ANNUAL ANALYSIS

Based on the Consolidated Financial Statements
as of December 31, 2016

COMPAÑÍA SUD AMERICANA DE VAPORES S.A. AND SUBSIDIARIES

CONTENTS

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 year end:

ASSETS	As of December 31, 2016	As of December 31, 2015	Variation
	MMUS$	MMUS$	MMUS$
Current assets	84.2	80.2	4.0
Non-current assets	2,084.0	2,145.5	(61.5)
Total assets	**2,168.2**	**2,225.7**	**(57.5)**

LIABILITIES AND EQUITY	As of December 31, 2016	As of December 31, 2015	Variation
	MMUS$	MMUS$	MMUS$
Total current liabilities	55.3	61.3	(6.0)
Non-current liabilities	106.4	113.5	(7.1)
Equity attributable to owners of the company	2,006.5	2,042.4	(35.9)
Equity attributable to non-controlling interests	-	8.5	(8.5)
Total liabilities and equity	**2,168.2**	**2,225.7**	**(57.5)**

As of December 31, 2016, total assets decreased by MMUS$ 57.5 compared to December 31, 2015. This variation is explained by a decrease of MMUS$ 61.5 in non-current assets, partially offset by an increase of MMUS$ 4.0 in current assets.

To better understand the figures in this Annual Analysis, it is important to mention that CSAV completed the sale of its liquid bulk business unit (hereinafter "OyV") to its partner Odfjell Tankers on October 19, 2016, as explained in Note 2 b) and Note 35 of the consolidated financial statements. CSAV disposed of all shares directly or indirectly held in the subsidiaries and associates that operated this business unit, and consequently deconsolidated those assets and liabilities due to loss of control. As a result, as of December 31, 2016, CSAV does not have any assets or liabilities related to the liquid bulk business unit. Up to the date of disposal, the results of this unit were presented as discontinued operations in accordance with IFRS 5. This information was disclosed in the interim consolidated financial statements as of September 30, 2016, as an event after the reporting period.

The increase of MMUS$ 4.0 in current assets can be explained by rises in cash and cash equivalents, trade receivables and inventories mainly as a result of increased sales and activity in the car carrier business during the last few months of the year and by the sale of OyV explained above. That sale involved deconsolidating the current assets of that business unit and recognizing cash and cash equivalents from the sale, with a net increase of MMUS$ 1.0 in current assets over December 31, 2015.

The decrease of MMUS$ 61.5 in non-current assets is explained mainly by decreases of MMUS$ 20.8 in equity method investments and MMUS$ 20.6 in deferred tax assets, together with the deconsolidation of two chemical tankers in property, plant and equipment for MMUS$ 18.3 as a result of the sale of OyV mentioned above.

The change in equity-accounted investees is explained by a decrease in the value of the investment in Hapag-Lloyd AG (hereinafter HLAG) consisting of CSAV's share (31.35%) of that joint venture's losses for the year, net of the effect of the amortization of the purchase price allocation (PPA), and also its share of other comprehensive income that affects HLAG's equity. As demonstrated in the table, CSAV recorded a decrease of MMUS$ 7.0 in the investment due to its share of HLAG's loss, including PPA amortization, and an additional decrease of MMUS$ 13.8 due to the Company's share of HLAG's other comprehensive income and other reserves. For more information, see Note 15 to the consolidated financial statements.

Detail of Movements in CSAV's Investment in HLAG	
	ThUS$
Balance as of December 31, 2015	**1,792.4**
Share of HLAG's Loss	(33.4)
Effect of PPA on Loss	26.4
Total Share of HLAG's Loss	(7.0)
Share of Other Comprehensive Loss	(13.8)
Other Changes in Equity	0.0
Balance as of December 31, 2016	**1,771.6**

The decrease in deferred tax assets of MMUS$ 20.6, is explained mainly by a charge of MMUS$ 17.2 arising on an adjustment to tax losses carried forward, associated with the tax profit generated in the HLAG merger in 2014, as explained in Note 21 of the consolidated financial statements, and by the tax expense for the period related mainly to the financing structure within the CSAV Group required to finance the investment in HLAG. During 2016, 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 an income tax expense and a decrease in deferred tax assets for the period.

As of December 31, 2016, total liabilities decreased by MMUS$ 13.1 compared to December 31, 2015. This variation is explained by decreases of MMUS$ 6.0 in current liabilities and MUS$ 7.1 in non-current liabilities.

The decrease in current liabilities of MMUS$ 6.0 is explained mainly by the sale of OyV, which involved deconsolidating the business unit's current liabilities of MMUS$ 5.4. On the other hand, excluding the effect of OyV, other current provisions increased by MMUS$ 8.7 mainly as a result of certain items recorded as non-current as of December 2015 being reclassified as current based on their expected maturity, net of the reversal of a provision for MMUS$ 6.5 as a result of the favorable resolution of the NYSA-ILA case detailed in Notes 24 and 36 of the consolidated financial statements. Likewise, trade and other payables decreased mainly due to non-recurring disbursements of MMUS$ 2.4 related to the investigation by antitrust regulators in the car carrier business, which are described in more detail in Note 36.

The decrease in non-current liabilities of MMUS$ 7.1 is explained mainly by the sale of OyV, which involved deconsolidating the business unit's non-current liabilities of MMUS$ 5.0. Excluding this effect, the rest of the variation is explained by the reversal of MMUS$ 6.0 of the non-current portion of the provision for the NYSA-ILA case mentioned above and the net increase of MMUS$ 50.0 in financial liabilities from the 2016 bond placement and payments on the 2015 loan from its parent company Quiñenco S.A. for MMUS$ 30.0, recorded in payables to related parties, as well as the transfer of certain non-current provisions mentioned in the preceding paragraph.

As of December 31, 2016, equity decreased by MMUS$ 44.4 compared to December 31, 2015. This variation is explained mainly by the loss of MMUS$ 23.3 for the year 2016, a decrease in other reserves of MMUS$ 10.0, mainly from CSAV's share of HLAG's other comprehensive income, and a decrease in non-controlling interests of MMUS$ 8.5 from the sale of OyV. As a result, the Company no longer possesses any consolidated assets or liabilities with minority interests as of December 31, 2016.

b) Statement of Income

	For the year ended December 31, 2016	For the year ended December 31, 2015	Variation
	MMUS$	**MMUS$**	**MMUS$**
Revenue	127.1	167.0	(39.9)
Cost of sales	(120.0)	(164.2)	44.2
Gross profit	**7.1**	**2.8**	**4.3**
Administrative expenses	(16.1)	(19.3)	3.2
Other operating income and expenses	16.1	3.7	12.4
Operating profit (loss)	**7.1**	**(12.8)**	**19.9**
EBITDA (without associates)	***7.4***	***(8.3)***	***15.7***
Finance costs, net	(3.8)	(3.4)	(0.5)
Share of loss of equity method associates and joint ventures	(7.0)	(6.6)	(0.4)
Exchange differences and other non-operating expenses	(0.1)	2.4	(2.4)
Income tax benefit (expense)	(20.6)	6.1	(26.7)
Loss after tax from continuing operations	**(24.4)**	**(14.3)**	**(10.1)**
Loss after tax from discontinued operations	**2.1**	**(0.8)**	**2.9**
Non-controlling interests	(1.0)	0.4	(1.4)
Loss attributable to owners of the company	**(23.3)**	**(14.7)**	**(8.6)**

The **loss attributable to the owners of the company** of MMUS$ 23.3 for the year 2016, represents a reduction of MMUS$ 8.6 over the same period in 2015.

The Company recorded an **operating profit** of MMUS$ 7.1 for the year 2016, which represents an improvement of MMUS$ 19.9 over the same period in 2015. This increase is explained to a large extent by the improved results of the car carrier business during the second half of 2016, and the reversal of MMUS$ 12.5 in provisions for the NYSA-ILA case mentioned above.

CSAV's income statement reflects **Revenue** of MMUS$ 127.1 for the year 2016, which represents a drop of MMUS$ 39.9 over 2015. This drop is explained mainly by the discontinuation of refrigerated bulk cargo operations in reefer vessels, mainly for seasonal transport of fruit, after completing the first half of 2015; by reduced freight rates in the car carrier business and, to a lesser extent, by the discontinuation of the solid bulk cargo operations during the third quarter of 2015.

On the other hand, reduced activity and demand for vehicle transport services in markets on the west coast of South America have negatively affected freight rates over the past two years. Similarly, freight rates have also been pushed downward because of fuel price indexation clauses. As average oil prices declined during the period, this contributed to corresponding reductions in revenue. A moderate recovery in volumes of vehicles transported has been observed since the second quarter of 2016, which could reduce pressure on rates in the coming quarters. However, it is important to keep in mind that these volumes remain well below 2013 figures.

Cost of sales amounted to MMUS$ 120.0 in 2016, which represents a decrease of MMUS$ 44.2 over the same period in 2015. This reduction is explained by the aforementioned discontinuation of refrigerated bulk cargo (reefer vessels) and solid bulk cargo operations, and a more efficient operational structure for vehicle transport services consistent with the reduction in demand. The decrease in cost of sales can also be explained by the lower average fuel prices seen during 2016, which fell close to 33% compared to the same period in 2015. However, as mentioned above, since a portion of sales have fuel price indexation clauses, some of the positive effect on costs was partially offset by reduced revenue.

Administrative expenses amounted to MMUS$ 16.1, which represents a decrease of MMUS$ 3.2 over 2015 , explained mainly by adjustments to CSAV's administrative structure to reflect its current business scale, as well as increased cost efficiencies.

Other operating income and expenses amounted to MMUS$ 16.1 for 2016, explained mainly by the reversal of the provision for the NYSA-ILA case of MMUS$ 12.5, described above.

In **share of profit (loss) from equity-accounted associates and joint ventures**, CSAV recorded a loss of MMUS$ 7.0 in 2016, which is explained by its share of HLAG's results, as described in section a) of this report.

According to the accounting method that should be used for joint ventures under IFRS, CSAV reflects in profit or loss its direct share of the profit or loss attributable to the owners of HLAG and also the effect on profit or loss of the amortization of PPA, determined as of the closing of the business combination in December 2014 (in accordance with IFRS 3 and IAS 28).

HLAG reported a loss attributable to the owners of the company of MMUS$ 106.7 for the year 2016, and CSAV also recognized a positive MMUS$ 84.3 for PPA amortization for the same period. The Company applied the equity method value (31.35%) to these figures. Thus, CSAV recorded a loss of MMUS$ 33.4 for its direct share of HLAG's results and profit of MMUS$ 26.4 for its share of the PPA amortization, recording a net loss from its share of HLAG's results of MMUS$ 7.0.

During 2016, CSAV recognized an **income tax expense** of MMUS$ 20.6, mainly due to a charge of MMUS$ 17.2 arising on an adjustment to tax loss carry forwards made during the second quarter of 2016 and explained in greater detail in section a) of this report and Note 21 of the consolidated financial statements, and to the tax expense for the period arising mainly from interest on the CSAV Group's financing structure required to maintain the investment in HLAG, as was also explained in section a) above.

Therefore, the **loss attributable to the owners of the company** of MMUS$ 23.3 for 2016 represents a reduction of MMUS$ 8.6 over the same period in 2015.

c) Operating Results by Segment

CSAV reports two business segments as of December 31, 2016: 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: This segment includes CSAV's operations in car carrier transport and logistics and freight forwarder operations through the Norgistics subsidiaries. Liquid bulk cargo services (OyV) were part of this segment until they were sold. The results of this unit are presented in discontinued operations. In addition, in 2015 CSAV redelivered its last leased bulk carrier and permanently discontinued bulk solid operations. Customers of refrigerated cargo transport on reefer vessels began to be served by the Norgistics subsidiaries.

The following chart shows the income statement by segment for the year 2016 (more details in Note 6 to the consolidated financial statements):

Container Shipping	For the year ended December 31, 2016	For the year ended December 31, 2015	Variation
	MMUS$	**MMUS$**	**MMUS$**
Administrative expenses	(4.1)	(4.2)	0.1
Other operating income and expenses	12.5	5.6	6.9
Operating profit	**8.4**	**1.4**	**7.0**
Finance costs, net	(4.1)	(3.6)	(0.5)
Share of loss of equity method associates and joint ventures	(7.0)	(6.5)	(0.5)
Exchange differences and other non-operating expenses	-	3.3	(3.3)
Income tax expense	(20.5)	(1.1)	(19.4)
Loss after tax	**(23.2)**	**(6.6)**	**(16.6)**
Loss attributable to owners of the company	**(23.2)**	**(6.6)**	**(16.6)**

The container shipping segment reported a loss of MMUS$ 23.2 for the year 2016, which is mainly explained by the negative result from the investment in HLAG of MMUS$ 7.0 and the tax expense related to the adjustment of the tax loss and the financing structure for the investment in HLAG of MMUS$ 20.5, which were partially offset by the provision reversal associated with the NYSA-ILA case of MMUS$ 12.5 as explained in preceding sections of this report. Lastly, it recorded finance costs of MMUS$4.1, explained mainly by interest costs for financial liabilities related to the investment in HLAG (bonds and loan from Banco Itaú), and administrative expenses of MMUS$ 4.1 related to managing and maintaining the investment in HLAG.

Other Transport Services	For the year ended December 31, 2016	For the year ended December 31, 2015	Variation
	MMUS$	**MMUS$**	**MMUS$**
Revenue	127.1	167.0	(39.9)
Cost of sales	(120.0)	(164.2)	44.2
Gross profit	**7.1**	**2.8**	**4.3**
Administrative expenses	(12.0)	(15.1)	3.1
Other operating income and expenses	3.6	2.4	1.2
Operating loss	**(1.3)**	**(9.9)**	**8.6**
Finance costs, net	0.3	0.2	0.1
Share of loss of equity method associates and joint ventures	-	-	-
Exchange differences and other non-operating expenses	-	(1.0)	1.0
Income tax benefit (expense)	(0.1)	7.3	(7.4)
Loss after tax from continuing operations	**(1.1)**	**(3.4)**	**2.3**
Profit (loss) after tax from discontinued operations	**2.1**	**(0.8)**	**2.9**
Non-controlling interests	(1.0)	0.4	(1.4)
Loss attributable to owners of the company	**(0.1)**	**(3.8)**	**3.7**

Other transport services reported a loss of MMUS$ 0.1 for the year 2016, reflecting an improvement of MMUS$ 3.7 over the same period in 2015, explained mainly by a rise in gross profit of MMUS$ 4.3.

A considerable portion of the fall in revenue and cost of sales in 2016 can be explained by CSAV's decision to exit the refrigerated bulk and solid bulk cargo businesses, which together account for a decrease of MMUS$ 2.6 in the Company's margin. In light of this, the improved result can be explained mainly by a larger gross profit in the car carrier business due to greater cost efficiencies and increased volumes, which compensated for the impact of falling freight rates. These efficiencies are explained mainly by efforts to streamline fleet costs starting in the second quarter of 2016 and an increase in vessel utilization as a result of moderate growth in vehicle shipments towards the west coast of South America during the last two quarters of the year and the success of CSAV's commercial initiatives to increase its local market share. This enabled the Company to substantially improve this segment's results in 2016 with an effect on the margin of close to MMUS$ 6.9.

2. Market Analysis

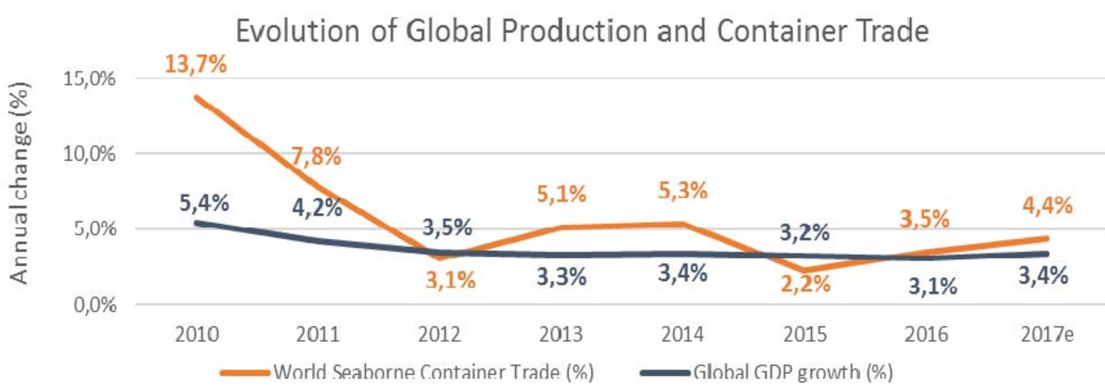
a) Container Shipping Segment

The Company participates in the container shipping business through its investment in HLAG (accounted for as a joint venture using the equity method). Although CSAV has significant influence over HLAG and jointly controls it together with two other major 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.

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

- **Weakness in the world economy.**

  Global GDP growth has diminished in recent years as compared to earlier in the same decade, and growth in the volume of container transport has also fallen, as shown in the figure below. Global GDP growth of 3.1% is estimated for 2016, the lowest level in recent years. However, global GDP growth projections are estimated to rise slightly over the next few years, thanks particularly to an expected recovery in emerging economies. Demand for container transport in 2016 and 2017 is expected to grow 3.5% and 4.4%, respectively, due to increased commercial activity.



Source: International Monetary Fund - Global Economic Prospects Jan-17, Clarkson Research Mar-17.

China stands out among emerging markets, slightly exceeding estimates for the third quarter of 2016 and improving its projections for growth and activity for the next few years. Despite these upward projections, there is still some uncertainty related to the political and economic effects of the new U.S. government and other processes underway such as Brexit, the elections in France and other European nations and, in general, a more strained global political environment.

- **Excess capacity.**

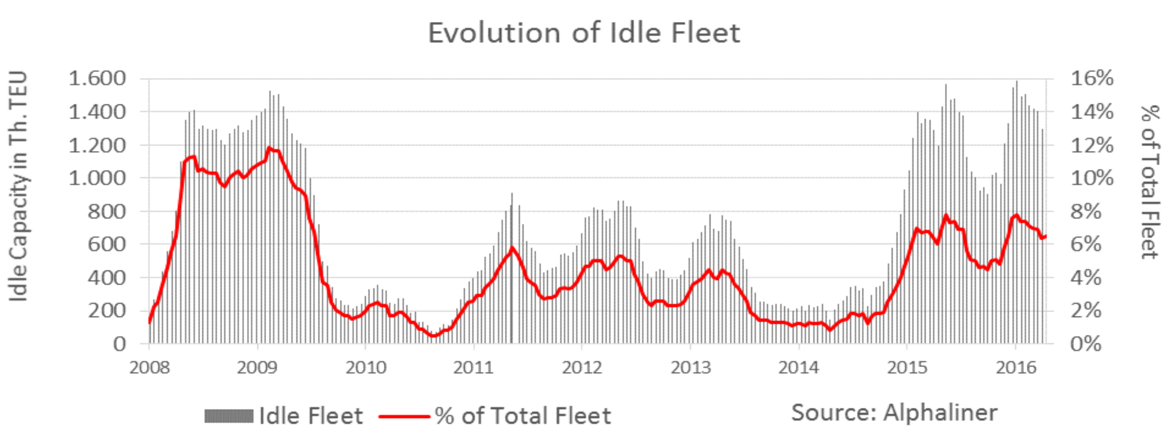
The container shipping industry's excess installed capacity, which began during the 2008-2009 crisis, continues to significantly impact shipping lines and markets. Since then, most of the major global shipping companies have taken various significant measures to improve the balance between supply and demand. These measures have included suspending and restructuring transport services, suspending voyages, increasing idle fleets, reducing vessel speeds and scrapping unused vessels. Shipping companies are increasingly seeking joint operating agreements, operating alliances along the most important routes and greater industry consolidation through mergers and acquisitions.

Today shipbuilding orders usually relate to vessel operators or very long-term charter contracts with those operators, and not to investors or non-operating ship-owners, as was the case until recently. As a result, presently these orders are associated with an orderly growth plan and are aligned with joint venture agreements or alliances operated by these companies.

As of December 31, 2016, vessels under construction total 15.7% of the current global operating fleet, according to data from Alphaliner. This is a reflection of efforts to streamline the industry where indicators for new vessel delivery and new construction orders in 2016 have fallen drastically to today's historic low levels.

Another important effect is the opening of the Panama Canal expansion in July 2016. This development strongly impacted vessel scrapping, which rose to record highs in 2016, mainly in the Panamax segment (i.e. the largest vessels able to circulate through the old canal).

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



Source: Alphaliner- Monthly Report Mar-17

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

- **Low returns and stiff competition in the shipping market.**

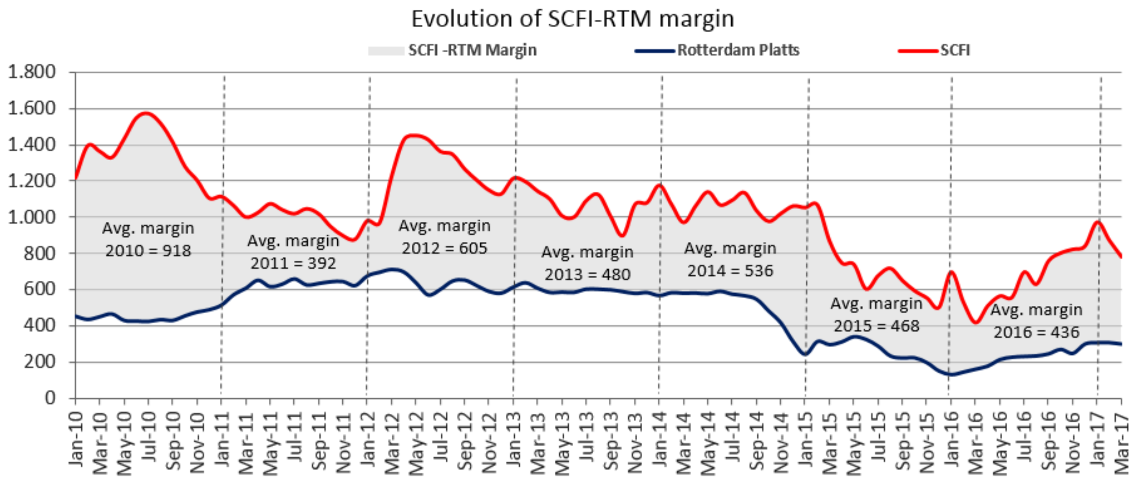
Freight rates net of fuel costs (ex-bunker rates) are still below historical levels along most routes and are lower than levels that the industry could presently consider a sustainable equilibrium. During the first half of 2016, the SCFI index reached its lowest levels since the 2009 crisis and although it has increased significantly since then, it continues to show high volatility.

This, coupled with underutilization of installed capacity along most routes as a result of excess supply, has led to low margins that have significantly affected the industry's returns. Hanjin Shipping, the seventh largest shipping company in the world by hauling capacity, was unable to withstand these conditions any longer and ultimately filed for bankruptcy and completely suspended services in the third quarter of 2016. Given the company's size, Hanjin's insolvency considerably disrupted the global logistics chain and significantly impacted the reorganization of services in the industry.

- **Highly volatile fuel prices.**

Fuel is one of the industry's main consumables. Prices remained very high until late 2014 and have since fallen considerably like other commodities. During the first half of 2016, the price of fuel has stabilized with a slight upward trend, but still at levels below figures from previous years.

Nevertheless, the industry continues to streamline the use of resources and optimize its operations, focusing on reducing operating costs; improving productivity and asset use; using super slow steaming to improve fuel consumption and modernizing the fleet with more efficient vessels. In recent years, major global operators have prepared container ship investment plans designed to renew their fleets and better adapt to the new operating paradigms. They are focusing on enhancing efficiency, achieving economies of scale, reducing fuel consumption and adapting fleets to the new Panama canal. By late 2016, this process of technological change seems to be nearing completion, with all major operators and alliances shipping a significant portion of their business volumes in large, efficient vessels, which chiefly explains the decrease in new orders and the continual reduction in inventories of ships under construction, as explained above.



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

Source: Shanghai Shipping Exchange, Index of average fuel price (IFO 380) at the Port of Rotterdam.

- **An industry undergoing consolidation.**

Currently, even though the container shipping industry still boasts a large number of players, especially in the segment of smaller-sized companies, industry consolidation is growing. The merger of the CSAV and Hapag-Lloyd container shipping businesses took place at the end of 2014. Since then further business combinations have taken place, including the acquisition of CCNI by Hamburg Süd, the merger of COSCO and China Shipping, the acquisition of APL by CMA CGM as well as two recently announced transactions: the merger of the three largest Japanese shipping companies (K-Line, NYK and MOL) and the purchase of Hamburg Süd by Maersk. Furthermore, in mid-July 2016 HLAG informed the market that it had signed a business combination agreement (merger) with United Arab Shipping Company (UASC), which will position it once again as the world's fourth largest shipping company in terms of hauling capacity.

As mentioned above, during the third quarter of 2016, Hanjin Shipping—the seventh largest container shipping company at that time by hauling capacity—filed for bankruptcy and suspended services. This is the largest bankruptcy case in the history of the container shipping industry.

Following all these business combinations and Hanjin's liquidation, estimates calculate that the ten largest global shipping operators will account for close to 78% of installed capacity, whereas the five largest will have over 58%. The five largest operators will achieve economies of scale and size significantly larger than the remaining operators, with the resulting effect on their costs and the scope of their service networks, which will place more pressure on smaller operators to form alliances in order to cut costs.

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

During the first half of 2016 a new structure for shipping alliances was announced that involved the reorganization of several industry participants, set to begin operating in the first half of 2017. The main changes include the dissolution of the Ocean Three, G6 and CKYHE alliances in order to form two new alliances: Ocean Alliance and THE Alliance. HLAG is a member of the latter alliance. The 2M alliance will maintain its present structure, but HMM will be incorporated as a slot buyer. These three new operating alliances represent on average 90% of transport capacity on the industry's main global, long-haul, East-West routes.

In summary, all container shipping industry players continue to face a challenging scenario. Falling average container freight rates in 2016 and their high volatility during the year have only been partially offset by reduced bunker prices. The industry remains focused on the new paradigm associated with optimizing operating costs and collaborative operations through joint operating alliances and agreements, but with a growing, very dynamic trend toward consolidation.

b) Other Transport Services Segment

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

The global vehicle transport business has also experienced volatile demand since the financial crisis of 2008-2009. Global demand for vehicles is closely linked to economic conditions in import markets and changes in manufacturing countries. Sluggish global economic growth has extended into 2016, affecting production, the growth of vehicle exports and global demand for shipping.

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

In Chile, total sales of new light vehicles during 2016 reported a 7.5% rise over the same period last year (source: ANAC), recovering only slightly from falling sales in previous years. However, heavy vehicle and machinery sales remain weak. Recently observed sales growth in light vehicles could be indicating at least a change in the negative trend observed in total vehicle imports since 2014, although this is probably still premature and is affected by market volatility given the performance of local and international economies.

The logistics and freight forward businesses operated by Norgistics are closely linked to trends in the container shipping business and freight rates, since prices for these services are generally calculated as a fraction of freight rates. In 2016, the east and west coast markets of South America, CSAV's main markets in this business line, have continued to evolve unfavorably given the region's poor economic performance and highly volatile, generally low freight rates.

3. Analysis of Statement of Cash Flows

	For the year ended December 31, 2016	For the year ended December 31, 2015	Variation
	MMUS$	MMUS$	MMUS$
Cash flows from operating activities	**(16.7)**	**(26.1)**	**9.4**
Operating cash flows	(16.7)	(25.2)	8.5
Income taxes and other	-	(0.9)	0.9
Cash flows from investing activities	**3.7**	**(32.4)**	**36.1**
Purchases and sales of property, plant and equipment	-	(2.9)	2.9
Purchases and sales of subsidiaries and associates	1.1	(29.7)	30.8
Cash flows from sales of investments	2.4	-	2.4
Other	0.2	0.2	-
Cash flows from financing activities	**15.2**	**67.5**	**(52.3)**
Issuance of shares	-	162.7	(162.7)
Loans obtained from related parties and paid to related parties	(30.0)	30.0	(60.0)
Loans paid	(0.7)	(165.9)	165.2
Proceeds from loans	49.9	44.7	5.2
Interest payments	(3.5)	(3.2)	(0.3)
Dividends paid and other	(0.5)	(0.8)	0.3
Effect of change in exchange rate	**-**	**(2.3)**	**2.3**
Increase in cash and cash equivalents	**2.2**	**6.7**	**(4.5)**

The main variations in cash flows for each year are explained as follows.

The net variation in cash and cash equivalents between December 31, 2015 and December 31, 2016, was a positive MUS$ 2.2, which represents a decrease of MUS$ 4.5 over the same period in 2015.

Operating activities generated a negative net flow of MMUS$ 16.7 for 2016, which represents an improvement of MMUS$ 9.4 over the same period in 2015. This operating cash flow for 2016 is explained mainly by operating losses (net of the provision reversal associated with the NYSA-ILA case) and by expenses of MMUS$ 5.1 during the year related to investigations by anti-monopoly authorities regarding the car carrier business. This expense was provisioned or accrued in accounts payable at the close of 2015, so it did not affect the accounting result for the period, but did affect operating cash flows.

Investing activities generated a positive net flow of MUS$ 3.7 for the period ended December 31, 2016, which represents an improvement of MUS$ 36.1 over the same period in 2015. This investing cash flow for 2016 can be explained mainly by the sale of the Company's non-controlling interest in certain companies, recorded as financial investments under the heading "other financial assets" in the consolidated statement of financial position, and the sale of its interest in joint ventures in the liquid bulk transport business. The main positive variation over 2015 can be explained by CSAV's investment of MMUS$ 29.7 in HLAG during that year as part of the capital increase during that company's IPO in Germany.

Financing activities generated a positive net flow of MMUS$ 15.2 in 2016, which represents a decrease of MMUS$ 52.3 over the same period in 2015. The cash flows for the year ended December 31, 2016, are explained mainly by the net effect of the 2016 bond placement for MMUS$ 50.0 and payments on the 2015 loan from its parent company Quiñenco S.A. for MMUS$ 30.0, recorded in payables to related parties, net of interest payments made during the year (MMUS$ 3.5) and other cash outflows.

4. Analysis of Market Risk

The Company's investment in HLAG is presently its primary asset (81.7% of total assets as of December 31, 2016). Therefore, although the market risks of the container shipping business are not directly reflected in CSAV'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 mentioned in prior reports and the current consolidated financial statements, 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 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 by volume, asset obsolescence, environmental risks and regulatory changes.

On the demand side, risk comes primarily from the global economic conditions and the impact of global economic slowdown. As of January 2016, the International Monetary Fund (IMF) is forecasting positive trends for global GDP over the next few years. It estimates growth of 3.4% for 2017 and no major change in demand in the short term. It is also forecasting an improvement in South America's currently low growth rate. The IMF is predicting growth in global trade (products and services) of 3.8% for 2017 versus 1.9% in 2016, which seems to confirm an improved scenario of growth in transported volumes next year.

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 vessel construction levels are currently at historical lows.

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.

In addition, the price of oil has dropped considerably since the third quarter of 2014. However, it continues to be volatile and there is no certainty as to how it will evolve in the future. In order to mitigate this risk, a portion of freight sales is indexed to fuel price variations. The Company takes out fuel price hedges for fixed-price sales or unindexed portions as described in more detail in Note 5 to the consolidated financial statements.

In relation to interest rate risks, the Company currently has only a portion of its financial liabilities at floating rates indexed to the Libor, which has remained stable and low, although the future curve indicates a slight upward trend. The Company does not have any derivatives to hedge variations in the Libor rate.

Regarding exchange rate volatility, most of the Company's income and expenses are denominated in US dollars. As of December 31, 2016, 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, 2016, CSAV does not have any foreign currency hedges. It manages the risk of exchange rate variations on working capital by periodically converting any balances in local currency that exceed payment requirements in that currency into US dollars.

5. Financial Ratios

As of December 31, 2016, the main financial indicators are as follows:

a) Liquidity Ratios

Liquidity Ratios			As of December 31, 2016	As of December 31, 2015
Current Liquidity	=	Current Assets / Current Liabilities	1.521	1.308
Acid-Test Ratio	=	Cash and Cash Equivalents / Current Liabilities	0.987	0.855

- **Current Liquidity:** This ratio has increased as compared to December 2015, due to an increase in current assets (MMUS$ 4.0) and a decrease in current liabilities (MMUS$ 5.9).

- **Acid-Test Ratio:** This ratio increased in comparison to December 2015, due to an increase in cash (MMUS$ 2.2) and a decline in current liabilities (MMUS$ 5.9).

b) Leverage Ratios

Leverage Ratios			As of December 31, 2016	As of December 31, 2015
Leverage	=	Total Liabilities / Equity	0.081	0.085
Short-Term Leverage	=	Current Liabilities / Total Liabilities	0.342	0.351
Long-Term Leverage	=	Non-Current Liabilities / Total Liabilities	0.658	0.649
Financial Expense Coverage	=	Profit (Loss) before Tax and Interest / Finance Costs	-0.083	4.474

- **Leverage**: This ratio decreased slightly in comparison to December 2015, due to a decrease in equity (MMUS$ 13.1), partially offset by a decrease in total liabilities (MMUS$ 44.5).
- **Short-Term Leverage:** This ratio decreased as compared to December 2015 because of a decrease in current liabilities (MMUS$ 5.9), which was partially offset by a decrease in total liabilities (MMUS$ 13.1).

- **Long-Term Leverage:** This ratio has increased slightly as compared to December 2015, due to a decrease in total liabilities (MMUS$ 13.1), offset partially by a decrease in non-current liabilities (MMUS$ 7.2).

- **Financial Expense Coverage:** This ratio decreased as compared to December 2015, falling into the negative range, due to improved results before tax and interest (up MMUS$ 17.0) and increased finance costs (MMUS$ 0.4).

c) Profitability Ratios

Profitability Ratios			As of December 31, 2016	As of December 31, 2015
Return on Equity	=	Loss Attributable to Owners of the Company / Average Equity	-0.011	-0.007
Return on Assets	=	Loss Attributable to Owners of the Company / Average Assets	-0.011	-0.007
Return on Operating Assets	=	Operating Profit (Loss) / Average Operating Assets *	0.004	-0.007
Dividend Yield	=	Dividends Paid in last 12 months / Market Value of Stock	0.000	0.000
Earnings (Loss) per Share	=	Loss Attributable to Owners of the Company / Number of Shares	-0.0008	-0.0005
Market Value of Stock (Ch$):			17.5	13.7

* Average Operating Assets: Total assets less deferred taxes and intangible assets.

- **Return on Equity:** This ratio fell as compared to December 2015 due to a decrease in results for the period of MMUS$ 8.7 and an increase in average equity of MMUS$ 53.3.

- **Return on Assets:** This ratio decreased as compared to December 2015 due to a decrease in results for the year of MMUS$ 8.7, partially offset by a decrease in average assets of MMUS$ 21.2.

- **Return on Operating Assets:** This ratio increased as compared to December 2015 and became positive due to an improved operating profit of MMUS$ 19.9 and a decrease in average operating assets of MMUS$ 11.9.

- **Dividend Yield:** This index remained constant because no dividends were distributed in 2015 and 2016.

- **Earnings per Share:** Earnings per share decreased as compared to December 2015 because of a decrease in results for the period of MMUS$ 8.7.

- **Market Value of Stock:** The share value increased by 27% compared to December 2015.

d) Activity Ratios

Activity Ratios			As of December 31, 2016	As of December 31, 2015
Inventory Turnover	=	Fuel Costs / Average Inventories	4.643	7.371
Inventory Permanence	=	Average Inventories * 360 / Fuel Costs	77.538	48.841

- **Inventory Turnover:** As of December 31, 2016, there is a drop in this indicator compared to December 2015, due to reduced fuel costs and smaller average inventory.

- **Inventory Permanence:** As of December 31, 2016, there is a rise in this indicator with respect to December 2015.