SMU REPORTS EARNINGS FOR THE FIRST HALF AND SECOND QUARTER OF 2017

HIGHLIGHTS

- EBITDA 1H17: CLP 66,492 million (vs. CLP 61,863 million for 1H16, +7.5%)
- EBITDA margin 1H17: 5.5% (+30 bps vs. 1H16)
- Gross margin 1H17: 27.3% (+90 bps vs. 1H16)

Santiago, Chile. August 29, 2017.- SMU S.A. ("**SMU**" or the "Company"; Santiago Stock Exchange: SMU) announced earnings for the first half of 2017 today, reporting **EBITDA[1] of CLP 66,492 million**, an increase of 7.5% with respect to the CLP 61,863 million reported for the first half of 2016. The driver behind this increase was SMU's Food Retail segment, which reported EBITDA growth of 9.1% in the period. The Company's EBITDA margin reached 5.5% for the first half of 2017, compared to 5.2% for the same period of 2016. Revenue for the period totaled CLP 1,216,312 million, an increase of 2.3% with respect to the first half of 2016.

The Company also reported its results for the second quarter, recording EBITDA of CLP 31,260 million, an increase of 5.3% with respect to the second quarter of 2016. Quarterly revenues amounted to CLP 602,563 million, an increase of 1.7% with respect to the second quarter of 2016.

SMU's chief executive officer, Marcelo Gálvez, stated, "Despite the lower growth in both the Chilean food retail industry and the Chilean economy overall, we had a good first half of the year, as we were able to continue the upward trend in our revenue and EBITDA. On a consolidated basis, our revenue grew 2.3%, and our Unimarc supermarket format, which reported revenue growth of 4.5%, was the main driver. We also maintained a disciplined approach to operating expenses, as we continuously strive to improve the efficiency of our operations."

Mr. Gálvez went on to say, "As part of our efforts in operating efficiency, during the first half of this year, we have increased our rate of centralized distribution. Of our total food retail revenue for this period, 45.6% came from sales of products that we distributed to our stores, whereas in the full year 2016 that figure was 42.5%. We want to continue to increase that number, taking advantage of our distribution network and improving our inventory management and in-store product availability."

He also commented on the Company's progress with respect to customer experience: "At the end of the second quarter we began work on upgrading four Unimarc stores, kicking off our plans to upgrade a total of 130 stores. This initiative aims to improve our customers' shopping experience, and it is based on the excellent results we achieved at three pilot stores that we upgraded in 2015. The pilot stores have exhibited double-digit revenue growth."

[1] EBITDA = Gross profit – distribution costs – administrative expenses + depreciation + amortization

Mr. Gálvez added that, "Eight months after launching our *Club Ahorro Unimarc* loyalty program, we have been able to identify over 7 million Unimarc customers. This initiative benefits our customers in two ways: first, they have access to discounts, and second, we are able to better understand their preferences and shopping habits, which allows us to better serve their needs by improving the quality and efficiency of our promotions and our product assortment."

Mr. Gálvez concluded by highlighting the significant improvements to SMU's capital structure, where the Company has reduced its levels of indebtedness and its exposure to exchange rate fluctuations, and it has also refinanced debt at interest rates that allow it to generate savings on its interest expense.

Financial Results

SMU reported **EBITDA of CLP 66,492 million for the first half of 2017,** an **increase of 7.5%** with respect to CLP 61,863 million for the first half of 2016. The driver behind this increase was SMU's Food Retail segment, which reported EBITDA growth of 9.1% in the period. **Consolidated EBITDA margin** increased to **5.5%** for the first half, compared to 5.2% in the first half of 2016. The expansion in EBITDA margin is explained by efficiency gains generated by an increase of 90 basis points (bps) in the Company's gross margin, while operating expenses as a percentage of revenue only grew by 60 bps.

With respect to the second quarter of 2017, EBITDA totaled CLP 31,260 million (EBITDA margin of 5.2%), an increase of 5.3% with respect to CLP 29,680 million (EBITDA margin of 5.0%) reported for the same period in 2016.

Revenue for the first six months of 2017 amounted to CLP 1,216,312 million, an increase of 2.3% with respect to CLP 1,189,411 million for the same period of 2016. In the second quarter of 2017, revenue totaled CLP 602,563 million, an increase of 1.7% with respect to CLP 592,639 million reported for the second quarter of 2016.

Gross profit amounted to CLP 331,695 million for the first half of 2017, an increase of 5.6% with respect to CLP 314,177 million for the first half of 2016. Measured as a percentage of revenue, gross margin increased by 90 bps, reaching 27.3% for 1H17 compared to 26.4% for 1H16. In 2Q17, gross profit amounted to CLP 164,949 million (27.4% of revenue), an increase of 4.1% with respect to CLP 158,406 million (26.7% of revenue) for 2Q16.

Distribution costs plus administrative expenses (excluding depreciation) as a percentage of revenue increased from 21.2% in the first half of 2016 to 21.8% in the first half of 2017. This 60 bps increase was less than the increase in gross margin (+90 bps), which explains the expansion in the EBITDA margin. In the second quarter, operating expenses as a percentage of revenue increased 50 bps, from 21.7% in 2Q16 to 22.2% in 2Q17.

Although the Company's **operating income increased by 18.7%** (CLP 6,396 million) in the first half, **net income for the period decreased** by CLP 4,735 million (45.8%), totaling CLP 5,599 million, compared to CLP 10,334 million for the first half 2016. The decrease is primarily explained by two effects that were recognized in the first half of 2016: a higher gain on foreign currency translation (CLP 20,323 million in 1H16 versus CLP 1,578 million in 1H17) and a non-recurring loss (CLP 4,522 million) for impairment of accounts receivable related to the sale of Supermercados Bigger to Network Retail SpA. The sum of these two effects accounts for a decrease of CLP 14,223 million in the Company's net income before taxes with respect to the first half of 2016. In the second quarter of 2017, net income amounted to CLP 598 million, an increase of CLP 1,743 million with respect to the net loss of CLP 1,145 million reported for the second quarter of 2016. It should be noted that the Company achieved a savings of CLP 1,551 million in interest expense during the first half of 2017, as a result of the improvements in its capital structure and cost of debt.

Conference Call

SMU will host a conference call and webcast for investors on Friday, September 1, 2017 at 10:00 am ET/11:00 am Chile to discuss its first quarter 2017 results.

Dial in:
Toll-Free US Dial in #: +1 (800) 319 4610
International Dial in #: +1 (416) 915 3239
Please dial in 5-10 minutes prior to the scheduled start time and ask for the SMU Earnings Call

Webcast:
http://services.choruscall.ca/links/smu20170901.html

Further Information

For further information about SMU's first half and second quarter 2017 results, please see the complete analysis of financial statements, provided below.

About SMU

SMU is the largest Chilean food retailer, based on number of stores, and the third largest Chilean food retailer, based on revenue for the year ended December 31, 2016. We operate our food retail business in Chile through four different formats: supermarkets (*Unimarc*), cash and carry stores (*Mayorista 10* and *Alvi*), convenience stores (*OK Market*) and an online grocer (*Telemercados*). We also operate in Peru, through two food cash and carry brands, *Mayorsa* and *MaxiAhorro*. In addition to our food retail business, we operate the *Construmart* chain of home improvement stores throughout Chile, which serve a diversified customer base including construction companies, hardware stores and retail.

Caution Regarding Forward-Looking Statements

This press release may contain forward-looking statements. We have based any such forward-looking statements largely on our current beliefs, expectations and projections about future events and financial trends affecting our business. Although management considers these projections to be reasonable based on information currently available to it, many important factors could cause our actual results to differ substantially from those anticipated in our forward-looking statements. The words "believe," "may," "will," "aim," "estimate," "continue," "anticipate," "intend," "expect," "forecast" and similar words are intended to identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities and the effects of future regulation and competition. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks that predictions, forecasts, projections and other forward-looking statements will not be achieved. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this press release might not occur and are not guarantees of future performance. Therefore, we caution readers not to place undue reliance on these statements. Forward-looking statements speak only as of the date they were made, and we undertake no obligation to update or revise any forward-looking statements included in this press release because of new information, future events or other factors.

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Analysis of Financial Statements
June 2017

ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2017

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Executive Summary: Consolidated Results

SMU reported **EBITDA[2] of CLP 66,492 million for the first half of 2017,** an **increase of 7.5%** with respect to CLP 61,863 million for the first half of 2016. The driver behind this increase was SMU's Food Retail segment, which reported EBITDA growth of 9.1% in the period. **Consolidated EBITDA margin** increased to **5.5%** for the first half, compared to 5.2% in the first half of 2016. The expansion in EBITDA margin is explained by efficiency gains generated by an increase of 90 basis points (bps) in the Company's gross margin, while operating expenses as a percentage of revenue only grew by 60 bps.

With respect to the second quarter of 2017, EBITDA totaled CLP 31,260 million (EBITDA margin of 5.2%), an increase of 5.3% with respect to CLP 29,680 million (EBITDA margin of 5.0%) reported for the same period in 2016.

Revenue for the first six months of 2017 amounted to CLP 1,216,312 million, an increase of 2.3% with respect to CLP 1,189,411 million for the same period of 2016. In the second quarter of 2017, revenue totaled CLP 602,563 million, an increase of 1.7% with respect to CLP 592,639 million reported for the second quarter of 2016.

Gross profit amounted to CLP 331,695 million for the first half of 2017, an increase of 5.6% with respect to CLP 314,177 million for the first half of 2016. Measured as a percentage of revenue, gross margin increased by 90 bps, reaching 27.3% for 1H17 compared to 26.4% for 1H16. In 2Q17, gross profit amounted to CLP 164,949 million (27.4% of revenue), an increase of 4.1% with respect to CLP 158,406 million (26.7% of revenue) for 2Q16.

Distribution costs plus administrative expenses (excluding depreciation) as a percentage of revenue increased from 21.2% in the first half of 2016 to 21.8% in the first half of 2017. This 60 bps increase was less than the increase in gross margin (+90 bps), which explains the expansion in the EBITDA margin. In the second quarter, operating expenses as a percentage of revenue increased 50 bps, from 21.7% in 2Q16 to 22.2% in 2Q17.

Although the Company's **operating income increased by 18.7%** (CLP 6,396 million) in the first half, **net income for the period decreased** by CLP 4,735 million (45.8%), totaling CLP 5,599 million, compared to CLP 10,334 million for the first half 2016. The decrease is primarily explained by two effects that were recognized in the first half of 2016: a higher gain on foreign currency translation (CLP 20,323 million in 1H16 versus CLP 1,578 million in 1H17) and a non-recurring loss (CLP 4,522 million) for impairment of accounts receivable related to the sale of Supermercados Bigger to Network Retail SpA. The sum of these two effects accounts for a decrease of CLP 14,223 million in the Company's net income before taxes with respect to the first half of 2016. In the second quarter of 2017, net income amounted to CLP 598 million, an increase of CLP 1,743 million with respect to the net loss of CLP 1,145 million reported for the second quarter of 2016. It should be noted that the Company achieved a savings of CLP 1,551 million in interest expense during the first half of 2017, as a result of the improvements in its capital structure and cost of debt.

[2] EBITDA = Gross profit – distribution costs – administrative expenses + depreciation + amortization

With respect to **operating indicators**, in the **Food Retail segment**, **sales per square meter**[3] for the first half of 2017 amounted to CLP 296,073, an increase of 3.0% with respect to CLP 287,358 for the same period of 2016. In this segment the Company had an increase in **same-store sales ("SSS")** of 2.0% for the first half of 2017. With respect to **operating efficiency**, within the Food Retail Chile operations during the first half of 2017, the Company achieved a rate of **centralized distribution** of 45.6%, higher than the 42.5% recorded for the year 2016. The increase in centralization is one of the initiatives the Company has implemented, taking advantage of its distribution centers located throughout Chile, in order to improve its operating efficiency, inventory management, and in-store product availability.

SMU's consolidated results for the periods of three and six months ended June 30, 2017 and 2016 are presented in the table below. All figures are expressed in Chilean pesos (CLP) and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Table 1: Consolidated Income Statement

(CLP Million)	2Q17	2Q16	△%	1H17	1H16	△%
Revenues	602.563	592.639	1,7%	1.216.312	1.189.411	2,3%
Cost of Sales	(437.614)	(434.233)	0,8%	(884.617)	(875.234)	1,1%
Gross Profit	**164.949**	**158.406**	**4,1%**	**331.695**	**314.177**	**5,6%**
Gross Margin (%)	*27,4%*	*26,7%*		*27,3%*	*26,4%*	
Distribution Costs	(5.845)	(5.214)	12,1%	(11.836)	(10.922)	8,4%
Contribution Margin	**159.104**	**153.192**	**3,9%**	**319.860**	**303.255**	**5,5%**
Contribution Margin (%)	*26,4%*	*25,8%*		*26,3%*	*25,5%*	
Administrative Expenses (Excluding Depreciation)	(127.844)	(123.512)	3,5%	(253.368)	(241.393)	5,0%
EBITDA	**31.260**	**29.680**	**5,3%**	**66.492**	**61.863**	**7,5%**
EBITDA Margin (%)	*5,2%*	*5,0%*		*5,5%*	*5,2%*	
Depreciation and Amortization	(12.720)	(13.837)	(8,1%)	(25.960)	(27.727)	(6,4%)
Operating Income	**18.540**	**15.843**	**17,0%**	**40.532**	**34.136**	**18,7%**
Other Gains (Losses)	(117)	(2.056)	(94,3%)	337	(2.615)	n.a.
Financial Income	228	421	(45,8%)	536	814	(34,2%)
Financial Expenses	(17.422)	(18.340)	(5,0%)	(34.276)	(35.827)	(4,3%)
Share of Profit (Loss) of Associates	(470)	(386)	21,6%	(804)	(752)	6,9%
Foreign Exchange Differences	(490)	4.956	n.a.	1.578	20.323	(92,2%)
Income (Loss) for Indexed Assets and Liabilities	(4.518)	(6.414)	(29,6%)	(7.324)	(11.146)	(34,3%)
Non-operating Income	**(22.790)**	**(21.818)**	**4,5%**	**(39.953)**	**(29.203)**	**36,8%**
Net Income (Loss) Before Taxes	**(4.249)**	**(5.976)**	**(28,9%)**	**579**	**4.933**	**(88,3%)**
Income Tax Expense	4.847	4.830	0,3%	5.020	5.401	(7,1%)
Net Income (Loss) from Continued Operations	**598**	**(1.145)**	**n.a.**	**5.599**	**10.334**	**(45,8%)**
Net Income (Loss) of the Period	**598**	**(1.145)**	**n.a.**	**5.599**	**10.334**	**(45,8%)**

[3] Sales per square meter are calculated on the basis of average monthly sales for the period.

1. Analysis of Income Statement

1.1. Results of Operations: Food Retail Segment

1.1.1. Executive Summary

EBITDA for the Food Retail segment totaled CLP 64,443 million for the first half of 2017, **an increase of 9.1%** with respect to the CLP 59,049 million reported for the first half of 2016. The **EBITDA margin reached 5,9%** for the first half of 2017, compared to 5.6% for the first half of 2016. This growth in the EBITDA margin reflects greater operating leverage, as the increase in gross margin, from 27.5% in the first half of 2016 to 28.4% in the half quarter of 2017 (+90 bps), was greater than the increase in operating expenses (distribution costs plus administration expenses (excluding depreciation)) as a percentage of revenue: from 22.0% in the first half of 2016 to 22.5% in the first half of 2017 (+50 bps).

EBITDA for this segment for the second quarter of 2017 increased by 8.6%, amounting to CLP 30,658 million and an EBITDA margin of 5.6%, compared to CLP 28,242 million and an EBITDA margin of 5.3% for the second quarter of 2016.

Table 2: Income Statement for the Food Retail Segment

(CLP Million)	2Q17	2Q16	△%	1H17	1H16	△%
Revenues	542.641	530.834	2,2%	1.093.830	1.063.075	2,9%
Cost of Sales	(388.148)	(383.071)	1,3%	(783.618)	(770.236)	1,7%
Gross Profit	**154.493**	**147.763**	**4,6%**	**310.212**	**292.839**	**5,9%**
Gross Margin (%)	*28,5%*	*27,8%*		*28,4%*	*27,5%*	
Distribution Costs	(5.845)	(5.214)	12,1%	(11.836)	(10.922)	8,4%
Contribution Margin	**148.648**	**142.549**	**4,3%**	**298.377**	**281.917**	**5,8%**
Contribution Margin (%)	*27,4%*	*26,9%*		*27,3%*	*26,5%*	
Administration Expenses (Excluding Depreciation)	(117.990)	(114.307)	3,2%	(233.934)	(222.868)	5,0%
EBITDA	**30.658**	**28.242**	**8,6%**	**64.443**	**59.049**	**9,1%**
EBITDA Margin (%)	*5,6%*	*5,3%*		*5,9%*	*5,6%*	
Depreciation and Amortization	(12.023)	(13.026)	(7,7%)	(24.583)	(26.222)	(6,2%)
Operating Income	**18.636**	**15.216**	**22,5%**	**39.860**	**32.827**	**21,4%**
Other Gains (Losses)	(119)	(2.062)	(94,2%)	324	(2.615)	n.a.
Financial Income	228	362	(37,1%)	535	752	(28,8%)
Financial Expenses	(16.855)	(17.760)	(5,1%)	(33.112)	(34.606)	(4,3%)
Share of Profit (Loss) of Associates	(470)	(386)	21,6%	(804)	(752)	6,9%
Foreign Exchange Differences	(432)	4.986	n.a.	1.675	20.220	(91,7%)
Income (Loss) for Indexed Assets and Liabilities	(4.255)	(6.061)	(29,8%)	(6.888)	(10.483)	(34,3%)
Non-operating Income	**(21.903)**	**(20.921)**	**4,7%**	**(38.269)**	**(27.484)**	**39,2%**
Net Income (Loss) Before Taxes	**(3.268)**	**(5.705)**	**(42,7%)**	**1.590**	**5.343**	**(70,2%)**
Income Tax Expense	4.498	4.475	0,5%	4.599	4.861	(5,4%)
Net Income (Loss) from Continued Operations	**1.230**	**(1.230)**	**n.a.**	**6.190**	**10.204**	**(39,3%)**
Net Income (Loss) of the Period	**1.230**	**(1.230)**	**n.a.**	**6.190**	**10.204**	**(39,3%)**

1.1.2. Revenue

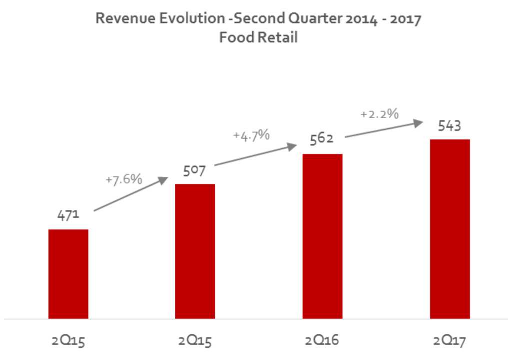
Revenue for the Food Retail segment increased 2.9% in the first half of 2017 with respect to the first half of 2016, from CLP 1,063,075 million to CLP 1,093,830 million. In the second quarter of 2017, revenue increased 2.2%, from CLP 530,834 million to CLP 542,641 million.

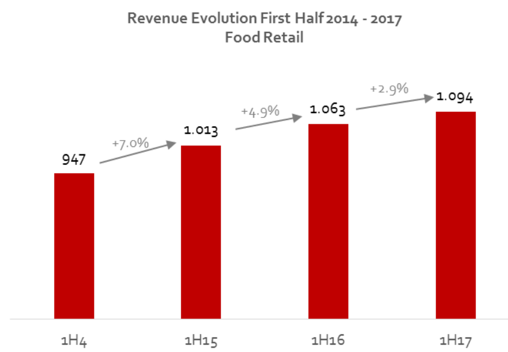
Table 3: Food Retail Segment Revenue (CLP MMM)

REVENUE (CLP MMM)	2Q17	2Q16	△%	1H17	1H16	△%
UNIMARC	377	365	3,5%	767	734	4,5%
CASH & CARRY	139	141	-1,2%	274	280	-2,0%
OK MARKET	12	12	1,8%	25	24	2,6%
TELEMERCADOS	3	3	-0,7%	6	6	1,9%
OTHERS(*)	1	2	-35,4%	2	3	-33,0%
FOOD RETAIL CHILE	533	522	2,0%	1.073	1.046	2,6%
FOOD RETAIL PERU	10	9	13,4%	21	17	18,0%
CONSOLIDATED	543	531	2,2%	1.094	1.063	2,9%

(*)"Others" includes all income other than that generated by the Company's operating formats presented in the table.

Graph 1: Food Retail Revenue (CLP MMM) / Second Quarter and First Half 2014 – 2017





Food Retail Chile revenue grew 2.6% in the first half of 2017 and 2.0% in the second quarter of 2017, with respect to the same periods of 2016. Within the Food Retail Chile operations, the format that showed the highest growth in sales is Unimarc, the traditional supermarket, which increased 4.5% in the half and 3.5% in the quarter. Unimarc accounts for approximately 70% of revenue for the Food Retail segment, and the positive results achieved in this format reflect the further development and implementation of the high-low business strategy, as well as the greater in-store product availability, which has resulted from the optimization of the supply chain.

Revenue for the cash & carry format decreased 2.0% in the first half of 2017 and 1.2% in the second quarter of 2017, with respect to the same periods of 2016, which reflects the fact that the value proposition of the Mayorista 10 stores is transitioning from a focus on mom and pop stores (resellers) to a focus on final customers. As the new value proposition matures, the Company expects to see an

improvement in both sales and gross margin for this format. SMU's traditional cash & carry brand, Alvi, has shown growth in sales and has achieved positive results from its loyalty club, which targets mom and pops. With respect to the convenience store format (OK Market), revenue grew 2.6% in the first half and 1.8% in the second quarter of 2017, whereas revenue for the e-grocery format (Telemercados) grew 1.9% in the first half and decreased 0.7% in the second quarter.

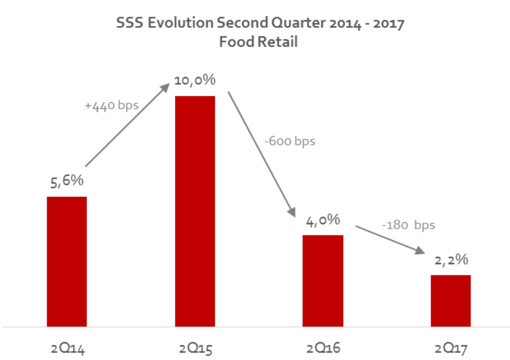
In Food Retail Peru, revenue grew 18.0% (measured in Chilean pesos) in the first half of 2017 with respect to the first half of 2016 (19.3% measured in Peruvian Soles) and 13.4% in the second quarter (13.3% in Peruvian Soles), reflecting the positive results of SMU's strategy in Peru, which focuses on replicating some of the initiatives that it has successfully implemented in Chile. The higher growth in the first half compared to the second quarter reflects the fact that, in the month of March, the Company obtained higher sales volumes, as a result of the flooding that affected the country.

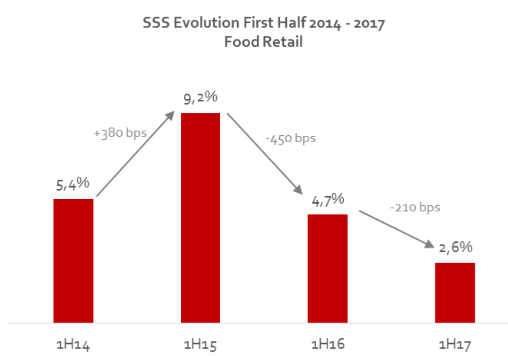
Same-store sales (SSS) growth for the Food Retail segment amounted to 2.6% for the first half of 2017 and 2.2% for the second quarter, lower than the levels reported during 2016.

Table 4: Same-Store Sales Growth in the Food Retail Segment (%)

SSS (△%)	1Q16	2Q16	3Q16	4Q16	2016	1Q17	2Q17
UNIMARC	6.7%	5.4%	10.8%	6.4%	7.3%	4.6%	3.3%
CASH & CARRY	2.8%	0.8%	-0.4%	0.7%	0.9%	-2.6%	-1.2%
OK MARKET	9.2%	2.5%	5.1%	3.5%	5.0%	6.3%	4.8%
FOOD RETAIL CHILE	5.6%	4.0%	7.5%	4.8%	5.5%	2.7%	2.1%
FOOD RETAIL PERU	-2.2%	-2.0%	2.4%	11.5%	2.9%	22.2%	11.5%
CONSOLIDATED	5.5%	4.0%	7.3%	4.8%	5.4%	3.0%	2.2%

Graph 2: Same-Store Sales Growth in the Food Retail Segment (%) / Second Quarter and First Half 2014 – 2017





SSS for Unimarc grew 4.0% in the first half of 2017 and 3.3% in the second quarter (lower than the 6.0% and 5.4% reported for the first half and second quarter of 2016, respectively). Cash & carry decreased 1.9% in 1H17 and 1.2% in 2Q17, consistent with revenue performance and reflecting the effect of the changing value proposition for the Mayorista 10 stores described above. Same-store sales for the OK Market convenience stores grew 5.5% in 1H17 and 4.8% in 2Q17, similar to the 5.8% for 1H16 and higher than the 2.5% for 2Q16. Overall, Food Retail Chile recorded SSS growth of 2.4% for the first half of 2017 and 2.1% for the second quarter.

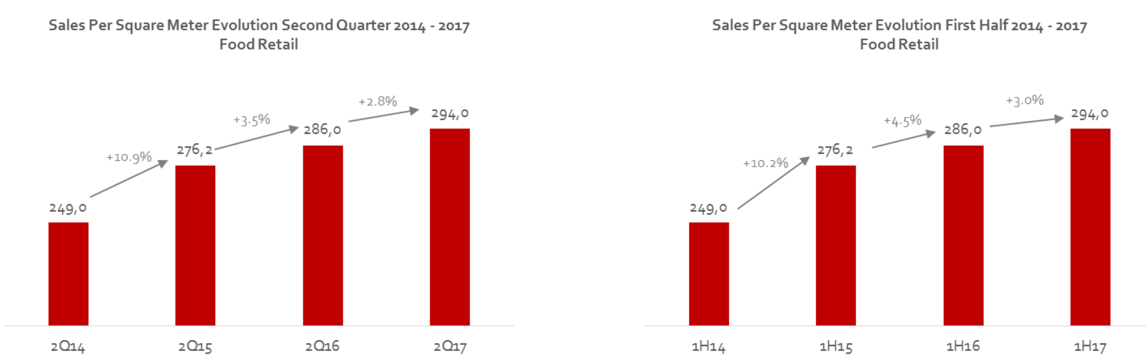
Food Retail Peru – which accounted for around 2% of total revenue for the Food Retail segment in the first half and second quarter of 2017 – recorded an increase in SSS of 16.8% for 1H17 and 11.5% for 2Q17, following the positive trend that began in the last quarter of 2016 and reflecting the implementation of the business plan for the next three years, which aims to grow sales through the implementation of new value propositions, as well as promotional and advertising activity. As described above, the higher same-store sales growth for Peru in the first half of 2017 compared to the second quarter reflects the higher sales volumes obtained in the month of March, as a result of the flooding that affected the country.

Sales per square meter for the Food Retail segment reached CLP 296,073 for the first half of 2017, 3.0% higher than the first half of 2016, and CLP 293,972 for the second quarter of 2017, 2.8% higher than the second quarter of 2016.

Table 5: Sales per Square Meter in the Food Retail Segment (Thous. CLP/M²)

SALES PER SQM (CLP Thousands/sqm)	2Q17	2Q16	△%	1H17	1H16	△%
FOOD RETAIL CHILE	297.6	289.8	*2.7%*	299.6	291.2	*2.9%*
FOOD RETAIL PERU	178.6	160.9	*11.0%*	183.3	161.4	*13.6%*
CONSOLIDATED	294.0	286.0	*2.8%*	296.1	287.4	*3.0%*

Graph 3: Sales per Square Meter in the Food Retail Segment (Thous. CLP/M²) / Second Quarter and First Half 2014 – 2017



Food Retail Chile sales per square meter grew 2.9% in the first half of 2017 compared to the first half of 2016, and they grew 2.7% in the second quarter of 2017 compared to the second quarter of 2016, in line with revenue growth for this segment. Food Retail Peru (measured in Chilean pesos) recorded growth in sales per square meter of 13.6% in the first half of 2017 and 11.0% in the second quarter of 2017, consistent with the strong growth in revenue for this business in the period.

By format, the same trends observed in revenue are reflected in sales per square meter performance: Unimarc increased 4.5% in 1H17 and 3.9% in 2Q17; cash & carry decreased 1.7% in 1H17 and 0.9% in 2Q17; and OK Market grew 8.0% in 1H17 and 7.3% in 2Q17.

As of the end of the second quarter of 2017, SMU's food retail operations included **503 stores in Chile**, with a total of **586,983 square meters**, distributed from Arica to Punta Arenas, slightly below the 510 stores in operation as of the end of the second quarter of 2016.

As part of its strategy to increase the efficiency and profitability of its operations, SMU has worked to optimize its portfolio of stores and therefore monitors the performance of each of its stores on an ongoing basis. In this context, during the first half of 2017, SMU closed four OK Market stores and three Unimarc stores. In addition, during the period one Unimarc store was closed due to force majeure, as the robbery of an ATM resulted in a fire, damaging the store.

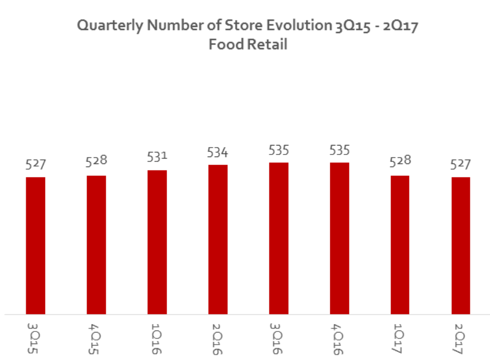
In Peru, as of June 30, 2017, the Company had 24 stores, with 20,398 square meters, for a total selling space for the Food Retail segment of 607,380 square meters at period-end.

Table 6: Number of Stores and Sales Area (Thous. Square Meters) in the Food Retail Segment

NUMBER OF STORES	2Q17	2Q16
UNIMARC	291	294
CASH & CARRY	100	100
OK MARKET	112	116
FOOD RETAIL CHILE	503	510
FOOD RETAIL PERU	24	24
CONSOLIDATED	527	534

SALES AREA (THOUSANDS OF SQM)	2Q17	2Q16
UNIMARC	403	406
CASH & CARRY	169	169
OK MARKET	14	15
FOOD RETAIL CHILE	587	591
FOOD RETAIL PERU	20	20
CONSOLIDATED	607	611

Graph 4: Quarterly Number of Stores and Sales Area (Thous. Square Meters) in the Food Retail Segment / 2014 – 2017



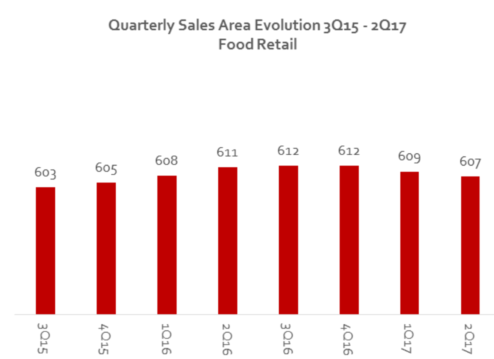


Table 7: Store Openings and Closures in the Food Retail Segment

OPENINGS AND CLOSURES	1Q16		2Q16		3Q16		4Q16		2016		1Q17		2Q17	
	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.
UNIMARC	2	0	2	0	1	0	0	0	5	0	0	3	0	1
CASH & CARRY	0	0	1*	1*	0	0	0	0	1*	1*	0	0	0	0
OK MARKET	0	0	0	0	0	0	0	0	0	0	0	4	0	0
FOOD RETAIL CHILE	2	0	2	0	1	0	0	0	5	0	0	7	0	1
FOOD RETAIL PERU	1	0	1	0	0	0	0	0	2	0	0	0	0	0

(*) Rebranding of a Mayorista 10 store that was converted to an Alvi store.

1.1.3. Distribution Costs and Administrative Expenses

In the first half of 2017, **distribution costs plus administrative expenses (excluding depreciation)** for the Food Retail segment, as a percentage of revenue, increased by approximately 50 bps, from 22.0% in 1H16 to 22.5% in 1H17.

Distribution costs for the first six months of 2017 totaled CLP 11,836 million, an increase of 8.4% with respect to the same period of 2016. Distribution costs for the second quarter amounted to CLP 5,845 million, an increase of 12.1%. The increase was due to both the increase in sales and the increase of centralized distribution across formats. However, higher levels of centralization have a positive impact on gross profit, as suppliers pay the Company in exchange for the logistics services it provides. Distribution costs as a percentage of revenue remained stable, at approximately 1.1% for the first half of 2017 compared to 1.0% for the first half of 2016.

Administrative expenses (excluding depreciation) for the Food Retail segment increased 5.0% in the first half of 2017, totaling CLP 233,934 million (21.4% of revenue), versus CLP 222,868 million (21.0% of revenue) for the first half of 2016. In the second quarter, administrative expenses increased 3.2%, totaling CLP 117,990 million (21.7% of revenue), versus CLP 114,307 million (21.5% of revenue) for the second quarter of 2016.

The main increases in administrative expenses in the first half of 2017 were:

a. CLP 7,633 million (+7.1 YoY) in personnel expenses – which accounted for 49.4% of total administrative expenses (excluding depreciation) during the period – due to an increase in average headcount during the period, related to the increase in centralized distribution , as well as inflation adjustments for salaries and the increase in the minimum wage;
b. CLP 1,421 million (+5.3% YoY) in lease expenses, related to inflation adjustments and the variable component of these expenses, which increased as a result of higher sales;
c. CLP 1,035 million (+15.1% YoY) in maintenance, related to improvements to stores;
d. CLP 632 million (+11,4%) in IT services, related to the implementation of projects associated with Plan CIMA;
e. CLP 606 million (+1.6% YoY) in services, mainly due to the increase in security services, related to the increase in the minimum wage and to an improvement in the level of service, and also to an increase in inflation, partially offset by lower electricity expenses, due to retroactive charges related to rate adjustments that were made in 2016 but not in 2017; and
f. CLP 552 million (+12.4% YoY) in external services, mainly related to IT expenses.

These increases were partially offset by a decrease of CLP 1,441 million (-92.2%) in the allowance for doubtful accounts, primarily explained by impairment charges recorded during the second quarter of 2016 in connection with the account receivable from Supermercados Bigger SpA.

The main increases in administrative expenses in the second quarter of 2017 were:

a. CLP 2,942 million (+5.3 YoY) in personnel expenses – which accounted for 49.8% of total administrative expenses (excluding depreciation) during the period – due to an increase in average headcount during the period, related to the increase in centralized distribution , as well as inflation adjustments for salaries and the increase in the minimum wage;

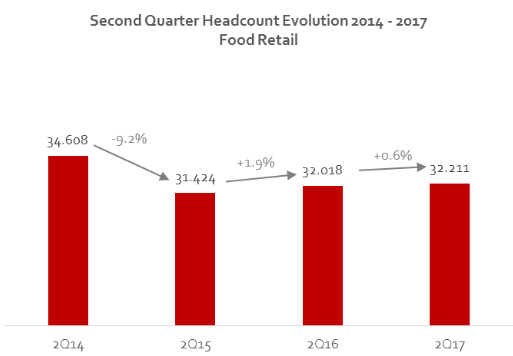
b. CLP 981 million (+7.4% YoY) in lease expenses, related to inflation adjustments and the variable component of these expenses, which increased as a result of higher sales;
c. CLP 599 million (+23.7%) in IT services, related to the implementation of projects associated with Plan CIMA;
d. CLP 492 million (+14,7% YoY) in maintenance, related to improvements to stores; and
e. CLP 349 million (+7.0% YoY) in advertising, mainly due to the greater promotional activity during the period.

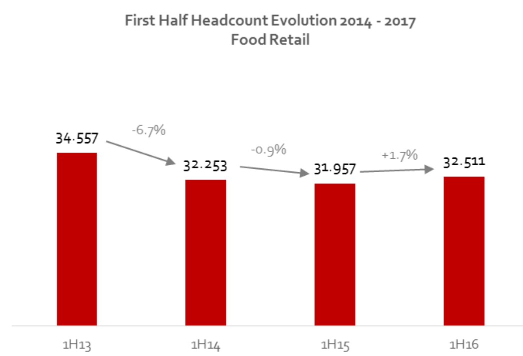
These increases were partially offset by a decrease of CLP 1,452 million in the allowance for doubtful accounts, primarily explained by impairment charges recorded during the second quarter of 2016 in connection with the account receivable from Supermercados Bigger SpA.

Table 8: Average Headcount in the Food Retail Segment

AVERAGE HEADCOUNT	2Q17	2Q16	△%	1H17	1H16	△%
STORES CHILE	29,803	29,775	*0.1%*	30,120	29,698	*1.4%*
HEADQUARTERS CHILE	1,643	1,523	*7.9%*	1,641	1,561	*5.1%*
FOOD RETAIL CHILE	31,446	31,298	*0.5%*	31,762	31,259	*1.6%*
STORES PERU	633	604	*4.7%*	619	581	*6.7%*
HEADQUARTERS PERU	133	116	*14.7%*	130	117	*10.8%*
FOOD RETAIL PERU	765	720	*6.3%*	749	698	*7.4%*
CONSOLIDATED	32,211	32,018	*0.6%*	32,511	31,957	*1.7%*

Graph 5: Quarterly and Annual Average Headcount in the Food Retail Segment / 2014 – 2017





1.1.4. Gross Margin, Contribution Margin, and EBITDA

Gross profit for the Food Retail segment totaled CLP 310,212 million for the first half of 2017, an increase of 5.9% with respect to the first half of 2016, which is equivalent to 28.4% of revenue, 90 bps higher in 1H17, as revenue growth exceeded growth in the cost of sales (2.9% versus 1.7%). The higher gross margin resulted from the Company's strong promotional activity, maintaining competitive prices and improving commercial efficiency. The gross margin expansion also reflects the fee paid by suppliers to the Company in exchange for logistics services, associated with the increase in levels of centralized distribution, and internal re-stocking services. The increase in gross profit for these fees is offset by higher operating expenses associated with the services provided. In the second quarter of 2017, gross profit totaled CLP 154,493 million, an increase of 4.6% with respect to the second quarter of 2016, which is equivalent to a gross margin of 28.5%, 70 bps higher than in 2Q16.

Contribution margin for the segment grew 5.8% in the first half of 2017, totaling CLP 298,377 million, compared to CLP 281,917 million for the first half of 2016, amounting to 27.3% of revenue, 80 bps above the 26.5% for 1H16. The expansion in contribution margin was driven by the higher gross profit (+5.9%), despite the increase of 8.4% in distribution costs, due to higher sales and centralized distribution. In the second quarter of 2017, contribution margin amounted to CLP 148,648 million, an increase of 4.3% with respect to CLP 142,549 million for the second quarter of 2016. As a percentage of revenue, contribution margin reached 27.4% in 2Q17, 50 bps higher than the 26.9% reported for 2Q16.

EBITDA for the Food Retail segment increased 9.1% in the first half of 2017, amounting to CLP 64,443 million, compared to CLP 59,049 million for the first half of 2016. **EBITDA margin** increased from 5.6% in the first half of 2016 to 5.9% in the first half of 2017, equivalent to 30 bps YoY. EBITDA for this segment in the second quarter of 2017 increased 8.6%, reaching CLP 30,658 million (EBITDA margin of 5.6%), compared to CLP 28,242 million (EBITDA margin of 5.3%) for 2Q16.

EBITDAR (EBITDA less lease expenses) for the Food Retail segment amounted to CLP 92,703 million (EBITDAR margin 8.5%) for the first half of 2017, 7.9% higher than the CLP 85,888 million (EBITDAR margin 8.1%) obtained in the first half of 2016. In the second quarter, EBITDA totaled CLP 44,820 million (EBITDAR margin 8.3%), an increase of 8.2% with respect to CLP 41,423 million (EBITDAR margin 7.8%) reported for 2Q16.

1.2. Operating Results: Construction Materials Segment

In the first half of 2017, **revenue** for the Construction Materials segment decreased 3.1%, totaling CLP 122,481 million versus CLP 126,336 million for 1H16. This decrease was the result of deceleration in the B2B segment, following a downturn in the construction business, partly offset by growth in the retail segment. Revenue for the second quarter of 2017 decreased 3.0%, amounting to CLP 59,922 million compared to CLP 61,805 million in 2Q16.

By business, retail sales increased 7.0% in the first half of 2017 with respect to the first half of 2016. This improvement is due to the ongoing development of initiatives designed to improve the shopping experience and in-store product offering. Retail sales accounted for 38.9% of total revenue in 1H17, compared to 35.2% in 1H16. In the second quarter, revenue from the retail business increased 6.6%, accounting for 38.5% of total sales.

The B2B business accounted for 61.1% of sales in the first half of 2017 and recorded a decrease in revenue of 8.6% compared to the first half of 2016. The decrease was mainly due to the performance of the corporate customer segment, which was negatively affected by the performance of the real estate sector during the first half of 2017 compared to the exceptionally high growth observed in the first half of 2016 due to the tax reform in Chile. In the second quarter of 2017, B2B revenue decreased 8.2% and accounted for 61.5% of total sales.

Despite lower revenue, **gross margin** for this segment reached 17.5% for the first half of 2017, an increase of 60 bps with respect to the first half of 2016, as a result of the increase of the retail business as a proportion of total sales. In the second quarter of 2017 gross margin increased 20 bps, reaching 17.4%.

In the first half of 2017, **administrative expenses (excluding depreciation)** for this segment increased 4.9% with respect to the first half of 2016, whereas in the second quarter they increased 7.0% with respect to 2Q16. The increase is mainly explained by the increase in personnel expenses, services, and marketing expenses.

EBITDA for this segment totaled CLP 2,049 million for the first half of 2017, a decrease of 27.2% with respect to the CLP 2,814 million recorded for the first half of 2016. **EBITDA margin reached 1.7%** for the first half of 2017, a decrease of 50 bps with respect to the first half of 2016. In the second quarter EBITDA totaled CLP 602 million (EBITDA margin of 1.0%), a decrease of 58.2% with respect to CLP 1,438 million (EBITDA margin of 2.3%) for 2Q16.

The Construction Materials segment recorded a **net loss of CLP -591 million** for the first half of 2017, compared to net income of CLP 129 million reported for 1H16. Likewise, for the second quarter of 2017, this segment reported a net loss of CLP -632 million compared to net income of CLP 84 million for 2Q16.

Table 9: Income Statement for the Construction Materials Segment

(CLP Million)	2Q17	2Q16	△%	1H17	1H16	△%
Revenues	59,922	61,805	(3.0%)	122,481	126,336	(3.1%)
Cost of Sales	(49,467)	(51,162)	(3.3%)	(100,998)	(104,998)	(3.8%)
Gross Profit	**10,456**	**10,644**	**(1.8%)**	**21,483**	**21,339**	**0.7%**
Gross Margin (%)	*17.4%*	*17.2%*		*17.5%*	*16.9%*	
Administration Expenses (Excluding Depreciation)	(9,854)	(9,206)	7.0%	(19,434)	(18,525)	4.9%
EBITDA	**602**	**1,438**	**(58.2%)**	**2,049**	**2,814**	**(27.2%)**
EBITDA Margin (%)	*1.0%*	*2.3%*		*1.7%*	*2.2%*	
Depreciation and Amortization	(697)	(811)	(14.1%)	(1,377)	(1,505)	(8.5%)
Operating Income	**(95)**	**627**	**(115.2%)**	**672**	**1,308**	**(48.6%)**
Other Gains (Losses)	2	6	(64.6%)	13	0	9,300.0%
Financial Income	0	59	(99.5%)	0	62	(99.6%)
Financial Expenses	(567)	(579)	(2.1%)	(1,165)	(1,221)	(4.6%)
Foreign Exchange Differences	(58)	(30)	95.6%	(96)	103	(193.4%)
Income (Loss) for Indexed Assets and Liabilities	(264)	(353)	(25.4%)	(435)	(663)	(34.4%)
Non-operating Income	**(886)**	**(898)**	**(1.3%)**	**(1,684)**	**(1,719)**	**(2.1%)**
Net Income (Loss) Before Taxes	**(982)**	**(271)**	**262.6%**	**(1,012)**	**(410)**	**146.5%**
Income Tax Expense	349	355	(1.6%)	420	540	(22.1%)
Net Income (Loss) from Continued Operations	**(632)**	**84**	**n.a.**	**(591)**	**129**	**(557.1%)**
Net Income (Loss) of the Period	**(632)**	**84**	**n.a.**	**(591)**	**129**	**(557.1%)**

1.3. Non-operating Income[4] and Income Tax Expense

The **consolidated non-operating loss** for SMU for the first half of 2017 totaled CLP -39,953 million, a difference of CLP 10,750 million compared to the non-operating loss of CLP -29,203 million for the first half of 2016. The difference is primarily explained by the **lower gain on foreign currency translation differences** (CLP 1,578 million in 1H17 vs. CLP 20,323 million in 1H16, a decrease of CLP 18,744 million YoY), due to the significant reduction in dollar-denominated debt during the first half of 2017, as well as the lower appreciation of the Chilean peso during the first half of 2017 compared to the first half of 2016. During the first half of 2017, SMU has paid down dollar-denominated debt amounting to approximately CLP 75,894 million and has also entered into a cross-currency swap to cover 100% of its international bond. As a result, as of June 30, 2017, SMU has total dollar-denominated debt of CLP 20,618 million, compared to CLP 296,936 million as of June 30, 2016.

The lower gain on foreign currency translation differences was partially offset by the following positive effects in the first half of 2017, compared to the first half of 2016:

a. The **loss from inflation-adjusted units** improved by CLP 3,823 million, due to lower inflation and less UF-denominated debt in 1H17 than in 1H16;
b. **Other gains (losses)** improved by CLP 2,952 million, mainly due to the recognition, in the second quarter of 2016, of impairment charges for accounts receivable from Network Retail SpA related to the sale of the company Supermercados Bigger SpA, as well as an increase in reimbursements by insurance companies during the first half of 2017 compared to the first half of 2016; and
c. **Financial expenses** improved by CLP 1,550 million, mainly due to the lower financial debt resulting from payments made with proceeds from the capital increase carried out in January 2017, partially offset by the cost of the cross-currency swap, entered into in March of 2017, to cover the Company's international bond.

The non-operating loss for the second quarter of 2017 totaled CLP -22,790 million, less than CLP -21,818 million reported for the second quarter of 2016 (a difference of -CLP 971 million). The difference is primarily explained by the same reasons as the non-operating loss for the first half of 2017: lower gain on foreign currency translation differences (a decrease of CLP 5,447 million), partially offset by improvements in other losses (CLP 1,939 million), losses from inflation-adjusted units (CLP 1,895 million) and financial expenses (CLP 918 million).

The **income tax benefit** for the first half of 2017 amounted to CLP 5,020 million, a decrease of 7.1% with respect to CLP 5,401 million for the first half of 2016. Although net income before taxes was higher in the first half of 2016, the income tax benefit was lower in the first half of 2017, due to changes in temporary differences, including inflation adjustments to tax losses. Inflation was higher in the first half of 2016 than in the first half of 2017, and consequently, inflation adjustments were higher in the first half of 2016. The income tax benefit for the second quarter of 2017 amounted to CLP 4,847 million, similar to CLP 4,830 for the second quarter of 2016.

[4] Non-operating income = Financial income and financial expenses + Share in profit (loss) of associates + foreign currency translation differences + income (expense) from inflation adjusted units + other gains (losses)

1.4. EBITDA and Net Income

SMU's **EBITDA** for the first half of 2017 increased by 7.5%, totaling CLP 66,492 million (5.5% of revenue), compared to CLP 61,863 million (5.2% of revenue) reported for the first half of 2016. EBITDA for the second quarter amounted to CLP 31,260 million (5.2% of revenue), an increase of 5.3% with respect to CLP 29,680 million (5.0% of revenue) for the second quarter of 2016.

EBITDAR (EBITDA less lease expenses) for 1H17 amounted to CLP 97,015 million (8.0% of revenue), an increase of 6.4% with respect to the CLP 91,161 million (7.7% of revenue) obtained in 1H16. In 2Q17, EBITDAR totaled CLP 46,526 million (7.7% of revenue), an increase of 5.6% with respect to CLP 44,047 million (7.4% of revenue) for 2Q16.

SMU reported **net income** of CLP 5,599 million for the first half of 2017, a decrease of 45.8% with respect to the first half of 2016, despite the improvement in operating results. The difference is primarily explained by a lower gain on foreign currency translation differences, as described above. Net income for the second quarter of 2017 totaled CLP 598 million, an improvement of CLP 1,743 million with respect to the net loss of CLP -1,145 million reported for the second quarter of 2016.

2. Analysis of Statement of Financial Position

Table 10: Statement of Financial Position as of June 30, 2017 and December 31, 2016

(CLP Million)	March 2017	December 2016	△$	△%
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and Cash Equivalents	42,044	48,497	(6,453)	(13.3%)
Other Current Financial Assets	47	79	(32)	(40.6%)
Other Current Non-Financial Assets	15,964	12,121	3,843	31.7%
Trade Accounts Receivable and Other Receivables, Net	65,838	82,560	(16,722)	(20.3%)
Accounts Receivable from Related Companies	10,461	7,205	3,256	45.2%
Inventories	226,458	214,026	12,432	5.8%
Current Tax Assets	5,813	6,905	(1,092)	(15.8%)
Total Current Assets	**366,624**	**371,393**	**(4,768)**	**(1.3%)**
NON-CURRENT ASSETS				
Other Non-Current Financial Assets	191	191	0	0.0%
Other Non-Current Non-Financial Assets	20,657	21,576	(919)	(4.3%)
Non-Current Accounts Receivable	1,904	1,835	69	3.8%
Intangible Assets Other Than Goodwill	77,932	77,198	733	0.9%
Goodwill	474,649	474,522	127	0.0%
Property, Plant, and equipment, net	428,468	441,848	(13,380)	(3.0%)
Deferred tax assets	425,331	418,167	7,164	1.7%
Total Non-Current Assets	**1,429,132**	**1,435,339**	**(6,207)**	**(0.4%)**
TOTAL ASSETS	**1,795,756**	**1,806,731**	**(10,975)**	**(0.6%)**
<u>LIABILITIES</u>				
CURRENT LIABILITIES				
Other Current Financial Libialities	100,784	126,174	(25,390)	(20.1%)
Trade and Other Current Payables	415,841	456,081	(40,240)	(8.8%)
Accounts Payable to Related Companies	1,790	17,439	(15,649)	(89.7%)
Other Current Provisions	1,254	1,360	(106)	(7.8%)
Current Tax Liabilities	0	12	(12)	(100.0%)
Current Provisions for Employee Benefits	16,633	23,960	(7,328)	(30.6%)
Other Current Non-Financial Liabilities	3,771	5,181	(1,410)	(27.2%)
Total Current Liabilities	**540,072**	**630,207**	**(90,135)**	**(14.3%)**
NON-CURRENT LIABILITIES				
Other Non-Current Financial Liabilities	763,049	735,875	27,174	3.7%
Non-Current Payables	212	148	63	42.7%
Trade Payables due to Related Entities, Non-Current	0	79,054	(79,054)	(100.0%)
Deferred Tax Liabilities	15	69	(54)	(78.2%)
Non-Current Provisions for Employee Benefits	1,173	108	1,065	984.5%
Other Non-Current Non-Financial Liabilities	11,622	11,262	360	3.2%
Total Non-Current Liabilities	**776,071**	**826,516**	**(50,445)**	**(6.1%)**
TOTAL LIABILITIES	**1,316,143**	**1,456,723**	**(140,580)**	**(9.7%)**
<u>EQUITY</u>				
Issued Capital	1,100,290	970,340	129,950	13.4%
Accumulated Losses	(762,106)	(767,705)	5,599	(0.7%)
Other Reserves	141,430	147,373	(5,943)	(4.0%)
Equity Attributable to the Owners of the Parent Company	479,613	350,008	129,605	37.0%
Non-Controlling Interest	(0)	(0)	0	0.0%
Total Equity	**479,613**	**350,008**	**129,605**	**37.0%**
TOTAL LIABILITIES AND EQUITY	**1,795,756**	**1,806,731**	**(10,975)**	**(0.6%)**

2.1. Assets

As of June 30, 2017, SMU's **total assets** remained relatively stable with respect to December 31, 2016, totaling CLP 1,795,756 million (-0.6%).

Current assets as of June 30, 2017 decreased CLP 4,768 million (1.3%) with respect to December 31, 2016, totaling CLP 366,624 million, primarily due to:

a. A decrease in trade and other receivables (↓CLP 16,722 million), primarily due to lower accounts receivable from credit cards, lower credit sales in the Food Retail segment due to the seasonality of the business, and lower receivables from insurance companies.
b. A decrease in cash and cash equivalents (↓CLP 6,453 million), explained by the variations that are described in section 3. Analysis of Statement of Cash Flows.

These decreases were partially offset by

a. An increase in inventories (↑CLP 12,432 million), mainly due to the increase in promotional activity and in sales.
b. An increase in other current non-financial assets (↑CLP 3,843 million), primarily due to the new prepaid insurance contract.
c. An increase in accounts receivable from related parties (↑CLP 3,256 million), primarily due to a change in presentation: in the past accounts receivable from and payable to the affiliate Unired were presented net, and beginning in 2017, these assets and liabilities are presented separately.

Non-current assets as of June 30, 2017 totaled CLP 1,429,132 million, lower by CLP 6,207 million (-0.4%) with respect to year-end 2016, primarily due to:

a. A decrease in property, plant and equipment (↓CLP 13,380 million) due to depreciation (↓CLP 21,120 million) and disposals and sales for the period (↓CLP 3,733 million), partially offset by additions during the period (↑CLP 11,306 million).
b. The decrease in property, plant and equipment was partially offset by an increase in deferred tax assets (↑CLP 7,164 million), primarily due to inflation adjustments to tax losses, partly offset by a decrease in temporary differences related to provisions and a decrease in the intangible tax asset.

2.2. Liabilities

As of June 30, 2017, the Company's **total liabilities** amounted to CLP 1,316,143 million, a decrease of -9.7% with respect to December 31, 2016.

Current liabilities decreased by CLP 90,135 million (-14.3%), primarily due to:

a. A decrease in current trade and other payables (↓CLP 40,240 million), primarily related to the seasonality of the business, as greater purchases of merchandise are made to supply the higher sales volumes in the fourth quarter, compared to the other quarters of the year.
b. A decrease in other current financial liabilities (↓CLP 25,390 million), primarily due to the decrease in obligations with the public, as a result of the payment of the Series C bond in

May 2017, partially offset by an increase in bank loans. The increase in current bank loans is primarily explained by the portion of the syndicated loan that is due in June 2018 (approximately CLP 39,300 million), which is transferred from non-current to current financial liabilities. With respect to the payment of the portion of the syndicated loan that matured in June 2017, it should be noted that as of June 30, 2017, the Company had made a partial payment of the amount due to the syndicate (UF 193,368 of a total of UF 1,067,805) and of the amount due for the Banco BICE loan (UF 7,241 of a total of UF 40,228). The amount paid as of June 30, 2017 in Chilean pesos totaled CLP 5,091 million. The due date on the remaining balance (UF 874,437 for the syndicated loan and UF 32,987 for Banco BICE) was extended by 30 days (and subsequently for a further 30 days, until August 30, 2017) in order to allow the banks belonging to the syndicate and Banco BICE to evaluate the refinancing proposal received on June 22 from BanChile Asesoría Financiera S.A. y BCI Asesoría Financiera S.A., underwriters of 50% of the total amount of the loan. Such proposal required the approval of 100% of the creditor banks within the abovementioned timeframe. The proposal included modifications to the payment schedule and decreases in the spread. This refinancing proposal was ultimately not approved by 100% of the creditor banks, and consequently the remaining balance will be paid on the agreed upon date.

c. A decrease in current payables to related parties (↓CLP 15,649 million), due to payments of related-party debt using proceeds from the capital increase in January 2017 and the local bond placement in April 2017, partially offset by an increase in accounts payable related to a change in presentation: in the past accounts receivable from and payable to the affiliate Unired were presented net, and beginning in 2017, these assets and liabilities are presented separately.

d. A decrease in current provisions for employee benefits (↓CLP 7,328 million), primarily due to a reduction in the provision for the annual and long-term incentive bonuses, which were paid during the first quarter of 2017, as well as a decrease in the provision for vacations, following the summer vacation period in January and February.

Non-current liabilities decreased by CLP 50,445 million (-6.1%), primarily due to:

a. A decrease in non-current payables to related parties (↓CLP 79,054 million), due to payments of related-party debt using proceeds from the capital increase.

b. The decrease in non-current payables to related parties was partially offset by an increase in other non-current financial liabilities (↑CLP 27,174 million), primarily due to the placement of bonds in the local Chilean market in April 2017, as well as the effect of derivative instruments (cross-currency swap) entered into in March 2017 to hedge the international bond. These increases were partially offset by a decrease in non-current bank loans, due to the transfer from non-current to current of the current portion of the syndicated loan, which is due in June 2018, and to the payment of 50% of the debt with Larrain Vial and Compass.

2.3. Shareholders' Equity

Shareholders' equity increased by CLP 129,605 million (+37.0%), primarily due to:

a. An increase in share capital (↑CLP 129,950 million), due to the capital increase carried out in January 2017.
b. A positive impact on accumulated losses (↑CLP 5,599 million) for the net income for the first half of 2017.
c. These positive effects were partially offset by a decrease in other reserves (↓CLP 5,943 million), primarily due to expenses related to the capital increase and also due to the effect of hedging instruments (cross-currency swap).

3. Analysis of Statement of Cash Flows

Table 11: Statement of Cash Flows for the six months ended June 30, 2017 and 2016

(CLP Million)	June 2017	June 2016	△$
Net Cash Flows From (Used in) Operating Activities	12,420	38,799	(26,380)
Net Cash Flows From (Used in) Investing Activities	(11,154)	(11,873)	719
Net Cash Flows From (Used in) Financing Activities	(7,719)	(51,533)	43,814
Net Increase (Decrease) in Cash and Cash Equivalents Before Effect of Exchange Rates	**(6,453)**	**(24,606)**	**18,153**
Net Increase (Decrease) in Cash and Cash Equivalents	**(6,453)**	**(24,606)**	**18,153**
Cash and Cash Equivalents at Beginning of Period	48,497	50,924	(2,427)
Cash and Cash Equivalents at End of Period	**42,044**	**26,318**	**15,726**

Cash provided by **operating activities** for the first half of 2017 totaled CLP 12,420 million, lower than the CLP 38,799 million for the first half of 2016. This decrease is partly explained by higher payments to suppliers, related to the seasonality of the business, as well as payments to employees, mainly due to the payment of the long-term incentive bonus during the first quarter of 2017.

Cash used in **investing activities** for the first half of 2017 totaled CLP -11,154 million, compared to CLP -11.873 million for the first half of 2016. The main use of cash for investing activities during the period was for **CAPEX**, which includes purchases of property, plant and equipment and purchases of intangible assets and amounted to CLP 10,946 million for 1H17, a decrease with respect to the CLP 11,739 million in 1H16.

Cash used in **financing activities** for the first half of 2017 totaled CLP -7,719 million, mainly explained by: (i) the capital increase for a total of CLP 129,950 million, (ii) loans from related and non-related parties for a total of CLP 94,674 million, (iii) payments of loans from related and non-related parties for a total of CLP 193,859 million, and (iv) interest payments for a total of CLP 32,125 million. In the first half of 2016, cash used in financing activities amounted to a net outflow of CLP -51,533 million, mainly explained by: (i) loans from related and non-related parties for a total of CLP 78,977 million, (ii) payments of loans from related and non-related parties for a total of CLP 92,664 million, and (iii) interest payments for a total of 32,176 million.

4. Financial Indicators[5]

Table 12: Financial Indicators

		2013	2014	2015	2016	2Q17
LIQUIDITY						
Liquidity Ratio	times	0.81	0.62	0.59	0.59	0.68
Acid Ratio	times	0.58	0.42	0.27	0.25	0.26
LEVERAGE						
Total Liabilities / Total Assets	times	0.77	0.80	0.81	0.81	0.73
Total Liabilities / Equity	times	3.39	3.97	4.32	4.16	2.74
Net Financial Liabilities / Equity	times	1.93	2.24	2.46	2.32	1.71
Currents Liabilities / Total Liabilities	%	42.13	45.86	40.35	43.26	41.03
INDEBTEDNESS						
Inventories Roll Over	days	39.51	33.23	38.69	40.04	44.81
Accounts Receivable Roll Over	days	10.93	7.85	11.63	10.07	9.23
Accounts Payable Roll Over	days	96.43	81.98	78.43	75.32	74.54
EFFICIENCY (12 months)						
Interest Coverage (Annual Base)	times	(0.24)	1.08	1.63	1.91	2.01
Gross Margin (Annual Base)	%	24.41	25.63	25.55	26.49	26.91
EBITDA (Annual Base)	CLP MM	(18,233)	70,920	113,947	137,318	141,948
EBITDA Margin (Annual Base)	%	(0.95)	3.59	4.89	5.57	5.70

[5] The financial indicators presented are not all comparable, due to changes in the Company's accounting policies over time. In September 2013, Construmart was presented as discontinued operations available for sale; and beginning in December 2015, Construmart was once again consolidated on a line-by-line basis in the financial statements of SMU. Given the above, it is only possible to compare years that have the same accounting policy, so 2017 is only comparable with 2016 and 2015, and 2014 is only comparable with 2013.

Definitions:

Liquidity Ratio: Current Assets divided by Current Liabilities.
Acid Ratio: Current Assets less Inventories divided by Current Liabilities.
Total Liabilities / Total Assets: Total Liabilities divided by Total Assets.
Total Liabilities / Equity: Total Liabilities divided by Equity.
Net Financial Liabilities / Equity: Other current financial liabilities plus "Other non-current financial liabilities" less Cash and cash equivalent divided by Equity.
Current liabilities / Total Liabilities: Total Current Liabilities divided by Total Liabilities.
Inventories Roll Over: Average Inventories in the period divided by Daily Costs of Sales in the period.
Accounts Receivable Roll Over: Trade accounts receivable and the average of other current accounts receivable in the period divided by Revenues from daily ordinary activities in the period multiplied by 1 point 19 (1.19).
Accounts Payable Roll Over: Trade accounts payable and the average of other accounts payable in the period divided by the daily cost of sales in the period multiplied by 1 point 19 (1.19).
Interest Coverage: EBITDA for the last twelve months divided by Financial Expenses for the last twelve months.
Gross Margin: Gross Profit for the last twelve months divided by Revenue for the last twelve months.
EBITDA: Revenue for the last twelve months less Cost of Sales for the last twelve months less Distribution Costs for the last twelve months less Administrative Expenses excluding Accumulated Depreciation and Amortization for the last twelve months.
EBITDA Margin: EBITDA for the last twelve months divided by Revenue for the last twelve months.

5. Risk Management

The main risks faced by SMU, as well as certain measures taken by the Company to mitigate such risks, are described in note 4 to SMU's consolidated financial statements as of June 30, 2017.

6. Main Events During the Period

1. On January 24, 2017, the Company filed an Essential Fact, informing of the placement, through a special auction on the Santiago Stock Exchange, of a total of 1,150,000,000 ordinary shares at a price of CLP 113 per share. The placement agents were BTG Pactual Chile S.A. Corredora de Bolsa and Larraín Vial Corredora de Bolsa.

   The total amount of the share placement was CLP 129,950 million, of which approximately CLP 18,193 million (160,999,990 shares) was allocated to foreign investors (Reg-S/Rule 144 A).

   The use of proceeds from the share placement was primarily to pay the Company's financial debt. Beginning on January 26, 2017, the Company paid related-party debt in the amount of CLP 81,670 million and debt with financial entities in the amount of CLP 12,780 million, considering the cost and maturity dates of such debt.

   The completion of this capital increase nullifies the increase in the interest rates of the series B and D bonds agreed at the bondholders' meetings held on November 7, 2016 (see note 18b to the consolidated financial statements as of December 31, 2016).

2. On March 13, 2017, the Company hedged 100% of its exposure to fluctuations in the exchange rate between the U.S. dollar and the Chilean peso related to its international bond (US$300 million; interest rate 7.75%) through cross-currency swap contracts at an average rate of CLP + 9.78%.

3. On April 24, 2107, the Company filed an Essential Fact, informing of the placement of dematerialized bearer bonds in the local Chilean market under Series G (ticker BCSMU-G) and Series K (ticker BCSMU-K), both charged to the bond line that is registered with the Securities Registry of the Superintendency of Securities and Insurance under number 667 ("Series G Bonds" and "Series K Bonds", respectively). Both series were placed at an interest rate of 5.3%, with an annual coupon rate of 4.5%, and a maturity date of March 25, 2021.

   The bond placements were for 1,500,000 *Unidades de Fomento* ("UF") each, for a total between the Series G Bonds and the Series K Bonds of UF 3,000,000. The net proceeds of approximately CLP 77,000 million were used to refinance the Company's existing debt, including (i) the payment of the Series C Bonds, which matured on May 2, 2017, in the amount of CLP 54,500 million; (ii) the payment of related-party debt, in the amount of CLP 14,500 million; and (iii) the payment of non-related party debt, in the amount of CLP 8,000 million.