

ANNUAL ANALYSIS

Based on the Consolidated Financial Statements
As of December 31, 2017

COMPAÑÍA SUD AMERICANA DE VAPORES S.A. AND SUBSIDIARIES



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Figures expressed in millions of US dollars (MMUS\$).

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	As of	Change
	December 31, 2017	December 31, 2016	
	MMUS\$	MMUS\$	MMUS\$
Current assets	68.8	84.2	(15.4)
Non-current assets	2,197.2	2,084.0	113.2
Total assets	2,266.0	2,168.2	97.8

Liabilities and Equity	As of	As of	Change
	December 31, 2017	December 31, 2016	
	MMUS\$	MMUS\$	MMUS\$
Total current liabilities	38.6	55.3	(16.7)
Non-current liabilities	109.9	106.4	3.5
Equity attributable to owners of the company	2,117.5	2,006.5	111.0
Total liabilities and equity	2,266.0	2,168.2	97.8

As of December 31, 2017, total assets increased by MMUS\$ 97.8 compared to December 31, 2016. This change is explained by an increase of MMUS\$ 113.2 in non-current assets, partially offset by a decrease of MMUS\$ 15.4 in current assets, explained as follows.

For a better understanding of the figures in this report, bear in mind that during the fourth quarter of 2017 the Company decided to stop operating its logistics and freight forwarder business, as explained in Note 2 b) and Note 35 of these Consolidated Financial Statements. As a result, in the financial statements as of December 31, 2017, the assets and liabilities of the subsidiaries engaged in this business have been reclassified as assets and liabilities held for sale. In addition, on December 13, 2017, the Company sold its interest (100%, direct and indirect) in its subsidiary Norgistics Chile S.A. to a third party, thus disposing of its logistics and freight forwarder business in Chile. This involved deconsolidating, due to loss of control, the assets and liabilities related to this subsidiary in these Consolidated Financial Statements as of December 31, 2017.

Results from the logistics and freight forwarder business for the year ended December 31, 2017, are presented as discontinued operations and results for the year ended December 31, 2016, have been restated in accordance with IFRS 5.

On October 19, 2016, CSAV sold its liquid bulk business unit (hereinafter “OyV”) to its partner Odfjell Tankers, disposing of all shares held directly and indirectly by CSAV in its subsidiaries and associates that operated that business unit. As a result, as of December 31, 2016, the Company no longer has assets or liabilities related to the liquid bulk business unit and its results for the 2016 period have been presented as discontinued operations, together with the logistics and freight forwarder business, as mentioned above.

The decrease of MMUS\$ 15.4 in current assets is explained mainly by a reduction in cash and cash equivalents and, to a lesser extent, to deconsolidating the subsidiary Norgistics Chile S.A., which primarily affected deferred tax assets and trade and other receivables. Other contributing factors include decreases in inventory and other financial assets as a result of vessels considered to be operating as of December 31, 2016, that were actually being repositioned for redelivery, as well as reduced fuel hedges, respectively. This decrease was partially offset by the reclassification of non-current assets to assets held for sale.

The increase of MMUS\$ 113.2 in non-current assets is explained mainly by an increase of MMUS\$ 160.6 in equity method investments, which was partially offset by a decrease of MMUS\$ 46.2 in deferred tax assets, as explained in detail below.

The variation in equity method investments during 2017 is related mainly to CSAV’s investment in the German shipping line Hapag-Lloyd AG (hereinafter HLAG), and can be explained by the following factors: (i) an increase in capital movements of MMUS\$ 293.7 due to the additional investment in HLAG made during the year, (ii) a larger loss recorded in share of loss of equity method associates and joint ventures of MMUS\$139.5, which was comprised of: the dilution loss in the value of the investment in HLAG of MMUS\$ 167.2 recorded in the second quarter of 2017; a gain of MMUS\$14.8 related to goodwill arising from the acquisition of the additional 2.89% of HLAG in the fourth quarter of the year; a gain of MMUS\$11.3 from PPA amortization of HLAG’s profit; and a gain of MMUS\$1.6 from CSAV’s direct interest in HLAG’s profit, based on its interest in that entity as of the end of each quarter; (iii) an increase of MMUS\$ 9.5 in CSAV’s share of HLAG’s other comprehensive income (OCI) during the year; and (iv) a decrease of MMUS\$ 3.0 for CSAV’s share of other changes in HLAG’s equity. The table below summarizes these movements.

Detail of Movements in CSAV's Investment in HLAG	As of December 31, 2017
	MMUS\$
Balance as of December 31, 2016	1,771.6
Share of HLAG's Profit	1.6
Effect of PPA on Profit	11.3
Gain (Loss) on Acquisition of Interest	14.8
Dilution Loss	(167.2)
Total Share of Associate Profit (Loss)	(139.5)
Share of Other Comprehensive Income	9.5
Other Changes in Equity	(3.0)
Capital Movements	293.7
Closing balance	1,932.3

The following section details each of the main effects on the carrying amount of CSAV's investment in HLAG during 2017.

The dilution loss and the reduction in CSAV's interest in HLAG during the second quarter of 2017 are due to the closing of the business combination between HLAG and United Arab Shipping Company (UASC) on May 24, 2017. This transaction makes HLAG the fifth largest container shipping company in the world. HLAG's management estimates that this merger will generate annual synergies of MMUS\$ 435, which will be reflected partly in 2017 and fully in 2019.

With the closing of the transaction, Hapag-Lloyd acquired 100% of the shares of UASC, and the former shareholders of UASC collectively received 28% of the combined entity. As a result, the shareholdings of Hapag-Lloyd's previous shareholders were reduced. CSAV remained HLAG's main shareholder, conserving the shareholder agreement in force with the City of Hamburg and Kühne Maritime and, therefore, maintaining joint control of HLAG with a post-merger stake of 51.5%.

In light of the significant synergies that this merger has generated and will continue to generate for Hapag-Lloyd, estimated at MMUS\$ 435 per year, mainly from greater efficiency and economies of scale in its fleet and service network, coupled with increased globalization and diversification of its routes, the business combination with UASC is considered a highly valuable transaction for the Company. The effect of the fleet contributed by UASC and the synergies on HLAG's cost structure will enable it to visibly improve its cost per container transported and, with that, its performance relative to its main competitors. This is especially important along the main East-West routes (to and from Asia) where the size of HLAG's new fleet will allow it to compete successfully with the world's largest shipping companies in the large-vessel segment—a segment in which HLAG did not previously participate with its own pre-merger fleet.

Given the above, the dilution loss of MMUS\$ 167.2 as of the merger closing does not reflect a decrease in the financial value of CSAV's investment in HLAG, but rather is the result of the

accounting and valuation methodologies defined in IFRS 3 and IFRS 13. These standards dictate that assets acquired in a business combination must be identified one by one and recorded at fair value and excludes from the valuation any synergies acquired in a merger, which can only be accounted for as goodwill. IFRS 13 also establishes that a publicly listed company like HLAG must record a stock issuance as of the share's market value on the date of subscription. Therefore, the combined effect of these two accounting rules means that unless the share's pre-merger market value already reflects the present value of the synergies, they cannot be considered part of the accounting value acquired.

For the HLAG-UASC merger, since the synergies are the basis and main reason for having agreed upon and executed the transaction, the fact that they cannot be reflected in the acquired value, as explained above, creates a significant difference between the accounting valuation defined by the standard and the financial valuation carried out by the parties to the merger. For example, a simple calculation of the present value of the synergies using a multiple of seven times the annual estimated value gives around US\$ 3 billion for HLAG. The potential financial value of the synergies from this merger for CSAV would be 22.6% of this figure. For more information regarding the business combination and its accounting effects, see Note 40 to these consolidated financial statements.

During the fourth quarter of 2017, and as part of the agreements previously stipulated in the BCA intended to strengthen the financial structure of the combined entity, Hapag-Lloyd carried out a capital increase with preferential subscription rights for all shareholders, whereby 11,717,353 new shares were placed at a subscription price of EUR 30 per share, raising a total of MMUS\$ 414. The new shares were offered on the German stock exchange between October 2 and October 17, 2017. Hapag-Lloyd used all funds raised to reduce and repay its financial debt, thus improving its leverage ratios and reducing its future finance costs.

Before transaction close, CSAV, the City of Hamburg and Kühne agreed that, through that capitalization, CSAV would have an interest of 25% in Hapag-Lloyd and thus would continue to exercise decisive influence in agreements at shareholder meetings involving essential corporate matters such as capital increases, mergers, spin-offs and bylaw amendments, all of which require 75% approval. As of the closing of HLAG's capital increase, CSAV had subscribed 54.3% of the shares to give it a 24.7% interest in the company. However, on October 30, 2017, the Company purchased additional shares of Hapag-Lloyd from Kühne Maritime, thus increasing its interest in the German shipping line to 25% of voting shares and consolidating its position as the main shareholder.

In parallel to HLAG's capital increase described above, the Company initiated a capital increase process in Chile in order to provide it with sufficient liquidity to participate in that capital increase and obtain a 25% interest. This new capital increase entailed issuing 6,100 million new shares at a

price of Ch\$ 30.55 per share. This process was carried out successfully between October 10 and November 22, 2017, with 100% of the new shares issued being subscribed and MMUS\$ 294.4 in funds raised. 98.2% of the placement (about MMUS\$ 289) was subscribed during the first preferential option period.

In order to accurately calculate how much capital was needed and minimize the effects of EUR, USD and CLP exchange rates, the Company decided to begin its capital increase once HLAG had determined the share price and total amount it expected to raise. However, since Chilean regulations provide longer time frames for a capital increase than German regulations, CSAV's capital increase process lasted longer than HLAG's capital increase plus the purchase of the additional shares from Kühne Maritime. Therefore, CSAV financed these transactions with funds raised from the shares subscribed by the Company's controlling shareholders at the beginning of the first preferential option period plus two bridge loans totaling MMUS\$ 120 from commercial banks. These loans were later repaid with the remaining funds raised from the capital increase.

As mentioned, after attaining 25% of the German shipping line, CSAV concluded its capital increase in November, raising MMUS\$294.4 and leaving a surplus of approximately MMUS\$31 over the amount invested in HLAG to date, which was added to CSAV's unrestricted working capital. As a result, CSAV's board decided to use these remaining resources to purchase new shares of HLAG. On December 6, 2017, the Company acquired an additional 0.46%, bringing its total interest in HLAG to 25.46% as of the reporting date of these Consolidated Financial Statements. Overall, a total of MMUS\$293.7 was disbursed to purchase new HLAG shares during the year.

As indicated above, during the fourth quarter of 2017 CSAV increased its interest in HLAG from 22.58% to 25.46%, by subscribing to HLAG's capital increase and purchasing additional shares. The funds used by CSAV to subscribe its prorated portion of HLAG's capital increase totaled MMUS\$ 94.0, based on the Company's subscription rights at a price of EUR 30 for each new share. The 2.88% increase in its interest in HLAG was purchased for MMUS\$ 199.7, which brings the total invested in new HLAG shares during the year to MMUS\$293.7. The cost of the total investment was recorded as capital movements, including a purchase price allocation (PPA) on the additional 2.88% purchased, as explained in the following paragraph.

In accordance with IAS 28, CSAV hired PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC Germany) to prepare a PPA report, which determined the fair value of the new identifiable assets acquired upon purchasing the additional 2.88% to be MMUS\$214.5. Compared to the cost indicated above of MUS\$199.7, this gives badwill of MUS\$14.8, which is recorded directly as a gain in CSAV's profit or loss in accordance with IAS 28 and IFRS 3. This gain for badwill is recorded in "Share of profit (loss) of associates and joint ventures" in the Consolidated Statement of Comprehensive Income and is disclosed separately

from the direct interest in HLAG's results in Note 15 of these Consolidated Financial Statements under "Gain (loss) on acquisition of interest."

More information on the accounting balance of CSAV's investment in HLAG and all movements during the year 2017, as well as the business combination between HLAG and UASC, can be found in Notes 15 and 40 of these Consolidated Financial Statements.

Resuming the description of the main variations in non-current assets, the MMUS\$ 46.2 decrease in deferred tax assets can be attributed mainly to the appreciation of the euro given the financing structure (in euros) within the CSAV Group to finance the investment in HLAG. During 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. In addition, although to a much smaller degree, this account was negatively affected by the deconsolidation of the subsidiary Norgistics Chile S.A and the reclassification of certain assets to assets held for sale, as indicated above.

As of December 31, 2017, total liabilities decreased by MMUS\$ 13.2 compared to December 31, 2016. This variation is explained by a decrease of MMUS\$ 16.7 in current liabilities, partially offset by an increase of MMUS\$ 3.5 in non-current liabilities.

The decrease of MMUS\$ 16.7 in current liabilities is explained mainly by a variation of MMUS\$ 19.1 in other current provisions, which can be attributed mostly to the use of a provision for closing costs for investigations into the car carrier business by antitrust authorities in different jurisdictions and to reclassifying part of the existing balance as non-current due to greater uncertainty regarding short-term needs, a decrease in onerous contracts and the use of other provisions for operating and administrative expenses. In addition, payables to related parties as of December 31, 2017, fell MMUS\$ 1.7 as compared to 2016, explained mainly by a change in certain suppliers of maritime services in the vehicle transport business and the deconsolidation of the subsidiary Norgistics Chile S.A. in the Consolidated Financial Statements as of December 31, 2017.

This was partially offset by a net increase in trade and other payables and other current non-financial liabilities of MMUS\$ 2.8, which includes the effect of deconsolidating the subsidiary Norgistics Chile S.A. and reclassifying liabilities as held for sale, as explained above. Excluding these effects, this small increase is explained mainly by greater slot purchases and leases from other shipping companies and more income accrued on voyages in transit.

The increase of MMUS\$ 3.5 in non-current liabilities is explained mainly by the reclassification of some provisions from current to non-current, as indicated above, partially offset by a decrease in trade and other payables (non-current) of MMUS\$ 2.5, because those obligations were paid as they became due.

As of December 31, 2017, equity increased by MMUS\$ 111.0 compared to December 31, 2016. This change is explained by the capital increase of MMUS\$ 294.4 in the fourth quarter of 2017, as explained above, and an increase in other reserves of MMUS\$ 4.6, explained mainly by an increase of MMUS\$ 6.2 in CSAV's share of HLAG's other comprehensive income and other equity reserves, and a decrease of MMUS\$ 0.4 related to the loss in value of hedge derivatives and share issuance costs of MMUS\$ 1.2 during the period. This was partially offset by the loss of MMUS\$ 188.1 recorded for the year 2017. More information on these changes in equity can be found in Note 28 f) of these Consolidated Financial Statements.

b) Statement of Income

	For the year ended December 31, 2017	For the year ended December 31, 2016	Change
	MMUS\$	MMUS\$	MMUS\$
Revenue	109.9	109.3	0.6
Cost of sales	(102.6)	(105.9)	3.3
Gross profit	7.3	3.4	3.9
Administrative expenses	(10.7)	(11.7)	1.0
Other operating income and expenses	4.7	16.2	(11.5)
Net operating income	1.3	7.9	(6.6)
EBITDA (EBITDA without associates)	2.5	8.1	(5.5)
Finance costs, net	(4.4)	(3.8)	(0.6)
Share of loss of equity method associates and joint ventures	(139.5)	(7.0)	(132.5)
Exchange differences and other non-operating expenses	1.0	(0.1)	1.1
Income tax expense	(45.2)	(20.6)	(24.6)
Loss after tax from continuing operations	(186.8)	(23.6)	(163.2)
Profit (loss) after tax from discontinued operations	(1.3)	1.3	(2.6)
Reversal of non-controlling interest	-	(1.0)	1.0
Loss attributable to owners of the company	(188.1)	(23.3)	(164.8)

The **loss attributable to the owners of the Company** of MMUS\$ 188.1 for the year 2017, represents a reduction of MMUS\$ 164.8 over the same period in 2016.

The Company recorded **net operating income** of MMUS\$ 1.3 for the year 2017, down MMUS\$ 6.6 over the same period in 2016, explained mainly by the reversal of the provision for the NYSA-ILA case of MMUS\$ 12.5 during 2016, net of the improved operating income for 2017 as compared to the prior year. The provision was reversed following a favorable ruling for CSAV on a claim filed by

the “NYSA-ILA” Pension Fund, which covers the longshoremen at the ports of New York and New Jersey (United States).

CSAV's income statement reflects **revenue** of MMUS\$ 109.9 for 2017, which represents an improvement of MMUS\$ 0.6 over the same period in 2016. This improvement is largely explained by the vehicle transport business, due to significant growth in transport volumes in 2017 in comparison to 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 2017 in comparison to 2016 helped mitigate this reduction in rates.

Cost of sales amounted to MMUS\$ 102.6 for 2017, down MMUS\$ 3.3 over the same period in 2016. This decrease is explained mostly by a drop of MMUS\$ 5.2 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 43% over 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 fell to MMUS\$ 10.7, down MMUS\$ 1.0 from 2016, mainly due to cost cutting plans implemented during the year. **Other operating income and expenses** totaled MMUS\$ 4.7, which represents a decrease of MMUS\$ 11.5 over the same period in 2016, explained by the 2016 reversal of the provision for the NYSA-ILA case of MMUS\$ 12.5, as explained above.

In share of profit (loss) from equity-accounted associates and joint ventures, CSAV recorded a loss of MMUS\$ 139.5 for 2017, down MMUS\$ 132.5 from the same period last year. This difference is explained mainly by a dilution loss of MMUS\$ 167.2 recorded in the second quarter of 2017 on the value of CSAV's investment in HLAG, as explained in detail in the preceding section, and a decrease in PPA amortization on the investment in HLAG of MMUS\$ 15.2 with respect to the same period in 2017, partially offset by a MMUS\$ 35.1 improvement in HLAG's results with respect to 2016, and the gain of MMUS\$ 14.8 from increasing its interest in HLAG in the last quarter of 2017, as explained above. Note that the above figures consider an interest of 31.35% for 2016 and the first quarter of 2017, 22.58% for the second and third quarters of 2017 and 25.46% for the fourth quarter. As a result, CSAV's share cannot be calculated directly on HLAG's accumulated profit for the year.

According to the accounting method that should be used for joint ventures under IFRS, each quarter 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).

The result recorded for the year 2017 consists of the profit attributable to the owners of the Company reported by HLAG of MMUS\$ 30.0, which includes a loss of MMUS\$ 66.9 for the first quarter, profit of MMUS\$ 71.9 in aggregate for the second and third quarters and profit of MMUS\$ 25.0 for the fourth quarter, over which the Company applied the equity method using 31.35% for the first quarter, 22.58% for the second and third quarters and 25.46% for the fourth quarter, respectively, giving profit of MMUS\$ 1.6 for its direct share of HLAG's results. CSAV also recognized the effect of PPA amortization, which gave a gain of MMUS\$ 17.8 for the first quarter, a total gain of MMUS\$ 24.5 for the next six months and a gain of MMUS\$ 4.1 for the last quarter of the year. The Company applied the equity method value (31.35% for the first quarter and 22.58% for the remaining quarters) to these figures. In addition, given the 2.88% increase in its ownership of HLAG, this interest must be considered for the new PPA calculated for the acquisition of the new shares, which resulted in a loss of MMUS\$ 27.0 for the fourth quarter, of which CSAV recognized a loss of MMUS\$ 0.8. Adding the two PPAs, CSAV recognized a total gain of MMUS\$ 11.3 for its share of PPA amortization during the year. Therefore, based on its share of HLAG's results and the respective PPA adjustments, it recorded total profit of MMUS\$ 12.9.

During 2017, CSAV recognized an **income tax expense** of MMUS\$ 45.2, reflecting an increase of MMUS\$ 24.6 over the same period in 2016. This variation is explained mainly by a larger tax expense in 2017 because of the impact of the appreciating euro on the CSAV Group's financing structure to maintain its investment in HLAG of approximately MMUS\$ 35.7, as detailed in section a) above, net of a charge to profit or loss of MMUS\$ 17.2 for adjustments to tax loss carryforwards in the first quarter of 2016 related to tax earnings arising from the business combination with HLAG in 2014.

Therefore, the **loss attributable to the owners of the company** of MMUS\$ 188.1 for 2017 represents a worsening of MMUS\$ 164.8 over the same period in 2016.

c) Operating Results by Segment

CSAV reports two business segments as of December 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: These are the vehicle transport (car carrier) services operated directly by CSAV. As a result of the Company's decision to stop operating its logistics and freight forwarder business during the fourth quarter of 2017, from that point on the results of that business unit are presented as discontinued operations and comparative information from prior periods is restated in accordance with IFRS 5. After selling the liquid bulk business unit to its partner Odfjell Tankers on October 19, 2016, results recorded until the date of sale are also presented as discontinued operations.

The following chart shows the income statement by segment for the year 2017 (more details in Note 6 to the Consolidated Financial Statements):

Container Shipping	For the year ended	For the year ended	Change
	December 31, 2017	December 31, 2016	
	MMUS\$	MMUS\$	MMUS\$
Administrative expenses	(4.5)	(4.1)	(0.4)
Other operating income and expenses	-	12.5	(12.5)
Net operating income (loss)	(4.5)	8.4	(12.9)
Finance costs, net	(5.0)	(4.1)	(0.9)
Share of loss of equity method associates and joint ventures	(139.5)	(7.0)	(132.5)
Exchange differences and other non-operating expenses	0.9	-	0.9
Income tax expense	(44.3)	(20.5)	(23.8)
Loss after tax	(192.4)	(23.2)	(169.2)
Loss attributable to owners of the company	(192.4)	(23.2)	(169.2)

For the year 2017, the container shipping segment reported a loss of MMUS\$ 192.4, which reflects a reduction of MMUS\$ 169.2 over the same period in 2016. This is due to the dilution loss of MMUS\$ 167.2 explained in section 1a) above; an improvement in its share of HLAG's result of MMUS\$ 19.9; a gain from the acquisition of its additional capital of MMUS\$ 14.8, as explained above, the 2016 reversal of the provision for the NYSA-ILA case of MMUS\$ 12.5, explained in the previous section; increased administrative expenses of MMUS\$ 0.4, and increased finance costs of MMUS\$ 0.9, related to financial liabilities for the HLAG investment (corporate bonds, loan from Banco Itaú and bridge loan for capital increase), and a larger tax expense of MMUS\$ 23.8, related largely to the financing structure for the investment in HLAG, as explained in preceding sections. Other factors include a gain on exchange differences and other non-operating income for the year 2017 in comparison to 2016, for a total of MMUS\$ 0.9.

Other Transport Services	For the year ended December 31, 2017	For the year ended December 31, 2016	Change
	MMUS\$	MMUS\$	MMUS\$
Revenue	109.9	109.3	0.6
Cost of sales	(102.6)	(105.9)	3.3
Gross profit	7.3	3.4	3.9
Administrative expenses	(6.2)	(7.6)	1.4
Other operating income and expenses	4.7	3.7	1.0
Net operating income (loss)	5.8	(0.5)	6.3
Finance costs, net	0.6	0.3	0.3
Share of loss of equity method associates and joint ventures	-	-	-
Exchange differences and other non-operating expenses	0.1	(0.1)	0.2
Income tax expense	(0.9)	(0.1)	(0.8)
Profit (loss) after tax from continuing operations	5.6	(0.4)	6.0
Profit (loss) after tax from discontinued operations	(1.3)	1.3	(2.6)
Reversal of non-controlling interest	-	(1.0)	1.0
Profit (loss) attributable to owners of the company	4.3	(0.1)	4.4

For the year 2017, the other transport services segment reported profit of MMUS\$ 4.3, which represents an improvement of MMUS\$ 4.4 over the same period in 2016, due mainly to a larger gross profit of MMUS\$ 3.9, explained by a MMUS\$ 0.6 increase in revenue and a MMUS\$ 3.3 decrease in cost of sales, both explained in section b) above. Improvements were also seen in administrative expenses (MMUS\$1.4) due to cost cutting plans implemented during the year, and other operating income and expenses (MMUS\$1.0) because of the sale of certain investment properties beyond those sold in 2016. The Company recorded a larger income tax expense, up MMUS\$ 0.8, mainly because of the effect on taxable income of the improved margin described above.

2. Market Analysis

a) Container Shipping Segment

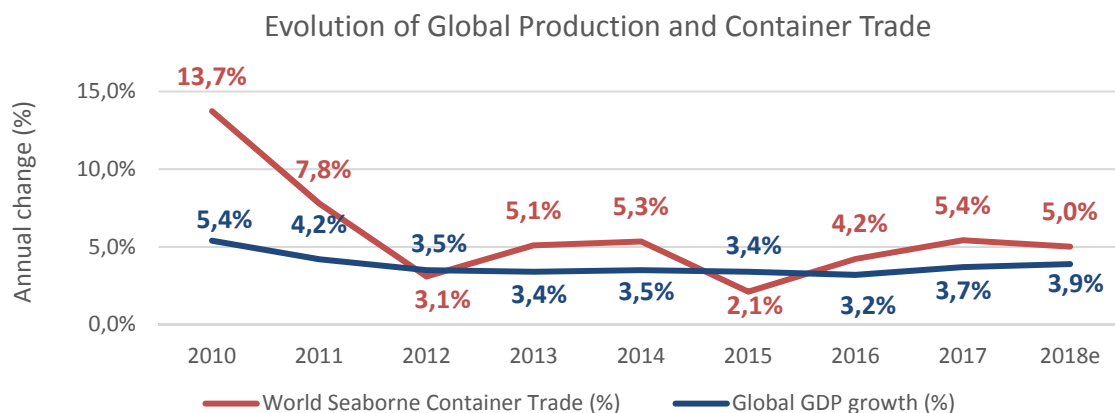
The Company participates in the container shipping business through its 24.46% stake in HLAG (accounted for as a joint venture using the equity method). Although CSAV jointly controls HLAG together with two other major partners, that joint venture has an independent management team that controls and manages its risks autonomously and in accordance with the standards of a publicly-listed and regulated company in Germany.

With that said, although the container shipping industry's main indicators seem to be evolving favorably, it continues to face a volatile, highly competitive market characterized by:

- **Volatile global trade.**

There is a direct relationship between global GDP growth and international trade in goods, which takes place mainly through ocean container shipping. 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.

However, in January 2018 the International Monetary Fund (IMF) predicted global economic growth of 3.7% for 2017, the highest figure in the last six years, surpassing the entity's most recent projections from October 2017 by one percentage point and forecasts from early 2017 by two percentage points. This most recent IMF report estimates global GDP growth for 2018 of 3.9%, which represents an increase of two points over the October report and three points since the beginning of 2017. In 2016, global GDP hit its lowest levels seen in recent years. Therefore, these indicators and their projections are still highly volatility.



Source: International Monetary Fund - Global Economic Prospects Oct-17, Clarkson Research Nov-17.

In line with these projections, demand for container transport in 2017 grew 5.4% and is expected to grow 5.0% in 2018, due to a more vigorous global economy and increased trade. These forecasts improved considerably over the first quarter of the year (4.2% for 2017 and 4.6% for 2018) due to the rise in industry indicators for transport volume starting the second quarter of 2017.

The positive results for 2017 reported by the IMF are due to recovering growth in several economies, considered the most synchronized recovery seen since 2010, with economies in Europe and Asia performing particularly well. During the last few months of 2017, global trade increased sharply backed by recovering investment, especially in developed economies, and increased production in Asia, in line with stronger consumer confidence.

The recovery seen in 2017 is expected to continue in 2018, mainly because of growth in developed economies, backed by favorable expectations for global financial conditions and more quickly accelerating demand. These outlooks also include the positive economic effects of the tax reform implemented in the United States, which should strengthen internal demand and imports in the short term. Emerging markets should continue to enjoy the economic vigor and growth seen in 2017. Latin America is expected to continue to recover with slight growth over 2017 and should not be significantly affected by the downgrading of Venezuela and upcoming elections in Brazil, Mexico and Colombia.

- **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.

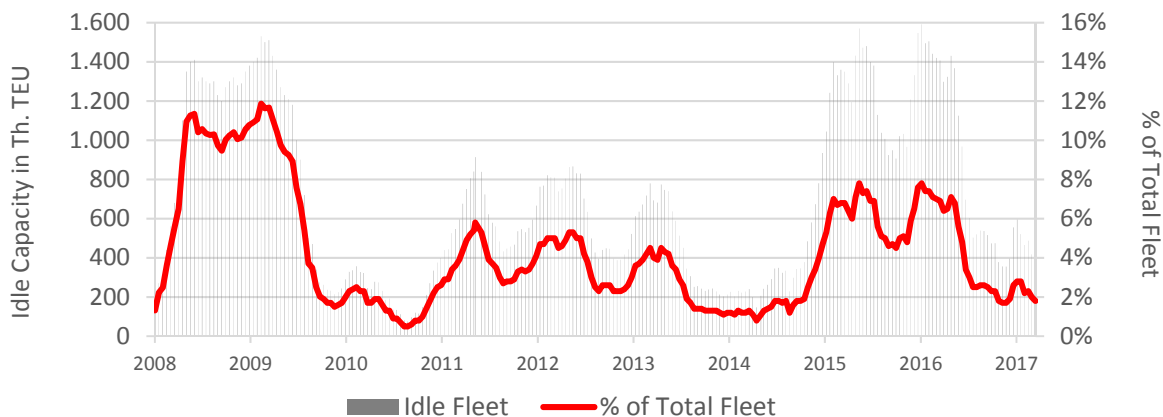
In this same spirit, today shipbuilding orders usually relate to vessel operators or very long-term charter contracts with those operators, and not to investors or non-operating ship owners, as was the case until recently. As a result, orders are presently part of an orderly growth plan and are aligned with joint venture agreements or global alliances in which these companies participate.

According to data from Alphaliner, vessels under construction total 12.7% of the current global operating fleet as of December 31, 2017, which remains within historically low levels. 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 2018 in comparison to prior years, falling to record lows. It is

worth mentioning that 47% of these future deliveries fall within the largest ship category, with capacity over 18,000 TEU, which reflects the industry's focus towards increased operating efficiency and more coordinated positioning along multiple routes operated by global alliances.

During 2017, the industry continued to see considerable vessel scrapping, posting the third highest figure in history of close to 2.1% of the global fleet existing at the beginning of the year, and maintaining a downward trend in the average age of scrapped vessels. Another important effect that partially explains this trend 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). This increase in vessel scrapping is explained by the entry of new, larger ships to replace smaller, less fuel-efficient vessels. Although these initiatives have led shipping companies to rationalize asset use, with shipbuilding orders currently stabilized at lower levels, and excess capacity began to shrink in 2016 for the first time in the past five years as demand outgrew supply, weaker demand for shipping in recent years continues to generate excess capacity. In contrast, demand and supply growth remained in equilibrium in 2017. 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. Idle fleet levels fell in 2017 with respect to the prior year due mainly to both high scrapping levels during the period and the industry's re-incorporation of part of its idle fleet for the industry's new configuration as a result of new operating alliances that began in April 2017.

Evolution of Idle Fleet



Source: Alphaliner- Monthly Report Oct-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.

- **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 to obtain a suitable return on its assets.

In recent years, the SCFI index has varied significantly, reaching the lowest level in the index's history in early 2016. However, during 2017, this index reported a higher annual average price and considerably more stability in comparison to the last two years. It is also displaying a more seasonal nature than prior years, with the index increasing as the industry enters its peak season (June to September) and falling during the slack season. However, if we include the effect of fuel prices, which trended upwards during 2017 and had a higher average price than the last two years, ex-bunker freight rates are still below expectations for suitable returns.

In addition, rates along other routes have not evolved as favorably in 2017 as those from China, maintaining low average rates on many routes.

- **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 HLAG 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 and concluded in November 2017. Furthermore, as described above in this report, in late May 2017 HLAG announced the closing of its merger with UASC, which positioned it once again among the world's five largest shipping companies in terms of hauling capacity. In addition, at the beginning of the second half of 2017 the Chinese shipping line COSCO, which had previously merged with China Shipping, announced its acquisition of Hong Kong-based Orient Overseas Container Lines (OOCL).

During the third quarter of 2016, Hanjin Shipping—the seventh largest container shipping company at that time by hauling capacity and the largest Korean shipping line—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 over 84% of installed capacity, whereas the five largest will have over 65%. The five largest operators should 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 to a global scale.

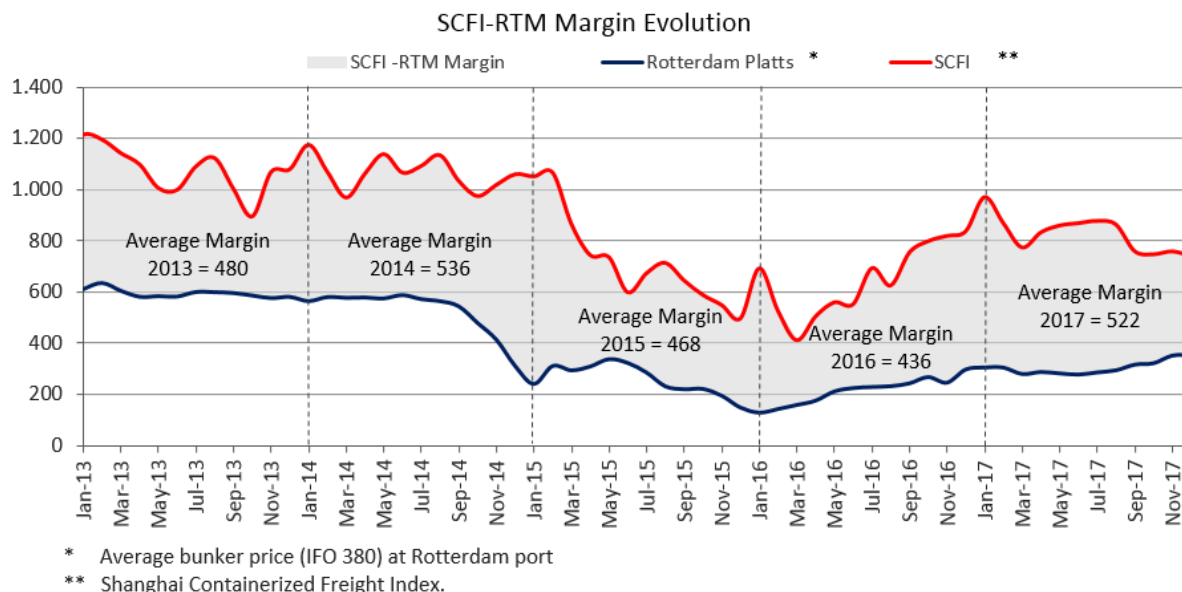
Likewise, in recent years shipping companies have expanded joint operating agreements and operating alliances in order to improve customer service levels and broaden the geographic coverage of their shipping services, while generating very significant economies of scale and network economies. These initiatives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

The new structure of alliances announced in 2016 began to operate along different routes around the world in the second quarter of 2017, accounting for almost 90% of total transport capacity along the industry's main long-haul, East-West routes. The main changes included 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 maintained its present structure, but HMM was incorporated as a slot buyer.

- **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. In 2017, fuel prices increased sharply, although they stabilized during the second half of the year, recording an average price higher than figures seen in 2015 and 2016.

Therefore, 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 and the main global routes.



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

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.

In summary, all container shipping industry players continue to face challenging conditions, albeit with significant improvements in some key indicators that lead to estimates of better outlooks for the future. Although a quick, consistent recovery has not been observed, upward trends have been seen in rates along several routes—mainly from the Far East, which boasts the largest shipping volumes in the world. However, the industry has still not yet reached recovery levels seen in 2013 and 2014. In recent months, improvement has also been seen in fleet and supply-demand equilibrium indicators, which, together with the greater stability in fuel prices, gives signs of improved outlooks for stability and ex-bunker rates. These enhanced outlooks have led to greater operating income for the year for many industry operators more exposed to routes from Asia. 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. This is especially important to deal with the cost pressures that a recovering market can bring, in the markets for both vessel charters and maritime and port services.

b) Other Transport Services Segment

The diverse vehicle transport activities that CSAV directly operated during 2017 have also been affected by a drop in global demand for transportation and excess supply.

The global vehicle transport business has experienced volatile demand since the 2008 financial crisis, which is closely linked to the economies of import markets and changes in car manufacturing countries.

CSAV mainly transports vehicles from Asia, Europe, the USA and the east coast of South America to markets along the west coast of South America, with the largest volume going to Chile and Peru. 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, which only recently began to improve in 2016.

In Chile and Peru, total sales of new light vehicles during 2017 reported a 14% rise over the same period last year (source: ANAC and AAP), recovering part of sales volumes lost in prior years. This increase in sales volumes gives the industry hope for improved use of installed capacity along these routes and, eventually, certain upward pressure on medium-term rates. It is important to remember that there is still considerable excess supply in the global vehicle transport industry and, if not effectively absorbed, shipping lines operating the route may decide to increase capacity, thereby destroying the possibility for supply-demand equilibrium and a potential recovery of rates for the local markets where CSAV operates.

3. Analysis of Statement of Cash Flows

The main variations in cash flows are explained as follows.

	For the year ended December 31, 2017	For the year ended December 31, 2016	Change
	MMUS\$	MMUS\$	MMUS\$
Cash flows from operating activities	(12.9)	(16.6)	3.7
Operating cash flows	(13.8)	(16.6)	2.8
Income taxes and other	0.9	-	0.9
Cash flows from investing activities	(288.6)	3.6	(292.2)
Other payments to acquire interest in joint ventures	(293.7)	-	(293.7)
Proceeds from sale of property, plant and equipment	3.9	-	3.9
Interest received	1.0	0.1	0.9
Dividends received	-	0.1	(0.1)
Cash flows from sale of non-controlling interest	0.1	2.3	(2.2)
Cash flows arising from the loss of control of subsidiaries	0.1	1.1	(1.0)
Cash flows from financing activities	288.3	15.2	273.1
Proceeds from share issuance	293.6	-	293.6
Loans obtained and paid	(120.0)	(0.7)	(119.3)
Proceeds from short-term loans	119.6	-	119.6
Loans obtained from related parties and paid to related parties	-	(30.0)	30.0
Proceeds from long-term loans	-	49.9	(49.9)
Interest payments	(4.7)	(3.5)	(1.2)
Other cash outflows	(0.2)	(0.5)	0.3
Effect of change in exchange rate	1.0	-	1.0
Increase (decrease) in cash and cash equivalents	(12.2)	2.2	(14.4)

The net change in **cash and cash equivalents** between December 31, 2016 and December 31, 2017, was a negative MUS\$ 12.2, which represents a net deterioration of MUS\$ 14.4 over the same period in 2016.

Operating activities generated a negative net flow of MMUS\$ 12.9 for the first four quarters of 2017, which represents an improvement of MMUS\$ 3.7 over the same period in 2016. This cash flow is explained mainly by the use of provisions for investigations by antitrust authorities into the car carrier business, the use of other provisions such as onerous contracts and administrative expenses, and disbursements for non-recurring obligations of approximately MMUS\$ 13.1. Excluding these effects, cash flows from recurring operations reported a net increase in cash of MMUS\$ 0.2, excluding amounts from sales of investment property during the year, which are presented as cash flows from investing activities.

Investing activities generated a negative net flow of MUS\$ 288.6 for the year ended December 31, 2017, which represents a deterioration of MUS\$ 292.2 over the same period in 2016. This is explained mainly by the investment made to acquire new shares during HLAG's capital increase and the subsequent purchase of additional shares to attain a total stake of 25.46% in the German shipping line. These processes took place during the fourth quarter of 2017. These outflows were partially offset by the sale of real estate classified as investment properties and by proceeds from interest earned on time deposits held by the Company.

Due to the sale of the subsidiary Norgistics Chile S.A., which was wholly owned by CSAV, and the sale of its non-controlling interest in certain companies recorded as equity method investments, it recorded cash flows from the loss of control of subsidiaries and cash flows from the sale of non-controlling interest, respectively.

Financing activities generated a positive net flow of MMUS\$ 288.3 for the twelve months ended December 31, 2017, marking an improvement of MMUS\$ 273.1 over the same period in 2016, mainly explained by funds raised by CSAV during its successful capital increase in Chile in the fourth quarter of 2017, recorded as proceeds from share issuances, which were partially offset by the net effect of obtaining and then repaying the bridge loan of MMUS\$ 120, recorded as proceeds from short-term loans and loan repayments, respectively, for interest payments on financial liabilities in the container shipping segment and the bridge loan for the capital increase.

4. Analysis of Market Risk

As described in Note 5 to these consolidated financial statements, CSAV's investment in HLAG is presently its primary asset (85% of total assets as of December 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 both the container shipping segment and its direct operating segments (other transport services segment) stem mainly from the possibility of deteriorating demand for ocean transport, an increase in the supply of transport capacity, a drop in freight rates and a rise in oil prices. Other risks that may affect the industry include heightened competition for market share (volumes), asset obsolescence (technological risk), environmental risks and potential regulatory changes.

On the demand side, for the container shipping business risk comes primarily from global economic conditions and the impact of global economic slowdown. The IMF's estimates for year-end 2017 forecast a positive trend for global gross domestic product in the next few years, estimating growth of 3.7% for 2017, which reflects a one percentage point increase over its April and June 2017 estimates. Therefore, forecasts do not call for any changes in demand that entail any important short-term risk. Based on the IMF's most recent estimates, it is predicting growth in global trade (products and services) of 4.7% for 2017 versus 2.5% in 2016, which seems to confirm an improved scenario of growth in transport 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, although container ship construction levels are currently at historical lows, even considering several orders for new ships placed in recent months. In addition, the idle fleet has decreased considerably over the high levels seen in late 2016, due to vessel scrapping and the re-incorporation of many vessels into the currently operated fleet. These factors have markedly reduced the risk of a negative effect on the supply-demand imbalance within the industry, given the possibility of re-incorporating the idle fleet into the operated fleet.

On the other hand, the main risk in the vehicle transport business stems from the weakness of key markets for CSAV (west coast of South America) and global balance of supply and demand for roll-on/roll-off (“RO-RO”) vessels. CSAV is a niche operator in this business.

In addition, the price of oil has dropped considerably since the third quarter of 2014. However, it rose throughout last year and continues to show some volatility as to how it will evolve in the future. In order to mitigate this risk, in the vehicle transport business 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 these consolidated financial statements.

In relation to interest rate risks, CSAV 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, 2017, the Company has certain assets and liabilities in other currencies, which are detailed in Note 33 to these consolidated financial statements. As of December 31, 2017, CSAV does not have any foreign currency hedges. It manages the risk of exchange rate changes on working capital by periodically converting any balances in local currency that exceed payment requirements in that currency into US dollars.

5. Financial Ratios

As of December 31, 2017, the main financial indicators are as follows:

a) Liquidity Ratios

Liquidity Ratios		As of December 31, 2017	As of December 31, 2016
Current Liquidity Ratio	= $\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.780	1.521
Acid-Test Ratio	= $\frac{\text{Cash and Cash Equivalents}}{\text{Current Liabilities}}$	1.098	0.987

- Current Liquidity:** This ratio increased in comparison to December 2016 since the decrease in current liabilities (-30% / MMUS\$ 16.7) was larger than the decrease in current assets (-18% / MMUS\$ 15.4). The decrease in current liabilities is explained largely by the reversal of legal and operational provisions for the vehicle transport business, offset by a decrease in current assets, specifically cash and cash equivalents and inventory, as well as the effect of deconsolidating the subsidiary Norgistics Chile S.A., (both assets and liabilities). These effects are explained in depth in section 1 a) of this report.
- Acid-Test Ratio:** This ratio increased with respect to December 2016, because the decrease in current liabilities (-30% / MMUS\$ 16.7) was greater than the decrease in cash and cash equivalents (-22% / MMUS\$ 12.2), explained mainly by the negative operating cash flows during 2017 of MMUS\$ 13.8, both of which are explained in detail in section 1 a) of this report.

b) Leverage Ratios

Leverage Ratios		As of December 31, 2017	As of December 31, 2016
Leverage	= $\frac{\text{Total Liabilities}}{\text{Equity}}$	0.070	0.081
Short-Term Leverage	= $\frac{\text{Current Liabilities}}{\text{Total Liabilities}}$	0.260	0.342
Long-Term Leverage	= $\frac{\text{Non-Current Liabilities}}{\text{Total Liabilities}}$	0.740	0.658
Financial Expense Coverage	= $\frac{\text{Profit (Loss) before Tax and Interest}}{\text{Finance Costs}}$	-25.129	0.263

- **Leverage:** This ratio fell with respect to December 2016, largely because of a decrease in total liabilities (MMUS\$ -13.2 / -8% chg.), as explained in section 1 a) of this report, and an increase in equity (MMUS\$ 129.8/ 6% chg.) mainly because of variations in the investment in HLAG, as explained above.
- **Short-Term Leverage:** This ratio fell with respect to December 2016, due to a decrease in current liabilities (MMUS\$ 16.7 / -30% chg.) explained in section 1a) of this report, partially offset by a decrease in total liabilities (MMUS\$ 13.2 / -8% chg.), also explained in section 1a).
- **Long-Term Leverage:** This ratio rose slightly with respect to December 2016, due to a decrease in total liabilities (MMUS\$ 13.2 / -8% chg.) explained in section 1 a) of this report and the increase in non-current liabilities (MMUS\$ 3.5 / -3% chg.), also explained in section 1 a).
- **Financial Expense Coverage:** This ratio fell in relation to December 2016 and became negative, due to a loss before taxes and interest recorded for 2017 of MMUS\$ 136.2 in comparison with profit of MMUS\$ 1.1 in 2016 (decrease of MMUS\$ 137.3), which was offset by increased finance costs (MMUS\$ 1.3 / -32% chg.) with respect to 2016.

c) Profitability Ratios

Profitability Ratios		As of December 31, 2017	As of December 31, 2016
Return on Equity	= $\frac{\text{Loss Attributable to Owners of the Company}}{\text{Average Equity}}$	-0.0912	-0.0115
Return on Assets	= $\frac{\text{Loss Attributable to Owners of the Company}}{\text{Average Assets}}$	-0.0849	-0.0106
Return on Operating Assets	= $\frac{\text{Net Operating Income (Loss)}}{\text{Average Operating Assets *}}$	0.0007	0.0042
Dividend Yield	= $\frac{\text{Dividends Paid inlast 12 months}}{\text{Market Value of Stock}}$	0.0000	0.0000
Earnings (Loss) per Share	= $\frac{\text{Loss Attributable to Owners of the Company}}{\text{Number of Shares}}$	-0.0051	-0.0008
Market Value of Stock (Ch\$)	=	33.2	17.5

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

- **Return on Equity:** This ratio decreased over December 2016, due to poorer results because of the loss attributable to the owners of the company of MMUS\$ 188.1 recorded for 2017 in comparison to the loss of MMUS\$ 23.3 for 2016 (MMUS\$ 164.8 / -707% chg.), which was offset by greater average equity (MMUS\$ 33.3 / 2%).
- **Return on Assets:** This ratio decreased in relation to December 2016, due to poorer results because of the loss attributable to the owners of the company (MMUS\$ 146.1, / -626% chg.) explained above, which was offset by greater average assets (MMUS\$ 26.5 / 1% chg.).
- **Return on Operating Assets:** This ratio decreased in relation to December 2016, due to reduced net operating income of MMUS\$ 1.3 in comparison to MMUS\$ 7.9 in December 2016 (MMUS\$ 6.6 / -83% chg.), , and greater average operating assets (MMUS\$ 63.0 / 3% chg.).
- **Dividend Yield:** This ratio remained constant because no dividends were distributed in 2016 and 2017.
- **Earnings per Share:** Earnings per share fell with respect to December 2016 as a result of poorer results (MMUS\$ 164.8 / -707% chg.), as explained in the first ratio above, partially offset by an increase of 6,100 million shares subscribed and paid-in because of the capital increase in the fourth quarter of 2017.
- **Market Value of Stock:** The share value increased by 90% compared to December 2016.

d) Activity Ratios

Activity Ratios		As of December 31, 2017	As of December 31, 2016
Inventory Turnover	= $\frac{\text{Fuel Costs}}{\text{Average Inventories}}$	5.221	4.643
Inventory Permanence	= $\frac{\text{Average Inventories} * 360}{\text{Fuel Costs}}$	68.946	77.538

- **Inventory Turnover:** This indicator increased with respect to December 31, 2016, as a result of the rise in fuel costs (MMUS\$ 4.4 / 30% chg.) exceeding the increase in average inventories (MMUS\$ 0.5 / 15% chg.).
- **Inventory Permanence:** Since inventory turnover increased, permanence decreased in relation to December 2016.