freight Index (SCFI) is an indicator of weekly trends in closing spot freight rates (shipments not subject to contracts with shipping lines). The chart shows a significant hike since mid-2020, which initiated a clear downward trend since mid-2022. This drop is mainly explained by less congested logistics due to lower demand, normalizing inventories and the commissioning of new ships during the year 2022.



Source: Clarksons Research (Mar-24) Shanghai Containerized Freight Index.

In 2023, the SCFI remained at relatively stable levels of around US$1,000/TEU. However, conflicts began in the Red Sea towards the end of the year, which led to a slight rebound in spot rates as

seen in the graph. In short, following the Israeli-Palestinian conflicts, a pro-Palestinian Yemeni group, the Houthis, began attacking ships passing through the Bab al-Mandab Strait. This prompted the main shipping lines to avoid or reduce voyages in the area, preferring a longer route via the Cape of Good Hope. This led to an increase in spot rates, which closed the year at a peak of US$1,760 / TEU.

iii. Fleet, current order book and new acquisitions

As mentioned above, in recent years the fleet has grown in line with a long-term logic: orderbook-total fleet equilibrium based on current market conditions. However, since 2022, several operators and non-operators have closed new vessel construction contracts, thus increasing the current orderbook-to-fleet ratio.

In this context, Hapag-Lloyd was one of the companies that confirmed new orders, specifically twelve 23,600 TEU vessels featuring high-efficiency, dual-fuel, high-pressure engines that run on liquefied natural gas but can also burn conventional fuel if needed. It also purchased five 13,000-13,250 TEU vessels and chartered another five 13,000 TEU vessels. Some of these ships were delivered in 2023 (124,600 TEUs) and an additional 252,840 TEUs are expected to be added between 2024 and 2025. This is alongside the capacity added from integrating NileDutch (29,500 TEU) and DAL (Deustche Afrika-Linien – 6,589 TEU) and purchases of secondhand ships.

Also, in line with Hapag-Lloyd's strategy, it has continued to expand its participation in the port terminals sector, most recently through agreements to acquire stakes in the terminal business of Chile-based SM SAAM, Italy’s Spinelli Group and India's JM Baxi. In addition, Hapag-Lloyd has stakes in JadeWeserPort in Wilhelmshaven, the Altenwerder Container Terminal in Hamburg, Terminal TC3 in Tangier and Terminal 2 in Damietta, which is currently under construction.

4. Market Risk Analysis

As described in Note 5 of the Interim Financial Statements as of December 31, 2023, CSAV's investment in Hapag-Lloyd represents 78.7% of its total consolidated assets.

Its investment in Hapag-Lloyd, the container shipping business, is CSAV's main asset. Though it is not directly exposed to the risks facing the container shipping industry, it is indirectly exposed. These risks directly impact the value of CSAV's investment in the joint venture, the flow of dividends from Hapag-Lloyd and its capital requirements.

The risks arising from the container transport business—operated entirely by Hapag-Lloyd—are managed autonomously by the joint venture's management and according to standards applicable to publicly traded, regulated corporations in Germany.

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

i. Business risk

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

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

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 match their operated fleets and change their vessel sailing speed, in response to abrupt drops in shipping demand, or streamlining and cost-cutting initiatives.

HLAG continuously evaluates market conditions to identify any types of threat or extraordinary risks and implement measures to mitigate possible negative impacts. A clear example of this was the implementation by HLAG of multiple measures at the beginning of 2020 due to health problems deriving from the spread of the coronavirus. At that time, HLAG formed a Central Crisis Committee that oversaw two important programs, the Operational Continuity Plan, designed to safeguard employee safety and health while keeping the company operating, and the Performance Safeguarding Program, intended to mitigate the economic effects of the pandemic. All these measures played an important role in minimizing and controlling business risk.

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 137 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.

Thus, HLAG is less exposed to geopolitical risks that can significantly influence traffic on certain maritime routes, such as certain armed conflicts currently underway. The Israeli-Palestinian conflict recently reactivated in October 2023 led a Yemeni group called the Houthis to start attacking ships passing through the Red Sea at the end of that year, forcing the main shipping lines to divert their traffic via the Cape of Good Hope to protect their crews and vessels. The implications of this measure have been seen since early 2024, resulting in higher operating costs due to the increased deployment of fleets and containers, in addition to repositioning and additional transshipments to ensure normality and frequency along the route.

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

Due to fluctuations in fuel prices, a significant proportion of maritime freight sales are agreed with contracts and a percentage of those rates are subject to price adjustments, based on changes in bunker costs.

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

ii. Credit risk

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

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

iii. Liquidity risk

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

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

iv. Market risk

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

Interest rate fluctuations: Interest rate fluctuations impact the Company’s floating rate obligations.

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 flows in other currencies, such as Chilean pesos, euros, Brazilian reais and others.

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

The Company has no exchange hedge for the taxes to be recovered from Germany, denominated in euros as of year-end 2023 and capitalized as current in the balance sheet, because there is no certain date for the refund of the retained amount and a significant fluctuation of the euro against the dollar could lead to a cash mismatch.

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