QUARTERLY ANALYSIS

Based on the Interim Consolidated Financial Statements
as of June 30, 2017

COMPAÑÍA SUD AMERICANA DE VAPORES S.A. AND SUBSIDIARIES

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CSAV

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 June 30, 2017	As of December 31, 2016	Change
	MMUS$	**MMUS$**	**MMUS$**
Current assets	79.2	84.2	(5.0)
Non-current assets	1,888.3	2,084.0	(195.7)
Total assets	**1,967.5**	**2,168.2**	**(200.7)**

LIABILITIES AND EQUITY	As of June 30, 2017	As of December 31, 2016	Change
	MMUS$	**MMUS$**	**MMUS$**
Total current liabilities	53.0	55.3	(2.3)
Non-current liabilities	103.6	106.4	(2.8)
Equity attributable to owners of the company	1,810.9	2,006.5	(195.6)
Total liabilities and equity	**1,967.5**	**2,168.2**	**(200.7)**

As of June 30, 2017, total assets decreased by MMUS$ 200.7 compared to December 31, 2016. This change is explained by decreases of MMUS$ 195.7 in non-current assets and MMUS$ 5.0 in current assets.

The decrease of MMUS$ 5.0 in current assets is explained mainly by decreases in cash and cash equivalents and inventory. The latter was the result of lower volumes transported in the car carrier business during the second quarter of 2017 in comparison to the last quarter of 2016. These decreases were partially offset by an increase in trade and other receivables as a result of improved sales during the first half of 2017. These figures are consistent with seasonal trends observed regularly between the two halves of the year.

The decrease of MMUS$ 195.7 in non-current assets is explained mainly by decreases of MMUS$ 168.9 in equity method investments and MMUS$ 25.9 in deferred tax assets.

The change in equity method investments during the first half of 2017 is explained mainly by the dilution loss on the value of the investment in Hapag-Lloyd AG (hereinafter HLAG) of MMUS$ 167.2; CSAV's share of HLAG's loss for the period, net of amortization of the purchase price allocation (PPA); and the gain recorded for its share of other comprehensive income that affects HLAG's equity. It is important to note that CSAV's share of HLAG's loss decreased from 31.35% in the first quarter of 2017 to 22.58% in the second quarter of 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 merger between HLAG and United Arab Shipping Company (UASC) on May 24, 2017. This transaction makes the new entity 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 will 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 and the resulting rise in transport volumes, among other elements, 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 the Company 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 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 Interim Consolidated Financial Statements.

As illustrated in the table, CSAV recorded a decrease of MMUS$ 8.0 in the investment due to its share of HLAG's loss, net of PPA amortization; a dilution loss of MMUS$ 167.2; an increase of MMUS$ 6.4 due to the Company's share of HLAG's other comprehensive income; and a loss in HLAG's other reserves of MMUS$ 0.1. For more information, see Notes 15 and 40 to these Interim Consolidated Financial Statements.

Detail of Movements in CSAV's Investment in HLAG	
	MMUS$
Balance as of December 31, 2016	**1,771.6**
Share of HLAG's Loss	(17.4)
Effect of PPA on Loss	9.3
Total Share of HLAG's Loss	(8.0)
Dilution Loss	(167.2)
Share of Other Comprehensive Income	6.4
Other Equity Reserves	(0.1)
Balance as of June 30, 2017	**1,602.7**

The MMUS$ 25.9 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 the first half 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 June 30, 2017, total liabilities decreased by MMUS$ 5.1 compared to December 31, 2016. This change is explained by decreases of MMUS$ 2.3 in current liabilities and MMUS$ 2.8 in non-current liabilities.

The decrease of MMUS$ 2.3 in current liabilities is explained mainly by the change in other current provisions and employee benefit provisions of MMUS$ 11.5 explained largely by a decrease in onerous contracts (see Note 24 to these Interim Consolidated Financial Statements); a decrease in the provision for investigations by antitrust authorities in the car carrier business with a portion of this provision (MMUS$ 2.6) being reclassified to trade and other payables; a decrease in other provisions related to administrative expenses; and a decrease in the recording of the percentage of completion of MMUS$ 1.6, which in turn increased other non-financial liabilities by the same amount.

This was partially offset by a net increase of MMUS$ 3.5 in trade and other payables, payables to related parties and other non-financial liabilities, excluding the increase from reclassifying the provision and percentage of completion explained above. The net effect of the increase is explained mainly by a rise in income accrued on in-transit voyages. In addition, other financial liabilities increased by MMUS$ 1.5, primarily as a result of interest accrued on the bond placed in 2016.

The decrease of MMUS$ 2.8 in non-current liabilities is attributable to the decrease in trade and other payables of MMUS$ 2.5 since that amount was reclassified as current based on its expected maturity.

As of June 30, 2017, equity decreased by MMUS$ 195.6 compared to December 31, 2016. This change is explained mainly by the loss of MMUS$ 201.4 recorded for the first half of 2017, offset partially by an increase in other reserves of MMUS$ 5.8, explained mainly by an increase of MMUS$ 6.4 in CSAV's share of HLAG's other comprehensive income, and a decrease of MMUS$ 1.7 related to the loss in value of hedge derivatives during the six-month period (see Note 28f of these Interim Consolidated Financial Statements).

b) Statement of Income

	For the period ended June 30, 2017	For the period ended June 30, 2016	Change
	MMUS$	**MMUS$**	**MMUS$**
Revenue	58.8	57.6	1.2
Cost of sales	(54.5)	(60.6)	6.1
Gross profit (loss)	**4.3**	**(3.0)**	**7.3**
Administrative expenses	(6.5)	(6.8)	0.3
Other operating income and expenses	3.6	14.4	(10.8)
Net operating income	**1.4**	**4.6**	**(3.2)**
EBITDA (EBITDA without associates)	***1.6***	***4.6***	***(3.1)***
Finance costs, net	(2.0)	(1.6)	(0.4)
Share of loss of equity method associates and joint ventures	(175.2)	(36.3)	(138.9)
Exchange differences and other non-operating expenses	0.1	(0.2)	0.3
Income tax expense	(25.7)	(26.7)	1.0
Loss after tax from continuing operations	**(201.4)**	**(60.2)**	**(141.2)**
Profit after tax from discontinued operations	**-**	**1.3**	**(1.3)**
Reversal of non-controlling interest	-	(0.6)	0.6
Loss attributable to owners of the company	**(201.4)**	**(59.5)**	**(141.9)**

The **loss attributable to the owners of the company** of MMUS$ 201.4 for the first half of 2017 represents a deterioration of MMUS$ 141.9 over the same period in 2016.

The Company recorded **net operating income** of MMUS$ 1.4 for the first half of 2017, down MMUS$ 3.2 over the same period in 2016, explained mainly by the reversal of the provision for the NYSA-ILA case of MMUS$ 12.5 in 2016, explained previously. 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$ 58.8 for the first half of 2017, which represents an improvement of MMUS$ 1.2 over the same period in 2016. This improvement is largely explained by the vehicle transport business, which posted an increase in sales of MMUS$ 3.0, explained by significant growth in transport volumes for the first half of 2017 in comparison to the same period in 2016, partially offset by lower average freight rates. The freight forwarding business (operated by the Norgistics subsidiaries) reported a decrease in sales of MMUS$ 1.8, 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 half of 2016.

The change 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 first half of the year in comparison to the same period in 2016 helped mitigate this reduction in rates.

Cost of sales amounted to MMUS$ 54.5 for the first half of 2017, down MMUS$ 6.1 over the same period in 2016. This decrease is explained mostly by a drop of MMUS$ 6.4 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 59% over the first half 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$ 6.5, falling by MMUS$ 0.3 with respect to the first half of 2016. **Other operating income and expenses** totaled MMUS$ 3.6, which represents a decrease of MMUS$ 10.8 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 loss from equity-accounted associates and joint ventures**, CSAV recorded a loss of MMUS$ 175.2 for the first half of 2017, down MMUS$ 138.9 from the first half of 2016. 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 above, and a decrease in PPA

amortization of MMUS$ 4.7 with respect to the same period in 2016, partially offset by a MMUS$ 32.8 improvement in HLAG's results with respect to the first half of 2016. These figures consider ownership interests of 31.35% and 22.58% for the first and second quarters of 2017, respectively, and 31.35% for 2016.

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).

Regarding results for the first half of 2017, HLAG reported a loss attributable to the owners of the company of MMUS$ 50.9, which includes a loss of MMUS$ 66.9 for the first quarter and profit of MMUS$ 16.0 for the second quarter, and a gain of MMUS$ 34.5 for PPA amortization for the period, consisting of gains of MMUS$ 17.8 and MMUS$ 16.7 for the first and second quarters, respectively. The Company applied the equity method value (31.35% for the first quarter and 22.58% for the second quarter) to these figures. Thus, CSAV recorded a loss of MMUS$ 17.4 for its direct share of HLAG's results and profit of MMUS$ 9.3 for its share of the PPA amortization, recording a net loss from its share of HLAG's results of MMUS$ 8.0.

During the first half of 2017, CSAV recorded **income tax expense** of MMUS$ 25.7, down MMUS$ 1.0 from the same period in 2016, explained by a charge of MMUS$ 17.2 to profit or loss from an adjustment to tax loss carryforwards related to tax profits generated on the transaction with HLAG in 2014, and the tax effect of MMUS$ 3.3 from reversing the provision for the NYSA-ILA case explained above. Both effects were recorded during the first half of 2016. These effects were partially offset by a larger tax expense of MMUS$ 17.3 related to the appreciation of the euro and its effect on the financing structure required by the CSAV Group to maintain the investment in HLAG as explained in section a) above, as a result of the effect of the change in the euro-dollar exchange rate on the financing structure described above, and a larger tax expense of MMUS$ 2.2 explained mostly by the improvement in taxable income, mainly due to **gross profit.**

Therefore, the **loss attributable to the owners of the company** of MMUS$ 201.4 for the first half of 2017 represents a worsening of MMUS$ 141.9 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.

CSAV

c) Operating Results by Segment

CSAV reports two business segments as of June 30, 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 half of 2017 (see Note 6 to the Interim Consolidated Financial Statements):

Container Shipping	For the period ended June 30, 2017	For the period ended June 30, 2016	Change
	MMUS$	MMUS$	MMUS$
Administrative expenses	(1.6)	(1.5)	(0.1)
Other operating income and expenses	-	12.6	(12.6)
Net operating income (loss)	**(1.6)**	**11.1**	**(12.7)**
Finance costs, net	(2.2)	(1.6)	(0.6)
Share of loss of equity method associates and joint ventures	(175.2)	(36.3)	(138.9)
Exchange differences and other non-operating expenses	(0.2)	-	(0.2)
Income tax expense	(25.1)	(27.3)	2.2
Loss after tax	**(204.3)**	**(54.1)**	**(150.2)**
Loss attributable to owners of the company	**(204.3)**	**(54.1)**	**(150.2)**

For the first half of 2017, the container shipping segment reported a loss of MMUS$ 204.3, which reflects a reduction of MMUS$ 150.2 over the same period in 2016. This is due to a larger loss on its investment in HLAG of MMUS$ 175.2, as explained above; the 2016 reversal of the provision for the NYSA-ILA case of MMUS$ 12.5, explained in the previous section; and increased finance costs of MMUS$ 0.6, 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 June 30, 2017	For the period ended June 30, 2016	Change
	MMUS$	MMUS$	MMUS$
Revenue	58.8	57.6	1.2
Cost of sales	(54.5)	(60.6)	6.1
Gross profit (loss)	**4.3**	**(3.0)**	**7.3**
Administrative expenses	(4.9)	(5.3)	0.4
Other operating income and expenses	3.6	1.8	1.8
Net operating income (loss)	**3.0**	**(6.5)**	**9.5**
Finance costs, net	0.2	-	0.2
Exchange differences and other non-operating expenses	0.3	(0.2)	0.5
Income tax benefit (expense)	(0.6)	0.6	(1.2)
Profit (loss) after tax from continuing operations	**2.9**	**(6.1)**	**9.0**
Profit after tax from discontinued operations	**-**	**1.3**	**(1.3)**
Reversal of non-controlling interest	-	(0.6)	0.6
Profit (loss) attributable to owners of the company	**2.9**	**(5.4)**	**8.3**

For the first half of 2017, the other transport services segment reported profit of MMUS$ 2.9, which represents an improvement of MMUS$ 8.3 over the same period in 2016, due mainly to a larger gross profit of MMUS$ 7.3, explained by a MMUS$ 1.2 increase in revenue and a MMUS$ 6.1 decrease in cost of sales, both explained in section b) above. In addition, the Company recorded a larger income tax expense, up MMUS$ 1.2, mainly because of the effect on taxable income of the improved margin described above.

2. Market Analysis

a) Container Shipping Segment

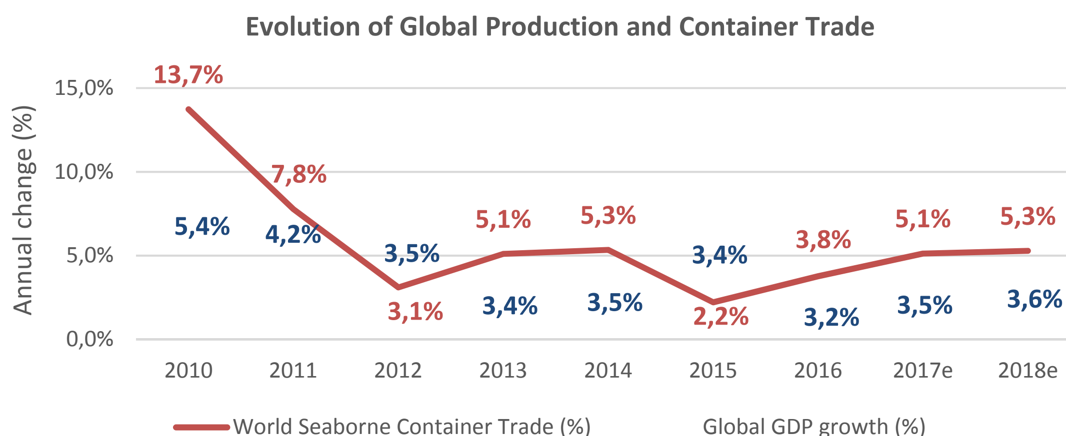
The Company participates in the container shipping business through its investment in HLAG (accounted for as a joint venture using the equity method). Although CSAV jointly controls HLAG together with two other major partners, that joint venture has an independent management team that controls and manages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

However, the container shipping industry continues to face very volatile and mostly 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. According to the IMF's latest report (July 2017), global GDP grew 3.2% in 2016, the lowest level in recent years. However, projections call for global GDP growth to rise to 3.5% in 2017 and stabilize at 3.6% in 2018. In line with these projections, demand for container transport in 2017 and 2018 is expected to grow 5.1% and 5.3%, respectively, due to a more vigorous global economy and increased trade. This index has increased considerably over the prior quarter (4.2% for 2017e and 4.6% for 2018e) due to the rise in industry indicators for transport volume during the second quarter of 2017.

Evolution of Global Production and Container Trade



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

Although outlooks for global GDP growth for these years have remained steady with respect to the IMF's report from April 2017, composition has varied slightly given the recent economic improvements in developed markets, such as Japan and Europe. The latter is the result of less

political uncertainty following presidential elections in France and Holland. Among emerging nations, the IMF highlights China's improved growth projections as fiscal policies strongly stimulated the economy during the first quarter. Although growth prospects for the United States were maintained for the next few years, they are slightly below previous forecasts due to a smaller estimated effect of the easing of fiscal policy in the near future. Forecasts for Latin America were downgraded slightly, mainly because of lower projections for Brazil.

- **Excess capacity.**

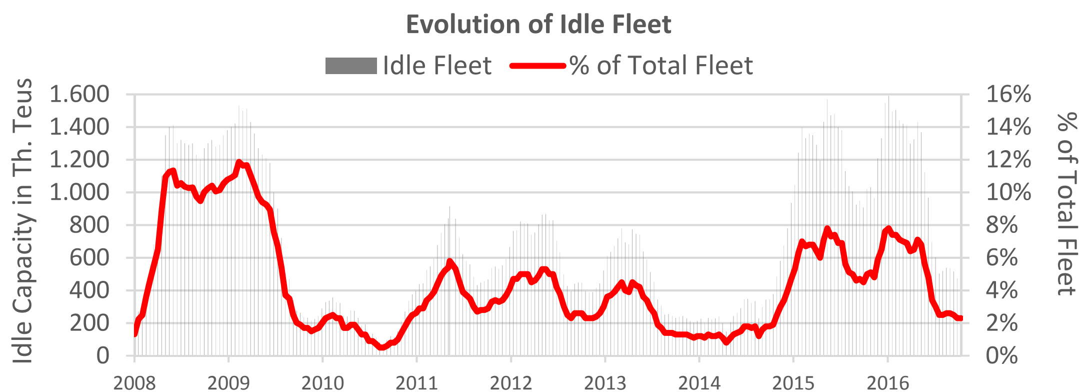
The container shipping industry's excess installed capacity, which began during the 2008-2009 crisis, continues to significantly impact shipping lines and markets. Since then, most of the major global shipping companies have taken various significant measures to improve the balance between supply and 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 13.1% of the current global operating fleet as of July 1, 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 during the first half of 2017 and the incorporation of new, larger vessels to replace smaller, less fuel-efficient vessels. Since vessel scrapping levels as of July 2017 have reached almost 50% of the ships scrapped in 2016, high figures are once again expected for this year.

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. Idle fleet levels fell in the first half of 2017 with respect to the prior year due to both high scrapping levels in 2016 and the industry's re-incorporation of part of its idle fleet for the newly configured services under new operating alliances that began in April 2017.



Source: Alphaliner- Monthly Report Aug-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.**

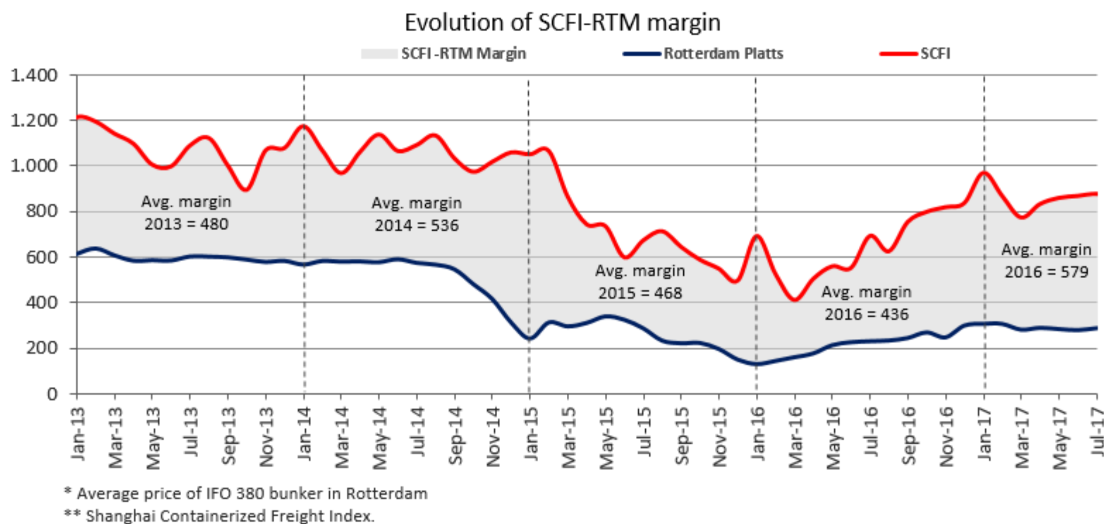
Freight rates net of fuel costs (ex-bunker rates) are still below historical levels along most routes and are lower than levels that the industry could presently consider a sustainable equilibrium. However, during the first half of 2017, the SCFI index continued the upward trend observed since early 2016, when it reported its lowest levels in recent years. Nevertheless, rates along other routes have not evolved as favorably as routes from China, maintaining low average rates.

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.

- **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 half of 2017, the price of fuel has stabilized, albeit with a slight upward trend and average prices higher than 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.



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.

- **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, as described above, in late May 2017 HLAG announced the closing of its merger with United Arab Shipping Company (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 Line (OOCL).

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 80% of installed capacity, whereas the five largest will have over 60%. 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.

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.

In summary, all container shipping industry players continue to face challenging conditions, albeit with improvements in some indicators that translate into better outlooks for the industry. Although the recovery process remains slow and volatile, upward trends have been observed 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. Improvements have also been seen in fleet indicators and industry imbalance in recent months. Coupled with more stable fuel prices, these improvements show signs of better prospects for supply in the near future. These enhanced outlooks have led to improved operating results during the second half of 2017 from some industry operators, mainly those 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.

b) Other Transport Services Segment

The various shipping sub-segments operated directly by CSAV during the first half of 2017, such as vehicle transport and logistics and freight forwarder services through Norgistics, have also been affected by weaker global demand for transport and excess supply.

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 half 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, 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.

In Chile, total sales of new light vehicles during the first half of 2017 reported a 16.1% rise over the same period last year (source: ANAC), recovering part of sales volumes from prior years. For example, including the aforementioned increase, sales of light vehicles for the first half of 2017 are still 10.9% below the same period in 2013 when total vehicles sales peaked. Along these same lines, sales of heavy vehicles and machinery rebounded during the first half of the year as compared to the same period in 2016, but are still below levels from the first half of 2013. However, growth of vehicle sales showed a positive trend throughout 2016 and the first half of 2017 with respect to the same periods in the prior year, which could also be linked to a positive upward trend in total vehicle imports to Chile.

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 half 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.

CSAV

3. Analysis of Statement of Cash Flows

The main variations in cash flows are explained as follows.

	For the period ended June 30, 2017	For the period ended June 30, 2016	Change
	MMUS$	MMUS$	MMUS$
Cash flows from operating activities	**(7.7)**	**(11.9)**	**4.2**
Operating cash flows	(8.6)	(10.8)	2.2
Income taxes and other	0.9	(1.1)	2.0
Cash flows from investing activities	**4.3**	**2.4**	**1.9**
Proceeds from sale of property, plant and equipment	4.0	-	4.0
Cash flows from sale of non-controlling interest	-	2.3	(2.3)
Interest received	0.3	-	0.3
Dividends received	-	0.1	(0.1)
Cash flows from financing activities	**(0.8)**	**18.3**	**(19.1)**
Loans obtained from related parties and paid to related parties	-	(29.9)	29.9
Loans obtained and paid	-	(0.2)	0.2
Proceeds from long-term loans	-	49.9	(49.9)
Interest payments	(0.8)	(1.4)	0.6
Dividends paid and other	-	(0.1)	0.1
Effect of change in exchange rate	**0.1**	**-**	**0.1**
Increase (decrease) in cash and cash equivalents	**(4.1)**	**8.8**	**(12.9)**

The net change in **cash and cash equivalents** between December 31, 2016 and June 30, 2017, was a negative MUS$ 4.1, which represents a deterioration of MUS$ 12.9 over the same period in 2016.

Operating activities generated a negative net flow of MMUS$ 7.7 for the first half of 2017, which represents an improvement of MMUS$ 4.2 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$ 6.0, and smaller cash flows due to a reduction in net working capital of MMUS$ 3.3, mainly from an increase in receivables.

Investing activities generated a positive net flow of MUS$ 4.3 for the period ended June 30, 2017, which represents an improvement of MUS$ 1.9 over the same period in 2016. Investing cash flows for the period are explained mainly by the sale of properties previously classified in the Statement of Financial Position as investment properties held for sale and by payments of interest earned on time deposits held by the Company.

Financing activities generated a negative net flow of MUS$ 0.8 for the period ended June 30, 2017, which represents a decrease of MUS$ 18.3 over the same period in 2016, mainly explained by net loans obtained in 2016. Financing cash flows for the period are explained mainly by interest payments on loans to finance the container shipping segment during the first half 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 (81.5% of total assets as of June 30, 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 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 July 2017, the IMF is forecasting positive trends for global GDP over the next few years. It estimates growth of 3.5% for 2017, maintaining the figure from its April 2017 report and reflecting an improvement of one percentage point over January 2017. Its forecasts show no major change in demand in the short term and an improvement in South America's currently low growth rate. Based on the IMF's most recent estimates, it is predicting growth in global trade (products and services) of 4.0% for 2017 versus 2.3% 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, even though vessel construction levels are currently at historical lows and no significant orders for new ships have been seen 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.

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 June 30, 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 June 30, 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 June 30, 2017, the main financial indicators are as follows:

a) Liquidity Ratios

Liquidity Ratios			As of June 30, 2017	As of December 31, 2016
Current Liquidity Ratio	=	Current Assets / Current Liabilities	1.496	1.521
Acid-Test Ratio	=	Cash and Cash Equivalents / Current Liabilities	0.953	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 and inventories as a result of reduced sales and smaller transport volumes in the vehicle transport business in comparison with that period, partially offset by a decrease in current liabilities (MMUS$ 2.3), both explained in 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$ 4.1), explained mainly by negative net operating cash flows for the first half of MMUS$ 7.7, offset partially by a decrease in current liabilities (MMUS$ 2.3) explained in detail in section 1a) of this report.

b) Leverage Ratios

Leverage Ratios			As of June 30, 2017	As of December 31, 2016
Leverage	=	Total Liabilities / Equity	0.087	0.081
Short-Term Leverage	=	Current Liabilities / Total Liabilities	0.338	0.342
Long-Term Leverage	=	Non-Current Liabilities / Total Liabilities	0.662	0.658
Financial Expense Coverage	=	Profit (Loss) before Tax and Interest / Finance Costs	-75.734	0.083

- **Leverage**: This ratio remained stable, increasingly slightly relative to December 2016, largely because of a decrease in equity (MMUS$ 165.6/ -10% chg.) mainly as a result of the losses for the period from the Container Shipping Segment, offset partially by a decrease in total liabilities (MMUS$ 5.1 / -3% chg.), as explained in section 1a) of this report.

- **Short-Term Leverage:** This ratio fell with respect to December 2016, due to a decrease in current liabilities (MMUS$ 2.3 / -4% chg.) explained in section 1a) of this report, partially offset by a decrease in total liabilities (MMUS$ 5.1 / -3% 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$ 5.1 / -3% chg.) explained in section 1a) of this report, partially offset by a decrease in non-current liabilities (MMUS$ 2.8 / -3% chg.), also explained in section 1a).

- **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 half of 2017 of MMUS$ 173.4 in comparison with profit of MMUS$ 0.3 in 2016 (decrease of MMUS$ 173.8), and decreased finance costs (MMUS$ 1.8 / -44% chg.) for the period with respect to 2016.

c) Profitability Ratios

Profitability Ratios			As of June 30, 2017	As of December 31, 2016
Return on Equity	=	Loss Attributable to Owners of the Company / Average Equity	-0.1063	-0.0115
Return on Assets	=	Loss Attributable to Owners of the Company / Average Assets	-0.0976	-0.0106
Return on Operating Assets	=	Net Operating Income (Loss) / Average Operating Assets *	0.0008	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	-0.0066	-0.0008
Market Value of Stock (Ch$):			25.1	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$ 178.1 recorded for the current quarter in comparison to the loss of MMUS$ 23.3 for 2016 (MMUS$ 178.1 / -764% chg.), and smaller average equity (MMUS$ 134.6 / -7%).

- **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$ 178.1, / -764% chg.) explained above, and to smaller average assets (MMUS$ 133.2 / -6% chg.).

- **Return on Operating Assets:** This ratio decreased in relation to December 2016, due to reduced net operating income of MMUS$ 1.4 in comparison to MMUS$ 7.1 in December 2016 (MMUS$ 7.3 / -103% chg.), and to smaller average operating assets (MMUS$ 107.3 / -6% chg.).

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

- **Loss per Share:** Loss per share fell with respect to December 2016 because of poorer results (MMUS$ 178.1 / -764% chg.), as explained in the first indicator in this subgroup of ratios.

- **Market Value of Stock:** The share value increased by 44% compared to December 2016.

d) Activity Ratios

Activity Ratios			As of June 30, 2017	As of December 31, 2016
Inventory Turnover	=	Fuel Costs / Average Inventories	6.433	4.643
Inventory Permanence	=	Average Inventories * 360 / Fuel Costs	55.961	77.538

- **Inventory Turnover:** This indicator increased with respect to December 31, 2016, as a result of a rise in fuel costs (MMUS$ 2.6 / 17% chg.), offset by lower average inventories (MMUS$ 0.5 / -15% chg.)

- **Inventory Permanence:** Since inventory turnover increased, permanence decreased in relation to December 2016.