SMU REPORTS EARNINGS FOR THE FOURTH QUARTER AND FULL YEAR 2017

HIGHLIGHTS

- Net income 2017: CLP 27,637 million (+126.4%)
- EBITDA 2017: CLP 142,036 million (+8.3%) / EBITDA margin 2017: 6.3% (+40 bps)
- EBITDA 4Q17: CLP 42,620 million (+11.7%) / EBITDA margin 4Q17: 7.2% (+80 bps)

Santiago, Chile. March 13, 2017.- SMU S.A. ("**SMU**" or the "Company"; Santiago Stock Exchange: SMU) announced earnings[1] for the year 2017 today, reporting **net income** of CLP 27,637 million, more than twice as much as the net income reported in 2016, and **EBITDA**[2] of CLP 142,036 million, an increase of 8.3% with respect to the CLP 131,131 million obtained in 2016. The Company's EBITDA margin for 2017 reached 6.3%, an increase of 40 bps over the 5.9% reported for 2016. **Revenue** for the period totaled CLP 2,257,558 million, an increase of 1.6% with respect to 2016.

The Company also reported its results for the fourth quarter, recording net income of CLP 18,340 million, a more than ten-fold increase with respect to 4Q16. Fourth quarter 2017 EBITDA totaled CLP 42,620 million, an increase of 11.7% with respect to the same period of 2016, and EBITDA margin grew 80 bps, to 7.2% in 4Q17.

SMU's chief executive officer, Marcelo Gálvez, stated, "During 2017, we saw several significant achievements as a company. We launched our strategic plan for the 2017-2019 period, and in this first year of implementation we attained operating improvements that are reflected in our 8.3% EBITDA growth, as well as our EBITDA margin expansion from 5.9% in 2016 to 6.3% in 2017."

Mr. Gálvez continued, "Although revenue growth was lower than in recent years, in line with the lower growth across the industry, we maintained our focus on profitability through diligent efforts in terms of efficiency, and discipline with respect to operating expenses. As part of these efforts, we made progress with our centralized distribution: in 2017, 45.1% of our revenue in Chile came from sales of products that distributed to our stores, compared to 42.5% in 2016. We have also added storage capacity for fresh and imported products in our distribution centers."

[1] As a result of the agreement for the sale of SMU's subsidiary Construmart, announced on November 9, 2017, the Construction Materials segment is presented as held for sale as of December 31, 2017, and the results of the segment are consolidated in a single line of the Company's statements of comprehensive income, under "Profit (loss) from discontinued operations". The accounts in the Company's statements of comprehensive income for the year 2016, as well as for the first nine months of 2017, have been restated in order to provide the same presentation as the full year 2017 figures. For a complete explanation, please see "Note Regarding Presentation and Comparison of Information" in SMU's Analysis of Financial Statements as of December 31, 2017.

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

"Another important highlight during 2017 was the beginning of our store upgrade project, which aims to improve our customers' shopping experience. Between October and February, we have reinaugurated 8 out of the first 10 stores to be upgraded, with the remaining 2 set to be reinaugurated in the coming weeks. During this first stage of the project, we have started to see positive results, both in terms of revenue and margins, and we have begun work on the first 4 of 30 stores that we plan to upgrade in 2018."

"With respect to our financial position, we began 2017 with a successful IPO, which was followed by a second capital increase in November and a third in January of 2018. In addition, in April and September, we placed bonds in the local Chilean market. The total proceeds from all of these transactions amounted to over USD 600 million, which we have used towards our goal of strengthening our financial position. By reducing leverage and refinancing debt under more favorable conditions for the Company, we are able to generate savings on interest expense and optimize our capital structure. I would also like to highlight the multiple upgrades in our credit rating over the past year. As of January of this year, we now have investment grade ratings with all three of our local rating agencies."

Mr. Gálvez concluded by saying, "The improvements we have achieved in both our operating and non-operating results this year have allowed us to more than double our net income compared to 2016. It is both satisfying and motivating to see the positive impact of our efforts, as we continue to work on the implementation of our strategic plan and face different challenges in each of our different formats. In **Unimarc**, continuing to make progress with the store upgrade plan and standardizing processes in order to facilitate a better customer experience. In **Mayorista 10**, continuing to fine tune our value proposition in order to meet the needs of final customers as well as mom and pops, and striving to achieve a cost structure that allows us to offer more attractive prices. In **Alvi**, strengthening the relationship with our mom and pop customers and offering them new benefits through our loyalty program, *Club Mayorista Alvi*. In **OK Market**, moving forward with new store openings and improving the assortment of products we carry. And, with respect to e-commerce, implementing the new technological platform for **Telemercados** and launching Unimarc.cl. At the same time, we will continue to strive to improve our productivity and operating efficiency on an ongoing basis."

Financial Results

SMU reported **net income for the year 2017** of CLP 27,637 million, more than twice as much as the net income for the previous year, as a result of improvements in both operating and non-operating income during the period. Net income for the fourth quarter of 2017 amounted to CLP 18,340 million, more than ten times as much as the CLP 1,400 million reported for the fourth quarter of 2016.

EBITDA[3] for the full year 2017 totaled CLP 142,036 million, an **increase of 8.3%** with respect to CLP 131,131 million for the year 2016. **EBITDA margin for 2017 reached 6.3%**, compared to 5.9% for 2016. The expansion in EBITDA margin is explained by an increase of 70 basis points (bps) in the Company's gross margin, partially offset by an increase of 30 bps in operating expenses as a percentage of revenue.

With respect to the fourth quarter of 2017, EBITDA totaled CLP 42,620 million, increasing 11.7% with respect to CLP 38,171 million reported for 4Q16. EBITDA margin for 4Q17 increased to 7.2%, compared to 6.4% for the fourth quarter of 2016.

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

Revenue for the year 2017 amounted to CLP 2,257,558 million, an increase of 1.6% with respect to CLP 2,221,869 million for 2016. In the fourth quarter of 2017, revenue totaled CLP 595,031 million, similar to the CLP 595,220 million reported for 4Q16.

Gross profit amounted to CLP 637,458 million for the full year 2017, an increase of 4.4% with respect to CLP 610,544 million for 2016. Measured as a percentage of revenue, gross margin increased by 70 bps, reaching 28.2% for 2017 compared to 27.5% for 2016. In 4Q17, gross profit amounted to CLP 169,182 million (28.4% of revenue), an increase of 3.4% with respect to CLP 163,542 million (27.5% of revenue) for 4Q16.

Operating expenses, defined as distribution costs plus administrative expenses (excluding depreciation), as a percentage of revenue increased from 21.6% in the full year 2016 to 21.9% in the full year 2017. This 30 bps increase was less than the increase in gross margin (+70 bps), which explains the expansion in the EBITDA margin. In the fourth quarter, operating expenses as a percentage of revenue increased 20 bps, from 21.1% in 4Q16 to 21.3% in 4Q17.

The Company's **non-operating results** improved by CLP 12,027 million for the full year 2017, reaching a non-operating loss of CLP -65,626 million, compared to a loss of CLP -77,653 million in 2016. The improvement is explained by lower financial expenses, a lower loss on inflation-indexed assets and liabilities, and a favorable variation in other gains (losses), partially offset by a lower gain on foreign currency translation.

With respect to **capital structure**, SMU achieved significant improvements during 2017, **increasing shareholders' equity** by CLP 242,767 million (69.4%) with respect to December 31, 2016, primarily as a result of two capital increases, as well as the better results attained in 2017. **Total liabilities decreased** by CLP 147,903 million (10.2%) in 2017, primarily due to the reduction in financial debt during the year. Likewise, the Company refinanced financial debt under more favorable conditions, resulting in lower interest expense.

Sale of Construmart

On November 9, SMU signed a binding agreement for the sale of 100% of its subsidiary Construmart S.A., and on January 29, 2018, the Company provided an update on the sale process. The buyer completed its due diligence review of Construmart, and the price of the transaction was set at UF 1,845,655 (approximately CLP 49,500 million). Construmart's net financial debt will be deducted from the total price, and such price may also be affected by other adjustments that are habitual for transactions of this nature. The share purchase agreement has been signed by both parties. Regulatory approval by Chile's antitrust authority is pending in order to complete the transaction.

The sale of Construmart, which is has been available for sale since 2013, is in line with SMU's strategy to focus on its core business, food retail. Should the transaction be completed, the proceeds from the sale will be used towards the implementation of the Company's business plan and to reduce debt, thereby further strengthening its financial position.

Capital Increase in January 2018

On January 22, 2018, SMU successfully completed a capital increase for a total gross amount of approximately USD 122 million. The Company placed 400 million new shares in the market, at a price of CLP 185 per share, with a demand of more than seven times the total offering. This capital increase follows the two capital increases completed in 2017, one in January for approximately USD 200 million and one in November for approximately USD 150 million. The proceeds from this new capital increase will allow SMU to further strengthen its financial position and optimize its capital structure, continuing its deleveraging process.

Partial Redemption of International Bond

On February 9, 2018, SMU carried out a partial redemption of its International bond. Such bond was placed in February 2013 for a total capital amount of USD 300 million, and it matures in February 2010. The partial redemption was for a total capital amount of USD 120 million, plus the prepayment cost of USD 2.33 million, as well as interest accrued as of such date of USD 0.026 million. As a result, the total cash payment amounted to USD 122.35 million. The partial redemption was made using the proceeds of the capital increase carried out in November 2017.

On March 2, 2018, SMU notified its international bond holders that on April 2, 2018, the Company will carry out an additional partial redemption for a total capital amount of USD 80 million, as well as the applicable prepayment cost and accrued interest. The new partial redemption will be made using the proceeds of the capital increase carried out in January 2018. Following the new partial redemption, the outstanding capital amount of the international bond will be USD 100 million, maturing in February 2020.

Credit Rating Upgrades

In January 2018, both Feller Rate and ICR upgraded SMU's credit rating from BB+ to BBB-, maintaining a positive outlook. Consequently, SMU has an investment grade credit rating with all three of its local rating agencies (Feller Rate, Humphreys and ICR). In addition, in February 2018, Humphreys upgraded the Company's credit rating from BBB- , maintaining a stable outlook. With respect to international credit ratings, in March 2018, Moody's changed the outlook on the Company's credit rating from stable to positive, maintaining the B3 rating.

Conference Call

SMU will host a conference call and webcast for investors on Thursday, March 15, 2018 at 3:00 pm Chile/2:00 pm ET to discuss its fourth 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/smu20180315.html

Further Information

For further information about SMU's 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, 2017. 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*.

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
December 2017

ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

Note Regarding Presentation and Comparison of Information

On November 9, 2017, SMU signed a binding agreement for the sale of its subsidiary Construmart S.A. and its subsidiaries. Such companies comprised the "Construction Materials" operating segment. In accordance with the provisions of IFRS 5, in SMU's Consolidated Financial Statements as of December 31, 2017, this segment is presented as available for sale.

Consequently, the accounts in the Company's statements of comprehensive income for the year 2016, as well as for the first nine months of 2017, have been restated in order to provide the same presentation as the full year 2017 figures. As such, in both periods presented, Construmart's results are consolidated in a single line of SMU's statements of comprehensive income, under "Profit (loss) from discontinued operations".

Unlike the statements of comprehensive income, the statements of financial position as of December 31, 2016 have not been restated, and as a result, such figures are not comparable to the figures presented as of December 31, 2017. In 2017, Construmart's assets are consolidated in a single line of SMU's statements of financial position, under "Non-current assets or asset groups classified as held-for-sale", and Construmart's liabilities are consolidated in a single line under "Non-current liabilities or liability groups classified as held-for-sale".

The statements of cash flows for the year 2016 have not been restated, and as a result, such figures are not comparable to the figures for the year 2017. The statements of cash flows for the year 2016 include cash flows corresponding to Construmart, whereas in 2017, such cash flows are not included. In addition, in 2017, there is an adjustment to eliminate the balance of cash and cash equivalents corresponding to Construmart.

Executive Summary: Consolidated Results

SMU reported **net income for the year 2017** of CLP 27,637 million, more than twice as much as the net income for the previous year, as a result of improvements in both operating and non-operating income during the period. Net income for the fourth quarter of 2017 amounted to CLP 18,340 million, more than ten times as much as the CLP 1,400 million reported for the fourth quarter of 2016.

EBITDA[4] for the full year 2017 totaled CLP 142,036 million, an **increase of 8.3%** with respect to CLP 131,131 million for the year 2016. **EBITDA margin for 2017 reached 6.3%**, compared to 5.9% for 2016. The expansion in EBITDA margin is explained by an increase of 70 basis points (bps) in the Company's gross margin, partially offset by an increase of 30 bps in operating expenses as a percentage of revenue.

With respect to the fourth quarter of 2017, EBITDA totaled CLP 42,620 million, increasing 11.7% with respect to CLP 38,171 million reported for 4Q16. EBITDA margin for 4Q17 increased to 7.2%, compared to 6.4% for the fourth quarter of 2016.

Revenue for the year 2017 amounted to CLP 2,257,558 million, an increase of 1.6% with respect to CLP 2,221,869 million for 2016. In the fourth quarter of 2017, revenue totaled CLP 595,031 million, similar to the CLP 595,220 million reported for 4Q16.

Gross profit amounted to CLP 637,458 million for the full year 2017, an increase of 4.4% with respect to CLP 610,544 million for 2016. Measured as a percentage of revenue, gross margin increased by 70 bps, reaching 28.2% for 2017 compared to 27.5% for 2016. In 4Q17, gross profit amounted to CLP 169,182 million (28.4% of revenue), an increase of 3.4% with respect to CLP 163,542 million (27.5% of revenue) for 4Q16.

Operating expenses, defined as distribution costs plus administrative expenses (excluding depreciation), as a percentage of revenue increased from 21.6% in the full year 2016 to 21.9% in the full year 2017. This 30 bps increase was less than the increase in gross margin (+70 bps), which explains the expansion in the EBITDA margin. In the fourth quarter, operating expenses as a percentage of revenue increased 20 bps, from 21.1% in 4Q16 to 21.3% in 4Q17.

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

With respect to **operating indicators**, in the **Food Retail segment**, **sales per square meter**[5] for the full year 2017 amounted to CLP 306,103, an increase of 2.3% with respect to the same period of 2016. In this segment the Company had an increase in **same-store sales ("SSS")** of 1.7% for the full year 2017, and Unimarc had an increase of 2.3%. With respect to **operating efficiency**, within the Food Retail Chile operations during the full year 2017, the Company achieved a rate of **centralized distribution** of 45.1%, 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 twelve months ended December 31, 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)	4Q17	4Q16 Restated	△%	2017	2016 Restated	△%
Revenues	595,031	595,220	(0.0%)	2,257,558	2,221,869	1.6%
Cost of Sales	(425,850)	(431,678)	(1.4%)	(1,620,100)	(1,611,325)	0.5%
Gross Profit	**169,182**	**163,542**	**3.4%**	**637,458**	**610,544**	**4.4%**
Gross Margin (%)	*28.4%*	*27.5%*		*28.2%*	*27.5%*	
Distribution Costs	(6,620)	(6,228)	6.3%	(24,678)	(22,743)	8.5%
Contribution Margin	**162,562**	**157,315**	**3.3%**	**612,780**	**587,802**	**4.2%**
Contribution Margin (%)	*27.3%*	*26.4%*		*27.1%*	*26.5%*	
Administrative Expenses (Excluding Depreciation)	(119,942)	(119,144)	0.7%	(470,744)	(456,671)	3.1%
EBITDA	**42,620**	**38,171**	**11.7%**	**142,036**	**131,131**	**8.3%**
EBITDA Margin (%)	*7.2%*	*6.4%*		*6.3%*	*5.9%*	
Depreciation and Amortization	(11,628)	(12,174)	(4.5%)	(48,027)	(51,115)	(6.0%)
Operating Income	**30,992**	**25,998**	**19.2%**	**94,009**	**80,016**	**17.5%**
Other Gains (Losses)	2,397	332	622.7%	3,375	(4,076)	n.a.
Financial Income	324	184	75.7%	1,016	1,280	(20.6%)
Financial Expenses	(15,152)	(18,661)	(18.8%)	(66,149)	(72,152)	(8.3%)
Share of Profit (Loss) of Associates	(657)	(130)	403.7%	(1,964)	(1,292)	52.1%
Foreign Exchange Differences	6,012	(5,458)	n.a.	8,099	16,173	(49.9%)
Income (Loss) for Indexed Assets and Liabilities	(3,084)	(2,840)	8.6%	(10,003)	(17,588)	(43.1%)
Non-operating Income	**(10,161)**	**(26,573)**	**(61.8%)**	**(65,626)**	**(77,653)**	**(15.5%)**
Net Income (Loss) Before Taxes	**20,831**	**(576)**	**n.a.**	**28,383**	**2,362**	**1,101.5%**
Income Tax Expense	(3,286)	2,161	n.a.	(2,084)	8,566	n.a.
Net Income (Loss) from Continued Operations	**17,545**	**1,585**	**1,006.9%**	**26,299**	**10,929**	**140.6%**
Net Income (Loss) from Discontinued Operations	**796**	**(185)**	**n.a.**	**1,338**	**1,281**	**4.5%**
Net Income (Loss) of the Period	**18,340**	**1,400**	**1,209.9%**	**27,637**	**12,210**	**126.4%**

*Restated: The figures for the full year and fourth quarter of 2016 have been restated to make them comparable with the figures for the full year and fourth quarter of 2017, when the construction materials segment is presented as available for sale. See "Note Regarding Presentation and Comparison of Information" (Page 2).

**n.a. = not applicable. Indicates a comparison in percentage terms between a positive number in one period and a negative number in another period.

[5] 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. Revenue

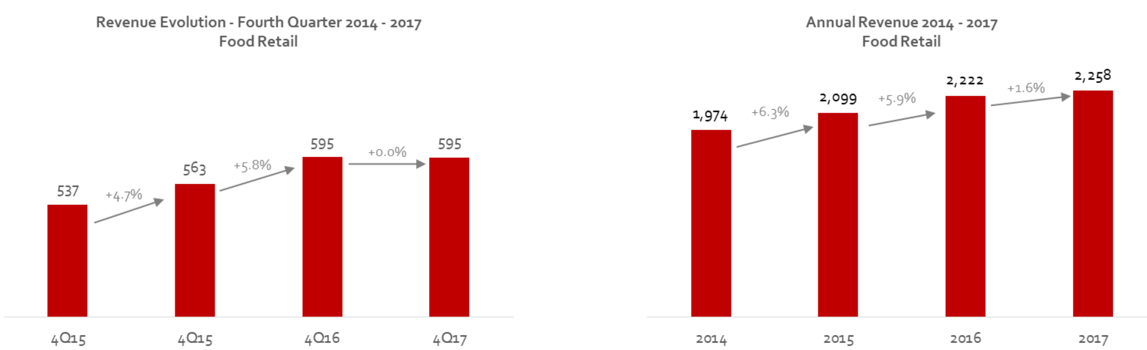
Revenue for the Food Retail segment increased 1.6% in the year 2017 with respect to 2016, from CLP 2,221,869 million to CLP 2,257,558 million. In the fourth quarter of 2017, revenue remained stable with respect to the same period of 2016, totaling CLP 595,031 million, versus CLP 595,220 million for 4Q16.

Table 2: Food Retail Segment Revenue (CLP MMM)

REVENUE (CLP MMM)	4Q17	4Q16	△%	2017	2016	△%
UNIMARC	414	415	-0.4%	1,577	1,541	2.3%
CASH & CARRY	151	150	0.4%	571	575	-0.7%
OK MARKET	13	13	-1.7%	49	49	0.6%
TELEMERCADOS	4	4	-0.4%	13	13	1.0%
OTHERS(*)	1	1	28.5%	4	5	-23.0%
FOOD RETAIL CHILE	583	583	-0.2%	2,214	2,184	1.4%
FOOD RETAIL PERU	12.5	11.8	6.1%	43.1	38.2	12.8%
CONSOLIDATED	595	595	0.0%	2,258	2,222	1.6%

(*)"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) / Fourth Quarter and Full Year 2014 – 2017



Food Retail Chile revenue grew 1.4% in 2017 and decreased 0.2% in the fourth quarter of 2017, with respect to the same periods of 2016. Within the Food Retail Chile operations, Unimarc, the traditional supermarket, increased 2.3% in the full year 2017 and decreased 0.4% in the fourth quarter. The decrease is primarily due to the closure of underperforming stores during 2017. Unimarc accounts for approximately 70% of revenue for the Food Retail segment.

Revenue for the cash & carry format decreased 0.7% in the full year 2017, but they grew 0.4% in the fourth quarter of 2017, especially due to the recovery in the Mayorista 10 stores, where the new value proposition is beginning to yield positive results. As explained in previous quarters, the value proposition

for Mayorista 10 is transitioning from a focus on mom and pop stores (resellers) to a focus on final customers. Revenue for the convenience store format (OK Market) grew 0.6% in the full year 2017 and decreased 1.7% in the fourth quarter of 2017, mainly due to the closure of underperforming stores during the year. Revenue for the e-grocery format (Telemercados) grew 1.0% in the full year 2017 and decreased 0.4% in the fourth quarter.

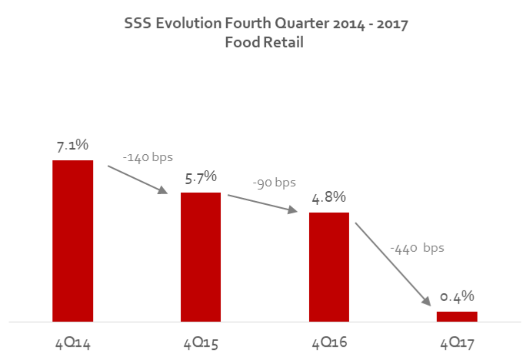
In Food Retail Peru, revenue grew 12.8% (measured in Chilean pesos) in the full year 2017 with respect to 2016 (13.5% measured in Peruvian Soles) and 6.1% in the fourth quarter (6.5% in Peruvian Soles), reflecting the positive results of SMU's strategy in Peru, which focuses on replicating some of the initiatives that it has successfully implemented in Chile.

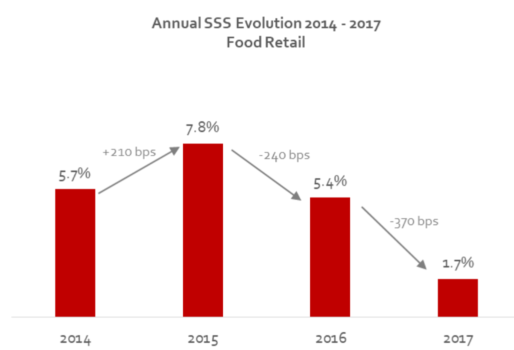
Same-store sales (SSS) growth for the Food Retail segment amounted to 1.7% for the full year 2017 and 0.4% for the fourth quarter, lower than the levels reported during 2016.

Table 3: Same-Store Sales Growth in the Food Retail Segment (%)

SSS (△%)	4Q16	2016	1Q17	2Q17	3Q17	4Q17	2017
UNIMARC	6.4%	7.3%	4.6%	3.3%	1.5%	0.3%	2.3%
CASH & CARRY	0.7%	0.9%	-2.6%	-1.2%	0.3%	0.5%	-0.7%
OK MARKET	3.5%	5.0%	6.3%	4.8%	2.5%	1.4%	3.7%
FOOD RETAIL CHILE	4.8%	5.5%	2.7%	2.1%	1.2%	0.4%	1.5%
FOOD RETAIL PERU	11.5%	2.9%	22.2%	11.5%	11.1%	4.7%	11.6%
CONSOLIDATED	4.8%	5.4%	3.0%	2.2%	1.3%	0.4%	1.7%

Graph 2: Same-Store Sales Growth in the Food Retail Segment (%) / Fourth Quarter and Full Year 2014 – 2017





SSS for Unimarc grew 2.3% in the full year 2017 and 0.3% in the fourth quarter. Cash & carry decreased 0.7% in the full year but grew 0.5% in 4Q17, consistent with revenue performance and reflecting the effect of the changing value proposition for the Mayorista 10 stores, with the positive results observed during the fourth quarter. Same-store sales for the OK Market convenience stores grew 3.7% in 2017 and 1.4% in 4Q17, as average temperatures in the fourth quarter have been lower than in 2016, which affects food categories that are relevant for this format's revenues, such as beverages and ice cream. Overall, Food Retail Chile recorded SSS growth of 1.5% for the full year 2017 and 0.4% for the fourth quarter.

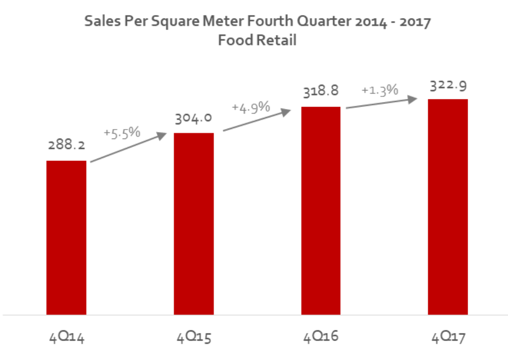
Food Retail Peru—which accounted for around 2% of total revenue for the Food Retail segment in 2017—recorded an increase in SSS of 11.6% for the full year 2017 and 4.7% for 4Q17, following the positive trend that began in the last quarter of 2016 and reflecting the implementation of the business plan for the next three years, which aims to grow sales through the implementation of new value propositions, as well as promotional and advertising activity.

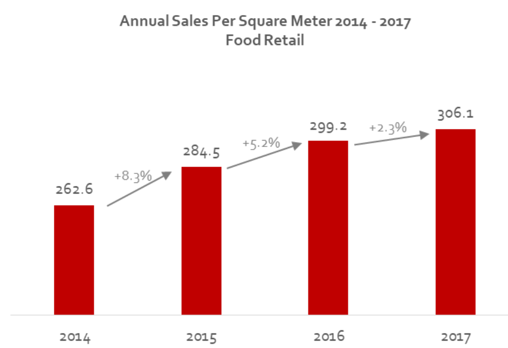
Sales per square meter for the Food Retail segment reached CLP 306,103 for the full year 2017, 2.3% higher than in 2016, and CLP 322,905 for the fourth quarter of 2017, 1.3% higher than the fourth quarter of 2016.

Table 4: Sales per Square Meter in the Food Retail Segment (Thous. CLP/M²)

SALES PER SQM (CLP Thousands/sqm)	4Q17	4Q16	△%	2017	2016	△%
FOOD RETAIL CHILE	326.3	322.3	*1.2%*	309.7	303.1	*2.2%*
FOOD RETAIL PERU	216.9	207.9	*4.3%*	191.0	173.4	*10.1%*
CONSOLIDATED	322.9	318.8	*1.3%*	306.1	299.2	*2.3%*

Graph 3: Food Retail Sales per Square Meter (Thous. CLP/M²) / Fourth Quarter and Full Year 2014 – 2017





Food Retail Chile sales per square meter grew 2.2% in the full year 2017 compared to 2016, and they grew 1.2% in the fourth quarter of 2017 compared to the fourth quarter of 2016. Food Retail Peru (measured in Chilean pesos) recorded growth in sales per square meter of 10.1% in the full year 2017 and 4.3% in the fourth quarter of 2017, consistent with the strong growth in revenue for this business in the period.

By format, sales per square meter performance improved: Unimarc increased 2.9% in the full year 2017 and 0.8% in 4Q17; cash & carry remained stable between 2016 and 2017 and increased 2.3% in 4Q17; and OK Market grew 5.9% in full year 2017 and 3.3% in 4Q17.

As of the end of the fourth quarter of 2017, SMU's food retail operations included **502 stores in Chile**, with a total of **586,158 square meters**, distributed from Arica to Punta Arenas, slightly below the 511 stores in operation as of the end of the fourth 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 2017, SMU closed five OK Market stores and five 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. During the fourth quarter of 2017, the Company opened two OK Market stores.

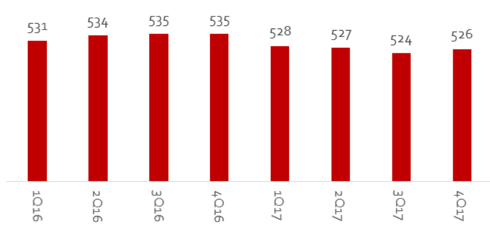
In Peru, as of December 31, 2017, the Company had 24 stores, with 20,398 square meters, for a total selling space for the Food Retail segment of 606,555 square meters at period-end.

Table 5: Number of Stores and Sales Area (Thous. Square Meters) in the Food Retail Segment

NUMBER OF STORES	4Q17	4Q16
UNIMARC	289	295
CASH & CARRY	100	100
OK MARKET	113	116
FOOD RETAIL CHILE	502	511
FOOD RETAIL PERU	24	24
CONSOLIDATED	526	535

SALES AREA (THOUSANDS OF SQM)	4Q17	4Q16
UNIMARC	402	407
CASH & CARRY	169	169
OK MARKET	15	15
FOOD RETAIL CHILE	586	591
FOOD RETAIL PERU	20	20
CONSOLIDATED	607	612

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



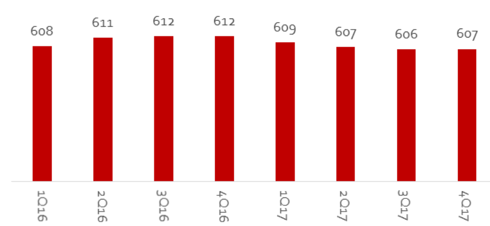


Table 6: Store Openings and Closures in the Food Retail Segment

OPENINGS AND CLOSURES	4Q16		2016		1Q17		2Q17		3Q17		4Q17		2017	
	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.
UNIMARC	0	0	5	0	0	3	0	1	0	2	0	0	0	6
CASH & CARRY	0	0	1*	1*	0	0	0	0	0	0	0	0	0	0
OK MARKET	0	0	0	0	0	4	0	0	0	1	2	0	2	5
FOOD RETAIL CHILE	0	0	5	0	0	7	0	1	0	3	2	0	2	11
FOOD RETAIL PERU	0	0	2	0	0	0	0	0	0	0	0	0	0	0

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

1.1.2. Distribution Costs and Administrative Expenses

In 2017, **distribution costs plus administrative expenses (excluding depreciation)** for the Food Retail segment, as a percentage of revenue, increased by approximately 30 bps, from 21.6% in 2016 to 21.9% in 2017.

Distribution costs for the full year 2017 totaled CLP 24,678 million, an increase of 8.5% with respect to the same period of 2016. Distribution costs for the fourth quarter amounted to CLP 6,620 million, an increase of 6.3%. The increase was primarily due to 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. By increasing the rate of centralized distribution, SMU seeks to improve its in-store product availability and optimize its inventory management. Distribution costs as a percentage of revenue remained stable, at approximately 1.1% for the full year 2017 compared to 1.0% for 2016.

Administrative expenses (excluding depreciation) for the Food Retail segment increased 3.1% in the full year 2017, totaling CLP 470,744 million (20.9% of revenue), versus CLP 456,671 million (20.6% of revenue) for 2016. In the fourth quarter, administrative expenses increased 0.7%, totaling CLP 119,942 million (20.2% of revenue), versus CLP 119,144 million (20.0% of revenue) for the fourth quarter of 2016.

The main increases in administrative expenses in the full year 2017 were:

a. CLP 7,637 million (+3.4% YoY) in personnel expenses—which accounted for 49.2% of total administrative expenses (excluding depreciation) during the period—due to inflation adjustments for salaries and the increase in the minimum wage;
b. CLP 3,276 million (+6.0% 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 2,525 million (+3.3% YoY) in services, primarily due to security expenses, related to the increase in the minimum wage, higher level of service and inflation, as well as retroactive increases in electricity charges due to a tariff increase;
d. CLP 2,216 million (+21.2%) in IT services, related to the implementation of projects associated with Plan CIMA[6]; and
e. CLP 1,070 million (+7.6% YoY) in maintenance, related to improvements to stores.

These increases were partially offset by:

a. A decrease of CLP 1,428 million (-87.1% YoY) in the allowance for doubtful accounts, primarily explained by non-recurring impairment charges recorded during the second quarter of 2016 in connection with the account receivable from Supermercados Bigger SpA; and
b. A decrease of CLP 1,227 million (-6.3% YoY) in materials, due to optimizations in purchasing.

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[6] Plan CIMA is SMU's strategic plan for 2017-2019, focused on six pillars: customer experience, operating efficiency, organizational excellence, sustainability, technological development, and financial strengthening.

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

a. CLP 1,193 million (+6.3% YoY) in services, mainly due to retroactive increases in electricity charges due to a tariff increase;
b. CLP 1,171 million (+52.6%) in IT services, related to the implementation of projects associated with Plan CIMA; and
c. CLP 977 million (+6.9% YoY) in lease expenses, related to inflation adjustments.

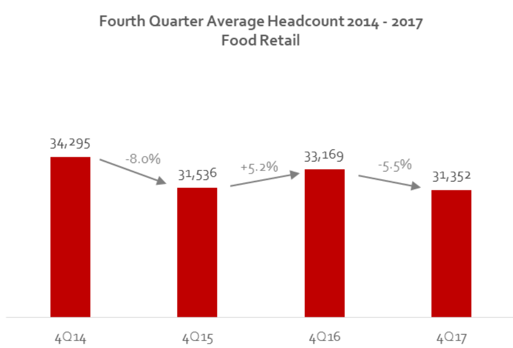
These increases were partially offset by:

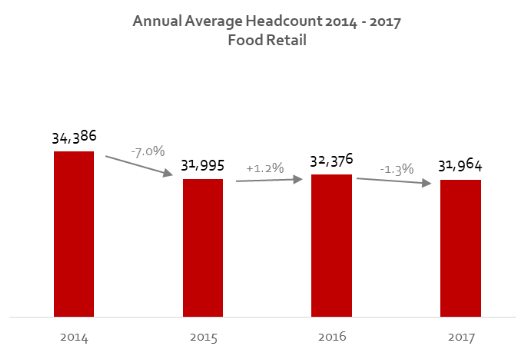
a. A decrease of CLP 1,344 millones (-36.5% YoY) in external services, related to advisory services;
b. A decrease of CLP 729 million (-13.5% YoY) in materials, due to optimizations in purchasing; and
c. A decrease of CLP 571 million (-1.0% YoY) in personnel expenses—which accounted for 49.1% of total administrative expenses (excluding depreciation) during the period—due to a reduction of 5.5% in the average headcount in 4Q17 vs. 4Q16.

Table 7: Average Headcount in the Food Retail Segment

AVERAGE HEADCOUNT	4Q17	4Q16	△%	2017	2016	△%
STORES CHILE	28,972	30,849	-6.1%	29,576	30,098	-1.7%
HEADQUARTERS CHILE	1,633	1,573	3.9%	1,640	1,559	5.2%
FOOD RETAIL CHILE	30,605	32,422	-5.6%	31,216	31,657	-1.4%
STORES PERU	613	620	-1.2%	617	597	3.3%
HEADQUARTERS PERU	134	127	5.0%	132	122	8.3%
FOOD RETAIL PERU	746	747	-0.1%	749	719	4.1%
CONSOLIDATED	31,352	33,169	-5.5%	31,964	32,376	-1.3%

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





1.1.3. Gross Margin, Contribution Margin, and EBITDA

Gross profit for the Food Retail segment totaled CLP 637,458 million for the full year 2017, an increase of 4.4% with respect to 2016, which is equivalent to 28.2% of revenue, 70 bps higher with respect to 27.5% in 2016, as revenue growth exceeded growth in the cost of sales. 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 fourth quarter of 2017, gross profit totaled CLP 169,182 million, an increase of 3.4% with respect to the fourth quarter of 2016, which is equivalent to a gross margin of 28.4%, 90 bps higher than in 4Q16.

Contribution margin for the segment grew 4.2% in the full year 2017, totaling CLP 612,780 million, compared to CLP 587,802 million for 2016, amounting to 27.1% of revenue, 60 bps above the 26.5% for 2016. The expansion in contribution margin was driven by the higher gross profit (+4.4%), despite the increase of 8.5% in distribution costs, related to the increase in centralized distribution. In the fourth quarter of 2017, contribution margin amounted to CLP 162,562 million, an increase of 3.3% with respect to CLP 157,315 million for the fourth quarter of 2016. As a percentage of revenue, contribution margin reached 27.3% in 4Q17, 90 bps higher than the 26.4% reported for 4Q16.

EBITDA for the Food Retail segment increased 8.3% in the full year 2017, amounting to CLP 142,036 million, compared to CLP 131,131 million for 2016. **EBITDA margin** increased from 5.9% in 2016 to 6.3% in 2017, equivalent to 40 bps YoY. EBITDA for this segment in the fourth quarter of 2017 increased 11.7%, reaching CLP 42,620 million (EBITDA margin of 7.2%), compared to CLP 38,171 million (EBITDA margin of 6.4%) for 4Q16.

EBITDAR (EBITDA less lease expenses) for the Food Retail segment amounted to CLP 196,752 million (EBITDAR margin 8.7%) for the full year 2017, 4.0% higher than the CLP 189,123 million (EBITDAR margin 8.5%) obtained in 2016. In the fourth quarter, EBITDAR totaled CLP 57,682 million (EBITDAR margin 9.7%), an increase of 10.4% with respect to CLP 52,256 million (EBITDAR margin 8.8%) reported for 4Q16.

1.2. Non-operating Income[7] and Income Tax Expense

The **consolidated non-operating loss** for SMU for the full year 2017 totaled CLP -65,626 million, an improvement of CLP 12,027 million compared to the non-operating loss of CLP -77,653 million for 2016.

The variation in non-operating loss in the full year 2017 is primarily explained by:

a. The **loss from inflation-adjusted units** improved by CLP 7,585 million with respect to 2016, due to lower inflation and less UF-denominated debt in 2017 than in 2016;
b. **Other gains (losses)** improved by CLP 7,450 million, mainly due to: (i) the recognition, in the second quarter of 2016, of non-recurring impairment charges for accounts receivable from Network Retail SpA related to the sale of the company Supermercados Bigger SpA, (ii) a higher gain on changes and terminations of lease contracts, and (iii) an increase in reimbursements by insurance companies; and
c. **Financial expenses** improved by CLP 6,003 million with respect to 2016, mainly due to the lower financial debt resulting from payments made with proceeds from the capital increase carried out in January 2017 and also to savings on interest expense as a result of debt being refinanced at lower interest rates through the placement of local bonds in April and September of this year. These effects were partially offset by the cost of the cross-currency swap, entered into in March of 2017, to hedge the Company's international bond.

These improvements to the Company's non-operating results were partly offset by a decrease of CLP -8,074 million in the gain on **foreign currency translation differences** for 2017 compared to 2016, due to the significant reduction in exposure to fluctuations in the exchange rate between the U.S. dollar and the Chilean peso. During 2017, SMU has paid down dollar-denominated debt amounting to approximately USD 140 million. In addition, the Company's international bond—its greatest source of exchange rate risk—was 100% hedged either with a cross-currency swap or with forwards during most of the year, thereby reducing the impact of fluctuations in the exchange rate on the Company's results.

With respect to the fourth quarter of 2017, the Company's non-operating loss amounted to CLP -10,161 million, an improvement of CLP 16,413 million with respect to the loss of CLP -26,573 million for 2016. The difference is primarily explained by an improvement of CLP 11,470 in foreign currency translation differences in 2017 compared to 2016.

During the fourth quarter of 2016, the Chilean peso depreciated, giving rise to a loss from foreign currency translation differences of CLP -5,458 million. In addition, during the fourth quarter of 2017, SMU decided to prepay a portion of its international bond in early 2018, and consequently, the Company also decided to modify the hedging instrument covering the bond, from a cross-currency swap to forwards. Between the date on which SMU completed the unwind of the cross-currency swap and the date on which it entered into the forwards, the Chilean peso appreciated, and this is the primary reason for the gain on foreign currency translation differences (CLP 6,012 million) reported in 4Q17.

[7] 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)

The **income tax expense** for the full year 2017 amounted to CLP -2,084 million, a difference of CLP 10.650 million with respect to the income tax benefit of CLP 8,566 million for 2016. The difference is primarily explained by the improvement in results in 2017: pre-tax income for 2017 totaled CLP 28,383 million in 2017, vs. CLP 2,362 million in 2016. In addition, the change in permanent differences from deferred taxes was lower in 2017 (CLP 2,284 million) than in 2016 (CLP 6,704 million), mainly due to lower inflation adjustments to tax losses, as a result of lower inflation in 2017 than in 2016.

With respect to the fourth quarter of 2017, the income tax expense amounted to CLP -3,286 million, compared to an income tax benefit of CLP 2,161 million in 4Q16. The variation is also explained primarily by the improvement in pre-tax income in 4Q17 (CLP 20,831 million) compared to the pre-tax loss in 4Q16 (CLP -576 million).

1.3. Operations Held for Sale: Construction Materials Segment

The results of the Construction Materials segment are consolidated in a single line of SMU's statements of comprehensive income, under "Profit (loss) from discontinued operations" (see Note Regarding Presentation and Comparison of Information, on page 2).

In 2017, **revenue** for the Construction Materials totaled CLP 249,053 million, an increase of CLP 6,071 million (2.5%) with respect to 2016. In the fourth quarter of 2017, revenue amounted to CLP 67,121 million, an increase of CLP 7,167 million with respect to 4Q16.

By business, retail sales increased 1.2% in 2017 with respect to 2016, as a result of the ongoing development of initiatives designed to improve the shopping experience and in-store product offering. However, in the fourth quarter, retail sales decreased 10.5%, due to a reduction in consumption in the industry. For the full year 2017, the retail business accounted for 36.7% of total revenue, slightly lower than the 37.2% reported for 2016.

The B2B business accounted for 63.3% of sales in 2017 and recorded an increase in revenue of 3.3% compared to 2016. During the first half of 2017, the B2B business was affected by the corporate customer segment, which was negatively affected by the performance of the real estate sector, and also by the higher comparison base in 2016, related to the effects of the tax reform in Chile. However, in the third quarter, there were early signs of recovery among big construction companies, which continued in the fourth quarter, when B2B sales grew 29.4% with respect to 4Q16.

Gross margin for this segment reached 17.1% for the full year 2017 (a decrease of 40 bps with respect to 2016) and 16.7% for 4Q17 (a decrease of 230 bps with respect to 4Q16), as a result of the increase of the B2B business as a proportion of total sales.

In 2017, **administrative expenses (excluding depreciation)** for this segment increased by CLP 1,781 million (4.5%) with respect to 2016 and increased CLP 531 million (5.3%) in 4Q17. The increase is mainly explained by the increase in personnel and marketing expenses.

EBITDA for this segment totaled CLP 4,223 million (EBITDA margin 1.7%) for 2017, a decrease of 31.8% with respect to the CLP 6,188 million (EBITDA margin 2.5%) recorded for 2016. In the fourth quarter, EBITDA amounted to CLP 1,422 million (EBITDA margin 2.1%), compared to CLP 2,139 million (EBITDA margin 3.6%) for 4Q16.

1.4. Net Income

SMU reported **net income** of CLP 27,637 million for the full year 2017, an increase of 126.4% with respect to CLP 12,210 million reported for 2016. **Profit from continuing operations** increased 140.6% in 2017, amounting to CLP 26,299 million, as a result of improvements to both operating income (+CLP 13,993 million, or 17.5% YoY) and non-operating loss (the loss decreased by CLP 12,027 million, or 15.5% YoY), partly offset by an increase in income tax expense (+CLP 10,650 million). Profit from discontinued operations totaled CLP 1,338 million in 2017, an increase of CLP 57 million (+4.5%) with respect to 2016.

Net income for the fourth quarter of 2017 totaled CLP 18,340 million, an improvement of CLP 16,940 million (1,210%) with respect to 4Q16, mainly as a result of the increase in profit from continuing operations (+15,960 million). Non-operating income improved by CLP 16,413 million in the quarter, and non-operating income improved CLP 4,994 million. These positive effects were partly offset by an increase in income tax expense (+CLP 5,447 million). Profit from discontinued operations improved by CLP 981 million in 4Q17 with respect to 4Q16.

2. Analysis of Statement of Financial Position

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

(CLP Million)	December 2017	December 2016	△$	△%
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	110,540	48,497	62,043	127.9%
Other Current Financial Assets	15	79	(64)	(80.5%)
Other Current Non-Financial Assets	22,640	12,121	10,519	86.8%
Trade Accounts Receivable and Other Receivables, Net	47,073	82,560	(35,487)	(43.0%)
Accounts Receivable from Related Companies	14,363	7,205	7,158	99.3%
Inventories	194,157	214,026	(19,869)	(9.3%)
Current Tax Assets	5,323	6,905	(1,582)	(22.9%)
Non-Current Assets Classified as Held for Sale	101,311	-	101,311	-
Total Current Assets	**495,421**	**371,393**	**124,029**	**33.4%**
NON-CURRENT ASSETS				
Other Non-Current Financial Assets	241	191	50	26.0%
Other Non-Current Non-Financial Assets	24,648	21,576	3,073	14.2%
Non-Current Accounts Receivable	2,369	1,835	533	29.1%
Investments Accounted for Using the Equity Method	3,076	-	3,076	-
Intangible Assets Other Than Goodwill	78,284	77,198	1,086	1.4%
Goodwill	474,253	474,522	(269)	(0.1%)
Property, Plant, and equipment, net	409,971	441,848	(31,877)	(7.2%)
Deferred tax assets	413,330	418,167	(4,837)	(1.2%)
Total Non-Current Assets	**1,406,173**	**1,435,339**	**(29,165)**	**(2.0%)**
TOTAL ASSETS	**1,901,595**	**1,806,731**	**94,864**	**5.3%**
LIABILITIES				
CURRENT LIABILITIES				
Other Current Financial Libialities	70,342	126,174	(55,831)	(44.2%)
Trade and Other Current Payables	414,360	456,081	(41,721)	(9.1%)
Accounts Payable to Related Companies	3,357	17,439	(14,082)	(80.8%)
Other Current Provisions	1,227	1,360	(133)	(9.8%)
Current Tax Liabilities	-	12	(12)	(100.0%)
Current Provisions for Employee Benefits	17,059	23,960	(6,902)	(28.8%)
Other Current Non-Financial Liabilities	3,436	5,181	(1,745)	(33.7%)
Non-Current Liabilities Classified as Held for Sale	60,929	-	60,929	-
Total Current Liabilities	**570,711**	**630,207**	**(59,497)**	**(9.4%)**
NON-CURRENT LIABILITIES				
Other Non-Current Financial Liabilities	727,071	735,875	(8,804)	(1.2%)
Non-Current Payables	175	148	27	18.2%
Trade Payables due to Related Entities, Non-Current	-	79,054	(79,054)	(100.0%)
Deferred Tax Liabilities	70	69	1	1.2%
Non-Current Provisions for Employee Benefits	2,699	108	2,591	2,395.4%
Other Non-Current Non-Financial Liabilities	8,094	11,262	(3,168)	(28.1%)
Total Non-Current Liabilities	**738,109**	**826,516**	**(88,407)**	**(10.7%)**
TOTAL LIABILITIES	**1,308,820**	**1,456,723**	**(147,903)**	**(10.2%)**
EQUITY				
Issued Capital	1,195,165	970,340	224,825	23.2%
Accumulated Losses	(740,068)	(767,705)	27,637	(3.6%)
Other Reserves	137,678	147,373	(9,695)	(6.6%)
Equity Attributable to the Owners of the Parent Company	592,775	350,008	242,767	69.4%
Non-Controlling Interest	(0)	(0)	-	0.0%
Total Equity	**592,775**	**350,008**	**242,767**	**69.4%**
TOTAL LIABILITIES AND EQUITY	**1,901,595**	**1,806,731**	**94,864**	**5.3%**

2.1. Assets

As of December 31, 2017, SMU's **total assets** increased 5.3% with respect to December 31, 2016, totaling CLP 1,901,595 million.

As a reminder, in 2016, Construmart's assets are consolidated on a line-by-line basis, whereas in 2017, there are consolidated in a single line within current assets.

Current assets as of December 31, 2017 increased CLP 124,029 million (33.4%) with respect to December 31, 2016, totaling CLP 495,421 million, primarily due to:

a. An increase in non-current assets or asset groups classified as held-for-sale (↑CLP 101,311 million), related to the accounting treatment of Construmart in 2017, in accordance with the provisions of IFRS 5;
b. An increase in cash and cash equivalents (↑CLP 62,043 million), explained by the variations that are described in section 3. Analysis of Statement of Cash Flows. The balance of this account as of December 31, 2016 includes CLP 2,202 million corresponding to Construmart.
c. An increase in other current non-financial assets (↑CLP 10,519 million), primarily due to higher advanced payments to foreign suppliers and to the new prepaid insurance contract.
d. An increase in current accounts receivable from related parties (↑CLP 7,158 million), primarily associated with Inmobiliaria SMU and with 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.

These increases were partially offset by:

a. A decrease in trade and other receivables (↓CLP 35,487 million), primarily due to the fact that as of December 31, 2016, this account included a balance of CLP 33,583 million corresponding to Construmart.
b. A decrease in inventories (↓CLP 19,869 million), due to the fact that as of December 31, 2016, this account included a balance of CLP 40,029 million corresponding to Construmart. Excluding this effect, inventories increased CLP 20,160 million in 2017, in order to supply increased sales.
c. A decrease in current tax assets (↓CLP 1,582 million), primarily due to a decrease in recoverable taxes from previous periods.

Non-current assets as of December 31, 2017 totaled CLP 1,406,173 million, lower by CLP 29,165 million (-2.0%) with respect to year-end 2016, primarily due to:

a. A decrease in property, plant and equipment (↓CLP 31,877 million) due to depreciation (↓CLP 39,015 million) and disposals and sales for the period (↓CLP 12,349 million), partially offset by additions during the period (↑CLP 27,605 million). The balance of this account as of December 31, 2016 includes CLP 8,118 million corresponding to Construmart.
b. A decrease in deferred tax assets (↓CLP 4,837 million), due to the fact that the balance of this account as of December 31, 2016 includes CLP 6,006 million corresponding to Construmart.

Excluding this effect, deferred tax assets increase CLP 1,169 million in 2017, primarily due to inflation adjustments to tax losses.

These decreases were partly offset by an increase in other non-current non-financial liabilities (↑CLP 3,073 million), primarily due to an increase in prepaid leases.

2.2. Liabilities

As of December 31, 2017, the Company's **total liabilities** amounted to CLP 1,308,820 million, a decrease of 10.2% with respect to December 31, 2016.

As a reminder, in 2016, Construmart's liabilities are consolidated on a line-by-line basis, whereas in 2017, there are consolidated in a single line within current liabilities.

Current liabilities decreased by CLP 59,497 million (-9.4%), primarily due to:

a. A decrease in other current financial liabilities (↓CLP 55,831 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, as well as a decrease in bank loans. These decreases are partially offset by an increase in current lease agreements classified as financial leases, as a result of a the reclassification of a portion of lease agreements classified as finance leases from non-current to current, and also due to the recognition of the current portion of new agreements that were added during the period, as well as an increase in derivative instruments, related to forwards entered into in order to hedge the Company's international bond. The balance of this account as of December 31, 2016 includes CLP 1,963 million corresponding to Construmart.
b. A decrease in current trade and other payables (↓CLP 41,721 million), mainly explained by the fact that the balance of this account as of December 31, 2016 includes CLP 37,321 million corresponding to Construmart.
c. A decrease in current payables to related parties (↓CLP 14,082 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 6,902 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. The balance of this account as of December 31, 2016 includes CLP 2,687 million corresponding to Construmart.

These decreases were partially offset by an increase in non-current assets or asset groups classified as held-for-sale (↑CLP 60,929 million), related to the accounting treatment of Construmart in 2017, in accordance with the provisions of IFRS 5.

Non-current liabilities decreased by CLP 88,407 million (-10.7%), 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 in January 2017.
b. A decrease in other non-current financial liabilities (↓CLP 8,804 million), primarily due to the transfer from non-current to current of the current portion of bank debt, payments of bank debt during the year, and the transfer from non-current to current of the current portion of lease agreements classified as financial leases, partially offset by an increase in obligations with the public, related to the placement of bonds in the local Chilean market during 2017. The balance of this account as of December 31, 2016 includes CLP 11,758 million corresponding to Construmart.
c. A decrease in other non-current non-financial liabilities (↓CLP 3,168 million), due to a decrease in prepaid leases. The balance of this account as of December 31, 2016 includes CLP 587 million corresponding to Construmart.

2.3. Shareholders’ Equity

Shareholders’ equity increased by CLP 242,767 million (+69.4%), primarily due to:

a. An increase in share capital (↑CLP 224,825 million), due to the capital increases carried out in January and November 2017.
b. A positive impact on accumulated losses (↑CLP 27,637 million) from the net income for the year 2017.

These positive effects were partially offset by a decrease in other reserves (↓CLP 9,695 million), primarily due to expenses related to the capital increase and also due to the effect of hedging instruments.

3. Analysis of Statement of Cash Flows

Table 11: Statement of Cash Flows for the years ended December 31, 2017 and 2016

(CLP Million)	December 2017	December 2016	△$
Net Cash Flows From (Used in) Operating Activities	87,211	120,988	(33,777)
Net Cash Flows From (Used in) Investing Activities	(36,383)	(21,728)	(14,655)
Net Cash Flows From (Used in) Financing Activities	11,215	(101,687)	112,903
Net Increase (Decrease) in Cash and Cash Equivalents Before Effect of Exchange Rates	**62,043**	**(2,427)**	**64,470**
Net Increase (Decrease) in Cash and Cash Equivalents	**62,043**	**(2,427)**	**64,470**
Cash and Cash Equivalents at Beginning of Period	48,497	50,924	(2,427)
Cash and Cash Equivalents at End of Period	**110,540**	**48,497**	**62,043**

Cash provided by **operating activities** for the year 2017 totaled CLP 87,211 million, lower than the CLP 120,988 million for 2016, a decrease of CLP 33,777 million. However, as explained in the Note Regarding Presentation and Comparison of Information (page 2), the figures are not comparable, as the cash flows for 2016 include Construmart and the cash flows for 2017 do not. In addition, cash flows for 2017 include an adjustment of CLP -2,203 million to eliminate the balance of cash and cash equivalents corresponding to Construmart. Excluding the impact of the comparison with Construmart, cash provided by operating activities decreased CLP 24,058 million in 2017, primarily explained by higher payments to suppliers and higher 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 year 2017 totaled CLP -36,383 million, compared to CLP -21.728 million for 2016, a difference of CLP 14,655 million. Excluding the effect of Construmart, the difference amounts to CLP 13,851 million, primarily explained by: (i) an increase in purchases of non-controlling interest, mainly due to capital contributions to the affiliate company Inversiones Montserrat, which is the majority shareholder of Unicard S.A., among other companies, and (ii)an increase in **CAPEX** for the year, which includes purchases of property, plant and equipment and purchases of intangible assets and amounted to CLP 27,914 million in 2017, compared to CLP 21,087 million in 2016.

Cash used in **financing activities** for the year 2017 totaled a net inflow of CLP 11,215 million, mainly explained by: (i) the capital increase in January 2017 for a total of CLP 129,950 million, (ii) the capital increase in November 2017 for CLP 94,875 million, (iii) loans for a total of CLP 130,205 million, (iii) payments of loans from related and non-related parties for a total of CLP 255,477 million, and (iv) interest payments for a total of CLP 76,106 million, including the cost of unwinding the cross-currency swap of approximately CLP 16,000 million. In 2016, cash used in financing activities amounted to a net outflow of CLP -101,687 million, mainly explained by: (i) loans from related and non-related parties for a total of CLP 135,068 million, (ii) payments of loans from related and non-related parties for a total of CLP 159,854

million, and (iii) interest payments for a total of 64,869 million. The net outflow of cash used in financing activities in 2016 includes CLP -7,516 million corresponding to Construmart.

4. Financial Indicators[8]

Table 12: Financial Indicators

		2013	2014	2015	2016	2017
LIQUIDITY						
Liquidity Ratio	times	0.81	0.62	0.59	0.59	0.87
Acid Ratio	times	0.58	0.42	0.27	0.25	0.53
LEVERAGE						
Total Liabilities / Total Assets	times	0.77	0.80	0.81	0.81	0.69
Total Liabilities / Equity	times	3.39	3.97	4.32	4.16	2.21
Net Financial Liabilities / Equity	times	1.93	2.24	2.46	2.32	1.16
Currents Liabilities / Total Liabilities	%	42.13	45.86	40.35	43.26	43.60
INDEBTEDNESS						
Inventories Roll Over	days	39.51	33.23	38.69	40.04	43.14
Accounts Receivable Roll Over	days	10.93	7.85	11.63	10.07	6.31
Accounts Payable Roll Over	days	96.43	81.98	78.43	75.32	77.37
EFFICIENCY (12 months)						
Interest Coverage (Annual Base)	times	(0.24)	1.08	1.63	1.91	2.18
Gross Margin (Annual Base)	%	24.41	25.63	25.55	26.49	28.24
EBITDA (Annual Base)	CLP MM	(18,233)	70,920	113,947	137,318	142,036
EBITDA Margin (Annual Base)	%	(0.95)	3.59	4.89	5.57	6.29

[8] 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. In December 2017, Construmart was once again presented as discontinued operations available for sale. Given the above, it is only possible to compare years that have the same accounting policy, so 2017 is only comparable with 2014 and 2013, and 2016 is only comparable with 2015.

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 December 31, 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.

4. On May 23, 2017, the Company filed an Essential Fact, informing the resolutions approved on the previous day by holders of the Company's Series G and Series K local bonds. Both of these series of bonds are charged to the Company's registered line of bonds No. 667 ("Line 667").

   Bondholders of the Series G and Series K local bonds agreed, among other things, to make the following modifications to the Line 667 issuance contract: (i) to include a covenant pertaining to the ratio between net financial liabilities and equity, such that the Company must maintain a ratio less than or equal to 1.3 times, to be measured on a quarterly basis beginning in December 2019; and (ii) to modify the covenant pertaining to the interest coverage ratio, such that the Company must maintain an interest coverage ratio equal to or greater than: (a) 1.5 times, between December 31, 2016 and September 30, 2017; (b) 2 times, between December 31, 2017 and September 30, 2019; and (c) 2.5 times, beginning on December 31, 2019, through the duration of the Line 667 issuance contract. As a result of these modifications, the Line 667 covenants will be the same as the covenants currently in force for SMU's registered bond lines Nos. 650 and 668.

5. On May 30, 2017, the Company filed an Essential Fact, informing that on such date Mr. Horacio Salamanca Uboldi had resigned from his position as member of SMU's Board of Directors. Mr. José Francisco Sánchez Figueroa was designated as Mr. Salamanca's replacement.

6. On September 28, 2017, the Company filed an Essential Fact, informing the placement of dematerialized bearer bonds in the local Chilean market under Series P (ticker BCSMU-P), charged to the bond line that is registered with the Securities Registry of the Superintendency of Securities and Insurance under number 667. The series was placed at an annual interest rate of 3.0%, which is equivalent to the annual coupon rate, and a maturity date of September 25, 2019.

   The total amount of the Series P bond placement was UF 1,000,000.

7. On November 9, 2017, the Company filed an Essential Fact, informing:

   (1) Alvi Supermercados Mayoristas S.A. and Inversiones SMU SpA, both of which are subsidiaries of the Company and together own 100% of the shares of Construmart S.A., today executed a binding agreement (the "Agreement") with Larraín Vial Servicios Profesionales Ltda. ("Larraín Vial") for the sale of 100% of the shares (the "Shares") of Construmart S.A. (the "Transaction"). Prior to the closing date of the Transaction, a special purpose vehicle will be constituted, which may include one or more investors other than Larraín Vial (the "Buyer") and through which the Shares will be acquired through the execution of a sale contract.

   (2) The completion of the Transaction is subject to a series of conditions, including, among others, the negotiation of the terms and conditions of the respective contracts; the completion of a due diligence review of Construmart and its subsidiaries; and any regulatory approvals that may apply.

(3) Should the Transaction be completed, the price that has been agreed for the assets amounts to CLP 54,000,000,000 (fifty four billion Chilean pesos). This amount could be increased by up to CLP 9,840,973,000 (nine billion eight hundred forty million nine hundred seventy three thousand Chilean pesos) once Construmart receives payment of an account receivable from a third party for the same amount. Construmart's net financial debt will be deducted from the total price, and such price may also be affected by other adjustments that are habitual for transactions of this nature.

(4) The completion of the Transaction would allow the Company to focus exclusively on the food retail business in which it operates through its subsidiaries, and to use the proceeds from the Transaction to carry out its business plan and reduce its debt.

8. On November 9, 2017, the Company filed an Essential Fact, informing that on such date, the Board of Directors of the Company agreed, in accordance with the shareholder agreements per the Extraordinary Shareholders' Meetings held on December 30, 2015 and December 2, 2016, to offer a quantity of up to 575,000,000 shares for placement in the market. The shares to be offered in the market were issued as part of the capital increase that was approved at the extraordinary shareholders' meeting held on December 30, 2015. The original capital increase was for a total of 2,486,486,486, of which 1,150,000,000 were placed in the Company's IPO, as informed to the SVS in an Essential Fact filed on January 24, 2017.

   The shares will be offered for placement through a book auction on the Santiago Stock Exchange, in a process known as "*subasta de un libro de órdenes*", with BTG Pactual Chile S.A. Corredores de Bolsa and Larrain Vial S.A. Corredora de Bolsa acting as placement agents.

9. On November 16, 2017, the Company filed an Essential Fact, reporting the placement, through a book auction on the Santiago Stock Exchange, in a process known as "subasta de un libro de órdenes," of a total of 575 million shares at a price of CLP 165 per share. BTG Pactual Chile S.A. Corredora de Bolsa and Larraín Vial Corredora de Bolsa acted as placement agents. The total amount of the share placement was CLP 94,875 million.

   The proceeds from the capital increase will allow SMU to further strengthen its financial position and optimize its capital structure, continuing its deleveraging process.

10. On November 23, 2017, Humphreys Clasificadora de Riesgo upgraded the Company's credit rating from BB (stable outlook) to BBB- (stable outlook), which is an investment grade rating.

   In addition, Feller Rate upgraded SMU's credit rating from BB- (positive outlook) to BB+ (positive outlook), and ICR changed the outlook from stable to positive, maintaining the BB+ rating. With respect to international rating agencies, S&P upgraded SMU from B- (positive outlook) to B (stable outlook).

7. Subsequent Events

1. On January 4, 2018, SMU's Board of Directors approved a restructuring process as part of the Company's operating efficiency initiatives. The process included a reduction in force of 1,800 employees and an associated expense of approximately CLP 7,942 million.

2. On January 17, 2018, the Company filed an Essential Fact, informing that on January 15, 2018, the Board of Directors of the Company agreed, in accordance with the shareholder agreements per the Extraordinary Shareholders' Meetings held on December 30, 2015 and December 2, 2016, to offer a quantity of up to 400,000,000 shares for placement in the market. The shares to be offered in the market were issued as part of the capital increase that was approved at the extraordinary shareholders' meeting held on December 30, 2015. The original capital increase was for a total of 2,486,486,486, of which 1,150,000,000 were placed in the Company's IPO on January 24, 2017 and a further 575,000,000 were placed in a follow-on capital increase on November 16, 2017. As of January 17, 2018, a total of 761,486,486 shares remained available for placement in the market.

   The shares were offered for placement through a book auction on the Santiago Stock Exchange, in a process known as "*subasta de un libro de órdenes*", with BTG Pactual Chile S.A. Corredores de Bolsa and Larrain Vial S.A. Corredora de Bolsa acting as placement agents.

3. On January 22, 2018, the Company filed an Essential Fact, reporting the placement, through a book auction on the Santiago Stock Exchange, in a process known as "subasta de un libro de órdenes," of a total of 400 million shares at a price of CLP 185 per share. BTG Pactual Chile S.A. Corredora de Bolsa and Larraín Vial Corredora de Bolsa acted as placement agents. The total amount of the share placement was CLP 74,000 million.

4. On January 29, 2018, the Company filed an Essential Fact, informing:

   (1) As informed in an Essential Fact on November 9, 2017, Alvi Supermercados Mayoristas S.A. and Inversiones SMU SpA (jointly referred to as the "Sellers"), both of which are subsidiaries of the Company and together own 100% of the shares of Construmart S.A., executed a binding agreement (the "Agreement") with Larraín Vial Servicios Profesionales Ltda. ("Larraín Vial") for the sale of 100% of the shares of Construmart S.A. (the "Transaction").

   (2) In the abovementioned Essential Fact, the Company informed that the completion of the Transaction was subject to a series of conditions, including, among others, the completion of a due diligence review of Construmart S.A. and its subsidiaries.

   (3) Considering the above, the Company informed that Larraín Vial, acting on behalf of a group of investors that will contribute to Fondo de Inversión Privado Hammer, a private investment fund (the "Buyer"), has informed that, having completed the due diligence review of Construmart, it confirms to the Sellers that it maintains its intention to acquire Construmart, in accordance with the terms of the Agreement.

   (4) The price of the Transaction has been determined to be UF 1.845.655 (one million eight hundred forty five thousand six hundred fifty five *Unidades de Fomento*), which will be subject to a

discount in the amount of the net financial debt of Construmart, as well as other adjustments that are habitual for transactions of this nature. Such adjustments will be made on the closing date of the Transaction. With respect to the account receivable described in the Essential Fact filed on November 9, 2017, which could affect the amount of the price, this remains the same.

(5) The Transaction will be completed on the second business day following the date on which fulfillment of certain final closing conditions agreed on by the parties has been verified. Such conditions include notifying and obtaining the approval of the antitrust authorities.

Finally, the Company informed that it is not currently possible to accurately determine the impact that the information provided herein may have on the Company's results.

5. On February 9, 2018, the Company carried out a partial redemption of its International bond. Such bond was placed in February 2013 for a total capital amount of USD 300 million, and it matures in February 2010. The partial redemption was for a total capital amount of USD 120 million, plus the prepayment cost of USD 2.33 million, as well as interest accrued as of such date of USD 0.026 million. As a result, the total cash payment amounted to USD 122.35 million. The partial redemption was made using the proceeds of the capital increase carried out in November 2017.

6. On March 2, 2018, the Company notified its international bond holders that on April 2, 2018, the Company will carry out an additional partial redemption for a total capital amount of USD 80 million, as well as the applicable prepayment cost and accrued interest. The new partial redemption will be made using the proceeds of the capital increase carried out in January 2018. Following the new partial redemption, the outstanding capital amount of the international bond will be USD 100 million, maturing in February 2020.

7. Credit Ratings:

   a. On January 24, 2018, the rating agency ICR upgraded the Company's credit rating from BB+ (positive outlook) to BBB- (positive outlook), which is an investment grade rating.

   b. On January 26, 2018, the rating agency Feller Rate upgraded the Company's credit rating from BB+ (positive outlook) to BBB- (positive outlook), which is an investment grade rating.

   c. On February 6, 2018, the rating agency Humphreys upgraded the Company's credit rating from BBB- (stable outlook) to BBB (stable outlook).

Consequently, SMU has an investment grade credit rating with all three of its local rating agencies (Feller Rate, Humphreys and ICR). In addition, with respect to international credit ratings:

   a. On March 12, 2018, the rating agency Moody's changed the outlook on the Company's credit rating from stable to positive, maintaining the B3 rating.