QUARTERLY ANALYSIS

Based on the Interim Consolidated Financial Statements
as of March 31, 2017

COMPAÑÍA SUD AMERICANA DE VAPORES S.A. AND SUBSIDIARIES

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1. Analysis of Financial Position

a) Statement of Financial Position

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

Assets	As of March 31, 2017	As of December 31, 2016	Variation
	MMUS$	MMUS$	MMUS$
Current assets	79.2	84.2	(5.0)
Non-current assets	2,063.7	2,084.0	(20.3)
Total assets	**2,142.9**	**2,168.2**	**(25.3)**

Liabilities and Equity	As of March 31, 2017	As of December 31, 2016	Variation
	MMUS$	MMUS$	MMUS$
Current liabilities	53.1	55.3	(2.2)
Non-current liabilities	105.1	106.4	(1.3)
Equity attributable to owners of the company	1,984.7	2,006.5	(21.8)
Total liabilities and equity	**2,142.9**	**2,168.2**	**(25.3)**

As of March 31, 2017, total assets decreased by MMUS$ 25.3 compared to December 31, 2016. This variation is explained by decreases of MUS$ 20.3 in non-current assets and MUS$ 5.0 in current assets.

The decrease of MMUS$ 5.0 in current assets can be attributed mainly to decreases in cash and cash equivalents, trade receivables and inventories as a result of reduced sales and smaller transport volumes in the vehicle transport business during the first quarter of 2017 as compared to the last quarter of 2016. These figures are consistent with seasonal trends observed regularly between these two quarters.

The decrease of MMUS$ 20.3 in non-current assets is explained mainly by decreases of MMUS$ 14.8 in equity method investments and MMUS$ 5.5 in deferred tax assets.

The change in equity method investments 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 quarter, net of 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$ 15.4 in the investment due to its share of HLAG's loss, including PPA amortization, and an increase of MMUS$ 0.6 due to the Company's share of HLAG's other comprehensive income and other reserves. For more information, see Note 15 to these interim consolidated financial statements.

Detail of Movements in CSAV's Investment in HLAG	
	ThUS$
Balance as of December 31, 2016	**1,771.6**
Share of HLAG's Loss	(21.0)
Effect of PPA on Loss	5.6
Total Share of HLAG's Loss	(15.4)
Share of Other Comprehensive Income	0.6
Other Changes in Equity	0.0
Balance as of March 31, 2017	**1,756.8**

The MMUS$ 5.5 decrease in deferred tax assets can be attributed mainly to the financing structure (in euros) within the CSAV Group to finance the investment in HLAG. During the first quarter of 2017, 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 March 31, 2017, total liabilities decreased by MMUS$ 3.5 compared to December 31, 2016. This variation is explained by decreases of MMUS$ 2.2 in current liabilities and MMUS$ 1.3 in non-current liabilities.

The decrease of MMUS$ 2.2 in current liabilities can be attributed mainly to the variation in other current provisions and employee benefits provisions of MMUS$ 4.2, which can be explained largely by a decrease in the onerous contracts provision (see Note 24 to these interim consolidated financial statements) and other provisions related to administrative expenses, partially offset by an increase in trade and other payables of MMUS$ 3.6, of which MMUS$ 1.4 is due to a larger accrual for expenses for in-transit voyages, which in turn explains the reduction in revenue from in-transit voyages (net) presented in other current non-financial liabilities. The remaining net increase of MUS$ 2.2 in trade and other payables can be explained mainly by the variation in payables for slots purchased from other shipping companies, which is primarily related to the operating cycles of joint services.

The decrease of MMUS$ 1.3 in non-current liabilities is attributable to the decrease in trade and other payables of MMUS$ 1.3 as a portion of that amount was reclassified as current based on its expected maturity.

As of March 31, 2017, equity decreased by MMUS$ 21.8 compared to December 31, 2016. This variation is explained mainly by the loss of MMUS$ 22.1 recorded for the first quarter of 2017, offset partially by an increase in other reserves of MMUS$ 0.3, explained by an increase of MMUS$ 0.6 in CSAV's share of HLAG's other comprehensive income, and a decrease of MMUS$0.3 related to the loss in value of hedge derivatives during the quarter (see Note 28 f) of these interim consolidated financial statements).

b) Statement of Income

	For the period ended March 31, 2017	For the period ended March 31, 2016	Variation
	MMUS$	**MMUS$**	**MMUS$**
Revenue	26.0	27.5	(1.5)
Cost of sales	(23.4)	(33.3)	9.9
Gross profit	**2.6**	**(5.8)**	**8.4**
Administrative expenses	(3.3)	(3.3)	-
Other operating income and expenses	0.5	0.5	-
Operating loss	**(0.2)**	**(8.6)**	**8.4**
EBITDA (EBITDA without associates)	***(0.1)***	***(8.6)***	***8.5***
Finance costs, net	(1.0)	(0.7)	(0.3)
Share of loss of equity method associates and joint ventures	(15.4)	(8.1)	(7.3)
Exchange differences and other non-operating expenses	-	(0.1)	0.1
Income tax expense	(5.5)	(10.1)	4.6
Loss after tax from continuing operations	**(22.1)**	**(27.6)**	**5.5**
Profit after tax from discontinued operations	**-**	**0.7**	**(0.7)**
Reversal of non-controlling interests	-	(0.3)	0.3
Loss attributable to owners of the company	**(22.1)**	**(27.2)**	**5.1**

The **loss attributable to the owners of the company** of MMUS$ 22.1 for the first quarter of 2017 represents an improvement of MMUS$ 5.1 over the same period in 2016.

The Company recorded an **operating profit** of MMUS$ 2.6 for the first quarter of 2017, up MMUS$ 8.4 over the same period in 2016, explained to a large extent by improved results from the car carrier business starting in the second quarter of 2016.

CSAV's income statement reflects **revenue** of MMUS$ 26.0 for the first quarter of 2017, which represents a drop of MMUS$ 1.5 over the same period in 2016. This change can be explained largely by a MMUS$ 2.0 reduction in sales in the freight forwarding business (operated by the Norgistics subsidiaries), mainly because of reduced freight rates for container shipping to and from the west coast of South America—its main market—with respect to the first quarter of 2016. The vehicle transport business, on the other hand, posted an increase in sales of MMUS$ 0.5, explained by significant growth in transport volumes for the first quarter of 2017 in comparison to the same period in 2016, partially offset by lower average freight rates.

The variation in freight rates mentioned above must also take into account the fact that a portion of rates are indexed to fuel price variations. As a result, the rise in average fuel prices during the quarter in comparison to the same period in 2016 helped mitigate this reduction in rates.

Cost of sales amounted to MMUS$ 23.4 for the first quarter of 2017, down MMUS$ 9.9 over the same period in 2016. This decrease is explained mostly by a drop of MMUS$ 7.9 in costs for the vehicle transport business, primarily a more efficient operating cost structure and a higher vessel usage rate, which has enabled the Company to absorb part of the growth in volume without increasing its fleet's installed capacity. The savings explained above have also allowed it to reverse the increase in costs resulting from the rise in average fuel prices, up 44% over the first quarter of 2016. On the other hand, as mentioned above, since a portion of sales have fuel price indexation clauses, some of the negative effect on costs was partially offset by increased revenue.

Administrative expenses totaled MMUS$ 3.3, remaining stable with respect to the first quarter of 2016. **Other operating income and expenses** also stayed constant with respect to the same period in 2016, totaling MMUS$ 0.5.

In **share of profit (loss) from equity-accounted associates and joint ventures**, CSAV recorded a loss of MMUS$ 15.4 for the first quarter of 2017, down MMUS$ 7.3 from the first quarter of 2016. Of this difference, MMUS$ 5.8 is explained by poorer results from HLAG (MMUS$ 18.4 at one hundred percent) and MMUS$ 1.5 by a smaller PPA amortization (MMUS$ 5.0 at one hundred percent). HLAG's share of these figures is 31.35% for both periods.

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).

For the first quarter of 2017, HLAG reported a loss attributable to the owners of the company of MMUS$ 66.9, and CSAV also recognized a positive MMUS$ 17.8 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$ 21.0 for its direct share of HLAG's results and profit of MMUS$ 5.6 for its share of the PPA amortization, recording a net loss from its share of HLAG's results of MMUS$ 15.4.

During the first quarter of 2017, CSAV recognized an **income tax expense** of MMUS$ 5.5, due mainly to taxes paid as a result of the financing structure required by the CSAV Group to maintain the investment in HLAG, as described in section a) above. In comparison with the first quarter of 2016, this is an improvement of MMUS$ 4.6, which is explained by a MMUS$ 6.1 decrease in tax expense as a result of a smaller variation in the euro/dollar exchange rate on the aforementioned financing structure, and a MMUS$ 1.5 increase in tax expense because of improved taxable earnings, mainly **gross profit.**

Therefore, the **loss attributable to the owners of the company** of MMUS$ 22.1 for the first quarter of 2017, represents an improvement of MMUS$ 5.1 over the same period in 2016.

As explained in previous reports, CSAV completed the sale of its liquid bulk business unit to its partner Odfjell Tankers on October 19, 2016. From this date forward, the results of this business unit were presented as discontinued operations and comparative information from prior periods was restated in accordance with IFRS 5.

c) Operating Results by Segment

CSAV reports two business segments as of March 31, 2017: 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. As explained above, liquid bulk cargo services were part of this segment until they were sold. The results of this unit for prior periods are presented in discontinued operations.

The following chart shows the income statement by segment for the first quarter of 2017 (see Note 6 to the interim consolidated financial statements):

Container Shipping	For the period ended March 31, 2017	For the period ended March 31, 2016	Variation
	MMUS$	MMUS$	MMUS$
Administrative expenses	(0.8)	(0.8)	-
Other operating income and expenses	-	-	-
Operating loss	**(0.8)**	**(0.8)**	**-**
Finance costs, net	(1.1)	(0.7)	(0.4)
Share of loss of equity method associates and joint ventures	(15.4)	(8.1)	(7.3)
Exchange differences and other non-operating expenses	-	-	-
Income tax expense	(5.6)	(11.6)	6.0
Loss after tax	**(22.9)**	**(21.2)**	**(1.7)**
Loss attributable to owners of the company	**(22.9)**	**(21.1)**	**(1.8)**

For the first quarter of 2017, the container shipping segment reported a loss of MMUS$ 22.9, which reflects a reduction of MMUS$ 1.8 over the same period in 2016. This is due to decreased earnings from its investment in HLAG of MMUS$ 7.3, as explained above, and increased finance costs of MMUS$ 0.4, related to interest costs on financial liabilities for the HLAG investment (corporate bonds and loan from Banco Itaú), partially offset by a MMUS$ 5.6 reduction in tax expense, related largely to the financing structure for the investment in HLAG, as explained in preceding sections.

Other Transport Services	For the period ended March 31, 2017	For the period ended March 31, 2016	Variation
	MMUS$	**MMUS$**	**MMUS$**
Revenue	26.0	27.5	(1.5)
Cost of sales	(23.4)	(33.3)	9.9
Gross profit (loss)	**2.6**	**(5.8)**	**8.4**
Administrative expenses	(2.5)	(2.5)	-
Other operating income and expenses	0.5	0.5	-
Operating profit (loss)	**0.6**	**(7.8)**	**8.4**
Finance costs, net	0.1	-	0.1
Share of profit (loss) of equity method associates and joint ventures	-	-	-
Exchange differences and other non-operating expenses	-	(0.1)	0.1
Income tax benefit	0.1	1.5	(1.4)
Profit (loss) after tax from continuing operations	**0.8**	**(6.4)**	**7.2**
Profit after tax from discontinued operations	**-**	**0.6**	**(0.6)**
Non-controlling interests	-	(0.3)	0.3
Profit (loss) attributable to owners of the company	**0.8**	**(6.1)**	**6.9**

For the first quarter of 2017, the other transport services segment reported profit of MMUS$ 0.8, which represents an improvement of MMUS$ 6.9 over the same period in 2016, due mainly to a larger gross profit of MMUS$ 8.4, explained by a MMUS$ 9.9 reduction in cost of sales, offset by a MMUS$ 1.5 reduction in revenue, both explained in section b) above. In addition, the Company recorded a larger income tax expense, up MMUS$ 1.4, mainly because of the effect on taxable earnings of the improved margin described above and the recalculation of deferred tax assets.

2. Market Analysis

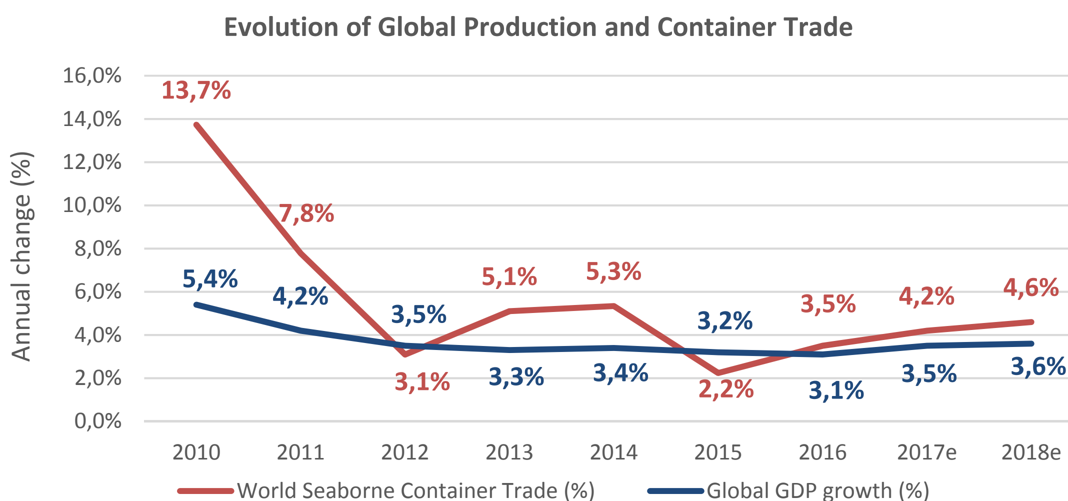
a) Container Shipping Segment

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 partners, 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 grew 3.1% in 2016, the lowest level in recent years. However, IMF projections call for global GDP growth to rise to 3.5% in 2017 and stabilize at 3.6% in 2018. These forecasts are based on economic recovery in both emerging economies, mainly Asia and Latin America, and developed economies, underscoring improved outlooks for the United States. Likewise, demand for container shipping is expected to grow 4.2% and 4.6%, respectively, in 2017 and 2018, due to a more vigorous global economy and increased trade.



Source: International Monetary Fund - Global Economic Prospects Apr-17, Clarkson Research May-17.

Among the improvements in international economic projections described above, growth forecasts for China were boosted for 2017 and 2018 with respect to IMF estimates from earlier in the year. Among advanced economies, the United States boasts improved growth projections as a result of the potential easing of fiscal policy. However, despite a decrease in uncertainty following the elections in France and the Netherlands, where voters ultimately supported continuity, uneasiness lingers regarding the political and economic effects of the new U.S. Administration, as well as other political processes currently underway worldwide.

- **Excess capacity.**

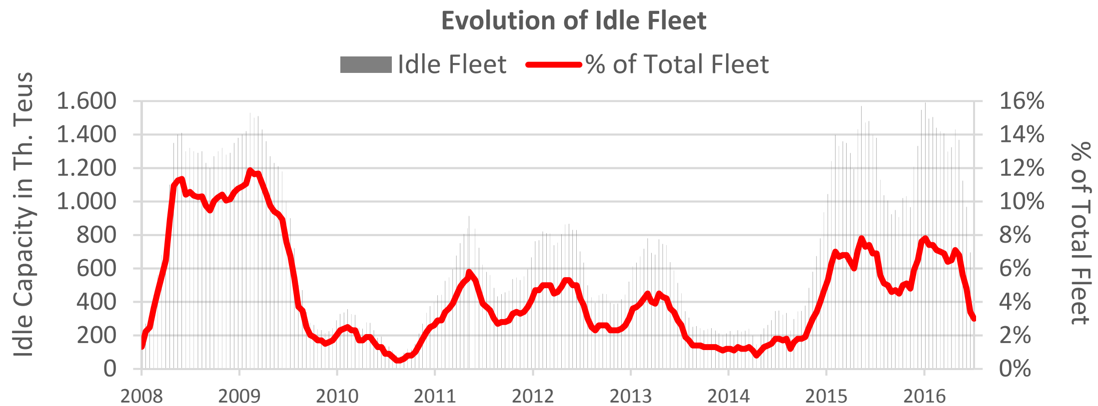
The container shipping industry's excess installed capacity, which began during the 2008-2009 crisis, continues to significantly impact shipping lines and markets. Since then, most of the major global shipping companies have taken various significant measures to improve the balance between supply and 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.

In this same spirit, 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, orders are presently part of an orderly growth plan and are aligned with joint venture agreements or global alliances operated by these companies.

According to data from Alphaliner, vessels under construction total 14.1% of the current global operating fleet as of March 31, 2017, which is an historical low. This is a reflection of the industry's efforts to contain growth, which have resulted in a drastic reduction in new construction orders estimated for 2017 in comparison to prior years, falling to record lows.

Another important effect is the opening of the Panama Canal expansion in July 2016. This development strongly impacted vessel scrapping, which peaked in 2016, mainly in the Panamax segment (i.e. the largest vessels able to circulate through the old canal). The impact was also reflected in high vessel scrapping levels in early 2017 and the incorporation of new, larger vessels to replace smaller, less fuel-efficient vessels.

Although these initiatives have led shipping companies to rationalize asset use, with shipbuilding orders currently stabilized at more reasonable levels, and excess capacity began to shrink in 2016 for the first time in years as demand outgrew supply, weaker demand for shipping in recent years continues to generate excess capacity. One indicator of this phenomenon, in addition to low, volatile freight rates, is the fact that in 2016 idle fleets reached their highest levels since the 2009 crisis. A reduction in idle fleet levels was observed towards the end of the first quarter of 2017 due to high levels of scrapping and the reincorporation of part of this fleet to prepare for the new configuration of services from global alliances that will begin operating in April 2017.



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. However, during the first quarter of 2017, the SCFI index rose significantly in comparison to early 2016, when it reported its lowest levels in recent years. Despite this change, rates along other routes have evolved negatively over the past few months and, in general, average rates are still highly volatile and have not yet reached levels observed in prior periods.

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 and the idle fleet.

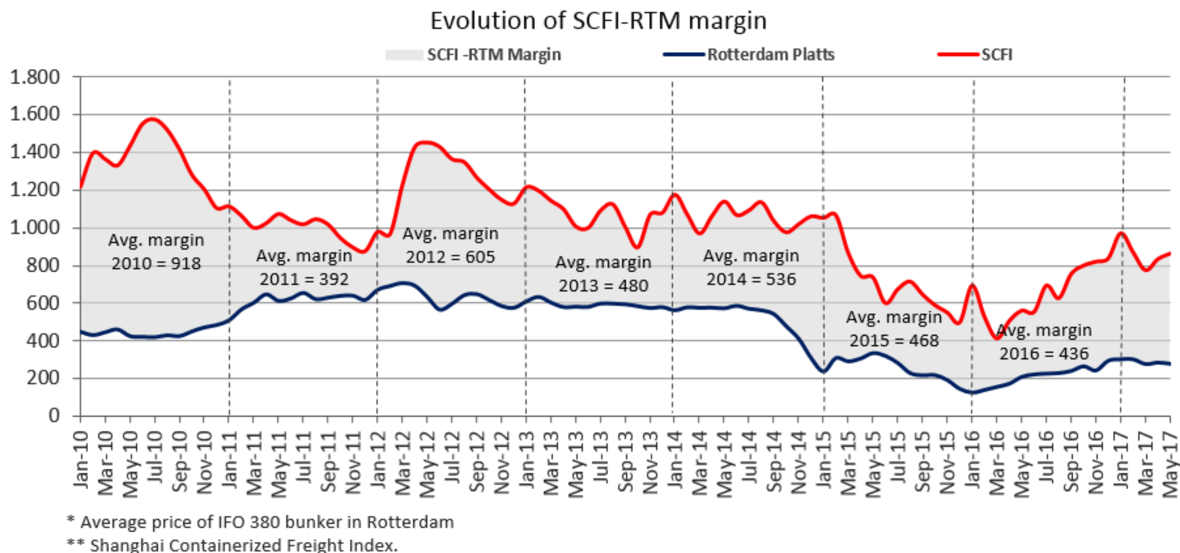
- **Highly volatile fuel prices.**

Fuel is one of the industry's main consumables. Like other commodities, oil prices remained very high until late 2014, after which they fell drastically and then experienced a moderate recovery. During the first quarter of 2017, fuel prices have stabilized, but with a slight upward trend. However, levels remain below pre-2016 averages.

Nevertheless, the industry continues to streamline the use of resources and optimize its operations, focusing on reducing operating costs; improving productivity and asset use; and improving fuel consumption. 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.

Currently, it could be said that the aforementioned technological change process is almost complete, with all major operators and global alliances shipping a very significant portion of their volumes in very large, efficient vessels. This explains, to a large extent, the decrease in new shipbuilding orders and the constant reduction in inventories of vessels under construction, as explained in preceding sections.



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 occurred, 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 the announcement of the merger of the three largest Japanese shipping companies (K-Line, NYK and MOL) into one single entity and the purchase of Hamburg Süd by Maersk announced in late 2016. 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 among the world's five largest shipping companies in terms of hauling capacity and is expected to generate annual synergies of around US$ 435 million.

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 and expand commercial coverage.

Likewise, in recent years shipping companies have expanded joint operating agreements and operating alliances in order to improve customer service levels and broaden the geographic coverage of their services, 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 2016, a new structure for global shipping alliances was announced that involved reorganizing several industry participants. These new alliances will begin operating in April 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. The slow and still volatile recovery trend seen in rates during the first quarter of 2017, following a significant drop in early 2016, coupled with an improvement in fleet indicators and the industry imbalance seen in recent months all give signs of improved prospects for the future. However, they have not been able to offset the higher fuel costs and the increase in vessel charter costs, and a large number of industry operators still posted significant operating losses for the first quarter of 2017. Even so, the industry remains properly 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 during the first quarter of 2017, 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 the first quarter of 2017, albeit with improved projected outlooks, 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. Since 2014, these markets have been negatively affected by sluggish economic activity and also by negative consumer expectations regarding future economic conditions, with a very strong impact on vehicle imports and sales.

In Chile, during the first quarter of 2017, total sales of new light vehicles reported a 15.2% rise over the same period last year (source: ANAC), recovering a portion of the sales lost in previous years. For example, including the aforementioned increase, sales of light vehicles for the first quarter of 2017 are still 11% below the same period in 2013. Along these same lines, sales of heavy vehicles and machinery began to recover during the quarter as compared to the same period in 2016, but are still 43% below the peak recorded in the first quarter of 2012. Growth in sales of light vehicles observed clearly in 2016 and recent growth in heavy vehicles could be indicative of a positive change in the trend observed in total vehicle imports in Chile 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. For the first quarter of 2017, the east and west coast markets of South America, Norgistics's main markets in this business line, have continued to evolve unfavorably given the region's poor economic performance, which has impacted import and export volumes, together with a reduction in average freight rates.

3. Analysis of Statement of Cash Flows

	For the period ended March 31, 2017	For the period ended March 31, 2016	Variation
	MMUS$	MMUS$	MMUS$
Cash flows from operating activities	**(2.2)**	**(12.5)**	**10.3**
Operating cash flows	(2.2)	(12.1)	9.9
Income taxes and other	0.0	(0.4)	0.4
Cash flows from investing activities	**0.2**	**0.1**	**0.1**
Interest received	0.2	0.0	0.2
Dividends received and other	0.0	0.1	(0.1)
Cash flows from financing activities	**(0.8)**	**(0.7)**	**(0.1)**
Interest payments	(0.8)	(0.7)	(0.1)
Effect of change in exchange rate	**0.0**	**0.0**	**0.0**
Decrease in cash and cash equivalents	**(2.8)**	**(13.1)**	**10.3**

The main variations in cash flows are explained as follows.

The net variation in **cash and cash equivalents** between December 31, 2016 and March 31, 2017, was a negative MUS$ 2.8, which represents an improvement of MUS$ 10.3 over the same period in 2016.

Operating activities generated a negative net flow of MMUS$ 2.2 for the first quarter of 2017, which represents an improvement of MMUS$ 10.3 over the same period in 2016. Cash flows for the period are explained mainly by decreases in provisions related to the costs of investigations by antitrust authorities in the car carrier business, onerous contracts and administrative expenses, which reduced cash flows by MMUS$ 3.4, and greater cash flows from improvements in net working capital of MMUS$ 1.3, mainly from reductions in inventories and receivables.

Investing activities generated a positive net flow of MUS$ 0.2 for the period ended March 31, 2017, which represents a slight improvement of MUS$ 0.1 over the same period in 2016. Cash flows for the period are explained mainly by interest payments from time deposits held by the Company.

Financing activities generated a negative net flow of MUS$ 0.8 for the period ended March 31, 2017, which represents a slight rise of MUS$ 0.1 over the same period in 2016. Cash flows for the period are explained mainly by interest payments on loans to finance the container shipping segment during the first quarter of 2017.

4. Analysis of Market Risk

As mentioned in prior reports and Note 5 to these interim consolidated financial statements, CSAV's investment in HLAG is presently its primary asset (82.0% of total assets as of March 31, 2017). Therefore, although the market risks of the container shipping business are not directly reflected in the Company's cash flows, they are indirectly reflected since they affect HLAG's results and, consequently, the value of CSAV's investment in that joint venture, as well as expected cash flows from dividends and for capital needs. Therefore, even though CSAV contributed its entire container shipping business to HLAG through the business combination completed in 2014, the main business risks continue to be related to the container shipping industry.

As a result, it is important to mention that HLAG has an independent management team that controls and manages its risks autonomously and in accordance with the standards of a publicly-listed and regulated company in Germany.

The principal risks that the Company faces from 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 March 2017, the International Monetary Fund (IMF) is forecasting positive trends for global GDP over the next few years. It estimates growth of 3.5% for 2017, a one-point improvement over prior estimates, 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 2.2% 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 and no significant orders for new ships have been seen in recent months.

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 for vehicle transport 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 these interim 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 March 31, 2017, the Company has certain assets and liabilities in other currencies, which are detailed in Note 33 to these interim consolidated financial statements. As of March 31, 2017, 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

This section contains CSAV's main financial ratios as of March 31, 2017. For improved analysis and understanding, the formula used to calculate each ratio is detailed below. These formulas reference the concept or account in the interim consolidated financial statements from which the figures are obtained for the calculation. The variations in accounts in the interim consolidated financial statements, which are detailed in sections 1a), 1b) and 3 of this note, are key to understanding the analysis and evolution of these ratios, as well as the explanations of their variations, and, therefore, they must be considered an integral part of the information needed to understand the contents of this section. Likewise, when specific variations significantly impact any one ratio, they are explained additionally in this section.

a) Liquidity Ratios

Liquidity Ratios			As of March 31, 2017	As of December 31, 2016
Current Liquidity Ratio	=	Current Assets / Current Liabilities	1.491	1.521
Acid-Test Ratio	=	Cash and Cash Equivalents / Current Liabilities	0.975	0.987

- **Current Liquidity:** This ratio decreased slightly over December 2016 due primarily to a decrease in current assets (MMUS$ 5.0), which is explained mainly by decreases in cash and cash equivalents, trade receivables and inventories as a result of reduced sales and smaller transported volumes in the vehicle transport business in comparison with the prior period, partially offset by a decrease in current liabilities (MMUS$ 2.2), both explained in greater detail in section 1a) of this report.

- **Acid-Test Ratio:** This ratio fell slightly with respect to December 2016, due to a decrease in cash and cash equivalents (MMUS$ 2.8), explained mainly by negative net operating cash flows for the first quarter of MMUS$ 2.2, offset partially by a decrease in current liabilities (MMUS$ 2.2), mainly related to a decrease in current provisions (MMUS$ 4.2) net of a net increase in payables and other current liabilities (MMUS$ 2.0). These variations are explained in greater detail in section 1a) of this report.

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b) Leverage Ratios

Leverage Ratios			As of March 31, 2017	As of December 31, 2016
Leverage	=	Total Liabilities / Equity	0.080	0.081
Short-Term Leverage	=	Current Liabilities / Total Liabilities	0.336	0.342
Long-Term Leverage	=	Non-Current Liabilities / Total Liabilities	0.664	0.658
Financial Expense Coverage	=	Profit (Loss) before Tax and Interest / Finance Costs	-13.723	0.083

- **Leverage**: This ratio remained stable, falling slightly in relation to December 2016, largely due to a decrease in total liabilities (MMUS$ 3.5 / -2% var.), related to a decrease in both current and non-current liabilities, mainly because of a decrease in provisions; These variations are explained in greater detail in section 1a) of this report. These changes were partially offset by a decrease in equity (MMUS$ 21.8 / -1% var.), as a result of the loss recorded for the period net of decreased comprehensive income.

- **Short-Term Leverage:** This ratio fell with respect to December 2016, due to a decrease in current liabilities (MMUS$ 2.2 / -4% var.) mainly related to a decrease in current provisions (MMUS$ 4.2) net of a net increase in payables and other current liabilities (MM US$ 2.0), explained in greater detail in section 1a) of this report. The above effect was partially offset in the ratio by a decrease in total liabilities (MMUS$ 3.5 / -2% var.), related to a reduction in both current and non-current liabilities, mainly because of a decrease in provisions; These variations are explained in greater detail in section 1a) of this report.

- **Long-Term Leverage:** This ratio increased slightly in relation to December 2016, due to a decrease in total liabilities (MMUS$ 3.5 / -2% var.), related to a reduction in both current and non-current liabilities, mainly because of a decrease in provisions; These variations are explained in greater detail in section 1a) of this report. This effect was partially offset by a decrease in non-current liabilities (MMUS$ 1.3 / -1% var.) related to a decrease in non-current payables as described in the same section 1a) referenced above.

- **Financial Expense Coverage:** This ratio fell in relation to December 2016 and became negative, due to a loss recorded before taxes and interest for the first quarter of 2017 of MMUS$ 15.5 in comparison with profit of MMUS$ 0.3 in 2016 (decrease of MMUS$ 15.8 / -4,613% var.), and decreased finance costs (MMUS$ 3.0 / -73% var.) for the quarter with respect to 2016.

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c) Profitability Ratios

Profitability Ratios			As of March 31, 2017	As of December 31, 2016
Return on Equity	=	Loss Attributable to Owners of the Company / Average Equity	-0.0110	-0.0115
Return on Assets	=	Loss Attributable to Owners of the Company / Average Assets	-0.0102	-0.0106
Return on Operating Assets	=	Operating Profit (Loss) / Average Operating Assets (*)	-0.0001	0.0037
Dividend Yield	=	Dividends Paid in last 12 months / Market Value of Stock	0.0000	0.0000
Earnings (Loss) per Share	=	Loss Attributable to Owners of the Company / Number of Shares	-0.0007	-0.0008
Market Value of Stock (Ch$):			24.1	17.5

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

- **Return on Equity:** The ratio increased slightly over December 2016, due to improved results because of the loss attributable to the owners of the company of MMUS$ 22.1 recorded for the current quarter in comparison to the loss of MMUS$ 23.3 for 2016 (MMUS$ 1.2 / -5% var.), and smaller average equity (MMUS$ 27.7 / -1%) because of the reduction in equity resulting from the loss recorded for the period.

- **Return on Assets:** This ratio increased slightly in relation to December 2016, due to improved results because of the loss attributable to the owners of the company of MMUS$ 22.1 recorded for the current quarter in comparison to the loss of MMUS$ 23.3 for 2016 (MMUS$ 1.2 / -5% var.), offset partially by smaller average assets (MMUS$ 27.8 / -1% var.), mainly related to the decrease in value of the investment in associates and joint ventures (HLAG).

- **Return on Operating Assets:** The ratio decreased in relation to December 2016, due to the operating loss of MMUS$ 0.2 in comparison to operating profit of MMUS$ 7.1 (MMUS$ 7,3 / -103% var.) recorded as of December 2016, which made the ratio negative, , and to smaller average operating assets (MMUS$ 20.4 / -1% var.), mainly related to the decrease in value of the investment in associates and joint ventures (HLAG).

- **Dividend Yield:** This ratio remained constant at zero because no dividends were distributed in 2016 and 2017.

- **Loss per Share:** Loss per share improved with respect to December 2016 due to improved results because of the loss attributable to the owners of the company of MMUS$ 22.1 recorded for the current quarter in comparison to the loss of MMUS$ 23.3 for 2016 (MMUS$ 1.2 / -5% var.), in line with section 1b) of this report. The number of shares did not change.

- **Market Value of Stock:** The value of CSAV's stock increased 38% over December 2016, based on the evolution of HLAG's stock (underlying asset) during the period. A similar trend was seen in other global, publicly-traded shipping companies.

d) Activity Ratios

Activity Ratios			As of March 31, 2017	As of December 31, 2016
Inventory Turnover	=	Fuel Costs / Average Inventories	5.372	4.643
Inventory Permanence	=	Average Inventories * 360 / Fuel Costs	67.010	77.538

- **Inventory Turnover:** This ratio increased with respect to December 31, 2016, as a result of smaller average inventory (MMUS$ 0.3 / -11% var.), mainly because of fewer tons of fuel on vessels in operation and reduced prices, as explained in section 1a) of this report. Another impact on the variation was the increase in fuel costs (MMUS$ 0.5 / 3% var.) during the period, mainly because of a rise in fuel prices.

- **Inventory Permanence:** This ratio decreased as a result of smaller average inventory (MMUS$ 0.3 / -11% var.), mainly because of fewer tons of fuel on vessels in operation and reduced prices, as explained in section 1a) of this report. Another factor affecting the decrease was the increase in fuel costs (MMUS$ 0.5 / 3% var.) during the period, mainly because of a rise in fuel prices.