

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

**ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED ON DECEMBER 31, 2016**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO**

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number: 001-35575

Cencosud S.A.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Republic of Chile

(Jurisdiction of incorporation or organization)

**Av. Kennedy 9001, Piso 6
Las Condes, Santiago, Chile
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(Address of principal executive offices)

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(Name, Telephone, E-Mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares	New York Stock Exchange
Common Shares, no par value	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The number of outstanding shares of each of the issuer's classes of capital stock as of December 31, 2016: 2,862,536,947 Common Shares, no par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer", "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13(a) of the Exchange Act.

[†]The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

GAAP

International Financial Reporting Standards as issued
by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about us and our industry. These forward-looking statements can be identified by words or phrases such as “anticipate,” “believe,” “continue,” “estimate,” “expect,” “intend,” “is/are likely to,” “may,” “plan,” “should,” “would,” or other similar expressions. The forward-looking statements included in this annual report relate to, among others:

- changes in general economic, business or political or other conditions in Chile, Argentina, Brazil, Peru, Colombia or elsewhere in Latin America or the global markets;
- changes in capital markets in general that may affect policies or attitudes towards investing in Chile, Argentina, Brazil, Peru, Colombia or securities issued by companies in such countries;
- the monetary and interest rate policies of the Central Banks of Chile, Argentina, Brazil, Peru and Colombia; or elsewhere in Latin American or global markets.
- high levels of inflation or deflation;
- unanticipated increases in financing and other costs or our inability to obtain additional debt or equity financing on attractive terms;
- movements in interest and/or foreign exchange rates, and movements in equity prices or other rates or prices;
- changes in, or failure to comply with, applicable regulations, or changes in taxes;
- loss of market share or changes in competition and pricing environments in the industries in which we operate;
- our inability to hedge certain risks economically;
- changes in consumer spending and saving habits;
- implementation of new technologies;
- limitations on our ability to open new stores and operate them profitably;
- difficulties in completing proposed store openings, expansions or remodeling;
- difficulties in acquiring and developing land in Chile, Argentina, Brazil, Peru or Colombia, and restrictions on opening new large stores in any such countries; and
- the factors discussed under the section entitled “Risk Factors” in this annual report as well as risks included in the Company’s other filings and submissions with the United States Securities and Exchange Commission.

These forward-looking statements involve various risks and uncertainties. Although we believe that the expectations expressed in these forward-looking statements are reasonable, our expectations may turn out to be incorrect. Our actual results could be materially different from our expectations. In light of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this annual report might not occur, and our future results and our performance may differ materially from those expressed in these forward-looking statements due to, including, but not limited to, the factors mentioned above. Because of these uncertainties, you should not make any investment decision based on these estimates and forward-looking statements.

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

In this annual report, unless otherwise specified or if the context so requires:

- References to the terms “Cencosud S.A.,” “we,” “us,” “our,” and “our company” refer to the registrant, Cencosud S.A., a corporation organized under the form of a *sociedad anónima* under the laws of Chile, and its consolidated subsidiaries, unless otherwise indicated.
- References to “\$,” “U.S.\$,” “U.S. dollars,” “dollars” and “USD” are to U.S. dollars.
- References to “Chilean pesos” or “Ch\$” are to Chilean pesos, the official currency of Chile.
- References to “Argentine pesos” or “Ar\$” are to Argentine pesos, the official currency of Argentina.
- References to “Brazilian Real,” “Real,” “Reais” or “R\$” are to the Brazilian real, the official currency of Brazil.
- References to “Nuevo Sol,” “Nuevos Soles” or “S/.” are to Peruvian nuevos soles, the official currency of Peru.
- References to “Colombian pesos” or “Col\$” are to Colombian pesos, the official currency of Colombia.
- References to “UF” are to *Unidades de Fomento*. The UF is an inflation-indexed Chilean monetary unit with a value in Chilean pesos that is adjusted daily to reflect changes in the official Consumer Price Index (“CPI”) of the *Instituto Nacional de Estadísticas* (the “Chilean National Institute of Statistics”). The UF is adjusted in monthly cycles. Each day in the period beginning on the tenth day of the current month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed up (or down in the event of deflation) in order to reflect a proportionate amount of the change in the Chilean consumer price index during the prior calendar month. As of December 31, 2016, UF1.00 was equivalent to U.S.\$39.36 and Ch\$26,347.98, in each case based on the observed exchange rate reported by the Central Bank of Chile.

This annual report contains translations of certain Chilean peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Chilean peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all. Unless otherwise indicated, the exchange rate used in converting Chilean pesos into U.S. dollars for amounts presented as of and for the year ended December 31, 2016 is based on the observed exchange rate (*dólar observado*) reported by the Central Bank of Chile (the “Chilean Central Bank”) for December 31, 2016, which was Ch\$669.47 per U.S.\$1.00. The rates reported by the Chilean Central Bank for December 31, 2016 are based upon the observed exchange rate published by the Chilean Central Bank on the first business day following the respective period. The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos.

Financial Statements

The financial information contained in this annual report includes our audited consolidated financial statements as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 together with the notes thereto, prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (the “IASB”), which we refer to in this annual report as our “Audited Consolidated Financial Statements.”

Our Audited Consolidated Financial Statements have been audited by PricewaterhouseCoopers *Consultores, Auditores y Compañía Limitada*, an independent registered public accounting firm, whose report on our Audited Consolidated Financial Statements appears elsewhere in this annual report.

Unless otherwise noted, the financial data presented herein as of and for each of the five years ended December 31, 2016 is stated in Chilean pesos, our functional and reporting currency.

Our audited consolidated financial statements have been prepared under the historic — cost basis, except for those items accounted for at fair value (for example, investment properties and certain financial assets, and derivative financial instruments), and include the accounts of the Company and its subsidiaries, including Banco Paris. All significant inter-company balances and transactions have been eliminated in consolidation.

On June 20, 2014, Cencosud, together with its subsidiaries Cencosud Retail S.A. and Easy S.A., entered into a framework agreement (the “Joint Venture Framework Agreement”) with The Bank of Nova Scotia (“BNS”) and its wholly owned subsidiary Scotiabank Chile, to further develop, on a joint basis, the retail finance business in Chile (hereinafter, the “Business”). During the second quarter of 2015, the Company completed the transaction with the Bank of Nova Scotia (Scotiabank) to form a joint venture to manage the financial services business in Chile. Under the terms of the agreement, the Company recognized a CLP 61,373 million (one-off effect non cash) profit under “Profit from Discontinued Operations”. The Joint Venture Framework Agreement provides that the Business is operating through (i) Cencosud Administradora de Tarjetas S.A. (“CAT”), a subsidiary of Cencosud that is in the business of issuing credit cards, and (ii) Cencosud Administradora de Procesos S.A., Cencosud Servicios Integrales S.A. and Cencosud Corredores de Seguros y Servicios Ltda., or other companies to be established by Cencosud for purposes of the Joint Venture Framework Agreement, to assist in developing the Business, including information processing and collection activities related thereto (together with CAT, hereinafter, the “Subject Companies”). As part of the agreement, Scotiabank Chile acquired a fifty-one percent (51%) controlling interest of each of the Subject Companies, with Cencosud retained the remaining forty-nine percent (49%) non-controlling interest of each of the Subject Companies. This framework agreement has a lifespan of 15 years.

Special Note Regarding Non-IFRS Financial Measures

This annual report makes reference to certain non-IFRS measures, namely EBIT from continuing operations. These non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

EBIT represents net profit before discontinued operations, net interest expense and income taxes. We have included EBIT to provide investors with a supplemental measure of our operating performance.

We believe EBIT is an important supplemental measure of operating performance because it eliminates items that have less bearing on our operating performance and thus highlights trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures.

EBIT has important limitations as analytical tools. For example, EBIT does not reflect (a) our cash expenditures, or future requirements for capital expenditures or contractual commitments; (b) changes in, or cash requirements for, our working capital needs; (c) the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt; and (d) tax payments or distributions to our parent to make payments with respect to taxes attributable to us that represent a reduction in cash available to us. Although we consider the items excluded in the calculation of non-IFRS measures to be less relevant to evaluate our performance, some of these items may continue to take place and accordingly may reduce the cash available to us.

We believe that the presentation of the non-IFRS measures described above is appropriate. However, these non-IFRS measures have important limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of our results as reported under IFRS. Because of these limitations, we primarily rely on our results as reported in accordance with IFRS and use EBIT only supplementally.

A reconciliation of our net profit (loss), the most directly comparable IFRS financial measure, to EBIT is set forth below:

	Year ended December 31,					
	2016 (in millions of U.S.S)	2016	2015	2014	2013	2012
Net Profit	579	387,797	231,985	164,146	249,764	252,810
Discontinued Operations	0	0	(70,617)	(12,662)	(8,356)	(33,048)
Profit from Continuing Operations	579	387,797	161,368	151,485	241,408	219,762
Financial expense (net)	(402)	(268,970)	(244,100)	(173,548)	(190,593)	(165,044)
Income tax charge	(287)	(191,969)	(58,540)	(125,932)	(94,068)	(92,226)
EBIT from Continuing Operations	1,268	848,736	464,008	450,965	526,069	477,032

A reconciliation of our profit (loss) attributable to controlling shareholders, the most directly comparable IFRS financial measure, to EBIT from continuing operations per business segment is included below:

Information by segment	Supermarkets	Shopping centers	Home improvement stores				Financial services	Other(1)	Consolidated total
			Department stores	Year ended December 31, 2016 (in millions of Ch\$)					
Net Profit	282,106	467,702	123,824	24,954	76,111	(586,900)	387,797		
Discontinued Operations	0	0	0	0	0	0	0		
Profit from Continuing Operations	282,106	467,702	123,824	24,954	76,111	(586,900)	387,797		
Financial expense (net)	0	0	0	0	0	(268,970)	(268,970)		
Income tax charge	0	0	0	0	0	(191,969)	(191,969)		
EBIT from Continuing Operations	282,106	467,702	123,824	24,954	76,111	(125,961)	848,736		

Information by segment	Supermarkets	Shopping centers	Home improvement stores	Department stores	Financial services	Other(1)	Consolidated total
			Year ended December 31, 2015 (in millions of Ch\$)				
Net Profit	315,951	395,717	146,845	22,772	85,156	(734,456)	231,985
Discontinued Operations	0	0	0	0	(70,617)	0	(70,617)
Profit from Continuing Operations	315,951	395,717	146,845	22,772	14,539	(734,456)	161,368
Financial expense (net)	0	0	0	0	0	(244,100)	(244,100)
Income tax charge	0	0	0	0	0	(58,540)	(58,540)
EBIT from Continuing Operations	315,951	395,717	146,845	22,772	14,539	(417,636)	464,008

Information by segment	Supermarkets	Shopping centers	Home improvement stores	Department stores	Financial services	Other(1)	Consolidated total
			Year ended December 31, 2014 (in millions of Ch\$)				
Net Profit	289,603	266,218	123,203	(4,575)	51,616	(561,918)	164,146
Discontinued Operations	0	0	0	0	(12,662)	0	(12,662)
Profit from Continuing Operations	289,603	266,218	123,203	(4,575)	38,955	(561,918)	151,485
Financial expense (net)	0	0	0	0	38,693	(212,241)	(173,548)
Income tax charge	0	0	0	0	0	(125,932)	(125,932)
EBIT from Continuing Operations	289,603	266,218	123,203	(4,575)	262	(223,745)	450,965

Information by segment	Supermarkets	Shopping Centers	Home improvement stores	Department stores	Financial services	Other(1)	Consolidated total
			Year ended December 31, 2013 (in millions of Ch\$)				
Net Profit	304,654	247,586	80,042	24,754	40,046	(455,675)	249,764
Discontinued Operations	0	0	0	0	(8,356)	0	(8,356)
Profit from Continuing Operations	304,654	247,586	80,042	24,754	40,046	(455,675)	241,408
Financial expense (net)	0	0	0	0	0	(190,593)	(190,593)
Income tax charge	0	0	0	0	0	(94,068)	(94,068)
EBIT from Continuing Operations	304,654	247,586	80,042	24,754	40,046	(171,014)	526,069

Information by segment	Supermarkets	Shopping centers	Home improvement stores	Department stores	Financial services	Other(2)	Consolidated total
			Year ended December 31, 2012 (in millions of Ch\$)				
Net Profit	318,711	224,263	94,823	20,231	(6,960)	(431,305)	252,810
Discontinued Operations	0	0	0	0	(33,048)	0	(33,048)
Profit from Continuing Operations	318,711	224,263	94,823	20,231	(6,960)	(431,305)	219,762
Financial expense (net)	0	0	0	0	0	(165,044)	(165,044)
Income tax charge	0	0	0	0	0	(92,226)	(92,226)
EBIT from continuing operations	318,711	224,263	94,823	20,231	(6,960)	(174,036)	477,032

(1) Includes support services, financing, corporate taxes, adjustments and others.

(2) Includes support services, financing, corporate taxes, adjustments and others.

Rounding

Certain figures included in this annual report and in our financial statements have been rounded for ease of presentation. Percentage figures included in this annual report have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this annual report may vary from those obtained by performing the same calculations using the figures in our financial statements. Certain other amounts that appear in this annual report may not sum due to rounding.

Operating Data

Calculations of revenues from ordinary activities for our shopping centers presented in this annual report exclude inter-company lease payments to our shopping centers from stores owned by us. Unless otherwise noted, calculations of gross leasable area for our shopping centers do not include the square meters occupied by our stores.

As used herein, the term “same-store sales” reflects the sales of our stores operating throughout the same months of both financial periods being compared. If a store did not operate for a full month of either of the financial periods being compared, we exclude its sales for such month from both financial periods. For example, if a new store was opened on July 1, 2015 and operated throughout the last six months of 2015, (i) our “same-store sales” data would include the sales of that store for the last six months of 2015 and the last six months of 2016 and (ii) we would account for the sales of the new store during the first six months of 2016 as sales from a newly opened store. Our calculations of same-store sales data may differ from same-store sales calculations of other retailers. Unless otherwise noted, we have presented calculations of same-store sales in nominal local currency.

Industry and Market Data

None of the Argentine, Brazilian, Chilean, Peruvian or Colombian governments publish definitive data regarding the supermarket, home improvement store, department store, shopping center or financial services industries.

General

This annual report contains data related to the economic conditions in the markets in which we operate. Unless otherwise indicated, information in this annual report concerning economic conditions is based on publicly available information from third-party sources which we believe to be reasonable. The economic conditions in the markets in which we operate may deteriorate, and those economies may not grow at the rates projected by market data, or at all. The deterioration of the economic conditions in the markets in which we operate may have a material adverse effect on our business, results of operations, financial condition and the market price of our shares of common stock and American Depositary Shares (“ADSs”).

Chile

Market data and other statistical information (other than with respect to our financial results and performance) used throughout this annual report are based on independent industry publications, government publications, reports by market research firms or other published independent sources, such as the *Instituto Nacional de Estadísticas* (the Chilean National Institute of Statistics, or “INE”), a governmental agency that publishes information based on its independent data, the *Asociación Gremial de Supermercados de Chile* (the Chilean Supermarkets Association, or “ASACH”), which publishes certain data with respect to supermarkets in Chile, and A.C. Nielsen Chile S.A., which publishes data with respect to the supermarket industry in Chile. Certain other shopping center statistics for Chile are published by the International Council for Shopping Centers.

Argentina

Market data and other statistical information (other than with respect to our financial results and performance) used throughout this annual report are based on independent industry publications, government publications, reports by market research firms or other published independent sources, such as the *Instituto Nacional de Estadísticas y Censos* (the Argentine National Institute of Statistics and Census, or “INDEC”), a governmental agency that publishes information based on its independent data, and A.C. Nielsen Argentina, which publishes market share data with respect to the supermarket industry in Argentina. In addition, the *Camara Argentina de Shopping Centers* (the Argentine Chamber of Shopping Centers, or “CASC”) currently publishes market share data with respect to shopping centers in Argentina. Certain other shopping center statistics for Argentina are published by the International Council for Shopping Centers.

Brazil

We have included certain information with respect to Brazil based on reports prepared by established public sources, such as the Central Bank of Brazil, the *Instituto Brasileiro de Geografia e Estatística* (the Brazilian Institute of Geography and Statistics, or “IBGE”), the *Instituto de Pesquisa Econômica Aplicada* (the Institute of Applied Economic Research, or “IPEA”), the *Associação Brasileira de Supermercados* (the Brazilian Association of Supermarkets, or “ABRAS”), and the *Fundação Getúlio Vargas* (the Getúlio Vargas Foundation). Unless otherwise indicated, all macroeconomic information relating to Brazil was obtained from the Central Bank of Brazil, IBGE and the Getúlio Vargas Foundation.

Peru

Macroeconomic data from Peru included in this annual report is derived from public entities, such as the Central Bank of Peru, the *Instituto Nacional de Estadísticas e Informática* (the National Institute of Statistics and Computing, or “INEI”), *Corporación de Compañías de Research*

(Research Companies Corporation, or “CCR”) or by Apoyo Consulting. Some data are also based on our estimates, which are derived from our review of internal surveys, as well as independent sources. Although we believe these sources are reliable, we have not independently verified the information provided by third parties. In addition, these sources may use different definitions of the relevant markets than those we present. Data regarding our industry are intended to provide general guidance but are inherently imprecise.

Colombia

Market and certain other data relating to Colombia used in this annual report was obtained from our own research, surveys or studies conducted by third parties and industry or general publications and other publicly available sources. Industry and general publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. Certain data is based on published information made available by the Colombian government and its agencies, such as the *Departamento Administrativo Nacional de Estadística* (the National Administrative Department of Statistics, or “DANE”) and the *Banco de la Republica* (“Colombian Central Bank”). Although we believe these sources to be reliable, we do not guarantee the accuracy of the information.

Other Information

According to the ASACH, “hypermarkets” are defined as retail stores with more than 10,000 square meters of selling space, offering more than 25,000 products and having more than 40 cashiers. ASACH defines “supermarkets” as retail stores having up to 6,000 square meters of selling space, between 400 and 10,000 products and ten to 25 cashiers. We consolidate the results of our supermarkets and hypermarkets under our “supermarkets” segment. Therefore, unless otherwise noted, our discussions of “supermarkets” in this annual report include our *Santa Isabel* supermarkets, *Jumbo* hypermarkets and supermarkets in Chile, *Disco* and *Vea* supermarkets and *Jumbo* hypermarkets and supermarkets in Argentina, *Bretas*, *GBarbosa*, *Mercantil Rodrigues*, *Perini* and *Prezunic* supermarkets in Brazil, *Jumbo* and *Metro* supermarkets in Colombia and *Wong* and *Metro* supermarkets and hypermarkets in Peru. By “home improvement” stores we mean retail establishments that sell a wide assortment of building materials and home improvement and lawn and garden products and provide certain related services. Our “home improvement stores” refer to our home improvement stores operated under the *Easy* and *Blaisten* brand names, including our *Easy* stores in Chile, Argentina and Colombia. By “department stores” we mean retail establishments that market a varied assortment of apparel, electronic and household goods. These stores currently operate in Chile under our *Paris* and *Johnson* brands and in Peru under our *Paris* brand. References to “stores” refer collectively to our hypermarkets, supermarkets, department stores and home improvement stores.

One meter equals approximately 3.3 feet or 1.1 yards and one square meter equals approximately 10.8 square feet.

We own or have rights to use the trademarks, service marks and trade names that we use in conjunction with the operation of our business. Some of the more important trademarks that we own or have rights to use that appear in this annual report include: *Jumbo*®, *Easy*®, *Santa Isabel*®, *Disco*®, *Vea*®, *Blaisten*®, *Johnson*®, *Paris*®, *Seguros Cencosud*®, *Wong*®, *Metro*®, *GBarbosa*®, *Perini*®, *Bretas*®, *Mercantil Rodrigues*®, *Tarjeta Cencosud*®, *Banco Cencosud*®, *Costaner Center*®, *Prezunic*® and *Unicenter*® each of which may be registered or trademarked in any of Argentina, Brazil, Chile, Colombia, Peru or other jurisdictions. Solely for convenience, we may refer to our trademarks, service marks and trade names in this annual report without the ™ and ® symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent permitted under applicable law, our rights to our trademarks, service marks and trade names. Each trademark, trade name or service mark of any other company appearing in this annual report is, to our knowledge, owned by such other company

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. SELECTED FINANCIAL DATA

Selected Financial and Operating Data

The following tables set forth our summary consolidated financial information under IFRS. You should read the information contained in these tables in conjunction with “Item 5. Operating and Financial Review and Prospects,” “Item 8. Financial Information,” “Item 18. Financial Statements.” and the consolidated financial statements and the accompanying notes included elsewhere in this annual report.

The financial information as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 has been derived from our Audited Consolidated Financial Statements included elsewhere in this annual report. The selected statement of operations data with respect to fiscal year ended December 31, 2013 and 2012 and the selected balance sheet data as of December 31, 2014, 2013 and 2012 have been derived from the Company’s accounting records. We maintain our books and records in Chilean pesos and prepare financial statements in accordance with IFRS. Our date of adoption of IFRS was January 1, 2010. The following financial and operating information should be read in conjunction with, and is qualified in its entirety by reference to, our Audited Consolidated Financial Statements included elsewhere in this annual report.

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Unless otherwise noted, U.S. dollar amounts have been translated from Chilean pesos based on the dollar observed, or observed exchange rate of Ch\$669.47 per U.S.\$1.00 as of December 31, 2016, as reported by the Chilean Central Bank. We make no representation that the Chilean peso or the U.S. dollar amounts referred to herein actually represent, could have been or could be converted into U.S. dollars or Chilean pesos, as the case may be, at the rates indicated, at any particular rate or at all.

In our opinion, the summary consolidated financial data presented in the tables below includes all adjustments necessary to present fairly in all material respects our financial condition and results of operations at the dates and the periods presented. The results of operations presented below are not necessarily indicative of future performance.

	Year ended December 31,					
	2016 (in millions of U.S.\$, except share and per share amounts)	2016	2015	2014	2013	2012
	(in millions of Ch\$, except share and per share amounts)					
Revenues from ordinary activities, continuing operations:						
Supermarkets	11,185	7,487,810	8,045,566	8,159,237	7,682,994	6,733,610
Shopping Centers	357	238,722	248,026	214,850	205,332	172,104
Home improvement	1,933	1,294,348	1,469,246	1,225,616	1,176,890	1,063,086
Department stores	1,683	1,126,931	1,051,642	991,442	970,360	886,075
Financial services	265	177,683	165,820	117,679	81,651	58,454
Other(3)	11	7,506	11,039	2,205	16,932	12,022
Total revenues from ordinary activities	15,435	10,333,001	10,991,338	10,711,029	10,134,158	8,925,351
Cost of Sales:						
Supermarkets	(8,366)	(5,600,464)	(6,014,367)	(6,216,769)	(5,782,590)	(5,057,477)
Shopping Centers	(46)	(31,110)	(33,984)	(28,029)	(23,341)	(27,213)
Home improvement	(1,269)	(849,368)	(962,485)	(800,342)	(787,402)	(711,500)
Department stores	(1,211)	(810,967)	(749,412)	(741,279)	(701,530)	(644,668)
Financial services	(89)	(59,818)	(49,276)	(39,046)	(25,938)	(21,082)
Other(4)	(7)	(4,744)	(3,702)	(1,967)	(3,451)	(2,294)
Total cost of sales	(10,989)	(7,356,471)	(7,813,226)	(7,827,432)	(7,324,252)	(6,464,234)
Gross Profit:						
Supermarkets	2,819	1,887,346	2,031,199	1,942,468	1,900,404	1,676,133
Shopping Centers	310	207,612	214,042	186,821	181,991	144,891
Home improvement	665	444,980	506,761	425,275	389,487	351,586
Department stores	472	315,965	302,229	250,163	268,830	241,407
Financial services	176	117,865	116,544	78,632	55,713	37,372
Other(5)	4	2,763	7,337	(1,197)	13,481	9,728
Total Gross Profit	4,446	2,976,530	3,178,112	2,883,597	2,809,907	2,461,117
Administrative expenses, distribution costs and other expenses	(3,769)	(2,523,381)	(2,675,486)	(2,482,777)	(2,357,582)	(2,048,390)
Other income	450	301,152	210,521	114,438	108,291	107,011
Participation in earnings of associates	18	11,896	14,067	6,208	10,289	5,642
Financial income	22	14,540	14,939	6,709	5,999	8,231
Financial expenses	(423)	(283,511)	(259,038)	(180,258)	(196,592)	(173,276)
Other gains (losses)(6)	89	59,564	(124,455)	(6,515)	(3,165)	(11,711)
Exchange differences	56	37,287	(116,743)	(24,411)	(22,787)	(13,100)
Losses from indexation	(21)	(14,312)	(22,009)	(39,576)	(18,885)	(23,538)
Income (loss) before taxes	866	579,766	219,908	277,416	335,476	311,988
Income tax charge	(287)	(191,969)	(58,540)	(125,932)	(94,068)	(92,226)
Profit from Continuing Operations	579	387,797	161,368	151,485	241,408	219,762
Profit from Discontinued Operations(7)	0	0	70,617	12,662	8,357	33,047
Net Income	579	387,797	231,985	164,146	249,765	252,809
Profit attributable to non-controlling shareholders	0.1	43	44	(748)	(166)	2,851
Profit attributable to controlling shareholders	579	387,755	231,941	164,895	249,930	249,959
Net earnings attributable to shareholders per share for continuing operations:						
Basic(8)	0.2	135	57	54	87	93
Diluted(8)	0.2	135	56	54	87	92
Net earnings attributable to shareholders per share for discontinued operations:						
Basic(8)	0.0	0	25	4	3	14
Diluted(8)	0.0	0	25	4	3	14
Number of Shares						
Total number of Shares	2,862,536,947	2,862,536,947	2,828,723,963	2,828,723,963	2,762,910,986	2,327,518,639
Dividends per share:						
Basic(8)	0.2	135	82	58	90	107
Diluted(8)	0.2	135	81	58	90	106

(3) Includes support services, financing, adjustments and others.

(4) Includes support services, financing, adjustments and others.

(5) Includes support services, financing, adjustments and others.

(6) As of December 31, 2015 the Company has recorded a goodwill impairment in the amount of Ch\$116,771 million (BRL\$566 million).



Balance sheet data:

	As of December 31,					
	2016 (in millions of U.S.\$)(9)	2016	2015	2014 (in millions of Ch\$)(10)	2013	2012
Total current assets	4,026	2,695,509	2,501,765	3,002,468	2,425,219	2,334,567
Property, plant, equipment and investment property net	3,852	2,578,794	2,711,491	3,009,728	3,101,884	2,977,838
Other assets	7,729	5,174,455	4,897,470	4,704,307	4,538,131	4,361,594
Total assets	15,608	10,448,757	10,110,725	10,716,503	10,065,234	9,674,000
Total current liabilities	3,867	2,589,088	2,426,085	3,138,770	2,951,699	3,329,041
Total non-current liabilities	5,640	3,775,618	3,713,828	3,286,247	2,852,168	2,946,747
Total liabilities	9,507	6,364,706	6,139,913	6,425,017	5,803,867	6,275,788
Paid-in capital	3,616	2,420,565	2,321,381	2,321,381	2,321,381	1,551,812
Non-controlling interest	(2)	(1,208)	(934)	(832)	100	678
Net equity attributable to controlling shareholders	6,102	4,085,260	3,971,746	4,292,318	4,261,267	3,397,534
Total net equity and liabilities	15,608	10,448,757	10,110,725	10,716,503	10,065,234	9,674,000

Other financial data:

	Year ended December 31,					
	2016 (in millions of U.S.\$)(11)	2016	2015	2014 (in millions of Ch\$)(12)	2013	2012
Cash Flow Data						
Net cash provided by (used in):						
Operating activities	604	404,067	636,151	389,483	364,782	718,715
Investing activities	(121)	(81,100)	31,046	(233,396)	(320,507)	(1,873,568)
Financing activities	(459)	(307,014)	(638,609)	(112,378)	(107,029)	1,246,077)
Other Financial Information						
Capital expenditures	(311)	(208,173)	(171,606)	(227,423)	(317,710)	(573,650)
Depreciation and amortization	(340)	(227,713)	(218,490)	(200,043)	(186,576)	(138,941)
Financial Ratios						
Gross margin(13)	28.8%	28.8%	28.9%	26.9%	27.7%	27.6%
Net margin(14)	3.8%	3.8%	2.1%	1.5%	2.5%	2.8%
Working capital ratio(15)	1.04	1.04	1.03	0.96	0.82	0.70

(7) As of December 31, 2015 the Company has recognized a gain of Ch\$61,373 million within the consolidated statement of profit and loss by function, under the “Profit from discontinued operations” line. The generated profit includes Ch\$30,144 million corresponding to the benefit related to the measurement at fair value of non-controlling interest in subsidiaries held after the sale.

(8) In U.S. dollars and Chilean pesos.

(9) Except financial ratios.

(10) Except financial ratios.

(11) Except financial ratios.

(12) Except financial ratios.

(13) Consolidated gross profit divided by consolidated revenues from ordinary activities.

Comprehensive income:

	Year ended December 31,					
	2016 (in millions of U.S.\$)	2016	2015	2014 (in millions of Ch\$)	2013	2012
Comprehensive income attributable to controlling shareholders	449	300,906	(257,312)	76,056	94,725	34,002
Comprehensive (loss) income attributable to non-controlling shareholders	(0.3)	(222)	(102)	(881)	(168)	(5,354)
Total comprehensive income	449	300,684	(257,414)	75,175	94,557	28,648

Operating data:

	Year ended December 31,				
	2016	2015	2014	2013	2012
Number of Stores					
Supermarkets:					
<i>Chile</i>	245	245	238	224	214
<i>Argentina</i>	283	286	290	290	288
<i>Brazil</i>	211	222	219	221	204
<i>Peru</i>	91	90	87	87	86
<i>Colombia</i>	103	101	100	100	96
Supermarkets subtotal	933	944	934	922	888
Home Improvement Stores:					
<i>Chile</i>	35	35	33	32	31
<i>Argentina</i>	51	50	50	48	47
<i>Colombia</i>	10	10	9	9	4
Home improvement stores subtotal	96	95	92	89	82
Department Stores:					
<i>Chile</i>	79	79	79	77	78
<i>Peru</i>	10	9	9	6	0
Department stores subtotal	89	88	88	83	78
Shopping Centers :					
<i>Chile</i>	25	25	25	25	9
<i>Argentina</i>	22	22	22	18	18
<i>Peru</i>	4	4	4	3	2
<i>Colombia</i>	2	2	2	2	0
Shopping centers subtotal	53	53	53	48	29
Total	1,171	1,180	1,167	1,123	1,076

(in square meters)

	Year ended December 31,				
	2016	2015	2014	2013	2012
Total Selling Space(16)					
Supermarkets:					
<i>Chile</i>	578,362	577,547	567,873	546,236	524,677
<i>Argentina</i>	524,821	526,475	529,428	519,171	522,270
<i>Brazil</i>	594,855	611,363	602,194	596,746	552,764
<i>Peru</i>	272,001	269,526	261,700	259,360	258,762
<i>Colombia</i>	431,232	426,393	425,196	428,469	416,699
Supermarkets subtotal	2,401,272	2,411,305	2,386,391	2,349,981	2,275,172
Home Improvement Stores:					
<i>Chile</i>	325,315	325,315	307,853	307,853	299,806
<i>Argentina</i>	391,546	383,786	383,786	373,490	369,067
<i>Colombia</i>	82,320	82,320	75,733	75,732	37,060
Home improvement stores subtotal	799,181	791,421	767,372	757,074	705,933
Department Stores:					
<i>Chile</i>	377,288	374,153	375,586	371,891	377,191
<i>Peru</i>	55,333	45,233	45,233	32,222	0
Department stores subtotal	432,621	419,386	420,819	404,113	377,191
Shopping Centers :					
<i>Chile</i>	421,564	431,207	433,053	412,418	410,117
<i>Argentina</i>	277,203	277,203	281,515	241,410	241,410
<i>Peru</i>	71,191	71,191	71,191	58,388	41,303
<i>Colombia</i>	8,890	14,991	14,514	14,514	0
Shopping centers subtotal	778,848	794,592	800,272	756,264	692,830
Total	4,411,922	4,416,704	4,374,855	4,237,899	4,051,126

(14) Consolidated net income divided by consolidated revenues from ordinary activities.

(15) Consolidated current assets divided by consolidated current liabilities.

(16) In square meters at period end.

	(in millions of ChS)				
Average Sales per Store(17)					
<u>Supermarkets:</u>					
Chile	10,678	10,223	9,894	9,943	9,617
Argentina	5,771	7,534	6,254	6,162	6,083
Brazil	7,517	7,556	9,837	9,067	10,270
Peru	9,216	9,639	9,617	8,569	8,360
Colombia	7,883	8,327	9,999	9,185	1,189
Supermarkets subtotal	8,026	8,523	8,736	8,228	8,356
<u>Home Improvement Stores:</u>					
Chile	14,864	14,139	14,107	14,022	12,915
Argentina	13,929	18,218	13,859	14,209	13,191
Colombia	6,374	6,348	6,717	9,449	10,682
Home improvement stores subtotal	13,483	15,466	13,179	13,858	12,964
<u>Department Stores:</u>					
Chile	13,403	12,566	12,053	12,413	11,360
Peru	6,809	6,550	4,360	2,430	
Department stores subtotal	12,662	11,950	11,945	11,691	11,360
<u>Shopping Centers:</u>					
Chile	5,861	5,361	11,284	11,284	9,309
Argentina	3,199	3,915	4,620	4,620	4,365
Peru	5,000	4,715	4,852	4,852	2,301
Colombia	4,472	4,503	8,642	8,642	N.A.
Shopping centers subtotal	4,638	4,680	7,080	7,080	5,939
Total					

	(%)				
Increase (Decrease) in Same-Store Sales(18)					
<u>Supermarkets:</u>					
Chile	3.9%	4.6%	4.3%	1.6%	4.8%
Argentina	17.3%	16.8%	29.0%	17.3%	18.5%
Brazil	(2.4)%	(6.3)%	(0.6)%	(0.5)%	0.5%
Peru	1.0%	0.8%	4.6%	1.5%	4.2%
Colombia	5.0%	1.4%	(1.5)%	(7.4)%	N.A.
<u>Home Improvement Stores:</u>					
Chile	3.3%	3.1%	2.7%	6.1%	6.3%
Argentina	18.4%	30.2%	27.5%	30.3%	26.6%
Colombia	8.8%	4.2%	(3.4)%	0.3%	4.1%
<u>Department Stores:</u>					
Chile	6.4%	3.3%	(0.5)%	4.7%	5.3%
Peru	11.1%	13.7%	(0.1)%	N.A.	N.A.

	(in millions of ChS)				
Sales per Square Meter(19)					
<u>Supermarkets:</u>					
Chile	4.52	4.37	4.15	4.08	3.92
Argentina	3.11	4.08	3.43	3.44	3.35
Brazil	2.67	2.74	3.58	3.36	3.79
Peru	3.08	3.27	3.20	2.87	2.78
Colombia	1.88	1.98	2.35	2.14	0.28
Supermarkets subtotal	3.12	3.35	3.42	3.52	3.56
<u>Home Improvement Stores:</u>					
Chile	1.60	1.56	1.48	1.46	1.34
Argentina	1.81	2.37	1.81	1.83	1.68
Colombia	0.77	0.80	1.04	1.04	1.15
Home improvement stores subtotal	1.62	1.89	1.57	1.62	1.51
<u>Department Stores:</u>					
Chile	2.81	2.65	2.54	2.57	2.35
Peru	1.23	1.30	0.10	0.45	0
Department stores subtotal	2.60	2.50	2.36	2.57	2.35
<u>Shopping Centers:</u>					
Chile	0.35	0.31	0.28	0.26	0.22
Argentina	0.25	0.31	0.24	0.29	0.28
Peru	0.28	0.26	0.24	0.24	0.14
Colombia	1.01	0.61	0.70	0.30	0
Shopping centers subtotal	0.32	0.31	0.27	0.27	0.23
Total number of store employees(20)	138,160	140,474	153,234	154,603	146,424

(17) Sales for the fiscal period divided by the number of stores or shopping centers, as applicable, at the end of the fiscal period.

(18) Reflects the sales of our stores operating throughout the same months of both financial periods being compared. If a store did not operate for a full month of either of the financial periods being compared, we exclude its sales for such month from both financial periods. For example, if a new store was opened on July 1, 2015 and operated throughout the last six months of 2015, (i) "same-store sales" would include the sales of that store for the last six months of 2015 and the last six months of 2016 and (ii) we would consider the sales of the new store during the first six months of 2016 as sales from a newly opened store. Calculated in local currency.

(19) Sales for the period divided by the square meters of selling space or leasable space, as applicable, at the end of each month during the period.

(20) Number of full-time employee equivalents at period end.

Exchange Rates

Chile

Chile has two currency markets, the *Mercado Cambiario Formal* (the “Formal Exchange Market”) and the *Mercado Cambiario Informal* (the “Informal Exchange Market”). The Formal Exchange Market is comprised of banks and other entities authorized by the Chilean Central Bank. The Informal Exchange Market is comprised of entities that are not expressly authorized to operate in the Formal Exchange Market, such as certain foreign exchange houses and travel agencies, among others. The Chilean Central Bank is empowered to require that certain purchases and sales of foreign currencies be carried out on the Formal Exchange Market. See also “Item 10. Additional Information—D. Exchange Controls—Foreign Exchange Controls—Chile.”

Both the Formal and Informal Exchange Markets are driven by free market forces. Current regulations require that the Chilean Central Bank be informed of certain transactions and that they are effected through the Formal Exchange Market.

The U.S. dollar observed exchange rate (*dólar observado*), which is reported by the Chilean Central Bank and published daily in the Official Gazette (*Diario Oficial*), is the weighted average exchange rate of the previous business day’s transactions in the Formal Exchange Market. The Chilean Central Bank has the power to intervene by buying or selling foreign currency on the Formal Exchange Market to attempt to maintain the observed exchange rate within a desired range. During the past few years the Chilean Central Bank has attempted to keep the observed exchange rate within a certain range only under special circumstances. Although the Chilean Central Bank is not required to purchase or sell dollars at any specific exchange rate, it generally uses spot rates for its transactions. Other banks generally carry out authorized transactions at spot rates as well.

The Informal Exchange Market reflects transactions carried out at an informal exchange rate (the “informal exchange rate”). There are no limits imposed on the extent to which the rate of exchange in the Informal Exchange Market can fluctuate above or below the observed exchange rate. In recent years, the variation between the observed exchange rate and the informal exchange rate has not been significant.

The following table sets forth the annual low, high, average and period end observed exchange rate for U.S. dollars for the periods presented, as reported by the Chilean Central Bank. The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos.

	Daily observed exchange rate Ch\$ per U.S.\$(21)			
	High(22)	Low(23)	Average(24)	Period end(25)
Year ended December 31,				
2012	519.69	469.65	486.59	479.96
2013	533.95	466.50	495.18	524.61
2014	621.41	527.53	570.34	606.75
2015	715.66	597.10	654.66	710.16
2016	730.31	645.22	676.67	685.98
Month end				
October 31, 2016	670.88	651.18	663.56	651.18
November 30, 2016	679.24	650.72	667.18	673.54
December 31, 2016	677.11	649.40	666.97	669.47
January 31, 2017	673.36	646.19	660.08	646.19
February 28, 2017	648.88	638.35	643.34	648.88
March 31, 2017	669.52	650.98	661.86	663.97
April 2017 (through April 24, 2017)	661.42	647.47	653.54	650.65

(21) Source: Chilean Central Bank.

(22) Exchange rates are the actual low and high, on a daily basis for each period.

(23) Exchange rates are the actual low and high, on a daily basis for each period.

(24) The yearly average rate is calculated as the average of the exchange rates on the last day of each month during the period.

(25) Each year period ends on December 31, and the respective period-end exchange rate is published by the Chilean Central Bank on the first business day of the following year. Each month period ends on the last calendar day of such month, and the respective period end exchange rate is published by the Chilean Central Bank on the first business day of the following month.

Argentina

From April 1, 1991 until the end of 2001, the Convertibility Law No. 23,928 and Regulatory Decree No. 529/91 (together, the “Convertibility Law”) established a fixed exchange rate under which the Central Bank of Argentina was obliged to sell U.S. dollars at a fixed rate of one Argentine peso per U.S. dollar. On January 6, 2002, the Argentine Congress enacted the Public Emergency Law, which suspended certain provisions of the Convertibility Law, including the fixed exchange rate of Ar\$1.00 to U.S.\$1.00, and granted the executive branch of the Argentine government the power to set the exchange rate between the Argentine peso and foreign currencies and to issue regulations related to the foreign exchange market. Following a brief period during which the Argentine government established a temporary dual exchange rate system, pursuant to the Public Emergency Law, the Argentine peso has been allowed to float freely against other currencies since February 2002. For the last few years the Argentine government has maintained a policy of intervention in foreign exchange markets, conducting periodic transactions for the sale and purchase of U.S. dollars. There is no way to foresee whether this could continue in the future. See also “Item 10. Additional Information—D. Exchange Controls—Foreign Exchange Controls—Argentina.”

The following table sets forth the annual high, low, average and period-end exchange rates for the periods indicated, expressed in Argentine pesos per U.S. dollar and not adjusted for inflation as reported by the Central Bank of Argentina. The Federal Reserve Bank of New York does not report a noon buying rate for Argentine pesos.

	Daily observed exchange rate Ar\$ per U.S.\$			
	High	Low	Average(26)	Period end
Year ended December 31,				
2012	4.917	4.304	4.552	4.917
2013	6.518	4.923	5.479	6.518
2014	8.556	6.543	8.119	8.552
2015	13.763	8.554	9.269	13.005
2016	16.039	13.069	14.779	15.850
Month end				
October 31, 2016	15.225	15.115	15.181	15.175
November 30, 2016	15.844	15.018	15.340	15.844
December 31, 2016	16.039	15.523	15.830	15.850
January 31, 2017	16.503	15.808	15.907	15.912
February 28, 2017	15.835	15.368	15.598	15.455
March 31, 2017	15.669	15.382	15.524	15.382
April 2017 (through April 21, 2017)	15.418	15.174	15.333	15.393

Brazil

The Central Bank of Brazil allows the Real/U.S. dollar exchange rate to float freely and has intervened occasionally to control unstable fluctuations in foreign exchange rates. We cannot predict whether the Central Bank of Brazil or the Brazilian government will continue to let the real float freely or will intervene in the exchange rate market through a currency band system or otherwise. The Brazilian real may depreciate or appreciate substantially against the U.S. dollar in the future. Exchange rate fluctuations may adversely affect our financial condition. See also “Item 10. Additional Information—D. Exchange Controls—Foreign Exchange Controls—Brazil.”

Prior to March 14, 2005, under Brazilian regulations, foreign exchange transactions were carried out on either the commercial rate exchange market or the floating rate exchange market. Rates in the two markets were generally the same. On March 14, 2005, the National Monetary Council of Brazil (Conselho Monetário Nacional) unified the two markets.

The following table sets forth the exchange selling rates expressed in Brazilian reais per U.S. dollar for the periods indicated, as reported by the Central Bank of Brazil through the Central Bank System (Sistema do Banco Central) using PTAX 800, option 5.

	Daily observed exchange rate R\$ per U.S.\$			
	High	Low	Average(27)	Period end
Year ended December 31,				
2012	2.1121	1.7024	1.9550	2.0435
2013	2.4457	1.9528	2.1605	2.3426
2014	2.7403	2.1974	2.3547	2.6562
2015	4.1949	2.5754	3.3387	3.9048
2016	4.1558	3.1193	3.4833	3.2591
Month end				
October 31, 2016	3.2359	3.1193	3.1858	3.1811
November 30, 2016	3.4446	3.2024	3.3420	3.3967
December 31, 2016	3.4650	3.2591	3.3523	3.2591
January 31, 2017	3.2729	3.1270	3.1966	3.1270
February 28, 2017	3.1479	3.0510	3.1042	3.0993
March 31, 2017	3.1735	3.0765	3.1279	3.1684
April 2017 (through April 20, 2017)	3.1463	3.0923	3.1238	3.1453

(26) Represents the daily average exchange rate during each of the relevant periods.

(27) Represents the daily average exchange rate during each of the relevant periods.

Peru

Currently, Peruvian law does not impose any restrictions on the ability of companies having operations in Peru to transfer foreign currencies from Peru to other countries, to convert nuevos soles into any foreign currency or to convert any foreign currency into nuevos soles. Companies may freely remit interest and principal payments abroad and investors may repatriate capital from liquidated investments. We cannot assure you, however, that Peruvian law will continue to permit such payments, transfers, conversions or remittances without restrictions. Exchange rates for the Peruvian Nuevo sol have been relatively stable in recent years. See also “Item 10. Additional Information—D. Exchange Controls—Foreign Exchange Controls—Peru.”

The following table sets forth the Central Bank of Peru’s period-average and period-end buying rates for U.S. dollars for the periods indicated.

	Daily observed exchange rate S/. per U.S.\$			Period end
	High	Low	Average(28)	
Year ended December 31,				
2012	2.709	2.549	2.638	2.549
2013	2.819	2.539	2.701	2.794
2014	2.987	2.760	2.838	2.981
2015	3.408	2.981	3.184	3.408
2016	3.536	3.248	3.373	3.352
Month end				
October 31, 2016	3.407	3.351	3.384	3.360
November 30, 2016	3.423	3.359	3.401	3.409
December 31, 2016	3.418	3.352	3.393	3.352
January 31, 2017	3.391	3.275	3.338	3.282
February 28, 2017	3.291	3.240	3.258	3.259
March 31, 2017	3.294	3.240	3.262	3.246
April 2017 (through April 20, 2017)	3.252	2.249	3.164	3.242

Colombia

Since September 1999, the Central Bank of Colombia has allowed the Colombian peso to float freely, intervening only when there are steep variations in the Colombian peso’s value relative to the U.S. dollar (referred to as the “representative market rate”) to control volatility. Different mechanisms have been used for this purpose. Currently, the Central Bank is intervening directly by purchasing variable amounts of foreign currency in the exchange markets.

This intervention mechanism is only used to control the international reserves of Colombia or in case the average of a specified rate (referred to as the “representative market rate”) for the preceding twenty days exceeds 5% of that day’s representative market rate. Upon the occurrence of such an event, the Central Bank of Colombia sells call options, whereby the purchaser is entitled to buy from the Central Bank of Colombia, on a future date, a specified amount of U.S. dollars at a pre-established exchange rate, thus reducing the volatility of the exchange rate. As of October 28, 2009, the call option mechanism can only be used to control the international reserves of Colombia. See also “Item 10. Additional Information—D. Exchange Controls—Foreign Exchange Controls—Colombia.”

Although the foreign exchange market is allowed to float freely, there are no guarantees that the Central Bank of Colombia or the Colombian government will not intervene in the exchange market in the future. The Federal Reserve Bank of New York does not report a rate for Colombian pesos. The *Superintendencia Financiera de Colombia* calculates the representative market rate based on the weighted averages of the buy/sell foreign exchange rates quoted daily by certain financial institutions for the purchase and sale of foreign currency.

The following table sets forth the average Colombian peso/U.S. dollar representative market rate for the periods indicated, calculated by using the average of the exchange rates on the last day of each month during the period.

	Daily observed exchange rate Col\$ per U.S.\$			Period end
	High	Low	Average(29)	
Year ended December 31,				
2012	1,942.70	1,754.89	1,797.65	1,768.23
2013	1,952.11	1,758.45	1,869.10	1,926.83
2014	2,446.35	1,846.12	2,000.33	2,392.46
2015	3,356.00	2,360.58	2,743.39	3,149.47
2016	3,434.89	2,833.78	3,050.98	3,000.71
Month end				
October 31, 2016	2,967.66	2,880.08	2,929.39	2,967.66
November 30, 2016	3,187.97	2,984.78	3,110.26	3,165.09
December 31, 2016	3,085.60	2,964.56	3,009.86	3,000.71
January 31, 2017	3,000.71	2,919.01	2,949.72	2,924.77
February 28, 2017	2,921.90	2,851.98	2,879.57	2,896.27
March 31, 2017	3,004.43	2,880.24	2,942.29	2,880.24
April 2017 (through April 24, 2017)	2,885.57	2,837.90	2,866.48	2,868.89

(28) Calculated as the average of the month-end exchange rates during the relevant period.

(29) Calculated as the average of the month-end exchange rates during the relevant period.

B. CAPITALIZATION AND INDEBTEDNESS

Not Applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not Applicable.

D. RISK FACTORS

You should carefully consider the risks and uncertainties described below and the other information in this annual report. The risks described below are not the only ones facing our company or investments in the countries in which we operate. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. This annual report also contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements." The market price of our common shares and ADSs may decrease due to any of these risks or other factors, and you may lose all or part of your investment. Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors, including the risks facing our company described below and elsewhere in this annual report.

Risks Related to Our Business and Our Industries

Economic conditions that impact consumer spending could materially affect us.

Ongoing economic uncertainty in the world economy could negatively affect consumer confidence and spending, including discretionary spending. We may be materially affected by changes in economic conditions in the markets or in the regions in which we operate that impact consumer confidence and spending, including discretionary spending. This risk may be exacerbated if customers choose lower-cost alternatives to our product offerings in response to economic conditions. In particular, a decrease in discretionary spending could materially and adversely impact sales of certain of our high-margin product offerings. Future economic conditions affecting disposable consumer income, such as employment levels, business conditions, changes in housing market conditions, the availability of credit, interest rates, tax rates and fuel and energy costs, could also reduce overall consumer spending or cause consumers to shift their spending to lower-priced competitors. In addition, inflation or deflation can impact our business. Deflation in food prices could reduce sales growth and earnings, while inflation in food prices, combined with reduced consumer spending, and could reduce our margins. Accordingly, we cannot assure you that in the event of an increase in inflation we will be able to pass on a price increase to our customers, which could have a material adverse effect on us.

We face intense competition in each of our markets.

The retail industry in Chile, Argentina, Brazil, Peru and Colombia is characterized by intense competition and increasing pressure on profit margins. The number and type of competitors and the degree of competition experienced by individual stores varies by location. Competition occurs on the basis of price, location, quality of products and service, product variety and store conditions.

Efforts by others to enter the markets in which we operate, or to expand their existing businesses in such markets, could adversely affect our business. For example, SMU S.A., the owner of Unimarc supermarkets, completed an initial public offering in January 2017, and we expect that the proceeds therefrom would better position it to invest in its supermarkets business, including expansion of convenience stores in Chile. In addition, in March 2017, Walmart announced plans to invest U.S.\$800 million in Chile over the next three years, including to open new supermarkets, remodel certain existing stores, and to develop a distribution center and its online business. Other domestic and international players have also expressed their interest in expanding their business in certain of our markets. For example, clothing retailers Forever 21 and H&M have both announced plans to expand their presence in Chile and Peru. To the extent any of the foregoing measures implemented, our market share in the affected countries may decline, which could adversely affect our results.

We face strong competition from international and domestic operators of supermarkets, home improvement stores, department stores and shopping centers, including Carrefour, Walmart, Falabella and Casino, and providers of financial services, and it is possible that in the future other large international retailers or financial services providers may enter the markets in which we compete, either through joint ventures or directly. Some of our competitors have significantly greater financial resources than we do and could use these resources to take steps that could have a material and adverse effect on us. We also compete with numerous local and regional supermarket and retail store chains, as well as with small,

family-owned neighborhood stores, informal markets, and street vendors. See “Item 4. Information on the Company—B. Business Overview—Competition” and “—Industry Overview and Competition.”

Increasing competition may cause us to lower our prices, increase expenditures and take other actions that could have a material adverse effect on us or compel us to reduce our planned growth, acquisitions and capital expenditures. As other retailers expand their operations in Chile, Argentina, Brazil, Peru and Colombia, and other international retailers enter these markets, competition will continue to intensify. We are unable to respond effectively to competitive pressures and changes in the retail markets, our market share may deteriorate, which could have a material adverse effect on us.

Our traditional retail stores, supermarkets and shopping centers face increasing competition from internet sales which may negatively affect sales of traditional channels.

In recent years, retail sales of food, clothing and home improvement products over the internet have increased significantly in each of the countries in which we operate, and we expect this trend to continue as more traditional retailers enter into the online retail field or expand their existing infrastructure therein. For example, Amazon recently announced that it would focus more resources on its business in certain of our markets. Growth in the internet retail business of our competitors would harm not only our retail operations but also our internet retail operations. Internet retailers are able to sell directly to consumers, diminishing the importance of traditional distribution channels such as supermarkets and retail stores. Certain internet food retailers have significantly lower operating costs than traditional hypermarkets and supermarkets because they do not rely on an expensive network of retail points of sale or a large sales force. As a result, such internet food retailers are able to offer their products at lower costs than we do and in certain cases are able to bypass retailing intermediaries and deliver particularly high-quality, fresh products to consumers. We believe that our consumers are increasingly using the internet to shop electronically for food and other retail goods, and that this trend is likely to continue. If internet sales continue to grow, consumers’ reliance on traditional distribution channels such as our supermarkets, home improvement stores, department stores and shopping centers could be materially diminished, which could have a material adverse effect on us.

Our markets are undergoing rapid consolidation.

Over the last several years, the food, department store and home improvement retail sectors in Chile, Argentina, Brazil, Peru and Colombia have been undergoing consolidation as large retail chains have gained market share at the expense of small, independently owned and operated stores, and large local and international supermarket chains have consolidated. We believe that further consolidation will likely occur in all of these markets as competition intensifies and economies of scale become increasingly important. Some of our competitors are larger and better capitalized than we are and as a result are likely to be better positioned to take advantage of strategic acquisition opportunities. We cannot assure you that such market consolidation will not occur to the material detriment of our market position or that such developments will not have a material adverse effect on us.

Antitrust laws in Chile, Argentina, Brazil, Peru or Colombia could limit our ability to expand our business through acquisitions or joint ventures.

Chilean, Argentine, Brazilian, and Colombian antitrust laws contain provisions that require authorization by the antitrust authorities in those countries for the acquisition of, or entering into joint venture agreements with, companies with a relevant market share. Such authorizations have been denied in some cases involving the industries in which we operate. Peru does not currently apply such controls, but we cannot assure you that it will not impose them in the future.

Currently, Cencosud is restricted from acquiring any supermarkets in Chile, as a consequence of a settlement it reached in 2008 with the antitrust authorities. As part of the settlement, Cencosud needs prior authorization from the Chilean Antitrust Court before engaging in any supermarket acquisition. This restriction can only be lifted by means of a consultation before the Chilean Antitrust Court.

Moreover, on December 14, 2011, the Chilean antitrust authority (*Fiscalía Nacional Económica*, or “FNE”) announced an investigation into anti-competitive practices in the food retail industry including several local operators such as Cencosud. In connection with this investigation, on January 6, 2016, the FNE presented a suit against Cencosud, Walmart Chile and SMU (holding company of Unimarc supermarkets), accusing them of colluding in order not to sell poultry products below a certain price.

Cencosud believes that it has complied with all applicable regulations in conducting its business will defend itself in court and expects to prove that it has not colluded with other supermarket operators to control prices, however we cannot guarantee such an outcome.

While the suit may result in the imposition of fines on the parties being investigated, including Cencosud, Cencosud does not believe that such fines, if any, would have a material adverse effect on its results of operations. Potential fines in this case could be up to 30,000 UTA (approximately U.S.\$23 million at the time of the suit filing). However, we cannot assure you that this investigation, or future investigations, will not result in a material adverse effect on us, including financial and reputational harm.

We may not be able to generate or obtain the capital we need for further expansion.

We expect to continue to have substantial liquidity and capital resource requirements to finance our business. We intend to rely upon internally generated cash from our operations and, if necessary, the proceeds of debt and/or equity offerings in the domestic and international capital markets and bank debt. We cannot assure you, however, that we will be able to generate sufficient cash flows from operations or obtain sufficient funds from external sources to fund our capital expenditure requirements.

Our future ability to access financial markets in sufficient amounts and at acceptable costs and terms to finance our operations, fund our proposed capital expenditures and pay dividends will depend to a large degree on prevailing capital and financial market conditions over which we have no control, and accordingly we cannot assure you that we will be able to do so. Our failure to generate sufficient cash flows from operations or to be able to obtain third-party financing could cause us to delay or abandon some or all of our planned expansion, including capital expenditures, which, in turn, could have a material adverse effect on us.

Our operating income is sensitive to conditions that affect the cost of the products we sell in our stores.

Our business is characterized by relatively high inventory turnover with relatively low profit margins. We make a significant portion of our sales at prices that are based on the cost of products we sell plus a percentage markup. As a result, our profit levels may be materially affected during periods of decreasing prices. In addition, our business could be materially and adversely affected by other factors, including inventory control, competitive price pressures, severe weather conditions and unexpected increases in fuel or other transportation related costs which increase the cost of the products we sell in our stores. If we are unable to pass along these cost increases to our customers, our profit margin will decrease resulting in a material adverse effect on us.

Our retail results are highly seasonal and therefore any circumstance that negatively impacts our retail business during our seasons of high demand may materially and adversely affect us.

We have historically experienced seasonality in our retail sales in Chile, Argentina, Brazil, Peru and Colombia, principally due to stronger sales during the Christmas and New Year holiday season and during the beginning of each school year in March, and reduced sales during the months of January and February due to the summer holidays. For example, in 2014, 2015 and 2016, 28.0%, 27.7% and 27.6% of our consolidated revenues were generated during the fourth quarter, respectively. Any economic slowdown, interruption to our business or to the business of our suppliers, or the occurrence of any other circumstance that may impact our business during the first or last quarter of any fiscal year may therefore have a material adverse effect on us.

In addition, in preparation for our seasons of high demand, we must increase inventory to levels substantially higher than those maintained during the rest of the year, and hire temporary staff for our stores. Any unforeseen reduction in demand, mistake in our demand forecasts or product selection, or delay by our suppliers in meeting our demand during these seasons could force us to sell inventory at significantly lower prices, which would also materially and adversely affect us.

The clothing retail industry is negatively affected by decreases in the purchasing power of middle- and low-income consumers resulting from unfavorable economic cycles.

The success of our department stores operations depends largely on factors relating to the stability or increase of consumer spending, especially by members of middle- and low-income socioeconomic groups. Historically, the purchasing power of such groups has been significantly correlated with factors that affect income, such as interest rates, inflation, availability of consumer credit, taxation, employment levels, consumer confidence and salary levels. Therefore, in times of economic downturns, the purchasing power of such groups decreases as their income decreases. In addition, our middle- and low-income customers are likely to consider clothing purchases superfluous during periods of reduced income which would most likely lead to a decrease in demand for our clothing products from this group. Such a decrease in the demand of our middle- and low-income customers coupled with a general decrease in their purchasing power could materially and adversely affect us.

Changes in suppliers' allowances and promotional incentives could impact profitability and have a material adverse effect on us.

We receive from our suppliers rebates, allowances and promotional incentives that reduce our cost of inventories and related costs of goods sold, improving our gross margins. For example, commercial allowances from suppliers include fees from suppliers for the sale of their products in our stores, supplier rebates and bonuses, supplier promotional allowances and fees, and fees from publicity activities carried out for third parties using our proprietary customer information. For the year ended December 31, 2016, supplier allowances and promotional incentives amounted to 16.4% of costs in our supermarket division, 9.5% of costs in our home improvement division and 6.0% of costs for our department store division. For the year ended December 31, 2016, the amount of these allowances and promotional incentives amounted to Ch\$1,237,454 million and were recorded as a reduction to inventory costs and related costs of sales. We cannot assure you that we will be able to obtain a similar level of such fees, rebates, bonuses or allowances in the future. Should any of our key suppliers reduce or otherwise eliminate these arrangements, our profit margin for the affected products could be impacted, which could in turn have a material adverse effect on us.

Our current strategy may not have the expected results on our profitability.

Our strategy aims to provide our customers with a superior shopping experience, delivering a greater variety of quality products and services than our competitors. This strategy is based on savings achieved through operational efficiencies that are transferable to the customer. We couple this strategy with a focus on expanding our position both in Chile and other markets in Latin America that we believe offer attractive prospects for growth. The long-term success of our strategy is subject to significant risks, including failure to generate the expected number of additional sales volume and to reduce selling and administrative expenses; price reductions by competitors; difficulties in obtaining additional vendor allowances from suppliers in the expected amounts and necessary timeframe; difficulties in expanding operations due to adverse economic scenarios; difficulties in finding employees and delays in implementing our strategy. Any one of these factors could have a material adverse effect on us.

We are subject to risks affecting shopping centers that may materially and adversely affect us.

Our operation of our shopping centers (which lease spaces to third parties) is subject to various factors that affect their development, administration and profitability. These factors include the accessibility and the attractiveness of the area where the shopping center is located and of the shopping center itself; the flow of people and the level of sales of each shopping center rental unit; oversupply of retail space or a reduction in demand for retail space which could result in lower rent prices and lower revenues; increases in competition from other shopping centers which drive down our prices and profits; our inability to collect rents due to bankruptcy, insolvency of tenants or otherwise; the ability of our tenants to provide adequate maintenance and insurance; and fluctuations in occupancy levels in our shopping centers.

Many of our hypermarket, supermarket, department stores and home improvement stores are located in shopping centers, and as a result a substantial portion of our revenues is sensitive to factors affecting these and other shopping centers. Also, an economic downturn in the countries or regions in which our shopping centers are located could lead to the bankruptcy of our tenants and a reduction in our shopping center sales due to a decrease in disposable income, which could have a material adverse effect on us.

We are subject to risks that changing shopping trends that could materially and adversely affect us.

In developed markets consumers have begun to express a preference for small-box stores shunning away from traditional big-box outlets. This trend in markets such as the U.S. and the U.K. has been more evident in fresh, on-the-go foods and the grocery channel. As a consequence retailers in these markets such as Walmart, Tesco and Target have responded by turning to small-box stores as drivers for growth, as a means to target a more urban consumer and as an engine for revenue expansion. This has led to the rolling out of new formats such as Walmart Express, Tesco Express and Fresh and Easy Express in formats of 1,400 square meters distancing themselves from the traditional big-box 10,000 square meters outlets. As our markets have become more saturated and developed, we have noted the beginning of a similar trend in certain of the countries in which we operate.

We are currently undertaking a strategy that includes all types of formats in order to cater to a wide range of consumers. If such trend favoring small-box stores were to materialize in the markets in which we operate, it could materially and adversely affect our results of operations and financial condition.

Our development activities depend on finding attractive real estate locations at reasonable prices.

An important part of our growth strategy rests on our ability to develop and open new stores. We face intense competition from both other retail operators and also real estate developers for new sites for our stores. Accordingly, we may be unable to find attractive real estate locations at reasonable prices to sustain our growth, which could have a material adverse effect on us.

We are subject to risks associated with development and construction activities.

The development, renovation and construction of our hypermarkets, supermarkets, department stores, home improvement stores and shopping centers involve certain risks such as failure to correctly anticipate construction costs, lower than anticipated occupancy rates and rents at newly completed projects, failure to obtain financing on favorable terms, delays in construction and lease-up, and failure to obtain necessary zoning, land use, building, occupancy and other required governmental permits and authorizations.

Our development activities depend on our ability to obtain and maintain zoning, environmental, land-use and other governmental approvals which we may not be able to get.

Our activities are subject to national, federal, state and municipal laws, and to regulations, authorizations and licenses required with respect to construction, zoning, use of the soil, environmental protection and historical heritage, consumer protection and other requirements in Chile, Argentina, Brazil, Peru and Colombia, all of which affect our ability to acquire land, develop and build projects and negotiate with customers. In the case of non-compliance with such laws, regulations, licenses and authorizations, we may face fines, project shutdowns, cancellation of licenses and revocation of authorizations.

In addition, the regulation of matters relating to the protection of the environment is not as well developed in Argentina, Brazil, Chile, Peru and Colombia as in the United States and certain other countries. Accordingly, we anticipate that additional laws and regulations should be enacted over time in these countries with respect to environmental matters. If public authorities issue new and stricter standards, or enforce or interpret existing laws and regulations in a more restrictive manner, we may be forced to make expenditures to comply with such new rules.

Our credit card and banking operations expose us to increased credit and financial risks which may have a material adverse effect on us.

Although not a part of our core business, our credit card and consumer finance operations in Chile, Argentina, Peru, Colombia and Brazil are a growing segment of our business. We currently bear all of the credit risk associated with our credit cards in Argentina and Peru. In Brazil, where we operate our credit card through a joint venture with Brazil's Banco Bradesco, we bear 50% of the credit risk associated with our cards, including defaults in payment and losses with Banco Bradesco bearing the remaining risk. In Colombia we are currently engaged in a joint venture with Colombia's Banco Colpatria through which we bear 50% of the credit risk associated with issued credit cards. In Chile we are currently engaged in a joint venture with Scotiabank through which we bear 49% of the credit risk associated with issued credit cards. Results of our financial business in Chile, Brazil and Colombia for the years ended December 31, 2016, 2015 and 2014 were included in the Financial Services segment. See "Item 4. Information on the Company—B. Business Overview—Financial Services—Brazil" for additional details related to our joint venture with Banco Bradesco and Banco Colpatria.

Our credit card and consumer finance business can be materially and adversely affected by delinquency on credit card accounts, defaults in payments by credit card holders, extensive judicial processes enforcing the collection of payments, doubtful accounts or losses on receivables. Furthermore, the actual rates of delinquency, collection proceedings and losses on receivables may vary and be affected by numerous factors, which among others include:

- adverse changes in regional economies;
- acceptance of applicants with poor credit records;
- inability to predict future charge-offs;
- changes in credit card use;
- political instability;
- increase of unemployment; and
- loss of value of actual salaries.

These and other factors may have a negative effect on present rates of delinquency, collection proceedings and losses, any one or more of which could have a material adverse effect on us. In particular, our credit card business has grown significantly in recent years and in connection with such growth, our past due credit card receivables have also grown. We cannot assure you that our present rates of delinquency will not increase, and if they do, that it would not have a material adverse effect on us.

Further, to boost our retail volume sales, one of our business goals is to promote greater use of our credit cards and other financing activities in Chile, Argentina, Peru, Colombia and Brazil. As a result, our exposure to the credit risk of our cardholders and banking customers is likely to increase in the near future. We cannot assure you that any expansion of our credit card operations (including the assumption of account approval and credit risk by us) or our other lending operations, such as the cash advances and consumer loans we offer to our credit card customers, will not result in an impairment of the credit portfolio of our credit card and banking business in Chile, Argentina, Peru, Colombia and Brazil. Any such impairment would have a material adverse effect on us. See “Item 4. Information on the Company—B. Business Overview—Financial Services” for additional details related to our credit card and consumer loan operations.

Our credit card and banking activities depend on our ability to comply with current or future government regulations, as well as our ability to obtain and maintain governmental approvals.

Our credit card and banking operations are subject to substantial regulation. We must comply with national, state and municipal laws, and with regulations, authorizations and licenses required with respect to credit card and banking activities. We invest financial and managerial resources to comply with these laws and related permit requirements.

Our failure to comply with credit card and banking laws and related permit requirements could subject us to investigations, enforcement actions, fines or penalties. For example, on April 24, 2013, the Supreme Court of Chile ruled on the class action suit filed by the *Servicio Nacional del Consumidor* (the National Consumer Service, or “SERNAC”), a Chilean government entity, against our former subsidiary Cencosud Administradora de Tarjetas S.A. (“CAT”), ordering CAT to reimburse certain cardholders for excess monthly maintenance fees charged since 2006 plus adjustments for inflation and interest. We have made all such required payments during 2013 through 2015, and have no further liability in connection with this matter following our disposition of CAT in 2015.

More recently, SERNAC initiated a voluntary collective mediation process in connection with CAT regarding an alleged change in credit card commissions’ policies, to which we have been invited. We believe we have been in compliance with all legal requirements and all contract terms, are actively collaborating in the process to ensure our customers are not affected, and do not expect any material impact from this mediation process.

Moreover, if applicable laws and regulations, or the interpretation or enforcement thereof, become more stringent in the future, our capital or operating costs could increase beyond what we currently anticipate, and the process of obtaining or renewing licenses for our activities could be hindered or even opposed by the competent authorities. We cannot assure you that regulators will not impose more restrictive limitations on the activities of our credit card or bank operations in the future than those currently in effect. Any such change could have a material adverse effect on us.

Our food retail business sources fresh products from local producers and certain stores rely heavily on sales of perishable products. Climate changes and product supply disruptions may affect local producers’ ability to provide and our ability to sell such products, which may have a material adverse effect on us.

There are indicators of a current climate change happening worldwide. Changes in temperatures and precipitation patterns may negatively affect the capacity of certain regions to produce fresh products such as fresh fruits and vegetables and dairy products.

We have a significant focus on perishable products. Sales of perishable products accounted for approximately 37.9%, 38.4% and 35.8% of our total sales in 2016, 2015 and 2014, respectively. As we source part of our fresh products from local producers, such changes in climate could impair or limit our ability to source such products, thus affecting our capacity to offer the full assortment of products that we normally carry. Any such disruption could have a material adverse effect on us.

We rely on various suppliers and vendors to provide and deliver our product inventory on a continuous basis. We could suffer significant perishable product inventory losses in the event of the loss of a major supplier or vendor, disruption of our distribution network, extended power outages, natural disasters or other catastrophic occurrences. For example, recent reports of tainted Brazilian beef have affected the global beef supply

chain, and eroded customer confidence in the product in Brazil and our other markets which import beef from Brazil, like Chile. As more countries suspend beef imports from Brazil, the global price for available beef is expected to rise, which, coupled with consumer perception after the scandal, could adversely affect our sales in Brazil and Chile. We have implemented certain systems to ensure our ordering is in line with demand. We cannot assure you, however, that our ordering systems will always work efficiently, in particular in connection with the opening of new stores, which have no, or a limited, ordering history. If we were to over-order, we could suffer inventory losses, which could have a material adverse effect on us.

We are dependent on key personnel.

Our and our subsidiaries' development, operation and growth have depended significantly upon the efforts and experience of our board of directors and our senior management. If for any reason, including retirement, the services of such persons, were to become unavailable and we fail to find and retain an adequate replacement for such persons on a timely basis, there could be a material adverse effect on our operations.

Certain of our debt instruments impose significant operating and financial restrictions and in the event of a default, all of our borrowings could become immediately due and payable.

The terms of our financial indebtedness impose, and the terms of our future financial indebtedness may impose, significant operating and other restrictions on us and many of our subsidiaries. The agreements governing our credit facilities and corporate bond issuances contain restrictive covenants and a requirement that we comply with a number of financial "maintenance" covenants, including ratios of total debt to equity, total liabilities to net worth and net financial debt to equity, as well as minimum levels of total assets and unencumbered assets. Our ability to comply with these ratios may be affected by events beyond our control. These restrictions and financial ratios could limit our ability to plan for or react to market conditions, otherwise restrict our activities or business plans and could have a material adverse effect on us, including our ability to finance ongoing operations or strategic investments or to engage in other business activities.

A significant portion of our financial indebtedness is also subject to cross default provisions. Our breach of any of these restrictive covenants or our inability to comply with the financial maintenance ratios would result in a default under other applicable debt instruments. If any such default occurs, the lenders may elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable. If we are unable to repay outstanding borrowings when due, the lenders will have the right to exercise their rights and remedies against us, and we cannot assure you that our assets would be sufficient to repay in full our obligations. Our inability to repay our obligations could have a material adverse effect on us.

A downgrade in our credit rating could materially and adversely affect our obligations under existing credit support commitments and credit facilities.

We have entered into thirteen credit support agreements in connection with derivative transactions with different international and local financial intuitions. Each credit support agreement provides collateral obligations between swap counterparties to mitigate the existing credit risk inherent to operation. If a credit downgrade event occurs, it could result in our having to post additional collateral in connection with a "Margin Call" and us having to pay cash or any other eligible collateral to cover the incurred liabilities at a given valuation date. As of December 31, 2016, notional amounts in cross currency swaps with different counterparties stood at approximately U.S.\$2.5 billion.

In addition certain of our bank loans contain a "rating grid" structure. Under such grids, costs of our credit facilities could be adjusted depending on our rating. If a credit rating downgrade occurs, there could be an increase in our debt service costs.

A downgrade in our credit rating could negatively impact our cost of and ability to access capital.

Our credit ratings are an important part of maintaining our liquidity. Any downgrade in credit ratings could potentially increase our borrowing costs, or, depending on the severity of the downgrade, substantially limit our access to capital markets, require us to make cash payments or post collateral and permit termination by counterparties of certain significant contracts. Factors that may impact our credit ratings include, among others, debt levels, planned asset purchases or sales, and near-term and long-term growth opportunities. Factors such as liquidity, asset quality, cost structure, product mix, and others are also considered by the rating agencies. A ratings downgrade could adversely impact our ability to access debt markets in the future, increase the cost of future debt, and potentially require us to post letters of credit for certain obligations.

We have a significant amount of financial indebtedness outstanding with instruments maturing every year

As part of our financial strategy we fund our assets with a combination of both equity and debt. Our portfolio of financial indebtedness has maturities and amortizations applicable every year. As we devote a significant portion of our free cash flow to finance interest payments and make dividend payments, we are required to refinance these obligations and therefore we face refinancing risk, especially in times of liquidity restrictions in the financial markets.

Furthermore, our major market for funding is Chile, including both the debt capital market and the local banks. As we are among the largest corporations in Chile and among the largest local issuers, we have become one of the largest investments (in terms of equity and debt holdings) in the local institutional investors' portfolio, limiting our ability for further issuances in the local market. Likewise, some local banks in Chile have large loan exposure to Cencosud, and have reached the legal limits of maximum exposure to us, limiting our ability to secure future funding from them in the future.

Although we believe we have a sound financial strategy and we have structured our maturities and amortizations in a way that reduces the refinancing needs in a single year we cannot assure you that we will be able to obtain funding in the future to fulfill our financial obligations. If we

are unable to obtain such funding, we will need to reduce our capital expenditures to devote a larger portion of our free cash flow to serve our financial obligations, thus reducing our growth prospects, and possibly face a potential event of default with respect to our financial obligations.

If any such default occurs, the lenders may elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable. If we are unable to repay outstanding borrowings when due, the lenders will have the right to exercise their rights and remedies against us, and we cannot assure you that our assets would be sufficient to repay in full our obligations. Our inability to repay our obligations could have a material adverse effect on us.

We are subject to risks associated with real estate investments.

Our real estate investments are subject to risks common to commercial and residential properties in general, many of which are not within our control. For example, the yields available from equity investments in real estate depend on the level of sales or rental income generated and expenses incurred. In addition, our ability to generate sufficient income from our properties to service our debt and cover other expenses may be materially and adversely affected by the following factors, among others, some of which we cannot control:

- downturns in a national, regional and local economic climate;
- changes in interest rates and availability of financing;
- civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which may result in uninsured or underinsured losses;
- changes in our ability or our tenants' ability to provide for adequate maintenance and insurance, possibly decreasing the useful life of and revenue from property;
- law reforms and governmental regulations (such as those governing usage, zoning and real property taxes);
- oversupply of retail space or a reduction in demand for retail space, which could result in lower rent prices and lower revenues for us;
- increased competition from other real estate operators which might drive down our prices and profits;
- increased operating costs due to inflation and other factors such as insurance expense, utilities, real estate taxes, state and local taxes and heightened security and cleaning costs;
- the inability to collect rents due to bankruptcy or insolvency of tenants or otherwise;
- the need to periodically renovate, repair and release space, and the higher costs thereof;
- the inability to revise the commercial terms of our lease agreements to reflect high inflation or exchange rates fluctuations in markets where our leases are based on local nominal currency or in foreign currency;
- bankruptcy of tenants and reduction in shopping center sales due to lower disposable income;
- exercise by our tenants of their legal right to terminate their leases early; and
- the inability to find new tenants as leases on our properties expire or terminate early.

The occurrence of any combination of the factors listed above could significantly decrease the income we receive from our real estate investments, which in turn could have a material adverse effect on us.

Eviction proceedings in Chile, Argentina, Colombia and Peru are difficult and time consuming, and as a result we may not be able to evict defaulting tenants from our shopping centers.

In our shopping center business, we hold several commercial leases with third party lessees. Although Chilean, Argentine and Peruvian laws allow a summary proceeding to collect unpaid rent and a special proceeding to evict tenants, eviction proceedings in these countries are difficult and time-consuming. Eviction proceedings generally take between six months and two years from the date of filing of the suit to the time of actual eviction, as the heavy workload of the courts and the numerous procedural steps required have generally delayed landlords' efforts, including ours, to evict tenants. Historically, delinquency regarding our office rental space has been low, and we have usually attempted to negotiate the termination of lease agreements with defaulting tenants after the first few months of non-payment in order to avoid legal proceedings.

We cannot assure you, however, that delinquency rates in the future will not increase significantly, or that our negotiations with tenants will prove to be as successful as they have been in the past, which could have a material adverse effect on us.

Any disruption in the operations of our distribution centers may have a material adverse effect on us.

A substantial part of the products we sell in our stores are distributed through our distribution centers. Should any of these distribution centers experience an interruption in operations, we may not be able to effectively distribute the products we sell, which may have a material adverse effect on us.

Additionally, our growth strategy contemplates the opening of new stores in the countries where we operate, which may require an increase in the capacity of our distribution centers, the reorganization of our existing distribution centers or the establishment of new distribution centers. Should we fail to locate adequate properties on which to build new distribution centers, or fail to effectively integrate new, or expand existing, distribution centers, we may not be able to deliver inventory to our stores in a timely manner, which may have a material adverse effect on us.

An increase in export or import duties and controls may have a material adverse effect on us.

Our future success depends on our ability to select and purchase quality merchandise at attractive prices. While we have historically been able to locate and purchase quality merchandise at good prices, such merchandise may become subject to higher import taxes than currently apply.

In addition, foreign trade policies, tariffs and other impositions and requirements on imported goods, which may depend on the product's place of origin or on the product's nature and specifications, as well as other factors relating to the foreign trade of the countries in which we operate are beyond our control and could result in difficulties in obtaining quality, low-cost merchandise from these countries and consequently could have a material adverse effect on us.

Labor relations may have a material adverse effect on us.

As of December 31, 2016, approximately 43.2% of our retail store employees were represented by unions under several collective bargaining agreements. Although we currently enjoy good relations with our employees and their unions, we have experienced labor strikes in the past and we cannot assure you that labor relations will continue to be positive or that deterioration in labor relations will not have a material adverse effect on us. See "Item 4. Information on the Company—B. Business Overview" and "Item 6. Directors, Senior Management and Employees—D. Employees."

We could be harmed by a failure or interruption of our information technology or administrative systems.

We rely on our information technology and administrative systems to effectively manage our business data, communications, supply chain, pricing, order entry and fulfillment and other business processes. We use different world-class IT platforms in our retail and financial services segments in all countries in which we operate. Even advanced technology systems, however, are subject to defects, interruptions and breakdowns. The failure of our information technology or administrative systems to perform as we anticipate could disrupt our business and result in transaction errors, processing inefficiencies and the loss of sales and customers, which in turn could result in decreased revenue, increased overhead costs and excess or out-of-stock inventory levels resulting in a material adverse effect on us.

In addition, our information technology and administrative systems may be vulnerable to damage or interruption from circumstances beyond our control, including fires, natural disasters, systems failures, viruses and security breaches, including breaches of our transaction processing or other systems that could result in the compromise of confidential customer data. Any such damage or interruption could have a material adverse effect on us, including as a result of our facing significant fines, customer notice obligations or costly litigation, harming our reputation with our customers or requiring us to expend significant time and expense developing, maintaining or upgrading our information technology or administrative systems, or preventing us from paying our suppliers or employees, receiving payments from our customers or performing other information technology or administrative services on a timely basis.

Although all of our distribution centers have a backup network link, uninterruptible power supply and emergency power systems, we cannot guarantee that our current backup systems and procedures will operate satisfactorily in the event of a regional emergency. Any substantial failure of our back-up systems to respond effectively or on a timely basis could have a material and adverse effect on us.

If we experience a data security breach and confidential customer information is disclosed, we may be subject to penalties and experience negative publicity, which could affect our customer relationships and have a material adverse effect on us.

We and our customers could suffer harm if customer information were accessed by third parties due to a security failure in our systems. The collection of data and processing of transactions require us to receive and store a large amount of personally identifiable data. This type of data is subject to legislation and regulation in various jurisdictions. Recently, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting U.S. state and federal legislative proposals addressing data privacy and security. If similar proposals are adopted in the countries in which we operate, we may be subject to more extensive requirements to protect the customer information that we process in connection with the purchases of our products.

In April 2014, we experienced a security breach whereby several company websites in Chile were attacked by an organized group of hackers. As a consequence of this most of the sites were taken offline. We experienced data breaches at two websites whereby access to our server was obtained, but with low impact and no client information was obtained. We have since made arrangements to remediate security weaknesses in our websites, including through testing security for our websites by a third party, strengthening security protocols and procedures providing relevant technical training to IT administrators, increasing periodic testing by third party specialized teams and engaging real-time monitoring security services for our critical websites in order to remain alert to any malicious activity. However, these events, as well as future security breaches, may diminish customers' trust in us and harm our reputation, and expose us to potential liabilities.

We may become exposed to potential liabilities with respect to the data that we collect, manage and process, and may incur legal costs if our information security policies and procedures are not effective or if we are required to defend our methods of collection, processing and storage of personal data. Future investigations, lawsuits or adverse publicity relating to our methods of handling personal data could have a material adverse effect on our business, results of operations, financial condition and cash flows due to the costs and negative market reaction relating to such developments.

Natural disasters could disrupt our business and affect our results of operations. In particular, Chile, Argentina, Peru and Colombia are located in a seismically active region.

We are exposed to natural disasters in the countries where we operate such as earthquakes, volcanic eruptions, floods, tropical storms and hurricanes. In the event of a natural disaster, our disaster recovery plans may prove to be ineffective, which could have a material adverse effect on our ability to conduct our business, particularly if such an occurrence affects computer-based data processing, transmission, storage and retrieval systems or destroys customer or other data. In addition, if a significant number of our employees and senior managers were unavailable because of a

natural disaster, our ability to conduct our business could be compromised. Natural disasters or similar events could also result in substantial volatility in our results for any fiscal quarter or year.

Peru in particular is exposed to recurring flooding and mudslides resulting from the heavy rain attributable to the El Niño phenomenon. The first quarter of 2017 had Peru witness unusually heavy rains not seen in almost 20 years, causing damage to the country's infrastructure, caused shortages in food and water, and the deployment of armed forces to maintain order. While the economic impact of this disaster has not yet been quantified, we expect that it will negatively affect economic growth in Peru and our results from our Peruvian operations.

Chile, Argentina, Peru and Colombia are prone to earthquakes due to their location in the proximity of several major fault lines. A major earthquake, like the one that struck Chile in 2010 and 2015, could have significant negative consequences for our operations and for the general infrastructure in Chile or any of the other countries that were abovementioned, such as roads, rail and access to goods. Even though we maintain insurance policies standard for this industry with earthquake coverage, we cannot assure you that a future seismic event will not have a material adverse effect on us.

Economic and social unrest in the countries where we operate and government measures to address them may adversely affect the regional economy and thereby have a material adverse effect on us.

Despite the economic recovery and relative stabilization since the early 2000's, social and political tensions and high levels of poverty and unemployment continue throughout Latin America. For example, wide scale protests throughout Brazil have called for the impeachment of President Dilma Rousseff following ongoing investigations into allegations of corruption in state-controlled enterprises, which finally ended with the removal of the president from his position by the Senate in September 1, 2016. The unstable political scenario may have contributed to the decline of the confidence of investors and the public in general, resulting in the current recession. If growth were to slow in the countries in which we operate, this could result in heightened political tension and protests, similar to the recent Agricultural strikes in Colombia and civil unrest in Brazil and Argentina. If these situations were to become widespread and government measures to reduce inequality failed, they could have an adverse effect on our business.

Development of our internet sales capabilities is subject to technology and other risks.

We are currently in the process of making significant enhancements to our internet sales capabilities, with the goal of solidifying internet sales as part of our business. However, we face competition from existing internet retailers, many of whom have more experience in distributing through the internet. Furthermore, we may experience system interruptions and delays that make our websites and services unavailable or slow to respond and prevent us from efficiently fulfilling orders, which may reduce our sales and the attractiveness of our products. The cost of upgrading our systems and network infrastructure, and taking any other steps to improve the efficiency of our internet retailing systems, may be substantial, and such initiatives may divert the time and attention of management.

Our computer and communications systems and operations could be damaged or interrupted by fire, flood, power loss, telecommunications failures, earthquakes, acts of war or terrorism, acts of God, computer viruses, physical or electronic break-ins, and similar events or disruptions. Any of these events could cause system interruption, delays, and loss of critical data, and could prevent us from accepting and fulfilling customer orders, which could make our product offerings less attractive and subject us to liability. Any of these events could damage our reputation, and accordingly, may have an adverse effect on our sales and results of operations.

Chile's tax reform, approved in September 2014, introduced changes that come into effect in the following years that may increase our operating and compliance costs.

The corporate tax rate in Chile has been increasing gradually in the years following the tax reform. The rate will be 25.5% for 2017 and 27% for 2018. The effects of this tax reform may increase our operating and compliance costs, which could negatively affect our financial results and our ability to grow our business. The Tax Reform Act was amended in February, 2016, but the key changes and impact of the reform remained.

Currency devaluations and foreign exchange fluctuations had and may have a material adverse effect on us.

The Chilean peso, Argentine Peso, Brazilian Real and Colombian Peso has been subject to large devaluations and appreciations in the past and could be subject to significant fluctuations in the future. The main driver of exchange rate volatility in the past years was the significant devaluations in other Latin American countries, as well as general uncertainty and trade imbalances in the global markets. More recently, the primary driver of exchange rate volatility has been the substantial depreciation of Latin American currencies, including the Chilean peso, Argentine Peso, Brazilian Real and Colombian peso against the U.S. dollar. The value of the Chilean peso against the U.S. dollar may continue to fluctuate significantly in the future, as can be the same case for Brazilian Real and Colombian Peso. See "Item 10. Additional Information—D. Exchange Controls—Foreign Exchange Controls" and "Item 3. Key Information—A. Selected Financial Data—Exchange Rates."

Historically, a significant portion of our indebtedness has been denominated in U.S. dollars, while a substantial part of our revenues and operating expenses has been denominated in Chilean pesos. In addition in February 2015 the company accessed the international debt markets through a dual-tranche bond issuance. This new issuance significantly increased Cencosud's exposure to the U.S. dollar. If the Chilean peso's value declines against the dollar, we will need more Chilean pesos to repay the same amount of dollar-denominated debt. As a result, fluctuations in the Chilean peso to U.S. dollar exchange rate may affect us. As of December 31, 2016, after cross currency swaps and forward exchange agreements that fully hedge against the variation between the Chilean peso and the U.S. dollar, 17% of our net financial debt (bank borrowings and bonds) was denominated in U.S. dollars. The remainder of our interest-bearing debt is primarily UF- or Chilean peso-denominated and therefore not subject to

exchange rate risk. Our hedging policy against foreign exchange fluctuations is disclosed in “Item 11. Quantitative and Qualitative Disclosure About Market Risk—Foreign Currency Risk.” We cannot assure you that our hedging policies will avoid future losses related to exchange rate variations.

Any significant currency devaluation or foreign exchange fluctuation in the future may adversely affect the performance of the Chilean economy and have a material adverse effect on us.

Significant developments stemming from the recent U.S. presidential election could have a material adverse effect on us.

On November 8, 2016, Mr. Donald J. Trump was elected the president of the United States, and he took office on January 20, 2017. As a candidate, President-Elect Trump espoused antipathy towards existing and proposed trade agreements, greater restrictions on free trade generally and significant increases on tariffs on goods imported into the United States. Changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the countries where we currently operate could adversely affect economic growth in these countries, and accordingly may have an adverse effect on our business.

Risks Related to Chile

Our growth and profitability depend on the level of economic activity in Chile and other markets.

42.0%, 37.6% and 36.3% of our revenues from ordinary activities in the years ended December 31, 2016, 2015 and 2014, respectively, were derived from revenues in Chile. Accordingly, our results of operations and financial condition are dependent to a significant extent on the level of economic activity in Chile. The Chilean economy has been influenced, to varying degrees, by economic conditions in other emerging market countries. We cannot assure you that the Chilean economy will continue to grow in the future or that future developments in or affecting the Chilean economy, including further consequences of economic difficulties in Brazil, Argentina and other emerging markets, will not have a material adverse effect on us.

In difficult economic conditions, consumers may seek to reduce discretionary spending by forgoing purchases of some of our products, electing to use fewer higher-margin services or obtaining products and services under lower-cost programs offered by competitors. If any of these events were to occur, it could have a material adverse effect on us.

In spite of the recent growth of the Chilean economy, we cannot assure you that Chile’s economy will continue to grow in the future, nor can we assure you that future developments in or affecting the Chilean economy will not impair our ability to proceed with our business plan or have a material adverse effect on us.

Economic and political problems encountered by other countries may adversely affect the Chilean economy, and, as a result, our business and results of operations and the market value of our securities.

The prices of securities issued by Chilean companies are to varying degrees influenced by economic and market considerations in other countries. We cannot assure you that future developments in or affecting the Chilean economy, including consequences of economic difficulties in other markets, will not have a material adverse effect on us.

We are also directly exposed to risks related to the weakness and volatility of the economic and political situation in Asia, the United States, Europe, Brazil, Argentina and other nations. If these nations’ economic conditions deteriorate, the economy in Chile, as either a neighboring country or a trading partner, could also be affected and could experience slower growth than in recent years with possible adverse impact on our customers and suppliers. The crises and political uncertainties in other Latin American countries could also have an adverse effect on the Chilean economy, and, as a result, our results of operations and the market value of our securities.

Chile is currently involved in litigation at the international court at The Hague with its neighboring country Bolivia over its current borders and water rights of the Silala River. We cannot assure you that crisis and political uncertainty in other Latin American countries will not have a material adverse effect on the Chilean economy, and, as a result, our results of operations and the market value of our securities.

The Chilean supermarket and department store industries show signs of saturation which could impair our ability to grow profitably in Chile.

We believe that in Santiago, the Chilean supermarket industry shows certain signs of saturation. As a result newly opened stores cannibalize the sales of existing stores to some extent. Our growth prospects in the Chilean food retailing sector are likely to depend to a large extent on future growth in Chilean GDP, and we cannot assure you that either will in fact occur. As a result, we cannot assure you that in the future we will be able to achieve real growth in same-store sales in Chile. We believe that the Chilean department store industry has also shown signs of saturation as a result of a very aggressive expansion in past years by the industry’s main participants.

In addition, good locations are increasingly difficult to find, particularly for our big-box stores. Most major retailers have locked up key mall properties and control large land banks, and as a result we have faced difficulties in finding acceptable sites because we are more likely to open mid- to large-size supermarkets. We may be vulnerable to the expansion by “small box” supermarkets, such as convenience stores, who may more readily find suitable properties

Inflation and government measures to curb inflation may adversely affect the Chilean economy and have a material adverse effect on us.

Chile has experienced high levels of inflation in the past when compared to the country's Central Bank inflationary target, including increases in the Chilean consumer price index of inflation of 4.6% in 2014, inflation of 4.4% in 2015 and inflation of 2.7% in 2016 according to the National Institute of Statistics of Chile.

The measures taken by the Chilean Central Bank to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and retarding economic growth. Inflation, measures to combat inflation and public speculation about possible additional actions have also contributed materially to economic uncertainty in Chile and to heightened volatility in its securities markets. Periods of higher inflation may also slow the growth rate of the Chilean economy, which could lead to reduced demand for our products and services and decreased sales. Inflation is also likely to increase some of our costs and expenses, given that the majority of our supply contracts are denominated in *Unidades de Fomento* or are indexed to the Chilean consumer price index, and we may not be able to fully pass any such increases on to our customers, which could have a material adverse effect on us. Furthermore, at December 31, 2016, approximately 19% of our outstanding debt was UF-denominated. As a result, severe increases in inflation could affect the Chilean economy and could have a material adverse effect on us.

Chile has different corporate disclosure and accounting standards than those you may be familiar with in the United States.

Financial reporting and securities disclosure requirements in Chile differ in certain significant respects from those required in the United States. There are also material differences between IFRS and U.S. GAAP. Accordingly, the information about Cencosud S.A. available to you will not be the same as the information available to holders of shares issued by a U.S. company. In addition, the Chilean Securities Market Law, which governs open or publicly listed companies, such as us, imposes disclosure requirements that are more limited than those in the United States in certain important respects. In addition, although Chilean law imposes restrictions on insider trading and price manipulation, applicable Chilean laws are different from those in the United States, and the Chilean securities markets are not as highly regulated and supervised as the U.S. securities markets.

Possible changes resulting from a proposed labor reform bill in Chile may have a material adverse effect on our operations and financial results.

On December 29, 2014 the executive branch of the Chilean government, led by President Michelle Bachelet, signed an extensive labor reform bill which was sent to the Chilean Congress for parliamentary proceedings and approval. A revised version of the bill was approved by the Senate and the lower house, and was enacted into law on August 29, 2016.

This bill includes the following:

- Extension of collective bargaining coverage of workers who work on a temporary basis, or those who work in a company in an intern capacity.
- Expansion of matters covered by collective bargaining.
- Establishment of collective bargaining agreement provisions as the basis for negotiations between workers and employers, where a collective bargaining has been entered into. In the absence of a collective bargaining agreement, the employer's response, which is required to include benefits that are at least equal to the benefits granted union employees, will constitute the basis of the negotiation.
- Granting autonomy to companies and trade union organizations that agree on special working conditions, such as accommodation of employees with family responsibilities and the distribution of weekly working hours.
- Regulation of the trade union organizations' right to information regarding the financial conditions of the company and remuneration of workers in executive positions.
- Recognition of the effective strike as a right of collective exercise and prohibition of the replacement of workers on strike.
- Requirement that women represent no less than 30% of the directors in a union.
- Creation of the Superior Labor Council, whose regulations will establish mechanisms to ensure that at least one-third of its members are women.
- Recognition of inter-company unions, small unions and micro unions, though negotiations with such unions is voluntary.

During 2016, collective bargaining with unions resulted in up to 30 processes involving over 35% of our total headcount in Chile. During this period no strikes were registered. Starting in April 2017, the implementation of the labor reform will begin, increasing the bargaining power of the unions, which could result in increased labor costs and/or a higher probability of disruptions at our operations, which could have an adverse effect on our operations.

Risks Related to Argentina

From April 1, 1991 until the end of 2001, the Convertibility Law No. 23,928 and Regulatory Decree No. 529/91 (together, the "Convertibility Law") established a fixed exchange rate under which the Central Bank of Argentina was obliged to sell U.S. dollars at a fixed rate of one Argentine peso per U.S. dollar. On January 6, 2002, the Argentine Congress enacted the Public Emergency Law, which suspended certain provisions of the Convertibility Law, including the fixed exchange rate of Ar\$1.00 to U.S.\$1.00, and granted the executive branch of the Argentine government the power to set the exchange rate between the Argentine peso and foreign currencies and to issue regulations related to the foreign exchange market. Following a brief period during which the Argentine government established a temporary dual exchange rate system, pursuant to the Public Emergency

Law, the Argentine peso has been allowed to float freely against other currencies since February 2002. For the last few years the Argentine government has maintained a policy of intervention in foreign exchange markets, conducting periodic transactions for the sale and purchase of U.S. dollars. This trend has changed with the current Administration, which shows a more market friendly orientation. See also “Item 10. Additional Information—D. Exchange Controls—Foreign Exchange Controls—Argentina.”

Presidential and Congressional elections in Argentina took place on October 25, 2015, and a runoff election (ballotage) between the two leading presidential candidates was held on November 22, 2015, which resulted in Mr. Mauricio Macri being elected President of Argentina. The Macri administration took office on December 10, 2015. The Macri administration implemented, after December 17, 2015, several reforms to the foreign exchange market to provide greater flexibility and easier access to the foreign exchange market. See also “Item 10. Additional Information—D. Exchange Controls—Foreign Exchange Controls—Argentina.”

In December 2015 the Argentine Central Bank returned to a free-float policy with interventions designed to enhance the operation of the foreign exchange market. However, immediately after a significant portion of the foreign exchange controls were lifted, the peso devalued by approximately 40%, as the peso-U.S. dollar exchange rate reached Ps. 13.76 to U.S. \$1.00 on December 17, 2015. The peso has since floated freely with limited intervention by the Central Bank, and the nominal exchange rate experienced moderate variations.

Although general economic conditions in Argentina have recovered significantly after the 2002 crisis, there is uncertainty as to whether this growth is sustainable, especially considering the lower growth rates of recent years, and current public fiscal deficit. This is mainly because the economic growth was initially dependent on a significant devaluation of the Argentine peso and a high excess production capacity derived after a long period of deep recession, and was favored by high commodity prices. The global economic crisis of 2008 has led to a sudden deceleration of the economy, accompanied by political and social unrest, inflationary and Argentine peso depreciation pressures and lack of consumer and investor confidence. According to the Instituto Nacional de Estadísticas y Censos (the Argentine National Institute of Statistics and Census, or “INDEC”), Argentina’s gross domestic product, in real terms, grew by 0.1% in 2009, 9.4% in 2010 and is estimated to have grown 8.5%, 0.9% and 2.9% in 2011, 2012 and 2013, respectively while expanding 0.5% in 2014. In 2015, real GDP increased by 2.4% compared to 2014. INDEC reported that real GDP decreased by 2.3% in 2016 compared to 2015. We cannot assure you that GDP will increase or remain stable in the future. Economic growth in Argentina could face challenges related to its balance of payments and levels of reserves.

Following IMF reports regarding the data produced by the INDEC, in 2014, the INDEC released the IPCNu, an index that measures prices on goods across the country replacing the previous index that only measured inflation in the urban area of the Autonomous City of Buenos Aires. The Macri administration appointed new authorities at INDEC, to implement methodological changes and adjust statistics on the basis of these reforms. In January 2016, the new INDEC authorities announced the discontinuance of the methodology used by the previous administration and declared a state of statistical emergency, through which it suspended the publication of indexes indefinitely until the INDEC is able to calculate them on accurate official data. See “— *Changes in statistic figures published by INDEC*”.

Argentina has reached an agreement with a significant portion of holdout creditors of its foreign debt discussed in the New York courts, which was approved by the Argentine Congress on March 31, 2016. The Argentine Congress passed the Debt Authorization Law, thereby repealing the legislative obstacles to the settlement and approving the settlement proposal with the holdout creditors. On April 22, 2016, Argentina issued U.S.\$16.5 billion of new debt securities in the international capital markets, and applied U.S.\$9.3 billion of the net proceeds to satisfy settlement payments on agreements with holders of approximately U.S.\$4.2 billion principal amount of untendered debt. Upon confirmation that the conditions set forth in its March 2, 2016 order had been satisfied, the New York court, on April 22, 2016, ordered the *vacatur* of all *pari passu* injunctions. As of January 2017, agreements in principle have been executed with holders of approximately 83% of principal amount of untendered debt (outstanding as of December 31, 2015).

The impact that the measures taken by the new administration will have on the Argentine economy as a whole and the financial sector in particular cannot be predicted. In addition, there is uncertainty as to which measures announced during the presidential election campaign will be implemented by the Macri administration and when. In particular, we cannot predict how the Macri administration will address certain political and economic issues that were central during the presidential election campaign, such as the financing of public expenditures, public service subsidies and tax reforms, or the impact that any measures related to these issues that are implemented by the Macri administration will have on the Argentine economy as a whole. Additionally, in the recent elections, political parties opposed to the Macri administration retained a majority of the seats in the Argentine Congress, which will require the Macri administration to seek political support from the opposition for its economic proposals. This creates further uncertainty in the ability of the Macri administration to pass any measures. The inability of the Macri administration to implement its proposed measures as a result of lack of political support may adversely affect the Argentine economy and financial condition and, as a consequence, our financial condition.

Changes in statistic figures published by INDEC may affect its credibility and ability to provide reliable information about the Country’s main economic indicators.

In January 2007, the INDEC modified its methodology used in calculating the consumer price index. At the same time, the Argentine government also replaced several key personnel at the INDEC, prompting complaints of government interference from the technical staff at the INDEC. In addition, the IMF requested that the government clarify its inflation rates. In June 2008, the INDEC published a new consumer price index that eliminated nearly half of the items included in previous surveys and introduced adjustable weightings for fruit, vegetables and clothing, which have seasonal cost variations.

The new index was criticized by economists and investors after its initial report found prices rising well below expectations. These events affected the credibility of the consumer price index published by INDEC, as well as other index published by INDEC that use the consumer price index in their calculation, including the poverty index, the unemployment index and real GDP. On February 1, 2013 Argentina became the first member

nation of the IMF to be censured due to concerns that it may be underreporting inflation and GDP figures. The IMF gave Argentina a deadline of September 29, 2013 to take “remedial measures” to boost the accuracy of the data provided. In January 2014 the Argentine government revealed a new inflation index based on a new calculation methodology. In 2014, and 2015, the IMF reacted cautiously to the index stating that it would continue to review progress made by the Republic of Argentina revising inflation and gross domestic product statistics later in 2016.

The Macri administration replaced the authorities of INDEC. The new INDEC Director, Mr. Jorge Todesca, made substantial changes to the Institute methods and thus, more reliable statistics and data had been produced. During the first six months of this reorganization period, the INDEC published official Consumer Price Index (“CPI”) figures published by the City of Buenos Aires and the Province of San Luis for reference. Certain revised foreign trade, balance of payment and GDP data for the years 2011 through 2015 and the CPI for May, June and July 2016 were released by the INDEC after the state of administrative emergency was declared on January 8, 2016. In October 2016, the INDEC reported that real GDP decreased by 2.4% in the first nine months of 2016 compared to the same period in 2015. On June 15, 2016, the INDEC resumed publishing inflation rates, reporting an increase of 1.1% for September 2016, 2.4% for October 2016, 1.6% for November 2016 and 1.2% for December 2016 using its new methodology for calculating the CPI. We expect that INDEC will continue in this trend.

Intervention by the Argentine government in the Argentine economy has decreased but certain policies of the former government are still in force.

The Argentine government has in the past set certain industry market conditions and prices. In March 2002, the Argentine Government fixed the price for milk after a conflict among producers. Further government intervention in the economy could have an adverse effect on the levels of foreign investment in Argentina, Argentine companies’ access to international capital markets and trade and diplomatic relations between Argentina and other countries, which in turn could result in a material adverse effect on Argentina’s economy and, therefore, our business, financing capabilities, results of operations and financial condition. We cannot assure you that the Argentine government will not interfere in other areas in the retail industry in which we operate by setting prices or regulating other market conditions. Accordingly, we cannot assure you that the prices or other market conditions that the Argentine government might impose will allow us to freely negotiate the prices of our products, all of which could have a material adverse effect on us.

Currently price controls in the Republic of Argentina are enforced under the “Precios Cuidados” program, an agreement between the government and retailers. This program reflects the basic basket of products for the country’s population and as of March, 2016, was comprised of more than 500 products in supermarkets and in the home improvement industry. Recently, the Argentine Secretary of Commerce (“*Secretaría de Comercio Interior*”) has extended the duration of this program until May 2017. If these programs were to be expanded, they could have a materially adverse effect on us.

In December 2015, President Macri enacted two decrees in an effort to promote the inflow of foreign currency into Argentina and limit export duties (i) Decree 133/2015, which eliminated taxes on exports of wheat and corn, bovine meat, and decreased the tax on soybean exports; and (ii) Decree 160/2015 eliminating almost all of the duties on industrial exports. The Macri administration also eliminated foreign exchange restrictions to the payments of imports.

Recently implemented increases in the cost of public transportation and services may have a negative effect on our operating results.

The economic policies implemented by Macri’s Administration aim to reduce the State deficit by, among other things, raising the fares and prices of public transportation and services. These increases had been challenged in the courts due to the excessive Degree of increases, which in certain cases, such as fares for public transportation and gas and electricity prices, are proposed to increase by approximately 500%. While these increases are expected to occur gradually, they may result in a decrease in consumption by consumers, and accordingly, may have an adverse effect on our business.

Risks Related to Brazil

Brazilian economic and political conditions and perceptions of these conditions in international markets have a direct impact on our business and our access to international capital and debt markets and could have a material adverse effect on us.

In the years ended December 31, 2014, 2015 and 2016 our operations in Brazil represented 20.1%, 15.3% and 15.4% of our consolidated revenues from ordinary activities for such periods, respectively. Accordingly, our financial condition and results of operations are dependent on economic conditions in Brazil. The Brazilian economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high and variable levels of inflation, currency devaluation, downgrades of Brazil’s investment credit rating and high levels of unemployment. Brazil is currently going through a deep recession. In 2015 and 2016, the Brazilian Real appreciated approximately 18.3% and devaluated 49.8% against the U.S. dollar, respectively. Brazil’s gross domestic product, in real terms, grew 1.9% in 2012, 3.0% in 2013 and 0.5% in 2014 and decreased 3.8% in 2015 and 3.6% in 2016. We cannot assure you that GDP will increase or remain stable in the future. Future developments in the Brazilian economy may affect Brazil’s growth rates and, consequently, the consumption of our products. As a result, these developments could have a material adverse effect on us.

Historically, Brazil’s political situation has influenced the performance of the Brazilian economy, and political crises have affected the confidence of investors and the general public, which resulted in economic deceleration and heightened volatility in the securities issued abroad by Brazilian companies. Future developments in policies of the Brazilian government and/or the uncertainty of whether and when such policies and regulations may be implemented, all of which are beyond our control, could have a material adverse effect on us.

Currently, Brazilian markets are experiencing heightened volatility due to the uncertainties derived from the ongoing Lava Jato investigation, being conducted by the Office of the Brazilian Federal Prosecutor, and its impact on the Brazilian economy and political environment. Members of the Brazilian federal government and of the legislative branch, as well as senior officers of large state-owned companies as well as privately held

companies, have faced allegations of political corruption, since they have allegedly accepted bribes by means of kickbacks on contracts granted by the government to several infrastructure, oil and gas and construction companies. The profits of these kickbacks allegedly financed the political campaigns of political parties of the current federal government coalition that were unaccounted for or not publicly disclosed, and personally enriched the recipients of bribes under this bribery scheme. The potential outcome of these investigations is uncertain, but they have already had an adverse impact on the image and reputation of the implicated companies, and on the general market perception of the Brazilian economy. Most recently, the Brazilian president was removed by the senate in connection with such investigations.

In addition, certain states in Brazil, in particular Rio de Janeiro, have been experiencing significant financial troubles. In June 2016, Rio de Janeiro declared a state of “financial disaster” in order to change budgetary priorities while remaining in compliance with Brazil’s fiscal laws. The economic conditions there have continued to worsen, with many state civil servants not receiving their salaries. This turmoil has led to an increase in unemployment, impacted GDP growth, and adversely effected the general economic conditions in Brazil.

The fiscal instability, ongoing investigations into allegations of corruption in state-controlled enterprises and the unstable political scenario that has slowed the pace of the fiscal adjustment were factors that may have contributed to the decline of the confidence of investors and the public in general, resulting in the current recession. The political and economic crises facing the country have contributed to undermining the confidence of consumers and investors. The unstable political scenario may also have an adverse impact on our business, financial condition, results of operations and the market price of our preferred shares and ADSs. For more information on the economic situation in Brazil, see “Item 5: Operating and Financial Review and Prospects—Operating Results—Trends and Factors Affecting Our Results of Operations—Developments in the Brazilian Economy.

Changes in Brazilian tax laws may increase our tax burden.

The Brazilian government frequently implements changes to tax regimes that may affect us and our customers. These changes include changes in prevailing tax rates and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. Some of these changes may result in increases in our tax payments, which could adversely affect industry profitability and increase the prices of our products, restrict our ability to do business in our existing and target markets and have a material adverse effect on us. We cannot assure you that we will be able to maintain our projected cash flow and profitability following any increases in Brazilian taxes applicable to us.

The Brazilian government has exercised, and continues to exercise, significant influence over the Brazilian economy.

The Brazilian government frequently intervenes in the Brazilian economy and occasionally makes significant changes in policies and regulations. The Brazilian government’s actions to control inflation and other policies and regulations have often involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations, capital controls and limits on export and imports. We may be materially and adversely affected by changes in policies or regulations involving or affecting factors such as:

- interest rates;
- monetary policy;
- exchange controls and restrictions on remittances abroad;
- currency fluctuations;
- inflation;
- liquidity of domestic capital and financial markets;
- tax policy; and
- other political, social and economic policies or developments in or affecting Brazil.

Uncertainty over whether the Brazilian government will implement changes in policies or regulations affecting these or other factors in the future may contribute to economic uncertainty in Brazil. As a result, these uncertainties and other future developments in the Brazilian economy may have a material adverse effect on us.

Inflation, and the Brazilian government’s measures to combat inflation, may generate economic uncertainty in Brazil.

Brazil has historically experienced high rates of inflation. In the recent past, inflation, as well as government efforts to combat inflation have had significant negative effects on the Brazilian economy and contributed to heightened volatility in the Brazilian securities market. In 2016, inflation measured by the Brazilian consumer price index (Índice de Preços ao Consumidor), or IPCA, fell notably after ending 2015 at 10.67%, above the upper limit of 6.5%, established by the Brazilian monetary council. As a result of the decline, inflation is now within the Central Bank’s target band of 2.5% to 6.5% closing at 6.3% in 2016. The inflation target for 2017 is set at 4.5%, allowing for a range two percentage points below or above this target. In 2017, factors that may adversely affect consumer inflation are, among others, (i) the depreciation of the Real against global benchmark currencies, (ii) a possible decision by the Brazilian federal government to raise utility prices (such as electricity tariffs) and (iii) potential tax increases. The market consensus forecast see inflation closing at 4.9% for 2017. The market expects inflation of 4.7% for 2018.

The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. As a result, interest rates have fluctuated significantly. The Special System for Settlement and Custody (Sistema Especial de Liquidação e Custódia, or "SELIC") interest rate in Brazil at December 31 was 10.0% in 2013, 14.25% in 2014, 13.25% in 2015 and 13.00% in 2016, as determined by the Central Bank of Brazil's Monetary Policy Committee (Comitê de Política Monetária do Banco Central).

The government has proposed a set of macroeconomic adjustment measures and is setting the stage for structural reforms. The proposal is based on an ambitious fiscal consolidation plan, to reduce the inflation expectations and enable a drop in the real exchange rate, to boost competitiveness, productivity and investments. However, implementation of the reform program has proven difficult given the challenges in reaching a consensus in Congress.

Brazilian government actions, including interest rate changes, intervention in the foreign exchange market, fiscal policy expansion and actions to adjust or fix the value of the Real may trigger increases in inflation. If Brazil experiences substantial inflation in the future, the consequences may include greater economic uncertainty and increased costs for us, which may have a material adverse effect on us.

Exchange rate instability may adversely affect the Brazilian economy and us.

The Brazilian currency has historically suffered frequent fluctuations. In the past, the Brazilian government has implemented various economic plans and adopted a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), floating exchange rate systems, exchange controls and dual exchange rate markets. There have often been significant fluctuations in the exchange rate between the Brazilian currency, the U.S. dollar, the euro and other currencies. This volatility may affect our consolidated financial statements, due to the growing importance of our Brazilian operations in our business portfolio, which could have a material adverse effect on us. See "Item 10. Additional Information—D. Exchange Controls—Foreign Exchange Controls—Brazil" and "Item 3. Key Information—A. Selected Financial Data—Exchange Rates—Brazil."

Our business in Brazil is subject to governmental regulation.

Our Brazilian operations are subject to a variety of national, state, and local laws and regulations, including environmental, agricultural, health and safety and labor laws. We invest financial and managerial resources to comply with these laws and related permit requirements. Our failure to do so could subject us to fines or penalties, enforcement actions, claims for personal injury or property damages, or obligations to investigate and/or remediate damage or injury. Moreover, if applicable laws and regulations, or the interpretation or enforcement thereof, become more stringent in the future, our capital or operating costs could increase beyond what we currently anticipate, and the process of obtaining or renewing licenses for our activities could be hindered or even opposed by the competent authorities.

The regular operation of our stores and distribution centers depend on public services, including electricity, and the implementation of increases in energy prices, broad electricity conservation plans as a result of unfavorable hydrological or other factors could have a negative effect on consumer demand and also have a materially adverse effect on our operations and inventory management.

Brazil's power generation sector relies on, among others, hydroelectric plants, whose generation levels are affected by prevailing hydrological conditions, which are dependent on rainfall levels and heat levels. If hydrological conditions result in a low supply of electricity in Brazil, that could cause, among other things, the implementation of broad electricity conservation programs, including mandatory reductions in electricity generation or consumption. Brazil has experienced record heat levels in January 2014 which, coupled with a prolonged lack of rain, have left hydroelectric reservoirs at low levels. The recurrence in the future of unfavorable hydrological conditions could lead to the implementation of broad electricity conservation programs or increases in energy prices. In the event of electricity shortages, our operations and inventory management could be materially and adversely affected. This may in turn adversely affect our financial conditions and results from operations.

Risks Related to Peru

Economic, social and political developments in Peru, including political instability, could have an adverse effect on us.

Our operations in Peru represented 8.7%, 9.1% and 9.6% in 2014, 2015 and 2016 respectively, of our consolidated revenues from ordinary activities. Our results of operations and financial condition may be affected by changes in economic and other policies of the Peruvian government.

In the 1980's, Peru suffered through periods of high inflation, which materially undermined the Peruvian economy and the government's ability to create conditions that would support economic growth. However, the economic model has remained solid and consistent for more than 20 years, which has allowed foreign and local investors to invest freely in Peru. Furthermore, they can rely on constitutional protection of their investments.

In June 2016, after a democratic and participative presidential election in which Pedro Pablo Kuczynski ran on a pro-investment and open market platform, Mr. Kuczynski was elected as President (with 50.1% of the votes) for the 2016-2021 term. The election of Mr. Kuczynski as the new president is likely to generate a more predictable and prosperous domestic market, which in turn will generate a more attractive market for investors. However, the president will likely face opposition, as his party has a small presence in Congress (18 of 130 seats) and will have to forge alliances with other parties, in particular the "Fuerza Popular" (pro-Fujimori), which holds the majority of congressional seats (73 out of 130 seats).

In January 2017, Peru terminated a contract with a consortium led by Odebrecht SA to build a U.S.\$7.0 billion natural gas pipeline, due to Odebrecht SA's failure to secure timely financing, which was precipitated by allegations of bribery and corruption with respect to the process of awarding the pipeline contract, among other projects in and outside of Peru. The cancellation of this and other projects is expected to have a negative

impact on economic growth of between 0.5% and 1.0% because of the delay of the infrastructure works affecting private investment and consumption. While the Peruvian government has introduced a package of economic measures called “Plan 150 Mil” whose objective is to achieve a 4.0% economic growth rate, there can be no assurance that these economic measures will be implemented as expected, or that they will be successful in boosting economic growth in Peru. To the extent consumption in Peru stagnates, it could have an adverse effect on our business.

We are also currently in mediation proceedings with respect to a land lease agreement we entered into with the Peruvian army in which the price of the lease of one property is under discussion. While we believe that we have complied with all legal requirements and with the terms of the lease, the outcome of the mediations proceedings is unknown. However, we do not expect that any costs or monetary penalties that could result therefrom would have any material impact on our business and operations.

A devaluation of Peru’s currency or unexpected changes in exchange controls could have a material adverse effect on us.

The Peruvian currency has historically experienced a significant number of devaluations and, as a result, the Peruvian government has adopted and operated under various exchange rate control practices and determination policies, ranging from strict control to market determination of exchange rates. More recently, the Nuevo Sol appreciated against the U.S. dollar by 5.4% in 2012 and depreciated against the U.S. dollar by 9.6% in 2013, 6.7% in 2014, and 14.3% in 2015 and appreciated 1.6% in 2016. As the Peruvian economy is partially dollarized, devaluation of the Nuevo Sol against the U.S. dollar could have a negative impact on the economy. Therefore, any significant devaluation of the Nuevo Sol against the U.S. dollar could have a material adverse effect on us.

Peru’s strong macroeconomic performance, dependence on minerals and metals exports and imported foodstuffs makes the economy vulnerable to fluctuations in world prices. Nonetheless, Peru continues to be a strong performing economy with some of the highest growth rates in Latin America and the world.

Tax reform measures in Peru may affect our operating results.

Recent tax reforms in Peru have resulted in a gradual increase in the corporate income tax rate. For 2017, the corporate income tax rate is increasing from 28.5% to 29.5%. While this was coupled with a decrease in the tax on dividends from 6.8% to 5% (applicable to distributions of profits originating as from 2017), these reforms may have an adverse effect on our operating results for our Peruvian operations.

Risks Related to Colombia

We are highly dependent on economic and political conditions in Colombia in connection with our supermarket and retail operations in Colombia.

As a result of our acquisition of supermarket operation in Colombia, the Colombian market has become a significant part of our supermarket business and related results of operations. Colombia has suffered periods of significant economic and political instability in the past. Colombia represented 10.2%, 8.3% and 8.6% of total consolidated revenues for 2014, 2015 and 2016, respectively.

Our revenues earned from our operations in Colombia depend to a significant extent on macroeconomic and political conditions in Colombia. Decreases in the growth rate, periods of negative growth, changes in law, increases in inflation, changes in regulation or policy, or future judicial rulings and interpretations of policies involving exchange controls and other matters, such as (but not limited to) currency depreciation, interest rates, inflation, taxation, banking laws and regulations and other political or economic developments, in or affecting Colombia may affect the overall business environment and could, in turn, impact our financial condition and results of operations.

Colombia’s fiscal deficit and growing public debt could adversely affect the Colombian economy. The Colombian fiscal deficit was 2.2% of GDP in 2013, 2.6% in 2014, 3.2% in 2015 and last available estimates made public in February 23, 2017 place the fiscal deficit at 3.6% of GDP in 2016. Despite the recovery of Colombia’s economy over the past several years, we cannot assure you that such growth and relative stability will be sustained. If the condition of the Colombian economy were to deteriorate, we would likely be adversely affected.

The Colombian government frequently intervenes in Colombia’s economy and from time to time makes significant changes in monetary, fiscal and regulatory policy. Our business and results of operations and financial condition may be adversely affected by changes in government or fiscal policies, and other political, diplomatic, social and economic policies that may affect Colombia. We cannot predict what policies will be adopted by the Colombian government and whether those policies would have a negative impact on the Colombian economy or our business and financial performance.

The Colombian government and the Colombian Central Bank may seek to implement new policies aimed at controlling further fluctuation of the Colombian peso against the U.S. Dollar and fostering domestic price stability. The Colombian Central Bank may impose certain mandatory deposit requirements in connection with foreign-currency denominated loans obtained by Colombian residents, including us. Although no mandatory deposit requirement is currently in effect, a mandatory deposit requirement was set at 40% in 2008 after the Colombian peso appreciated against foreign currencies. We cannot predict or control future actions by the Colombian Central Bank in respect of such deposit requirements, which may involve the establishment of a different mandatory deposit percentage. The use of such measures by the Colombian Central Bank may be a disincentive for us to obtain loans denominated in a foreign currency. We cannot predict the effects that such policies will have on the Colombian economy. In addition, we cannot assure you that the Colombian peso will not depreciate or appreciate relative to other currencies in the future.

Our assets located in Colombia are subject to various risks associated with emerging market countries, such as Colombia.

Asset ownership in Colombia, as is the case in other emerging market countries, is subject to political, economic and other uncertainties, including expropriation, nationalization, renegotiation or nullification of existing contracts, currency exchange restrictions and international monetary fluctuations. We cannot assure you that our operating results will not be affected by the occurrence of any such events.

Colombian government policies will likely significantly affect the economy and, as a result, our business and operations in Colombia.

The Colombian government has historically exercised substantial influence over the Colombian economy, and its policies are likely to continue to have an important effect on our operations in Colombia. Our business in Colombia could be adversely affected by changes in policy, or future judicial interpretations of such policies, involving exchange controls and other matters such as currency devaluation, inflation, interest rates, taxation, regulations and other political or economic developments in or affecting Colombia.

Although Colombia has maintained stable economic growth since 2003 and an inflation rate below 8% during the last 10 years, in the past, economic growth has been negatively affected by lower foreign direct investment and high inflation rates and the perception of political instability. We cannot assure you that growth achieved in recent years by the Colombian economy will continue in future periods. If the perception of improved overall stability in Colombia deteriorates or if foreign direct investment declines, the Colombian economy may face a downturn, which could negatively affect our results of operations.

Colombia's economy remains vulnerable to external shocks that could be caused by its major regional trading partners experiencing significant economic difficulties or by more general "contagion" effects, which could have a material adverse effect on Colombia's economic growth and its ability to service its debt.

The Colombian government has indicated that tightening credit conditions in financial markets could have a potential, although limited, negative impact on Colombian economy mainly through lower foreign direct investment flows. A significant decline in the economic growth of any of Colombia's major trading partners, such as the United States and China, could have a material adverse impact on Colombia's balance of trade and adversely affect Colombia's economic growth. According to the Colombian Ministry of Commerce, the United States is Colombia's largest export market. According to the Office of the United States Trade Representative, Colombia was the United States' 27th largest supplier of goods imports in 2015. U.S. goods imports from Colombia totaled US\$14 billion in 2015, down 23% (US\$4.2 billion) from 2014. U.S. imports from Colombia are down 39.2% from 2011 (pre-FTA). A decline in U.S. demand could have a material adverse effect on Colombian exports and Colombia's economic growth, which could, in turn, likely have detrimental results on our business activities.

Colombia has experienced several periods of violence and instability and such violence instability could affect the economy and our operations.

Colombia has experienced several periods of criminal violence over the past four decades, primarily due to the activities of *guerrilla*, paramilitary groups and drug cartels. In remote regions of the country, where governmental presence is minimal, these groups have exerted influence over the local population and funded their activities by protecting and rendering services to drug traffickers. In response, the Colombian government has implemented various security measures and has strengthened its military and police forces, including the creation of specialized units. Despite these efforts, drug-related crime and *guerrilla* and paramilitary activity continue to exist in Colombia. Any possible escalation in the violence associated with these activities may have a negative impact on the Colombian economy in the future. In the context of any political instability, allegations have been made against members of the Colombian government concerning possible ties with paramilitary groups. These allegations may have a negative impact on the Colombian government's credibility, which could in turn have a negative impact on the Colombian economy or our operations there in the future. In October 2016, the Colombian Government signed a peace agreement with the FARC *guerrilla* to seek their demobilization and end of the armed conflict. The peace agreement was submitted to Colombian voters through a referendum in which voters rejected the peace agreement. In November 2016, the Colombian Government entered into a new peace agreement with FARC without submitting the agreement to voter approval. The Colombian Government is currently in negotiations for a peace agreement with the ELN *guerrilla* group.

Colombia's diplomatic relations with Venezuela and Ecuador may affect the Colombian economy and, consequently, our results of operations and financial condition.

Diplomatic relations with Venezuela and Ecuador, two of Colombia's trading partners, have from time to time been tense, and have been affected by events surrounding the armed conflict with the Revolutionary Armed Forces of Colombia, or the FARC (*Fuerzas Armadas Revolucionarias de Colombia*), particularly on Colombia's borders with Venezuela and Ecuador. Any further deterioration in relations of Colombia with Venezuela and Ecuador may result in the closing of borders, the imposition of trade barriers or a breakdown of diplomatic ties, any of which could have a negative effect on Colombia's trade balance, economy and national security, which may adversely affect our results of operations.

Natural disasters in Colombia could disrupt our business and affect our results of operations in Colombia.

We are exposed to natural disasters in Colombia, such as earthquakes, volcanic eruptions, floods, tropical storms and hurricanes. In the event of a natural disaster, our disaster recovery plans may prove to be ineffective, which could have a material adverse effect on our ability to conduct our business in Colombia, particularly if such an occurrence affects computer-based data processing, transmission, storage and retrieval systems or destroys customer or other data. In addition, if a significant number of our employees and senior managers were unavailable because of a natural disaster, our ability to conduct our business could be compromised. Natural disasters or similar events could also result in substantial volatility in our results of our Colombian operations for any fiscal quarter or year.

Our Colombian operations are subject to regulation.

The supermarket business and the commercial activity in general in Colombia is mainly regulated by the Colombian Consumer Protection Bureau and the free market. Nevertheless, the Colombian Superintendence of Industry and Commerce (the “*Superintendencia de Industria y Comercio*”) acts as the supervisory agency for the enforcement of regulations issued by the Colombian Consumer Protection Bureau. The Colombian Ministry of Industry and Tourism also plays an important role in the industry as it has within its reach ability to take any required measure to ensure the protection of the local market for domestic industry. In the past the ministry has relied on a wide array of measures to achieve this goal which have included the creation of product specific duties or price controls.

Furthermore, all corporations are regulated by the Colombia Superintendence of Corporations (“*Superintendencia de Sociedades*”). This government body oversees and approves corporate events such as mergers, acquisitions and bankruptcies. All corporations under the scope of this body in Colombia must file annual financial statements therewith.

Recent tax reform in Colombia may have an adverse effect on our sales.

Effective January 2017, the VAT rate in Colombia increased from 16% to 19%. This increase will result in an increase in the effective price our customers pay for our products, which may have an adverse effect on our sales and results of operations in Colombia. In addition, effective March 2017, an increase to the income tax rates in Colombia will take effect. The resulting decrease in disposable income could have an adverse effect on our sales and results of operations.

New or higher taxes resulting from changes in tax laws and regulations in Colombia or the interpretation thereof could adversely affect our results of operations in Colombia.

The enactment of new tax laws and regulations, and uncertainties with respect to the application or interpretations of future tax policies, pose risks to us. In recent years, Colombian tax authorities have imposed additional taxes in a variety of areas, such as taxes on financial transactions and other taxes on net worth, have modified income tax withholding rates and have eliminated certain tax benefits. The last structural fiscal reform mandated an increase in the general VAT rate from 16% to 19% in 2017.

The Colombian government could seize or expropriate our assets under certain circumstances.

Pursuant to Article 58 of the Colombian constitution, the Colombian government may exercise its eminent domain powers in respect of our assets in the event such action is required in order to protect the public interest. According to Law 388 of 1997, the eminent domain power may be exercised through: (i) an ordinary expropriation proceeding (*expropiación ordinaria*), (ii) an administrative expropriation proceedings (*expropiación administrativa*) or (iii) an expropriation for war reasons (*expropiación en caso de guerra*). In all cases, we would be entitled to a fair indemnification for the expropriated assets as described below. Also, as a general rule, indemnification must be paid before the asset is effectively expropriated.

Under an ordinary expropriation proceeding, the Colombian government may expropriate any asset. Before expropriating, the Colombian government must offer to purchase the asset from its owner at market value as determined by an independent appraiser. If no agreement is reached by the parties after 30 days of such offering, the Colombian government may initiate a judicial procedure. Under the procedure, the relevant court would decide on the validity of the expropriation and the amount of the indemnification.

An administrative expropriation proceedings may occur when the factors supporting the expropriation represent an imminent risk affecting public interest. Before conducting an administrative expropriation, the Colombian government must offer to purchase the asset from its owner at market value as determined by an independent appraiser. If no agreement is reached by the parties after 30 days of such offering, the Colombian government may expropriate the asset directly (i.e., without having to conduct a judicial proceeding) and establish the indemnification amount based on the asset’s market value. After the expropriation, the parties may challenge the validity of the expropriation and the amount of the indemnification granted through a judicial process.

In an expropriation by reason of war, the Colombian government may expropriate personal property without the need to pay any indemnification prior to the expropriation and temporarily occupy real property for as long as national security matters require. Possession of real property expropriated must be returned to its original owner once the necessity for expropriation by reason of war ceases to exist.

Exchange rate fluctuations could adversely affect the Colombian economy, and therefore, us.

The Colombian peso is a highly volatile currency that has been subject to significant devaluations and appreciations in the past and may be subject to similar fluctuations in the future. A significant devaluation or appreciation of the Colombian peso in relation to the U.S. dollar could adversely affect the Colombian economy and, as a result, our operating results.

High rates of inflation may have an adverse impact us.

Rates of inflation in Colombia have been historically high, and we cannot assure you that inflation will not return to high levels. Inflation rates were 1.9% for 2013, 3.66% for 2014, 6.77% in 2015 and 5.75% in 2016. Inflationary pressures may, among other things, reduce consumers’ purchasing power and we cannot assure you that measures taken by the Colombian government and Colombian Central Bank will suffice to curb inflation. A return to high inflation in Colombia may harm our results of operations.

Risks Related to our Shares and the ADSs

Market volatility may affect our stock price and the value of your investment.

The market price of our ADSs may be volatile and may be influenced by many factors, some of which are beyond our control, including:

- the failure of financial analysts to cover the ADSs or our common stock or changes in financial estimates by analysts;
- actual or anticipated variations in our operating results or the operating results of our competitors;
- changes in financial estimates by financial analysts, or any failure by us to meet or exceed any such estimates, or changes in the recommendations of any financial analysts that elect to follow the ADSs or shares of common stock or the shares of common stock of our competitors;
- announcements by us or our competitors of significant contracts or acquisitions;
- future sales of the ADSs and shares of common stock, including sales by our controlling shareholder;
- investor perceptions of us and the industries in which we operate;
- failure of any of our initiatives to achieve commercial success;
- fluctuations in stock market prices and trading volumes of securities of similar companies;
- general market conditions and overall fluctuations in U.S. equity markets;
- changes in our financial guidance to investors and analysts;
- delays in, or out failure to provide financial guidance;
- additions or departures of any of our key personnel;
- changes in accounting principles or methodologies;
- changing legal or regulatory developments in the United States and other countries, including the countries in which we operate; and
- discussion of us or our stock price by the financial press and in online investor communities.

In addition, the stock market in general has experienced substantial price and volume fluctuations that have been unrelated to the operating performance of particular companies affected. These broad market and industry factors may materially harm the market price of the ADSs and shares of common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of certain companies' securities, securities class-action litigation has been instituted against these companies. Such litigation, if instituted against us, could result in substantial expenses and the diversion of our management's attention from our business, and could have a material adverse effect on us.

There may be a lack of liquidity and market for our shares of common stock and the ADSs in Chile.

Our shares of common stock are listed and traded on the Santiago Stock Exchange and the Chile Electronic Stock Exchange, which we collectively refer to as the "Chilean Stock Exchanges." Although ADS holders are entitled to withdraw shares of common stock underlying the ADSs from The Bank of New York Mellon (the "Depositary") at any time, the Chilean Stock Exchanges are substantially smaller, less liquid and more volatile than major securities markets in the United States. Although our shares of common stock are traded on the Chilean Stock Exchanges, there can be no assurance that a liquid trading market for our shares of common stock will continue to exist. As of the date of this annual report, our non-controlling shareholders hold approximately 46.2% of our outstanding shares of common stock. A limited trading market in general and our concentrated ownership in particular may impair the ability of an ADS holder to sell in the Chilean market any shares of common stock obtained upon withdrawal of such shares from the ADS facility in the amount and at the price and time such holder desires, and could increase volatility of the price of the ADSs.

Holders of ADSs may find it difficult to exercise voting rights at our shareholders' meetings.

Holders of ADSs will not be direct shareholders of our company and will be unable to enforce directly the rights of shareholders under our *estatutos* ("Bylaws") and the laws of Chile. Holders of ADSs may exercise voting rights with respect to the shares of common stock represented by ADSs only in accordance with the deposit agreement governing the ADSs. Holders of ADSs will face practical limitations in exercising their voting rights because of the additional steps involved in our communications with ADS holders. Holders of our shares of common stock will be able to exercise their voting rights by attending a shareholders' meeting in person or voting by proxy. By contrast, holders of ADSs will receive notice of a shareholders' meeting by mail from the Depositary following our notice to the Depositary requesting the Depositary to do so. To exercise their voting rights, holders of ADSs must instruct the Depositary on a timely basis on how they wish to vote. This voting process necessarily will take longer for holders of ADSs than for holders of our common stock. If the Depositary fails to receive timely voting instructions for all or part of the ADSs, the Depositary will assume that the holders of those ADSs are instructing it to give a discretionary proxy to a person designated by us to vote with respect to their ADSs, except in limited circumstances.

Holders of ADSs also may not receive the voting materials in time to instruct the Depositary to vote the common stock underlying their ADSs. In addition, the Depositary and its agents are not responsible for failing to carry out voting instructions of the holders of ADSs or for the manner of carrying out those voting instructions. Accordingly, holders of ADSs may not be able to exercise voting rights, and they will have little, if any, recourse if the shares of common stock underlying their ADSs are not voted as requested.

The significant control over the majority of our shares by our founding shareholder may have a material adverse effect on the future market price of the ADSs and our shares of common stock.

We are currently controlled by our founder, Mr. Horst Paulmann, who beneficially owns and controls approximately 53.4% of our shares, through Inversiones Quinchamali Ltda., Inversiones Latadía Ltda. and Inversiones Tano Ltda, as of the date of this annual report. In 2016, Mr.

Paulmann publicly sold shares representing approximately 6% of our total outstanding shares. Further dispositions by our controlling shareholder of a significant number of our shares, or the perception that such a disposition might occur, could materially and adversely affect the trading price of our shares of common stock on the Santiago Stock Exchange as well as the market price of the ADSs on the New York Stock Exchange.

Our controlling shareholder is able to exercise significant control over our company, and also controls a significant minority interest in many of our international subsidiaries which could result in conflicts of interest.

Our controlling shareholder is in a position to direct our management and to determine the result of substantially all matters to be decided by majority vote of our shareholders, including the election of a majority of the members of our board of directors, determining the amount of dividends distributed by us (subject to the legally mandated minimum of 30% of distributable net income), adopting certain amendments to our Bylaws, including the issuance of new shares, enforcing or waiving our rights under existing agreements, leases and contractual arrangements and entering into agreements with entities affiliated with us. As a result, circumstances may occur in which our controlling shareholder's interests could be in conflict with your interests as holder of the ADSs. Our controlling shareholder may have interests in pursuing or preventing acquisitions, divestitures or other transactions where, in his judgment, such action would be in our best interests, even though such action may not be in the best interests of our minority shareholders.

Our status as a foreign private issuer exempts us from certain of the corporate governance standards of the NYSE, limiting the protections afforded to investors.

We are a "foreign private issuer" within the meaning of the NYSE corporate governance standards. Under the NYSE listing rules, a foreign private issuer may elect to comply with the practice of its home country and not to comply with certain NYSE corporate governance requirements, including the requirements that (1) a majority of the board of directors consist of independent directors, (2) a nominating and corporate governance committee be established that is composed entirely of independent directors and has a written charter addressing the committee's purpose and responsibilities, (3) a compensation committee be established that is composed entirely of independent directors and has a written charter addressing the committee's purpose and responsibilities, and (4) an annual performance evaluation of the nominating and corporate governance and compensation committees be undertaken. Therefore, you will not have the same protections afforded to shareholders of companies that are subject to all New NYSE corporate governance requirements.

For example, in reliance on the foreign private issuer exemption to the NYSE listing rules a majority of our board of directors may not consist of independent directors; our board's approach may therefore be different from that of a board with a majority of independent directors, and as a result, the management oversight of our Company may be more limited than if we were subject to the NYSE listing rules.

U.S. securities laws do not require us to disclose as much information to investors as a U.S. issuer is required to disclose, and you may receive less information about us than you might otherwise receive from a comparable U.S. company.

The corporate disclosure requirements applicable to us may not be equivalent to the requirements applicable to a U.S. company and, as a result, you may receive less information about us than you might otherwise receive in connection with a comparable U.S. company. We are subject to the periodic reporting requirements of the Exchange Act of 1934, as amended (the "Exchange Act") that apply to "foreign private issuers." The periodic disclosure required of foreign private issuers under the Exchange Act is more limited than the periodic disclosure required of U.S. issuers. For example, we will be required only to file an annual report on Form 20-F, but we are not required to file any quarterly reports. A U.S. registrant must file an annual report on Form 10-K and three quarterly reports on Form 10-Q. In addition, we will be required to file current reports on Form 6-K, but the information that we must disclose in those reports is governed primarily by Chilean law disclosure requirements and may differ from Form 8-K's current reporting requirements imposed on a U.S. issuer. Finally, we are not subject to the proxy requirements of Section 14 of the Exchange Act and our officers, directors and principal shareholders are not subject to the short swing insider trading reporting and recovery requirements under Section 16 of the Exchange Act.

Chilean law provides for fewer and less well-defined shareholders' rights.

Our corporate affairs are governed by our Bylaws (which serve the combined function of the articles of incorporation and the bylaws of a U.S. corporation), and the laws of Chile. Under such laws and our Bylaws, our shareholders may have fewer or less well-defined rights than they might have as shareholders of a corporation incorporated in a U.S. jurisdiction. For example, our shareholders would not be entitled to redemption rights in the event of a merger or other business combination undertaken by us. Persons or entities who seek to acquire control of a publicly-held Chilean corporation through a tender offer (*oferta pública de adquisición de acciones*), must make an offer to any and all shareholders of such company. See "Item 10. Additional Information—B. Memorandum and Articles of Association—Right of dissenting shareholders to tender their shares" and "—Dividend and liquidation rights."

Chile imposes controls on foreign investment and repatriation of investments that may affect your investment in, and earnings from, the ADSs, and may impose additional controls or restrictions in the future.

Equity investments into Chile from abroad are subject to the requirement that investors provide Chile's Central Bank with information related to such equity investments and conduct any operations in connection with the repatriation of investments and earnings on them within Chile's *Mercado Cambiario Formal*, or Formal Exchange Market. See "Item 10. Additional Information—D. Exchange Controls—Foreign Exchange Controls—Chile."

Holders of ADSs are entitled to receive dividends on the underlying shares to the same extent as the holders of shares. Dividends received by holders of ADSs will be converted into U.S. dollars and distributed net of foreign currency exchange fees and expenses and fees of the Depository

and will be subject to Chilean withholding tax, currently imposed at a rate of 35% (subject to credits in certain cases as described under “Item 10. Additional Information—E. Taxation—General—Material United States Federal Income Tax Considerations”). If for any reason, including changes in Chilean laws or regulations, the Depository were unable to convert Chilean pesos to U.S. dollars, investors may receive dividends and other distributions, if any, in Chilean pesos.

Additional Chilean restrictions applicable to the holders of the ADSs and other foreign investors in Chile could be imposed in the future. The Central Bank of Chile has the authority to impose at any time certain controls, restrictions or obligations on foreign investors in Chile. Such restrictions could include, but are not limited to, the requirement to obtain the Central Bank of Chile’s prior approval for the repatriation of the proceeds from the disposition of shares underlying the ADSs or the payment of dividends. We cannot advise you as to the duration or impact of any such restrictions if imposed.

Currency devaluations, foreign exchange fluctuations and foreign currency conversion costs may have a material adverse effect on our stock price and on the U.S. dollar value of any cash distributions made to ADS holders in respect of ADSs.

As our operations are denominated in local currencies (Chilean Peso, Brazilian Real, Peruvian Sol, Argentinian Peso and Colombian Peso), changes in the currency parities may affect our recognition of results. Furthermore, as our stocks are primarily traded at the Santiago Stock Exchange, our stock is traded and listed in Chilean pesos. Therefore, changes in the Chilean Peso versus the U.S. Dollar parity may affect the value of your investment when measured in U.S. Dollars.

If the value of the Chilean peso falls relative to the U.S. dollar, the value of the ADSs and any distributions to be received from the Depository for the ADSs could be materially and adversely affected. Cash distributions made in respect of the ADSs are received by the Depository in Chilean pesos, are then converted by the Depository into U.S. dollars at the then prevailing exchange rate and distributed to the holders of ADSs. In addition, the Depository will incur foreign currency conversion costs (to be borne by the holders of the ADSs) in connection with the foreign currency conversion and subsequent distribution of dividends or other payments with respect to ADSs.

ADS holders may not be able to effect service of process on, or enforce judgments or bring original actions against, us, our directors or our executive officers, which may limit the ability of holders of ADSs to seek relief against us.

We are a Chilean corporation. None of our directors are residents of the United States and most of our executive officers reside outside the United States. In addition, a substantial portion of our assets and the assets of our directors and executive officers are located outside the United States. As a result, it may be difficult for ADS holders to effect service of process outside Chile upon us or our directors and executive officers or to bring an action against us or such persons in the United States or Chile to enforce liabilities based on U.S. federal securities laws. It may also be difficult for ADS holders to enforce in the United States or in Chilean courts money judgments obtained in United States courts against us or our directors and executive officers based on civil liability provisions of the U.S. federal securities laws. If a U.S. court grants a final money judgment in an action based on the civil liability provisions of the federal securities laws of the United States, enforceability of this money judgment in Chile will be subject to the obtaining of the relevant “exequatur” (i.e., recognition and enforcement of the foreign judgment) according to Chilean civil procedure law currently in force, and consequently, subject to the satisfaction of certain factors. The most important of these factors are the existence of reciprocity, the absence of a conflicting judgment by a Chilean court relating to the same parties and arising from the same facts and circumstances and the Chilean courts’ determination that the U.S. courts had jurisdiction, that process was appropriately served on the defendant and that enforcement would not violate Chilean public policy. Failure to satisfy any of such requirements may result in non-enforcement of your rights.

Preemptive rights may be unavailable to ADS holders or U.S. holders of shares in certain circumstances and, as a result, U.S. owners of shares or ADSs would be subject to potential dilution.

The *Ley sobre Sociedades Anónimas* No. 18,046 and the *Reglamento de Sociedades Anónimas*, which we refer to in this document collectively as the “Chilean Corporations Law,” require us, whenever we issue new shares for cash and sell treasury shares, to grant preemptive rights to all of our shareholders (including shares represented by ADSs), giving them the right to purchase a sufficient number of shares to maintain their existing ownership percentage. It is possible that, in connection with any future issuances of shares, we may not be able to offer shares to U.S. holders of shares or ADSs pursuant to preemptive rights granted to our shareholders and, as a result such U.S. holders of shares or ADSs would be subject to potential dilution.

We will not be able to offer shares to ADS holders or U.S. holders of shares pursuant to preemptive rights that we grant to our shareholders in connection with any future issuance of shares or sale of treasury shares unless a registration statement under the U.S. Securities Act of 1933, as amended (the “Securities Act”), is effective with respect to such rights and shares, or an exemption from the registration requirements of the Securities Act is available.

Such a registration statement may not be filed and an exemption from the registration requirements of the Securities Act may not be available. If owners of ADSs are unable to exercise preemptive rights because a registration statement has not been filed, the Depository will attempt to sell such owners’ preemptive rights and distribute the net proceeds of the sale (net of the depository’s fees and expenses) to the holders of the ADSs, provided that a secondary market for such rights exists and a premium can be recognized over the cost of any such sale. It is possible that a secondary market in preemptive rights may not develop in connection with any future issuance of shares or, if such a market does develop, a premium may not be able to be realized on their sale.

If preemptive rights cannot be sold, they will expire, and holders of ADSs will not realize any value from the grant of such preemptive rights. In either case, the equity interest in us of the holders of ADSs would be diluted proportionately.

ADS holders may not be able to exercise redemption rights that are granted by the Chilean corporations Law to registered shareholders of publicly traded Chilean corporations.

Under *Ley sobre Sociedades Anónimas No. 18,046*, as amended (the “Chilean Corporations Law”), if any of the following resolutions is adopted by our shareholders at any extraordinary shareholders meeting, dissenting shareholders have the right of redemption and can require us to repurchase their shares, subject to the fulfillment of certain terms and conditions. A dissenting shareholder is a shareholder who either attends the shareholders meeting and votes against a resolution which results in a redemption right or, if absent from the shareholders meeting, a shareholder who notifies the company in writing within 30 days of the shareholders meeting of his opposition to the resolution and that he is exercising his redemption right.

The resolutions that result in a shareholder’s redemption right are the following:

- our transformation into a different type of legal entity;
- our merger with or into another company;
- the disposition of 50% or more of our assets, whether or not that sale includes our liabilities or the proposal or amendment of any business plan involving the transfer of more than 50% of our assets; the sale of 50% or more of the assets of an affiliate which represents at least 20% of the assets of the corporation, as well as any sale of its shares which would result in us ceasing to be in control of such subsidiary;
- the granting of security interests or personal guarantees to secure or guarantee third parties’ obligations exceeding 50% of our assets, except with regard to security interests or personal guarantees are granted to secure or guarantee obligations of our subsidiaries;
- the creation of preferential rights for a class of shares or an amendment to those already existing, in which case the redemption right only accrues to dissenting shareholders of the class or classes of shares adversely affected;
- the amendment of our Bylaws to correct any formal defect in our incorporation, which might cause our Bylaws to be null and void, or any amendment of our Bylaws that grants a shareholder a redemption right;
- the approval by our shareholders of our ceasing to be subject to the regulations applicable to publicly held corporations in the event we no longer meet the requirements under Chilean law to qualify as such a corporation; and
- any other causes as may be established by Chilean law and our Bylaws (our Bylaws currently do not establish any instances).

In addition, shareholders of a publicly held corporation have a redemption right if a person acquires two-thirds or more of the outstanding voting stock of the company and does not make a tender offer for the remaining shares within 30 days of that acquisition at a price not lower than the price that would be paid shareholders exercising their redemption rights. However, the right of redemption described in the previous sentence does not apply in the event the company reduces its capital as a result of not having fully subscribed and paid an increase of capital within the statutory term.

Finally, shareholders of a publicly held corporation have the right of redemption within 30 days after the date when the controller acquires more than 95% of the shares of the company. These redemption rights must be exercised within 30 days.

ADS holders own a beneficial interest in shares held by the Depositary and, accordingly, they are not shareholders of the Company. The Depositary will not exercise redemption rights on behalf of ADS holders. Accordingly, in order to ensure a valid exercise of redemption rights, an ADS holder would have to cancel his ADSs and become a registered shareholder of the Company no later than the date which is five Chilean business days before the shareholders’ meeting at which the vote which would give rise to redemption rights is taken, or the applicable record date for redemption rights that arise other than as a result of a shareholder vote. Redemption rights must then be exercised in the manner prescribed in the notice to shareholders that is required to be sent to shareholders of Chilean public companies advising such holders of their right of redemption. If an event occurs that gives rise to redemption rights, ADS holders will have a limited time to cancel their ADSs and to become registered shareholders of the Company prior to the record date for the shareholders meeting or other event giving rise to such redemption rights. If an ADS holder does not become a registered shareholder of the Company prior to such record date he will not be able to exercise the redemption rights available to registered shareholders.

Item 4. Information on the Company

A. HISTORY AND DEVELOPMENT OF THE COMPANY

General Information

We are a publicly-held stock corporation (*sociedad anónima abierta*) organized under the laws of Chile and have an indefinite corporate duration. We were incorporated by a public deed dated November 10, 1978. This abstract is recorded on page 13808 No. 7412 of the *Registro de Comercio de Santiago* (Commercial Registry of Santiago) for the year 1978. Our legal name is “Cencosud S.A.” Our registered office is located at Av. Kennedy 9001, Piso 6, Las Condes, Santiago, Chile and our main telephone number is 56 (2) 2959-0000.

History

Our history has been one demonstrating organic growth as well as significant acquisitions designed to enhance our footprint in the industries in which we operate and increase our market share and brand recognition.

1960—2001

We trace our origins to the opening in 1960 of our first supermarket, with a selling area of 160 square meters, in Temuco, Chile. In the mid-1970s, we expanded our business by opening the first Jumbo hypermarket in Chile, with a selling space of 7,000 square meters, located on Kennedy Avenue in Santiago.

In 1982, we began our operations in Argentina with the opening of Argentina's first Jumbo hypermarket which had a selling space of 9,282 square meters. We continued to expand in Argentina with the construction of Unicenter in 1988, Argentina's largest shopping center. In 1993, we opened Lomas Center, the first shopping center in the south of the Buenos Aires metropolitan area. In 1994, we opened San Martin Factory (an outlet shopping center). In 1996, we opened Palermo shopping center in Buenos Aires. Between 1997 and 2003, we opened Quilmes Factory (an outlet shopping center), Palmas de Pilar and El Portal de Escobar, all of which are located in Greater Buenos Aires.

In 1993, we expanded our shopping center business in Chile by opening Alto Las Condes. In the same year, we expanded our line of business by opening Easy home improvement stores in Chile and Argentina which offer products required to improve and maintain a home, as well as construction materials and design and decoration products. That year, we opened our first Easy home improvement stores in the Alto Las Condes shopping center in Chile and in the Parque Brown Factory shopping center in Argentina.

2002—2006

In 2002, we continued our expansion in Chile by opening three new Jumbo hypermarkets, four new Easy home improvement stores and the Portal La Reina shopping center. In November 2002, we significantly expanded our presence in the Chilean home improvement sector through the acquisition of Proterra, a small chain of do-it-yourself stores in southern Chile, and converted its seven stores to our Easy home improvement stores. In 2002, we acquired the operations of Home Depot (Argentina).

In 2003, we acquired the supermarket chain Santa Isabel making us the second-largest supermarket operator in Chile in terms of revenues according to our estimations. We also opened two new shopping centers, the Florida Center and Portal La Dehesa, both in Santiago. We also started our credit card business with the incorporation of our Cencosud Administradora de Tarjetas de Crédito S.A. subsidiary, and the launching of the Jumbo Más credit card.

In April 2004, we acquired Las Brisas supermarket chain, which enhanced our geographical coverage in several areas including Valparaíso and Concepción through the addition of 17 new stores. In May 2004, we completed our initial public offering in Chile and were listed on the Santiago Stock Exchange. At the same time, we issued ADSs in the international capital markets in a private offering pursuant to Rule 144A and Regulation S, raising over U.S.\$330 million. In November 2004, through the acquisition of the supermarket chain Montecarlo, we consolidated our position as the second-largest supermarket operator in Chile. In November 2004, we also acquired the supermarket chain Disco in Argentina, one of Argentina's largest supermarket chains, which we believe consolidated our position as the second-largest supermarket operator in that country in terms of revenues. Moreover, in October 2004, we opened a new shopping center in Argentina, Portal de Rosario, which we believe, currently, is the largest in the Rosario area in terms of revenues.

In March 2005, we entered into the department stores business through the acquisition of Empresas Almacenes Paris S.A., one of Chile's most important department stores chains and which also operated a travel agency, an insurance broker, Banco Paris and Administradora de Créditos Comerciales ACC S.A. In September 2005, we rebranded our Las Brisas and Montecarlo brands under Santa Isabel brand, in order to consolidate and enhance our supermarket business.

2007—2011

In June 2007, we acquired other two supermarket chains in Chile, Infante which operates in the city of Antofagasta and Economax with a significant presence in Santiago's downtown, adding in total 16 new stores to our supermarket business. Likewise, we expanded our retail department store business by acquiring the Foster and Eurofashion clothing store chain which sells the popular clothing brands Foster, JJO and Maritimo. In November 2007, we acquired the GBarbosa supermarket and hypermarket chain which operated both formats in the northeast region of Brazil with a total of 46 stores.

In December 2007, we entered into an agreement to acquire GSW S.A., the operator of the Wong chain of supermarkets, hypermarkets and shopping centers in Peru. Pursuant to this agreement the Wong family acquired a percentage of our shares and consequently became one of our main shareholders.

In May 2007, we entered into a joint venture agreement with Casino Guichard-Perrachon S.A. ("Casino") in order to develop the home improvement store business in Colombia. Pursuant to the joint venture, initially we had a 70% interest in the joint venture and were in charge of the operational administration of Easy Colombia S.A., with Casino owning the remaining 30%. In April 2009, we acquired Casino's shares in the joint venture, increasing our ownership stake to 100%.

In 2008, we entered the financing business in Argentina, with the launch of the Cencosud credit card and the opening of an insurance brokerage company in Argentina. In September 2008, we acquired Blaisten, a professional do-it-yourself store in Argentina.

In 2010, we expanded our footprint in the Brazilian market through the acquisition of three supermarket chains. In March 2010, we acquired the four-store Super Familia supermarket chain which we estimate to be the third-largest in the city of Fortaleza, in the state of Ceara. In April 2010, we entered the high-end retail market in Brazil with the acquisition of Perini Comercial do Alimento Ltda., operator of the four-store chain of Perini supermarkets in the city of Salvador, in the state of Bahia. Perini is a well-known brand in Brazil with 46 years in the market and complements our existing operations in Brazil. In October 2010, we acquired what we estimated to be the largest supermarket chain in the Brazilian state of Minas Gerais, Bretas, with 62 stores in three Brazilian states at the time of acquisition: Minas Gerais, Goiás and Bahia. With the Bretas acquisition, we consolidated our position as Brazil's fourth-largest supermarket operator in terms of revenues, as measured by ABRAS.

At the beginning of 2011 we issued U.S.\$750 million aggregate principal amount of bonds due 2021 in a 144A/Reg-S offering in the international capital market, with a fixed interest rate of 5.50%. Additionally, in June 2011 we issued a local bond in Chilean pesos, for the amount of Ch\$54,000 million aggregate principal amount of bonds due 2031 in the local Chilean market, with a fixed interest rate of 7.40%.

In March 2011, UBS AG London Branch ("UBS") executed a shareholders agreement to purchase from certain investors a 38.636% stake in Cencosud's subsidiary Jumbo Retail Argentina, which operates our supermarkets in Argentina, for U.S.\$442 million.

In August 2011, Cencosud Brasil Comercial Ltda. ("Cencosud Brasil Comercial"), Irmãos Bretas, Filhos e Cia. Ltda. ("Bretas"), Mercantil Rodrigues Comercial, Ltda. ("Mercantil Rodrigues"), Perini Comercial de Alimentos Ltda. ("Perini") and Cencosud Brasil entered into an agreement with Banco Bradesco pursuant to which Banco Bradesco agreed to render financial services in Cencosud stores in Brazil, particularly regarding the exclusive issuance and operation of the Cencosud Card credit card (*Cartão Cencosud*), as well as the offer, within Cencosud stores in Brazil, of consumer loans, purchase financing and insurance products. Prezunic is currently not included in this venture.

In 2011, we continued expanding into the Brazilian market through the acquisition of Cardoso. Cardoso was at that time a three-store supermarket chain in the state of Bahia, with net sales of approximately R\$60 million (U.S.\$35.9 million) in 2011. Cencosud paid a purchase price of U.S.\$11.3 million. We have converted the acquired stores to the GBarbosa format and are now operating under this brand.

In December 2011, we acquired 85.58% of the capital stock of Johnson's S.A. for an aggregate purchase price of Ch\$32,606 million. Johnson is a department store with 39 stores throughout Chile using the Johnson brand and 13 stores using the FES brand. FES stores were closed during the 2013 period. In December 2013 Cencosud executed its option to purchase the remaining shares that were not held by it and paid UF 315,935.76 in connection therewith.

With the acquisition of Johnson we are able to target low and middle income market segments, in a similar fashion as with the acquisition of Santa Isabel in the supermarkets division, as Johnson stores are smaller, targeted to low and mid income consumers and better located to target that market segment.

2012— Present

On January 2, 2012, we acquired 100% of the capital stock of Prezunic. The aggregate purchase price of the operation was R\$875 million (or approximately Ch\$242,690 million), payable as follows: R\$580 million on the closing date of the transaction (January 2, 2012), with the balance to be paid as follows: R\$80 million, R\$85 million, R\$80 million and R\$50 million, on the first, second, third and fourth anniversary of the closing date, respectively. We estimate that Prezunic is the third-largest supermarket chain in Rio de Janeiro with 31 stores.

On June 13, 2012, we opened Costanera Center shopping mall, the largest shopping center in Chile a landmark development for the city of Santiago. On June 29, 2012, we repurchased 38.636% of the capital stock of Jumbo Retail Argentina from UBS. On July 3, 2012, we completed our SEC-registered initial public equity offering of 105,000,000 common shares in the form of common shares and ADSs listed on the New York Stock Exchange.

On November 30, 2012, we completed the acquisition of the former operation of Carrefour Colombia for a total purchase price equal to €2 billion subject to adjustments pursuant to the stock purchase agreement related thereto. The Acquired Companies operated supermarkets under the "Carrefour" and "Maxi" brand names in Colombia.

The acquisition included the purchase of 92 total stores, including 72 hypermarket stores, 16 convenience stores, and four cash and carry stores and gas stations. The stores acquired are located in nine of the ten largest cities in Colombia. We believe this transaction placed Cencosud as the second largest supermarket operator in Colombia in terms of sales and consolidates the existing presence of the Company's Easy stores in Colombia. However, since the acquisition, Cencosud has become the third largest supermarket player in the Colombian Market as per data made available by Nielsen. All such supermarket stores had dropped the Carrefour brand and have been operating under the Jumbo and Metro brands since May 31, 2013.

On December 6, 2012, the Company issued U.S.\$1,200 million aggregate principal amount of bonds due 2023 in a Rule 144A and Regulation S offering in the international capital markets. The bonds due 2023 accrue interest at a fixed rate of 4.875%.

In February 2013, we announced a preemptive rights offering in the Chilean market pursuant to a capital increase for the amount of U.S.\$1,600 million. Proceeds of this offering were used for the prepayment of the outstanding bridge loan facility we incurred to finance our acquisition of Carrefour's operations in Colombia in the amount of US\$1,500 million, with the remainder to repay other short term liabilities,

including debt facilities related to our Brazilian operations. This offering was completed on March 14, 2013, raising Ch\$770,647 million (98.9% subscription). The remainder of the offered shares was successfully auctioned at the Santiago stock exchange.

On June 20, 2014, BNS and Scotiabank Chile S.A. (together “Scotiabank”) and the Company together with its subsidiaries, Cencosud Retail S.A. and Easy S.A., executed the Joint Venture Framework Agreement whereby, subject to certain conditions and governmental approvals, Scotiabank purchased 51% of the shares in the Subject Companies for the amount of U.S.\$280 million and also provided financing for 100% of CAT’s financial services portfolio in Chile, which currently amounts to approximately U.S.\$765 billion. The Joint Venture Framework Agreement contemplates that the parties will develop, on a joint basis, the retail finance business in Chile. The Joint Venture Framework Agreement provides that the Business shall be operated through (i) CAT, a subsidiary of Cencosud that is in the business of issuing credit cards, and (ii) Cencosud Administradora de Procesos S.A., Cencosud Servicios Integrales S.A., and Cencosud Corredores de Seguros y Servicios Ltda., or other companies to be established by Cencosud for purposes of the Joint Venture Framework Agreement, to assist in developing the Business, including information processing and collection activities related thereto. Under this agreement, we believe that 2.5 million cardholders will benefit from easier access to new products and financial services and the expertise of Scotiabank, while receiving the Company’s client benefits at our Jumbo, Santa Isabel, Easy, Paris and Johnson stores and shopping centers. In addition to numerous benefits to clients, the new company will seek to achieve synergies that we believe should result in lower operational costs. This association is framed within the Company’s long term strategic plan to boost financial services offered to clients without utilizing Company capital, implementing the same model that has already been successful in our Brazil and Colombia operations. This transaction received regulatory approval for the full implementation of the joint venture framework agreement on April 13, 2015.

On September 4, 2014, the holders of the Series E and F bonds issued by the Company registered in the Securities Registry of the *Superintendencia de Valores y Seguros* (Superintendency of Securities and Insurance) under number 530 (“Issuance No. 530”), approved the amendment of the Bond Issuance Line of Debt Title that regulates the terms and conditions of said Issuance No. 530 (the “Indenture for Series E and F”). The amendments allow the Company to reduce its equity participation in CAT to as low as 45% of said equity. The aforementioned amendments were intended to prevent a default under the Indenture for Series E and F in connection with the consummation of the transactions contemplated in the Joint Venture Framework Agreement.

On October 17, 2014, the Company announced that it was calling its Series A, C and D bonds issued under the number 443 (“Issuance No. 443”) of the securities registry for early redemption, and communicated the same to the *Superintendencia de Valores y Seguros*. As specified in the announcement, the Issuance No. 443 bonds were scheduled to be redeemed on November 19, 2014. Issuance No. 443 bonds totaled an aggregate amount of UF 10,000,000. Payment for the bonds was to be made in Chilean pesos according to the value of the UF on the redemption date. The Company had previously sought, but failed to obtain, the consent of its Issuance No. 443 bondholders for amendments to the related Bond Issuance Line of Debt Title on September 4, 2014 that would have allowed it to reduce its equity participation in CAT to as low as 45% of said equity, which was necessary for the Company to consummate the transactions contemplated in the Joint Venture Framework Agreement. The redemption of the Issuance No. 443 bonds paved the way for the full implementation of the Joint Venture Framework Agreement.

On January 30, 2015, the board of directors of the Company resolved to evaluate a possible separation of the Company’s Shopping Centers Division. The possible separation was contemplated to primarily involve shopping centers in Argentina, Chile, Peru and Colombia, coupled with the development of a plan for investment in additional expansions and new projects with the proceeds obtained from such separation, with the Company expecting to maintain a majority stake in the resulting entity. The process however is currently on standby and no decision to proceed has been made. Any transaction ultimately undertaken with respect thereto will be subject to approval by the board of directors of the Company as well as the procurement of any other regulatory approvals required under applicable law.

On February 12, 2015, the Company successfully accessed the international debt capital markets and issued U.S.\$1,000 million of debt securities in a two-tranche offering in an effort to refinance liabilities including the repayment of the aforementioned bridge loan facility with BNS and HSBC Bank USA, N.A. The balance of the proceeds was used to refinance certain outstanding liabilities. This refinancing is expected to allow the Company to proceed with its organic expansion program released on January 30, 2014 for years 2015 through 2018.

On August 5, 2015 Cencosud received authorization to commercialize the first 15,000 square meters of the office towers of Costanera Center, which will be distributed among towers 2 and 4 of the complex. On August 11, 2015, the Company opened Sky Costanera, a sky deck located on floors 62 and 63 of the Costanera Tower.

On November 4, 2015, Cencosud announced the agreement to sell 39 pharmacies that the group operated within its supermarkets in Colombia, to Droguerías Cruz Verde.

On February 10, 2016, Cencosud announced the sale of 47 pharmacies that the group operated within its supermarkets in Peru, to Mifarma. The deal included the transfer of assets and leasing of the stores for a period of 10 years starting in March 2016.

On April 18, 2016 Cencosud sold its 33.3% stake in Mall Viña del Mar S.A. a company that owns and operates a shopping center in Viña del Mar and a shopping center in Curico, for UF 4,275,000 (approximately U.S.\$160 million).

On July 11, 2016 Cencosud announced the filing of the prospectus for a registered public secondary offering through a process known as *Subasta de Libro de Órdenes* in compliance with the Chilean Law and the rules of the Santiago Stock Exchange. On July 19, 2016 Inversiones Tano Limitada completed the Offering of 170.6 million common shares of the Company. Cencosud S.A. did not receive any proceeds related to this offering. Following the transaction, the Paulman family’s share ownership in the Company decreased to 53.76%.

On September 29, 2016, we renewed the JV agreement with Colpatría (a subsidiary of Scotiabank) to jointly develop the financial retail business in Colombia. The agreement is a 15 year term contract which involves a one-time payment from Colpatría to Cencosud, and the distribution, in equal parts, of future business profitability.

On November 4, 2016 Cencosud announced the sale of Teleticket, a ticketing agency for shows in Peru. The sale also includes the leasing of 36 sales modules located in our stores; Wong, Metro and Paris.

On November 30, 2016, the Company issued two bond series in the Chilean local market: Series P Bonds and Series R Bonds. The Series P Bonds, in the amount of 5,000,000 UF have a maturity date of November 7, 2022, a nominal rate of 4.70% per year and a fiscal interest rate of 5.34%. The Series R Bonds, in the amount of 5,000,000 Unidades de Fomento have a maturity date of November 7, 2041, a nominal rate of 2.70% per year and a fiscal interest rate of 3.39%. The Series P and Series R bonds were issued in accordance with the tax regime established by Article 104 of the Income Tax Law contained in Decree Law No. 824 of 1974, as amended.

Principal Capital Expenditures for Organic Expansion

Capital expenditures totaled Ch\$208,173 million, Ch\$ 171,606 million and Ch\$227,423 million for the years ended December 31, 2016, 2015 and 2014, respectively. For a discussion of our capital expenditures and future projections, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Capital Expenditures and permanent investments.”

B. BUSINESS OVERVIEW

Our Company

We believe we are one of the leading multi-brand retailers in South America, based on revenues, selling space, number of stores and gross leasable area in the sectors and countries in which we operate. See “—Industry Overview and Competition” for more explanation on the methodology we use to calculate our market position in such sectors and countries. We operate through a number of formats, including supermarkets, home improvement stores, shopping centers and department stores. We are headquartered in Chile and have operations in Chile, Argentina, Brazil, Colombia and Peru. Our business consists of five segments, including three retail segments, which allows us to reach a wide range of customers offering various combinations of products, price, quality and service. The company believes Peru and Colombia are high growth and underpenetrated markets due to their favorable demographics, sustainable household consumption growth and low formal retail penetration as described in herein and in “Industry Overview and Competition.” As a complement to our core retailing business, we are actively involved across the region in the commercial real estate development business, particularly in Chile, Argentina, Colombia and Peru, with 53 shopping malls representing 778,848 square meters of gross leasable area as of December 31, 2016, and we also offer private label credit cards, consumer loans and limited financial services to our retail customers.

For the year ended December 31, 2016, we had 1,171 stores and shopping centers with an aggregate of 4,411,922 square meters of selling space and had assets of Ch\$10,448,757 million, liabilities of Ch\$6,364,706 million, net earnings attributable to controlling shareholders of Ch\$387,797 million, and shareholders’ equity of Ch\$4,084,052 million.

Throughout our 50-year history of growth we have developed, acquired, integrated and expanded several retail businesses with strong brands in the various markets where we operate. Since January 1, 2005, we have grown our total number of stores and shopping centers from 425 to 1,170 as of December 31, 2016 and the total selling space of our retail stores and shopping centers from 1,433,838 to 4,411,922 square meters as of December 31, 2016. In addition, over the same period, we completed several strategic acquisitions that have significantly increased the size and geographic scope of our operations.

We believe that our strategy of operating as an integrated multi-format and multi-brand retailer, combined with our broad product offering and portfolio of brands has been one of the key strategic advantages in the successful growth of our businesses. Today we operate a diversified operational and geographic footprint across South American markets with highly attractive demographics and strong macroeconomic fundamentals. We believe that our broad presence and our competitive position across key markets will continue to allow us to consolidate the retail market and to benefit from the expected strong growth in underpenetrated retail markets such as Brazil, Colombia and Peru.

The following table presents our total number of stores and shopping centers by country as of December 31, 2016:

	Chile	Argentina	Brazil	Peru	Colombia	Total
Supermarkets	245	283	211	91	103	933
Home improvement stores	35	51	0	0	10	96
Department stores	79	0	0	10	0	89
Shopping centers	25	22	0	4	2	53
Total	384	356	211	105	115	1.171

In summary, highlights of our commercial activities include:

- 1,171 stores and shopping centers as of December 31, 2016.
- 4,411,922 square meters of selling space as of December 31, 2016.

- A total of 5,9 million active credit cards issued and U.S.\$2.2 billion in credit card operations as of December 31, 2016

The following table indicates the percentages of revenues from ordinary activities and gross profit that each of our geographical markets represented for the period indicated:

	Year Ended December 31, 2016				
	Chile	Argentina	Brazil (in millions of ChS)	Peru	Colombia
Revenues from ordinary activities (continuing operations)	4,342,505	2,528,990	1,589,768	986,986	884,753
Gross profit	1,247,865	933,311	346,116	261,439	187,800

We are organized in six business segments: supermarkets, home improvement stores, department stores, shopping centers and financial services, plus complementary activities described as “Other.”

Supermarkets . We operate 933 supermarkets throughout Chile, Argentina, Brazil, Peru and Colombia as of December 31, 2016, selling a wide variety of name brand and private label products. We believe that we are the second-largest supermarket operator in Chile, in terms of revenues, based on our comparisons against information from public filings of our main competitors as of December 31, 2016, the second largest in Argentina and Peru, based also on information provided by a third-party market researcher, Nielsen. We pioneered the hypermarket format in Chile with the opening of our first Jumbo hypermarket in 1976. Since then, we have expanded and grown our supermarkets division, and as of December 31, 2016 we operated a total of 245 supermarkets in Chile under the Santa Isabel and Jumbo brands. We operate 283 supermarkets under Jumbo, Disco and Super Vea brands in Argentina, as of December 31, 2016.

In Brazil, as a result of our acquisitions, we are now the fourth-largest supermarket operator in terms of revenues, according to the ABRAS. We estimate that we are the largest operator in the state of Minas Gerais, the second-largest in the northeast of Brazil, and the third-largest in the state of Rio de Janeiro, all in terms of sales. Our operations in Brazil comprise 211 supermarkets.

According to Nielsen, we are the second largest supermarket operator in Peru in terms of sales, with 91 stores as of December 31, 2016.

In Colombia we are the third largest player in the food retailing industry according to Nielsen data as of December 31, 2016. Our operations in the country comprise 103 supermarkets operating under the Metro and Jumbo brands. See “—A. History and Development of the Company—History.”

Home improvement stores . We believe we are the second-largest home improvement store operator in Chile and the largest in Argentina in terms of revenues based on our comparison against publically filed information from our main competitors as of December 31, 2016. We sell a wide variety of building and other materials, including name brand and private label products. As of December 31, 2016, we have 35 Easy home improvement stores and 325,315 square meters of home improvement store selling space in Chile and 51 Easy and Blaisten home improvement stores and 391,546 square meters of home improvement store selling space in Argentina. In October 2008, we opened the first home improvement store in Colombia and as of December 31, 2016 we have 10 Easy home improvement stores and 82,320 square meters of selling space in Colombia.

Department stores . We believe that we are the second-largest department store operator in Chile, in terms of revenues based on our comparison against information from public filings of our main competitors as of December 31, 2016. We also believe we have the largest selling space for department stores in Chile. We operate 79 department stores in Chile under the Paris and Johnson brands with 377,288 square meters of total selling space as of December 31, 2016 and 10 Paris stores in Peru with selling space of 55,333 square meters. Our Paris stores sell a wide variety of merchandise such as apparel, home furnishings, electronics and sporting goods, including name brand and private label products. We began the use of a two-brand strategy in Chile after acquiring an 85.58% interest in Johnson, which at the time operated 39 stores throughout Chile under the Johnson brand and an additional 13 stores using the FES brand with a total selling space of 117,569 square meters. This acquisition added 43.2% of selling space over our existing Paris stores. FES stores were closed during the 2013 period. We completed the acquisition of the remainder of outstanding shares of Johnson on December 18, 2013.

Shopping centers . We believe that we are the second-largest operator of shopping centers in each of Chile and the largest in Argentina, in terms of total leasable area based on our comparisons against publically filed information from our main competitors as of December 31, 2016. As of December 31, 2016, we own and manage 25 shopping centers in Chile, 22 in Argentina four in Peru and two in Colombia with a total gross leasable area to third parties of 778,848 square meters. In Chile and Argentina, each of our shopping centers contains a Jumbo hypermarket, an Easy home improvement store and, in Chile, a Paris department store as well as other third-party-owned businesses intended to attract customers and enhance their overall shopping experience.

Financial services . We established our financial services division in 2003 when we launched our “Jumbo Más” credit card to facilitate in-store purchases and, since then, have significantly increased our credit card operations in Chile, Argentina, Brazil, Colombia and Peru. We have grown both through our own private-label cards and joint ventures with third party bank issuers of credit cards, primarily to finance customers’ purchases in our stores. We also own Banco Paris, a specialty retail consumer bank in Chile, which provides mortgage loans. In August 2010, we launched our own private label credit card in Peru and we are expanding our offerings of financial services. In 2011, we established Banco Cencosud in Peru and in June 2012 we received the operation license from the banking superintendence (*Superintendencia de Bancos y Seguros*), and started operations in August 2012 through our Cencosud credit card. In 2011, we entered into an agreement with a major Brazilian bank, Banco Bradesco, to offer financial services for all our stores in Brazil, namely the exclusive issuance and operation of the Cencosud Card credit card (*Cartão Cencosud*), as well as the offer, within Cencosud stores in Brazil, of consumer loans, purchase financing and insurance products. Prezunic is currently not a participant in the above-mentioned joint venture. On June 20, 2014, Cencosud, together with its subsidiaries Cencosud Retail S.A. and Easy S.A., entered into a framework agreement (the “Joint Venture Framework Agreement”) with The Bank of Nova Scotia (“BNS”) and its wholly owned

subsidiary Scotiabank Chile, to further develop, on a joint basis, the retail finance business in Chile). In 2Q15, the Company completed the transaction with the Bank of Nova Scotia (Scotiabank) to form a joint venture to manage the financial services business in Chile. As part of the agreement, Scotiabank Chile acquired a fifty-one percent (51%) controlling interest of each of the Subject Companies, and Cencosud retained the remaining forty-nine percent (49%) non-controlling interest of each of the Subject Companies. This framework agreement has a lifespan of 15 years.

As of December 31, 2016, we had a total of 5.9 million credit cards and other accounts in Chile, Argentina, Brazil, Colombia and Peru. As of December 31, 2016, we also had U.S.\$2.2 billion in customer loans outstanding. Our financial services segment also includes our insurance brokerage services in Argentina, Chile, Brazil and Peru.

Other. In our “Other” segment we include the results of our Chile-based Aventura entertainment centers, which offer families the ability to enjoy different entertainment activities, such as electronic games, bowling and birthday parties; our frequent purchaser loyalty programs, which provide discounts and other promotions for our customers; and our corporate back-office, treasury and other operations.

For the years ended December 31, 2016, 2015 and 2014, results from our “Other” segment represented 0.1%, 0.0% and 0.2%, respectively, of our consolidated revenues.

See also, “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Trends and Factors Affecting Our Results of Operations—Impact of Acquisitions” for additional details regarding our acquisition activities in recent years.

	Year Ended December 31, 2016					
	Supermarkets	Home improvement	Department stores	Shopping centers	Financial services	Other(30)
	(in millions of Ch\$)					
Revenues from ordinary activities	7,487,810	1,294,348	1,126,931	238,722	177,683	7,506
Gross profit	1,887,346	444,980	315,965	207,612	117,865	2,763

We serve several markets through our extensive network of stores and shopping centers in South America under six diversified business segments. Our five principal segments are: supermarkets, home improvement stores, department stores, shopping centers and financial services. Through our various store formats and our numerous brands, we offer a full range of products intended to appeal to all types of consumers. The merchandise we carry includes one or more of the leading manufacturers in each category complemented by our offerings of our own private label brands. We believe the diversity and strength of our brands and our varied store formats allows us to compete effectively against our competitors, which range from traditional independent grocery stores and food specialists to mass market retailers.

As of December 31, 2016, our brand portfolio includes the following principal brands:

	SUPERMARKETS	HOME IMPROVEMENT	DEPARTMENT STORES
Argentina	Jumbo, Disco and Vea	Easy, Blastein	—
Brazil	Prezunic, Gbarbosa, Bretas, Mercantil Rodriguez, Perini	—	—
Chile	Jumbo and Santa Isabel	Easy	Paris and Johnson
Colombia	Jumbo and Metro	Easy	—
Peru	Wong and Metro	—	Paris

We believe we have established a positive record in the operation of our businesses. The following table sets forth certain performance metrics(24) related to our consolidated growth for the periods presented:

	Year Ended December 31,		
	2016	2015	2014
	(in millions of Ch\$(31))		
Number of retail stores(32)	1,118	1,127	1,114
Total store area (square meters)	3,633,074	3,622,111	3,574,582
Net sales	10,333,001	10,991,338	10,711,029

Supermarkets

General

We pioneered the hypermarket format in Chile with the opening of our first Jumbo hypermarket in 1976. Since then, we have expanded and grown our supermarkets division, and at December 31, 2016 we owned a total of 245 supermarkets and hypermarkets in Chile operating under the

(30) See “—Our Company” for a description of our “Other” segment.

(31) Except numbers of stores and selling space.

(32) Number of stores and total store area excludes shopping centers and Financial Services.

Jumbo and Santa Isabel brands. We opened our first Jumbo hypermarket in Argentina in 1982 and in 2004 acquired the Disco supermarket chain, significantly enhancing our presence in Argentina and at December 31, 2016 we operated 283 hypermarkets and supermarkets under Jumbo, Disco and Vea brands in Argentina. We estimate that we are the second largest operator in Argentina and Chile in terms of sales.

In recent years, we have expanded beyond our traditional supermarket presence in Chile and Argentina and have made sizeable acquisitions in Brazil, Colombia and Peru. As a result, at December 31, 2016 we operated 211 supermarket and hypermarket stores in Brazil under the brands GBarbosa, Mercantil Rodrigues, Perini, Bretas and Prezunic. The Company is Brazil's fourth-largest supermarket operator, in terms of revenues, according to ABRAS. In Peru, we operated 91 Metro and Wong hypermarkets and supermarkets at December 31, 2016. According to Nielsen, we are the second largest supermarket operator in Peru in terms of sales. In 2012, we entered the Colombian supermarket industry through the purchase of the second largest player in the country at that time. Our supermarket operations in the country were rebranded Jumbo and Metro. In 2013, the rebranding process was completed and Cencosud has focused on building brand awareness. According to information received from Nielsen we estimate that we are the third largest player in the Colombian market.

For the year ended December 31, 2016, our supermarkets generated revenues from ordinary activities and gross profit of Ch\$7,487,810 million and Ch\$1,887,346 million, respectively.

The following table sets forth, for the periods indicated, certain metrics related to our supermarket operations:

	Year ended December 31,		
	2016	2015	2014
	(in millions of Ch\$)(33)		
Number of stores	933	944	934
Total selling space (square meters)	2,401,272	2,411,304	2,386,391
Average sales per store	8,026	8,523	8,736
Sales per square meter	3.12	3.34	3.42

The following table sets forth, for the periods indicated, the revenues from ordinary activities of our supermarkets per country:

Revenues from ordinary activities	Year ended December 31,		
	2016	2015	2014
	(in millions of Ch\$)		
Chile	2,616,198	2,504,714	2,354,805
Argentina	1,633,149	2,154,753	1,813,585
Brazil	1,587,849	1,677,543	2,154,313
Peru	838,635	867,511	836,676
Colombia	811,979	841,046	999,857
Total	7,487,810	8,045,566	8,159,237

Chile

At December 31, 2016, we operated 245 hypermarkets and supermarkets in Chile under the Jumbo and Santa Isabel brands, which together had 578,362 square meters of total selling space.

The following table sets forth certain information regarding our supermarkets in Chile as of and for the periods indicated:

	Year ended December 31		
	2016	2015	2014
Number of stores	245	245	224
Total selling space (square meters)	578,362	577,547	546,236

Our Jumbo hypermarkets are primarily oriented towards middle and upper-middle income consumers and are designed to provide a "one-stop" shopping experience by offering a wide selection of quality products with a high level of service. We tailor the product mix of each Jumbo hypermarket according to the preferences of consumers of each specific community. In recent years, we believe Chilean consumers have shown an increasing preference for food stores that offer not only a wide variety of traditional food and non-food items, but also an expanded assortment of prepared items and fresh fruits and vegetables. To respond to this trend, we have decided to upgrade, and continue to upgrade existing departments with product categories, such as the textiles, electronics and home appliance departments. This strategy allows us to provide consumers with a wider selection of food products and services, while shifting our sales mix toward higher-margin products.

We operate our supermarkets in Chile mainly under our Santa Isabel brand, which is primarily aimed at the low- to middle-income segment of the Chilean population. Our Santa Isabel stores sell a wide variety of food products and general merchandise items similar to that offered by our Jumbo hypermarkets; however, Santa Isabel stores also offer higher quality merchandise, and convenient locations. In addition, certain Santa Isabel stores feature higher margin specialty departments such as prepared foods, fresh seafood and bakery departments. Santa Isabel also offers products such as alcohol, cosmetics, household and other non-food items. We recently began using our Jumbo brand to open supermarkets aimed at a middle

(33) Except numbers of stores and selling space.

and upper-middle income consumers interested in quality products and a high level of service. These stores mainly market food items with a special focus on fresh fruits and vegetables while offering a wide array of ready-made foods.

Argentina

General

We operated 283 supermarkets in Argentina at December 31, 2016, which together had 524,821 square meters of total selling space.

The following table sets forth certain information regarding our supermarkets in Argentina as of and for the periods indicated:

	Year ended December 31,		
	2016	2015	2014
Number of stores	283	286	290
Total selling space (square meters)	524,821	526,475	529,428

We opened our first Jumbo hypermarket in Argentina in 1982. Our Jumbo hypermarkets and supermarkets are our largest stores in Argentina and have selling areas ranging from about 300 square meters to 12,223 square meters.

As in Chile and Colombia, the target market of our Jumbo hypermarkets in Argentina is primarily the middle to upper-middle income segment of the Argentine population. Our Jumbo hypermarkets are generally open 14 to 15 hours per day, depending on location, and have flexible closing hours to accommodate the requirements of the local community. In recent years, upper- and middle-class consumers have shown an increasing preference for food stores that offer not only a wide variety of traditional food and non-food items, but also an expanded assortment of prepared items and fresh fruits and vegetables. Thus, we choose our product mix according to the socioeconomic make-up of the customers at each hypermarket. Each of our Jumbo hypermarkets in Argentina has an area dedicated to customer parking.

As in Chile, our Jumbo hypermarkets in Argentina offer a wide range of food and non-food items, including fresh fruits and vegetables, baked goods, fresh meats and other grocery items. We select our products according to quality and value rather than looking to offer the lowest price products in the market. Jumbo also operates a virtual Supermarket (www.jumbo.com.ar) that allows our customers to place orders over the internet for home delivery.

Our supermarkets in Argentina operate under the Disco and Vea brands. Disco was founded in 1961 as a small grocery store and was acquired by Ahold in 1998. We acquired Disco on November 1, 2004 for approximately U.S.\$315 million. This acquisition added 234 strategically located supermarkets to our operations in Argentina, thus adding an important presence in the city of Buenos Aires. Disco's strategy has been to segment its stores into "service-oriented" (Disco) and "price-oriented" (Vea) formats. Disco also operates a virtual supermarket (Disco Virtual) which allows customers to place orders by telephone and over the internet for home delivery in the Buenos Aires and Córdoba metropolitan areas.

The target market of our Disco stores is primarily the middle- and high-income segment of the Argentine population. Disco has a service-oriented format and offers a wide variety of products and services to our customers. This format caters to more affluent customers who are willing to pay a premium for higher quality products, a more personalized service and a broader product assortment.

We also operate price-oriented stores under the Vea brand, which targets primarily the low- and middle-income segment of the Argentine population. Vea stores are primarily concentrated in the Cuyo (San Juan and Mendoza) and Northwest (Tucumán, Salta, Catamarca and Santiago del Estero) regions of Argentina and offer a lower level of services with a higher proportion of secondary brands and private labels.

Disco offers a wide range of food and non-food items, including fresh fruits and vegetables, baked goods, fresh meats, cleaning, health and beauty products and other grocery and supermarket items. In addition to general food and non-food items, Vea also sells a variety of home appliances, including televisions and refrigerators, as well as other household consumer products.

Brazil

In November 2007, we expanded our supermarket operations into Brazil with the acquisition of the GBarbosa chain of hypermarkets, supermarkets and electronics stores in the North-East region of Brazil, specifically in the states of Alagoas, Bahia and Sergipe. GBarbosa traces its origins to the opening of its first store in the city of Aracaju in July 1955 by its founder, Mr. Gentil Barbosa.

In 2010, we further expanded our operations in Brazil with the acquisitions of the Super Familia supermarket chain and the Perini supermarket chain. Our expansion continued in 2011, with the acquisition of Cardoso, a three-store supermarket chain in the state of Bahia. In 2012, we acquired Prezunic which we estimate is the third-largest supermarket chain in Rio de Janeiro.

As of December 31, 2016, we operated 211 stores in Brazil that together had 594,855 square meters of total selling space. In addition to these, we also operate 138 locations in numerous formats such as Eletro-show stores, pharmacies, gas station and delicatessen under our GBarbosa, Bretas and Perini brands in Brazil. For the year ended December 31, 2016, our supermarkets in Brazil generated revenues from ordinary activities of Ch\$1,587,849 million, representing 15.4% of our consolidated revenues from ordinary activities for such period.

The following table sets forth certain information related to our supermarkets in Brazil(34) for the periods presented:

	Year ended December 31,		
	2016	2015	2014
Number of stores	211	222	219
Total selling space (square meters)	594,855	611,363	602,194

GBarbosa . Our GBarbosa supermarkets represent our largest store format in Brazil. Our GBarbosa supermarkets have selling areas ranging from 400 to 8,000 square meters. GBarbosa supermarkets sell products such as fresh fruit and vegetables, meat, poultry, dairy products, alcoholic beverages, textiles, cosmetics and cleaning products, in addition to more gourmet items, such as delicatessen products, fresh fish and bakery items. Our GBarbosa supermarkets also offer a wide range of non-food products, such as electronics, home appliances and textiles, which represent an important share of its sales.

Mercantil Rodrigues . At December 31, 2014, we also owned and operated Mercantil Rodrigues cash and carry in Brazil. Mercantil Rodrigues offer a wide range of food items, including fresh fruits and vegetables, baked goods, fresh meats and other grocery items.

Super Familia . On March 23, 2010, we acquired 100% of the outstanding shares of Super Família Comercial de Alimentos Ltda., operator of the Super Família supermarket chain in Brazil, in the city of Fortaleza, with a total sales area of 7,000 square meters, and two distribution centers. In 2011, we rebranded the Super Família stores into the GBarbosa brand.

Perini . On July 5, 2010, we acquired 100% of the outstanding shares of Perini Comercial do Alimento Ltda., operator of the four-store chain of Perini supermarkets in the city of Salvador da Bahia in Brazil, for approximately U.S.\$27.7 million (approximately Ch\$14,899 million). Perini is a well-known brand in Brazil with 47 years in the market that targets the high-end retail customer segment and complements our business portfolio in Brazil. In addition to the four Perini stores in the city of Salvador da Bahia, we also acquired four additional points of sales inside shopping centers, with a total sales area of 4,900 square meters, and two distribution centers. In 2012, we opened a new Perini store in the city of Recife inside the Riomar shopping center and closed one distribution center. We currently operate five stores that are serviced by a single distribution center.

Bretas . On October 31, 2010, we acquired 100% of the outstanding shares of Irmaos Bretas Filhos e Cía. Ltda., operator of the 63-store chain of Bretas supermarkets in the state of Minas Gerais in Brazil, for approximately U.S.\$705 million (approximately Ch\$336,630 million). Bretas is a well-known brand in Brazil with 56 years in the supermarket industry. In addition to the 63 Bretas stores, we also acquired 10 additional gas stations, and two distribution centers.

Cardoso . In October 2011, we acquired Cardoso, a three-store supermarket chain in the state of Bahia, with annual net sales of approximately R\$60 million (U.S.\$35.9 million) in 2011, for a purchase price of R\$18 million (approximately U.S.\$11.3 million or Ch\$5,429 million). We have converted the acquired stores to the GBarbosa format and are now operating them under that brand.

Prezunic . On January 2, 2012, pursuant to a stock purchase agreement executed on November 16, 2011, Cencosud Brasil acquired from the Dias Da Cunha family 100% of the capital stock of Prezunic. We estimate that Prezunic is the third-largest supermarket chain in Rio de Janeiro with 31 stores and net sales of approximately R\$2.2 billion in 2011. The aggregate purchase price of the operation was R\$875 million (or approximately Ch\$242,690 million), payable as follows: R\$580 million on the closing date of the transaction (January 2, 2012), from which R\$190 million were deducted as working capital adjustments, with the balance to be paid as follows: R\$80 million, R\$85 million, R\$80 million and R\$50 million, on the first, second, third and fourth anniversary of the closing date, respectively. Pursuant to the stock purchase agreement, Cencosud Brasil was also granted a preferential right from third-party landowners to acquire or lease two supermarket properties that were not owned by Prezunic at the time of the transaction, but were instead leased. Under the terms of this agreement, Cencosud S.A. serves as guarantor of Cencosud Brazil.

Peru

On January 31, 2008, we acquired 100% of the shares of GSW S.A., operating under the brand name Wong in Peru, for approximately U.S.\$467 million (approximately Ch\$217,295 million). As of December 31, 2016, we operated 91 Wong and Metro hypermarkets and supermarkets in Peru which together had 272,001 square meters of total retail selling space. For the year ended December 31, 2016, our stores in Peru generated revenues from ordinary activities of Ch\$838,635 million, representing 8.1% our consolidated revenues from ordinary activities for such period.

The following table sets forth certain information related to our Wong and Metro supermarkets and hypermarkets in Peru for the periods presented:

	Year ended December 31,		
	2016	2015	2014
Number of stores	91	90	87
Total selling space (square meters)	272,001	269,526	261,700

(34) Excluding Eletro-show stores and pharmacies operating under the GBarbosa brand. See “—Other Operations—Electronic Stores” and “—Other Operations—Pharmacies.”

As of December 31, 2016, we operated supermarkets and hypermarkets under our Metro and Wong brands in Peru. Metro stores carry our full line of products and brands, at a variety of price points. The target market of our Metro stores is primarily the middle- and low-income segment of the Peruvian population. Our Wong stores carry our full line of products and brands, at a variety of price points. In addition, some Wong stores contain separate specialty retail facilities operated by third parties. The target market of our Wong stores is primarily the middle- and high-income segment of the Peruvian population.

Colombia

On November 30, 2012, we completed the acquisition of Carrefour's supermarket operations in Colombia, for a total purchase price equal to €2 billion. Carrefour previously operated supermarkets under the "Carrefour" and "Maxi" brand names in Colombia, including 72 hypermarket stores, 16 convenience stores, and four cash and carry stores and gas stations. See "Item 4. Information on the Company—A. History and Development of the Company—History."

The following table sets forth certain information related to our supermarkets and hypermarkets in Colombia for the periods presented:

	Year ended December 31,		
	2016	2015	2014
Number of stores	103	101	100
Total selling space (square meters)	431,232	426,393	425,196

As of December 31, 2016 the hypermarkets we operated in Colombia had an average selling space of 4,187 square meters. These stores carry a varied assortment of goods at a variety of price points. Cencosud completed the rebranding of these supermarkets in the third quarter of 2013, bringing to the Colombian market its Jumbo and Metro brands. As in the other countries where we operate, Jumbo hypermarkets are primarily targeted at the upper- to middle-income segment of the population offering a wide range of imported products with high quality standards for its perishables and service. As in Peru our Metro hypermarkets target the mid to lower income segment of the population and have a more promotional approach offering a combination of competitive pricing through specific promotional activities and lower degree of service relative to Jumbo while trying to offer the highest quality product available at those prices.

As in Chile and Argentina, the target market of our Jumbo hypermarkets in Colombia is primarily the middle to upper-middle income segment of the Colombian population. Our Jumbo hypermarkets are generally open 14 to 15 hours per day, depending on location, and have flexible closing hours to accommodate the requirements of the local community. After the acquisition of Carrefour's supermarket operations in Colombia Cencosud chose to rebrand locations aimed at this time of consumer under its flagship Jumbo brand. Cencosud aims to take best practices from its operations in Chile and Argentina to Colombia, taking its focus on food and particularly perishable items in conjunction to its service focus to the Colombian consumer. Our Jumbo locations are usually situated in areas of the country that support the need for an upper-middle income focused store and they adapt their product assortment to the needs of each community.

In addition to its Jumbo operations in Colombia, Cencosud also operates hypermarkets and supermarkets under its Metro brand. These hypermarkets have a greater focus on the middle-low income segment of the population. These stores are usually open 14 to 15 hours a day, depending on location and have flexible closing hours to accommodate the needs of the local community. Unlike Jumbo hypermarkets, Metro has a greater focus on competitive pricing strategies for its clients and is aimed at those that value price without neglecting quality.

Convenience stores. Our 19 convenience stores in Colombia operate under the Metro brand. These locations are aimed at a consumer that values proximity to a "one-stop shop" location. These supermarkets offer a limited variety of products due to the size of the locations.

Omnichannel : Our omnichannel strategy is comprised of web sales of non-food products under the Jumbo brand, and home delivery of food products for both Jumbo and Metro. We launched web sales of food products in April 2017.

Home improvement stores

General

In 1993 we opened our first Easy home improvement store segment in Chile and, since 2002, we have rapidly expanded our home improvement operations. As of December 31, 2016, we operated 96 Easy home improvement stores in Argentina, Chile and Colombia dedicated to home improvement, hobbies and construction. We believe we are the second-largest home improvement store operator in Chile and the largest in Argentina in terms of selling space, based on our comparisons against information from public filings of our main competitors as of December 31, 2016, and on information provided in the report by Planet Retail, a third-party research company, dated as of that date. In October 2008, we opened the first home improvement store in Colombia. For the year ended December 31, 2016, our home improvement stores generated revenues from ordinary activities and gross profit of Ch\$1,294,348 million, Ch\$444,980 million, respectively.

Our home improvement operations have expanded through organic growth over the past three years. The following table sets forth, for the periods indicated, information regarding the expansion of our home improvement operations:

	Year ended December 31,		
	2016	2015	2014
Number of stores	96	95	93
Total selling space (square meters)	799,181	791,421	779,606

The following table sets forth, for the periods indicated, the revenues from ordinary activities of our home improvement stores per country:

	Year ended December 31,		
	2016	2015	2014
	(in millions of Ch\$)		
Revenues from ordinary activities			
Chile	520,224	494,849	465,520
Argentina	710,380	910,920	692,925
Colombia	63,744	63,476	67,171
Total	1,294,348	1,469,246	1,225,616

Chile

In Chile, we operate our home improvement store business through 35 Easy home improvement stores. For the years ended December 31, 2016, 2015 and 2014, Easy home improvement stores in Chile generated revenues from ordinary activities of Ch\$520,224 million, Ch\$494,849 million and Ch\$465,520 million, respectively, representing 5.0%, 4.5% and 4.3% of our consolidated revenues from ordinary activities during those periods.

The following table sets forth certain information related to our Easy home improvement stores in Chile for the periods presented:

	Year ended December 31,		
	2016	2015	2014
Number of stores	35	35	33
Total selling space (square meters)	325,315	325,315	313,500

Our Easy home improvement stores are oriented toward three groups of consumers: professional construction contractors and home improvement professionals, people interested in “do-it-yourself” projects and hobby enthusiasts. Each store is designed to provide customers with a “one-stop” shopping experience for home improvement needs. Our Easy home improvement stores offer a wide variety of home improvement items, including hardware, tools, construction and plumbing materials, electrical products, sporting goods, gardening supplies and other household wares. To complement our products and enhance service, each of our Easy home improvement stores also provides for free, or at a nominal charge, technical advice, home delivery, recommended contractors or builders, and cutting of wood and steel. Additionally, Easy allows customers to return unused products for any reason within a certain period of time.

Easy has a centralized purchasing model based on demand forecasting. However, each store can generate its own supplementary purchases. Price and commercial terms are overseen by different business managers in charge of negotiating with major providers. The product mix is determined based on the needs of the particular community that the store serves. Each year a commercial agreement is signed with each of our suppliers. These commercial agreements are standard for all suppliers and cover the terms on which goods are bought by Easy including volume, discounts, marketing expenses born by the supplier, fees charged for the use of space in the store, logistics expenses, and space in new stores. At December 31, 2016, our Easy home improvement stores in Chile have an average of 9,295 square meters of selling area. Each of our Easy home improvement stores has easily accessible car parking and many are located at our shopping centers. Our Easy home improvement stores offer a variety of products, including (i) flooring, paints, bath and kitchen materials; (ii) home, furniture, garden and hobby materials; (iii) hardware, electrical and plumbing materials; (iv) building and wholesale construction materials; and (v) agricultural products.

Argentina

In Argentina, we operate our home improvement store business through 51 Easy and Blaisten home improvement stores, which had 391,546 square meters of total selling space as of December 31, 2016. For the year ended December 31, 2016, our home improvement stores in Argentina generated revenues from ordinary activities of Ch\$ 710,380 million, representing 6.9% of our consolidated revenues from ordinary activities during such period.

The following table sets forth certain information related to our Easy home improvement stores in Argentina for the periods presented:

	Year ended December 31,		
	2016	2015	2014
Number of stores	51	50	50
Total selling space (square meters)(35)	391,546	383,786	383,786

Our home improvement business in Argentina acquired four former Home Depot stores in 2002 and nine Blaisten stores in 2008. At December 31, 2016, our Easy and Blaisten home improvement stores in Argentina have an average of 7,677 square meters of selling space. Each of our Easy home improvement stores in Argentina has easily accessible car parking and many are located at our shopping centers.

Our Easy home improvement stores in Argentina offer a variety of products, including (i) flooring, paints, bath and kitchen materials; (ii) home, furniture, garden and hobby materials; (iii) hardware, electrical and plumbing materials and (iv) building and wholesale construction materials.

Colombia

In May 2007, we entered into a joint venture with Casino to develop the home improvement store business in Colombia, and subsequently acquired 100% ownership of the joint venture. In October 2008, we opened our first Easy home improvement store in Bogota, and as of December 31, 2016 we operated 10 Easy home improvement stores. For the year ended December 31, 2016, our Easy home improvement stores in Colombia generated revenues from ordinary activities of Ch\$63,744 million, representing 0.6% of our consolidated revenues from ordinary activities for such period. Seven of our Easy home improvement stores are located in Bogota, two are located in the city of Medellin and one in the city of Valledupar.

The following table sets forth certain information related to our Easy home improvement stores in Colombia for the periods presented:

	Year ended December 31,		
	2016	2015	2014
Number of stores	10	10	10
Total selling space (square meters)	82,320	82,320	82,320

Our Easy home improvement stores in Colombia have average selling area of 8,232 square meters. Each of our Easy home improvement stores has easily accessible car parking.

Our Easy home improvement stores in Colombia offer a variety of products, including (i) flooring, paints, bath and kitchen materials; (ii) home, furniture, garden and hobby materials; (iii) hardware, electrical and plumbing materials; (iv) building and wholesale construction materials and (v) agricultural products.

Department Stores

We entered the department store business in March 2005 through the acquisition of Empresas Almacenes Paris S.A., one of Chile's leading department stores in terms of sales and number of stores. The principal activity of Paris is the retail sale of apparel products (including clothes for women, men and children, shoes and accessories) which represent approximately 58% of department stores' sales, as well as of household goods, electronics and technology products which represent the other 42% of department stores' sales, each as of December 31, 2016. As of December 31, 2016, we estimate that we were the second-largest department store operator in Chile, in terms of sales. Based on our comparison against information from public filings of our main competitors as of December 31, 2016, we also believe we have the largest selling space for department stores in Chile.

As of December 31, 2016, we operated 79 department stores in Chile, which together had 377,288 square meters of total selling space. In Peru, our Paris store operations comprise 10 stores with 55,333 square meters of selling space. For the years ended December 31, 2016, 2015 and 2014, our department stores generated revenues from ordinary activities of Ch\$1,126,931 million, Ch\$1,051,642 million and Ch\$991,442 million, respectively, representing 10.9%, 9.6% and 9.3% of our consolidated revenues from ordinary activities for such periods.

The following table sets forth certain information related to our department stores in Chile for the periods presented:

	Year ended December 31,		
	2016	2015	2014
Number of stores	79	79	79
Total selling space (square meters)	377,288	374,153	375,586

Chile

Our Paris and Johnson department stores in Chile have an average selling area of 4,776 square meters.

(35) Excludes aisles and cashier space.

Our Paris department stores carry a variety of products, including (i) clothing, (ii) accessories and cosmetics, (iii) home décor, (iv) electronic and household appliances, (v) sporting goods, and (vi) footwear. Our Paris department stores currently carry private label products under the brands Opposite, Alaniz, Tribu, Attimo, Aussie, Rainforest and Greenfield. Johnson carries the brands Suburbia, Muv, Fes and Yoko, among others.

Peru

The following table sets forth certain information related to our department stores in Peru for the periods presented:

	Year ended December 31,		
	2016	2015	2014
Number of stores	10	9	9
Total selling space (square meters)	55,333	45,233	45,232

Our Paris department stores operations in Peru were launched in 2013 and have an average selling area of 5,533 square meters.

Shopping Centers

General

We are a regional operator of shopping centers in Latin America with operations in Chile, Argentina, Peru and Colombia. We are the largest operator of shopping centers in Argentina and the second in Chile in terms of total area for lease, on the basis of our comparisons with public information of our main competitors. We had a total leasable area to third parties of 778,848 square meters as of December 31, 2016. We are owners and operators of 25 shopping centers in Chile, 22 in Argentina, 4 in Peru and 2 in Colombia (the majority stake in two shopping centers in Colombia).

Within the shopping center business, we operate the following formats:

- Mega Center (1): Shopping Centers over 100,000 square meters of gross leasable area, or GLA, containing mixed-use space, anchor stores, satellite shops, medical centers, offices and hotels.
- Regional (3): Shopping Centers up to 100,000 square meters of GLA with impact on multiple geographic areas, anchors, satellites and medical centers.
- Neighborhood (22): Shopping Malls with up 70,000 square meters of GLA with areas of influence in the surrounding communities, with anchors, satellites and in some cases medical centers.
- Factory (3): Shopping Centers for discount brands.
- Power Centers (21): Centers of up to 35,000 square meters of GLA including a maximum of two Anchor stores and a small number of local satellite stores.
- Strip Centers (3): Centers with up to 10,000 square meters of GLA with one anchor store with a maximum of 5,000 square meters, plus an additional satellite store.

In Chile and Argentina, almost all of our shopping center formats host a Jumbo hypermarket, an Easy home improvement store, and in Chile and Peru they host a Paris department store while also housing other third party business. Cencosud seeks to attract more traffic by meeting the consumers' needs in a better fashion and by improving the overall shopping experience.

The following table sets forth, for the periods indicated, the revenues from ordinary activities of our shopping centers per country:

	Year ended December 31,		
	2016	2015	2014
	(in millions of Ch\$)		
Revenues from ordinary activities			
Chile	139,408	134,018	120,734
Argentina	70,370	86,134	66,589
Peru	20,001	18,867	17,438
Colombia	8,944	9,007	10,089
Total	238,722	248,026	214,850

Chile

In Chile, Cencosud is the second largest mall operator, and owns and operates 25 shopping centers with 98.2% occupancy and with over one million square meters in total GLA, under the following formats Mega Center, Regional, Neighborhood, Strip Centers and Power Centers.

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The shopping centers are located throughout Chile, having nine shopping centers located in Santiago and 16 other regions. During 2012 we opened Costanera Center, the first mixed-use Mega Center in Chile and one of the largest and most successful in the Latin American shopping center industry. The waterfront project also comprises four office towers and a hotel, within the project. On August 5, 2015, Cencosud received authorization to commercialize the first 15,000 square meters of the office towers of Costanera Center, which were distributed among towers 2 and 4 of the complex. On August 11, 2015 the Company opened Sky Costanera, a sky deck located on floors 60 and 61 of the Costanera Tower.

Additionally Cencosud operates a mega center in Santiago, one regional shopping centers, eight neighborhood shopping centers in Santiago and the rest of the country under the brand Portal (e.g. La Dehesa, La Florida, Nuñoa and La Reina, Bellotto, Rancagua, Talcahuano, Temuco, Osorno) and fifteen Power Center.

The following table shows certain information regarding the shopping centers we own in Chile as of and for the year ended December 31, 2016.

<u>Chile</u>	<u>Number of Malls</u>	<u>GLA Total</u>	<u>GLA Third Parties</u>	<u>GLA Related Parties</u>
			(square meters)	
Mega Center	1	152,667	115,740	36,927
Regional	1	117,920	74,559	43,362
Neighborhood	8	471,604	211,859	259,745
Power Center	15	359,025	19,407	339,618
Total	25	1,101,216	421,564	679,652

Argentina

Cencosud is the leader in the shopping center industry in Argentina in terms of GLA that totaled over 740,000 square meters in the country, with 22 shopping centers with 97.2% occupancy. In Argentina, Cencosud owns and operates five different formats: regional, neighborhood, factory, power centers and strip center. Unicenter, based in Buenos Aires, is the main regional shopping center in the country. Cencosud also operates 11 neighborhood shopping centers under the brand Portal, three factory, six power centers and one strip centers.

Marketing strategies and advertising, along with the creation of an attractive and efficient operational mix, have positioned us at the top in terms of brand recognition as evidenced by the rankings compiled by various industry magazines.

Each of our shopping centers in Argentina has a Jumbo hypermarket or a Disco or Vea supermarket, and all except Unicenter have an Easy home improvement store. We seek to “anchor” shopping centers around Jumbo and Easy stores and to promote the flow of consumers to such destinations by including other tenants that complement the services and merchandise offered by Jumbo and Easy stores. Unlike Chilean shopping centers, shopping centers in Argentina typically do not have anchor department store tenants.

The following table presents certain information regarding the shopping centers we own in Argentina as of December 31, 2016.

<u>Argentina</u>	<u>Number of Malls</u>	<u>GLA Total</u>	<u>GLA Third Parties</u>	<u>GLA Related Parties</u>
			(square meters)	
Regional	1	98,524	74,782	23,741
Neighborhood	11	422,759	151,974	270,786
Factory	3	118,000	34,192	83,808
Power Center	6	103,611	15,748	87,863
Strip Center	1	5,000	507	4,493
Total	22	747,894	277,203	470,691

Peru

In Peru, Cencosud owns and operates four malls, with a GLA of 123,144 square meters with 90.5% occupancy, a regional shopping center called Plaza Lima Sur located in Lima, a neighborhood mall in the city of Arequipa, called Arequipa Center and two Strip Centers in Lima.

The following table presents certain information regarding the shopping centers we own in Peru as of December 31, 2016:

<u>Peru</u>	<u>Number of Malls</u>	<u>GLA Total</u>	<u>GLA Third Parties</u>	<u>GLA Related Parties</u>
			(square meters)	
Regional	1	75,897	43,634	32,263
Neighborhood	1	30,280	17,075	13,204
Strip Center	2	16,968	10,481	6,486
Total	4	123,144	71,191	51,953

Colombia

In Colombia, Cencosud has a majority stake in two shopping centers, El Limonar Shopping Center in the city of Cali with 159 stores and Shopping Center Santa Ana with 48 stores in the city of Bogotá, altogether totaling 43,184 square meters of GLA with 36.4% of occupancy.

Colombia	Number of Malls	GLA Total	GLA Third Parties	GLA Related Parties
Local	2	43,184	8,890	34,294
Total	2	43,184	8,890	34,294

Financial Services

General

Our financial services division was established in 2003 in Chile when we launched our “Jumbo Más” credit card. With our acquisition of Paris in 2005, we obtained our predecessor’s credit card accounts and thus significantly expanded our credit card business. Our strategy is to achieve higher penetration of our credit card business as we encourage consumers to use our credit cards rather than third-party cards, such as Visa or MasterCard. In Chile, during the year ended December 31, 2016, 32.6% of total sales in department stores, 12.7% in hypermarkets and supermarkets and 22.2% in home improvement stores, were paid with one of our credit cards. As of December 31, 2016, we had over 5.9 million active credit card accounts. Our financial services operations also include joint ventures in Brazil, Colombia and Chile.

The following table sets forth, for the periods indicated, the revenues from ordinary activities from our financial services operations per country, as of December 31, 2016:

	Year ended December 31,		
	2016	2015	2014
	(in millions of Ch\$)		
Revenues from ordinary activities (continuing operations)			
Chile(36)	1,788	3,074	330
Argentina	111,093	103,034	67,796
Brazil(37)	1,920	5,057	3,843
Peru	59,002	49,001	42,814
Colombia(38)	3,880	5,654	8,095
Total	177,683	165,820	122,878

Credit Risk from the credit card business.

Given the relative importance of our exposure to the credit card business as compared to total maximum credit risk exposure, Cencosud has targeted its credit risk management toward developing a management model for its own credit cards as well as the banking business that is consistent with the Company’s strategic guidelines and the profiles of its credit transactions. The model takes into consideration the large-scale and fragmented nature of the cardholder portfolio and is structured in terms of cardholder selection, portfolio management and recovery of cardholders in default.

Business Definition

The financial services business is defined as one more element of Cencosud’s value offering, which complements the comprehensive product and service offerings the Company provides through each of its retail business units and is aimed at building long-term relationships with our customers. The largest percentage of the financial retail business corresponds to the Cencosud Credit Card in Chile, which has been operating for more than 15 years. In order to continue the development of this business the Company entered the Joint Venture Framework Agreement. In other markets the Company had already established joint ventures in order to complement its value offering for consumers in Brazil with Banco Bradesco, in Colombia with Banco Colpatría, and in Chile with Banco Scotiabank.

Risk Model

Foundations:

The Risk Management Model is tightly linked to the large-scale and fragmented nature of the retail cardholder portfolio with a very large volume of cardholders (more than 6,000,000 in the region).

(36) Joint venture with Scotiabank since May 2015.

(37) Joint venture with Banco Bradesco.

(38) Joint venture with Colpatría.

In this context, the challenge lies in managing the cardholder portfolio and its associated risk, building long-term relationships with cardholders and making the value proposition and the retail business sustainable over time. Risk management is structured to ensure:

- Optimum cardholder selection.
- Optimum portfolio management, which involves activating, strengthening, retaining, reducing and containing the portfolio card holders.
- Optimum collections management for cardholders in default, maximizing recovery with high standards of quality and service, without affecting the comprehensive bond with Cencosud's customers.

Cardholder management efforts are broadly targeted to include all customers, from our target market to prospective customers, including those with or without retail purchases, with or without credit card movements and with or without payments in default.

a. Key Risk Management Factors

The large-scale and fragmented nature of the business determines portfolio management, in which the following key risk management factors are key:

- Automation and centralization of decision making.
- Customer segmentation.
- Management of information and earnings projections.
- Collections management.
- Large-scale and selective control model for credit and collections circuit.
- Provision models to cover portfolio risk in line with Basel II standards.

Automation and centralization of decision making: credit and collections decisions are large-scale and automated and only specific cases are analyzed by very specialized personnel. The Company features world class risk management and collections systems, including Capstone Decision Accelerator (CDA), TRIAD, Model Builder (from Fair Isaac Corporation - FICO) and Cyber Financial (from Inffinix), among others.

Customer segmentation: processes are segmented, differentiated by strategy and action tactics per risk profile, activity level and likelihood of occurrence, among others.

Management of information and earnings projections: the Company manages comprehensive information and statistical models on all relevant business and customer variables, which allows it to make timely, prognostic decisions.

Collections management: the Company has one sole collections model for managing collections for retail cards, which uses an outsourcing collection model to efficiently recover debt through quality management of debtors.

Large-scale and selective control model for credit and collections circuit: the Company has large-scale controls over all phases of the credit and collections process, from its centralized processes to its point-of-sale and collections processes.

Provision models to cover portfolio risk in line with Basel II standards: the Company has different provisions models that adhere to local regulations in each country as well as Basel II standards, in order to most adequately reflect cardholder portfolio risk. External variables which affect payment behavior are also included in statistical models for estimating provisions. The Company is making progress in each country on implementing anti-cyclical provisions based on industry best practices, having started with Chile and Peru and, in 2012, Argentina. It also uses back testing to periodically monitor the sufficiency of the provisions it establishes. Lastly, the Company has a corporate governance strategy that includes, among others, local Risk Committees for each country and a Corporate Risk Committee in which directors and senior executives participate. These committees have the following objectives, among others:

- Monitor the business's main risk indicators.
- Monitor the correct functioning of policies and credit and collections processes.
- Authorize entry into new markets and/or new products that impact risk.
- Authorize provisions models and monitor sufficiency.

Chile

Credit cards

On June 20, 2014, we entered into the Joint Venture Framework Agreement with Scotiabank to develop, on a joint basis, the retail finance business in Chile. Under this agreement, we believe that 2.5 million cardholders will benefit from easier access to new products and financial services and the expertise of Scotiabank, while receiving the Company's client benefits at our Jumbo, Santa Isabel, Easy, Paris and Johnson stores and shopping centers. See "Item 4. Information on the Company — A. History and Development of the Company — History."

In May 2015, we implemented the agreement and since then, we operate our financial services division in Chile through a joint venture with Scotiabank, under which they operate our Cencosud Credit Card, one of the largest private label credit cards in the country. Since May 2015, we granted Scotiabank the exclusive right to issue and operate the Cencosud Credit Card within our stores in Chile, as well the exclusive right, within Cencosud stores in Chile, to offer consumer loans, purchase financing and insurance on products.

The following table sets forth the credit cards sales from continuing operations by Hypermarkets, Supermarkets, Home Improvement and Department Stores businesses in Chile and the percentage that such sales represent of each store's total sales for the periods presented:

	Year ended December 31,	
	2014	
	Sales	%
	(in millions of Ch\$, except percentages)	
Hypermarkets	293,222	17.5%
Supermarkets	69,978	6.2%
Home Improvement	115,262	20.7%
Department Stores	400,536	43.6%
Total(39)	926,946	21.2%

The table below sets forth information with respect to our credit card receivables in Chile:

Portfolio Status	Year ended
	December 31,
	2014
	(in millions of Ch\$, except percentages)
Performing(40)	351,532
Past due:	
31-89 days	18,425
90-180 days	14,752
181-365 days	0
Total	384,709
Over 365 days and legal proceedings(41)	
Loan loss allowance as % of past due loans	61.9%
Loan loss allowance as % of all loans(42)	5.3%

The following table sets forth certain information regarding our non-performing loans and write-offs, for the periods indicated:

	Year ended December 31,	
	2014	
	Sales	%
	(in millions of Ch\$, except percentages)	
Non-performing loans as % of total loans	8.60%	8.48%
Total write-offs	41,382	57,018
Average monthly write-offs as % of total loans	0.90%	1.07%

(39) Includes value added taxes

(40) Performing loans not past due more than 30 days

(41) Entire portfolio written off. These claims are subject to a 100% allowance.

(42) Loan loss allowance does not include Ch\$3,533 million of anti-cyclical provisions.

Insurance brokerage

We entered into the insurance business to complement our credit card offerings, offering extended warranties for certain of the electronic products sold at our stores. We also offer other attractive insurance plans to our existing retail customers. Our insurance activities focus on the sale of life, medical, unemployment, home and car insurance, in simple formats and at accessible rates focusing on underserved socio-economic segments. Our insurance products are sold through our distribution channels and are supported by telemarketing and personalized marketing to customers in Paris and Jumbo stores. During the years ended December 31, 2015 and 2014, our insurance activities in Chile generated revenues from ordinary activities of Ch\$ 2,414 million and Ch\$11,438 million, respectively, representing less than 1% of our consolidated revenues from ordinary activities for such periods. These figures do not include extended warranty proceeds, which are booked in the retail division.

Argentina

Credit cards

In Argentina we operate a credit card business for each of our retail brands. The Argentine market for financial services is served by domestic and foreign private banks, public sector banks, credit card operators and retailers. In April 2007, we entered the financial services and insurance markets in Argentina through the launch of our “Tarjeta Más.” As of December 31, 2016, we had issued 1.5 million active credit cards. For the year ended December 31, 2016, revenues from our proprietary cards in Argentina represented 1.1% of our total revenue. Through our Cencosud credit card, we have increased the purchasing power of our middle and low-income clients, who generally do not have credit with other institutions, and are generally unable to bear the fixed costs charged by other credit cards. The following table sets forth the credit cards sales by Jumbo, Disco and Veá, and Easy in Argentina and the percentage that such sales represent of each store’s total sales for the periods presented:

	Year ended December 31,					
	2016		2015		2014	
	Sales	%	Sales	%	Sales	%
	(in millions of Ch\$, except percentages)					
Supermarkets (Jumbo)	103,768	19.9%	135,639	19.4%	115,071	20.8%
Supermarkets (Disco & Veá)	98,240	6.6%	119,203	6.0%	90,474	5.4%
Home Improvement (Easy & Blaisten)	195,117	25.9%	230,810	23.7%	158,058	21.3%
Total	397,126	14.4%	485,653	13.3%	363,604	12.2%

The following table sets forth certain information regarding our non-performing loans and write-offs in Argentina, for the periods indicated.

	Year ended December 31,		
	2016	2015	2014
	(in millions of Ch\$, except percentages)		
Non-performing loans as % of total loans	3.6%	4.2%	3.8%
Write-offs(43)	6,088	3,575	2,746
Average monthly write-offs as % of total loans	0.15%	0.11%	0.10%

The table below sets forth information with respect to our credit card receivables in Argentina:

Portfolio Status	Year ended December 31,		
	2016	2015	2014
	(in millions of Ch\$, except percentages)		
Performing(44)	318,728	255,829	211,947
Past due:			
31-89 days	6,648	8,072	5,855
90-180 days	5,281	3,140	2,590
181-365 days	—	—	—
Total	330,648	267,041	220,392
Over 365 days and legal proceedings(45)			
Loan loss allowance as % of past due loans	91.8%	71.7%	94.6%
Loan loss allowance as % of all loans	3.3%	3.0%	3.6%

(43) Write-offs are presented net of recoveries, which as of December 2016, 2015 and 2014 amounted to Ch\$4,245 million, Ch\$3,678 million and Ch\$4,486 million, respectively. For 2014, gross write-offs was Ch\$7,232 million.

(44) Performing loans not past due more than 30 days.

(45) Entire portfolio written off. These claims are subject to a 100% allowance.

Insurance brokerage

We entered into the insurance business to complement our credit card offerings, offer extended warranties for certain of the electronic products sold at our stores and to offer other attractive insurance plans to our existing retail customers. In Argentina we offer insurance brokerage in the following areas: personal coverage, life insurance, homeowners and renters insurance, auto insurance, fraud insurance, health insurance, unemployment insurance, extended warranty coverage, pet insurance and others. The products are sold in our own retail chains and are also available via telemarketing through our call center. The insurance business has experienced substantial growth in recent years, and we believe it will continue to grow as new products are introduced and use of insurance in Argentina becomes more widespread. At December 31, 2016, our insurance brokerage operations in Argentina accounted for less than 1.0% of our consolidated revenues from ordinary activities.

Brazil

In Brazil we operate our financial services through a joint venture with Brazil's Banco Bradesco, under which they operate our Credi-Hiper card, one of the largest private label credit cards in the northern region of Brazil. In 2011, we also granted Banco Bradesco the exclusive right to issue and operate our Cencosud Card (*Cartão Cencosud*) within our stores in Brazil, consumer loans, purchase financing and insurance products.

Our relationship with Banco Bradesco began in May 2006, when GBarbosa entered into a five-year operating agreement with Banco Bradesco to jointly operate Credi-Hiper. Credi-Hiper was developed 29 years ago as a key tool used to maintain the loyalty of GBarbosa's clients and generate a significant portion of GBarbosa's revenues. In August 2011, GBarbosa amended and restated the agreement with Banco Bradesco and expanded its scope.

Pursuant to the amended and restated agreement, Cencosud Brasil Comercial, which operates our GBarbosa stores in Brazil, Bretas, Mercantil Rodrigues, Perini and Cencosud Brasil entered into a joint venture agreement with Banco Bradesco pursuant to which Banco Bradesco agreed to offer financial services in Cencosud stores in Brazil. Banco Bradesco was also granted a right of first refusal, subject to certain limitations, if we decide to offer certain additional financial services in its stores in Brazil. Banco Bradesco also has the right to require Cencosud Brasil to engage Banco Bradesco to manage all of its payroll processing and related services, as long as the price, terms and conditions of such payroll services are competitive, as assessed by us. Additionally, the parties agreed to enter into an agreement setting forth terms and conditions for our stores to operate as Banco Bradesco representatives for processing payment of credit card bills. We also granted to Banco Bradesco a limited, non-assignable, trademark license, for the use of certain of our trademarks on the Cencosud Card.

With the exception of certain fees charged by Banco Bradesco from customers, the net revenue from the Cencosud credit card operation and the provision of certain other financial services is to be shared equally between Banco Bradesco and us, and we bear 50% of the credit risk associated with the credit cards operated pursuant to this agreement, including defaults in payment and losses. The term of this agreement is 16 years from the execution date, but it can be terminated at any time subject to the payment of certain penalties.

We believe our long-term partnership with Banco Bradesco facilitates the sustainable growth of our financial services segment in Brazil by providing a number of competitive financing alternatives and affordable financial services products to our clients. As of December 31, 2016, we had approximately 1.194 million active credit card accounts in Brazil.

In the year ended December 31, 2016, 0.02% of our gross revenues in Brazil were derived from our financial services business carried out through *Cartão Cencosud* cards. Through these cards, we have increased the purchasing power of our middle-income and low-income clients, who generally do not have credit with other institutions, and are generally unable to bear the fixed costs charged by other credit cards. These cards do not currently have administrative fees, are accepted only in our stores and allow our clients to purchase food and non-food products. We believe that without access to these cards, many of our clients would not be able to afford purchases of higher-priced non-food items. Despite the poor credit background of some of our clients, these cards have low delinquency rates.

Colombia

In Colombia, we operate our financial services through a joint venture with Colombia's Banco Colpatria "Colpatria". Under this agreement, Colpatria is entitled to market private label and cobranded cards in all of Colombia. Private label cards are only accepted in Cencosud Colombia stores while those that are co-branded are internationally accepted. This agreement commenced prior to our acquisition of Carrefour's supermarket operation in Colombia. Pursuant to the agreement, Colpatria is given selling space in all of our stores to market its financial services to store costumers. Promotional and marketing efforts for this joint venture are carried out by both parties.

Colpatria is responsible for all administrative processes related to the execution of the business such as the approval and upkeep of all credit facilities granted to clients and collection of receivables. Handling of the loan portfolio is the responsibility of Colpatria and all related efforts must be carried out in compliance with rules and under the supervision of the Superintendencia Financiera de Colombia ("SuperFinanciera") or any other regulatory body governing the business being carried out. Results from the financial business in Colombia for the year ended December 31, 2014 were included in the supermarket segment. For the years ended December 31, 2015 and 2016 results were included in the financial services segment.

Profits or losses derived from this joint venture are distributed equally between the parties on a quarterly basis. This joint venture had a term of five years from 2012 being automatically extendable for an additional one year if neither party notified the other six months prior to the original termination date. On September 29, 2016, we renewed the JV agreement with Colpatria (a subsidiary of Scotiabank) to jointly develop the financial retail business in Colombia. The agreement is a 15 year term contract which involves a one-time payment from Colpatria to Cencosud, and the distribution, in equal parts, of future business profitability. Our financial services operations have a total of 552 thousand active credit cards in Colombia.

Peru

We aim to provide financial solutions to our customers in order to make our credit cards the primary form of payment used in our supermarkets and department stores in Peru.

In August 2011, we launched our own private label credit card in Peru and we are expanding our offerings of financial services. The credit cards are operated through our supermarkets in Peru. In 2011, Cencosud created Banco Cencosud in Peru. In June 2012, we received the operation license from the SBS, and started operations in August 2012 through our Cencosud credit card. Our financial services segment also includes insurance brokerage services in Argentina, Chile, Brazil and Peru. Cencosud has a total of 626 thousand active credit cards in Peru as of December 2016. In addition to our private label cards, Cencosud offers Visa and Mastercard credit cards. Currently 97.0% of our portfolio is under this type of card.

The table below sets forth information with respect to our credit card receivables in Peru:

	Year ended December 31,		
	2016	2015	2014
	(in millions of ChS, except percentages)		
Portfolio Status			
Performing	96,744	88,527	64,189
Past due:			
31-89 days	4,311	3,525	3,564
90-180 days	4,772	3,554	2,142
181-365 days	224	94	27
Total	106,051	95,701	69,923
Over 365 days and legal proceedings			
Loan loss allowance as % of past due loans	87%	83%	83%
Loan loss allowance as % of all loans	7.7%	6.2%	6.8%

The following table sets forth the credit cards sales by Paris, Metro and Wong in Peru and the percentage that such sales represent of each store's total sales for the periods presented:

	Year ended December 31,					
	2016		2015		2014	
	Sales	%	Sales	%	Sales	%
	(in millions of ChS, except percentages)					
Department Stores	29,991	38.0%	22,742	32.6%	16,428	35.4%
Supermarkets	122,691	13.0%	108,042	11.1%	91,246	15.5%
Total(46)	152,682	14.9%	130,784	14.8%	107,674	17.9%

Other Operations

Electronic stores

As of December 31, 2016 we also operated 77 Eletro-show electronic goods stores in the state of Sergipe in Brazil, through which we sell non-food items. The first Eletro-show store was opened in December 2005. Our Eletro-show stores are operated in small cities where the opening of a traditional store is not viable. This original and cheap format of store contributes to the enhancement of the GBarbosa brand in cities where we do not have other GBarbosa stores.

Our Eletro-show stores consist of small show rooms with up to a dozen products on display plus an online catalogue accessible at the store through in-store computers. Eletro-show stores have an average selling space per store of less than 100 square meters. The main target market is low- and middle-income classes of consumers, who do not have access to internet at home, are not used to making virtual purchases, and do not reside near one of our traditional stores. The store has a number of computers where potential clients can access a wide range of products. Our sales people are available to support the customers in the selection and purchase of desired products. We only sell non-food products in the kiosk. Once a customer places an order for products, we assure delivery within 48 hours. The Eletro-show stores have a separate space for community activities, which enables us to attract more customers. We intend to continue installing kiosks in select locations where there is appropriate demand. At December 31, 2016, our Eletro-show stores accounted for less than 1.0% of our consolidated revenues from ordinary activities.

The results of our Eletro-show stores are reported under our "supermarkets" segment in our financial statements.

(46) Includes value added taxes.

Pharmacies

We also operated 49 pharmacies in Brazil under the GBarbosa brand as of December 31, 2016, which are located inside or adjacent to our GBarbosa supermarkets. At December 31, 2016, our GBarbosa pharmacies accounted for less than 1% of our consolidated revenues from ordinary activities. The results of our GBarbosa pharmacies are reported under our “supermarkets” segment in our financial statements.

As of December 31, 2015, we operated 47 pharmacies in Peru under the Punto Farma Wong and Punta Farma Metro brands, which are located inside or adjacent to our Wong and Metro supermarkets. At December 31, 2015, our Punto Farma pharmacies accounted for less than 0.2% of our consolidated revenues from ordinary activities. The results of our Punto Farma pharmacies are reported under our “supermarkets” segment in our financial statements. On February 10 2016, Cencosud announced the sale of 47 pharmacies in Peru to Mifarma. These pharmacies operated inside our Wong and Metro supermarket stores. The deal included the transfer of assets and leasing of the stores for a period of 10 years starting in March 2016.

As of December 31, 2014, we operated 39 pharmacies in Colombia under the FarmaSanitas brand, which are located inside or adjacent to our supermarkets acquired from Carrefour in Colombia. At December 31, 2014, our FarmaSanitas pharmacies accounted for less than 0.2% of our consolidated revenues from ordinary activities. The results of our FarmaSanitas pharmacies are reported under our “supermarkets” segment in our financial statements. On November 4, 2015 Cencosud announced the agreement to sell 39 pharmacies that the group operated within its supermarkets in Colombia, to Cruz Verde.

Gas stations

We operate 12 gas stations in Brazil, under the Bretas brand, which are located inside or adjacent to our Bretas supermarkets. At December 31, 2016, our Bretas gas stations accounted for less than 1.0% of our consolidated revenues from ordinary activities. The results of our Bretas gas stations are reported under our “supermarkets” segment in our financial statements.

We also operate 40 gas stations in Colombia, under the Terpel, Texaco, Chevron and Biomax brands, most of which are located inside or adjacent to our supermarkets in Colombia. At December 31, 2016, our gas stations in Colombia accounted for less than 1.0% of our consolidated revenues from ordinary activities. The results of our gas stations in Colombia are reported under our “supermarkets” segment in our financial statements. Cencosud is currently in the process of divesting from these assets and conducting environmental due diligence on the properties.

Entertainment centers

In Chile and Argentina, we operate seven family entertainment centers under the Aventura brand. Our Aventura entertainment centers offer arcade games, mechanical games, bowling lines, 3D games and even an indoor roller coaster in our Aventura center at Florida Center in Santiago. At December 31, 2016, our Aventura entertainment centers accounted for less than 1.0% of our consolidated revenues from ordinary activities. The results of our Aventura entertainment centers are reported under our “Other” segment in our financial statements.

Loyalty programs

General

For the last 14 years we have invested in loyalty programs designed to reward, retain and attract new customers. Our loyalty programs allow us to develop customer consumption databases which enable us to enhance our merchandise selection and to more effectively target our marketing efforts. Further, our loyalty programs allow us to enhance customer retention by improving our understanding of the buying patterns and preferences of our customers.

Our loyalty programs allow customers to benefit by accumulating points from the purchases they make in our different stores as well as purchases they make with our affiliates, which can then be used to acquire products listed in special catalogues and sold in our stores. In 1999, we started with Jumbo Más and, in 2006, after significant growth in our operations due to several acquisitions; we migrated to a multi-sponsor program named Circulo Más. In 2010, we launched the Nectar loyalty program through a partnership with Groupe Aeroplan Inc. (“Groupe Aeroplan”), a leading loyalty management and customer insights company. In 2014, the alliance between Cencosud — and Aeroplan changed regarding the use of the brand. We decided to develop our own loyalty program, Puntos Cencosud, which was launched on March 28, 2014 with new benefits for customers: including simplifying the redemption system by allowing consumers to redeem loyalty benefits by presenting their ID cards and, the incorporation of Johnson department stores as well as Eurofashion with its brands Umbral, Foster, Topshop, Topman, u*Kids, Moon by Foster, JJO, Legacy and Women Secret, as new sponsors. Starting April 1, 2014 customers will earn additional loyalty points at these locations and will be able to redeem their points during the second semester. The new program additionally offers extra bonus points for the use of Cencosud’s private label credit card.

The program is already operating in Colombia and Chile. We are currently planning to replicate the business model in the other countries of the region.

We believe that our loyalty programs strengthen our relationship with our customers and believe that a substantial majority of our sales come from loyalty clients.

The results of our loyalty programs are reported under our “Other” segment in our financial statements.

Chile

We offer our Puntos Cencosud loyalty programs in Chile. As of December 31, 2016, we had over three million active loyalty members in Chile, and as of the same date, 72.7% of our sales in Chile came from loyalty club members.

The following table sets forth certain information regarding our loyalty program sales by each of our divisions in Chile(47), for the periods indicated.

	Year ended December 31,					
	2016		2015		2014	
	Sales (W/tax)	%	Sales (W/tax)	%	Sales (W/tax)	%
	(in millions of Ch\$, except percentages)					
Supermarkets	3,113,810	73.6%	2,989,119	74.5%	1,673,103	84.0%
Home Improvement	518,505	65.9%	501,122	63.4%	442,895	68.0%
Department Stores	1,193,111	74.4%	1,130,978	74.2%	922,445	79.0%
Total	4,825,425	72.7%	4,621,220	73.0%	4,172,197	75.0%

Argentina

In Argentina we also offer our Jumbo Más and Vea Ahorro loyalty programs. As of December 31, 2016, we had almost two million loyalty club members in Argentina and, as of the same date, 64.5% of our supermarket sales in Argentina came from loyalty club members. Our Home Improvement stores do not have a loyalty program.

The following table sets forth certain information regarding our loyalty program sales(48) by each of our divisions in Argentina, for the periods indicated.

	Year ended December 31,					
	2016		2015		2014	
	Sales (W/tax)	%	Sales (W/tax)	%	Sales (W/tax)	%
	(in millions of nominal Ar\$, except percentages)					
Supermarkets	20,264	64.5%	16,518	61.0%	13,457	59.2%
Total	20,264	64.5%	16,518	61.0%	13,457	59.2%

Peru

In Peru, we are members of the Bonus loyalty program, with a 42.5% ownership. Bonus is a leading multi-participant loyalty program that develops and manages loyalty and incentives programs through a system that rewards customers by giving them points for their purchases in any of our stores that later can be exchanged for other products. At the same time, it allows us to administer a database for marketing campaigns directed to specific segments.

The following table sets forth certain information regarding our loyalty program sales(49) by each of our divisions in Peru, for the periods indicated.

	Year ended December 31,					
	2016		2015		2014	
	Sales (W/tax)	%	Sales (W/tax)	%	Sales (W/tax)	%
	(in millions of S/., except percentages)					
Supermarkets	3,189	76.3%	3,167	75.0%	3,162	76.1%
Department Stores	203	60.8%	—	—	—	—
Total	3,392	75.1%	3,167	75.0%	3,162	76.1%

Colombia

In Colombia we launched our loyalty program in February 2014 with 100% percent ownership of the program. Our loyalty program in Colombia has quickly become widely used by our shoppers achieving very impressive penetration levels with 74.6% of our sales coming from loyalty members. This program manages loyalty and incentives programs through a system that rewards customers by giving them points for their purchases in any of our stores that later can be exchanged for other products. At the same time, it allows us to administer a database for marketing campaigns directed to specific segments.

(47) Percentage that such sales represent of total sales by each of our stores in Chile.

(48) Percentage that such sales represent of total sales by each of our stores in Argentina.

(49) Percentage that such sales represent of total sales by each of our stores in Peru.

The following table sets forth certain information regarding our loyalty program sales(50) by each of our divisions in Colombia, for the periods indicated.

	Year ended December 31,					
	2016		2015		2014	
	Sales (W/tax)	%	Sales (W/tax)	%	Sales (W/tax)	%
	(in millions of Ch\$, except percentages)					
Supermarkets	3,709,007	73.6%	3,524,785	71.7%	3,438,902	64.4%
Home Improvement	282,632	55.0%	227,879	56.9%	210,276	48.1%
Total	3,991,639	74.6%	3,752,664	70.8%	3,649,178	63.6%

Brazil

In Brazil we launched our loyalty program in November 2015 through an alliance with Dotz in our Prezunic stores. Our loyalty program in Colombia has quickly become used by our shoppers, achieving high penetration levels, with 64% of our sales coming from loyalty members in 2016.

Retail Consumer Banking

Banco Paris

Since 2005, we have owned Banco Paris, a specialty retail consumer bank in Chile. Banco Paris was formerly the Santiago Express division of Banco Santander Santiago, which we acquired in 2005 and registered as a separate bank under the Banco Paris brand with the *Superintendencia de Bancos e Instituciones Financieras* (the Superintendency of Banks and Financial Institutions, or “SBIF”).

In 2015, Banco Paris’ lending activities shifted to focus primarily on residential mortgage loans and no longer include the range of lending and credit activities it previously engaged in, which were primarily aimed at satisfying the demands for financial services of individuals. As of December 28, 2016, the Bank and Financial Institutions Superintendency (SBIF) authorized Scotiabank Chile to acquire Banco Paris’ assets and liabilities, transferring them to Scotiabank starting from January 1, 2017. Additionally, as of the same date, SBIF approved an anticipated dissolution of Banco Paris and the appointment of a liquidation commission for the activities associated with the termination thereof. As of December 31, 2016, Banco Paris had 12 time deposits and 568 mortgage loans outstanding, all of which were transferred to Scotiabank Chile as of the same date.

To evaluate a customer’s credit risk, Banco Paris uses scoring and other automated systems to determine the customer’s profile and payment capacity in terms of income, education, family obligations, other financial obligations and other factors.

The table below sets forth information with respect to our Banco Paris loan portfolio:

	Year ended December 31,		
	2016	2015	2014
	(in millions of Ch\$, except percentages)(51)		
Portfolio Status			
Performing(52)	8,076	8,756	214,332
Past due:			
31-89 days	735	757	8,549
90-180 days(53)	440	366	6,620
+ 180 days	392	556	499
Total	9,644	10,435	230,000
Loan loss allowance as % of past due loans	10%	10%	85%
Loan loss allowance as % of all loans	2%	2%	6%

Banco Cencosud

In 2011, we established Banco Cencosud in Peru and in June 2012 we received the operation license from the SBS, and started operations in August 2012 through our Cencosud credit card. Banco Cencosud is regulated by the banking, insurance and pensions superintendence of Peru (*Superintendencia de Bancos, Seguros y Pensiones*).

The table below sets forth information with respect to our credit card receivables in Peru:

(50) Percentage that such sales represent of total sales by each of our stores in Colombia.

(51) Includes activities from postponed commissions.

(52) Performing loans not past due more than 30 days. Excludes Chilean credit card portfolio. And includes the effect of the JV transaction with Scotiabank in Chile.

(53) Entire portfolio written off. These claims are subject to a 100% allowance.

	2016	2015	2014
	(in millions of S.S, except percentages)(54)		
Portfolio Status			
Performing(55)	96,744	88,527	64,189
Past due:			
31-89 days	4,311	3,525	3,564
90-180 days	4,772	3,554	2,142
181-365 days	224	94	27
Total	106,051	95,701	69,923
Over 365 days and legal proceedings(56)			
Loan loss allowance as % of past due loans	87.3%	82.8%	82.8%

The table below sets forth information with respect to our credit card receivables in Peru:

	2016	2015	2014
	(in millions of S.S, except in percentages)		
Non-performing loans as % of total loans	8.8%	7.5%	8.2%
Write-offs	16,113	11,406	15,889
Average monthly write-offs as % of total loans	1.3%	1.0%	1.9%

Write offs are presented net of recoveries. Total recoveries amounted to Ch\$ 3,836 million for 2016, Ch\$2,697 million for 2015 and Ch\$247 million for 2014.

Prices

Our price strategy varies depending on the format, market and business unit. For our high-end formats, we seek to offer quality and service while for our mid- and low-income formats; we seek to offer competitive prices without compromising service and quality. In addition, for seasonal items, our strategy is to periodically mark down these items until we have sold all seasonal stock. To ensure the maintenance of competitive market prices, we monitor periodically the prices of our competitors and position our prices to keep our competitiveness. Finally, we also support our prices with special offers and also with discounts through our private label credit cards.

Purchasing

We purchase our products from approximately 13,000 suppliers. No single supplier or group of related suppliers accounts for more than 10% of the total products purchased by us in 2016 on a consolidated basis. In addition to local and regional suppliers, we are also able to import products directly from Asia, where we are able to obtain more favorable pricing, and which in turn allows us to negotiate improved purchasing terms with certain suppliers. We believe that the sources and availability of materials for our retail store operations are adequate and will continue to be so for the foreseeable future. We have not experienced any difficulty in obtaining the types or quantities of the merchandise we require on a timely basis and believe that, if any of our current sources of supplies were to become unavailable, alternative sources could be obtained without any material disruption to our business.

Private Label Business

Private label are brands owned by retailers where the products are sold exclusively in their own stores. We carry our own private label program in both our food-retail and non-food-retail businesses, which allows us to increase the product offering using our own portfolio of brands in addition to national and international brands. The main objectives of our private label program are:

- to provide differentiation and uniqueness to our stores;
- to achieve incremental margin versus the national brands; and
- Increase price competitiveness

In 2008, we started to optimize and streamline our brand portfolio from 70 to 53 brands. We also established a private brand development process, a key performance index (KPI), toured retailers worldwide searching for benchmarks, and created network of suppliers, agencies, consultants and research companies to help develop our private label brands. Our strategy is to develop a portfolio of private brands shared across all countries and business units in order to achieve scale. Then, we segment our brands into megabrands (i.e.: Jumbo), core brands (i.e.: Attimo), specialists brands (i.e.: Alpes), and opening price point brands (i.e.: Maxima). Some brands are shared across different business units for achieving scale in production and communication, while others are sold in one specific business unit, establishing differentiation between our own formats.

(54) Includes activities from postponed commissions.

(55) Performing loans not past due more than 30 days.

(56) Entire portfolio written off. These claims are subject to a 100% allowance.

As a result of these actions, our private label brands continue to grow two to three times faster than the rest of our business, and we expect this trend to continue, not only in term of shares of sales but also adding incremental profitability to our business. The following table sets forth the penetration of private label brands for the year ended December 31, 2016:

<u>Country</u>	<u>Supermarkets- Food</u>	<u>Supermarkets - Non-Food</u>	<u>Home Improvement</u>	<u>Department Stores</u>
Argentina	3.7%	18.0%	11.0%	N.A.
Brazil	1.5%	2.9%	N.A.	N.A.
Chile	6.4%	30.0%	16.2%	30.2%
Colombia	7.2%	8.9%	12.2%	N.A.
Peru	9.7%	28.7%	N.A.	N.A.
Total	5.2%	18.2%	13.2%	30.2%

The increase in penetration of our private label brands in the year ended December 31, 2016 from the year ended December 31, 2015 is set forth in the following table:

<u>Country</u>	<u>Supermarkets- Food</u>	<u>Supermarkets - Non-Food</u>	<u>Home Improvement</u>	<u>Department Stores</u>
Argentina	+0.5%	-1.0%	+0.8%	N.A.
Brazil	+0.6%	-0.5%	N.A.	N.A.
Chile	+0.0%	+1.4%	+0.9%	+0.3%
Colombia	+0.3%	-1.2%	+0.9%	N.A.
Peru	+0.5%	-0.2%	N.A.	N.A.
Total	+0.3%	+0.5%	+0.6%	+0.3%

Distribution

General

Some of our products are delivered directly to our stores by our major suppliers and others are sent to our distribution centers. The use of our own distribution centers allows us to achieve operational efficiencies as suppliers can deliver their products to centralized locations rather than to our many store locations and we can benefit from economies of scale. In the event we experience significant growth outside our current geographic area, however, we may choose to lease additional facilities under similar terms or seek alternatives in order to recognize certain cost efficiencies.

Supermarkets

Chile

For fast-moving and high-volume sales merchandise, national suppliers distribute products directly to each store. For slow-moving groceries, perishable fruits and vegetables and imported products and meat, distribution is centralized through our distribution centers and delivered by third-party transportation companies. Sales from products delivered to our distribution centers accounted for approximately 65% of our sales at December 31, 2016.

We operate in five distribution sites nationwide and three in the Santiago metropolitan region from which we conduct all centralized deliveries to our Jumbo and Santa Isabel stores, including:

- A 41,000 square meter distribution center that operates in three shifts six days a week and is used to deliver non-perishable products. Perishable products were transferred to the new facility in operation since September 2016.
- A 90,000 square meter distribution site used to deliver non-perishable, non-food and textile products. Three quarters of the distribution center are dedicated to imported products and the remainder is used for a cross-docking system of national products that allows products to be shipped in less than 24 hours.
- A 31,000 square meter, brand new central refrigerated warehouse in Santiago commenced operation in September 2016. This facility is equipped with SAP Warehouse Management System (“WMS”) and an automatic sorter and allows for increased centralization of more product categories and increasing availability of such products. It is designed for perishable product cross-docking (fresh vegetables, fruit, and refrigerated grocery) and stock of meat and poultry products and impored fruits). This facility is one of the most modern in the region.
- During the second quarter of 2016, we put in operation a new 15,000 square meter distribution center in Chillán (400km south of Santiago) in order to serve 60 stores in the south of Chile with better lead times and frequency. The new distribution center will also help us achieve important transportation cost savings, due to direct reception of local suppliers and backhaul between Chillán and Santiago. The distribution center is equipped with WMS and SAP Radio Frequency (“RF”), and can receive and store both dry and refrigerated/fresh products.

- A 3,000 square meter cross-docking center in Concepcion (second urban area in Chile), servicing our 19 stores in the city, helping to improve our lead time and service with smaller local trucks.

Frozen products (imported and national) are stored and delivered using a third-party logistics provider.

Deliveries are made using external carriers. Freight contracts are generally signed for three- or four-year periods, and include a rate adjustment based on changes in oil prices, exchange rates and other factors. We periodically solicit bids from external carriers according to our established corporate procurement policy.

Argentina

Distribution to our stores in Argentina is centralized from six distribution centers located in Buenos Aires (3), Cuyo, Córdoba and Tucumán, and transfer sites in Salta, Catamarca, and Mar del Plata totaling 174,000 square meters, which together accounted for 80% of our supermarket sales in Argentina in 2016, including meat and bakery products. Approximately 20% of our products are distributed to our stores directly by our suppliers.

Each distribution center supports between 60 and 120 specific stores in a five to six days a week basis, running both a stock operation of national and imported products and a cross-docking operation for fresh vegetable and fruits, and a share of groceries received from national suppliers. All operations are supported by a warehouse management system and radio frequency technology (consisting of a special chip attached to our products which can be later detected by antennas, allowing real-time knowledge about the location of our products). During 2013 we conducted an important nationwide upgrade of our communication hardware. We also completed and modernized our forklift park.

Real-time order information is transmitted from stores to distribution centers and subsequently to suppliers via our intranet site. This real-time system allows us to optimize product availability and delivery time. In addition, our distribution centers in Argentina have an automatic replenishment system to manage all non-perishable goods, including discount and seasonal goods, which helps maintain proper inventory levels and avoid shortages.

In order to increase our capacity and productivity, we upgraded the WMS software for the central distribution center in Ezeiza Buenos Aires during the second half of 2016.

During 2016, we reduced the size of our distribution center in Córdoba.

All trucks are provided by third-party companies pursuant to one- to three-year contracts. We periodically solicit bids from third-party trucking companies according to our established corporate procurement policy.

Brazil

We currently use three distribution centers for our GBarbosa stores in the north east of Brazil, totaling approximately 65,000 square meters. They are located in Aracaju (35,000 square meters), Salvador da Bahia (23,000 square meters) and Fortaleza (8,000 square meters). Our distribution centers accounted for approximately 80% of our sales as of December 31, 2016. The GBarbosa distribution centers run a dry and fresh goods stock operation. The Aracaju distribution center has been equipped with state of the art SAP WMS and radio -frequency since 2015.

Bretas stores in central Brazil are supported by two distribution centers, totaling approximately 54,000 square meters and a 2,000 square meters warehouse for fresh vegetables in the city of Uberlandia. The two large distribution centers are located in Belo Horizonte (35,000 square meters) and Goiania (17,000 square meters). Both distribution centers store dry goods, vegetables and fresh goods operations. Both distribution centers have staple stock (storage) and cross-docking capabilities, which enable goods received at the distribution center to be stocked and distributed at a later time or distributed immediately to our stores. Products stored or transferred via our distribution centers accounted for approximately 60% of our sales in 2016. Distributions to stores and home deliveries are made entirely by external carriers.

In the Bello Horizonte distribution center a new SAP WMS system with RF successfully commenced operation, increasing productivity and delivery accuracy.

Perini stores in Salvador da Bahia also have their own distribution center located in one store, because of their smaller scale and the higher-quality fresh products offered, Perini stores also receive direct deliveries from suppliers. Perini owns a small fleet of vehicles for distribution to its stores.

Mercantil Rodrigues are stores with high rotation food goods, such as fresh fruits and vegetables, meat and poultry, dairy and others. These stores receive direct deliveries from suppliers.

Our 31 Prezunic stores in the city of Rio de Janeiro are served by a rented distribution center. This distribution center is located in Rio de Janeiro city's center, has an area of 40,000 square meters and has facilities for dry goods, chilled goods and frozen goods. The distributions to stores are made by a standardized fleet of 21 trucks, which we own, with a complete GPS monitoring system and a fleet rented from a third party contractor for the peak season.

Peru

We operate three distribution centers and three warehouses, which support both Wong and Metro supermarkets and hypermarket stores. The main distribution center is a 23,248 square meter site, owned and used for the cross-docking of fresh vegetables, meat and other food products. During 2016 it was renovated, increasing store capacity and quality of the facility. Additional rented distribution centers add 40,000 square meters of storage area, for non-food, textile, imported goods, and for home delivery operations of home appliances and other large sized items. Frozen products are distributed by a third party. The operation is supported by SAP WMS system. In 2016, a more intensive MRP system for warehouse fulfillment was installed.

Cross-docking of national groceries and fresh-products represents approximately 50 % of centralized distribution while a regular in-stock operation is used for distribution of imported products and some categories of national non-food products. We use a SAP-based warehouse management system for our operations. Deliveries are made using external carriers and delivery contracts are negotiated periodically. We also periodically solicit bids from external carriers, according to our established corporate procurement policy.

In Chiclayo (800 km from the north of Lima), we operate a 5,000 square meter distribution center named Chiclayo, which is equipped with WMS SAP and RF and is designed to receive and store dry and fresh goods. The operation allows the capture of freight synergies and improves lead times for 19 stores in the north of the country, which together represent 14% of the Company's sales in Peru.

Colombia

Our distribution operations in Colombia are conducted through a third party that offers storage services and handling of products. Approximately 65% of our goods sold are handled through one of the three different platforms used by our third-party contractor.

Cross docking is used in the cities of Bogota, Cali, Bucaramanga, Barranquilla and Medellin. During 2015 a non-food e-commerce logistical platform was installed in Bogotá, together with big ticket home delivery.

Department stores

We operate one 77,000 square meter distribution center located in Santiago that services all our Paris department stores in Chile. Additionally, there are 16,000 square meters of rented space for temporary overflow, home delivery logistics and reclassifications. Centralized distribution accounts for nearly all of our Paris sales. We use a warehouse management system, RF technology and an automated sorter for cases and certain textiles. In addition, we have another operation in the same distribution center for internet sales and offer special value-added services (packing, gift wrapping and gift cards and others) and deliver the products directly to our customers' homes. In support of our fast-growing click and collect distribution model, by the end of 2016, 39 Cencosud Chile locations will permit in-store pick-up of orders made via internet. In Concepcion (500 km south of Santiago) we operate a 1,300 square meter transfer warehouse for home delivery.

Deliveries are made using external carriers. We have different contracts for each distribution zone and type of service required. Contracts are generally negotiated on a two- to three-year basis. We periodically solicit bids from external carriers according to our established corporate procurement policy.

For the Johnson department store chain, we operate a 21,175 square meter rented distribution center located in Santiago. Centralized distribution accounts for all sales. The distribution is made by third-party contractors. Home delivery operations are shared nationwide with Paris delivery routes and fleet.

In 2015 a new order management system, Manhattan OMS, was introduced. The roll out this new system in 2016 opens the possibility to share inventory data of all stores, which enables omnichannel functionality in our Paris department stores. This capability is planned to start in March 2017.

Distribution for our Paris stores in Peru is handled by a third party in a 15,000 square meter facility.

Home improvement stores

Chile

Our 71,000 square meters distribution center is located in Santiago and accounted for approximately 65% of our Easy sales in 2016. Centralized distribution is mainly supported by a cross-docking system that operates with more than 450 vendors and accounts for two thirds of the distribution operations, while the rest arises from imported stored goods.

Transportation is handled by external carriers. Home delivery transportation contracts are signed for a one- to two-year period. Distribution center-to-store transportation contracts are signed for four years because of the high investment required to customize trucks for optimal load capacity. Special two-story trucks with side load compartments are designed to transport irregular-shape products that are commonly sold in our Easy stores.

An automatic replenishment system manages the stock levels in stores in order to maximize service level and optimize inventory turnover. A new manual sorting machine installed in the second quarter of 2016 in the Santiago's central distribution center is expected to improve labor productivity.

Argentina

We operate four distribution centers located in Buenos Aires for our Easy and Blaisten operations, totaling 80,000 square meters. Easy Argentina also relies on direct deliveries from suppliers to stores.

Centralized distribution includes a regular warehouse operation from stocked merchandise (imported and domestic goods) and a growing cross-docking operation with more than 600 vendors. There is also a home delivery operation which accounted for approximately 50% of sales in 2016.

Transportation is handled by external carriers. Distribution center-to-store transportation and home delivery transportation contracts are negotiated every two years. We periodically solicit bids from external carriers according to our established corporate procurement policy.

A new state of the art central distribution center in Buenos Aires is planned, with engineering and architecture and first land preparation works being completed, the construction is expected to begin in the second quarter of 2017. The new 78,000 square meter facility near Buenos Aires will concentrate the present four distribution centers and temporary rented space, increasing centralization and improved productivity.

Marketing

During 2013, we worked to further develop our Cencosud brand, with two main objectives: (i) consolidating Cencosud as a strong brand, widely recognized across socioeconomic groups and across regions, and (ii) creating a family of brands recognized and valued by our customers, with the endorsement of Cencosud as a seal of quality and reliability.

Our aim is to develop strong brands prepared for competition with global brands, but with an appeal to local consumers. For this, we have an internal consumer research unit that allows us to better understand our consumers' behaviors, attitudes, demographics and trends, providing us with important and valuable information necessary to adjust our marketing strategy in each of our business units in all the countries in which we operate.

Supermarkets

Chile

Consistent with our business strategy, our marketing plan is directed at projecting our image as a hypermarket and supermarket chain which offers value through a combination of high-quality service and competitive prices. In Chile, Jumbo is one of the most valued brands, mainly for its association with quality, variety and service. Our principal marketing themes for our Jumbo hypermarkets in Chile and Argentina are "*Jumbo te da más*" ("*Jumbo gives you more*"). Santa Isabel is a supermarket based on the concept of convenience and closeness with our customers. Our principal marketing theme for our Santa Isabel supermarkets is "*Santa Isabel te conviene día a día*" ("*Santa Isabel is convenient day to day*").

We operate separate, marketing programs for our Jumbo hypermarkets and Santa Isabel supermarkets. Our primary advertising outlets, in addition to point-of-sale marketing, are mass marketing, mainly television and radio, nationwide and regional press, brochures and magazine-type inserts in major newspapers, and we are investing strongly and steadily in digital marketing, including social networks and email marketing. We receive fees from our Chilean suppliers for access to selling space in our hypermarkets and supermarkets and in connection with special promotions and other marketing programs.

Argentina

As in Chile, our marketing strategy in Argentina is directed primarily at increasing net sales and projecting our image as a hypermarket chain which offers high-quality service and competitive prices. Our marketing efforts for Jumbo and Disco in Argentina are, however, aimed more at consumers in the middle and higher income levels. For lower income levels, we operate Vea supermarkets. Located mainly in the provinces, Vea supermarkets are focused on the concept of value priced products and, consequently, financial saving to the retail customer. Our primary advertising outlets in Argentina, in addition to point of sale marketing, are mass marketing, mainly television and radio, nationwide and regional press, brochures and magazine-type inserts in major newspapers, and we are investing strongly and steadily in digital marketing, and email marketing.

Brazil

We believe that we have a very positive image in our customers' eyes where we operate because of our low prices, the quality of our services and the diversity of products. In 2014, Cencosud decided to take marketing to the regional level in Brazil, allowing a higher degree of flexibility in all campaigns released in the country and an increased ability to target certain demographics of the population. Brazil is the only country where Cencosud currently operates with regional marketing because of its operations structure, which is justified by the geographic dispersion and the cultural particularities of the eight Brazilian states where we are present. For that reason, our marketing teams and external publicity agencies meet regularly to analyze and develop marketing strategies aimed at the population of each of our networks (Bretas, GBarbosa, Mercantil Rodrigues, Prezunic and Perini).

Merchandising material has been reviewed to highlight promotional packs and the value saved on purchases, increasing the customers' perception of the advantages of all our brands. Furthermore, we improved promotional execution internally by means of planning, more structured processes, implementation of indicators and higher assertiveness in communications and guidelines transmitted to store teams.

Regionality is a factor that directly influences the creation of the brands' campaigns, since the language used in campaigns is specific to the choice of media for broadcasting (television, radio, newspaper, pamphlet, social networks, among others) and the advertised items. At Perini, for

example, the focus is on premium and handmade products. Prezunic, GBarbosa and Bretas, our main supermarket chains appeal to everyday items. Direct import products in the Sabores do Mundo (Flavors from the World) section are present in our stores that are located in affluent neighborhoods, to serve the most demanding customers. Mercantil Rodrigues, which operates in the cash and carry format, has low prices and variety as a main attraction for customers and is a model that has shown a big growth in Brazil in the recent years.

Buying experience and loyalty are among the priorities of Cencosud in Brazil in order to attract and retain customers. Therefore, in addition to promoting mass media offers, we show support to big events such as Carnival and São João, target our communications and perform customer relationship management as part of our marketing planning goal of bringing brands closer to our customers. With this focus in mind, in 2016, Bretas presented its new campaign, "Bretas, getting better" and held the first edition of the Bretas Customer Meeting, a music and gastronomy event, which brought more than 3,000 people together in the cities of Uberlândia (Minas Gerais) and Goiânia (Goiás), related to the "buy and win" initiative.

We are also innovating other methods of differentiating our stores from others. For example, in summer 2016, the Prezunic Barra store opened the first ice bar in Brazil in Rio de Janeiro. During the 60 days of operation, the space, made entirely of ice, received 5,500 visitors, whose access was guaranteed through "buy and win". In 2016, Perini joined the food trucks trend and took their self-manufactured products to various districts of Salvador (Bahia) in order to be even closer to customers.

Cencosud Card, our private label card, has maintained its strong presence in the advertising campaigns of GBarbosa, Mercantil Rodrigues and Bretas, offering discounts and special payment conditions and contributing to store loyalty.

Peru

Our marketing strategy in Peru is segmented. Our marketing strategy for our Wong brand, which primarily targets the upper-income consumer, relies heavily on well-known newspapers and sponsors and promotes Peruvian products and festivities such as "El Corso," "Evento del Pisco" and others. Our marketing strategy for the Metro brand relies more on mass media, mainly television, which allows us to broadly communicate our offers and value proposition to middle-income families, a growing segment in the Peruvian market. As in Chile, we receive fees from our Peruvian suppliers for access to selling space in our Peruvian stores and in connection with special promotions and other marketing programs.

Colombia

2013 was the year when Jumbo and Metro arrived to Colombia. This entailed the transformation of stores according to each brand's identity and their launch to the market.

In 2014, with the brands already established, our challenge was to work for recognition and to position Jumbo and Metro within each target audience and begin their consolidation. Accordingly, we planned to focus on the following areas:

- Establishing and strengthening the value proposal for each brand through the attributes that distinguish them leveraging on Cencosud's own prestige and recognition among Latin American consumers.
- Building "price image" for Metro and "Quality" for JUMBO, acknowledging those factors as vital drivers for the Colombian market.
- Customizing Jumbo and Metro to Colombian expectations and regionalizing communication in order to better relate to the needs of customers and become ingrained in Colombian society.
- Enhancing the relationship with customers to establish a rapport with consumers and better funnel marketing investments.

Home improvement stores

Our home improvement marketing efforts are directed at projecting our image as a provider of everything, necessary for the home under one roof, from small to large construction projects for the general population, including professional contractors and homeowners. We also educate clients through practical classes at our store locations and digital media. Our marketing strategy reinforces our commitment to offer the best solutions for our customers at the best prices and our private labels and exclusive brands portfolio is an important support to this strategy. It also relies heavily on mass media and recently, and with growing importance, on digital media reinforcing the omnichannel communication strategy. Consistent with our policy of customer satisfaction, we guaranty the lowest price in the market and accept returned products if the client is not satisfied. We consistently focus on making our home improvement stores an even more meaningful brand for the people and the community with a growing focus on sustainability.

Department stores

Our Paris department stores have a complete marketing calendar, with a strong and consistent investment in mass media as well as digital media. Our Paris Facebook page has more than 1.5 million fans. Paris has pioneered the creation of special events for its fans and social media followers. Paris has advertising contracts with well-known international and local celebrities in the local community, positioning Paris as a fashionable, modern and women-oriented brand.

Since 2010, Paris, concerned about its social impact on stakeholders, has organized various projects that positively impacted the community and the environment. "Paris Parade" has become of a fixture of the city of Santiago for the month of December. This event, similar to the Macy's Thanksgiving Day Parade in New York, draws over one million people to Santiago's Main Avenue to watch a parade of large inflatable balloons.

Additionally, in 2013, Paris launched a CSR program called “Ropa x Ropa,” or clothes for clothes, to encourage garment recycling, turning the brand into the main recycling institution in South America. In the same vein, in 2015, Paris launched another CSR program called “Volver a Tejer” or Back to Knit, a collaborative project among Paris, the Chilean government and local knitters and spinners from Chile, which aims to redefining redefine the actual relationship between retailers and local artisans.

Shopping centers

Marketing initiatives for our shopping centers are conducted by each individual brand within its unique positioning: Unicenter, Costanera Center, Alto Las Condes, Plaza Lima Sur and Portal (the umbrella brand for all of our neighborhood shopping centers). Our main marketing objectives are to create 360° marketing campaigns that offer unique and memorable experiences to our consumers and create long term loyalty, as well as increase sales and traffic, with the use of traditional, non-traditional and digital channels. It is our goal to create integrated experiences for our customers. Also, the growth of digital and mobile phones has led us to develop digital platforms that will allow us to implement loyalty initiatives that will target preferences of each individual customer and generate engagement and loyalty.

In line with our marketing objectives, campaigns have been implemented to support consumers in key issues of their lives and within the communities they live in. For example, in Alto Las Condes, the “Breast Cancer Campaign” generates awareness of breast cancer and has seen greater participation from our customers each year. The “Mujeres que Dejan Huella” campaign in Alto Las Condes focuses on empowering women. Our Christmas gift initiative in Chile resulted in the collection of over 50,000 gifts that were given to 14 institutions that gave the gifts to children before the holidays. The Buscadog.cl initiative promoted adoption of street dogs and responsible caring of pets, and resulted in the adoption of over 100 dogs in 2016. These are a few examples of the social responsibility campaigns that are implemented in our shopping centers.

All shopping center promotional and marketing costs are paid by our tenants as part of their monthly maintenance fees. Each tenant’s contribution is proportional to its sales.

Competition

The retail industry is highly competitive and characterized by high inventory turnover, controlled operating expenses and small profit margins as a percentage of sales. Earnings primarily depend upon the maintenance of high per-store sales volumes, efficient product purchasing and distribution and cost-effective store operations and inventory management. Advertising and promotional expenses are necessary to maintain our competitive position in our major markets. We compete principally on the basis of price and, to a lesser extent, location, selection of merchandise, quality of merchandise (in particular perishables), service, store conditions and promotions. We face strong competition from international and domestic operators of supermarkets, department stores, home improvement stores and shopping centers, including Casino, Carrefour, Wal-Mart and Falabella.

The following table provides a brief overview of our competitive position in each of our principal markets as of December 31, 2016:

	Chile	Argentina	Brazil	Peru	Colombia
Supermarkets	2nd	2nd	4th	2nd	3rd
Department stores	2nd	—	—	—	—
Home improvement	2nd	1st	—	—	—
Shopping centers	2nd	2nd	—	—	—

Source: ASACH, ABRAS, Nielsen, competitors’ press releases, and company estimates. Data for Walmart Chile used in the above is based on Walmart Chile’s statistics as of June 30, 2016, the latest date as of which information was made publicly available by Walmart Chile.

See “—Industry Overview and Competition” below for more information about the markets in which we compete.

Management Information Systems

During 2016 our Supermarket information technology division accomplished several milestones, which delivered important business results.

One key aspect that will have long term effects is the decision to leverage the size of Cencosud in the design and deployment of customer solutions by using a single and common approach that will be fine-tuned for each market. This allow us to engage global players for mobile, ecommerce and omnichannel products, such as Globant, Vtex and Nisum, thus enhancing our capabilities and speed in delivering solutions across all countries simultaneously.

In the Argentina supermarket division, we completed WMS implementation and were able to add an additional distribution center. In the ecommerce area, we deployed websites for Disco and Vea, which allowed significant organic growth of the operation. Currently, all three chains have ecommerce operations.

In Peru, we launched the SAP Retail project to replace the current aging system. This is a multimillion dollar solution that will change our business processes and add capabilities across all supply and store functions. This is a key project that will pave the way for future implementations in the region.

In Colombia, we completed the rollout of our new eCommerce suit, VTEX, which will be implemented in Chile, Argentina and Peru during 2017.

In Chile, we started the rollout of the first supermarket sorter, which we expect improve supply operation. We also implemented the first stage of a forecast and replenishment solution based in SAS, which will allow increasing automation of forecasts in all categories. We also implemented IBM's Demandtec system for several pilot categories, which will improve our capabilities for competitive pricing. Furthermore, we are working with Vtex and Globant in the ecommerce and mobile spectrum to rollout our new generation of omnichannel capabilities. Finally, the rollout of the POS based on NCR was completed during the first quarter of 2017.

In Brazil, we made an important investment in technology for our stores. Handheld collectors and mobile printers were delivered across all stores in Brazil, in order to automate the main operational processes. With this new tool, internally known as MAIS+, it was possible to reduce price divergences, increase the availability of products on shelves and improve the processes of receiving merchandise, recording stock-out and checking for upcoming products.

The Home Improvement division continues to advance its omnichannel focus with the implementation of the latest version of IBM's Websphere Commerce tool in Chile, which stands out for improving the user experience and for its mobile version.

In Chile, we completed the implementation of WMS, based on LogFire version of Oracle. The project provides complete and robust visibility of the warehouse and its logistics.

In 2016, the High Excellence in Service (MEXS) program began, which focuses on replacing the sales processes in order to centralize the retail and wholesale processes in a wordclass platform as SAP, using the graphical user platform SAP FIORI and while contributing to the development of the omnichannel model. This program will be rolled out during the first half of 2017.

In 2016, the Department Stores division continued the development of its omnichannel strategy. The main axes of development were related to the implementation of Manhattan OMS, the rollout of the Click & Collect in 40 stores, the implementation of collection points in across our store brands (Jumbo, Easy, Santa Isabel and Johnson). In connection with this strategy, the buy on line, pick up in store ("BOPIS") fulfillment model will continue be developed and will be available during the second quarter of 2017.

As part of the empowerment of the Manhattan tool, OMS also implemented the Supply Chain Intelligence ("SCI") tool, which allows real-time logistic management of order fulfillment.

In addition, the project to replace the current e-commerce site with a new version on a Software as a Service ("SAAS") modality started, this project seeks to enable significant improvements in the customer's purchasing experience as well as improve the conversion rate. As a whole, the project to replace the back-office system (legacy system dating back to approximately 2000) with e-commerce began to be developed. Through this change we seek the optimization of order validation processes as well as the reduction of fraud through the Cybersource tool.

Additionally, the Paris mobile strategy was developed in conjunction with Deloitte.

In Paris Peru, we developed a project to qualify the loyalty program "Bonus," promoting loyalty and granting the ability to exchange accumulated points in stores.

In the physical stores, a technological enabling plan was developed that seeks to provide better service to customers and employees. This plan included installing self-service pricing terminals in all stores in Chile and Peru and providing wifi that is enabled with connected mobile experience ("CMX") technology in 14 stores, which allows us to analyze overall wifi use, better identify wifi zones with the greatest use and explore future possibilities of direct marketing.

In the Shopping Centers division, we extended the use of SAP's Real Estate module, to manage the office leasing business, supporting commercialization of prime locations like Costanera Center office towers. Also in 2016, we adopted an innovative mobile app to give visitors of Costanera's Observation Deck an augmented reality experience of Santiago's skyline.

Leveraging the Oracle's Siebel Loyalty platform investment made in 2015, we successfully integrated our PuntosCencosud.cl website with the Despegar.com travel site, allowing our loyal customer base in Chile to redeem points for air tickets and travel packages, improving the value proposal of the loyalty program.

On the company's back office side, we successfully upgraded the SAP FI/CO regional implementation to the last release, and migrated to a newer HANA technology, achieving important performance gains on execution times on daily activities and financial closing processes, improving overall operational efficiency. In 2017, we expect to enter the final project phase, integrating Brazilian subsidiaries to this regional unified platform.

Aiming at reaching higher levels of efficiency in all back office areas, we also advanced the implementation of SAP's Ariba Sourcing and Contract Management solutions to better support critical procurement processes.

On the human resources side, we continued the deployment of the Cornerstone e-learning SaaS platform in-store and on administrative offices, benefiting more than 40,000 employees on its first stage, already improving reach and reducing cost of training across all business units.

Cyber security

The cyber security strategy is reviewed and updated by the Information Security Committee. We established a dedicated cyber threat management team to monitor operations and infrastructure, to ensure that employees and vendors are working within policy compliance and auditing policies and controls continuously. We updated policies and procedures for employees with access to critical information in order to ensure that they are aware of threat issues and the importance of information security.

Cyber-attack detection systems are in place, including fire walls and intrusion prevention systems. We updated the platform with monitoring & logging tools and cyber intelligence services. The Ethical Hacking program is executed periodically with different levels of penetration, including: websites, ecommerce, app's and perimeter defense to validate the security measures and suggest improvements if necessary.

Additionally, to reinforce a risk-aware culture, we developed an extensive security risk awareness program for all the employees.

The security platform allows us to manage user identities, allocate resources to users and secure access to corporate resources. The Information Security Department and Corporate Audit Department review segregation of duties. Business Process Owners review end users profiles on regular basis to ensure correctness. We have an access management process for all the key applications that support business units based in Chile, Argentina, Peru, Brazil and Colombia.

Property, Plants and Equipment

Our properties include hypermarkets, supermarkets, home improvement stores, department stores, shopping centers and land reserves for the construction of stores and shopping centers. All of our properties are located in Argentina, Brazil, Chile, Colombia and Peru. We believe that all of our facilities are adequate for our present need and suitable for their intended purposes.

We own our headquarters, located at Av. Kennedy 9001, Las Condes, Santiago, Chile. The following table sets forth certain information with respect to our facilities at December 31, 2016:

Segment	Country	Number of stores	Area(57)	% Leased(58)
Supermarkets	Chile	245	578,362	60.8%
Supermarkets	Argentina	282	523,732	55.3%
Supermarkets	Brazil	211	594,855	95.5%
Supermarkets	Peru	91	272,001	49.5%
Supermarkets	Colombia	103	431,232	33.3%
Home Improvement	Chile	35	325,315	11.4%
Home Improvement	Argentina	51	391,546	21.6%
Home Improvement	Colombia	10	82,320	30.0%
Department Stores	Chile	79	377,288	67.4%
Department Stores	Peru	10	55,333	90.3%
Shopping Centers	Chile	25	421,564	98.2%
Shopping Centers	Argentina	22	277,203	97.2%
Shopping Centers	Peru	4	71,191	90.5%
Shopping Centers	Colombia	2	8,890	36.4%
Distribution Centers	Argentina	14	254,703	22.1%
Distribution Centers	Brazil	7	158,885	73.2%
Distribution Centers	Chile	16	404,918	53.6%
Distribution Centers	Colombia	12	45,160	100.0%
Distribution Centers	Peru	12	45,160	100.0%

In addition, we routinely purchase undeveloped properties that we anticipate to use for future supermarket construction, home improvement stores and shopping centers. As of December 31, 2016, we had the following undeveloped properties:

Country	Number of properties(59)	Total area (in square meters)	Ownership
Argentina	75	3,284,711	Owned
Brazil	25	351,087	Owned
Brazil	5	19,120	Leased
Chile	51	2,368,360	Owned
Chile	8	306,747	Leased
Colombia	3	71,681	Owned
Peru	24	132,517	Owned
Peru	6	11,622	Leased
Total	197	6,545,848	

(57) In thousands of square meters.

(58) In the case of shopping centers, the percentage represents the occupancy rate.

(59) Includes properties where construction is ongoing and also office space and other type of properties.

Intellectual Property

The principal trade names and service marks used in our business are *Jumbo, Easy, Santa Isabel, Disco, Vea, Paris, Johnson, Puntos Cencosud, Wong, Metro, GBarbosa, Bretas* and *Prezunic* among others, and their respective logos, covering all major South American markets. We own or have the rights to use the trade names and service marks and the respective logos related to all our marks. We believe that our trademarks, trade names and service marks are valuable assets to us which successfully differentiate us from our competitors.

Insurance

The Company's policy is to maintain suitable insurance, for Cencosud itself and its subsidiaries, on fixed assets (buildings and equipment) and inventories against potential risk. In particular, these assets are covered against, amongst others the risks fire, earthquake, terrorist acts and theft. The Company is also covered for business interruption should any of the above-mentioned incidents occur and for general business liability events. Management believes that our insurance coverage is adequate for our business.

Material Agreements

For a description of the material agreements relating to our indebtedness, please see "Item 5.—Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Indebtedness."

Industry Overview and Competition

Our countries of operation—Argentina, Brazil, Chile, Colombia and Peru—represent a combined population of approximately 348.8 million, according to the latest available data published by the World Bank as of 2015. Chile, our largest market in terms of revenues from ordinary activities, has a population of approximately 18.0 million, experienced GDP growth of 1.8% in 2014 and 2.3% in 2015 and is estimated to have grown 1.6% in 2016, as reported by the Central Bank of Chile. Argentina, our second-largest market in terms of revenues from ordinary activities, has a population of approximately 43.4 million and, according to the Central Bank of Argentina, experienced annual real GDP growth of 2.9% in 2013, 0.5% in 2014 and 2.4% in 2015 and a decrease of 2.3% in 2016. Brazil, our third-largest market in terms of revenues from ordinary activities, has a population of approximately 207.8 million and, according to the Central Bank of Brazil, experienced real annual GDP growth of approximately 3.0% in 2013 and 0.5% in 2014, and GDP contraction of 3.8% in 2015 and 3.6% in 2016. Peru has a population of approximately 31.4 million and, according to the Central Bank of Peru, experienced annual GDP growth of approximately 5.8% in 2013, 2.4% in 2014, 3.3% in 2015 and 3.9% in 2016. Colombia has a population of approximately 48.2 million and, according to the Central Bank of Colombia, experienced annual GDP growth of approximately 4.9% in 2013, 4.4% in 2014, 3.1% in 2015 and 2.0% in 2016.

We have supermarkets in Argentina, Brazil, Chile, Peru and Colombia; home improvement stores in Argentina, Chile and Colombia; shopping centers in Argentina, Chile and Peru; and department stores in Chile and Peru. During the year ended December 31, 2016, 72.5% of our revenues from ordinary activities came from our supermarket operations, 12.5% came from home improvement operations, 10.9% from our department stores, 2.3% from our shopping centers and 1.7% from our financial services.

	Year Ended December 31, 2016					
	Supermarkets	Shopping Centers	Home Improvement	Department Stores	Financial services continuing operations	Other ⁽⁶⁰⁾
Revenues from ordinary activities	7,487,810	238,722	1,294,348	1,126,931	177,683	7,506
Gross profit	1,887,346	207,612	444,980	315,965	117,865	2,763

The Supermarket Industry**Chile**

As of December 31, 2016, we estimate that the Chilean supermarket industry is composed of approximately 1,363 stores nationwide⁽⁶¹⁾, including hypermarkets and supermarkets, compared to 1,394 the previous year, according to the Chilean National Institute of Statistics (INE). As of December 31, 2016, total net sales by supermarkets in Chile grew by 6.1% as compared to the same period in 2015, also according to INE. During the last three years, nominal same-store sales at our supermarkets grew by 4.3%, 4.6% and 3.9% in 2014, 2015 and 2016, respectively.

The Chilean supermarket industry had been characterized by the construction of larger stores (including more hypermarkets), both on a free-standing basis and within shopping centers and other commercial developments, and consolidation of ownership in fewer, larger supermarket chains. Current trends in the industry include increased differentiation among competitors, with some supermarket chains emphasizing a low price/low

(60) See "Item 4. Information on the Company—B. Business Overview" for a description of our "Other" segment.

(61) Supermarket stores with three or more check-outs.

service strategy, while others have pursued a strategy of moderate or higher prices with higher levels of service. Other recent trends in the Chilean supermarket industry have include the development of specialized internet sale channels by major players, increased funding of marketing costs by suppliers, expansion by chains outside the Santiago metropolitan region and to urban areas with lower purchasing power, the growth of private label products, and increased demand for organic products and prepared foods.

As noted above, we believe that the Chilean supermarket industry in Santiago shows certain signs of saturation, and as a result newly opened stores to some extent cannibalize the sales of existing stores. As of December 31, 2016, the industry of supermarkets in Chile in the aggregate generated revenues of Ch\$19,893,755 million. Our growth prospects in the Chilean food retailing sector are likely to depend to a large extent on future growth in Chilean GDP, and we cannot assure you that this will in fact occur. Our competitors include hypermarkets, supermarkets, hard discount stores, self-service stores, traditional, family-owned neighborhood grocers and open markets. Although competition is already intense in many locations, we believe that competition is likely to intensify further as existing competitors expand the number of their stores and improve the quality of their operations and as new competitors enter the market. Competition is based on price, quality, variety, customer service and store location, with various competitors emphasizing these factors to varying degrees.

The following table presents certain information about us and our principal competitors in the Chilean supermarket industry as of December 31, 2016:

	Wal-Mart Chile(62)	Cencosud	SMU	Falabella (Tottus)
Number of stores	358	245	511	61
Total selling space (square meters)	911,000	578,362	591,000	207,000
Market share(63)	40.5%	28.3%	23.6%	7.6%

Source: Public filings, INE.

We estimate that Walmart Chile is the largest supermarket chain in Chile in terms of net revenues and, at June 30, 2016, it operated 358 stores in Chile. Walmart Chile operates four different sizes of stores under different brands, allowing it to target different segments of the market offering a combination of everyday low prices, service and proximity. Walmart Chile entered the Chilean market in January 2008, and due to its association with Wal-Mart, we believe it has greater leverage with its suppliers than us or its other competitors. As a result, it is able to obtain more favorable purchasing terms than us. We estimate that we are the second largest supermarket chain in Chile and according to Nielsen had a 29.3% market share as of December 31, 2016.

Efforts by Chilean retail holding company SMU S.A. (“SMU”) to consolidate over 50 regional food retailers in Chile into a single integrated rival threaten to increase competition in the Chilean supermarket industry. Additionally, in September 2011 SMU announced it had acquired rival Supermercados del Sur, which we estimate was the fourth-largest supermarket chain in Chile in terms of revenues at the time. These consolidation efforts have not yet had a material impact, but we perceive increased risk over the intermediate-to-longer term. We see similar consolidation efforts targeting smaller hardware stores and “do-it-yourself” retailers in the home improvement industry, such as the SMU’s acquisition of Construmart, the third-largest retailer in the Chilean home improvement industry in terms of revenues in our estimation. During 2013 SMU had to amend its financial statements to better reflect lease agreements for its operations. This led to a restructuring of their liabilities. SMU further announced it had resolved to sell Construmart and Monserrat in Chile and Mayorsa in Peru, in addition to several supermarket stores operated under the Unimarc brand. We believe other regional rivals could emerge in the future. In December, 2014 SMU announced it had successfully divested from its 40% stake in supermarket chain Monserrat for a price of U.S.\$ 44.3 million. In January 2017 SMU completed an initial public offering, and we expect that the proceeds would better position it to invest in its supermarkets business, including expansion of convenience stores in Chile.

In January 2016, the Fiscalía Nacional Económica (“FNE”) filed an injunction against the following three companies: Cencosud, Walmart Chile and SMU for alleged collusion between supermarkets. The injunction was based on conduct alleged to have contributed to fixing prices in the chicken fresh meat market. Cencosud was notified on January, 8th, 2016. We answered the complaint rejecting categorically the allegations of the FNE. For Cencosud totally repudiates the allegations and believes every collusion and anti-competitive practice is unacceptable. We generally perceive homogeneity in retail pricing and terms. Chile’s vendor base is largely consolidated, and characterized by oligopoly and monopoly structures that have generally limited procurement power among retailers, despite their perceived scale advantages.

Argentina

Historically, the Argentine supermarket industry was dominated by traditional, family-owned neighborhood grocers (*almacenes*). In the 1980s, supermarkets began to proliferate and the first hypermarkets appeared, a trend that accelerated in the early 1990s with significant expansion of modern supermarket operations, including minimarkets, supermarkets and hypermarkets in urban areas. During the 1990s, consumer grocery purchases at *almacenes* declined. Since 1999, the level of market penetration has remained relatively stable. The Argentine supermarket industry is highly competitive and fragmented, and we estimate that the four largest supermarket chains in Argentina account for approximately 61% of total supermarket net sales as of December 31, 2015. In Argentina, where foreign food retailers have an established presence and we are a smaller competitor, we face a very different competitive atmosphere than in Chile. We believe that some of these food retail companies have substantially greater financial resources than us. In addition, there is strong competition from small independent stores and individual, non-chain stores that represent a significant and growing part of the food and grocery business in Argentina.

(62) Data for Walmart Chile used in the above is based on Walmart Chile’s statistics as of June 30, 2016, the latest date as of which information was made publicly available by Walmart Chile.

(63) As of December 31, 2016, based on reported net revenues from supermarket operations in Chile.

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For many years, large international retail chains, such as Wal-Mart, the largest U.S. retailer based on market capitalization, and Carrefour have operated in the Argentine market. When Wal-Mart entered the Argentine retail market in 1995, it implemented a strategy of low food prices that was aimed at capturing market share from large hypermarkets such as Carrefour. As a result, the rate of industry consolidation increased substantially during recent years, as larger store formats have been increasing their market share at the expense and through the purchase of smaller store formats.

The following table presents certain information about us and our principal competitors in Argentina as of December 31, 2016:

	Cencosud	Carrefour(64)	Wal-Mart(65)	Coto
Number of stores	283	587	107	122
Market share(66)	16.7%	17.5%	11.6%	12.4%

Source: Public Filings, INDEC, Planet Retail.

Our main competitor in Argentina is Carrefour. At December 31, 2016, Carrefour operated 587 stores. Part of Carrefour's competitive advantage arises from its low prices and aggressive promotional campaigns around special seasonal events coupled with a multi-format strategy. According to Nielsen, as of December 31, 2016 Cencosud had a 16.7% market share in Argentina.

We expect this highly competitive environment to continue to exert pressure on our results of operations in this market.

Brazil

The Brazilian food retail industry is highly fragmented. Despite consolidation within the Brazilian food retail industry, according to ABRAS, in 2016, the twenty largest supermarket chains represented only approximately 53% of the food retail industry. According to ABRAS, food retail sales increased 7.1% in 2016 in nominal terms, and represented 5.4% of 2016 GDP.

As set forth in the following table, according to ABRAS data, in 2016, the ten largest retailers recorded revenues of approximately R\$159.2 billion, in an industry with total revenues of R\$338.7 billion, and our stores accounted for approximately 5.2% of the gross sales of the 20 largest Brazilian food retailers in 2016:

Company	Gross revenues	
	(R\$ million)	%
Carrefour	49,103	27.3%
GPA	44,969	25.0%
Wal-Mart Brasil	29,409	16.3%
Cencosud Brasil	9,409	5.2%
Irmão Muffato & Cia	5,078	2.2%
Total —five largest	137,969	80.7%
Zaffari	4,958	2.0%
Supermercados BH	4,956	2.0%
SDB Comercio	4,840	1.9%
Sonda Supermercados	3,331	1.9%
DMA Distribuidora	3,107	1.5%
Total —ten largest	159,161	90.1%
Total —twenty largest	180,088	100.0%

Source: ABRAS.

Our main competitor in Brazil is Bompreço, a company controlled by Wal-Mart. It ranks third in sales in Brazil, according to ABRAS. Bompreço is the largest retailer in the Northeast of Brazil, where we believe we hold the number two position in terms of sales, and is our competitor in the states of Sergipe, Bahia and Alagoas. We also compete against Companhia Brasileira de Distribuição, through its brands Extra, Assai and Pao de Azucar, across several of our markets. In Minas Gerais, we also compete against Carrefour through its Carrefour and Atacadao brands. We believe we hold the number one position in terms of sales in that state. In Rio de Janeiro, where we believe we hold the number three position in terms of sales, we compete against Guanabara and Mundial. We also compete against open fairs and small- and medium-sized retailers that buy their products from informal distribution networks to obtain prices lower than the prices charged by our suppliers.

According to Nielsen, as of December 31, 2016 Cencosud had a total market share of 5.3%. On a regional basis, also according to Nielsen, as of December 31, 2016 Prezunic, Gbarbosa and Bretas had market shares of 12.1%, 23.2% and 23.9%, respectively.

Peru

As of December 31, 2016, we estimate that the Peruvian supermarket industry was composed of approximately 316 stores nationwide, including hypermarkets and supermarkets. We believe supermarket penetration for the Lima metropolitan area was approximately 28% resulting in a

(64) Carrefour number of stores includes Express format.

(65) Walmart & Changomas stores are included in the number of stores.

(66) In terms of sales.

country average of less than 16.0%. A large percentage of consumption in Peru is still served by informal trade. Smaller grocery stores, convenience stores and open air markets play an important role in this industry with roughly 84% of the market share as of 2015. The level of competition and the identity of competitors have changed over the last several years.

The following table presents certain information about us and our principal competitors in Peru as of December 31, 2016:

	Cencosud	Supermercados Peruanos	Tottus (Falabella)
Number of stores	91	165	60
Total selling space (square meters)	272,001	304,293	219,260

Source: Public filings.

For the year ended December 31, 2016, we believe we were the second largest operator of supermarkets in Peru in terms of net sales based on our comparisons against information from public filings of our main competitors as of December 31, 2016. According to Nielsen, Cencosud had a market share of 35.9% as of December 31, 2016. Our principal competitors in the hypermarket format are InRetail, controlled by the Rodriguez Pastor family, who also control the Peruvian financial group Intergroup, through its brands Plaza Vea, Mass, Plaza Vea Super and Vivanda and Tottus, controlled by Falabella.

Colombia

The Colombian retail market is driven principally by the general level of economic activity and the growth of per capita available income in Colombia. Since emerging from recession in the early 2000s, the Colombian economy has experienced significant growth, and improved security conditions. According to DANE, total nominal retail sales for department stores, supermarkets and hypermarkets, stood at COP 49.4 billion in 2016, an 11.2% increase versus 2015. We believe future growth in the retail sector will be driven by, among other things, economic expansion and increasing credit availability to consumers in Colombia

The Colombian retail food sector comprises various types of stores, including privately-owned supermarkets, limited assortment stores and convenience stores, government-subsidized merchandising cooperatives known as *cajas de compensación*, specialty stores (such as butcher shops and bakeries) and delivery operations. A large number of Colombians also shop through informal channels, such as neighborhood grocery stores and outdoor food markets.

In the past several years, the formal market has grown at a faster pace than the informal market driven mainly by increased purchasing power, aggressive penetration strategies by well-capitalized formal retailers which has reduced the proximity advantage of informal outlets, greater packaging options in the formal channels including better presentations at competitive prices, and growing credit product offerings by large retailers. The formal retail market is expected to continue growing in the medium term due to increasing market consolidation and relatively low penetration when compared with other countries. We believe the growth of the formal market will also be driven by the increasing concentration of Colombia's population in urban centers. Colombia has a population of approximately 48.2 million according to the World Bank. The food and merchandise retail business in Colombia is highly competitive and is characterized by increasing pressure on profit margins. The number and type of competitors and the degree of competition experienced by each of our stores vary by location. Competition occurs principally on the basis of price, location, selection of merchandise, quality of merchandise (in particular for perishables such as produce), service, store conditions and promotions.

According to Nielsen, as of December 31, 2016, Cencosud had a market share of 15.2%, after Exito and Olimpica, which are the first and second largest supermarket players in the industry.

The following table presents certain information about us and our principal competitors in Colombia as of December 31, 2016:

	Cencosud	Exito	Olimpica
Number of stores	103	566	269
Total selling space (square meters)	431,232	850,734	352,321

Source: Public filings, Nielsen.

The Home Improvement Industry

Chile

We believe the Chilean home improvement industry is the most developed in South America. However, this is still highly fragmented among big-box operators and several hardware stores (some of which have teamed up in associations such as MTS and Chilemat), according to our estimates. Growth of the industry's main players has been based on expansion of Chile's construction and housing industries, as well as sector consolidation.

The Chilean home improvement industry is highly competitive and has been subject to increased consolidation. In 1998, Home Depot entered the Chilean market and was subsequently acquired by Falabella, through its Home Store subsidiary in 2001. In November 2002, we purchased the Chilean home improvement stores and agricultural product chain, Proterra. In January 2011, the Chilean retail holding company SMU acquired the

entire share capital of the hardware store chain Construmart, operating a number of stores under the brand Construmart with an average size of 2,500 square meters being the third most relevant player in the home improvement market.

The home improvement industry caters to home improvement, repairs and maintenance, and new construction. Customers in this sector include homeowners, small contractors and large construction companies seeking building materials for new projects. The sector is characterized by high price sensitivity and demand for high levels of product variety.

The following table presents certain information about us and our major competitors in Chile, as of December 31, 2016:

	Sodimac	Cencosud	Construmart
Number of stores	85	35	35
Total selling space (square meters)	711,839	325,315	192,500

Source: Public filings, Internal estimates.

For the year ended December 31, 2016, we estimate that we were the second-largest operator of home improvement stores in Chile in terms of net sales based on our comparison against publically filed information from our main competitors as of December 31, 2016. At December 31, 2016, Sodimac operated 85 home improvement stores with a total of 711,839 square meters of selling space. Its competitive advantage arises from its multi-format structure, with its Sodimac Homecenter stores that are similar to our Easy home improvement stores, as well as its Sodimac Constructor stores that cater to professional builders and its Sodimac Empresas warehouses that facilitate efficient delivery of construction materials in Antofagasta, Viña del Mar, Santiago and Talcahuano primarily used for large construction companies. Sodimac also accepts Falabella's widely-used store credit card CMR that has significantly more penetration in the market than our Cencosud credit card.

Argentina

We believe the Argentine home improvement industry is composed of more than 80 home improvements stores nationwide, of which we operated 50 as of December 31, 2016. The remaining stores are operated by Sodimac, Hiper Tehuelche and Barugel Azulay. There are also various small more specialized hardware and construction supply stores. Prior to 2002, we faced competition from Home Depot (Argentina) until our acquisition of its Argentine operations in February 2002. We face strong competition from other hardware stores and specialty stores dedicated to specific areas of construction and home improvement. Until 2007, when Sodimac entered the market, we were the sole big-box home improvement chain in Argentina, with 17% market share, according to our estimates. We believe that the Argentine home improvement market still offers plenty of room for consolidation, leaving enough space for us to grow over the coming years.

The following table presents certain information about us and Sodimac, our main competitor in Argentina, as of December 31, 2016:

	Cencosud	Sodimac
Number of stores	51	8
Total selling space (square meters)	391,546	85,941

Source: Falabella's public filings, internal estimates.

For the year ended December 31, 2016, we estimate that we were the largest operator of home improvement stores in Argentina in terms of net sales based on our comparison against publically filed information from our main competitors as of December 31, 2016. Our principal competitor in Argentina is also Sodimac, which operated 8 home improvement stores with a total of 85,941 square meters of selling space at December 31, 2016.

Colombia

We believe the Colombian home improvement industry is the most underdeveloped in the countries where we compete. For the year ended December 31, 2016, there were 48 home improvement stores. Hence, the industry is highly fragmented and composed of both general and specialized retailers.

Our main competitor is Sodimac HomeCenter, which is a joint venture between Colombian Grupo Corona (51%) and Chilean Falabella (49%), competing in the home improvement market in Colombia since 1993.

The following table presents certain information about us and Home Center, our main competitor in Colombia, as of December 31, 2016:

	Sodimac Home Center	Cencosud
Number of stores	38	10
Total selling space (square meters)	366,282	82,320

Source: Falabella's public filings, internal estimates.

The Chilean Department Store Industry

The department store industry in Chile traces its origins to 1889, when Salvatore Falabella opened a tailor shop in Chile following his arrival from Italy. Our Department store operations can trace their origins to the founding of Muebleria Paris, a furniture store founded in 1900 by José María Couso. The store later changed its name to Almacenes Paris due to the incorporation of additional product lines to its assortment. Since then, other companies have entered the Chilean market and the industry has experienced intense consolidation. Almacenes Paris was a pioneer in its industry launching in the 1970s the first credit card issued by a retailer, a move that was soon followed by Falabella and smaller competitor Ripley. In the 1990s, following the bankruptcy of Muricy, Almacenes Paris acquired prime locations in shopping center Parque Arauco and Mall Plaza Vespucio. In 1996, Almacenes Paris became a publicly listed company at the Santiago Stock Exchange. Empresas Almacenes Paris S.A. was later acquired by Cencosud in March 2005.

Our principal competitor in Chile is Falabella, which is larger than Paris and Johnson in terms of revenues. The department store industry in Chile is very mature and highly competitive. We compete for customers with specialty retailers, traditional and high-end department stores, national apparel chains, vendor-owned proprietary boutiques, individual specialty apparel stores and direct marketing firms. We compete for customers principally on the basis of quality and fashion, customer service, value, assortment and presentation of merchandise, marketing and customer loyalty programs. Additionally, the omnichannel strategy has been developing a new focus for all the industry in last years. Some of these competitors have greater financial resources than we do.

The following table presents certain information about us and our main competitors as of December 31, 2016:

	Falabella	Cencosud	Ripley	La Polar
Number of stores	44	79	42	38
Total selling space (square meters)	306,280	377,288	269,446	157,000

Source: Falabella's public filings, Ripley's public filings, La Polar's public filings and internal estimates.

For the year ended December 31, 2016, we believe we were the second-largest operator of department stores in Chile in terms of net sales based on our comparison against publically filed information from our main competitor as of the same date. Based on that comparison, we estimate that Falabella is the largest department store operator in Chile in terms of revenues and, at December 31 2016, operated 44 department stores with a total of 306,280 square meters of selling space. Falabella's credit cards and loyalty programs are well-known in the market. On the same basis, we believe Ripley is the third-largest department store operator and, at December 31 2016, operated 42 department stores with a total of 269,446 square meters of selling space. Many of our competitors have active financial services divisions that support their retail activities, and both Falabella and Ripley operate banks focused on consumer lending.

Peru

Sears Roebuck was the first large department store chain in the Peruvian market. It began operations in November 1953 with the opening of its first establishment in the district of San Isidro. The U.S. arm of Sears made its debut in the Peruvian market through catalog sales. The success of that channel led to its conversion to a chain of department stores. In 1988, Sears sold its share in the firm, an event that led to the re-launch of the chain under the brand Saga, *Sociedad Andina de los Grandes Almacenes*. This chain was merged in the middle of the nineties with the regional retailer Falabella, leading to the creation of Saga Falabella, retailer that currently leads the sector of department stores in the Peruvian market.

Ripley, a Chilean entity, opened its first shop in Peru in 1997 at the Jockey Plaza. Ripley specializes in offering fashion at affordable prices, accessories and varied products for the home.

Oechsle is the Department Store of Intercorp Group, a local group of business leaders in sectors such as banking, insurance, retail, real estate and education, among others. As of December 31, 2016, Oechsle operated 19 stores in the country.

In 2013 Cencosud arrived to the Peruvian market through its Paris brand. As of December 31, 2016, Cencosud operated 10 stores with a total of 55,333 square meters of selling space.

	Falabella	Cencosud	Ripley	Oechsle
Number of stores	29	10	29	19
Total selling space (square meters)	176,962	55,333	192,884	N.A.

The Shopping Center Industry

Chile

The first shopping center in Chile, Cosmocentro Apumanque, opened in 1981. Shopping center sales as a percentage of total retail sales in the country have increased continuously since then, according to the Chilean Council of Shopping Centers. However, a majority of retail sales in Chile still take place in standalone stores, according to the International Council of Shopping Centers. We entered the shopping mall industry in Chile in the early 1990s with the Alto Las Condes shopping mall.

The Chilean shopping center industry is highly competitive and, at December 31, 2016, was composed of more than 74 shopping centers nationwide, the majority of which are operated by us, Grupo Plaza (controlled by Falabella), Parque Arauco and Espacio Urbano (controlled by

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Walmart Chile until May 2016, date on which Walmart Chile sold the assets to Confuturo —subsidiary of Inversiones La Construcción or ILC), according to public and internal estimates. Shopping centers not only compete with other shopping centers, but also with an increasing number of individual retail stores.

The following table provides certain information about us and our competitors in Chile at December 31, 2016:

	Gross leasable area ^{(67),(68)}	Shopping Centers	Market share
Grupo Plaza (Falabella)	1,443,000	25	45.4%
Parque Arauco S.A. ⁽⁶⁹⁾	383,108	8	12.1%
Espacio Urbano (Wal-Mart) ⁽⁷⁰⁾	250,000	10	7.9%
Vivo	N.A.	45	N.A.
Pasmar	N.A.	7	N.A.
Cencosud ⁽⁷¹⁾	1,101,216	25	34.7%

Source: Chilean Council of Shopping Centers and public filings by Falabella, Parque Arauco and Walmart Chile, as well as internal estimates. In the case of Walmart Chile, the above data is as of June 30, 2016, the latest date as for which information was made publicly available by Walmart Chile.

At December 31, 2016, we were the second largest shopping center operator in Chile in terms of gross leasable space based on our comparison against publically filed information from our main competitor as of December 31, 2016. As noted in the table above, our principal competitors include Grupo Plaza, Espacio Urbano and Parque Arauco. Parque Arauco's shopping center Parque Arauco is located close to and directly competes with two of our largest shopping centers, Alto Las Condes and Costanera Center. Parque Arauco offers many of the same services as Alto Las Condes and Costanera Center, including ample parking and major department stores.

Argentina

In 2016, according to INDEC the city of Buenos Aires had a total of 37 shopping centers, and according to the National Chamber of Shopping Centers of Argentina the industry was composed of 127 shopping centers, the majority of which are operated by IRSA Inversiones Representaciones S.A. ("IRSA") and Cencosud. As in Chile, shopping centers are relatively new to the market in Argentina, and most retail sales still take place at individual retail stores, according to the International Council of Shopping Centers.

The following table presents certain information about us, our main competitor in Argentina, IRSA, and other smaller competitors as of December 31, 2016:

	Gross leasable area	Shopping centers
Cencosud	747,894	22
IRSA	337,396	15

Source: Cencosud and IRSA.

At December 31, 2016, we were the second largest shopping center operator in Argentina in terms of gross leasable space, based on our comparison against publically filed information from our competitor as of December 31, 2016. Our principal competitor in Argentina's shopping center market is IRSA which owns and operates the Abasto Shopping Center, Alto Palermo, Alto Avellandeda, Paseo Alcorta and Patio Bullrich, among others.

Peru

In 2016, we estimate the Peruvian shopping center industry was composed of more than 60 shopping centers, the majority of which are operated by Real Plaza (associated with the Interbank Group that also operates Supermercados Peruanos), Falabella, Aventura Plaza, Parque Arauco and Jokey Plaza. The shopping center industry is relatively new to the market in Peru, and most retail sales still take place at individual retail stores.

(67) In thousands of square meters.

(68) Wal-Mart and Cencosud areas includes area leased to related companies.

(69) Gross leasable area adjusted to reflect proportional ownership participation in each shopping center.

(70) Includes area leased to related companies.

(71) Includes area leased to related companies.

The following table sets forth the market shares held by the major shopping center operators in Peru as of December 31, 2016:

	Gross leasable area ⁽⁷²⁾	Shopping centers	Market share ⁽⁷³⁾
Real Plaza (Interbank)	625,636	19	32.9%
Open Plaza (Falabella)	313,000	11	16.5%
Aventura Plaza (Falabella)	160,000	2	8.4%
Mega Plaza	270,000	15	14.2%
Parque Arauco	221,773	9	11.7%
Jockey Plaza	187,612	1	9.9%
Cencosud	71,191	4	6.5%

Source: Company filings

The principal shopping center operator in Peru is Real Plaza with leasable area of 625,636 square meters, resulting in a market share of approximately 32.9% of the shopping center market, based on gross leasable area at December 31, 2016. We believe that the shopping center market in Peru has a high potential for growth, and we are currently developing additional shopping centers in Peru.

In June 2012, we opened an additional shopping center in Peru, located in the Miraflores section of Lima, with a 100% occupancy rate, 19 stores and a gross leasable area of 1,196 square meters. In 2013, we opened another shopping center in the city of Arequipa called the Cerro Colorado Shopping Center. In 2016 we initiated work on a new shopping center in *La Molina*, a neighborhood of Lima.

Environmental Regulations and Compliance

In each of Argentina, Brazil, Chile, Colombia and Peru, we are subject to the full range of governmental regulation and supervision generally applicable to companies engaged in business in each country, including labor laws, social security laws, public health, consumer protection and environmental laws, securities laws and antitrust laws. These include regulations to ensure sanitary and safe conditions in facilities for the sale and distribution of foodstuffs and requirements to obtain construction permits for our new facilities. We believe that we are in compliance in all material respects with all applicable statutory and administrative regulations with respect to our business in each of the countries in which we operate, including applicable environmental regulations.

The regulation of matters relating to the protection of the environment is not as well developed in Argentina, Brazil, Chile, Colombia and Peru as in the United States and certain other countries. Accordingly, we anticipate that additional laws and regulations will be enacted over time in these countries with respect to environmental matters. We believe that there are no material judicial or administrative proceedings pending against us with respect to any environmental matter and that we are in compliance in all material respects with all applicable environmental regulations in Argentina.

Chile

We and all of our subsidiaries with operations in Chile are subject to the *Ley de Protección al Consumidor*. Compliance with the *Ley de Protección al Consumidor* is enforced by SERNAC. Other than as described in “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal and Administrative Proceedings,” we do not have any material proceedings arising from the *Ley de Protección al Consumidor*, and we believe we are in compliance with all material aspects of such law.

Our supermarkets are subject to inspection by the corresponding *Secretaría Regional Ministerial de Salud* (the Regional Sanitary Authority or “SEREMI de Salud”) which inspects supermarkets on a regular basis and takes samples for analysis. We regularly hire a private inspection company to undertake private inspections of our facilities to ensure that they meet or surpass all Chilean health standards. Our supermarkets are also subject to inspection by the *Servicio Agrícola y Ganadero* (the Agricultural and Livestock Service or “SAG”). Concessionaires that operate pharmacies within some of our supermarkets are also subject to licensing and inspection by the SEREMI de Salud. Except for government licenses required for the sale of alcoholic beverages, baked goods, pharmaceuticals, seafood and vegetables and customary business licenses required by local governmental authorities, there are no special governmental licenses or permits required for the sale and distribution of foodstuffs or other products sold by us.

Additionally, the Chilean antitrust authorities have broad regulatory powers and have authority to deny acquisitions which they consider will have adverse competitive effects on the relevant market or will promote anticompetitive behavior. The antitrust authorities have, from time to time, denied authorization for certain acquisitions, such as the denial of the proposed Falabella acquisition of D&S in January 2008.

Banco Paris and CAT are under the supervision of the SBIF, and Paris Corredores de Seguros Limitada is under the supervision of the SVS. Additionally, *Banco Paris* is subject to the *Ley General de Bancos* (the General Banking Law) and its regulations, and is inspected by the SBIF at least once a year. The inspection includes a review of the bank’s credit risk policies and procedures, operational risks and control policies and other issues such as customer service, accounting rules, interest rates, information and technology and financial operations. *Banco Paris* is in compliance in all material respects to the regulations to which it is subject, Banco Paris closed on January 1, 2017.

⁽⁷²⁾ Total square meters adjusted by property.

⁽⁷³⁾ Based on gross leasable area and including only the operators shown.

CAT started its credit card operations in 2003 and until 2006 was not subject to any special regulation. In 2006 the SBIF issued a set of special regulations targeting the credit card business and placing under its supervision companies engaged in the issuance or operation of credit cards, including CAT, or any other similar systems, where the operator assumes monetary obligations to the public. Moreover the SERNAC regulates credit cards issued by retailers in matters related to consumers' protection. There is a maximum interest rate that can be charged, but there are certain other fees that are not considered for such purposes which allow retail credit card issuers to increase margins.

In December 13, 2013, an amendment to Law No. 18,010 (governing credit operations) became effective. The amendment resulted in several modifications to the then existing rules, including: (i) the establishment of lower limits on interest charged to outstanding amounts below UF 200, (ii) reductions in the amount of fees charged for prepayment, and (iii) an increase in the minimum period before early payment could be demanded for transactions of UF 200 or below, to 60 days.

Paris Corredores de Seguros Limitada, today CAT Corredores de Seguros y Servicios S.A., obtained in 1998 an insurance brokerage company authorization with the SVS and is subject to its supervision and regulations. In May 2015, Cencosud signed an agreement with Scotiabank to jointly develop the financial services business in Chile. Since then, the insurance business is run by CAT Corredores de Seguros y Servicios S.A., 49% owned by Cencosud. CAT Corredores de Seguros y Servicios S.A. is in compliance in all material respects with the regulations to which it is subject.

We are required to obtain a series of permits and authorizations to operate our shopping centers, which include the approval of the corresponding *Dirección de Obras Municipales* (Municipal Works Bureau), among others. Additionally, we are required to obtain for every new project a construction permit and be in compliance with a series of land use, commercial real estate and environmental regulations.

In an initiative by President Michelle Bachelet the Chilean Congress approved a modification to the Chilean labor codes amending the regulation governing employment by retail establishments on Sundays and holidays. Both houses agreed to add 7 Sundays a year to the required days off by entities governed by the regulation. This amendment increased days off from the 2 Sundays a month already contemplated in the Chilean labor code for such entities. Hourly wages were also amended by this initiative implementing a minimum 30% surcharge on already agreed upon wages for hours worked on Sundays. Commissions and bonuses are not taken into consideration when calculating said surcharge. The right of an employee to have designated Sundays off cannot be negotiated by employers, and employers cannot compensate employees in cash or by rolling over the number of Sundays from one year to the next.

Argentina

We and all of our subsidiaries with operations in Argentina are subject to the Consumer Protection Law ("CPL"). This law requires providing accurate information regarding the products and services provided, as well as offers made to consumers. Also, the CPL establishes joint and several liability for all of the providers involved in the commercialization of such products or services (including the producer, importer, distributor and the owner of the trademark). Compliance with said law is enforced by the *Secretaría de Comercio Interior* on a national level. On the provincial and municipal levels, there are numerous agencies that also enforce violations. We are facing several proceedings arising from the CPL. However, we believe we are in adequate compliance with all material aspects of this law.

Our supermarkets are subject to inspection by national, provincial and municipal authorities, including the *Servicio Nacional de Sanidad y Calidad Agroalimentaria, Administración Nacional de Medicamentos, Alimentos y Tecnología Médica* ("ANMAT") and the *Secretaría de Comercio Interior*. We regularly hire a private inspection company to undertake private inspections of our facilities to ensure that we meet or surpass all Argentine health standards. Concessionaires that operate pharmacies within some of our supermarkets are also subject to licensing and inspection by the ANMAT. Except for government licenses required for the sale of alcoholic beverages, baked goods, pharmaceuticals, meat, seafood and vegetables and customary business licenses required by local governmental authorities, there are no special governmental licenses or permits required for the sale and distribution of foodstuffs or other products sold in our stores. Our supermarkets, shopping centers and home improvement stores in Argentina are required to have a series of authorizations and permits to operate. Also, our new projects in the province of Buenos Aires are required to comply with law 12.573 on major commercial areas to obtain the necessary authorizations. All existing and projected supermarkets are required to comply with the regulations concerning land use, commercial real estate and the environment.

Our credit card operations are subject to the Credit Card Law and its regulations, enforced by the *Secretaría de Comercio Interior*. We are also subject to regulations issued by the Central Bank of Argentina.

Cencosud acts as a distribution agent for several Argentine insurance companies, selling insurance to our customers on behalf of these insurance companies and collecting a fee for such sales. As such, Cencosud is registered with the *Superintendencia de Seguros de la Nación* as a distribution agent under Resolution SSN 38,052.

Additionally, the Argentine Antitrust Commission has broad regulatory powers and has authority to deny acquisitions which it considers will have adverse competitive effects on the relevant market or will promote anticompetitive behavior.

Brazil

We are subject to a wide range of governmental regulation and supervision generally applicable to companies engaged in business in Brazil, including federal, state and municipal regulations, such as labor laws, public health and environmental laws. In order to open and operate our stores in Brazil, we need a business permit and site approval, an inspection certificate from the local fire department as well as health and safety permits. Our stores are subject to inspection by municipal authorities. We believe that we are in compliance in all material respects with all statutory and administrative regulations applicable to our business.

Our business operations in Brazil are primarily affected by a set of consumer protection rules regulating matters such as advertising, labeling and consumer credit. We believe we are in compliance in all material respects with these consumer protection regulations.

As a result of significant inflation during long periods in the past, it was common practice in Brazil not to label individual items. However, a federal regulation establishes that products exposed to consumers must contain information about prices (for instance price tags, signs or bar codes which can be read with scanners) in order to facilitate the identification of prices of each product by the consumer. Pursuant to these new rules, pricing information must be physically attached or adjacent to the product. When bar codes are used, the commercial establishment is required to provide easily accessible scanners. We believe that we are in compliance with these provisions in all material aspects.

The Brazilian Congress is discussing a bill requiring a prior assessment of the impact of the construction of a hypermarket in excess of 1,000 square meters on the relevant neighborhood. The proposed regulation is intended to protect traditional family-owned retailers that have increasingly lost market share in Brazil to the larger chains and hypermarkets. Regulations of this type already exist at the municipal level. For example, governmental authorities in the city of Porto Alegre in the State of Rio Grande do Sul issued a city ordinance in January 2001 prohibiting the construction of food retail stores with a selling area greater than 1,500 square meters, which in May 2005, was amended as to increase from 1,500 to 2,500 square meters the selling area of food retail stores. Other Brazilian regions may adopt similar laws, and, if the bill pending before the Brazilian Congress becomes law, our future expansion and growth may be subject to significant constraints.

Additionally, the Brazilian antitrust authorities have broad regulatory powers and have authority to deny acquisitions which they consider will have adverse competitive effects on the relevant market or will promote anticompetitive behavior.

Pharmacies. Pharmacies owned or operated by us are subject to the control and monitoring of the Brazilian National Health Surveillance Agency (“ANVISA”) and public state and municipal health authorities. According to Law No. 6,360, of September 23, 1976, and Decree No. 79,049, of January 5, 1977, ANVISA has the power to control, monitor and issue authorizations to companies to legally extract, produce, pack, import, export, and store medications, pharmaceutical items, drugs and related products, cosmetics, personal hygiene products, perfumes and similar products, domestic cleaning products and beauty products. The authorization issued by ANVISA enables those kinds of companies to have operations in Brazil, as a whole, during an indeterminate period of time. The ANVISA authorization must be renewed whenever there is a change in a company’s activities, shareholders, officers or managers. Moreover, each establishment selling therapeutic, pharmaceutical, cosmetic and/or personal hygiene products, or developing any of the above-mentioned activities must also be licensed by the competent state or municipal sanitary authority, and have a technically responsible person duly authorized by the Pharmacy Regional Committee. On August 17, 2009, ANVISA enacted Regulation No. 44, which made significant changes to existing regulations establishing the (i) types of products that can be commercialized; (ii) how such product are displayed; (iii) pharmaceutical services offered; and (iv) internet sales.

Peru

Our subsidiaries with operations in Peru are subject to the Antitrust Law and the Consumer Protection Law. Compliance with these laws is enforced by the Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual (“INDECOPI”), the Peruvian public antitrust and consumer protection agency. Acquisitions are not subject to authorization from INDECOPI.

In addition to government licenses required for the sale of alcoholic beverages, baked goods, pharmaceuticals, seafood and vegetables and customary business licenses required by governmental authorities, such as the Agriculture Ministry, there are special governmental licenses or permits required for the sale and distribution of foodstuffs or other products sold at our stores. Our supermarkets are subject to inspection by the Dirección General de Salud (the General Health Office), a governmental office of the Health Ministry, which verifies the quality of our products. The sanitary inspection of our supermarkets is in charge of the local municipality. We believe that we are in compliance in all material respects with all applicable statutory and administrative regulations with respect to our business.

Our shopping centers are required to obtain a series of authorizations, such as an operation license from the local municipality, to operate. Additionally, we are required to obtain for every new project a construction permit and license from the local authority. We believe that we are in compliance in all material respects with these requirements.

Colombia

In Colombia, we are subject to laws that regulate competition and consumer protection. These laws include the Ley de Protección al Consumidor (Consumer Protection Law), which is enforced by the Superintendencia de Industria y Comercio (Superintendency of Industry and Commerce). Additionally, mergers and acquisitions are reviewed by the Superintendency of Industry and Commerce and by the Colombian Superintendency of Companies for compliance with antitrust and general corporate law requirements.

We are required to obtain a series of permits and authorizations to operate our businesses depending on the type of products and services that are offered to the public, but generally we are required to seek the approval of local and national agencies for sales of pet supplies, personal consumer products whether imported or of domestic origin, and compliance with noise and energy regulations. Each business we operate is also required to obtain environmental approvals. In addition, we are also subject to environmental regulation in respect of waste disposal at each of our stores.

Consumer finance and credit card operations are also subject to approval by the Superintendencia Financiera de Colombia (Colombian Financial Superintendency).

In an effort to eliminate plastic bags from stores, the Environmental Ministry enacted Resolution 0668 and law 1819, articles 207 and 208 in 2016, which imposed a tax on consumers that use plastic bags. This tax will take effect by July, 2017.

Pharmacies .

Pharmacies owned or operated by us are subject to the control and monitoring of the Superintendencia Nacional de Salud (“SUPERSALUD”) through the Instituto Nacional de Vigilancia de Medicamentos y Alimentos (“INVIMA”) and city health authorities. According to Law No. 100, of 1993, art. 245, INVIMA has the power to control, monitor and issue authorizations to companies to legally extract, produce, pack, import, export, and store medications, pharmaceutical items, drugs and related products, cosmetics, personal hygiene products, perfumes and similar products, domestic cleaning products and beauty products. The authorization issued by INVIMA enables those kinds of companies to have operations in Colombia, as a whole, during an indeterminate period of time. The INVIMA authorization must be renewed whenever there is a change in a company’s activities, shareholders, officers or managers.

On November 4, 2015 Cencosud announced the agreement to sell 39 pharmacies that the group operated within its supermarkets in Colombia, to Droguerías Cruz Verde. Cencosud no longer owns any pharmacies in Colombia. On February 10, 2016, Cencosud announced the sale of 47 pharmacies that the group operated within its supermarkets in Peru, to Mifarma. The deal included the transfer of assets and leasing of the stores for a period of 10 years starting in March 2016.

Gas stations

According to section 212 of the Petroleum Code and Law 39 of 1987, distribution of liquid fuels and their derivatives is considered a public utility activity. Consequently, individuals or entities that engage in these activities are subject to regulations issued by the government in the interest of Colombian citizens. The Colombian government has the power to determine quality standards, measurement and control of liquid fuels, and establish penalties that may apply to dealers who do not observe such rules.

The Ministry of Mines and Energy of Colombia is the entity that controls and exercises technical supervision over the distribution of liquid fuels derived from petroleum, including the refining, importing, storage, transport and distribution in the country. Law 812 of 2003 identified the agents of the supply chain of petroleum-derived liquid fuels.

The distribution of liquid fuels, except LPG, is regulated by Decree 4299 of 2005, as modified by Decrees 1333 and 1717 of 2007 and 2008, respectively, which establish the requirements, obligations and penalties applicable to supply agents in the distribution, refining, import, storage, wholesale, transport, retail sale and consumption of liquid fuels.

Decrees 283 of 1990 and 1521 of 1998, and their modifications, establish minimum technical requirements for the construction of storage plants and service stations. The Decrees also regulate the distribution of liquid fuels, establishing the minimum requirements for distributors and the activities and types of agreements permitted for these agents. The Ministry of Mines and Energy also regulates the types of liquid fuels that can be sold and purchased and the penalties for noncompliance with governmental regulations.

As of May 2012, the CREG (Comisión de Regulación de Energía y Gas) determines the prices for regulated crude oil by-products, except for gasoline, diesel and biofuels (all of which are determined by the Ministry of Mines and Energy). The ANH (Agencia Nacional de Hidrocarburos) determines the price for crude oil corresponding to royalty payments. Jet fuel prices are determined according to Law 1450 of 2011.

The distribution of fuels in areas near Colombian borders is subject to specific regulations that impose stringent control procedures and requirements. Currently, Ecopetrol is no longer responsible for fuel distribution in these areas. That responsibility was transferred to the Ministry of Mines and Energy, pursuant to Law 1430 of 2010.

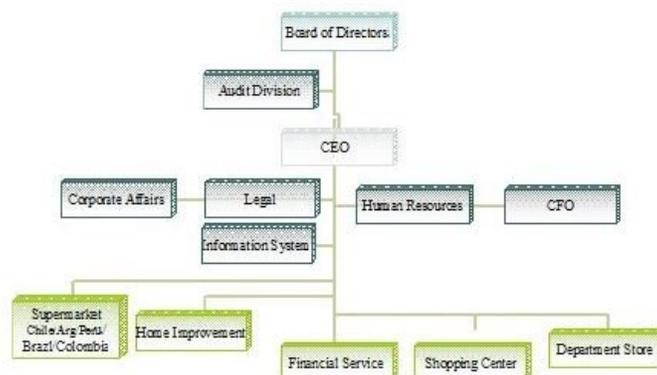
Regulation of Biofuel and Related Activities

The sale and distribution of biofuels is regulated by the Ministry of Mines and Energy. Regulations establish the quality and pricing standards for biofuels and impose minimum requirements for mixing ethanol with gasoline and biodiesel with diesel.

C. ORGANIZATIONAL STRUCTURE

Organizational Structure

The following is a simplified organizational chart showing our company and our principal operating divisions as of December 31, 2016:



Our Subsidiaries

The following are our direct and indirect majority-owned subsidiaries as of December 31, 2016:

Country	Controlling Stake	Chilean Tax ID number	Company name
Chile	99.9624%	81.201.000-K	Cencosud Retail S.A.
Chile	99.9264%	76.568.660-1	Easy Retail S.A.(74)
Chile	0.0%	76.568.660-1	Cencosud Administradora de Procesos S.A.(75)
Chile	100.0%	96.978.180-8	Cencosud Internacional Ltda.
Chile	100.0%	94.226.000-8	Cencosud Shopping Centers S.A.
Chile	90.0%	78.410.310-2	Comercial Food And Fantasy Ltda.
Chile	100.0%	76.433.310-1	Costanera Center S.A.
Chile	100.0%	76.476.830-2	Cencosud Fidelidad S.A.
Chile	100.0%	99.565.970-0	Banco Paris S.A.
Chile	90.0%	83.123.700-7	Mercado Mayorista P y P Ltda.
China	100.0%	Foreign	Cencosud (Shanghai) Trading Co., Ltd
Chile	0.0%	76.236.195-7	Cencosud Argentina S.P.A.(76)

D. PROPERTY, PLANTS AND EQUIPMENT

See “—B. Business Overview—Property, Plants and Equipment.”

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

We believe we are one of the leading multi-brand retailers in South America, based on revenues, selling space, number of stores and gross leasable area in the sectors and countries in which we operate. We operate through a number of formats, including supermarkets, home improvement stores, shopping centers and department stores. We seek to increase operations through organic growth in Brazil, Peru and Colombia, which the Company believes are high growth and underpenetrated markets due to their favorable demographics, sustainable household consumption growth, low formal retail penetration, and strong macroeconomic environments, as described in “Item 4. Information on the Company—B. Business Overview—Our Company” and “—Industry Overview and Competition.” As a complement to our core retailing business, we are actively involved across the region in the commercial real estate development business, particularly in Chile, Argentina, Colombia and Peru, with 53 shopping malls representing 778,848 square meters of gross leasable area for third parties as of December 31, 2016. We also offer private label credit cards, consumer loans and limited financial services to our retail customers.

(74) On February 1, 2016, a merger was carried out by the incorporation of Easy S.A. (the absorbed company) into Easy Retail S.A. (the surviving company, formerly known as Cencosud Administradora de Procesos S.A.), the latter succeeding in all rights and obligations of the former.

(75) On February 1, 2016, a merger was carried out by the incorporation of Easy S.A. (the absorbed company) into Easy Retail S.A. (the surviving company, formerly known as Cencosud Administradora de Procesos S.A.), the latter succeeding in all rights and obligations of the former.

(76) Effective on January 1, 2016, a merger was carried out by the incorporation of Cencosud Argentina S.P.A. (the absorbed company) into Cencosud Internacional Argentina S.P.A. (the surviving company), the latter succeeding in all rights and obligations and acquiring all of the assets and liabilities of the former and dissolving Cencosud Argentina S.P.A.

A. OPERATING RESULTS

Trends and Factors Affecting Our Results of Operations

Our results of operations have been influenced and will continue to be influenced by the following factors:

Developments in the Chilean economy

Our operations in Chile accounted for 42.1% of our consolidated revenues from ordinary activities for the year ended December 31, 2016. Consequently, our financial condition and results of operations are substantially dependent on economic conditions prevailing in Chile. In 2010, the Chilean economy began to recover following the 2009 recession. As reported by the Central Bank of Chile, GDP posted an expansion of 5.8% in 2011, 5.5% in 2012, 4.0% in 2013, 1.8% in 2014, 2.3% in 2015 and 1.6% in 2016, as reported by the Central Bank of Chile. Analysts forecast GDP growth to improve in 2017 to 1.8% and 2.5% in 2018, according to the last Economic Expectations Survey performed by the Central Bank of Chile in March 2017. According to ILACAD World Retail (“ILACAD”), an international consulting company that monitors the retail industry, the Chilean formal retail sector, which consists of business that are taxed and that employ formal labor, accounts for 63% of the retail sector, a relatively high number in comparison to the other countries in which we operate, but low in comparison to the United States, where the formal sector accounts for 92% of the retail sector, according to the U.S. Census Bureau, as of 2013.

The recovery of the Chilean economy in 2010 was led in part by a recovery of the prices of Chile’s exports, which according to the World Bank contributed 36.8% of GDP in the 2010-2014 period. As a result of the economic recovery, the Consumer Price Index (“CPI”) inflation increased 3.0%, 4.6%, and 4.4% in 2013, 2014 and 2015, respectively according to the National Institute of Statistics of Chile (INE). Inflation ended 2016 at 2.7%, down from 4.5% in the first half of the year. Prices are expected to rise 3.0% in 2017, according to the last Economic Expectations Survey performed by the Central Bank of Chile in March 2017.

GDP posted an average growth of 4.5% between 2000 and 2013, while average GDP growth between 2014 and 2016 has been 1.9% driven by lower investment due to lower commodity prices. Local output, demand and employment indicators showed softer dynamics in the economy during 2016. The international copper price averaged US\$2.39/lb during the fourth quarter of 2016, up from US\$2.14/lb during the first three quarters of the year, following a rally from late October onwards to over US\$2.60/lb. The Chilean Central Bank forecasts copper price to average US\$2.35/lb during 2017. As a result of higher copper prices, exports surged to US\$15.9 billion in the fourth quarter of 2016, their highest level since early 2015. These factors, in conjunction with timid global growth prospects, led the bank to cut its benchmark interest rate by 25bps during its January 2017 meeting, reaching 3.25% and beginning a process of loosening monetary policy. Analysts expect a second 25bps cut during mid-2017, as per the Economic Expectations Survey published by the Central Bank in March 2017.

The average unemployment rate was 6.32% as of December 31, 2014, as internal demand cooled, up from 5.98% in December 2013 according to the Central Bank of Chile. More recently, the average unemployment rate reached 6.46% in 2016, up from 6.24% in 2015. Despite the increase from 2015, the unemployment rate has been quite resilient to the slowdown in output. It unexpectedly declined to 6.2% in November 2016, from a five year high of 7.1% in June, largely through the creation of seasonal jobs in farming and retail.

Business confidence weakened during the fourth quarter of 2016, as increased pessimism among manufacturing executives offset improved outlooks in retail and construction. Meanwhile, consumer confidence has recovered steadily since hitting a record low in August but remains decidedly negative. See “Item 3. Key Information - D. Risk Factors. Risks Related to Chile.”

In December 2016, Fitch, Inc. (“Fitch”) maintained Chile’s sovereign debt rating at A+, but revised the outlook from stable to negative, reflecting prolonged economic weakness, which is contributing to a relatively rapid deterioration in the sovereign balance sheet. In Fitch’s view, the policy response has helped buffer the economy and preserve credibility, but it has not prevented a substantial rise in the public debt burden from the low levels that underpinned the upgrade to ‘A+’ in 2011. Chile is currently rated AA- by Standard & Poor’s Financial Services LLC, (“S&P”), but the outlook on Chile’s AA- rating was cut from stable to negative on January 26, 2017, to reflect the risk that prolonged low economic growth could translate into larger fiscal deficits, leading to continued high increases in government debt, weakening the sovereign’s financial profile. S&P stated in its report that low copper prices led several firms to cut production. That, together with subdued business confidence, have weighed on investment and constrained economic growth. For 2017, S&P expects economic growth to pick up only slightly to 2.2%, largely as a result of consumption, together with stronger exports as global copper prices recover. On the other hand, Moody’s Investors Service has maintained Chile’s Aa3 rating with a stable outlook. The future economic, social and political developments in Chile, over which we have no control, could have a material adverse effect on us, including impairing our business, financial condition or results of operations. Credit ratings are subject to periodic review and we cannot assure you that the current ratings will not be revised or lowered in the future.

On September 29, 2014, Chile enacted Law No. 20,780 (the “Tax Reform Act”). The Tax Reform Act introduced changes to the corporate tax rate, mandating a gradual increase of the rate from 20% to 25% or 27% in certain cases, the rules regarding minimum capitalization, and the taxation of Chilean investments abroad (the controlled-foreign-corporation rules), among others. The new rules are set to come into effect gradually, with the implementation process having commenced on October 1, 2014 and set to be completed by January 1, 2018. The effects of this tax reform may increase our operating and compliance costs, which could negatively affect our financial results and our ability to grow our business.

Developments in the Argentine economy

Our operations in Argentina accounted for 24.5% of our consolidated revenues from ordinary activities for the year ended December 31, 2016. Accordingly, the Company is sensitive to macroeconomic conditions in Argentina.

The presidential elections at the end of 2015 led to a significant change in Argentine economic policy. The new administration has moved with significant speed to implement core reforms, such as the unification of the exchange rate, the agreement with international creditors, the modernization of the import regime, the reduction of inflation and the reform of the national statistics system. The currency exchange rate ended 2016 at a level of 1 US\$ = 16.1 AR\$. The government completed negotiations to serve the remaining debt owed to the Paris Club and the holdout creditors. As a consequence, Argentina was able to decrease its public-to-GDP ratio from 139% in 2003 to around 52% in 2016, as reported by the Ministry of Economy.

During 2012, 2013 and 2014 Argentina's GDP grew by 0.9%, 3.0% and 0.5%, respectively, according to the World Bank. Argentina reported GDP growth of 2.4% year-over-year in 2015 and GDP decline of 2.5% in 2016, according to preliminary data.

According to INDEC unemployment stood at 7.2% in 2013, 8.9% in 2014 and 9.3% in 2015. In response to demands from international investors and the International Monetary Fund, the government of Argentina introduced a new methodology for the calculation of price variations in the domestic economy. The new index revealed a price increase of 23.9% as of December 2014. According to private data inflation was 38% in 2016 and 28.4% in 2015. As per the Central Bank of Argentina, international reserves reached a record-high of over U.S.\$52 billion in 2010, U.S.\$46 billion in 2011 and U.S.\$43 billion in 2012 before falling to U.S.\$30 billion by the end of 2013. International reserves held by the Central Bank of Argentina stood as U.S.\$31.4 billion as of December 31, 2014 and U.S.\$25.6 billion in 2015. Reserves grew again in 2016 up to US\$ 38.8 billion.

The local interest rate, the BAIBAR, ended 2015 at a level of 21.65% and 2016 at 24.8% after touching much higher levels during the year.

Argentina is rated B3 by Moody's and B by Fitch, as of April 05, 2017. On April 04, 2017 S&P upgraded Argentina's rating to B from B- based on the progress the country has made in resolving several macroeconomic imbalances while gradually rebuilding credibility and improving the overall weakened institutional framework. The future economic, social and political developments in Argentina, over which we have no control, could impair business, financial condition or results of operations. Credit ratings are subject to periodic review and we cannot assure you that the current ratings will not be revised or lowered in the future. See "Item 3. Key Information - D. Risk Factors. Risks Related to Argentina."

Developments in the Brazilian economy

Our operations in Brazil accounted for 15.4% of our consolidated revenues from ordinary activities for the year ended December 31, 2016. Accordingly, the Company is sensitive to macroeconomic conditions in Brazil.

Brazil's economy is emerging from a severe and protracted recession. The country's growth rate has decelerated steadily since the beginning of this decade, from an average annual growth of 4.5% between 2006 and 2010 to 2.1% between 2011 and 2014. The GDP decreased by 3.85% in 2015 and is estimated to have decreased 3.4% during 2016. After six quarters of contracting activity, the unemployment rate has risen to 11.8% and corporate bankruptcies and debt have been rising. Unemployment is projected to continue rising until 2017 and decline only gradually thereafter. Inflation fell notably in 2016 after ending 2015 at 10.7%, leading the Central Bank to cut the SELIC interest rate multiple times to support an economic recovery. As a result, inflation is now within the Central Bank's target band of 2.5% - 6.5% and the expectation is to close around 6.3% in 2016. Current market consensus forecasts inflation at 4.9% at the close of 2017. For 2018, the Central Bank's panel expects inflation of 4.7%.

There are indicators that the economy is now recovering. Confidence indicators have recently started to recover after a long decline, though their level is still low. Investment growth has turned positive, while signals from industrial production have been mixed. Political uncertainty has diminished, as the new government's power has been confirmed by congress and will remain in power until the next scheduled elections in October 2018. Consumer and business confidence are slowly rising and investment has begun to strengthen.

Growth is projected to resume progressively during 2017, due to the improvements in confidence and investment. The pace of the recovery will be limited by high corporate sector debt and significant spare capacity in some sectors. The implementation of structural reforms will gain momentum relative to the past, but will likely nevertheless fall short of the ambitious agenda that is needed. Slow earnings growth and a continuing contraction in private credit will limit consumption growth initially, although lower interest rates may eventually allow the recovery of consumption to accelerate. Against the background of low international trade growth and ongoing competitiveness challenges, the external sector will not be able to provide as much support as in past years.

Inflation will continue to ease as a result of lower pressures from administrative prices and weak activity. Inflation is projected to return into the tolerance band during 2017, with a ceiling that will then be at 6%. Unemployment is projected to rise further until mid-2017, before starting to decline as the economy accelerates towards its growth potential in 2018.

Stronger momentum on structural reforms is a potential upside risk to the projections, as this could enhance domestic demand through a combination of lower spreads, less currency appreciation and lower real interest rates. Downside risks could come from the corporate sector, where the protracted recession is reflected in rising corporate defaults in the face of high debt levels, which could in turn weaken some parts of the financial sector. Although they have diminished, political risks remain with respect to the final implementation of the new fiscal rule.

The fiscal deficit remains high at over 9% of GDP, and the primary deficit of 3% of GDP is distant from the primary surpluses required to keep public debt on a firmly declining path. The fiscal stance is projected to be mildly contractionary over the medium term, which strikes an adequate balance between macroeconomic stability requirements and the need to restore the sustainability of public finances through a credible medium-term consolidation path. An effective fiscal adjustment would allow monetary policy to loosen further and support a recovery of investment. Raising productivity will depend on strengthening competition, including through lower trade barriers, fewer administrative burdens and improvements in infrastructure.

Rising current expenditures in combination with projected increases in pension spending have raised concerns about longer-term fiscal sustainability. These concerns are being adequately addressed with the implementation of a new expenditure rule, in line with recommendations in previous OECD Economic Surveys. The new rule limits real increases in expenditures and reduces the rigidity of the budgeting process, except for pensions and benefits, which amount to almost half of central government spending. Implementing a separate pension reform will be crucial for turning the fiscal adjustment into a success, and could also lead to stronger declines in inequality and poverty by improving the targeting of social benefits. The scope for raising spending efficiency extends across many areas, and the new fiscal rule leaves sufficient room for attaining policy objectives.

The credible commitment to containing public expenditures will allow further monetary easing going forward, which should give rise to stronger investment. Structural reforms have the potential to boost growth significantly and to make it more inclusive. Reducing the compliance costs and distortions imposed by Brazil's fragmented system of indirect taxes would provide an almost immediate cost reduction for firms, and could be achieved by consolidating indirect taxes into a single, broad-based value-added tax with full deductibility for inputs and a zero-rating for exports. In addition, reducing barriers to international trade would cut the costs of imported inputs and strengthen incentives to enhance productivity. Improvements in infrastructure could also reduce transport costs, particularly for exporters. Stronger trade integration would benefit low-income earners in particular, as an expansion of the export sector would have a larger impact on the demand for low-skilled labour. Furthermore, improvements in the education sector would increase productivity and allow more low-income households to join Brazil's growing middle class.

During the second half of 2015 and the first two months of 2016, rating credit agencies, Standard & Poor's, Moody's and Fitch, downgraded Brazil's investment credit rating. In general, the downgrade is a reflection of a recession that is deeper than was previously anticipated, continued adverse fiscal developments and political uncertainty that could further undermine the government's capacity to effectively implement fiscal measures to stabilize the growing debt burden.

Standard & Poor's credit rating for Brazil stands at BB with a negative outlook. Moody's credit rating for Brazil was last set at Ba2 with a negative outlook. Fitch's credit rating for Brazil was reported as BB with a negative outlook. In general, sovereign wealth funds, pension funds and other investors refer to the credit ratings to gauge the credit worthiness of Brazil. Therefore, the credit ratings have a significant impact on the country's borrowing costs.

Developments in the Peruvian Economy

Our operations in Peru accounted for 9.5% of our consolidated revenues from ordinary activities for the year ended December 31, 2016. Accordingly, the Company is sensitive to macroeconomic conditions in Peru.

According to the Central Bank of Peru, Peruvian GDP grew 2.4%, 3.3% and 3.9% in 2014, 2015 and 2016, respectively according to the Central Bank of Peru. This was on the back of a lower contribution to GDP from investments, particularly in its mining sector, and subdued private consumption. Falling exports were the main culprit for these two effects. Peru's external accounts and exports were affected by weaker global demand and lower commodity prices. The government of Peru is being proactive in developing anticyclical measures to boost growth with a series of large infrastructure projects.

Urban unemployment rates have remained at stable and low levels during recent years. According to the INEI, in 2014, 2015 and 2016 the unemployment rate was 4.7%, 5.7% and 6.2%, respectively. At its December 2016 meeting, the Central Bank of Peru raised the reference rate to at 4.25% in light of the monetary authority's inflation expectation of 2.0% for 2016 in order to maintain the convergence of inflation expectations that are above that target range. The CPI index increased 3.22%, 4.4% and 3.23% in 2014, 2015 and 2016, respectively as reported by INEI. Interest rates during 2016 were above those registered in 2015 and were influenced by the growth of the reference rate in its effort to tame inflation; by the exchange rate depreciation, a fragile economic recovery among Peru's trading partners and high volatility in foreign exchange and financial markets.

The Peruvian government's commitment to the current economic, fiscal and monetary policies supported economic growth in 2014. S&P upgraded Peru's credit rating from BBB to BBB+ in August 2013. In October 2013, Fitch upgraded Peru's credit rating from BBB to BBB+. In July 2014, Moody's upgraded Peru's credit rating from Baa2 to A3. Credit ratings are subject to periodic review and we cannot assure you that the current ratings will not be revised or lowered in the future. Peru is currently rated BBB+, A3 and BBB+ by S&P, Moody's and Fitch, respectively.

According to the World Bank, following a decade of record-high growth, Peru's economy has remained strong and resilient despite the persistent global uncertainty, thanks to strong fundamentals, supportive terms of trade and sound policy management.

On the downside, the economy is most vulnerable in the short term to a global growth shock that permeates through lower commodity prices. A prolonged period of low growth in the U.S. economy could also hamper Peru's economy over the medium term.

On the upside, upward momentum to growth and inflation could come from large capital inflows and strong credit dynamics in the context of ample global liquidity and continued low growth in advanced economies.

In December 2014, Peru enacted Law No. 4007, reforming the national tax regime. The new law, which came into effect on January 1, 2015, mandates a gradual decrease in the corporate income tax rate and an increase in the tax rates for dividends distributed by Peruvian companies to Chilean shareholders. As a result, the current tax rate applicable to Peruvian corporate income distributed to Chilean shareholders will increase from the current applicable rate of 34.1%, to 34.8% for 2015 and 2016, 35% for 2017 and 2018, and 35.3% for 2019 and onward. As a result, the new Peruvian tax regime is expected to decrease the amount of dividends we receive from our Peruvian subsidiaries.

The future economic, social and political developments in Peru, over which we have no control, could have a material adverse effect on us. See “Item 3. Key Information — D. Risk Factors - Risks Related to Peru.”

Developments in the Colombian economy

Our operations in Colombia accounted for 8.6% of our consolidated revenues from ordinary activities for the year ended December 31, 2016. Accordingly, the Company is sensitive to macroeconomic conditions in Colombia.

Beginning in 2007 Colombia grew rapidly, however, Colombia’s credit rating was not raised to investment grade by Moody’s and S&P until 2011. Moody’s upgraded Colombia from Baa3 to Baa2, two notches above junk grade, with a stable outlook in July 2014 and remaining stable in 2015 and 2016. Fitch also ratified its sovereign rating on Colombia at BBB with negative outlook in 2016. Credit ratings are subject to periodic review and we cannot assure you that the current ratings will not be revised or lowered in the future.

Congress’s approval of the tax reform on December 28, 2016 was essential in order to maintain investment grade credit ratings. The tax reform is expected to generate an increase in new revenues of 2.2 - 2.4% of GDP through 2022. The primary components of the tax reform are a 3% increase VAT from 16% to 19%, the permanent adoption of a 0.4% financial transactions tax, the adoption of a 5% tax on dividends for foreign investors, an increase in income tax on individuals and a gradual reduction of the corporate tax to 40% in 2017, 37% in 2018 and 33% in 2019. Furthermore, the wealth tax was eliminated.

By the end of 2016 Colombia’s credit rating was higher than that of Brazil, Latin America’s largest economy, due to strong growth that was supported by government infrastructure programs encompassed in the “4G” plan and moderate fiscal deficits.

After 50 years of armed confrontations, and four years of negotiations with FARC (Revolutionary Armed Forces of Colombia), the most important domestic guerrilla group, the Colombian government and FARC signed a peace agreement in September 2016 that a public referendum failed to ratify in October 2016. Following the unsuccessful referendum, the Colombian government and FARC signed a revised peace deal that was ratified by Congress in November 2016, and which was not submitted to the public for approval. In December 2016, the Colombian constitutional court ruled that they would allow legislation related to the FARC peace deal to be discussed through a fast track process. Since peace deal legislation is seen as extraordinary, it would typically have to go through eight debates in Congress. The constitutional court’s ruling shortens the process to four debates in Congress. The government is expected to send the FARC Amnesty Bill to congress as soon as possible, as it is time sensitive.

In October 2012, the U.S. granted congressional approval to the implementation of the United States-Colombia Trade Promotion Agreement (“TPA”), under which over 80% of U.S. exports of consumer and industrial products to Colombia will become duty free immediately, with remaining tariffs phased out over 10 years. The TPA was signed on November 22, 2016 and is expected to benefit both the U.S. and Colombian economies, which are seen as highly complementary. According to the Office of the United States Trade Representative, Colombia was the United States’ 20th largest goods export market and the 27th largest supplier of goods imports in 2015. During 2014 and 2015, U.S. imports from Colombia amounted to USD\$14.2 billion and USD\$9.8 billion, respectively, and are expected to be USD\$9.8 billion in 2016. The main products are oil and derivatives, aircraft and parts, electric machinery, iron and steel products, cereals, soybean products and pharmaceutical products. The decrease in U.S. imports from Colombia from 2014 to 2015 was driven by oil derivatives.

GDP growth was 4.4% in 2014, 3.1% in 2015 and 2.0% in 2016. Retail sales have increased 7.5% in 2014, 6.5% in 2015 and 2.0% in 2016, according to DANE. The retail sector in Colombia is underpenetrated with 51% of the retail sector being informal according to Credit Suisse Research, as of 2013.

Private consumption has recovered since 2009 as illustrated by the real growth rates of 0.9%, 5.0%, 5.5%, 4.8%, 4.9%, and 4.7% in 2009, 2010, 2011, 2012, 2013 and 2014, according to DANE. We believe this increase in real growth rate has been a key driver in retail growth in Colombia. However, during the first quarter of 2016 household consumption grew a moderate 3.1% due to the negative impact of the high inflation rate, devaluation of the Colombian peso and the interest rate increase by the central bank.

Unemployment has gradually decreased in the last few years. According to the Central Bank of Colombia, the yearly unemployment rate was 9.1%, 8.9% and 9.2% in 2014, 2015 and 2016, respectively.

Historically, one factor that differentiated the Colombian recovery from its Latin American peers had been the favorable behavior of inflation, which has been well within the inflation target band of 2 - 4% set up by the Central Bank of Colombia. Headline inflation ended at 2.4% for 2012, 1.9% for 2013 and 3.66% for 2014. However, in 2015 the inflation was higher than the Central Bank target of 6.77% as a result of the devaluation of the peso and the negative impact on food products supply caused by weather phenomenon “El Niño” that affected the local harvests. In 2016 inflation closed at 5.75%, above target but with a significant decrease in the second quarter as a result of more favorable weather conditions and a more stable exchange rate.

Fiscal deficit has shown an increasing trend. It was 1.9% in 2012, 2.2% in 2013, 2.6% in 2014, 3.0% in 2015 and is estimated at 3.9% in 2016. This deficit has increased government debt to GDP ratios which stood at 51.7% in 2015.

The future economic, social and political developments in Colombia, over which we have no control, could impair our business, financial condition or results of operations. See “Item 3. Key Information — D Risk Factors. Risks Related to Colombia”

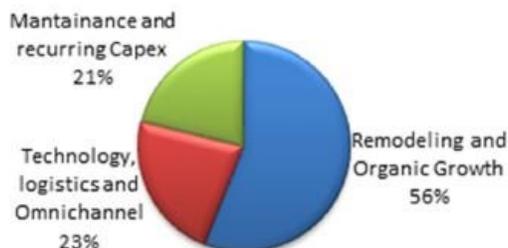
Expansion activities

A significant proportion of our expected revenue growth is based on our expansion activities, including organic growth. We expect revenues to reach approximately U.S.\$16.5 billion for 2017 based on the company's expected revenue growth, due primarily to a better performance from the businesses, increased online business growth, selected store openings and an improved economic regional environment, particularly in Peru, Argentina and Brazil. For the same period we expect to invest U.S.\$500 million.

By 2017, the focus of investments will continue to be on strengthening our value proposition and competitiveness of stores, innovation and improvement in logistics and technological capabilities, omnichannel development and growth in sales area through selective opening of stores and the acceleration of our remodeling plan. In addition to the above, we plan to start the development of new shopping centers and the expansion of existing malls.

The organic growth plan for the next four years (2017-2020) contemplates investments of U.S.\$2.5 billion and will be financed mainly by cash generated from operations (this plan does not take into account the resources that may be generated from any sale of non-strategic assets).

Capex distribution for 2017 by Type of Investment



Divestment activities

We profit from the opportunistic disposition of land for which we no longer have immediate use. These dispositions allow us to monetize the capital gains from such land and allocate capital efficiently. From time to time, we may leverage our favorable position in and knowledge of the land and market to engage in opportunistic selling transactions. During 2016, the Company divested from 47 pharmacies that the group operated within its supermarkets in Peru, to Mifarma, the 33.3% stake in Mall Viña del Mar S.A. - a company that owns and operates a shopping center in Viña del Mar and a shopping center in Curico - for UF 4,275,000 (approximately U.S.\$160 million or Ch\$110,575 million), renewed the JV agreement with Colpatría (a subsidiary of Scotiabank) to jointly develop the financial retail business in Colombia, and sold Teleticket, a ticketing agency for shows in Peru.

Impact of acquisitions

No acquisitions were made in the 2014, 2015 and 2016 fiscal periods.

Impact of organic expansion

During the year ended December 31, 2016, (a) in Chile, we opened two new stores in our supermarket division adding 815 square meters of selling space and added one new store in our department store division with an additional 3,135 square meters of selling space; (b) in Argentina, we had a net closing of four supermarkets, which reduced selling space by 1,654 square meters and opened one home improvement store, which added 7,760 square meters of selling space; (c) in Brazil, we had net closings of 11 stores and reduced selling space by 16,508 square meters; (d) in Peru, we had one net opening in our supermarkets division, which expanded selling space by 2,475 square meters and had one department store opening, which added 10,100 square meters of selling space; (e) in Colombia, we had two net openings and added 4,839 square meters of selling space. In addition, maintenance expenditures for existing stores are estimated to have been at U.S.\$72 million in 2016. In our shopping centers division we had a reduction in GLA to third parties of 9,643 square meters in Chile and 6,101 square meters in Colombia, totaling a reduction of 15,744 square meters.

During the year ended December 31, 2015, (a) in Chile, we had seven net openings in our supermarket division adding 9,674 square meters of selling space, we added two new stores in our home improvement division with an additional 17,462 square meters of selling space; (b) in Argentina, we had a net closing of four supermarkets and reduced selling space by 2,953 square meters; (c) in Brazil, we had a net opening of three stores and expanded selling space by 9,169 square meters; (d) in Peru, we had three net openings in our supermarkets division and expanded selling space by 7,826 square meters; (e) in Colombia, we opened had one net opening of a supermarket store and added 1,197 square meters of selling space and had no net openings in Home Improvement but added 6,587 square meters of selling space. In addition, maintenance expenditures for existing stores are estimated to have been at U.S.\$108 million in 2015. In our shopping centers division we had a reduction in GLA to third parties of 1,846 square meters in Chile, 4,312 square meters in Argentina and added 477 square meters in Peru, totaling a reduction of 5,680 square meters.

During the year ended December 31, 2014, (a) in Chile, we opened 14 new stores in our supermarket division adding 21,637 square meters of selling space, we added one new store in our home improvement division with an additional 5,648 square meters of selling space, and we added two

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stores in our department stores division with an additional 3,695 square meters of selling space; (b) in Argentina, we opened two home improvement stores that added selling space for 10,297 square meters; (c) in Brazil, we had a net closing of two stores but expanded selling space by 5,448 square meters; (d) in Peru, we had no net openings in our supermarkets division but expanded selling space by 2,340 square meters and we opened three new department stores that added selling space of 13,011 square meters. In addition, Maintenance expenditures for existing stores are estimated to have been at U.S.\$75 million in 2014. In our shopping centers division we had investments that added GLA to third parties in excess of 20,635 square meters in Chile, 40,105 square meters in Argentina and 12,803 square meters in Peru, totaling 73,543 square meters.

As a general matter, we believe that a period of several years is frequently required after opening or inauguration for a store or shopping center to mature and achieve its full potential to generate sales. As a result, the increasing maturation of a newly opened store may need to be taken into account when comparing period-to-period store sales. The following tables present a breakdown of our store and shopping center expansion activities for the periods indicated:

	2016				Total 2016
	Total 2015	Openings	Closings	Acquisitions	
Chile					
Supermarkets	245	2	2	—	245
Home Improvement	35	0	0	—	35
Department Stores	79	1	1	—	79
Shopping Centers	25	0	0	—	25
Total Chile	384	3	3	—	384
Argentina					
Supermarkets	286	6	9	—	283
Home Improvement	50	1	0	—	51
Shopping Centers	22	0	0	—	22
Total Argentina	358	6	9	—	356
Brazil					
Supermarkets	222	3	14	—	211
Total Brazil	222	3	14	—	211
Peru					
Supermarkets	90	3	2	—	91
Department Stores	9	1	0	—	10
Shopping Centers	4	0	0	—	4
Total Peru	103	4	2	—	105
Colombia					
Supermarkets	101	3	1	—	103
Home Improvement	10	0	0	—	10
Shopping Centers	2	0	0	—	2
Total Colombia	113	3	1	—	115
Total	1,180	20	29		1,171

	2015				Total 2015
	Total 2014	Openings	Closings	Acquisitions	
Chile					
Supermarkets	238	10	3	—	245
Home Improvement	33	2	0	—	35
Department Stores	79	0	0	—	79
Shopping Centers	25	0	0	—	25
Total Chile	375	12	3	—	384
Argentina					
Supermarkets	290	1	5	—	286
Home Improvement	50	0	0	—	50
Shopping Centers	22	0	0	—	22
Total Argentina	362	1	5	—	358
Brazil					
Supermarkets	219	5	2	—	222
Total Brazil	219	5	2	—	222
Peru					
Supermarkets	87	3	0	—	90
Department Stores	9	0	0	—	9
Shopping Centers	4	0	0	—	4
Total Peru	100	3	0	—	103
Colombia					
Supermarkets	100	3	2	—	101
Home Improvement	9	1	0	—	10
Shopping Centers	2	0	0	—	2
Total Colombia	111	4	2	—	113
Total	1,167	25	12		1,180

	2014				Total 2014
	Total 2013	Openings	Closings	Acquisitions	
Chile					
Supermarkets	224	15	1	—	238
Home Improvement	32	1	—	—	33
Department Stores	77	2	—	—	79
Shopping Centers	25	—	—	—	25
Total Chile	358	18	1	—	375
Argentina					
Supermarkets	290	1	1	—	290
Home Improvement	48	2	—	—	50
Shopping Centers	18	4	—	—	22
Total Argentina	356	7	1	—	362
Brazil					
Supermarkets	221	3	5	—	219
Total Brazil	221	3	5	—	219
Peru					
Supermarkets	87	1	1	—	87
Department Stores	6	3	—	—	9
Shopping Centers	3	1	—	—	4
Total Peru	96	5	1	—	100
Colombia					
Supermarkets	100	2	2	—	100
Home Improvement	9	1	1	—	9
Shopping Centers	2	—	—	—	2
Total Colombia	111	3	3	—	111
Total	1,142	13	8	—	1,167

Impact of exchange rate fluctuations

The Chilean peso, as well as the currencies of the countries in which we operate, has been subject to large volatility in the past and could be subject to significant fluctuations in the future. During 2016 and 2015, the value of the Chilean peso relative to the U.S. dollar appreciated approximately 5.7% and depreciated 17.0%, respectively; the Argentine Peso depreciated approximately 22.1% and 51.7% against the U.S. dollar, respectively; the Brazilian Real appreciated approximately 18.3% and devaluated 49.8% against the U.S. dollar, respectively; the Peruvian Sol appreciated 1.7% and depreciated approximately 14.1% against the U.S. dollar, respectively, and the Colombian peso appreciated 5.7% and depreciated 33.0% against the U.S. dollar, respectively. The observed exchange rate for the Chilean peso on January 2, 2017 was Ch\$669.75 per U.S.\$1.00. See “Item 3. Key Information—A. Selected Financial Data—Exchange Rates” and “Item 10. Additional Information—D. Exchange Controls.”

Our sales in each of our countries of operations are priced in local currencies. To the extent that the Chilean peso depreciates against the U.S. dollar or the currencies of any of our countries of operation, our revenues may be adversely affected when expressed in Chilean pesos. The effect of exchange rate fluctuations is partially offset by the fact that certain of our operating expenses are denominated in Chilean pesos (such as our corporate overhead) and a significant part of our indebtedness is denominated in Chilean pesos. As of December 31, 2016, 17% of our interest-bearing debt was denominated in U.S. dollars, after taking into account cross-currency swaps, and the remainder of our interest-bearing debt was primarily UF- or Chilean peso-denominated.

Seasonality

Historically, we have experienced distinct seasonal sales patterns at our supermarkets due to heightened consumer activity throughout the Christmas and New Year holiday season, as well as during the beginning of each school year in March. During these periods, we promote the sale of non-food items particularly by discounting imported goods, such as toys throughout the Christmas holiday season, and school supplies during the back-to-school period. Conversely, we usually experience a decrease in sales during the summer vacation months of January and February. Our sales for the first and fourth quarters of 2016 represented 24.0% and 27.6% respectively, of our total sales for such year.

We do not experience significant seasonality in the home improvement sector. Home improvement store sales for the first and fourth quarters of 2016 represented 25.1% and 27.8% of our total home improvement sales.

Our department stores have also experienced historically distinct seasonal sales patterns due to heightened consumer activity throughout the Christmas and New Year holiday season. As a result, the strongest quarter in terms of sales is the fourth quarter, which represented 32.0% of total sales for the year 2016, while the first quarter represented 21.9% of total annual sales, respectively.

Our shopping center revenues generally increase during the Christmas and New Year holiday season, reflecting the seasonal sales peak for our shopping centers. For example, during the fourth quarter of 2016 our Chile shopping center revenues represented 29.1% of total Chile shopping

center revenues for the year. We generally charge our shopping center tenants double rent for the month of December which is payable in February of the following year when they will have realized collections in respect of most holiday season sales.

Joint Venture

On June 20, 2014, the Company, together with its subsidiaries Cencosud Retail S.A. and Easy S.A., entered into the Joint Venture Framework Agreement with BNS and its wholly owned subsidiary Scotiabank Chile, to further develop, on a joint basis, the retail finance business in Chile. As part of the agreement, Scotiabank Chile acquired a fifty-one percent (51%) controlling interest of each of the Subject Companies, with Cencosud retaining the remaining forty-nine percent (49%) non-controlling interest of each of the Subject Companies. On April 13, 2015, the Superintendency of Banks and Financial Institutions of Chile announced its approval of the joint venture between the Company and ScotiaBank.

On September 29, 2016, we renewed the JV agreement with Colpatría (a subsidiary of Scotiabank) to jointly develop the financial retail business in Colombia. The agreement is a 15 year term contract which involves a one-time payment from Colpatría to Cencosud in the amount of Ch\$18,834 million, and the distribution, in equal parts, of future business profitability.

Under IFRS 5, “Disposal of subsidiaries, business and non-current assets”, the Subject Companies are considered as from June 20, 2014, as “Assets held for sale” as a result of Cencosud’s commitment to sell a controlling interest to an unrelated party under the Joint Venture Framework Agreement and the occurrence of such transaction is deemed highly probable by management. IFRS 5 requires that (a) assets that meet the criteria to be classified as held for sale be measured at the lower of carrying amount and *fair value less costs to sell*, and depreciation on such assets shall cease; and (b) assets that meet the criteria to be classified as held for sale be presented separately in the statement of financial position and the results of discontinued operations, net of tax, and be presented separately in the statement of comprehensive income. Net cash flows attributable to the operating, investing and financing activities of discontinued operations are required to be disclosed either in the notes to the financial statements or in the financial statements themselves. Accordingly, our consolidated financial information for the two years ended December 31, 2015 and 2014 has been restated to present the result of operations of the financial services segment in Chile as discontinued operations.

In 2016 the Company did not register results related to discontinued operations as the Joint Venture was completed in May 1, 2015, and results from financial services Chile started to be accounted under the equity method of accounting, given our 49% ownership.

Potential Separation of the Shopping Centers division

On January 30, 2015, the board of directors of the Company resolved to evaluate a potential separation of the Company’s Shopping Centers division. The possible separation was contemplated to primarily involve shopping centers in Argentina, Chile, Peru and Colombia, coupled with the development of a plan for investment in additional expansions and new projects, with the Company expecting to maintain a majority position in the resulting entity. The process however is currently on standby and no decision to proceed has been made. Any transaction ultimately undertaken with respect thereto will be subject to approval by the board of directors of the Company as well as the procurement of any other regulatory approvals required under applicable law.

Cost of Sales

Cost of sales reflects the costs of goods sold. Gross profit, defined as revenues from ordinary activities less cost of sales, is lower in our supermarkets segment due to higher turnover of our supermarket inventory, which includes primarily basic and staple goods. In our other segments, namely department stores and home improvement stores, we do not experience high inventory turnover and therefore have higher gross profits.

Loan Provisioning

Provision models to cover portfolio risk in line with Basel II standards: the Company has different provisions models that adhere to local regulations in each country as well as Basel II standards in order to most adequately reflect cardholder portfolio risk. External variables that affect payment behavior are also included in statistical models for estimating provisions. The Company is making progress in each country on implementing anti-cyclical provisions based on industry best practices, having started with Chile and Peru and, in 2012, Argentina. It also uses back testing to periodically monitor the sufficiency of the provisions it establishes.

Critical Accounting Policies and Estimates

A summary of our significant accounting policies is included in Note 2 to our Audited Consolidated Financial Statements included elsewhere in this annual report. We believe that the consistent application of these policies enables us to provide readers of our consolidated financial statements with more useful and reliable information about our operating results and financial condition.

The following policies are the accounting policies that we believe to be the most important in the portrayal of our financial condition and results of operations and require management’s most difficult, subjective or complex judgments.

Estimate of impairment of assets with indefinite useful lives

We assess annually, or when there is a triggering event, whether goodwill has experienced any impairment, according to the accounting policy described in Note 2.11 of the annual financial statements. The recoverable balances of the cash generating units have been determined from the base of their value in use. The methodology of discounting cash flows at a real pre-tax discount rate calculated for each country is applied. The projection of cash flows is carried out by each country and by business segment. Using the functional currency of each country and the projection

considered a horizon of 5 years perpetuity, unless they justify a different horizon. The projections are the historical information of the last year and the main macroeconomic variables that affect the markets. In addition projections considered a moderate organic growth and recurring investments needed to keep generating capacity of flow of each segment.

The assets measured correspond mainly to trademarks and goodwill arising from past business combinations. The measurements are performed for each operating segment representing the cash generating unit determined to carry out the annual impairment test. The projected cash flows in each segment are allocated initially to identifiable tangible and intangible assets and the exceeding portion is allocated to goodwill. The valuation review of the trademarks incorporates among other factors the market analysis, financial projections and the determination of the role that brand has in the generation of sales. For more information please refer to note 4.1 of our audited consolidated financial statements.

After evaluating the development of the Supermarkets — Brazil CGU (cash generating unit) segment during first half 2015, the Company has considered that there were qualitative triggering events indicating that the goodwill of the Supermarkets - Brazil CGU could be at risk of impairment. According to this, a new calculation of the recovery value of the Supermarkets - Brazil CGU was made by taking into account the adjusted assumptions and updated business outlook. The value in use was obtained by discounting the future cash flows at their present value, using an updated WACC rate.

The financial model showed that the recoverable amount of the Supermarkets - Brazil CGU was lower than the carrying value of its long-term assets, for this reason, the Group recorded a goodwill impairment in the amount of Ch\$116,771 million (BRL\$566 million). This impairment loss was recognized within the consolidated statement of comprehensive income by function, as of June 30, 2015.

During the years ended December 31, 2016 and December 31, 2015, except for the goodwill of the Supermarkets - Brazil CGU, there have been no losses for impairment of assets with indefinite useful life.

Impairment of accounts receivable

We assess the impairment of accounts receivable when there is objective evidence that we will not be able collect all the amounts according to the original terms of the account receivable. For further information on our accounts receivable, please see Note 8 to our Audited Consolidated Financial Statements.

Investment property

a) Fair value measurement for lands

The fair value for land was determined by the Company's finance department, consulting with external and independent property valuers who have an appropriate recognized professional qualification and recent experience in the location and category of the property being valued.

The methodology used in determining the fair value of lands was the market approach, which consists of determining the fair value based on recent transactions occurred in the market.

b) Fair value measurements for investment properties other than land.

The Company's finance department is responsible for determining fair value measurements included in the financial statements

The Company's finance department includes a valuations team that prepares a valuation for each investment property every quarter. The valuation team reports directly to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes, key inputs and results are held between the CFO, AC and the valuation team at least once every quarter, in line with the Company's quarterly reporting dates.

The fair value measurement for this type of investment has been categorized as a level III of the fair value hierarchy based on the inputs used in the valuation technique. Investment properties are valued on a highest and best use basis. Changes in Level 3 fair values are analyzed at each reporting date during the quarterly valuation discussions between the CFO, AC and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

For all of the Company's investment properties, the current use is considered to be the highest and best use.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 fair value measurements for investment properties during the period, nor transfers between Level 1 and Level 2 of the fair value hierarchy.

For investment property, the methodology of the discounted future cash flows uses a country-specific WACC post-tax rate, measured in real terms and differentiated by country. The rates used at December 31, 2016 were 6.19% in Chile, 12.3% in Argentina, 6.75% in Peru and 7.03% in Colombia (at December 31, 2015: 6.73% in Chile, 22.50% in Argentina, 7.50% in Peru and 7.10% in Colombia). To this effect, a calculation is performed to obtain the net revenues that correspond to the lease income minus the direct costs and operating expenses. Additionally, the projected cash flows used the historical information of the recent years and the projected macroeconomic variables that will affect each country. As a result of the project of tax reform in Chile enacted in the second half of the year 2014, the company conducted an assessment of changes in the legislation and included such in determining the fair value of the investment properties from June 30, 2014. For more information related to cash flows and main variables used please refer to note 4.3 of our audited consolidated financial statements.

Fair value of derivatives

The fair value of financial instruments that are not traded in an active market as it is the case of the over-the-counter derivatives is determined by using valuation techniques. The company uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The company has used discounted cash flows analysis for various foreign exchange contracts and interest rate contracts that are not traded in active markets. For more information please refer to note 4.4 of our audited consolidated financial statements.

Operating Segments

For purposes of our Audited Consolidated Financial Statements and our Unaudited Interim Consolidated Financial Statements, IFRS 8 "Operating Segments" requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating officer in deciding how to allocate resources and in assessing performance.

For management purposes, we are organized into six operating segments:

- "supermarkets," which includes the results of our: Jumbo, Santa Isabel, Disco, Vea, Wong, Metro, GBarbosa, Perini, Bretas and Prezunic supermarkets and hypermarkets in Chile, Argentina, Brazil, Colombia and Peru, our Eletro-show stores, GBarbosa pharmacies in Brazil and Peru and gas stations in Brazil and Colombia;
- "shopping centers," which includes the results of our shopping centers in Chile, Argentina, Colombia and Peru;
- "home improvement stores," which includes the results of our Easy and Blaisten home improvement stores in Chile, Argentina and Colombia;
- "department stores," which includes the results of our Paris and Johnson department stores in Chile and Paris in Peru;
- "financial services," which primarily includes the results of our credit card businesses and consumer loans, as well as our limited insurance brokerage operations in Argentina, and Peru and through joint ventures in Chile with Scotiabank, in Brazil with Banco Bradesco and Colpatria in Colombia; and
- "other," which includes the results of our entertainment centers, loyalty programs and our corporate back-office operations.

We base operations and resource allocation decisions on these six segments. The operating segments are disclosed in a coherent way consistent with the presentation of internal reports we use in our internal controls and disclosure processes. These operating segments derive their revenues primarily from the sale of products and rendering of services to retail consumers.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

The following table presents, for the periods indicated, certain items of our statement of profit and loss:

	Year Ended December 31,		% Change
	2016	2015	
	(in millions of ChS)		
Revenues from ordinary activities:			
Supermarkets	7,487,810	8,045,566	(6.9)%
Shopping Centers	238,722	248,026	(3.8)%
Home improvement	1,294,348	1,469,246	(11.9)%
Department stores	1,126,931	1,051,642	7.2%
Financial services	177,683	165,820	7.2%
Other	7,506	11,039	(32.0)%
Total revenues from ordinary activities	10,333,001	10,991,338	(6.0)%
Cost of sales:			
Supermarkets	(5,600,464)	(6,014,367)	(6.9)%
Shopping Centers	(31,110)	(33,984)	(8.5)%
Home improvement	(849,368)	(962,485)	(11.8)%
Department stores	(810,967)	(749,412)	8.2%
Financial services	(59,818)	(49,276)	21.4%
Other	(4,744)	(3,702)	28.2%
Total cost of sales	(7,356,471)	(7,813,226)	(5.8)%
Gross profit:			
Supermarkets	1,887,346	2,031,199	(7.1)%
Shopping Centers	207,612	214,042	(3.0)%
Home improvement	444,980	506,761	(12.2)%
Department stores	315,965	302,229	4.5%
Financial services	117,865	116,544	1.1%
Other	2,763	7,337	(62.3)%
Total gross profit	2,976,530	3,178,112	(6.3)%
Administrative expenses, distribution costs and other expenses	(2,523,381)	(2,675,486)	(5.7)%
Other income	301,152	210,521	43.1%
Share of profits of investments accounted for using the equity method	11,896	14,067	(15.4)%
Financial income	14,540	14,939	(2.7)%
Financial expenses	(283,511)	(259,038)	9.4%
Other losses	59,564	(124,455)	(147.9)%
Exchange differences	37,287	(116,743)	(131.9)%
Losses from indexation	(14,312)	(22,009)	(35.0)%
Income (loss) before taxes	579,766	219,908	163.6%
Income tax charge	(191,969)	(58,540)	227.9%
Profit from continuing operations	387,797	161,368	140.3%
Profit from discontinued operations	0	70,617	(100.0)%
Net profit	387,797	231,985	67.2%

Profit attributable to non-controlling shareholders	43	44	(3.2)%
Profit attributable to controlling shareholders	387,755	231,941	67.2%

Revenues from ordinary activities

Our consolidated revenues from ordinary activities decreased Ch\$658,336 million, or 6.0%, to Ch\$10,333,001 million for the year ended December 31, 2016, from Ch\$10,991,338 million for the same period in 2015, as a result of a lower contribution from Supermarkets, Home Improvement and Shopping Centers, reflecting the impact of the devaluation of local currencies against the Chilean peso (mainly the Argentine peso and Colombian peso against the Chilean peso), partially offset by higher contribution from Department Stores and Financial Services. The increase in Department Stores reflects the growth in same store sales (SSS) in Chile and Peru, and the store openings in Peru. The increase in Financial Services reflects loan portfolio growth in Peru and Argentina.

Supermarkets

Our consolidated revenue from ordinary activities from our supermarkets decreased Ch\$557,756 million, or 6.9%, to Ch\$7,487,810 million for the year ended December 31, 2016, from Ch\$8,045,566 million for the same period in 2015, primarily due to (i) a revenue decrease of Ch\$521,604 million, or 24.2%, in our Argentine operations, resulting from a 35.4% depreciation of the ARS against the CLP and the net closing of 3 stores, partially offset by a 17.3% increase in same stores sales, (ii) a decrease of Ch\$89,694 million, or 5.3%, in revenues from our Brazilian operations due to the net closing of 11 stores, a 2.4% decrease in same store sales and the 2.0% depreciation of the BRL against the CLP, (iii) a decrease of Ch\$29,066 million, or 3.5%, from our Colombian operations resulting from a 7.6% depreciation of the COP against the CLP, partially offset by the net opening of two stores during the period and a 5.0% increase in same store sales, and (iv) a decrease of Ch\$28,876 million, or 3.3%, from our Peruvian operations, due to the sale of pharmacies — in 2015 revenues from that business was accounted in the Supermarkets segment — and the 2.4% depreciation of the Peruvian Nuevo Sol against the CLP, partially offset by the net opening of 1 store and a 1.0% increase in same store sales. On the other hand, our Chilean operations posted a revenue increase of 4.5%, or Ch\$111,484 million, on the back of positive same store sales of 3.9%.

Home improvement stores

Our consolidated revenue from ordinary activities from our home improvement stores decreased Ch\$174,897 million, or 11.9%, to Ch\$1,294,348 million for the twelve months ended December 31, 2016, from Ch\$1,469,246 million for the same period in 2015, primarily due to (i) a decrease of Ch\$200,539 million, or 22.0%, in our Argentine operations, resulting from a 35.4% depreciation of the ARS against the CLP, partially offset by an 18.4% increase in same store sales and the net opening of one store, (ii) an increase in revenues of Ch\$25,374 million, or 5.1%, in Chile resulting from a 3.3% increase in same store sales and (iii) an increase in revenues from our Colombian operations of Ch\$268 million, or 0.4%, resulting from a 7.6% depreciation of the COP against the CLP, partially offset by an 8.8% same store sale increase.

Department stores

Our consolidated revenue from ordinary activities from our department stores increased Ch\$75,290 million, or 7.2%, to Ch\$1,126,931 million for the twelve months ended December 31, 2016, from Ch\$1,051,642 million for the same period in 2015, primarily due to (i) an increase of Ch\$66,149 million, or 6.7%, in our Chilean operations as a result of a 6.4% increase in same store sales and (ii) an increase in revenues of Ch\$9,141 million, or 15.5%, in Peru resulting from a 11.1% increase in same store sales and the net opening of one store.

Shopping centers

Our consolidated revenue from ordinary activities from our shopping centers decreased Ch\$9,304 million, or 3.8%, to Ch\$238,722 million for the twelve months ended December 31, 2016, from Ch\$248,026 million for the same period in 2015, primarily due to (i) a decrease in revenues from our Argentine operations of Ch\$15,764 million, or 18.3%, resulting from a 35.4% depreciation of the ARS against the CLP and (ii) a decrease in revenues from our Colombian operations of Ch\$63 million, resulting from a 7.6% depreciation of the COP against the CLP, partially offset by

greater sales in local currency driven by the incorporation of revenues associated with the lease of pharmacies and increased *in-store GLA*(77) sales. These decreases were partially offset by (i) increased revenues in our Chilean operations of Ch\$5,389 million due to the improved performance of our flagship development Costanera Center, renewal of contracts, the collection of office leases at Costanera Center and higher contribution from our parking business, and (ii) an increase in revenues from our Peruvian operations of Ch\$1,134 million, or of 6.0%, due to renewals of leasing contracts, the incorporation of revenues from the newly leased pharmacies (after the divestiture of that operation) and an increased average occupancy rate during the period (up from 90.6% in 2015 to 93.5% in 2016) driven by Arequipa and Plaza Lima Sur Shopping Malls.

Financial services

Our consolidated revenue from ordinary activities from our financial services increased Ch\$11,863 million, or 7.2%, to Ch\$177,683 million for the twelve months ended December 31, 2016, from Ch\$165,820 million for the same period in 2015, primarily due to (i) an increase in revenues from our Peruvian operations of Ch\$10,001 million, or 20.4%, as a result of an increase in the size of our loan portfolio, (ii) an increase in revenues from our Argentine operations of Ch\$8,059 million, or 7.8%, also as a result of an increase in the size of our loan portfolio. These increases were partially offset by (i) a decrease in revenues of Ch\$3,137 million, or 62.0%, from our Brazilian operations as a result of lower contribution from the business due to an increase in loss provisions and write-offs net from recoveries reflecting increased risk related to the economic deceleration and increased unemployment in Brazil, (ii) a decrease in revenues from our Colombian operations of Ch\$1,773 million, or 31.4%, reflecting lower contribution from the business due to an increase in loss provisions and write-offs net from recoveries reflecting increased risk and the devaluation of the COP against the CLP, and (iii) a decrease in revenues from our Chilean operations of Ch\$1,286 million resulting from lower business volume at Banco Paris (closure process finalized by the end of the year).

Cost of sales

Our consolidated cost of sales decreased Ch\$456,754 million, or 5.8%, to Ch\$7,356,471 million for the twelve months ended December 31, 2016 from Ch\$7,813,226 million for the same period in 2015, reflecting the impact of the devaluation of local currencies against the Chilean peso and the efficiency plans coupled with the review of commercial strategies, better commercial agreements with suppliers and lower obsolescence provision (in 2015 Cencosud registered CLP 7,978 million in obsolescence provision).

Supermarkets

Our consolidated cost of sales in our supermarkets decreased Ch\$413,903 million, or 6.9%, to Ch\$5,600,464 million for the twelve months ended December 31, 2016 from Ch\$6,014,367 million for the same period in 2015, due to (i) a decrease in cost of sales in Argentina of Ch\$362,097 million, or 24.5%, resulting from a 35.4% depreciation of the ARS against the CLP; (ii) a Ch\$73,315 million, or 5.6% decrease in cost of sales in Brazil, as a result of the decrease in sales related to the store closings, negative same store sales and the devaluation of the BRL against the CLP, (iii) a decrease in cost of sales in Peru, or 4.9%, as a result of the decrease in sales, the sale of pharmacies and the efficiency efforts, coupled with a 2.4% devaluation of the PEN against the CLP, (iii) a decrease in cost of sales in Colombia of Ch\$23,753 million, or 3.5%, resulting from the 7.6% devaluation of the COP against the CLP, partially offset by increased cost of sales in local currency due to increased revenues. On the other hand, cost in sales in our Chilean operations increased Ch\$78,441 million, or 4.2%, as a result of increased logistic costs associated to the start-up of the new distribution center of perishables in Santiago and higher promotional activity, partially offset by lower obsolescence provisions by Ch\$2,059 million(78).

Home improvement stores

Our consolidated cost of sales in home improvement stores decreased Ch\$113,117 million, or 11.8%, to Ch\$849,368 million for the twelve months ended December 31, 2016 from Ch\$962,485 million for the same period in 2015, mainly due to (i) a decrease in cost of sales in Argentina of Ch\$129,054 million, or 23.0%, resulting from a 35.4% depreciation of the ARS against the CLP and lower obsolescence provisions by CLP 3,318 million(79); (ii) a decrease in cost of sales in Colombia of Ch\$453 million, or 0.9%, resulting from lower obsolescence provisions by Ch\$560 million(80), decreased logistic costs and higher operational efficiency, coupled with the 7.6% devaluation of the COP against the CLP; partially offset by (iii) increased cost of sales in Chile of Ch\$16,390 million, or 4.6%, due to the 5.1% increase in revenues, partially offset by lower obsolescence provisions by Ch\$2,041 million(81).

Department stores

Our consolidated cost of sales in our department stores increased Ch\$61,554 million, or 8.2%, to Ch\$810,967 million for the twelve months ended December 31, 2016 from Ch\$749,412 million for the same period in 2015, due to (i) an increase of Ch\$54,664 million, or 7.8%, in cost of sales in Chile as a result of the 6.7% increase coupled with increased contribution from online sales and higher promotional activity; and (ii) an increase in cost of sales in Peru of Ch\$6,890 million, or 14.5%, as a result of the 15.5% increase in sales driven by the expansion of the department store business in the country.

(77) In store GLA refers to small size stores placed next to the check-out lanes in supermarkets. Tenants are oriented towards a narrow mix of goods and personal services such as drugstores, bank branches, dry cleaning facilities, smoke shops, accessories, and hair salons, among others.

(78) A Ch\$2,059 million increase in provision was performed in Supermarkets Chile in 2015, due to a change in obsolescence of inventories.

(79) A Ch\$3,318 million increase in provision was performed in Home Improvement Argentina in 2015, due to a change in obsolescence of inventories.

(80) A Ch\$560 million increase in provision was performed in Home Improvement Colombia in 2015, due to a change in obsolescence of inventories.

(81) A Ch\$2,041 million increase in provision was performed in Home Improvement Chile in 2015, due to a change in obsolescence of inventories.

Shopping centers

Our consolidated cost of sales, primarily depreciation and expenses, from our shopping centers decreased Ch\$2,873 million, or 8.5%, to Ch\$31.110 million for the twelve months ended December 31, 2016 from Ch\$33,984 million for the same period in 2015, due to (i) a decrease in cost of sales of Argentina of Ch\$8,411 million, or 37.2%, resulting from the 35.4% depreciation of the ARS against the CLP; (ii) a decrease of Ch\$93 million, or 3.1%, in cost of sales for our Peruvian operations due to higher charges from common expenses charged to our tenants and (iii) a decrease in cost of sales in Colombia of Ch\$45 million, or 15.1%, resulting from a 7.6% depreciation of the COP against the CLP and the incorporation of revenues from the lease of pharmacies. These effects were partially offset by an increase in cost of sales in Chile of Ch\$5,676 million, or 69.7%, due to increased costs related to the payment of real estate taxes as a consequence of the Tax Reform Act(82).

Financial services

Our consolidated cost of sales, primarily provisions for bad debts and collection and processing costs, from our financial services division increased Ch\$10,543 million, or 21.4%, to Ch\$59,818 million for the twelve months ended December 31, 2016 from Ch\$49,276 million for the same period in 2015, due to an increase of Ch\$6,061 million, or 28.6% in Peru as a result of the growth of our loan portfolio and an increase of Ch\$4,097 million, or 14.3%, in Argentina as a result of loan portfolio growth and increased charges related to risk.

Gross profit

Our consolidated gross profit decreased 6.3%, or Ch\$201,582 million, to Ch\$2,976,530 million for the twelve months ended December 31, 2016 from Ch\$3,178,112 million for the same period in 2015, primarily due to a decrease in gross profit in Supermarkets, Home Improvement and Shopping Centers, partially offset by increased gross profit in Department Stores and Financial Services. The decrease in gross profit in the aforementioned businesses was mainly driven by the depreciation of the ARS and COP against the CLP.

Our consolidated gross profit as a percentage of revenues from ordinary activities decreased 0.11% to 28.8% for the twelve months ended December 31, 2016 from 28.9% for the same period in 2015, reflecting increased costs related to the payment of real estate taxes in Chile as a consequence of the Tax Reform Act and lower gross margin from Financial Services due to increased charges related to risk associated with the loan portfolio growth in Peru, coupled with a lower contribution from the Joint Venture in Brazil reflecting economic conditions and from Colombia due to the devaluation of the COP against the CLP. The foregoing were partially offset by better commercial conditions with suppliers and the Ch\$7,978 million one-time provision due to the change in how we account for obsolescence of inventories performed in 2015.

Supermarkets

Our consolidated gross profit in our supermarkets decreased Ch\$143,853 million, or 7.1%, to Ch\$1,887,346 million for the twelve months ended December 31, 2016 from Ch\$2,031,199 million for the same period in 2015, as a result of (i) a decrease in gross profit of Ch\$159,507 million, or 23.5%, in Argentina driven by the depreciation of the ARS against the CLP and increased promotional activity, (ii) a decrease in gross profit of Ch\$16,380 million, or 4.5%, from our Brazilian operations, as a result of the 2.4% decrease in same store sales, the net closing of 11 stores and the depreciation of the BRL against the CLP, and (iii) a decrease of Ch\$29,066 million, or 3.5%, in Colombia driven by the depreciation of the COP against the CLP. On the other hand, gross profit increased both in Chile and Peru. In the case of Chile, the increase in gross profit of Ch\$33,044 million was driven by higher sales, savings from the centralization of processes (mat, bakery and prepared food) as well as improved logistic costs, and lower obsolescence provisions by Ch\$2,059 million. In the case of Peru, the increase in gross profit of Ch\$4,303 million was the result of lower contribution from the wholesale business.

Home improvement stores

Our consolidated gross profit in our home improvement stores decreased Ch\$61,780 million, or 12.2%, to Ch\$444,980 million for the twelve months ended December 31, 2016 from Ch\$506,761 million for the same period in 2015. The decrease in gross profit reflects a decrease in gross profit from ordinary activities in Argentina of Ch\$71,486 million, or 20.5%, from Ch\$349,324 million in 2015 to Ch\$277,839 million in 2016, as a result of the depreciation of the ARS against the CLP and greater promotional activity, partially offset by (i) an increase in gross profit from our operations in Chile of Ch\$8,984 million, or 6.3%, driven by higher sales, greater contribution from retail sales and the one-time charge in 2015 of Ch\$2,041 million related to the change in the provision of obsolescence of inventories and (ii) an increase in gross profit in Colombia of Ch\$721 million, or 4.8%, resulting from higher sales, a larger share of imports in the product mix and the one-time charge in 2015 of Ch\$560 million due to the change in the provision of obsolescence of inventories.

Department stores

Our consolidated gross profit in our department stores increased Ch\$13,736 million, or 4.5%, to Ch\$315,965 million for the twelve months ended December 31, 2016 from Ch\$302,229 million for the same period in 2015, reflecting the improvement both in Chile and Peru. In Chile, gross profit increased Ch\$11,485 million, or 4.0%, during the twelve months ended December 31, 2016 compared to the same period in 2015 driven by greater sales, and gross margin as a percentage of sales decreased from 29.3% in 2015 to 28.5% in 2016, as a result of greater promotional activity. In Peru, gross profit increased Ch\$2,251 million, or 19.6%, and gross margin as a percentage of sales increased from 19.5% in 2015 to 20.2% in 2016, as a result of the increase in size of the operation.

(82) After the implementation of the Tax Reform Act in Chile approved in 2014, real estate taxes paid by contributors ceased to be a credit for corporate income taxes by 50% in 2015, and the benefit was fully eliminated by in 2016.

Shopping centers

Our consolidated gross profit in our shopping centers decreased Ch\$6,430 million, or 3.0%, to Ch\$207,612 million for the twelve months ended December 31, 2016 from Ch\$214,042 million for the same period in 2015, as a result of a decrease in gross profit in Argentina of Ch\$7,352 million, or 11.6%, due to the depreciation of the ARS against the CLP, partially offset by an increased gross profit in Peru, resulting from the renewal of contracts of a few tenants, the incorporation of revenues from the rental of pharmacies and higher charges from common expenses charged to our tenants.

Financial services

Our consolidated gross profit in our financial services segment increased Ch\$1,321 million, or 1.1%, to Ch\$117,865 million for the twelve months ended December 31, 2016 from Ch\$116,544 million for the same period in 2015, as a result of (i) a larger loan portfolio at our Argentine operations, which increased gross profit by Ch\$3,962 million, or 5.3%, despite the depreciation of the ARS against the CLP, and (ii) increased gross profit in Peru of Ch\$3,940 million, or 14.2%, as a result of the growth of our loan portfolio in the country, fueled by the department store business growth by financing in-store purchases. These increases were partially offset by (i) a decrease in gross profit of Ch\$3,137 million in our Brazilian operations, or 62.0%, due to higher charges related to risk as a result of the economic cycle, and (ii) decreased gross profit of Ch\$1,774 million, or 31.4%, in our Colombian operations, reflecting higher costs of funding and an increase in risk, as well as the impact of the depreciation of the COP against the CLP.

Administrative expenses, distribution costs and other expenses

Our consolidated administrative expenses, distribution costs and other expenses decreased Ch\$152,104 million, or 5.7%, to Ch\$2,523,381 million for the twelve months ended December 31, 2016 from Ch\$2,675,486 million for the same period in 2015. This decrease primarily reflects the 6.0% decrease in revenue from ordinary activities, and the impact of the depreciation of the ARS and COP against the CLP.

Other income by function

Our consolidated other income by function increased by Ch\$90,631 million, or 43.1%, to Ch\$301,152 million for the twelve months ended December 31, 2016 from Ch\$210,521 million for the same period in 2015, as a result of an increase in the fair value of properties in the period reflecting lower discount rates in the region for the twelve month period ended December 31, 2016 compared to the same period in 2015, associated with lower country risk, mainly in Argentina.

Results from financial and other activities

The following table presents, for the periods indicated, a breakdown of our consolidated results from financial, tax and other activities, as well as the percentage variation from period to period:

	<u>As of December 31,</u>		<u>% Change</u>
	<u>2016</u>	<u>2015</u>	
	(in millions of Ch\$)		
Participation in earnings of associates	11,896	14,067	(15.4)%
Financial income	14,540	14,939	(2.7)%
Financial expenses	(283,511)	(259,038)	9.4%
Other gains (losses)	59,564	(124,455)	(147.9)%
Exchange differences	37,287	(116,743)	(131.9)%
Losses from indexation	(14,312)	(22,009)	(35.0)%
Total losses from financial and other activities	(174,535)	(493,239)	(64.6)%

Our consolidated losses from financial and other activities decreased for the twelve month period ended December 31, 2016 compared to the same period in 2015, in light of the following factors:

- An increase in other gains (losses) of Ch\$184,019 million, resulting in a gain of Ch\$59,564 million for the twelve months ended December 31, 2016 compared to a loss of Ch\$124,455 million in 2015, mainly due lower impairment of assets by Ch\$114,132 million (in 2015 the Company performed a Ch\$116,771 million impairment of the Supermarkets Brazil CGU), higher recovery of insurance claims by Ch\$6,562 million, partially offset by lower gains from the sale of subsidiaries (in 2015 the Company registered a Ch\$61,373 million gain from the sale of the 49% stake of the financial services business in Chile and in 2016 registered a Ch\$56,810 million gain as a result of the sale of Cencosud's 33.3% stake in Mall Viña del Mar S.A.).
- A decrease in exchange differences of Ch\$154,030 million, resulting in exchange gains of Ch\$37,287 million for the twelve month period ended December 31, 2016 compared to exchange losses of Ch\$116,743 million for the same period in 2015, as a result of a the depreciation of the USD against CLP and the decrease in the unhedged portion on the debt, that went from 30.5% in 2015 to 16.6% in 2016.
- A decrease in losses from indexation of Ch\$7,696 million as a result of a lower inflation rate in Chile (4.4% in 2015 compared to 2.7% in 2016), resulting in a loss of Ch\$14,312 million for the twelve months ended December 31, 2016, compared to a loss of Ch\$22,009 million for the same period in 2015.

These were offset by:

- An increase in financial expenses of Ch\$24,472 million, resulting in a financial expense of Ch\$283,511 million for the twelve months ended December 31, 2016 compared to a financial expense of Ch\$259,038 million for the same period in 2015 as a result of a higher negative effect from the mark to market of the hedged portion of the debt and higher financial expenses related to our bonds reflecting the devaluation of the CLP against the USD during the first quarter of the year, partially offset by lower financial expenses related to bank loans and higher interests on deposits.
- A decrease in participation of earnings of associates of Ch\$2,171 million, resulting in a profit of Ch\$11,896 million for the twelve months ended December 31, 2016 compared to a profit of Ch\$14,067 million for the same period in 2015 as a result of the sale of the 33.3% stake Cencosud held in Mall Viña del Mar S.A. partially offset by an increased results from the JV with Scotiabank in Chile.

Income tax charge

For the twelve month period ended December 31, 2016, we had an income tax expense of Ch\$191,969 million, compared to an income tax expense of Ch\$58,540 million for the same period in 2015, explained by a higher profit before income taxes, increased effective tax rates in the region and increased expenses from deferred income taxes as a result of: (i) higher expenses from deferred taxes in Argentina, amounting to Ch\$54,257 million for the twelve months ended December 31, 2016 compared to Ch\$9,729 million for the same period in 2015, related to the revaluation of investment properties; (ii) the suspension of the recognition of deferred tax assets due to tax losses in Brazil of Ch\$15,114 million in 2016 compared to Ch\$7,026 million in 2015; (iii) the recognition of a deferred tax of Ch\$38,942 million related to the impairment of the Company's Brazilian assets in 2015 and (iv) the establishment of a new legal precedent in Colombia that enabled the use of CREE tax(83) loss divestment to be used as deferred tax asset, resulting in a positive effect of Ch\$43,697 million in 2015. See the reconciliation of income tax expense using the statutory rate to income tax expense using the effective rate in note 26 of our financial statements.

Profit (loss) from continuing operations

As a result of the above factors, our net earnings from continuing operations increased Ch\$226,430 million, or 140.3%, to Ch\$387,797 million for the twelve months ended December 31, 2016 from Ch\$161,368 million for the same period in 2015. Our net earnings, as a percentage of revenues from ordinary activities, increased to 3.8% for the twelve months ended December 31, 2016 from 1.5% for the same period in 2015.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

The following table presents, for the periods indicated, certain items of our statement of profit and loss:

	Year Ended December 31,		% Change
	2015	2014	
	(in millions of Ch\$)		
Revenues from ordinary activities:			
Supermarkets	8,045,566	8,159,237	(1.4)%
Shopping Centers	248,026	214,850	15.4%
Home improvement	1,469,246	1,225,616	19.9%
Department stores	1,051,642	991,442	6.1%
Financial services	165,820	117,679	40.9%
Other	11,039	2,205	400.6%
Total revenues from ordinary activities	10,991,338	10,711,029	2.6%
Cost of sales:			
Supermarkets	(6,014,367)	(6,216,769)	(3.3)%
Shopping Centers	(33,984)	(28,029)	21.2%
Home improvement	(962,485)	(800,342)	20.3%
Department stores	(749,412)	(741,279)	1.1%
Financial services	(49,276)	(39,046)	26.2%
Other	(3,702)	(1,967)	88.2%
Total cost of sales	(7,813,226)	(7,827,432)	(0.2)%
Gross profit:			
Supermarkets	2,031,199	1,942,468	4.6%
Shopping Centers	214,042	186,821	14.6%
Home improvement	506,761	425,275	19.2%
Department stores	302,229	250,163	20.8%
Financial services	116,544	78,632	48.2%
Other	7,337	238	2978.4%
Total gross profit	3,178,112	2,883,597	10.2%
Administrative expenses, distribution costs and other expenses	(2,675,486)	(2,482,777)	7.8%
Other income	210,521	114,438	84.0%
Share of profits of investments accounted for using the equity method	14,067	6,208	126.6%
Financial income	14,939	6,709	122.7%
Financial expenses	(259,038)	(180,258)	43.7%
Other losses	(124,455)	(6,515)	1810.3%
Exchange differences	(116,743)	(24,411)	378.2%
Losses from indexation	(22,009)	(39,576)	(44.4)%
Income (loss) before taxes	219,908	277,416	(20.7)%
Income tax charge	(58,540)	(125,932)	(53.5)%
Profit from continuing operations	161,368	151,485	6.5%
Profit from discontinued operations	70,617	12,662	457.7%
Net profit	231,985	164,146	41.3%
Profit attributable to non-controlling shareholders	44	(748)	N/A
Profit attributable to controlling shareholders	231,941	164,895	40.7%

(83) The CREE is a Colombian National tax which applies over profits and gains obtained by companies which are likely to enrich them. This tax replaced certain wage-based social contributions.

Revenues from ordinary activities

Our consolidated revenues from ordinary activities increased Ch\$280,308 million, or 2.6%, to Ch\$10,991,338 million for the year ended December 31, 2015, from Ch\$10,711,029 million for the same period in 2014, as a result of positive contributions from all business segments in Chilean peso terms, which were partially offset by the depreciation of local currencies (Brazilian real and Colombian peso) against the Chilean peso. The increase of Ch\$243,630 million in the home improvement operation reflects the growth in same store sales (SSS) in Argentina. This increase was followed by a higher revenues at department stores, financial service and shopping centers. The aforementioned was partially offset by lower revenues from the supermarket business reflecting the impact of the depreciation of the Brazilian real and Colombian peso against the Chilean peso.

Supermarkets

Our consolidated revenue from ordinary activities from our supermarkets decreased Ch\$113,671 million, or 1.4%, to Ch\$8,045,566 million for the year ended December 31, 2015, from Ch\$8,159,237 million for the same period in 2014, primarily due to (i) a revenue decrease of Ch\$476,770 million, or 22.1%, in our Brazilian operations, resulting from a 21.9% depreciation of the BRL against the CLP and negative 6.3% in same stores sales, (ii) a decrease of Ch\$158,811 million or 15.9% in revenues from our Colombian operations due to the depreciation of the COP against the CLP by 12.0%, partially offset by a positive same store sales of 1.4%. On the other hand, our Argentine operations posted a revenue increase of 18.8%, or Ch\$341,167 million on the back of positive same store sales of 16.8% in local currency, (iv) an increase of Ch\$149,909 million in our Chilean supermarket operations due to a 4.6% increase in same store sales, as well as the addition of seven new stores compared to the same period in 2014, and (v) opening of three stores and a 0.8% increase in same stores sales in Peru which increased revenues by Ch\$30,834 million, or 3.7%.

Home improvement stores

Our consolidated revenue from ordinary activities from our home improvement stores increased Ch\$243,630 million, or 19.9%, to Ch\$1,469,246 million for the twelve months ended December 31, 2015, from Ch\$1,225,616 million for the same period in 2014, primarily due to (i) an increase of Ch\$217,995 million, or 31.5%, in our Argentine operations as a result of a 30.2% increase in same store sales (ii) an increase in revenues of Ch\$29,329 million, or 6.3%, in Chile resulting from a 3.1% increase in same store sales and the addition of two new stores and (iii) a decrease in revenues from our Colombian operations of Ch\$3,694 million, or 5.5%, due to the 12.0% devaluation of the COP against the CLP partially offset by the 4.2% same store sale increase, and the opening of one store during the period.

Department stores

Our consolidated revenue from ordinary activities from our department stores increased Ch\$60,199 million, or 6.1%, to Ch\$1,051,642 million for the twelve months ended December 31, 2015, from Ch\$991,442 million for the same period in 2014, primarily due to (i) an increase of Ch\$40,488 million, or 4.3%, in our Chilean operations as a result of a 3.3% increase in same store sales and (ii) an increase in revenues of Ch\$19,711 million, or 50.2% in Peru resulting from a 13.7% increase in same store sales and an improvement in sales mix.

Shopping centers

Our consolidated revenue from ordinary activities from our shopping centers increased Ch\$33,230 million, or 15.5%, to Ch\$248,026 million for the twelve months ended December 31, 2015, from Ch\$214,796 million for the same period in 2014, primarily due to (i) an increase in revenues from our Chilean operations of Ch\$13,338 million, or 11.1%, as a result of the improved performance of our flagship development Costanera Center, higher contribution from our parking area and an increase in occupancy rate to 98.2%, (ii) an increase in revenues from our Argentinean operations of Ch\$19,545 million, or 29.4%, as a result of an increase in average pricing to reflect the increase of inflation in the country, (iii) an increase in revenues from our Peruvian operations of Ch\$1,429 million or an increase of 8.2%, primarily due to an increase in occupancy rate from 90.2% to 95.2% and (iv) a decrease of Ch\$1,082 million in revenues from our Colombian operations due mainly to the lower occupancy rate y/y, from 29.7% to 26.9% in 2015 in addition to the devaluation of the COP against CLP in the period.

Financial services

Our consolidated revenue from ordinary activities from our financial services increased Ch\$48,141 million, or 40.9%, to Ch\$165,820 million for the twelve months ended December 31, 2015, from Ch\$117,679 million for the same period in 2014, primarily due to (i) an increase in revenues from our Argentine operations of Ch\$35,238 million, or 52.0%, as a result of an increase in the size of our loan portfolio (ii) an increase in revenues of Ch\$6,187 million, or 14.5%, from our Peruvian operations as a result of portfolio expansion from the growth of our department store business partially, (iii) an increase of Ch\$1,214 million, or 31.6%, in Brazil, due to a payment to run the credit card operation in Prezunic offset by a decrease in the size of our loan portfolio in the country, and (iv) a decrease in revenues from our Colombian operations of Ch\$2,441 million, or 30.2% reflecting the devaluation of the COP against the CLP partially offset by the slight increase in the size of our loan portfolio.

Cost of sales

Our consolidated cost of sales decreased Ch\$14,206 million, or 0.2%, to Ch\$7,813,226 million for the twelve months ended December 31, 2015 from Ch\$7,827,432 million for the same period in 2014, reflecting primarily the efficiency plans and the review of commercial strategies, in addition to better commercial agreements with suppliers and lower shrinkage, offset by the increase in obsolescence provision of CLP 7,978 million and the rise in sales of 2.6%.

Supermarkets

Our consolidated cost of sales in our supermarkets decreased Ch\$202,402 million, or 3.3%, to Ch\$6,014,367 million for the twelve months ended December 31, 2015 from Ch\$6,216,769 million for the same period in 2014, due to (i) a decrease in cost of sales in Brazil of Ch\$416,508 million, or 24.0%, as a result of a 22.1% decrease in sales due mainly to the BRL devaluation against CLP, (ii) a Ch\$134,443 million, or 16.7%, decrease in cost of sales in Colombia due to a 15.9% decrease in sales after the COP devaluation against CLP, (iii) an increase in cost of sales in Argentina of Ch\$218,298 million or 17.4%, (iv) an increase of Ch\$109,907 million, or 6.2%, in Chile due mainly to a Ch\$2,059 million provision of obsolescence partially offset by the review on the commercial strategy and (v) an increase of Ch\$20,345 million in Peru as a result of an increase of 3.7% in sales.

Home improvement stores

Our consolidated cost of sales in home improvement stores increased Ch\$162,144 million, or 20.3%, to Ch\$962,485 million for the twelve months ended December 31, 2015 from Ch\$800,342 million for the same period in 2014, mainly due to (i) an increase in costs in Argentina of Ch\$140,935 million or 33.5% in line with the increase in revenues and a Ch\$3,318 million due to the change in the obsolescence provision and (ii) in Chile the increase in costs was Ch\$22,992 million or 7.0% reflecting the increase in the provision of obsolescence of Ch\$2,041 million to be more conservative. These effects were partially offset by a decrease in cost of sales in Colombia of Ch\$1,783 million, or 3.6%, as a result of the expansion of our operations in the country and the provision of inventories obsolescence of Ch\$560 million.

Department stores

Our consolidated cost of sales in our department stores increased Ch\$8,133 million, or 1.1%, to Ch\$749,412 million for the twelve months ended December 31, 2015 from Ch\$741,279 million for the same period in 2014, due to (i) an increase of Ch\$13,625 million, or 40.3%, in cost of sales in Peru as a result of the abovementioned expansion of the department store business in the country and (ii) a decrease in cost of sales in Chile of Ch\$5,492 million, or 0.8%, as a result of lower promotional activity.

Shopping centers

Our consolidated cost of sales, primarily depreciation and expenses, from our shopping centers increased Ch\$7,356 million, or 21.2%, to Ch\$33,984 million for the twelve months ended December 31, 2015 from Ch\$26,627 million for the same period in 2014, due to (i) an increase in Argentina of Ch\$3,906 million, or 20.9%, as a result of increased revenues of 29.4% and an improvement in lease agreements with third parties, (ii) an increase of Ch\$2,662 million in cost of sales for our Peruvian operations due to an increase in utility costs, and (iii) an increase in cost of sales in Chile of Ch\$861 million or 11.8% in line with the increase in revenues of 11.1%. These effects were partially offset by a decrease in cost of sales in Colombia of Ch\$72 million, or 19.3%, due in part to the decrease in revenues of 10.7% and better commercial condition with our tenors.

Financial services

Our consolidated cost of sales, primarily provisions for bad debts and collection and processing costs, from our financial services division increased 26.2%, or Ch\$10,229 million, to Ch\$49,276 million for the twelve months ended December 31, 2015 from Ch\$39,046 million for the same period in 2014, due to an increase of Ch\$12,315 million, or 75.8% in Argentina as a result of the growth of our loan portfolio offset by a decrease of Ch\$1,359 million, or 6.0% in Peru reflecting the investment to increase the portfolio in the country.

Gross profit

Our consolidated gross profit increased 10.2%, or Ch\$294,515 million, to Ch\$3,178,112 million for the twelve months ended December 31, 2015 from Ch\$2,883,597 million for the same period in 2014, primarily due to gross profit improvement in all five business units after the implementation of the focus on efficiency. The improvement in gross margin reflects better commercial conditions with suppliers, lower promotional activity and improved levels of shrinkage, offset by a Ch\$7,978 million one off provision due to the change in obsolescence of inventories.

Our consolidated gross profit as a percentage of revenues from ordinary activities increased 215 bps to 29.1% for the twelve months ended December 31, 2015 from 26.9% for the same period in 2014.

Supermarkets

Our consolidated gross profit in our supermarkets increased Ch\$88,731 million, or 4.6%, to Ch\$2,031,199 million for the twelve months ended December 31, 2015 from Ch\$1,942,468 million for the same period in 2014, as a result of (i) an increase in gross profit of Ch\$40,002 million, or 6.8%, in Chile as a result of lower shrinkage and savings from the centralization of processes (mat, bakery and prepared food) and better logistics, partially offset by Ch\$2,059 million primarily due to the change in obsolescence of inventories, (ii) an increase in gross profit of Ch\$10,489 million, or 5.7%, in Peru as a result of the focus of the company in efficiency, and (iii) an increase of Ch\$122,870 million, or 22.1%, in Argentina as a result of sales growth and lower promotional activity year on year partially offset by the effect of the devaluation of the BRL and Cop against the CLP. In Colombia gross profit decreased by Ch\$24,368 million, or 12.6%, however, gross margin increased 74 bps, from 19.3%, to 20.0% in 2015 due to higher rebates and better commercial agreements with suppliers. In our Brazilian operations, gross margin decreased Ch\$60,261 million, or 14.2%, however, gross margin increased 196 bps, from 19.5% to 21.5%, due mainly to lower shrinkage levels, a more competitive pricing strategy, lower logistical costs and better commercial conditions with suppliers.

Home improvement stores

Our consolidated gross profit in our home improvement stores increased Ch\$81,486 million, or 19.2%, to Ch\$506,761 million for the twelve months ended December 31, 2015 from Ch\$425,275 million for the same period in 2014. The increase in gross margin reflects (i) an increase in gross profit from ordinary activities in Argentina of Ch\$77,060 million from Ch\$272,265 million in 2014, to Ch\$349,324 million in 2015, as a result of better commercial conditions with suppliers and an improvement in inventory management, which allowed us to reduce the amount of obsolete inventory partially offset by a provision of Ch\$3,318 million of obsolescence and (ii) an increase in gross profit from ordinary activities in Chile of Ch\$6,338 million from Ch\$135,932 million in 2014 to Ch\$142,270 million in 2015, as a result of a one off provision due to the change in the provision of obsolescence of inventories of Ch\$2,041 million and higher sales and lower logistical expenses. These effects were partially offset by the Ch\$1,911 million decrease in gross profit from our Colombian business due to the devaluation of the COP against the CLP, a Ch\$560 million of the change in the obsolescence provision and a high comparison basis in 2014 that implied the incorporation of upfront payments from suppliers because of the store openings during 2014.

Department stores

Our consolidated gross profit in our department stores increased Ch\$52,066 million, or 20.8%, to Ch\$302,229 million for the twelve months ended December 31, 2015 from Ch\$250,163 million for the same period in 2014, reflecting the improvement in both Chile and Peru. In Chile we posted an increase in gross profit of Ch\$45,981 million, or 18.8%, during the twelve months ended December 31, 2015 compared to the same period in 2014 driven by a change in pricing strategy at Johnson and quality improvement in the sales mix in Chile as well as lower promotional activity versus 2014. In Peru, gross profit increased Ch\$6,086 million, or 112.4%, as a result of the increase in size of the operation.

Shopping centers

Our consolidated gross profit in our shopping centers increased Ch\$27,221 million, or 14.6%, to Ch\$214,042 million for the twelve months ended December 31, 2015 from Ch\$186,821 million for the same period in 2014, as a result of (i) an increase in gross profit in Chile of Ch\$12,477 million, or 11.0%, related to the higher occupancy rates, better performance of Costanera Center and higher contribution from our parking business and (ii) an increase in gross profit in Argentina of Ch\$15,639 million, or 32.6%, as a result higher annual settlement of contracts to reflect the increase in inflation and also higher allocation of common expenses to third parties based on the higher inflation level. This was partially offset by (i) a decrease in gross margin contribution in Colombia of Ch\$1,011 million, or 10.4%, mainly due to the devaluation of the COP against the CLP in the period and (ii) a decline in gross profit in Peru of Ch\$1,233 million, or 7.2%, as a result of higher utility costs long with greater depreciation expenses.

Financial services

Our consolidated gross profit in our financial services segment increased Ch\$37,912 million, or 48.2%, to Ch\$116,744 million for the twelve months ended December 31, 2015 from Ch\$78,632 million for the same period in 2014, as a result of (i) a larger loan portfolio and improved risk management activities at our Argentine operations, which increased gross profit in Argentina by Ch\$22,923 million, or 44.5%, (ii) growth of our loan portfolio in Peru as a result of the development of our department store business, which fueled portfolio growth by financing in-store purchases, increasing gross profit by Ch\$7,546 million or 37.2% and (iii) the expansion of our Brazilian operations by Ch\$1,214 million, or 31.6%.

Administrative expenses, distribution costs and other expenses

Our consolidated administrative expenses, distribution costs and other expenses increased Ch\$192,709 million, or 7.8%, to Ch\$2,675,486 million for the twelve months ended December 31, 2015 from Ch\$2,482,777 million for the same period in 2014. This increase reflects the 2.6% increase in revenue from ordinary activities, and the impact of the reduction in headcount to improve efficiency across all businesses.

Other income by function

Our consolidated other income by function increased by Ch\$96,083 million, or 84.0%, to Ch\$210,521 million for the twelve months ended December 31, 2015 from Ch\$114,438 million for the same period in 2014, as a result of an increase in the fair value of properties in the period reflecting the increase in inflation from our Argentine operation, higher contribution from our parking area, and in Chile a lower discount rate used in the twelve month period ended December 31, 2015 compared to the same period in 2014.

Results from financial and other activities

The following table presents, for the periods indicated, a breakdown of our consolidated results from financial, tax and other activities, as well as the percentage variation from period to period:

	As of December 31,		% Change
	2015	2014	
	(in millions of Ch\$)		
Participation in earnings of associates	14,067	6,208	126.6%
Financial income	14,939	6,709	122.7%
Financial expenses	(259,038)	(180,258)	43.7%
Other gains (losses)	(124,455)	(6,515)	1,810.3%
Exchange differences	(116,743)	(24,411)	378.2%
Losses from indexation	(22,009)	(39,576)	(44.4)%
Total losses from financial and other activities	(493,239)	(237,843)	107.4%

Our consolidated losses from financial and other activities increased for the twelve month period ended December 31, 2015 compared to the same period in 2014, in light of the following factors:

- An increase in exchange differences of Ch\$92,332 million, resulting in an exchange loss of Ch\$116,743 million for the twelve month period ended December 31, 2015 compared to exchange losses of Ch\$24,411 million for the same period in 2014, as a result of a the CLP depreciation against the USD and the increase in the unhedged portion on the debt, that went from 11% in 2014 to 32% in 2015.
- An increase in financial expenses of Ch\$78,781 million, resulting in a financial expense of Ch\$259,038 million for the twelve months ended December 31, 2015 compared to a financial expense of Ch\$180,258 million for the same period in 2014 as a result of higher variable interest rates and the mark to market of the hedge portion; and
- An increase in other gains (losses) of Ch\$117,940 million, resulting mainly from the impairment of the Brazilian assets.

These were offset by:

- A decrease in losses from indexation of Ch\$17,567 million as a result of a lower inflation rate in Chile, resulting in a loss of Ch\$22,009 million for the twelve months ended December 31, 2015, compared to a loss of Ch\$39,576 million for the same period in 2014.

Income tax charge

For the twelve month period ended December 31, 2015, we had an income tax expense of Ch\$58,540 million, compared to an income tax expense of Ch\$125,932 million for the same period in 2014. This decrease of Ch\$67,392 million was primarily due to the establishment of a new legal precedent in Colombia that enabled the use of CREE tax(84) loss divestment to be used as deferred tax asset, resulting in a positive effect in 2015 of Ch\$43,697 million. In 2014, the effective income tax rate was impacted by the Chilean tax reform (Ch\$23,212 million), the net taxable impact of price level restatement in Chile for (Ch\$ 25,080 million), offset by the amortization of deductible expenses of fiscal goodwill in Colombia for Ch\$39,609 million related to the Carrefour acquisition.

On September 29, 2014, Chile enacted the Tax Reform Act. The Tax Reform Act introduced changes to the corporate tax rate, mandating a gradual increase of the rate from 20% to 25% or 27% in certain cases, the rules regarding minimum capitalization, and the taxation of Chilean investments abroad (the controlled-foreign-corporation rules), among others. The new rules are set to come into effect gradually, with the implementation process having commenced on October 1, 2014 and set to be completed by January 1, 2018. See the reconciliation of income tax expense using the statutory rate to income tax expense using the effective rate in note 26 of our financial statements.

(84) The CREE is a Colombian National tax which applies over profits and gains obtained by companies which are likely to enrich them. This tax replaced certain wage-based social contributions.

Profit (loss) from continuing operations

As a result of the above factors, our profit from continuing operations increased Ch\$9,883 million, or 6.5%, to Ch\$161,368 million for the twelve months ended December 31, 2015 from Ch\$151,485 million for the same period in 2014. Our net earnings, as a percentage of revenues from ordinary activities, increased to 1.5% for the twelve months ended December 31, 2015 from 1.4% for the same period in 2014.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015 for Discontinued Operations

In 2016 the Company did not register results related to discontinued operations as the Joint Venture was completed in May 1, 2015, and results from financial services Chile started to be accounted under the equity method of accounting, given our 49% ownership.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014 for Discontinued Operations

The following table presents, for the periods indicated, certain items of the statement of income for our discontinued operations:

	Year Ended December 31,		% Change
	2015	2014	
	(in millions of Ch\$)		
Revenues from discontinued operations:			
Total revenues	(60,760)	201,826	(69.9)%
Cost of sales from discontinued operations:			
Total cost of sales	20,400	(55,799)	(63.4)%
Gross profit from discontinued operations:			
Total gross profit	40,360	146,027	(72.4)%
Administrative expenses, distribution costs and other expenses	(17,371)	(69,130)	(74.9)%
Other revenues by function	436	191	129.0%
Financial expenses (net)	(14,223)	(38,693)	(63.2)%
Other earnings	61,376	35	173573.7%
Exchange differences	2,761	(19,199)	N/A
Losses from indexation	(38)	(4,970)	(99.2)%
Income (loss) before taxes	73,301	14,261	414.0%
Income tax charge	(2,684)	(1,599)	67.8%
Profit from Discontinued Operations	70,617	12,662	457.7%
Basic earnings (loss) per share	25	4	457.7%
Diluted earnings (loss) per share	25	4	450.8%

Revenues from discontinued operations

Discontinued operations

Our consolidated revenue from discontinued operations decreased Ch\$141,066 million, or 69.9%, to Ch\$60,760 million for the twelve months ended December 31, 2015, from Ch\$201,826 million for the same period in 2014, primarily due to the Joint Venture Framework Agreement with Scotiabank in May 1, 2015. As a result of that, the companies CAT Administradora de Tarjetas S.A., Operadora de Procesos S.A., Servicios Integrales S.A, y CAT Corredores de Seguros y Servicios S.A. were deconsolidated as of that date (Please refer to Note 34 that further explains this transaction and accounting treatment for the investment on these associated entities).

Cost of sales

Discontinued operations

Our consolidated cost of sales from discontinued operations, primarily provisions for bad debts and collection and processing costs, decreased 63.4%, or Ch\$35,399 million, to Ch\$20,400 million for the twelve months ended December 31, 2015 from Ch\$55,799 million for the same period in 2014, due to the effects of the Joint Venture Framework Agreement with Scotiabank, which was effectuated in May 2015.

Gross profit

Discontinued operations

Our consolidated gross profit from discontinued operations decreased Ch\$105,667 million, or 72.4%, to Ch\$40,360 million for the twelve months ended December 31, 2015 from Ch\$146,027 million for the same period in 2014 as a result of the Joint Venture Framework Agreement with Scotiabank on May 2015.

Administrative expenses, distribution costs and other expenses

Our consolidated administrative expenses, distribution costs and other expenses from discontinued operations decreased Ch\$51,759 million, or 74.9%, to Ch\$17,371 million for the twelve months ended December 31, 2015 from Ch\$69,130 million for the same period in 2014. This decrease was due to the effects of the Joint Venture Framework Agreement with Scotiabank on in May 2015.

Results from financial and other activities

The following table presents, for the periods indicated, a breakdown of our consolidated results from financial, tax and other activities from discontinued operations, as well as the percentage variation from period to period:

	As of December 31,		% Change
	2015	2014	
	(in millions of Ch\$)		
Other revenues by function	436	191	129.0%
Financial expenses (net)	(14,223)	(38,693)	(63.2)%
Other earnings	61,376	35	173573.7%
Exchange differences	2,761	(19,199)	(114.4)%
Losses from indexation	(38)	(4,970)	(99.2)%
Total losses from financial and other activities	50,312	(62,636)	N/A

Our consolidated income from financial and other activities from discontinued operations increased for the twelve month period ended December 31, 2015 compared to a loss from financial activities in 2014, in light of the following factors:

- A decrease in financial expenses of Ch\$24,470 million, resulting in a financial expense of Ch\$14,223 million for the twelve months ended December 31, 2015, compared to a financial expense of Ch\$38,693 million for the same period of 2014 as a result of the effects of the Joint Venture Framework Agreement with Scotiabank on in May 2015;
- An decrease in exchange rate differences led to losses of Ch\$21,960 million, resulting in an income of Ch\$2,761 million for the twelve months ended on December 31, 2015 compared to a loss of Ch\$19,199 million for the same period in 2014 as a result of the effects of the Joint Venture Framework Agreement with Scotiabank on in May 2015.
- A decrease in losses from indexation of Ch\$4,932 million as a result of the effects of the Joint Venture Framework Agreement with Scotiabank on May 2015, resulting in a loss of Ch\$38 million for the twelve months ended on December 31, 2015, compared to a loss of Ch\$4,970 million for the same period of 2014.
- An increase in other gains (losses) of Ch\$61,341 million, from Ch\$35 million for the twelve months ended December 31, 2014 to Ch\$61,376 million in the same period of 2015 due to gains from the sale of the 51% stake in the credit card financial business in Chile. The generated profit includes Ch\$30,144 million corresponding to the benefit related to the measurement at fair value of non-controlling interest in subsidiaries held after the sale.

Income tax charge

For the twelve months ended December 31, 2015, we had an income tax expense of Ch\$2,684 million, compared to an income tax expense of Ch\$1,599 million for the same period in 2014. This increase of Ch\$1,084 million was a consequence of the net income tax in 2015 after the sale of the 51% stake in the Chilean credit card operation. See the reconciliation of income tax expense using the statutory rate to income tax expense using the effective rate in note 26 of our financial statements.

Profit (loss) from discontinued operations

As a result of the above factors, our net earnings from discontinued operations increased Ch\$57,955 million, or 457.7%, to Ch\$70,617 million for the twelve months ended December 31, 2015 from Ch\$12,662 million for the same period in 2014. Our net earnings, as a percentage of revenues from ordinary activities, increased to 116.2% for the twelve months ended December 31, 2015 from 6.3% for the same period in 2014.

B. LIQUIDITY AND CAPITAL RESOURCES**General**

Our principal sources of liquidity have historically been:

- cash generated by operations;
- short-term credit extended by suppliers;
- cash from borrowings and financing arrangements; and
- financing provided to us by sellers of businesses we have acquired.

Our principal cash requirements or uses (other than in connection with our operating activities) have historically been:

- acquisition of, or investments in, companies engaged in the retail business; and
- capital expenditures for property, plant and equipment.

At December 31, 2016 we had a positive working capital of Ch\$106,422 million.

At December 31, 2015 we had a positive working capital of Ch\$75,680 million.

At December 31, 2014 we had a negative working capital of Ch\$712,928 million.

On April 1, 2014, we refinanced liabilities in a collective amount of approximately U.S.\$770 million to reduce liquidity. This debt roll-over operation had the support of 10 regional Banks: BBVA, Banco de Bogotá, Bradesco, Banco del Estado de Chile, HSBC, Mizuho Bank, Banco Popular de Colombia, Rabobank, Santander and Sumitomo Mitsui Banking Corporation, in addition to other competitive offers. Proceeds were used to refinance liabilities in Chile, Brazil, Peru and Colombia with new terms ranging from three to six years, as follows: U.S.\$270 million in Chile, U.S.\$60 million in Peru, U.S.\$144 million in Brazil and U.S.\$179 million in Colombia. As a result of this refinancing, the average maturity of our outstanding debt was extended while its terms and conditions remained unchanged. This refinancing is in line with the company's financial strategy, seeking to extend payment terms for its debt, shifting focus to the operation and ultimately deleverage the company.

On June 20, 2014, BNS and Scotiabank Chile S.A. (together "Scotiabank") and the Company together with its subsidiaries, Cencosud Retail S.A. and Easy S.A., executed the Joint Venture Framework Agreement whereby, subject to certain conditions and governmental approvals, Scotiabank purchased 51% of the shares in the Subject Companies for the amount of U.S.\$280 million and also provided financing for 100% of CAT's financial services portfolio in Chile, which currently amounts to approximately U.S.\$765 billion. The Joint Venture Framework Agreement contemplated that the parties would develop, on a joint basis, the retail finance business in Chile. The Joint Venture Framework Agreement provided that the Business would be operated through (i) CAT, a subsidiary of Cencosud that is in the business of issuing credit cards, and (ii) Cencosud Administradora de Procesos S.A., Cencosud Servicios Integrales S.A., and Cencosud Corredores de Seguros y Servicios Ltda., or other companies to be established by Cencosud for purposes of the Joint Venture Framework Agreement, to assist in developing the Business, including information processing and collection activities related thereto. This transaction received regulatory approval for the full implementation of the joint venture framework agreement on April 13, 2015 and was implemented in May 1, 2015, allowing the Company to reduce the use of funds devoted to fund the increase in the portfolio in Chile.

On September 4, 2014, the holders of the Series E and F bonds issued by the Company registered in the Securities Registry of the Superintendencia de Valores y Seguros (Superintendency of Securities and Insurance) as "Issuance No. 530", approved the amendment of the indenture for the Series E and F bonds. The amendments allowed the Company to reduce its equity participation in CAT to as low as 45%. The aforementioned amendments were intended to prevent a default under the indenture for the Series E and F bonds in connection with the consummation of the transactions contemplated in the Joint Venture Framework Agreement.

On October 17, 2014, the Company announced that it was calling its Series A, C and D bonds issued under the number 443 ("Issuance No. 443") of the securities registry for early redemption, and communicated the same to the *Superintendencia de Valores y Seguros*. As specified in the announcement, the Issuance No. 443 bonds were scheduled to be redeemed on November 19, 2014. Issuance No. 443 bonds totaled an aggregate amount of UF 10,000,000. Payment for the bonds was to be made in Chilean pesos according to the value of the UF on the redemption date. The Company had previously sought, but failed to obtain, the consent of its Issuance No. 443 bondholders for amendments to the related Bond Issuance Line of Debt Title on September 4, 2014 that would have allowed it to reduce its equity participation in CAT to as low as 45% of said equity, which was necessary for the Company to consummate the transactions contemplated in the Joint Venture Framework Agreement. The redemption of the Issuance No. 443 bonds paved the way for the full implementation of the Joint Venture Framework Agreement.

On November 13, 2014, the Company entered into the bridge loan agreement for a total amount of U.S.\$400 million with BNS and HSBC Bank USA, N.A. A total amount of U.S.\$400 million was drawn on November 17, 2014 under the bridge loan, which was used by the Company to prepay all the Issuance No. 443 bonds. Such prepayment took place and was completed on November 19, 2014. The redemption of the Issuance No. 443 bonds paved the way, pending regulatory approval, for the full implementation of the Joint Venture Framework Agreement.

On February 12, 2015, the Company successfully accessed the international debt capital markets and issued U.S.\$1,000 million of debt securities in a two-tranche offering in an effort to refinance liabilities including the repayment of the aforementioned bridge loan facility with BNS and HSBC Bank USA, N.A. The balance of the proceeds was used to refinance certain outstanding liabilities. This refinancing is expected to allow the Company to proceed with its organic expansion program released on January 30, 2014 for years 2015 through 2018.

On November 30, 2016, the Company issued two bond series in the Chilean local market: Series P Bonds and Series R Bonds. The Series P Bonds, in the amount of 5,000,000 UF have a maturity date of November 7, 2022, a nominal rate of 4.70% per year and a fiscal interest rate of 5.34%. The Series R Bonds, in the amount of 5,000,000 Unidades de Fomento have a maturity date of November 7, 2041, a nominal rate of 2.70% per year and a fiscal interest rate of 3.39%. The Series P and Series R bonds were issued in accordance with the tax regime established by Article 104 of the Income Tax Law contained in Decree Law No. 824 of 1974, as amended. The local bond issuance aimed to refinance higher interest rate debt and lower annual financial expenses.

We believe that our cash from operations, current financing initiatives and cash and cash equivalents are sufficient to satisfy our capital expenditures and debt service obligations in 2017. We anticipate financing any future capital expenditures for property, plant and equipment with cash from operations and additional indebtedness.

Leverage

The Group's objective regarding capital management is to safeguard the capacity to continue ensuring appropriate returns for the shareholders and benefits for other stakeholders, and maintaining an optimum capital structure while reducing capital costs.

In line with the industry, we monitor our capital using a leverage ratio calculation. This ratio is calculated by dividing net financial debt by total equity.

In accordance with the above, we combine different financing sources, such as: capital increases, operating cash flows, bank loans and bonds.

Management's strategy for indebtedness is to hold the majority of our debt in local currencies, with a target ratio of debt denominated in foreign currency of 10% to 15% of our total financial liabilities.

In case of increased liquidity needs, the Company may obtain funding primarily through short-term bank borrowings, overdraft lines of credit and by reducing our cash outflows, primarily by reducing or suspending advance payments to suppliers. The Company's liquidity internal policies are disclosed in Note 3.2.1.7. Liquidity risk.

Management of debt and liquidity takes into account the contractual financial covenants, maintaining a safety margin in order to avoid breaching these parameters.

Seasonality

Historically, we have experienced distinct seasonal patterns to our liquidity needs, which are highest in the first and second quarters of our fiscal year. Liquidity needs are higher in the first quarter primarily because payment becomes due for goods purchased in the previous quarter for the Christmas and New Year holidays. We also experience greater liquidity needs in the second quarter, as dividends and taxes are paid during this period.

During the periods when we have increased liquidity needs, we obtain funding primarily through short-term bank borrowings, overdraft lines of credit and by reducing our cash outflows, primarily by reducing or suspending advance payments to suppliers.

Indebtedness

At December 31, 2016, financial liabilities reached Ch\$3,324,347 million, a 1.3% increase when compared to Ch\$3,280,211 million at December 31, 2015. As of December 31, 2016 our net financial debt was Ch\$2,492,776 million, up from Ch\$2,300,048 million as of December 31, 2015.

We define net financial debt as total financial liabilities (a) less (i) total cash and cash equivalents, (ii) total other financial assets, current and non-current, and (iii) other financial liabilities, current and non-current, from Banco Paris and Banco Peru, (b) plus (i) cash and cash equivalents from Banco Paris and Banco Peru and (ii) total other financial assets, current and non-current, from Banco Paris and Banco Peru. Total financial liabilities is defined as Other financial liabilities, current, plus Other financial liabilities, non-current.

The IFRS financial measure most directly comparable to net financial debt is total financial liabilities, current and non-current, as reported in the notes to the Company's consolidated financial statements.

We believe that the presentation of net financial debt provides useful information to investors because our management reviews net financial debt as part of its management of our overall liquidity, financial flexibility, capital structure, covenants and leverage. Furthermore, certain debt rating agencies, creditors and credit analysts monitor our net financial debt as part of their assessments of our business.

We typically need a considerable portion of our cash and cash equivalents as well as other financial assets at any given time for purposes other than debt reduction. The deduction of these items from total debt in the calculation of net debt therefore should not be understood to mean that these items are available exclusively for debt reduction at any given time.

For a quantitative reconciliation of total financial liabilities to net financial debt, see below.

	As of	
	December 31, 2016	December 31, 2015
	ThCh\$	ThCh\$
Reconciliation of Total Financial Liabilities to Net Financial Debt		
Total Financial Liabilities	3,324,347	3,280,211
Less: Total cash and cash equivalents	275,219	268,275
Less: Total other financial assets, current and non-current	507,349	676,383
Less: Total other financial liabilities from Banco Paris and Banco Peru, current and non-current	110,011	125,904
Plus: Cash and cash equivalents from Banco Paris and Banco Peru	32,373	18,985
Plus: Total other financial assets from Banco Paris and Banco Peru, current and non-current	28,634	71,415
Net Financial Debt	2,492,776	2,300,048

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Our total financial debt includes both fixed-rate and variable-rate debt. Taking into account the effects of cross currency swaps, excluding Banco Paris indebtedness, at December 31, 2016, approximately 23.6% of our debt was variable-rate, and the remainder was fixed-rate. At December 31, 2016, approximately 16.6% of our debt was denominated in U.S. dollars, approximately 18.5% in UF, approximately 58.0% in Chilean pesos, approximately 3.6% in Argentine pesos, approximately 0.8% in Peruvian nuevos soles, approximately 2.4% in Brazilian reais and approximately 0.04% in Colombian Pesos. As part of our financial management policies, from time to time we enter into swaps and other derivative transactions to hedge our interest rate and exchange rate risk. See “Item 11. Quantitative and Qualitative Disclosures About Market Risk.” Our strategy is to hold the majority of our debt in local currencies, with a target ratio of debt denominated in foreign currency of 10% to 15% of our total debt.

Credit facilities (Banks loans and bonds)

At December 31, 2016, our principal bank credit facilities and bonds (including interest) consisted of the following:

	As of December 31, 2016			
	Currency	Amount Outstanding (in U.S.\$)	Maturity Date	Amount Outstanding (in Ch\$ Th)
Banks:				
Chile				
BBVA CHILE	CLP	1,978,013	N/A *	1,324,220
SCOTIABANK	USD	33,517,048	23-10-2017	22,438,658
RABOBANK	USD	30,286,469	04-10-2018	20,275,882
MIZUHO BANK	USD	41,960,525	27-03-2019	28,091,313
SANTANDER CHILE	CLP	75,792,313	29-03-2019	50,740,680
SUMITOMO	USD	50,323,473	01-04-2019	33,690,055
BANCO ESTADO	CLP	59,322,276	28-06-2019	39,714,484
RABOBANK	USD	50,383,209	26-03-2020	33,730,047
BBVA CHILE	CLP	52,960,612	02-02-2021	35,455,541
Total Chile		396,523,938		265,460,881
Brazil				
HSBC BRASIL	BRL	14,315,872	N/A *	9,584,047
BANCO ITAU	USD	24,453,943	09-01-2017	16,371,181
HSBC BRASIL	USD	13,094,527	04-04-2017	8,766,393
BANK OF AMERICA	USD	60,043,895	21-12-2017	40,197,586
BANCO NORDESTE	BRL	997,842	16-12-2018	668,025
SANTANDER BR	BRL	217,133	16-12-2019	145,364
SANTANDER BR	BRL	64,007	16-12-2019	42,851
Total Brazil		113,187,219		75,775,448
Argentina				
MACRO	ARS	6,308,717	N/A *	4,223,497
BANCO GALICIA	ARS	6,309,657	N/A *	4,224,126
BBVA FRANCES	ARS	8,147,431	N/A *	5,454,461
BANCO CIUDAD AR	ARS	10,837,282	N/A *	7,255,235
BANCO ITAU AR	ARS	15,146,623	N/A *	10,140,210
BANCO GALICIA	ARS	50,551,813	N/A *	33,842,922
Total Argentina		97,301,523		65,140,451
Bonds:				
Incabond 2	PEN	39,891,298	12-08-2017	26,706,027
Incabond 1	PEN	84,395,658	05-05-2018	56,500,361
Bcenc-E	CLF	79,010,319	07-05-2018	52,895,038
Regs/144a 2021	USD	768,447,917	20-01-2021	514,452,827
Bcenc-P	CLF	78,106,187	07-11-2022	52,289,749
Regs/144a 2023	USD	1,226,162,500	20-01-2023	820,879,009
Regs/144a 2025	USD	662,925,069	12-02-2025	443,808,446
Jumbo B	CLF	73,838,516	01-09-2026	49,432,671
Bcenc-F	CLF	177,903,470	07-05-2028	119,101,036
Bcenc-J	CLF	119,300,924	15-10-2029	79,868,390
Bcenc-N	CLF	177,605,938	28-05-2030	118,901,847
Bcenc-O	CLP	81,010,847	01-06-2031	54,234,332
Bcenc-R	CLF	197,293,590	07-11-2041	132,082,140
Regs/144a 2045	USD	358,952,951	12-02-2045	240,308,232
Total Bonds		4,124,845,184		2,761,460,105

* Non-committed overdraft credit facilities with no set maturity.

In addition, at December 31, 2016, we had Ch\$21,971 million in financial leaseings, and Ch\$47,142 million in escrow in Argentina.

At December 31, 2016 we had over Ch\$612,235 million in uncommitted lines of credit with the regional banks that we work with. We deal with a wide diversity of banks around the world. We believe, if necessary, we can reopen our existing international bonds or issue one or more new series of bonds as appropriate, or can obtain commercial paper in the Chilean market.

Our loan agreements and outstanding bonds contain a number of covenants requiring us to comply with certain financial ratios and other tests. The most restrictive financial covenants under these loan agreements and bonds require us to maintain:

- a ratio of consolidated Net Financial Debt to consolidated net worth not exceeding 1.2 to 1;
- a ratio of consolidated Net Financial Debt to EBITDA (as defined in the relevant credit agreements) for the most recent four consecutive fiscal quarters for such period of less than 5.25 to 1;
- unencumbered assets in an amount equal to at least 120% of the outstanding principal amount of total liabilities;
- minimum consolidated assets of at least UF 50.5 million; and
- minimum consolidated net worth of at least UF 28.0 million.

As of the date of this annual report, we are in compliance with all of our loan and debt instruments.

Leases

We have significant operating lease obligations. At December 31, 2016, 53.4% of our total selling space was located on leased properties. Our store leases typically have a term ranging from 10 to 32 years and provide for both monthly fixed and variable lease payments. Our shopping center leases typically have terms of more than 30 years and provide for fixed monthly rent payments.

Acquisitions

No acquisitions were completed during the 2014-2016 fiscal period.

Analysis of cash flows

The following table summarizes our generation and use of cash for the periods presented for continuing operations.

	Year ended December 31,		
	2016	2015	2014
	(in millions of Ch\$)		
Net cash from operating activities	404,067	636,151	389,483
Net cash used in investing activities	(81,100)	31,046	(233,396)
Net cash (used in) from financing activities	(307,014)	(638, 609)	(112,378)

Cash flows for year ended December 31, 2016 compared to year ended December 31, 2015 for continuing operations.

Taking into account our cash flows from operations, cash flows from financing activities and cash used in investing activities, we had a net cash inflow of Ch\$15,953 million for the year ended December 31, 2016 compared to a net cash inflow of Ch\$28,588 million for the year ended December 31, 2015.

Operating activities . Our net cash flows from operations decreased to Ch\$404,067 million for the year ended December 31, 2016 from Ch\$636,151 million for the year ended December 31, 2015. This decrease was primarily due to a lower cash flow from financial services due to the sale of a Ch\$179,458 million loan portfolio performed in 2015, partially offset by loan portfolio growth in Argentina of Ch\$71,000 million. In addition, lower cash flow from operations was also due to lower cash flow from Supermarkets, mainly in Chile, Brazil and Peru, due to a reduction in the average period of payables to suppliers and lower EBIT generation, resulting from by the depreciation of the Real and Nuevo Sol against the Chilean peso.

Investing activities . Net cash flow from investing activities amounted to Ch\$(81,100) million for the year ended in December 31, 2016 compared to Ch\$31,046 million for the year ended December 31, 2015. The decrease reflects lower cash inflow related to the sale of non-core assets. In 2015 the Company registered a Ch\$460,670 million cash inflow in the Financial Services division, related to the sale of the Company's stake in CAT (51%). In 2016, the Company registered a cash inflow of Ch\$110,574 million related to the sale of the minority stake in Inmobiliaria Viña del Mar.

Financing activities . Net cash flows from financing activities amounted to Ch\$(307,014) million for the year ended December 31, 2016 compared to Ch\$(638,609) million for the year ended December 31, 2015. The variation is the result of lower cash inflows related to the issuance of new debt in 2016 when compared to 2015, combined with lower cash outflows for the payment of bank loans and bonds. On November 30, 2016, the Company issued two bond series in the Chilean local market equivalent of US\$275 million, or Ch\$183,568 million compared to the US\$1,000 million international bond issuance in February 2015. In addition, in 2015 Cencosud registered higher cash outflows related to the amortization of bank loans, bonds and interests. Finally, in 2016 the Company recorded extraordinary and definitive dividends for Ch\$227,398 million compared to Ch\$80,899 million in 2015.

Cash flows for year ended December 31, 2015 compared to year ended December 31, 2014 for continuing operations.

Taking into account our cash flows from operations, cash flows from financing activities and cash used in investing activities, we had a net cash inflow of Ch\$28,588 million for the year ended December 31, 2015 compared to a net cash inflow of Ch\$43,709 million for the year ended December 31, 2014.

Operating activities . Our net cash flows from operations increased to Ch\$636,151 million for the year ended December 31, 2015 from Ch\$389,483 million for the year ended December 31, 2014. This increase was produced mainly due to improved cash flows from operating activities from all business divisions with the exception of Home Improvement. Increased cash flows from Supermarkets was driven by Chile, Brazil and Colombia, partially offset by Argentina and Peru. Improved cash flows from Financial Services was mainly due to the recognition of the sale of the loan portfolio to Scotiabank. Increased cash flows from Department Stores was mainly due to greater EBIT generation driven by lower promotional activity in Chile and greater scale and maturity of the stores in the case of Peru. On the other hand, cash flows from operations from Home Improvement were affected by severance payments as a result of the headcount reduction, lower EBIT generation due to lower consumption in the months previous to the presidential elections and the depreciation of the Argentine peso against the Chilean peso in December 2015.

Investing activities . Net cash flow from investing activities amounted to Ch\$31,046 million for the year ended in December 31, 2015 compared to Ch\$(233,396) million for the year ended December 31, 2014. This change was mainly due to Financial Services, which increased its cash flow due to the collection of the current account between CAT and Cencosud and the proceeds of the sale of the 51% stake of the business after the completion of the JV with Scotiabank, coupled with lower investment in Shopping Centers and Supermarkets as a result of lower openings and renovations/maintenance year over year. On the other hand, Home Improvement and Department Stores posted greater cash outflows as a result of greater IT investments for the strengthening of the e-commerce platform.

Financing activities . Net cash flows from financing activities amounted to Ch\$(638,609) million for the year ended December 31, 2015 compared to Ch\$(112,378) million, for the year ended December 31, 2014 as a result of higher cash outflows for the payment of bank loans in Chile, Peru, Colombia and Brazil, due to the debt prepayment with proceeds from the Scotiabank deal and the early February bond issuance of US\$1,000 million.

Analysis of cash flows for discontinued operations

The following table summarized our generation and use of cash for the periods presented for discontinued operations.

	Year ended December 31,	
	2015	2014
	(in millions of Ch\$)	
Net cash from (used in) operating activities	107,449	14,583
Net cash from (used in) investing activities	(169,095)	1,996
Net cash from (used in) financing activities	(35,259)	(80,580)

Cash flows for year ended December 31, 2015 compared to year ended December 31, 2014 from discontinued operations

Taking into account our cash flows from operations, cash flows from financing activities and cash used in investing activities, we had a net cash outflow of Ch\$96,905 million for the year ended December 31, 2015 compared to a net cash outflow of Ch\$64,001 million for the year ended December 31, 2014.

Operating activities . Our net cash flows from operations decreased to an outflow of Ch\$107,449 million for the year ended December 31, 2015 from an inflow of Ch\$(14,583) million for the year ended December 31, 2014. The decrease was primarily attributable to repayment of certain deposits held at our subsidiary Banco Paris.

Investing activities . Our net cash flows used in investing activities increased to inflows of Ch\$169,095 million for the year ended December 31, 2015 from outflows of Ch\$1,996 million for the year ended December 31, 2014 reflecting the effect of the Joint Venture Framework Agreement with ScotiaBank in Chile.

Financing activities . Our net cash flows used in financing activities increased to inflows of Ch\$35,259 million for the year ended December 31, 2015 from inflows of Ch\$80,580 million for the year ended December 31, 2014, reflecting the effect of the Joint Venture Framework Agreement with ScotiaBank in Chile.

Capital expenditures and permanent investments

The following table presents our capital expenditures for the periods indicated:

	Years ended December 31,		
	2016	2015	2014
	(in millions of Ch\$)		
Capital expenditures(85)	(208,173)	(171,606)	(227,423)
Total	(208,173)	(171,606)	(227,423)

Our total capital expenditures were approximately Ch\$208,173 million, Ch\$171,606 million and Ch\$227,423 million in 2016, 2015 and 2014, respectively. In each of these years, our capital expenditures were made primarily to develop and expand our stores and shopping centers. In 2016, 2015 and 2014 we had no permanent investments as there were no acquisitions made in the period. In the past, permanent investments were primarily related to acquisitions.

In 2016, we invested approximately Ch\$208,173 million to open new supermarkets, department stores, home improvement stores and shopping centers. In Chile, we had 2 net openings in our supermarket division adding 815 square meters of selling space and added one new store in our department store division with an additional 3,135 square meters of selling space. In Argentina, we had a net closing of 4 supermarket stores, reducing 1,654 square meters of selling area, and the opening of a home improvement store adding 7,760 square meters of selling space. In Brazil, we had 11 net store closing, decreasing our selling space by 16,508 square meters. In Peru, we had one net opening in our supermarkets division and expanded selling space by 2,475 square meters and had one department store opening adding 10,100 square meters of selling space. In Colombia, we had two net openings adding 4,839 square meters. In addition, Maintenance expenditures for existing stores are estimated to have been at U.S.\$72 million in 2016. In our shopping centers division we had a net reduction of GLA to third parties of 9,643 square meters in Chile, 6,101 square meters in Colombia, totaling a reduction of 15,744 square meters.

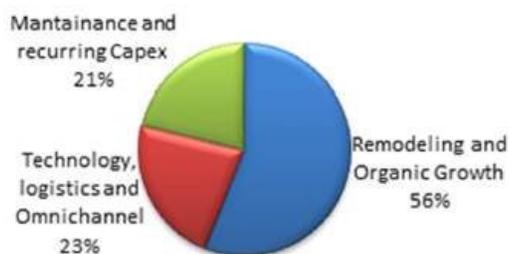
In 2015, we invested approximately Ch\$171,606 million to open new supermarkets, department stores, home improvement stores and shopping centers. In Chile, we opened 7 new stores in our supermarket division adding 9,674 square meters of selling space, we added two new stores in our home improvement division with an additional 17,463 square meters of selling space. In Argentina, we closed four supermarket stores reducing 2,952 square meters of selling area. In Brazil, we had a net opening of three stores expanding selling space by 9,169 square meters. In Peru, we had three net openings in our supermarkets division and expanded selling space by 7,826 square meters. In Colombia, we opened one supermarket store adding 1,197 square meters and an Easy store that added selling space of 6,587. In addition, Maintenance expenditures for existing stores are estimated to have been at U.S.\$108 million in 2015. In our shopping centers division we had a net reduction of GLA to third parties of 1,846 square meters in Chile, 4,312 square meters in Argentina and added 477 square meters in Colombia, totaling a reduction of 5,680 square meters.

In 2014, we invested approximately Ch\$227,423 million to open new supermarkets, department stores, home improvement stores and shopping centers. In Chile, we opened 14 new stores in our supermarket division adding 21,637 square meters of selling space, we added one new store in our home improvement division with an additional 5,648 square meters of selling space, and we added two stores in our department stores division with an additional 3,695 square meters of selling space. In Argentina, we opened two home improvement stores that added selling space for 10,297 square meters. In Brazil, we had a net closing of two stores but expanded selling space by 5,448 square meters. In Peru, we had no net openings in our supermarkets division but expanded selling space by 2,340 square meters and we opened three new department stores that added selling space of 13,025 square meters. In Colombia, we opened one Easy store that added selling space of 6,587. In addition, Maintenance expenditures for existing stores in our Supermarket division (consolidated) are estimated to have been at U.S.\$75 million in 2014. In our shopping centers division we had investments that added GLA to third parties in excess of 20,635 square meters in Chile, 40,105 square meters in Argentina and 12,803 square meters in Peru, totaling 73,543 square meters.

In 2017, we expect to invest U.S.\$500 million. The organic growth plan for the next four years (2017-2020) contemplates investments of U.S.\$2.5 billion and will be financed mainly by cash generated from operations (this plan does not take into account the resources that may be generated from any sale of non-strategic assets).

(85) Purchase of property, plant and equipment.

**Distribution by Type of Investment
Capex Plan 2017**



Our projected capital expenditures may vary substantially from the numbers set forth above as a result of a variety of factors including competition and the cost, currencies and availability of the necessary funds.

We expect to finance our future capital expenditures with our operating cash flow and with bank loans.

C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

We have not had significant research and development activities for the past three years. See “Item 4. Information on the Company—B. Business Overview—Our Company—Intellectual Property” for a brief discussion of our trade names and service marks.

D. TREND INFORMATION

See “—A. Operating Results—Trends and Factors Affecting Our Results of Operations.”

E. OFF-BALANCE SHEET ARRANGEMENTS

For any of the periods presented, we did not have any off-balance sheet transactions, arrangements or obligations with unconsolidated entities or otherwise that are reasonably likely to have a material effect on our financial condition, results of operations or liquidity.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes our significant contractual obligations⁽⁸⁶⁾ and commitments as of December 31, 2016:

	Less than One Year	One to Three Years	Three to Five Years	Thereafter	Total
	<i>(in millions of \$)</i>				
Long-term debt obligations	0	586,059	817,489	2,689,351	4,092,899
Short-term debt obligations	443,174	0	0	0	443,174
Time deposits and other Bank Balances	56,129	45,030	0	0	101,159
Leases obligations and other financial liabilities	163,401	571,501	1,050,144	12,011	1,797,056
Commercial loans	1,945,570	4,804	0	0	1,950,374
Other financial liabilities Option	2,091	0	0	0	2,091
Total	2,610,365	1,207,393	1,867,633	2,701,362	8,386,753

G. SAFE HARBOR

See section entitled “Forward-Looking Statements” in this annual report for forward-looking statement safe harbor provisions.

⁽⁸⁶⁾ Short-term obligations include the short-term portion of the long-term debt and accrued interest expenses (the latest variable rate is considered to calculate the accrued interest expenses; local rates such as TAB (*tasa camara*) are set at the end of the period).

Item 6. Directors, Senior Management and Employees**A. DIRECTORS AND SENIOR MANAGEMENT****Board of Directors**

The following table sets forth information for our directors as of the date of this annual report:

Name	Position	Age	Years at Cencosud(87)	RUT	Nationality	Gender
Horst Paulmann Kemna(88)	Chairman	82	38	3.294.888-k	Chilean	Male
Heike Paulmann Koepfer	Director	47	17	8.953.510-7	Chilean	Female
Peter Paulmann Koepfer	Director	48	20	8.953.509-3	Chilean	Male
Richard Büchi Buc	Director	64	4	6.149.585-1	Chilean	Male
Cristián Eyzaguirre	Director	68	12	4.773.765-6	Chilean	Male
David Gallagher	Director	72	6	3.413.232-1	Chilean	Male
Julio Moura	Director	64	5	21.814.616-3	Brazilian	Male
Roberto Philipps	Director	70	14	4.556.079	Argentine	Male
Mario Valcarce	Director	67	1	5.850.972-8	Chilean	Male

A description of the main tasks currently performed by each director as well as a description of each director's employment history and education follows:

Horst Paulmann Kemna . Mr. Paulmann is our Chairman of the Board and founder of Cencosud S.A. He has served on our Board since November 1978. He has served as a Director of the Chilean—German Chamber of Commerce (CAMCHAL) and the Chilean Chamber of Commerce.

Heike Paulmann Koepfer . Mrs. Paulmann has been a member of our Board of Directors since April 1999. She has a degree in business from the *Universidad de Chile* and an MBA from *Universidad Adolfo Ibañez* .

Peter Paulmann Koepfer . Mr. Paulmann has been a member of our Board of Directors since September 1996. Mr. Paulmann currently is the Chief Executive Officer for Importadora y Comercial Regen Ltda. and has also served as Director of our shopping center division in Chile since 2002. He has a degree in business from the *Pontificia Universidad Católica de Chile* .

Richard Büchi Buc . Mr. Büchi was elected an independent member of the board in April, 2013. He holds a civil engineering degree from *Universidad de Chile* and an MBA from the Wharton School of Business from the University of Pennsylvania. On March 2013 he took over the executive vice-presidency of ENTEL's mobile phone division after having acted as the company's CEO for 18 years. Additionally, Mr. Büchi was chairman of the board of Entel PCS and Entelphone.

Cristián Eyzaguirre . Mr. Eyzaguirre has been a member of our Board of Directors since 2005. He has an economics degree from *Universidad de Chile* and a Master of Arts in Economics from The University of California, Berkeley. Mr. Eyzaguirre is the former Chief Executive Officer of Banco Bice and Chief Financial Officer of Empresas CMPC S.A., and was a professor of Economics at the *Universidad de Chile*. He is currently a Director of Besalco, E-CL, Agunsa, Grupo GTD Teleductos, Telefónica del Sur, IPAL, Banco París, Banco Cencosud (Perú) and Wenco. He also is Vice chairman of the advisory committee for the Chilean sovereign investment fund.

David Gallagher . Mr. Gallagher has been a member of the Board of Directors since April 2011. He has an MA in Modern Languages from Oxford University. He is Chairman and Founding Partner of ASSET Chile S.A, and is a director and Executive Committee member of the *Centro de Estudios Públicos* . Prior to founding ASSET Chile in 1984, Mr. Gallagher spent 10 years at Morgan Grenfell, where he became head of Latin American investment banking and director of Morgan Grenfell International.

Julio Moura . Mr. Moura has been a member of our Board of Directors since September 2011. Mr. Moura also serves as a director of Natura Cosméticos, Adecoagro and Brinox and as Chairman of Instituto Arapyau. Prior to joining Cencosud, Mr. Moura served as Chairman of Masisa from 2002 to 2007 and as Executive Vice President of Schindler Group, Switzerland, from 1992 to 1997. Mr. Moura holds a Master's Degree from MIT's Sloan School of Management and an Engineering Degree from the Swiss Federal Institute of Technology (ETH).

Roberto Philipps . Mr. Philipps has been a member of our Board of Directors since 2003. He has held several executive positions with the Techint Organization and previously with Exxon Corporation. He is a former President of the Argentine Financial Executives Association and serves on the board of companies in Chile and Argentina. Mr. Philipps has a degree in business administration and accounting from the *Universidad de Buenos Aires* and completed the Advanced Executive Program at the Kellogg School, Northwestern University.

Mario Valcarce Durán . Mr. Valcarce has been a member of our Board of Directors since April 29, 2016. Mr. Valcarce has a degree in Business Administration from Pontificia Universidad Católica de Valparaíso. Mr. Valcarce was CEO of Enersis S.A. from 2003 until 2006 and the Chairman of Endesa S.A. from 2006 to 2009. Currently he is on Board of Directors of Grupo Costanera SpA, Energía de la Patagonia, Aysén S.A., Empresas Navieras S.A., Besalco S.A. and Transelec S.A., since 2010.

(87) Including years in other positions at Cencosud.

(88) Horst Paulmann Kemna is the father of Heike Paulmann Koepfer and Peter Paulmann Koepfer.

Executive Officers

The following table shows certain information with respect to our senior management as of the date of this annual report:

Name	Position	Age	Years at Cencosud(89)	RUT	Nationality	Gender
Jaime Soler	Chief Executive Officer	45	12	7.107.025-5	Chilean	Male
Carlos Mechetti	General Counsel	47	23	22.118.310-k	Argentine	Male
Rodrigo Larrain	Chief Financial Officer	45	4	10.973.139-0	Chilean	Male
Bronislao Jandzio	Audit Managing Director	62	18	22.111.590-2	Argentine	Male
Patricio Rivas	Financial Retail Managing Director	54	14	7.516.353-3	Chilean	Male
Antonio Ureta	Home Improvement Stores Director	43	15	10.745.810-7	Chilean	Male
Rodrigo Hetz	Human Resources Managing Director	42	6	12.016.317-5	Chilean	Male
Renato Fernandez	Corporate Affairs Managing Director	44	5	10.871.675-4	Chilean	Male
Ricardo Bennett	Department Stores Managing Director	42	11	12.584.647-5	Chilean	Male
Carlos Madina	Real Estate Managing Director	50	25	21.231.962-7	Argentine	Male
Marcelo Reyes(90)	Corporate Risk Manager	50	14	8.547686-6	Chilean	Male

Jaime Soler . Mr. Soler was named Chief Executive Officer effective as of January 1, 2015. Previously he was our Corporate Retail Managing Director from February 2014. Prior to his appointment as head of that division, Mr. Soler had worked as our Department Stores Managing Director since 2008, and successfully commanded the turnaround process for our Johnson acquisition in Chile. He received his degree in Commercial Engineering from the Universidad de Chile and an MBA from The Kellogg School of Management.

Rodrigo Larrain . Mr. Larrain was our Real Estate Managing Director from March 2013 until he became our Chief Financial Officer on October 2, 2015. He has a degree in civil engineering and an MBA from the University of Michigan, Ross School of Business and also completed the school's General Management program. Prior to joining Cencosud he worked as Chief Financial and Investment officer at Enjoy S.A. Mr. Larrain also has over 10 years of work experience in corporate and investment banking at Citigroup and BBVA.

Carlos Mechetti . Mr. Mechetti has been our General Counsel since 1999. He graduated from Universidad del Museo Social Argentino in 1993 and joined us in 1994 as counsel to our shopping center division in Argentina. Mr. Mechetti has taken different post graduate courses at UBA, UADE, CEMA and Harvard University.

Bronislao Jandzio . Mr. Jandzio has been our Audit Managing Director since 1998. Before joining Cencosud, he was the Regional Chief for the Global Accounting Department for the Deutsche Bank Group in Frankfurt, Germany. Mr. Jandzio has a Banklehre diploma from the German Banking Academy.

Patricio Rivas . Mr. Rivas has been our Financial Retail Managing Director since 2011. Previously he served as our Corporate Risk Managing Director from 2010 to 2011. He graduated with a degree in Business Administration from the Pontificia Universidad Católica de Chile.

Antonio Ureta . Mr. Ureta has been a member of Cencosud since 2002, acting in different positions within the Supermarket and Department Store divisions, including Chief Executive Officer at Eurofashion, Head of the Commercial Office in Shanghai from 2010 to June 2014 and CEO for the Chilean Home Improvement operation from July 2014 to March 2015. Since then, Mr. Ureta has been our Home Improvement Stores Managing Director. He has a degree in Industrial Engineering from Pontificia Universidad Católica de Chile and previous joining Cencosud worked in investment banking at IM Trust.

Rodrigo Hetz . Mr. Hetz has been our Human Resources Director since April 2011. He has a degree in Industrial Engineering from Universidad de Chile and an MBA from the University of California—Berkeley. He also worked at McKinsey & Co. from 2006 to 2011, advising companies in different countries on strategy and organizational effectiveness. From 1999 to 2004, Mr. Hetz worked at Citibank in Human Resources management roles including Senior HR generalists, compensation & benefits, M&A/Integration, and organizational development positions.

Renato Fernandez . Mr. Fernandez has been our Corporate Affairs Manager since 2011 when he joined Cencosud. Prior to that, he served as Communications Director at Endesa Chile. He received his degree in Journalism from Universidad Gabriela Mistral.

Ricardo Bennett. Mr. Bennett was appointed as our Department Store Managing Director in February 2014. He joined Cencosud in 2008 as Department Store Business Development Manager. Mr. Bennett holds a degree in civil engineering and an MBA from ESADE, Barcelona, Spain. Prior to joining Cencosud Mr. Bennett was a buyer at Falabella.

Carlos Madina. Mr. Madina has been part of Cencosud since March 1992 and developed his whole professional career in the Shopping Centers division. In 1996 he was appointed as Commercial Manager for Shopping Centers Argentina. In August 2002, Mr. Madina was transferred to Chile to take on the position of CEO of Shopping Centers Chile. He returned to Argentina in October 2009 as CEO for the Argentine Shopping

(89) Includes years in other positions at Cencosud.

(90) Mr. Reyes resigned from the Company, effective on March 31, 2017.

Centers division. From March 2012 to October 2015 he was our Regional Sales Manager in conjunction with his position in Argentina. In October 2015, after Rodrigo Larrain was designated as Corporate CFO, Mr. Madina was promoted and became Real Estate Managing Director.

Marcelo Reyes. Mr. Reyes has been our Corporate Risk Managing Director since December 2011. He has previously served as Risk Director of Credit Card Business in Chile. He graduated with a degree in Business Administration from the Pontificia Universidad Católica de Valparaíso and earned an MBA degree from Tulane University, New Orleans, and from the Universidad de Chile. Mr. Reyes presented his resignation to the Company effective on March 31, 2017.

B. COMPENSATION

Compensation of Directors and Executive Officers

For 2016, the aggregate amount of compensation we paid to executive officers was Ch\$6,311 million. We do not disclose to our shareholders or otherwise make public information as to the compensation of any individual executive officers.

In accordance with Article 33 of Law N° 18,046 in Chile governing corporations, Director Compensation amounts for the 2017 period will be determined at the next Ordinary Shareholders' Meeting, which will be held in late April 2017.

At the Ordinary Shareholders' Meeting held on April 29, 2016, the following Director Compensation amounts were set for the 2016 period:

- Fees paid for attending Board meetings: payment of UF330 (equivalents to ThCh\$8,548) each month for those holding the position of Director and twice this amount for the Chairman of the Board, provided they attend a minimum of 10 ordinary meetings each year.
- Fees paid for attending the Directors' Committee meetings: payment to each Director of UF110 (equivalents to ThCh\$2,849) for each meeting they attend.

The details of the amounts paid to our directors for the years ended December 31, 2016, 2015 and 2014, are as follows:

Name	Role	For the year ended December 31,		
		2016 ThCh\$	2015 ThCh\$	2014 ThCh\$
Horst Paulmann Kemna	Chairman	206,280	198,458	184,487
Heike Paulmann Koepfer	Director	103,140	99,229	92,243
Peter Paulmann Koepfer	Director	103,140	99,229	92,243
Cristián Eyzaguirre Johnston	Director	103,140	99,229	92,243
Roberto Oscar Philipps	Director	137,526	132,305	122,991
Erasmó Wong Lu Vega	Director	—	65,549	92,243
David Gallagher Patrickson	Director	137,526	132,305	122,991
Julio Moura	Director	103,140	99,229	92,243
Richard Büchi Buc	Director	137,526	132,305	122,991
Mario Valcarce Durán	Director	92,177	—	—
Total		1,123,595	1,057,838	1,014,675

None of our non-executive directors has a service contract with us that provides for benefits upon termination of employment.

Executive Incentive Programs

In order to reward commitment and with the goal of retaining executives, the board has approved the terms and conditions of an Executive Stock Options Program, entitled Long Term Incentive Plan 2016 (the "2016 Plan"). This plan replaced the previous plans for 2014 (base and additional) and 2015.

The objective of our incentive plan is to motivate executive performance over the long term, thereby increasing the long-term value of the Company.

Executives can only exercise their options under the incentive plans if they are employed by the Company at the specific subscription dates or by any of its subsidiaries in Chile or abroad without any interruption in its employment relationship. In order to be eligible to receive a share payment no executive can be found in serious breach of its employment duties from the date of signing of the stock option contract until the exercise date. The determination of a serious breach is at the Company's sole discretion. The 2016 Plan grants executives the right to subscribe shares at a set price of Ch\$1,000 throughout the entire duration of the incentive plan as long as the required employment conditions are fulfilled within the period.

A small number of employees maintain previous Stock Options Plans under the 2014 plan (the "2014 Plan") (base and additional) and 2015 plan (the "2015 Plan") (base and additional), and were not migrated into this new plan. The 2015 Plan grants each executive the right to subscribe shares in four installments, with 25% of their total subscription rights entitlements available each year from 2015 to 2018. The 2015 Plan grants executives the right to subscribe shares at a set price of Ch\$1,646 throughout the entire duration of the incentive plan as long as the required employment conditions are fulfilled within the period. The 2014 Plan grants each executive the right to subscribe shares in four installments, with 25% of their total

subscription rights entitlements available each year from 2014 to 2017. The additional plan under the 2014 Plan (the “Additional 2014 Plan”) grants each executive the right to subscribe shares in different quantities between 2014 and 2016. Both the 2015 Plan and 2014 Plan grant executives the right to subscribe shares at a set price of \$2,600 throughout the entire period of the respective incentive plan as long as employment conditions for the executive are met within each subscription period.

As ratified, the incentive plans include 375 company executives as of December 31, 2016, segregating them according to management level and position within the company, and make available a total of 20.7 million shares for awards. The shares being made available under these incentive plans reflect shares that were reserved for this specific purpose and were issued in capital increases approved by Cencosud SA shareholders during extraordinary shareholder meetings held on April 29, 2011 and November 20, 2012.

The following table sets forth, as of December 31, 2016, the total number of shares of common stock to be issued upon exercise of the options granted to each of our executive officers under our 2014 Plan (including Additional 2014 Plan), 2015 Plan and 2016 Plan:

Plan under which options were awarded	Number of Shares	Exercise price	Date of Grant	Expiration date
2016 Plan	20,511,075	Ch\$ 1,000	September 28, 2015	October 31, 2017
2015 Plan	120,000	Ch\$ 1,646	September 26, 2014	February 28, 2018
Additional 2015 Plan	2,500	Ch\$ 1,646	September 26, 2014	February 28, 2018
2014 Plan	57,500	Ch\$ 2,600	March 22, 2013	October 31, 2017
2014 Additional Plan	0	Ch\$ 2,600	April 26, 2013	October 31, 2016
Total	20,691,075			

Below is the table of compensation for senior management at Cencosud for 2016, 2015 and 2014:

Key Management Team(91)	2016	2015	2014
	Ch\$ thousand	Ch\$ thousand	Ch\$ thousand
Monthly Salaries and other paid benefits (bonds)	4,928,236	4,732,048	5,195,504
Payments based on shares	1,382,504	1,039,827	612,501
TOTAL	6,310,740	5,771,875	5,808,005

The Cencosud group has established an incentive plan for its executives that is based on meeting individual goals in contribution to the Company’s earnings. These incentives are structured in minimum and maximum gross salaries and are paid once a year.

C. BOARD PRACTICES

Board practices

Our Bylaws provide that shareholders elect nine regular directors. Directors are elected at the annual shareholders’ meeting for terms of three years. The legal responsibilities of each board member are established in accordance with the Chilean Corporations Law.

By virtue of his position as our controlling shareholder, Mr. Horst Paulmann has the power to nominate 7 directors to our Board of Directors. At the ordinary shareholders’ meeting held on April 29, 2016, a new board of directors was elected for the 2016-2019 period, composed of 9 directors.

Directors’ Committee

As required under Chilean law, we have established a Directors’ Committee composed of three directors. The following are the current members of our Directors’ Committee: Richard Büchi (President), David Gallagher (Secretary) and Mario Valcarce. The Directors’ Committee has the following principal duties:

- reviewing external audit reports and financial statements and providing its opinion regarding such items prior to their submission to the shareholders for approval;
- proposing to the board of directors the names of independent external auditors and credit rating agencies that will be submitted for approval at the annual shareholders’ meeting;
- reviewing related party transactions for potential conflict of interest and providing reports as required in certain defined cases;
- reviewing the salary and compensation benefits for officers and senior management; preparing an annual report of the board’s activities, which will include its main recommendations to shareholders;

(91) Executives between 18 and 22 on our global grading system (“GGS”, which is discussed further below) are included in this group.

- advising the board as to the hiring of external auditors to perform non-audit services, particularly whether such services might be prohibited in accordance with article 242 of the Chilean Securities Market Law as such services could jeopardize the independence of such external auditor; and
- performing any other responsibility entrusted to the Directors' Committee by the Chilean Corporations Law, our Bylaws, the shareholders' meeting or the board of directors.

Audit Committee

We have established an audit committee, comprised of three non-management members of our Board of Directors. The members of the audit committee are David Gallagher, Roberto Philipps and Cristián Eyzaguirre, each of whom is independent within the meaning of the SEC corporate governance rules. Our board of directors has determined that Roberto Philipps is "audit committee financial expert" as defined by the SEC.

The audit committee's primary responsibilities are:

- Assist the Board of Directors in fulfilling its oversight responsibilities relating to the integrity of the Company's financial statements, including the review and discussion of the annual audited and intermediate financial statements, periodically reporting to the Board of Directors on its activity and the adequacy of the Company's systems of internal controls over financial reporting, as well as the review of their compliance;
- Make recommendations for the appointment, compensation, retention and oversight of, and consider the independence of, the Company's external auditors;
- Review material transactions between the Company or its subsidiaries with related parties to determine whether their terms are consistent with market conditions or are otherwise fair to the Company and its subsidiaries; and
- Perform such other duties imposed on it by the laws and regulations of the regulated market(s) on which the shares of the Company are listed, applicable to the Company, as well as any other duties entrusted to it by the Board of Directors.

The audit committee's purpose and responsibilities, including those outlined above, have been set forth in the charter of the audit committee.

D. EMPLOYEES

At December 31, 2016, we had a total of 138,160 employees, of which approximately 40.5% were in Chile, 17.8% in Argentina, 20.7 % in Brazil, 10.6 % in Peru and 10.4% in Colombia. Approximately 43.3% of our store employees were represented by unions under several collective bargaining agreements. We do not employ a significant number of temporary employees.

Consolidated Headcount by type of Company	2016	2015	2014
Holding	1,163	1,112	1,152
Subsidiaries	136,997	139,362	152,082
Cencosud	138,160	140,474	153,234
Consolidated Headcount by type of Employee	2016	2015	2014
Managers and Main Executives(92)	374	369	349
Professionals and Technicals	17,841	18,652	19,007
Workers	119,945	121,453	133,878
Total	138,160	140,474	153,234
Consolidated Headcount by Country	2016	2015	2014
Chile			
Stores	50,615	50,562	55,409
Distribution Facilities(93)	3,287	2,823	2,844
Headquarters	2,530	2,422	3,382
Total Chile	56,432	55,807	61,635
Argentina	2016	2015	2014
Stores	21,671	22,316	24,032
Distribution Facilities	1,173	1,209	1,286
Headquarters	2,074	2,065	2,161
Total Argentina	24,918	25,590	27,479

(92) These categories are based on local regulation that defines which positions correspond to "Managers and Main Executives", "Professionals and Technicals" and "Workers". This classification does not correspond to the GGS level.

(93) Distribution facilities refer to our distribution centers, warehouses and transportation

Brazil		2016	2015	2014
Stores		24,516	26,219	29,374
Distribution Facilities		1,682	1,717	1,922
Headquarters		2,142	2,379	2,250
Total Brazil		28,340	30,315	33,546
Peru		2016	2015	2014
Stores		12,016	12,309	13,389
Distribution Facilities		1,430	1,438	1,368
Headquarters		1,044	1,049	1,251
Total Peru		14,490	14,796	16,008
Colombia		2016	2015	2014
Stores		12,925	12,649	13,485
Distribution Facilities		232	206	882
Headquarters		823	1,111	199
Total Colombia		13,980	13,966	14,566

Diversity

Diversity is a unique feature of our culture and one of our greatest assets. In Cencosud, we are convinced that to attract, develop and retain a base of contributors as a true reflection of the communities we serve, is essential to our success. Our Company recognizes that the diversity of gender, race, politics, religion, age, sexual orientation, disability, marital status or any other enriches our work environment and allow us to better connect with the needs and interests of our customers.

Headcount by Gender	At the Organization			Managing Areas			At the Board of Directors		
	2016	2015	2014	2016	2015	2014	2016	2015(94)	2014
Female	69,627	71,478	78,979	81	74	68	1	1	1
Male	68,533	68,996	74,255	293	295	281	8	7	8
Total	138,160	140,474	153,234	374	369	349	9	8	9
Headcount by Country(95)	2016	2015	2014	2016	2015	2014	2016	2015	2014
Chile	56,432	55,807	61,635	224	225	221	7	6	6
Argentina	24,918	25,590	27,479	92	90	70	1	1	1
Brazil	28,340	30,315	33,546	19	21	20	1	1	1
Peru	14,490	14,796	16,008	15	12	13	—	—	1
Colombia	13,980	13,966	14,566	18	17	15	—	—	—
Others	—	—	—	6	4	10	—	—	—
Total Cencosud	138,160	140,474	153,234	374	369	349	9	8	9
Headcount by Age Range	2016	2015	2014	2016	2015	2014	2016	2015	2014
Less than 30 years	55,637	57,454	65,946	2	1	—	—	—	—
Between 31 and 40 years	43,243	44,508	46,631	135	131	108	—	—	—
Between 41 and 50 years	25,294	24,762	25,981	171	178	165	2	2	2
Between 51 and 60 years	11,442	11,213	11,913	58	49	60	—	—	—
Between 61 and 70 years	2,296	2,279	2,470	8	10	15	5	3	5
Over 70 years	248	258	293	—	—	1	2	3	2
Total	138,160	140,474	153,234	374	369	349	9	8	9
Headcount by Seniority Range	2016	2015	2014	2016	2015	2014	2016	2015	2014
Less than 3 years	56,697	62,665	77,439	55	81	90	1	—	1
Between 3 and 6 years	27,981	24,859	22,958	62	51	48	3	3	2
Between 6 and 9 years	15,085	18,122	19,909	49	62	69	—	—	1
Between 9 and 12 years	13,768	10,261	10,143	71	52	42	—	1	1
More than 12 years	24,629	24,567	22,785	137	123	100	5	4	4
Total	138,160	140,474	153,234	374	369	349	9	8	9

(94) Mr. Erasmo Wong was a member of our Board of Directors from 2008 until August 25, 2015, the date on which Mr. Wong presented his resignation to the Board.

(95) Headcount by country is shown by location for “At the Organization”, and by nationality for “Managing Areas” and “Board of Directors”

Labor Relations

We maintain the great challenge of developing policies and practices at our workplace to ensure the building of trust, transparency, effective two-way communication, and the concrete development of opportunities for professional and personal development for our employees. Our relationships with unions are based in mutual respect and a regular and permanent relationship, which greatly exceeds each country’s local legal requirements, resulting in ongoing constructive dialogue between us and the local labor unions.

2016				
Country	Total Headcount	Unionized Headcount	Percentage Unionized	N° of Unions
Chile	56,432	40,221	71.3%	114
Argentina	24,918	11,622	46.6%	73
Brazil	28,340	1,207	4.3%	87
Peru	14,490	402	2.8%	1
Colombia	13,980	6,285	45.0%	2
Total Cencosud	138,160	59,737	43.2%	277

2015				
Country	Total Headcount	Unionized Headcount	Percentage Unionized	N° of Unions
Chile	55,807	37,240	66.7%	110
Argentina	25,590	11,239	43.9%	97
Brazil	30,315	1,234	4.1%	73
Colombia	14,796	6,253	42.3%	2
Peru	13,966	183	1.3%	1
Total Cencosud	140,474	56,149	40.0%	283

2014				
Country	Total Headcount	Unionized Headcount	Percentage Unionized	N° of Unions
Chile	61,635	38,718	62.8%	181
Argentina	27,479	12,286	44.7%	121
Brazil	33,546	1,296	3.9%	72
Colombia	16,008	5,002	31.2%	1
Peru	14,566	158	1.1%	1
Total Cencosud	153,234	57,460	37.5%	376

In Chile, by the end of the third quarter of 2016, collective bargaining with unions involved more than 30 processes and more than 35% of our workforce in Chile. During this period there were no strikes or work stoppages. In April 2017, implementation of the labor reform will begin, increasing the bargaining power of unions, which could result in increased labor costs and/or a higher probability of interruptions, which could affect our results.

In Argentina, our employees are affiliated with trade unions. One of these is the “Sindicato de Comercio” (“Commerce Union”), the only union with a collective bargaining agreement (mandatory by law) for all non-management employees, which has been in effect since 1975. We have experienced strikes at our stores, each lasting few hours. However, none of these strikes have materially affected our overall operations.

In Brazil, although less than 4.1% of our employees are affiliated with trade unions, all employees are entitled to the benefits set forth in our collective labor agreements, as determined by applicable labor legislation. The deceleration of activities in commerce, industry and services that occurred throughout 2016 boosted the growth of the unemployment rate. We believe that we have a good relationship with our employees and related trade unions, and our Brazilian operations have not recorded any significant strikes or stoppages over the last three years.

In Peru, less than 3% of our employees are affiliated with the only trade union, which was formed in 2013. We have a collective contract with these employees that has a term of one year and which ends in June 2017. We have not had any strikes that have materially affected our operations in Peru. Considered one of our priorities, we are constantly working to build a good relationship with both our employees and trade union.

We have not had any strikes that have materially affected our operations in Colombia.

Benefits

We operate a merit-based bonus program for our managers both at the headquarters and store levels as well as for department heads at each store. In general, the bonus fluctuates between one and six monthly salaries and is determined in accordance with clearly defined criteria, including our overall performance, the performance of the employee’s store, the employee’s performance relative to specific targets established at the beginning of the year and more subjective standards such as fostering an open, constructive working environment.

In Chile, our employees receive benefits established by the collective bargaining agreements, salaries in accordance with our own policies, benefits provided for by Chilean law (including disability insurance) and certain additional benefits provided by us. Among the benefits provided by us are educational training for our employees and opportunities for their families (including educational scholarships for children of employees).

In Argentina, our employees receive benefits established by our collective bargaining agreement, salaries established according to our policies, benefits provided for by Argentinean law (including disability insurance) and certain additional benefits provided by us, including educational training.

In Brazil, our employees receive benefits established by our collective bargaining agreement, salaries established according to our policies, benefits provided for by Brazil law and certain additional benefits provided by us.

In Peru, our employees receive standard benefits and salaries established according to our policies, benefits provided for by Peruvian law (including disability insurance) and certain additional benefits provided by us, including discounts on products purchased at our stores, educational training and certain merit-based bonuses.

In Colombia, our employees receive standard benefits and salaries established according to our policies, benefits provided for by Colombia law (including disability insurance) and certain additional benefits provided by us, including discounts on products purchased at our stores and educational training for our employees.

Wage gap by Gender

Cencosud has a Corporate Compensation Policy, based on “internal equality” and “external competitiveness” principles with application in all businesses and countries in which we operate.

This Policy determines main guidelines for total compensation management at all levels. As part of this policy, Cencosud applies a unique methodology for position valuation based on an internal grading system. Each position receives a grade, which is related to its responsibilities and competencies required. Positions in the same grade, and country, receive the same salary range. Employees in a certain grade receive a certain position in the salary range, depending on performance and seniority.

The analysis of wage difference by gender, from 2016, was done considering men and women, in the same grade and same country, in order to compare employees in same level of responsibility and comparable positions to identify potential gaps. The gap is then summarized by country to reach a weighted average of female employees by level. The process is done to measure the total gap for Cencosud globally.

As part of our policy, we apply a unique methodology for position valuation called “Global Grading System” (“GGG”, from Towers Watson), which guarantees people performing similar functions in the same country receive the same salary, no matter the gender or working area, among others. The GGS system classifies employees into certain positions and determines the salary range according to performance and seniority. The analysis of wage differences for gender was based on GGS. The analysis first looked at wages according to GGS positions and country. The analysis then analyzed wages of only the female population by GGS position and country demonstrating the following wage gaps between men and women inside the organization in the different groups:

Group	2016	2015	2014
Managers and Main Executives	(4.2)%	(5.2)%	(8.6)%
Professionals and Technicals	(0.2)%	(0.2)%	(0.3)%
Workers	(3.3)%	(3.0)%	(3.7)%

Interpretation: For example, in 2016, women were paid 4.2% less than men holding the same GGS at the managers and main executives group.

E. SHARE OWNERSHIP

See table in “Item 7. Major Shareholders and Related Party Transactions” for information regarding share ownership by our directors and executive officers.

Item 7. Major Shareholders and Related Party Transactions

A. MAJOR SHAREHOLDERS

The following table sets forth information with respect to the beneficial ownership of our shares of common stock, as of the date of this annual report, for:

- each person known to us to own beneficially more than 5% of our shares of common stock; and
- our directors and executive officers as a group.

Shareholder	Number of Shares of Common Stock	Percentage Beneficial Ownership
Principal Shareholders(96)		
Inversiones Quinchamali Limitada(97)	573,754,802	20.04%
Inversiones Latadia Limitada(98)	550,823,211	19.24%
Inversiones Tano Limitada(99)	287,328,548	10.04%
Directors and Executive Officers		
Horst Paulmann Kemna(100)	1,527,449,715	53.36%
Peter Paulmann Koepfer(101)	*	*
Heike Paulmann Koepfer(102)	*	*
David Gallagher	—	—
Roberto Philipps	—	—
Cristián Eyzaguirre	—	—
Richard Büchi Buc	*	*
Julio Moura	—	—
Mario Valcarce	—	—
Rodrigo Hetz	*	*
Carlos Mechetti	*	*
Andrés Artigas	*	*
Bronislao Jandzio	*	*
Antonio Urete	*	*
Jaime Soler	*	*
Patricio Rivas	*	*
Renato Fernandez	*	*
Ricardo Bennett	*	*
Carlos Medina	*	*
Marcelo Reyes	*	*
Rodrigo Larrain	*	*
Total shares of common stock issued and outstanding	2,862,536,947	100.0%

* Represents beneficial ownership of less than one percent of ordinary shares outstanding.

Differences in Voting Rights

Our major shareholders do not have different voting rights.

Controlling Shareholder

In 2012 and 2013, we experienced a significant change in the percentage of shares beneficially owned and controlled by our major shareholder as a result of our initial public offering and follow-on offering. Prior to our initial public offering, our founder, Mr. Horst Paulmann, beneficially owned 64.9% of our shares, directly and indirectly, through Inversiones Quinchamali Ltda., Inversiones Latadia Ltda. and Inversiones Tano Ltda. As of the date of this annual report, Mr. Horst Paulmann and his family beneficially owns 53.36% of our shares. See “—Major Shareholders” above.

By virtue of this position as our controlling shareholder, Mr. Horst Paulmann has the power to nominate 5 directors to our Board of Directors.

(96) Our principal shareholders do not have different voting rights than other shareholders. All holders of our shares of common stock are entitled to one vote per share of common stock in all shareholders’ meetings.

(97) Inversiones Quinchamali Limitada is a Chilean company controlled by Horst Paulmann Kemna, our Chairman of the Board, who is the largest shareholder therein, with the remainder owned by members of the Paulmann family. Members of the Paulmann family include Horst Paulmann Kemna, Manfred Paulmann Koepfer, Peter Paulmann Koepfer and Heike Paulmann Koepfer. The address for Inversiones Quinchamali Limitada is Avenida Kennedy 9001, Piso 7, Las Condes, Santiago, Chile.

(98) Inversiones Latadia Limitada is a Chilean company majority owned by Inversiones Quinchamali Limitada, with the remainder owned indirectly by members of the Paulmann family. Its address is Avenida Kennedy 9001, Piso 7, Las Condes, Santiago, Chile.

(99) Inversiones Tano Limitada is a Chilean company majority owned by Inversiones Quinchamali Limitada, with the remainder owned by Inversiones Latadia Limitada and Horst Paulmann Kemna. Its address is Avenida Kennedy 9001, Piso 7, Las Condes, Santiago, Chile.

(100) Horst Paulmann Kemna owns 2.46% of our shares of common stock directly and the remaining amount through direct and indirect ownership in Inversiones Quinchamali Limitada, Inversiones Latadia Limitada and Inversiones Tano Limitada. Horst Paulmann Kemna, our Chairman of the Board, is the father of Heike Paulmann Koepfer and Peter Paulmann Koepfer, who both serve on our Board of Directors. See “Item 6. Directors, Senior Management and Employees.”

(101) Peter Paulmann Koepfer owns 0.5% of our shares of common stock.

(102) Heike Paulmann Koepfer owns 0.5% of our shares of common stock.

Securities Held in Host Country

As of April 24, 2017, the most recent practicable date, 7,670,088 ADSs (equivalent to 23,010,264 shares, or 0.8% of the total outstanding shares of our common stock) were outstanding and held of record by one holder. We are aware that many ADSs are held of record by brokers and other nominees, and accordingly the above numbers are not necessarily representative of the actual number of U.S. persons who are beneficial holders of ADSs or the number of ADSs beneficially held by such persons.

B. RELATED PARTY TRANSACTIONS

Chilean Regulations

In the ordinary course of our business, we may incur related party indebtedness in the future on fair market terms. Articles 146 et seq of the Chilean Corporations Law regulate related party transactions to be incurred by publicly held corporations and its subsidiaries. Article 147 of the Chilean Corporations Law requires our transactions with related parties be on similar terms to those customarily prevailing in the market and to be beneficial to the interest of the company. Article 147 requires us to compare the terms of any such transaction to those prevailing in the market at the date the transaction is approved. For a related party transaction to be entered into, the approval of the board of directors is required. Directors of companies that violate Article 147 are jointly and severally liable for damages and losses resulting from such violation. In addition, Article 147 of the Chilean Corporations Law provides that any transaction in which a director has a personal interest or is participating in negotiations leading to a related party transaction must be previously approved by the board of directors, with the exclusion of the interested director. The board of directors will approve the transaction only when it has been informed of such director's interest, the transaction is beneficial to the company and the terms of such transaction are similar to those prevailing in the market. All resolutions approving such transactions must be reported to the Company's shareholders at the next annual shareholders meeting. If the majority of the directors are interested parties, the transaction may be entered into if approved unanimously by non-interested directors, or by two-thirds or more of the votes at a special shareholders' meeting. If a special shareholders' meeting is called, the board shall appoint two independent evaluators, who will inform the shareholders of the terms and conditions of the transaction, its effects and the potential impact in the Company. The evaluators' final conclusions must be made available to shareholders and directors the day after the company receives such report. The report will be available for a period of at least 15 business days following the company's receipt of the evaluator's report and notice shall be provided to the shareholders by means of an *hecho esencial*.

General

The following related party transactions may be entered into without complying with the aforementioned requirements and with only the approval of the board of directors:

- The transaction does not involve an amount considered to be material. A transaction involves a material amount if:
 - the transaction amount is more than 1% of the company's net worth, provided such transaction amount exceeds the equivalent of 2,000 UF, or
 - the transaction amount exceeds the equivalent to 20,000 UF.
- The transaction is in the ordinary course of business, as determined by the corporation's policies regarding such matters.
- The transaction is with a related party which the company owns at least 95% of, either directly or indirectly.

Violation of Article 146 et seq may result in administrative or criminal sanctions and civil liability to shareholders or third parties who suffer losses as a result of such violation. We believe that we have complied with the requirements of Articles 146 et seq in all transactions with related parties. See "Item 10.—B. Memorandum and Articles of Association—Director Requirements."

Related Party Transactions

Below is a description of the significant transactions between us and our related parties for the years ended December 31, 2016, 2015 and 2014. For a full disclosure of our related parties transactions, see Note 9 to our consolidated financial statements.

Purchase and sale agreements

During 2016, 2015 and 2014, we purchased general merchandise in the amount of Ch\$2,947 million, Ch\$3,224 million and Ch\$1,916 million, respectively, from Wenco S.A. ("Wenco"), a Chilean plastic goods manufacturer on whose board Mr. Cristián Eyzaguirre, one of our directors, serves as a director. In 2016, 2015 and 2014, we also sold general merchandise in the amount of Ch\$18 million, Ch\$505 million and Ch\$64 million, respectively, to Wenco.

Cencosud also purchased merchandise from Industria Productos Alimenticios S.A., on whose board Mr. Cristián Eyzaguirre also serves, in the amount of Ch\$857 million, Ch\$1,143 million and Ch\$1,062 million, during 2016, 2015 and 2014, respectively. We also sold merchandise to Agencias Universales SA in the amount of Ch\$14 million, Ch\$14 million and Ch\$18 million in 2016, 2015 and 2014, respectively, on whose board Mr. Cristián Eyzaguirre also serves. The same company provided services to Cencosud S.A. in the amount of Ch\$4 million, Ch\$93 million and Ch\$598 million during 2016, 2015 and 2014, respectively.

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Cencosud also purchased general merchandise from Importadora y Comercial Regen Ltda, a Chilean retailer of imported toys controlled by Mr. Peter Paulmann Koepfer, one of our directors, in the amount of Ch\$495 million, Ch\$725 million and Ch\$538 million for the years 2016, 2015 and 2014, respectively. During 2016, 2015 and 2014, Cencosud SA also sold goods to Importadora y Comercial Regen Ltda. in de amount of Ch\$17 million, Ch\$29 million and Ch\$19 million, respectively.

During 2016, 2015 and 2014, Teleductos SA, on whose board Mr. Cristián Eyzaguirre also serves, provided services to Cencosud in the amount of Ch\$907 million, Ch\$709 million and Ch\$704 million, respectively.

During 2016, 2015 and 2014, Manquehue Net SA, on whose board Mr. Cristián Eyzaguirre also serves, provided services to Cencosud in the amount of Ch\$31 million, Ch\$24 million and Ch\$7 million, respectively.

During 2016, 2015 and 2014, Cia Nacional De Telefonos, Telefonica del Sur S.A., on whose board Mr. Cristián Eyzaguirre also serves, provided services to Cencosud in the amount of Ch\$2 million, Ch\$3 million and Ch\$1 million, respectively.

During 2015 and 2014, Mr. Cristian Eyzaguirre received Ch\$39 million and Ch\$103 million, respectively from our subsidiary Cencosud Administradora de Tarjetas S.A. in connection with his service on its board of directors.

During 2016, 2015 and 2014, Besalco S.A. on whose board Mr. Cristian Eyzaguirre also serves, provided services to Cencosud SA in the amount of Ch\$4 million, Ch\$1 million and Ch\$1 million, respectively.

During 2016, 2015 and 2014, Empresa Nacional de Telecomunicaciones S.A. on whose board Mr. Richard Büchi Buc also serves, provided services to Cencosud in the amount of Ch\$1,182 million, Ch\$1,527 million and Ch\$1,013 million, respectively.

During 2016, 2015 and 2014, Empresa El Mercurio S.A.P. on whose board Mr. Richard Büchi Buc also serves, provided services to Cencosud in the amount of Ch\$3,424 million, Ch\$3,256 million and Ch\$2,820 million, while goods were sold to Empresa El Mercurio S.A.P. in the amount of Ch\$25 million in 2014.

During 2016, 2015 and 2014, Entel Telefonía Local S.A. on whose board Mr. Richard Büchi Buc also serves, provided services to Cencosud in the amount of Ch\$18 million, Ch\$19 million and Ch\$49 million, respectively.

During 2016, 2015 and 2014, Entel PCS Telecomunicaciones S.A on whose board Mr. Richard Büchi Buc also serves, provided services and sold equipment to Cencosud in the amount of Ch\$6,469 million, Ch\$7,472 million and Ch\$8,180 million, respectively.

During 2016, 2015 and 2014, Asset-Chile S.A. on whose board Mr. David Gallagher also serves, purchased merchandise from Cencosud SA in the amount of Ch\$8 million, Ch\$7 million and Ch\$5 million, respectively.

During 2016, 2015 and 2014, Centro de Estudios Públicos on whose board Mr. Richard Büchi Buc also serves, purchased merchandise from Cencosud S.A. in the amount of Ch\$21 million, Ch\$21 million and Ch\$15 million, respectively.

During 2016, 2015 and 2014, JetAviation Flight Services Inc. on whose board Mr. Horst Paulmann also serves, purchased merchandise from Cencosud S.A. in the amount of Ch\$840 million, Ch\$1,306 million and Ch\$676 million, respectively.

During 2016 and 2015, Cencosud Administradora de Tarjetas S.A. (CAT), an associate company, provided credit card service to Cencosud consumers in the amount of Ch\$673,859 million and Ch\$519,182 million, respectively.

Leases

We lease space in several of our shopping centers in Chile to Maxi Kioskos Chile, S.A., a Chilean convenience store operator on whose board Manfred Paulmann Koepfer serves as a director. Lease payments during 2016, 2015 and 2014 amounted to Ch\$424 million, Ch\$232 million and Ch\$403 million, respectively.

In addition, we lease space in several of our shopping centers in Chile to Importadora y Comercial Regen Ltda. Lease payments during 2016, 2015 and 2014 amounted to Ch\$227 million, Ch\$218 million and Ch\$188 million, respectively.

We lease space in several of our shopping centers in Chile to Empresa el Mercurio S.A.P. Lease payments during 2016, 2015 and 2014 amounted to Ch\$101 million, Ch\$95 million and Ch\$203 million, respectively.

The above described transactions were entered into pursuant to our Bylaws and applicable Chilean laws and regulations.

For information concerning other transactions such as services rendered please see Notes 9.1 to 9.3 to our Audited Consolidated Financial Statements.

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

Item 8. Financial Information**A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION.****Financial Statements**

See “Item 18. Financial Statements” and pages F-1 through F-181 for our consolidated financial statements prepared in accordance with IFRS.

Legal and Administrative Proceedings

We are party to certain legal proceedings in Argentina, Brazil, Chile, Colombia and Peru arising in the normal course of our business, which we believe are routine in nature and incidental to the operation of our business. We do not believe that the outcome of the proceedings to which we currently are party will have a material effect upon our operations or financial condition.

Dividends and Dividend Policy

Our dividend policy is determined from time to time by our board of directors. It is the Company’s general practice to pay interim and annual dividends in November and May. Dividends are paid to shareholders of record on the fifth Chilean business day preceding the date for the payment of the dividend.

As required by the Chilean Corporations Law, unless otherwise approved by unanimous vote of holders of all of our issued and subscribed shares, we must distribute a cash dividend in an amount no less than 30% of the Company’s consolidated net income for that year, unless and except to the extent we have a deficit in retained earnings. We may distribute a cash dividend in an amount greater than 30% if approved by a majority vote of shareholders.

Shareholders who are not residents of Chile must register as foreign investors under one of the foreign investment regimes contemplated by Chilean law to receive dividends, sale proceeds or other amount with respect to their shares remitted outside Chile through the Formal Market Exchange. See “Item 10. Additional Information—D. Exchange Controls.” Dividends received in respect of shares of common shares by holders are subject to Chilean withholding tax. See “Item 10. Additional Information—E. Taxation.”

B. SIGNIFICANT CHANGES

Except as otherwise disclosed in this annual report, there has been no undisclosed significant change since the date of the annual financial statements.

Item 9. The Offer and Listing**A. OFFER AND LISTING DETAILS**

Our ADSs have been listed on the NYSE under the symbol “CNCO” since June 22, 2012. The table below sets forth the trading volume and the high and low closing prices in U.S. dollars of our ADSs on the New York Stock Exchange as reported by the New York Stock Exchange.

	Trading volume	New York Stock Exchange (in U.S.\$ per ADS)(103)	
		High	Low
2012 (since June 22, 2012)	16,315,454	20.99	15.10
2013	17,843,014	17.01	10.33
2014	19,308,702	10.71	6.94
2015	20,939,325	8.20	5.20
2016	25,726,986	10.11	5.30
Quarter			
First Quarter 2015	5,596,774	7.90	6.25
Second Quarter, 2015	5,678,048	8.20	7.02
Third Quarter, 2015	4,030,918	7.15	5.20
Fourth Quarter, 2015	5,633,585	7.00	5.71
First Quarter 2016	3,035,336	7.85	5.30
Second Quarter, 2016	6,212,873	8.95	7.33
Third Quarter, 2016	12,040,376	9.39	8.06
Fourth Quarter, 2016	4,438,401	10.11	8.20
Month			
October 2016	1,443,467	10.11	8.72
November 2016	1,905,612	10.00	8.62
December 2016	1,089,322	9.00	8.20
January 2017	999,326	8.90	8.28
February 2017	857,231	9.52	8.69
March 2017	1,237,726	9.74	8.48
April 2017 (through April 25, 2017)	1,226,043	9.41	9.18

(103) Except trading volume.

Source: New York Stock Exchange.

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

Our common stock is currently traded on the Santiago Stock Exchange, the Chile Electronic Stock Exchange, and the Valparaíso Stock Exchange. In 2016, the trading volume of our common stock on the different Chilean Stock Exchanges represented 91.3% of the total trading volume of our common stock. On April 25, 2017, the last reported sale price of the shares on the Santiago Stock Exchange was Ch\$1,955.

Price history of our common shares

The table below sets forth the trading volume and the high and low closing sales prices for our common shares on the Santiago Stock Exchange for the periods indicated.

	Santiago stock exchange (in Ch\$ per common share)(104)		
	Trading volume	High	Low
2012	690,328,658	3,256	2,490
2013	632,394,407	3,064	1,824
2014	508,704,038	1,980	1,410
2015	593,680,654	1,690	1,245
2016	782,016,461	2,225	1,315
Quarter			
First Quarter, 2015	242,882,187	1,640	1,279
Second Quarter, 2015	127,062,897	1,664	1,460
Third Quarter, 2015	114,249,276	1,540	1,245
Fourth Quarter, 2015	109,451,870	1,690	1,350
First Quarter, 2016	140,527,472	1,747	1,315
Second Quarter, 2016	139,613,101	1,918	1,670
Third Quarter, 2016	356,968,534	2,101	1,750
Fourth Quarter, 2016	144,907,354	2,225	1,820
Month			
October 2016	35,976,826	2,225	1,943
November 2016	59,556,407	2,189	1,895
December 2016	49,374,121	2,000	1,820
January 2017	50,158,527	1,950	1,844
February 2017	26,377,903	1,980	1,885
March 2017	78,101,088	2,097	1,884
April 2017 (through April 25, 2017)	41,711,048	2,094	1,949

Source: Santiago Stock Exchange.

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

Item 10. Additional Information

A. SHARE CAPITAL

(104) Except trading volume.

Not applicable.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Set forth below is material information concerning our share capital and a brief summary of the significant provisions of our Bylaws and Chilean law. As explained above, our Bylaws effectively serve the purpose of both the articles or certificate of incorporation and the bylaws of a company incorporated in the United States. This description contains all material information concerning shares of our common stock, including summaries of certain provisions of our Bylaws and applicable Chilean law in effect on the date of this annual report. They do not, however, describe every aspect of our shares of common stock, our Bylaws or Chilean law. You are encouraged to review our *estatutos* (an English translation of which has been filed as an exhibit to this annual report), the Chilean Corporations Law and the Securities Market Law, each referred to below.

For more information regarding our share capitalization, see “Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders,” elsewhere in this annual report. There were 2,862,536,947 shares of our common stock, no par value, issued and outstanding as of the date of this annual report.

Memorandum and articles of association

Set forth below is certain information concerning Cencosud S.A.’s capital stock and a brief summary of certain significant provisions of our Bylaws and Chilean law. You are encouraged to review our Bylaws, which are filed as Exhibit 1.1 of this annual report.

Organization and register

We are a publicly-held stock corporation (*sociedad anónima abierta*) organized under the laws of Chile and have an indefinite corporate duration. We were incorporated by a public deed dated November 10, 1978. This abstract is recorded on page 13808 No. 7412 of the *Registro de Comercio de Santiago* (Commercial Registry of Santiago) for the year 1978. Our corporate purpose, as stated in our Bylaws, is broadly defined to include the purchase, sale, distribution and marketing of goods, as more fully set forth in our Bylaws.

Shareholder rights

Shareholder rights in Chilean companies are governed generally by a company’s bylaws (which effectively serve the purpose of both the articles, or certificate, of incorporation, and the bylaws of a United States company). Additionally, the Chilean Corporations Law governs the operation of Chilean stock corporations and provides for certain shareholder rights.

Shareholder rights can be amended through an agreement adopted in an extraordinary shareholders meeting, which shall subsequently agree upon the corresponding amendment to the bylaws. However, there are certain provisions of Chilean law that cannot be waived by the shareholders, such as the legal formalities prescribed by the Chilean Corporations Law for the organization and validity of a corporation or for the amendment of its bylaws; provisions dealing with the protection of minority shareholders, including the minimum number of board members, the existence of a committee of directors, the list of matters that shareholders may decide upon in an ordinary and/or extraordinary shareholders meeting of the company, the quorum required for the approval of certain supermajority matters; and other public policy provisions, such as the rules for the liquidation of a company, tender offer rules and, generally, all securities market regulations.

The Chilean securities markets are principally regulated by the *Superintendencia de Valores y Seguros* (the Chilean Securities and Insurance Commission) (“SVS”) under the Securities Market Law and the Chilean Corporations Law. These two laws provide for disclosure requirements, restrictions on insider trading and price manipulation, and protection of minority investors. The Chilean Corporations Law clarifies rules and requirements for establishing publicly-held stock corporations while eliminating government supervision of privately-held companies. The Securities Market Law establishes requirements for public offerings, stock exchanges and brokers, and outlines disclosure requirements for companies that issue publicly offered securities.

Under Articles 12 and 54 and Title XV of the Securities Market Law, certain information regarding transactions in shares of publicly-held corporations must be reported to the SVS and the Chilean exchanges on which such shares are listed. Holders of shares of publicly-held corporations are required to report to the SVS and the Chilean exchanges:

- any acquisition or sale of shares that results in the holder’s acquiring or disposing of 10% or more of the corporation’s capital; and
- any acquisition or sale of shares or options to buy or sell shares, in any amount, if made by a holder of 10% or more of the corporation’s capital or if made by a director, liquidator, main officer, general manager or manager of such corporation.
- In addition, majority shareholders must include in their report whether their purpose is to acquire control of the company or if they are making a financial investment. A beneficial owner of ADSs representing 10.0% or more of our share capital will be subject to these reporting requirements under Chilean law.

Persons or entities intending to acquire control of a publicly-held corporation, through means other than through a tender offer (*oferta pública de adquisición de acciones*), are also required to inform the public of such acquisition at least 10 business days before the date on which the transaction is to be completed, but in any case, as soon as negotiations regarding the change of control begin (i.e., when information and documents concerning the target are delivered to the potential acquirer) through a notice published in two Chilean newspapers, which must disclose, among

other information, the person or entity purchasing or selling and the price and conditions of any negotiations. Prior to such publication, a written communication to such effect must be sent to the SVS and the Chilean exchanges.

In addition to the foregoing, Article 54A of the Chilean Securities Market Law requires that within two business days of the completion of the transactions pursuant to which a person has acquired control of a publicly traded company, a notice shall be published in the same newspapers in which the notice referred to above was published and notices shall be sent to the same persons mentioned in the preceding paragraphs.

Chilean law does not contain any provision that discriminates against shareholders or prospective shareholders who own a substantial number of shares. However, a special public offering procedure applies should the controlling shareholder of a company decide to increase its stock in the company, according to which the offer must be made to all shareholders on a pro rata basis in proportion to their respective stock.

Capitalization

Under Chilean law, a corporation increases its capital as soon as the shareholders authorize both the capital increase and the issuance of new stock, provided that the minutes of the corresponding shareholders meeting are put into a public deed, and an abstract of said deed is published in the Official Gazette and registered in the Commercial Registry corresponding to the company's domicile. In addition, in the case of publicly-held stock corporations, the new shares must be registered in the Securities Registry of the SVS before they may be offered to the public. When a shareholder subscribes for shares, the shares are transferred to such shareholder's name, and the shareholder is treated as a shareholder for all purposes, except receipt of dividends in the proportion corresponding to the unpaid price of such shares, unless otherwise stipulated in the bylaws of the corporation. The shareholder becomes eligible to receive dividends once such shareholder has paid for the shares. If a shareholder does not pay for shares for which such shareholder has subscribed on or prior to the date agreed upon for payment, the corporation is entitled to auction the shares on the stock exchange, and has a cause of action against the shareholder for the difference between the subscription price and the price received at auction. However, until such shares are sold at auction, the shareholder continues to exercise all the rights of a shareholder (except the right to receive dividends). Authorized shares which have not been paid for within the period ending three years from the date when the capital increase agreement was made at the shareholders' meeting, are deemed cancelled under Chilean law and are no longer available for sale by the Chilean corporation. At that time, the capital of the corporation is automatically reduced to the amount effectively paid within such period.

The Bylaws authorize a single series of common stock, without par value.

Director requirements

Our Bylaws require the board to consist of nine directors. The entire board is elected every three years. There is no requirement that a director be a shareholder of our Company.

Our Bylaws do not contain any provision regarding a mandatory retirement age for directors, nor does Chilean law contain any provision in this respect.

According to Chilean Corporations Law, a publicly-held stock corporation (sociedad anónima abierta) can only execute a transaction with a related party whenever such transaction is for the benefit of the corporation, and conforms to price terms and conditions prevailing in the market at the time of its approval.

Directors, managers, administrators, main executives or liquidators who have an interest in a related party transaction must immediately inform the board of directors or its proxy of such interest and the transaction must first be approved in accordance with the procedures described below. Non-compliance with these requirements will result in joint and several liabilities for the damages the transaction causes to both the corporation and its shareholders.

If the transaction involves a relevant amount (more than 1% of the company's equity, provided such transaction exceeds the equivalent of 2,000 UF, or in any case if it exceeds the equivalent to 20,000 UF) and the board of directors is not able to determine if it is an arm's-length transaction, the Board may approve or reject the execution of the transaction, with the abstention of the interested director, or appoint two independent evaluators.

If the board of directors approves the transaction, the relevant resolution will be disclosed in the subsequent shareholders' meeting. The resolution should expressly enumerate the directors that approved the operation.

Alternatively, in the case that evaluators are appointed, such evaluators will draft a report to inform the shareholders of the terms and conditions of the transaction, as well as its effect and potential impact on the corporation. The evaluators' report shall be made available to the shareholders. If shareholders representing at least 5% of the company's voting stock consider that the transaction is not in the company's best interest, or if the evaluators' report differ considerably, they may request that the Board call for an extraordinary shareholders meeting in order to approve or reject the execution of such transaction, in the former case by at least two-thirds of the company's voting stock. The related party that intends to carry out the operation with the company must provide to the Board all relevant information pertaining to such operation.

Notwithstanding the applicable sanctions, the violation of these rules will not affect the validity of the transaction, but will entitle the corporation or the shareholders to request that the defender disgorge profits obtained from the transaction.

The following transactions with related parties can be carried out without compliance with the foregoing requirements, after approval by the board of directors:

- Transactions that do not involve a significant amount, as described above. All transactions carried out in a 12 month period through one or more acts that are similar or complementary and in which the parties, including related parties, or the purpose are the same will be considered a single transaction.
- Transactions which are in the ordinary course of business, as determined by the corporation's policies regarding such matters. In this case, the resolution that establishes such policies or their amendments will be made available to the shareholders at the corporation's offices and on their web site, if applicable.
- Transactions between corporations in which the company owns, either directly or indirectly, at least 95% of its counterparty.

Borrowings by a director are treated under Chilean law as related party transactions and are subject to the rules set forth above.

Pursuant to the Chilean Corporations Law, if the bylaws of a company establish compensation for directors, such compensation must be agreed to in a shareholders meeting. Our Bylaws establish that the directors will be compensated in an amount determined by the annual shareholders meeting, notwithstanding the right of the Board to agree to compensate a director for the performance of any other duty different from his or her duty as a director.

Preemptive rights and increases of share capital

The Chilean Corporations Law grants certain preemptive rights to shareholders of all Chilean companies. The Chilean Corporations Law generally requires Chilean companies to offer to shareholders the right to purchase a sufficient number of shares or convertible securities to maintain their existing ownership percentage in the company whenever it issues new shares or convertible securities and prior to any sale in the market of its treasury shares of common stock.

Pursuant to this requirement, preemptive rights in connection with any future issue of shares will be offered by us to the depositary as the registered owner of the shares underlying the ADSs. However, the depositary will not be able to make such preemptive rights available to holders of ADSs unless a registration statement under the Securities Act is effective with respect to the underlying shares or an exemption from the registration requirements thereunder is available.

We intend to evaluate, at the time of any preemptive rights offering after the date hereof, the practicality under Chilean law in effect at the time of making such rights available to our ADS holders, as well as the costs and potential liabilities associated with registration of such rights and the related shares of common stock under the Securities Act, and the indirect benefits to us of thereby enabling the exercise by all or certain holders of ADSs of their preemptive rights and any other factors we consider appropriate at the time, and then to make a decision as to whether to file such registration statement. We cannot assure you that any registration statement would be filed. If we do not file a registration statement and no exemption from the registration requirements under the Securities Act is available, the Depositary will sell such holders' preemptive rights and distribute the proceeds thereof if a premium can be recognized over the cost of such sale. In the event that the Depositary is not able, or determines that it is not feasible, to sell such rights at a premium over the cost of any such sale, all or certain holders of ADSs may receive no value for such rights. Non-U.S. holders of ADSs may be able to exercise their preemptive rights regardless of whether a registration statement is filed. The inability of all or certain holders of ADSs to exercise preemptive rights in respect of shares of common stock underlying such ADSs could result in such holders not maintaining their percentage ownership of the common stock following such preemptive rights offering unless such holder made additional market purchases of ADSs or shares of common stock.

Under Chilean law, preemptive rights are exercisable or freely transferable by shareholders during a period that cannot be less than 30 days following the grant of such rights. During such period, and for an additional 30-day period thereafter, a Chilean corporation is not permitted to offer any unsubscribed shares for sale to third parties on terms which are more favorable than those offered to its shareholders. At the end of such additional 30-day period, a Chilean open stock corporation is authorized to sell unsubscribed shares to third parties on any terms, provided they are sold on a Chilean stock exchange. Unsubscribed shares that are not sold on a Chilean stock exchange can be sold to third parties only on terms no more favorable for the purchaser than those offered to shareholders.

Dividend and liquidation rights

In accordance with Chilean law, we must distribute mandatory cash dividends of 30% of our consolidated net income unless otherwise decided by a unanimous vote of the holders of the Shares. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividends and Dividend Policy."

At our option, the portion of any dividend which exceeds the mandatory limits established pursuant to Chilean law may be paid in cash, in our shares or in shares of corporations owned by us. Shareholders who do not expressly elect to receive a dividend other than in cash are legally presumed to have decided to receive the dividend in cash. Our ADS holders may, in the absence of an effective registration statement under the Securities Act or an available exemption from the registration requirement thereunder, effectively be required to receive a dividend in cash. See "—Preemptive rights and increases of share capital" above.

Those dividends not collected by the shareholders entitled thereto lapse five years after the payment date, with the funds going to the Chilean Treasury.

In the event of a liquidation of our company, the holders of fully paid shares of common stock would participate in the assets available after payment of all creditors in proportion to the number of shares held by them.

Shareholders' meetings and voting rights

We hold our annual shareholders meeting during the first fourth months of each year. Extraordinary shareholders meetings may be called by the board of directors when deemed appropriate or when requested by shareholders representing at least 10% of the issued voting shares or by the SVS. Notice to convene the annual shareholders meeting or an extraordinary shareholders meeting is given by means of a notice in a newspaper published in Cencosud's corporate domicile (currently Santiago) or in the Official Gazette in a prescribed manner. Notice must also be mailed to each shareholder and given to the SVS 15 days in advance of the meeting.

The quorum for a shareholders' meeting is established by the presence, in person or by power of attorney, of shareholders representing at least the absolute majority of our issued voting shares. If a quorum is not present at the first meeting, the meeting can be reconvened and upon the meeting being reconvened, shareholders present at the reconvened meeting are deemed to constitute a quorum regardless of the percentage of the shares represented. However, if a shareholders' meeting is called for the purpose of considering:

- a change of our organization, merger or division,
- an amendment to the term of duration or early dissolution,
- a change in our corporate domicile,
- a decrease of our corporate capital,
- approval of capital contributions in assets other than cash and their assessments,
- modification of the authority reserved to shareholders meetings or limitations on the Board of Directors,
- reduction in the number of members of our Board of Directors,
- the sale, transfer or disposition of 50% or more of assets, either including or excluding its corresponding liability, or the formulation or modification of any business plan which contemplates the sale, transfer or disposition of our assets in such amount, the sale of 50% or more of the assets of an affiliate that represents at least 20% of the assets of the corporation, as well as any sale of its shares which would result in us ceasing to be in control of such subsidiary,
- the form of distributing corporate benefits,
- the granting of a guaranty by us of liabilities of any third-party other than a subsidiary, in an amount exceeding 50% of our total assets,
- our purchase of our issued stock in accordance with articles 27A and 27B of Law No. 18,046,
- the amendment of any formal defects in our Bylaws which may nullify our incorporation, or any amendment of the Bylaws referring to one or more of the matters indicated above,
- the approval of our ceasing to be subject to the regulations applicable to publicly held corporations in the event we no longer meet the requirements under Chilean law to qualify as such a corporation, or the establishment of the right for our controller to acquire the shares of minority shareholders after a tender offer, in the terms set forth in paragraph 2 of article 71 bis of Law No. 18,046,
- the approval or ratification of contracts or agreements with related parties, in accordance with articles 44 and 147 of Law No. 18,046, or
- other matters as may be set forth in our Bylaws.

The vote required at such meeting is a two-thirds majority of the issued common stock.

Additionally, the amendment of our Bylaws aimed at the creation, modification, extension or suppression of preferential rights, must be approved with the favorable vote of two-thirds of the shares of the affected series.

Chilean law does not require a publicly-held Chilean company to provide the level and type of information that United States securities laws require a reporting company to provide to its shareholders in connection with a solicitation of proxies. Under Chilean law, a notice of a shareholders' meeting listing the matters to be addressed must be mailed to shareholders and the SVS not fewer than 15 days prior to the date of a meeting. In cases of an Annual Shareholders' Meeting, an annual report of our activities, which includes our audited financial statements, must also be mailed to shareholders.

The Chilean Corporations Law provides that whenever shareholders representing 10% or more of the issued voting shares so request, a Chilean company's annual report must include within the materials dispatched by the board of directors to shareholders, the comments and proposals of such shareholders in relation to the company's affairs. Similarly, the Chilean Corporations Law provides that whenever the board of directors of a publicly-held company convenes a meeting of shareholders and solicits proxies for the meeting, information supporting its decisions or other similar materials, it is obligated to include the pertinent comments and proposals that may have been made by shareholders owning 10% or more of the company's voting shares who request that such comments and proposals be so included.

Only shareholders registered in the Shareholders' Registry as such at least five Chilean business days prior to the date of a shareholders meeting are entitled to attend and vote their shares. A shareholder may appoint by power of attorney another individual (who need not be a shareholder) as its attorney-in-fact to attend and vote on its behalf. Every shareholder entitled to attend and vote at a shareholders meeting shall have one vote for every share subscribed.

Right of dissenting shareholders to tender their shares

The Chilean Corporations Law provides that upon the adoption at an extraordinary shareholders meeting of any of the resolutions enumerated below, dissenting shareholders acquire a right of redemption to force the company to repurchase their shares, subject to the fulfillment of certain terms and conditions.

"Dissenting" shareholders are defined as those which vote against a resolution which results in the redemption right, or if absent at such a meeting, those who state in writing to the company their opposition to the respective resolution. Dissenting shareholders must perfect their redemption rights by tendering their stock to the company within 30 days of the resolution (except in the case of pension fund shareholders as discussed below).

The price paid to a dissenting shareholder of a publicly-held company for such shares is the weighted average of the closing sales prices for the shares as reported on the stock exchanges for the two-month period preceding the event giving rise to the redemption right.

The resolutions that result in a shareholder's redemption right are the following:

- our transformation into a different type of legal entity;
- our merger with or into another company;
- the disposition of 50% or more of our assets, whether or not that sale includes our liabilities or the proposal or amendment of any business plan involving the transfer of more than 50% of our assets; and the sale of 50% or more of the assets of an affiliate which represents at least 20% of the assets of the corporation, as well as any sale of its shares which would result in us ceasing to be in control of such subsidiary;
- the granting of security interests or personal guarantees to secure or guarantee third parties' obligations exceeding 50% of our assets, except with regard to security interests or personal guarantees, which are granted to secure or guarantee obligations of our subsidiaries;
- the creation of preferential rights for a class of shares or an amendment to those already existing, in which case the redemption right only accrues to the dissenting shareholder of the class or classes of shares adversely affected;
- the amendment of our Bylaws to correct any formal defect in our incorporation, which might cause our Bylaws to become null and void, or any amendment of our Bylaws that grants a shareholder a redemption right;
- the approval by our shareholders of our ceasing to be subject to the regulations applicable to publicly held corporations in the event we no longer meet the requirements under Chilean law to qualify as such a corporation; and
- any other causes as may be established by Chilean law and our Bylaws (our Bylaws currently do not establish any instances).

In addition, shareholders of a publicly held corporation have a redemption right if a person acquires two-thirds or more of the outstanding voting stock of the company and does not make a tender offer for the remaining shares within 30 days of that acquisition at a price not lower than the price that would be paid shareholders exercising their redemption rights.

However, the right of redemption described in the previous sentence does not apply in the event the company reduces its capital as a result of not having fully subscribed and paid an increase of capital within the statutory term.

Finally, shareholders of a publicly held corporation have the right of redemption within 30 days after the date when the controller acquires more than 95% of the shares of the company. These redemption rights must be exercised within 30 days.

C. MATERIAL CONTRACTS

See "Item 4. Information on the Company—B. Business Overview—Material Agreements."

D. EXCHANGE CONTROLS

Foreign Exchange Controls

Chile

The Chilean Central Bank is the entity responsible for monetary policies and exchange controls in Chile. Chilean issuers are authorized to offer securities internationally provided they comply with, among other things, the provisions of Chapter XIV of the Compendium of Foreign Exchange Regulations of the Chilean Central Bank (the “Chilean Central Bank Compendium”).

Pursuant to the provisions of Chapter XIV of the Chilean Central Bank Compendium, it is not necessary to seek the Chilean Central Bank’s prior approval in order to acquire shares in a Chilean market. The Chilean Central Bank only requires that (i) the remittance of funds for the acquisition of the shares in Chile be made through the Formal Exchange Market and disclosed to the Chilean Central Bank as described below; and (ii) all remittances of funds from Chile to the foreign investor upon the sale of shares or from dividends or other distributions made in connection therewith be made through the Formal Exchange Market and disclosed to the Chilean Central Bank as described below.

The proceeds of the placement of the shares abroad may be brought into Chile or held abroad. If we remit the funds obtained from the placement of the shares in Chile, such remittance must be made through the Formal Exchange Market and we must deliver to the Department of Statistics Information of the Chilean Central Bank directly or through an entity participating in the Formal Exchange Market an annex providing information about the transaction, together with a letter instructing such entity to deliver us the foreign currency or the Chilean peso equivalent thereof. If we do not remit the funds obtained from the placement of the shares in Chile, we have to provide the same information to the Department of Statistics Information of the Chilean Central Bank directly or through an entity of the Formal Exchange Market, within the first 10 days of the month following the date on which we received the funds. All payments from dividends or other distributions in connection with the shares made from Chile must be made through the Formal Exchange Market. Pursuant to Chapter XIV of the Chilean Central Bank Compendium, no prior authorization from the Chilean Central Bank is required for such payments in U.S. dollars. The participant of the Formal Exchange Market involved in the transfer must provide certain information to the Chilean Central Bank on the banking business day following the day of payment. In the event payments are made outside Chile using foreign currency held abroad, we must provide the relevant information to the Chilean Central Bank directly or through an entity of the Formal Exchange Market within the first 10 days of the month following the date on which the payment was made.

Under Chapter XIV of the Chilean Central Bank Compendium, payments and remittances of funds from Chile are governed by the rules in effect at the time the payment or remittance is made. Therefore, any change made to Chilean laws and regulations after the date hereof will affect foreign investors who have acquired the shares. We cannot assure you that further Chilean Central Bank regulations or legislative changes to the current foreign exchange control regime in Chile will not restrict or prevent us from acquiring U.S. dollars or that further restrictions applicable to us will not affect our ability to remit U.S. dollars for payment of dividends or other distributions in connection with the shares.

The above is a summary of the Chilean Central Bank’s regulations with respect to the issuance of securities, including the shares, as in force and effect as of the date of this annual report. We cannot assure you that restrictions will not be imposed in the future, nor can there be any assessment of the duration or impact of such restrictions if imposed. This summary does not purport to be complete and is qualified in its entirety by reference to the provisions of Chapter XIV of the Chilean Central Bank Compendium, a copy of which is available from us upon request at the following address Avenida Kennedy 9001, Piso 6, Las Condes, Santiago, Chile.

Argentina

In the past, the Argentine Government has imposed exchange controls and restrictions on the transfer of foreign currency in response to capital flight and the significant devaluation of the peso at that time, substantially limiting the ability of companies to hold foreign currency or make payments abroad. Although many of these exchange controls and restrictions on transfers were subsequently suspended or largely eased, in June 2005 the Argentine Government, through Decree No. 616/2005, established new controls on the entry and exit of capital through the creation of the “Encaje” (mandatory 365-day deposit on 30% of funds transferred to local accounts), which resulted in a smaller availability of international credit. In addition, at the end of 2011 the government implemented new measures restricting access to the Mercado Único y Libre de Cambio (“MULC”), limiting the sale of foreign currency to nonresidents for the repatriation of direct investments, and the transfers of funds to acquire foreign assets by residents. Nevertheless the Macri’s Administration is gradually moving in a direction to lift the abovementioned restrictions.

General provisions on financial debt

According to the Banco Central de la República Argentina (the “BCRA”) Communication “A” 6037, as supplemented, financial external debts of the non-financial private sector, the financial sector and local governments are not subject to the obligation to enter and settle the funds in the MULC.

Investments by non-residents Argentine

In accordance with BCRA Communication “A” 6037, as supplemented, financial entities may grant access to the MULC to non-residents (a) to be credited in local accounts without any limits or restrictions, (b) for the transfer to their own accounts abroad of funds collected in the country to the extent that they have documentation that reasonably demonstrates that funds are, among others: (i) repatriations of direct investments in the non-financial private sector, in companies that are not controlling for local financial entities, and/or in real estate properties, to the extent that the foreign beneficiary is a natural or legal person residing or incorporated or domiciled in domains, jurisdictions, territories or associated states that are considered “cooperators for the purposes of fiscal transparency” in accordance with the provisions of Section 1 of Decree No. 589/13, and amending rules; and (ii) income on, and sales of portfolio investments to the extent that the foreign beneficiary is a natural or legal person residing or domiciled in domains,

jurisdictions, territories or associated states that are considered “cooperators for the purposes of fiscal transparency” in accordance with the provisions of Section 1 of Decree No. 589/13, and amending rules. These repatriations of portfolio investments include, among others: portfolio investments in shares and participations in local companies, investments in mutual funds and local trusts, purchase of portfolios of loans granted to residents by local banks, purchase of invoices and promissory notes for local commercial operations, notes, investments in local bonds issued in pesos and in foreign currency payable locally, and purchases of other internal credits.

Repatriation of funds held in foreign accounts of Argentine residents are not subject to restrictions. The transfer must be made from an account of the Argentine resident abroad to a bank account of its own in Argentina.

Foreign investments by Argentine residents

Local residents are allowed to access the MULC without prior authorization of the Central Bank in order to: (i) make direct investments abroad; (ii) make foreign portfolio investments abroad; (iii) grant loans to non-residents; (iv) purchase and sell traveler’s checks; (v) purchase foreign currency locally for general purposes; and (vi) purchase foreign currency to make transfers to other local residents.

In the case of purchases of foreign currency to be transferred abroad, the transfer cannot be made to an account in a jurisdiction that is not considered as collaborator for fiscal transparency purposes or to countries and territories that do not follow the FATF guidelines.

Criminal foreign exchange regime

Pursuant to the provisions of Central Bank Communication “A” 6037, foreign exchange transactions may only be carried out through financial institutions authorized to do so by the Central Bank (e.g., financial institutions and foreign exchange bureaus). Central Bank Communication “A” 6037 further provides that any transactions that fail to comply with the applicable requirements will be subject to the penalties set forth in the Criminal Foreign Exchange Regime set by Law No. 19,359.

For a complete detail of all foreign exchange restrictions, investors should consult with their own legal and financial advisors. Additionally, the review of Executive Order No. 616/2005, MEP Resolution No. 365/2005, Law No. 19,359 and their amending and supplementing regulations is suggested.

Brazil

General rules

The basic law regulating foreign investment was enacted in 1962 (Law No. 4131) and was amended in 1964 (Law No. 4390). Foreign investment is not subject to government approvals or authorizations, and there are no requirements regarding minimum investment or local participation in capital (except in very limited cases such as in financial institutions, insurance companies and other entities subject to the regulating authority of the Central Bank of Brazil). Foreign participation, however, is limited or prohibited in limited areas of activities, including those detailed below.

The Central Bank of Brazil is the agency responsible for: (i) managing the day-today control over foreign capital flow in and out of Brazil (risk capital and loans under any form); (ii) setting forth the administrative rules and regulations for registering investments; (iii) monitoring foreign currency remittances; and (iv) allowing repatriation of funds. It has no jurisdiction over the quality of the investment and cannot restrict the remittances of funds resulting from the risk capital or loan, which are based on a registration with the Central Bank, through its Electronic System of Registration.

In the event of a serious balance of payment deficit, the Central Bank may limit profit remittances and prohibit remittances as capital repatriation for a limited period of time. This limitation, however, has never been applied even during Brazil’s most difficult balance of payments problems.

Foreign investments in currency must be officially channeled through financial institutions duly authorized to deal in foreign exchange (e.g. commercial banks). Foreign currency must be converted into Brazilian currency and vice-versa through the execution of an exchange contract with a commercial bank. Foreign investments may also be made through the contribution of assets and equipment intended for the local production of goods or services.

Foreign exchange market

Brazil previously operated with two official exchange rate markets, the commercial and floating rate markets, both of which were regulated and monitored by the Central Bank. Participation in a particular market was determined by the nature of the remittance of funds to be made.

In March, 2005 the Central Bank unified both markets and enacted more flexible exchange rules. As a consequence, remittances of funds in and out of Brazil now flow through one single exchange market regardless of the nature of the payments.

Foreign investment registration

Foreign investments in currency or in assets and equipment must be registered with the Central Bank of Brazil. Such registration grants the foreign investor the right to remit dividends and interest and to repatriate the investment. As of August 2000, foreign investments in capital must be

registered with the Electronic System of Registration of the online data system of the Central Bank of Brazil (the “SISBACEN Data System”). Since February 2001, foreign loans are also subject to registration in the SISBACEN Data System.

The amount registered with the Central Bank of Brazil as foreign investment includes the sum of (i) the original investment (whether in cash or in kind); (ii) subsequent additional investments (including the capitalization of credits); and (iii) eventual profit reinvestments. This aggregate amount constitutes the basis for repatriation of capital and computation of any eventual capital gain tax, as explained below.

Profit remittance

Since January 1996, profits paid by a Brazilian company to a foreign investor are not subject to any withholding tax. The foreign currency to be remitted must be purchased in the exchange market directly from any commercial bank, upon presentation of the corporate act declaring the dividends, the pertinent financial statements, proof of the tax payment and the registration in the SISBACEN Data System. No further approval or consent of the Central Bank is necessary and there is no limitation on the amounts to be remitted if the original investment has been registered with the Central Bank as described above.

Repatriation of capital

Foreign capital invested in Brazil may be repatriated at any time and there is no minimum period of investment. Repatriation of the investment within the amount stated in the SISBACEN Data System may be made free of any tax or authorization. In principle, any excess over the registered amount will be treated as a capital gain, subject to a 15% withholding tax (such rate is increased to 25% in case of investors residing in tax havens) and prior (and discretionary) approval of the Central Bank.

In accordance with a common practice of the Central Bank of Brazil, whenever the total or partial repatriation of capital is sought upon the sale of an investment, the book value of the foreign investment (based on the financial statements of the company which received the investment) will be compared against the amount registered in foreign currency. If the book value is lower than the registered foreign investment, the remittance abroad of any amount exceeding the book value may be understood by the Central Bank as a capital gain, and, as such, subject to a 15% tax.

Other forms of funding Brazilian subsidiaries

The Brazilian foreign debt challenges, combined with other circumstances, forced the market to find various ways to fund Brazilian companies through the issuance of notes and bonds, as well as commercial paper placed outside Brazil under private and public placements. In recent years, the Central Bank has authorized a great volume of issues of bonds, fixed rate notes, floating rate notes, commercial papers and fixed or floating rate certificates of deposit, to be traded abroad. Nonetheless, foreign loans with maturity of less than ninety days are currently subject to a financial transactions tax. Interest paid to foreigners is subject to a 15% withholding tax (such rate is increased to 25% in case of creditors residing in tax heavens). Another source of funding has been the issue of ADRs—American Depositary Receipts and IDRs—International Depositary Receipts.

Peru

At the beginning of the 1990s, former President Alberto Fujimori liberalized price and wage controls in the private sector and eliminated all restrictions on capital flows. Since March 1991, there have been no exchange controls in Peru and all foreign exchange transactions are based on market rates. Prior to March 1991, the Peruvian foreign exchange market consisted of several alternative exchange rates. During the last two decades, the Peruvian currency has experienced a significant number of large devaluations and Peru has consequently adopted and operated under various exchange rate control practices and exchange rate determination policies, ranging from strict control over exchange rates to market-determination of rates. Current Peruvian regulations on foreign investment allow the foreign holders of equity shares and fixed income instruments to receive and repatriate 100% of the proceeds of the investment. Such investors are allowed to purchase foreign exchange at free market exchange rates through any member of the Peruvian banking system.

Colombia

Foreign Investment and Exchange Controls in Colombia

Although the exchange market flows freely, there are exchange regulations that establish those exchange operations that must be channeled through the exchange market, the procedures and penalties for infringing.

The rules applicable on exchange matters are issued jointly by Congress, the Government and the Central Bank. The main regulations on foreign investment and international exchange (“Exchange Regulations”) are set forth in Law 9 of 1991, Decree 2080 of 2000, External Resolution No. 8 of 2000 and Regulation DCIN-83. The law requires all foreign investment to be registered at the Central Bank.

The Central Bank is responsible for Exchange Regulations and managing, recording and authorizing changes in foreign investment. In turn, the Superintendency of Companies is responsible for overseeing compliance with the provisions on foreign investment set forth in the Exchange Regulations. Such foreign investment is divided into (1) direct foreign investment, and (2) portfolio foreign investment.

The foreign investment registered with the Central Bank grants the investor the following rights, known as “exchange rights”:

- a) The possibility of repatriating the profits from the registered investment.
- b) The possibility of reinvesting such profits in Colombia.

- c) The possibility of repatriating sums resulting from the transfer of the investment within the country, the liquidation of the company or the portfolio and/or the reduction of the equity of the recipient company.

Foreign Indebtedness

The foreign currency received or paid as a consequence of a credit operation must be channeled through the exchange market. In addition, prior to or simultaneously with the disbursement, it will be required to report the foreign debt to the Central Bank through the exchange market intermediaries.

Up until October 28, 2011, Colombian residents could only obtain credits in foreign currency from foreign financial institutions, foreign market intermediaries or through the placement of securities in international capital markets. Since that date, the Central Bank allowed indebtedness with any foreign third party, including related parties. These modalities are considered liability credits since the debtor is a Colombian resident.

On the other hand, Colombian residents may grant loans in foreign currency to non-residents and this modality is called active credits since the creditor is a Colombian resident.

E. TAXATION

General

The following discussion summarizes the material Chilean tax and U.S. federal income tax consequences to beneficial owners arising from the purchase, ownership and disposition of the common stock and ADSs. The summary does not purport to be a comprehensive description of all potential Chilean tax and U.S. federal income tax considerations that may be relevant to a decision to purchase, own or dispose of the common stock and ADSs and is not intended as tax advice to any particular investor. This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than Chile and the United States. There is currently no income tax treaty in force between the United States and Chile.

Prospective purchasers of the common stock and ADSs should consult their own tax advisors as to the Chilean, United States or other tax consequences of the purchase, ownership and disposition of the common stock and ADSs in their particular circumstances, as well as the application of state, local, foreign or other tax laws.

Chilean tax considerations

The following section is the opinion of Morales y Besa Abogados Limitada as to the material Chilean income tax laws presently in force, including Ruling No. 324 of January 29, 1990 of the Chilean Internal Revenue Service and other applicable regulations and rulings. The discussion summarizes the material Chilean income tax consequences of an investment in the ADSs or shares of common stock received in exchange for ADSs by an individual who is not domiciled in or a resident of Chile or a legal entity that is not organized under the laws of Chile and does not have a permanent establishment located in Chile, which we refer to as a foreign holder. For purposes of Chilean law, an individual holder is a resident of Chile if he or she has remained in Chile for more than six months in one calendar year or for a total of more than six months in two consecutive tax years. An individual holder is domiciled in Chile if he or she resides in Chile with the purpose of staying in Chile (such purpose to be evidenced by circumstances such as the acceptance of employment within Chile or the relocation of his or her family to Chile). This discussion is not intended as tax advice to any particular investor, which can be rendered only in light of that investor's particular tax situation.

Under Chilean law, provisions contained in statutes such as tax rates applicable to foreign holders, the computation of taxable income for Chilean purposes and the manner in which Chilean taxes are imposed and collected may be amended only by another statute. In addition, the Chilean tax authorities issue rulings and regulations of either general or specific application interpreting the provisions of Chilean tax law. Pursuant to Article 26 of the Chilean Tax Code, Chilean taxes may not be assessed retroactively against taxpayers who in good faith relied on such rulings, regulations and interpretations, but Chilean tax authorities may change such rulings, regulations and interpretations prospectively. On February 4, 2010, a comprehensive income tax treaty between the United States and Chile (the "Proposed U.S.-Chile Treaty") was signed, however such treaty has not yet been ratified by each country and therefore is not yet effective. It is unclear at this time when such treaty will be ratified by both countries. You should consult your tax adviser regarding the ongoing status of this treaty, and if ratified the impact such treaty would have on the consequences described in this annual report.

Law No. 20,780, 2014 and Law No. 20,899, 2015 established a tax reform to be adopted gradually, with full effectiveness as of January 1st, 2017. The law raises the corporate tax rate for companies domiciled in Chile up to 25% or 27%, depending on the regime companies adopt. The two tax regimes the law sets forth are as follows:

- Regime A, the "attributed tax regime" levies a 25% tax rate on income earned by companies in each tax year, which shall be directly allocated to their shareholders, partners or owners regardless of whether an actual distribution is made. An imputation credit of 25% for the corporate tax paid on such attributed taxable income is available.
- Regime B, the "partially integrated regime" levies a 27% tax rate (25.5% in 2017) on income earned by companies. Under this regime, shareholders, partners or owners are allowed to defer withholding tax until such benefits are effectively distributed, but it only allows use of a 65% credit of the taxes paid by the company, unless the shareholder is domiciled or resident in a tax-treaty jurisdiction.

In effect, under Regime B, taxpayers resident or domiciled in countries with which Chile has a double taxation treaty in force are able to credit 100% of the corporate tax paid against withholding tax when a dividend is paid. This applies to any double taxation treaty that has been signed as of January 1, 2017, even if the agreement is not yet in force (e.g. United States). This transition rule is effective only until December 31, 2019. Taxpayers resident in countries with which Chile does not have a double taxation treaty in force are able to credit only 65% of the corporate tax paid.

In other words, if the shareholder is a resident in a tax treaty country, the full imputation credit is granted, resulting in an aggregate effective 35% tax rate. If the shareholder is a resident in a non-tax treaty country 35% surtax will be imposed on the imputation credit amount, resulting in an aggregate effective 44.45% tax rate.

Since January 1, 2017, when the two new regimes entered into force, companies with one or more shareholders, partners or owners that are legal entities domiciled or resident in Chile, such as Cencosud, are subject to the Partially Integrated Regime (Regime B).

Cash dividends and other distributions

Cash dividends paid by us with respect to the ADSs or shares of common stock held by a Foreign Holder will be subject to a 35.0% Chilean withholding tax, which is withheld and paid over by us to the Chilean Treasury. We refer to this as the Chilean withholding tax. A credit against the Chilean withholding tax is available based on the level of corporate income tax, or first category tax, actually paid by us on the taxable income to which the dividend is imputed; however, this credit does not reduce the Chilean withholding tax on a one-for-one basis because it also increases the base on which the Chilean withholding tax is imposed. In addition, distribution of book income in excess of retained taxable income is subject to the Chilean withholding tax, but such distribution is not eligible for the credit.

The foregoing tax consequences apply to cash dividends paid by us. Dividend distributions made in property (other than shares of common stock) will be subject to the same Chilean tax rules as cash dividends.

Capital gains

Gains realized on the sale, exchange or other disposition by a foreign holder of ADSs (or ADRs evidencing ADSs) will not be subject to Chilean taxation, provided that such disposition occurs outside Chile. The deposit and withdrawal of shares of common stock in exchange for ADRs will not be subject to any Chilean taxes.

Gains recognized on a sale or exchange of shares of common stock received in exchange for ADSs (as distinguished from sales or exchanges of ADSs representing such shares of common stock) by a foreign holder will be subject to both the first category tax and the Chilean withholding tax (the former being creditable against the latter)

The tax basis of shares of common stock received in exchange for ADSs will be the acquisition value of such shares, adjusted according to the domestic inflation variation between the month preceding the acquisition and the month preceding the sale. The valuation procedure set forth in the Deposit Agreement, which values shares of common stock that are being exchanged at the highest price at which they trade on the Santiago Stock Exchange on the date of the exchange, generally will determine the acquisition value for this purpose. Consequently, the conversion of ADSs into shares of common stock and sale of such shares of common stock for the value established under the Deposit Agreement will not generate a capital gain subject to taxation in Chile, as long as the sale price is equal to the acquisition price fixed at the moment of the conversion. In the event that the sale price is greater than the acquisition price, said capital gain will be subject to the first category tax and the withholding taxes mentioned above.

The distribution and exercise of preemptive rights relating to the shares of common stock will not be subject to Chilean taxation. Amounts received in exchange for the shares or assignment of preemptive rights relating to the shares will be subject to both the first category tax and the Chilean withholding tax (the former being creditable against the latter to the extent described above).

If the Proposed U.S.-Chile Treaty becomes effective, it may further restrict the amount of Chilean tax, if any, imposed on gains derived from the sale or exchange of shares of common stock by U.S. residents eligible for the benefits of the treaty. If the Proposed U.S.-Chile Treaty becomes effective, U.S. investors should consult their tax advisors as to the applicability of the Treaty in their particular circumstances.

The Chilean Internal Revenue Service has not enacted any rule nor issued any ruling about the applicability of the following norms to the foreign holders of ADRs.

Pursuant to an amendment to the Chilean Income Tax Law published on November 7, 2001 (Law No. 19,768, amended by Law 20,448, dated August 13, 2010), the sale and disposition of shares of Chilean public corporations which are actively traded on stock exchanges is exempted from Chilean taxes on capital gains if the sale or disposition was made on a local stock exchange so long as the shares were purchased on a public stock exchange. However, Law N°20,448 limited this benefit to shares acquired and sold on a local stock exchange, with which it is unlikely that it will apply to the sale of share resulting from an exchange of ADSs. Investors who request delivery of ADSs in the form of shares of common stock should consult with their tax advisor to determine whether such shares will be eligible for the foregoing exemption.

Exempt capital gains—article 107 of the Chilean income tax law

According to article 107 of the Chilean Income Tax Law, gains derived from the sale or transfer of shares of publicly-traded companies organized in Chile that are actively traded in a stock exchange, as defined in the relevant regulation, are exempt of taxes in Chile, provided that the following requirements are met:

- The seller must have acquired the shares: (a) in a Chilean stock exchange authorized by the Chilean Superintendency of Securities and Insurance; (b) pursuant to a regulated tender offer carried out according to Title XXV of the Chilean Securities Market Law; (c) at the time of incorporation of the corporation or pursuant to a capital increase; (d) pursuant to the exchange of public traded securities convertible in shares (in this case the acquisition cost of the shares corresponds to the exchange price), or (e) in a redemption of securities from certain mutual funds;
- The shares must be sold: (a) in a stock exchange authorized by the Chilean Superintendency of Securities and Insurance; (b) pursuant to a regulated tender offer, or (c) in a contribution of securities on certain mutual funds.

The exemption under analysis also applies if the sale or transfer of shares is executed within 90 days following the day in which they were no longer considered as actively traded. In such case, the profit exempted from Chilean taxes will be up to the average price of shares within the last 90 days in which they were actively traded. Any profit above the average price will be subject to the general tax regime applicable to the transfer of shares.

For these purposes, shares are considered to be significantly traded on a Chilean stock exchange (presencia bursátil) when they (1) are registered in the securities registry kept by the SVS, (2) are registered in a Chilean Stock Exchange; and (3) fulfill at least one of the following requirements: (i) have an adjusted presence equal to or above 25%; or (ii) have a “Market Maker”, as such term is defined in the Norma de Carácter General No. 327, issued by the SVS on January 17, 2012. Accordingly, shares are considered to have a “Market Maker” if the issuer thereof has entered into an agreement with at least one stock broker, and such agreement complies with the requirements set forth in the aforementioned Norma de Carácter General No. 237. Currently, our shares are considered to be significantly traded on a Chilean stock exchange.

Other Chilean taxes

No Chilean inheritance, gift or succession taxes apply to the transfer or disposition of the ADSs by a foreign holder but such taxes generally will apply to the transfer at death or by a gift of shares of common stock by a foreign holder. No Chilean stamp, issue, registration or similar taxes or duties apply to foreign holders of ADSs or shares of common stock.

Withholding tax certificates

Upon request, we will provide to foreign holders appropriate documentation evidencing the payment of the Chilean withholding tax.

Material United States Federal Income Tax Considerations

The following is a discussion as to the material U.S. federal income tax consequences of the acquisition, ownership and disposition of our ADSs under currently applicable law. It does not address any aspect of U.S. federal gift or estate tax, the Medicare tax on net investment income, the alternative minimum tax or the state, local or foreign tax consequences of an investment in our ADSs. This discussion applies to you only if you hold and beneficially own our ADSs as capital assets for tax purposes (generally, property held for investment). This discussion does not apply to you if you are a member of a class of holders subject to special rules, such as:

- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for securities holdings;
- banks or other financial institutions;
- insurance companies;
- tax-exempt organizations;
- partnerships and other entities treated as partnerships for U.S. federal income tax purposes or persons holding ADSs through any such entities;
- real estate investment trusts;
- regulated investment companies;
- persons that hold ADSs as part of a hedge, straddle, constructive sale, conversion transaction or other integrated investment;
- U.S. holders (as defined below) whose functional currency for tax purposes is not the U.S. dollar; or
- persons who actually or constructively own 10.0% or more of the total combined voting power of all classes of our shares (including ADSs) entitled to vote.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, (the “Code”), its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. In addition, this discussion relies in part on our assumptions regarding the projected value of our shares and the nature of our

business. Finally, this discussion is based in part upon the representations of the depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

You should consult your own tax advisor concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of our ADSs, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

For purposes of the U.S. federal income tax discussion below, you are a “U.S. holder” if you beneficially own our ADSs and are:

- an individual who is a citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation that was created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust, if (a) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust has a valid election in effect to be treated as a U.S. person.

Except where specifically described below, this discussion assumes that we are not a “passive foreign investment company” (a “PFIC”) for U.S. federal income tax purposes. For U.S. federal income tax purposes, income earned through a foreign or domestic partnership or other flow-through entity is attributed to its owners. Accordingly, if a partnership or other flow-through entity holds ADSs, the tax treatment of the holder will generally depend on the status of the partner or other owner and the activities of the partnership or other flow-through entity.

U.S. Holders

ADSs. If you hold ADSs, for U.S. federal income tax purposes, you generally will be treated as the owner of the underlying shares that are represented by such ADSs. Accordingly, deposits or withdrawals of shares for ADSs will not be subject to U.S. federal income tax.

Distributions on our ADSs. Since January 1, 2017, Cencosud is subject to Chile’s Partially Integrated Regime (“Regime B”), which may affect the U.S. federal income tax treatment of distributions on our ADSs. See “Item 10. Additional Information—E. Taxation—Chilean tax considerations” above. Cash distributions (including amounts withheld to pay Chilean withholding taxes) made by us to or for the account of a U.S. Holder with respect to ADSs generally will be taxable to such U.S. Holder as ordinary dividend income when such distribution is paid, actually or constructively, out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Distributions in excess of our current or accumulated earnings and profits will be treated first as a non-taxable return of capital reducing such U.S. Holder’s adjusted tax basis in the ADSs. Any distribution in excess of such U.S. Holder’s adjusted tax basis will be treated as capital gain and will be long-term capital gain if the U.S. Holder held the ADSs for more than one year. Because we do not expect to maintain calculations of our earnings and profits in accordance with U.S. federal income tax principles, U.S. Holders should expect that a distribution will generally be treated as a dividend for U.S. federal income tax purposes.

The amount of the dividend distribution includible in gross income of a U.S. Holder will be the U.S. dollar value of the Chilean pesos payments made, determined at the spot peso/U.S. dollar rate on the date such dividend distribution is includible in the gross income of the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in gross income to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss from sources within the United States and will not be eligible for the special tax rate applicable to qualified dividend income as discussed below.

A U.S. Holder will be entitled, subject to a number of complex limitations and conditions, including a minimum holding period requirement, to claim a U.S. foreign tax credit in respect of the net amount of Chilean withholding taxes imposed on dividends received on our ADSs (after taking into account the credit for any first category tax, as described above under “Item 10. Additional Information—E. Taxation—Chilean Tax Considerations—Cash dividends and other distributions”). U.S. Holders who do not elect to claim a foreign tax credit with regard to any foreign income taxes paid or accrued during the taxable year may instead claim a deduction in respect of such withholding taxes. Dividends received with respect to the ADSs will be treated as foreign source income, which may be relevant in calculating such U.S. Holder’s U.S. foreign tax credit limitation. For purposes of the U.S. foreign tax credit limitation, foreign source income is separated into different “baskets,” and the credit for foreign taxes on income in any basket is limited to the U.S. federal income tax allocable to such income. Dividends paid with respect to ADSs should generally constitute “passive category income” for most U.S. Holders. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit in their particular circumstances.

The U.S. Treasury has expressed concerns that intermediaries in the chain of ownership between the holder of an ADS and the issuer of the security underlying the ADS may be taking actions that are inconsistent with the claiming of foreign tax credits for U.S. holders of ADSs. Such actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate holders. Accordingly, the analysis of the creditability of foreign taxes and the availability of the reduced tax rate for dividends received by certain non-corporate holders, each described below, could be affected by actions taken by parties to whom the ADSs are released and the IRS.

Dividends paid by us generally will not be eligible for the dividends received deduction available under the Code to certain U.S. corporate shareholders. Subject to the above-mentioned concerns by the U.S. Treasury and certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by certain U.S. Holders (including individuals) with respect to the ADSs will be subject to taxation at a reduced rate if the dividends represent “qualified dividend income.” Dividends paid on the ADSs will be treated as qualified dividend income if (i) the ADSs

are readily tradable on an established securities market in the United States and (ii) we were not in the year prior to the year in which the dividend was paid, and are not in the year in which the dividend is paid, a PFIC. Based upon the nature of our current and projected income, assets and activities, we do not expect the ADSs to be shares of a PFIC for U.S. federal income tax purposes.

Distributions of additional common shares to U.S. Holders with respect to their common shares or ADSs that are made as part of a pro rata distribution to all stockholders generally will not be subject to U.S. federal income tax.

Sales and other dispositions of ADSs. A U.S. Holder generally will recognize capital gain or loss upon the sale, exchange or other taxable disposition of ADSs measured by the difference between the amount realized and the U.S. Holder's adjusted tax basis in ADSs. Any gain or loss will be long-term capital gain or loss if the ADSs have been held for more than one year. Long-term capital gains of certain U.S. Holders (including individuals) generally are eligible for reduced rates of U.S. federal income taxation. The deductibility of capital losses is subject to certain limitations under the Code.

If a Chilean income tax is withheld on the sale, exchange or other taxable disposition of our ADS, the amount realized by a U.S. Holder will include the gross amount of the proceeds of that sale, exchange or other taxable disposition before deduction of the Chilean income tax. Capital gain or loss, if any, realized by a U.S. Holder on the sale, exchange or other taxable disposition of ADS generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. Consequently, in the case of a gain from the sale, exchange or other taxable disposition of our ADS that is subject to Chilean income tax, the U.S. Holder may not be able to benefit from the foreign tax credit for that Chilean income tax (i.e., because the gain from the disposition would be U.S. source), unless the U.S. Holder can apply the credit against U.S. federal income tax payable on other income from foreign sources. Alternatively, the U.S. Holder may take a deduction for the Chilean income tax, provided that the U.S. Holder elects to deduct all foreign income taxes paid or accrued for the taxable year.

Passive foreign investment company rules

Based on current estimates of our gross income and gross assets, the nature of our business and our current business plans (all of which are subject to change), we believe that we were not a PFIC for U.S. federal income tax purposes for our 2016 taxable year and we do not expect to become one in the foreseeable future. However, because the application of the regulations is not entirely clear and because PFIC status depends on the composition of a company's income and assets and the market value of its assets from time to time, there can be no assurance that we will not be a PFIC for any taxable year. Our U.S. counsel has not rendered an opinion as to our PFIC classification. Rendering such an opinion would be impracticable because it involves an inherently factual test which will depend on our future circumstances. Also, we do not maintain our records in accordance with the U.S. federal income tax accounting principles required to permit a formal opinion to be rendered.

In general, we will be a PFIC with respect to a U.S. Holder if, for any taxable year in which the U.S. Holder held our ADSs or common shares, either (i) at least 75% of our gross income for the taxable year is passive income or (ii) at least 50% of the value (determined on the basis of a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income. For this purpose, passive income generally includes, among other things, dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If we are treated as a PFIC, a U.S. Holder that did not make a "mark-to-market election" or "qualified electing fund" ("QEF") election, each as described below, for any taxable year during which such U.S. Holder held ADSs, gain recognized by such U.S. Holder on a sale or other taxable disposition (including certain pledges) of the ADSs, and certain "excess distributions," (as such term is defined under the Code) would be allocated ratably over the U.S. Holder's holding period for the ADSs. The amounts allocated to the taxable year of the sale, other taxable disposition, or receipt of the excess distribution and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the amount allocated to that taxable year. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the ADSs. U.S. Holders are encouraged to consult their tax advisers to discuss the consequences to them if we were, or were to become a PFIC.

The special PFIC tax rules described above will not apply to a U.S. Holder if the U.S. Holder makes either a (i) mark-to-market election with respect to the common shares or ADSs or (ii) QEF election. The QEF election is not available to holders unless we agree to comply with certain reporting requirements and provide the required annual information statements. The QEF and mark-to-market elections only apply to taxable years in which the U.S. Holder's common shares or ADSs are treated as stock of a PFIC.

A U.S. Holder may make a mark-to-market election, if the common shares or ADSs are regularly traded on a "qualified exchange." Under applicable U.S. Treasury regulations, a "qualified exchange" includes a national securities exchange, such as the New York Stock Exchange, that is registered with the SEC or the national market system established under the Exchange Act. Also, under applicable Treasury Regulations, PFIC securities traded on a qualified exchange are regularly traded on such exchange for any calendar year during which such stock is traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. We cannot assure you that the common shares or ADSs will be eligible for a mark-to-market election.

A U.S. Holder that makes a mark-to-market election must include for each taxable year in which the U.S. Holder's common shares or ADSs are treated as shares of a PFIC, as ordinary income, an amount equal to the excess of the fair market value of the common shares or ADSs at the close of the taxable year over the U.S. Holder's adjusted tax basis in the common shares or ADSs, and is allowed an ordinary loss for the excess, if any, of the adjusted tax basis over the fair market value of the common shares or ADSs at the close of the taxable year, but only to the extent of the amount of

previously included mark-to-market inclusions (not offset by prior mark-to-market losses). These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. A U.S. Holder's tax basis in the common shares or ADSs will be adjusted to reflect any such income or loss amounts. Although a U.S. Holder may be eligible to make a mark-to-market election with respect to its common shares or ADSs, no such election may be made with respect to the stock of any Subsidiary PFIC that such U.S. Holder is treated as owning, because such Subsidiary PFIC stock is not marketable. Thus, the mark-to-market election will not be effective to avoid all of the adverse tax consequences described above with respect to any Subsidiary PFICs. U.S. Holders should consult their own tax advisors regarding the availability and advisability of making a mark-to-market election with respect to their common shares of ADSs based on their particular circumstances.

A U.S. Holder who owns common shares or ADSs during any taxable year that we are a PFIC in excess of certain de minimus amounts and fails to qualify for certain other exemptions would be required to file IRS Form 8621. In addition, under certain circumstances, the temporary regulations also require a "United States person" (as such term is defined under the Code) that indirectly owns common shares through another United States person to file Form 8621 for a taxable year during which such indirect shareholder is treated as receiving an excess distribution in connection with the ownership or disposition of the common shares, or reports income pursuant to a mark-to-market election. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to our common shares or ADSs and the application of the recently enacted legislation to their particular situation.

U.S. Information reporting and backup withholding rules

In general, dividend payments with respect to the ADSs and the proceeds received on the sale or other disposition of those ADSs may be subject to information reporting to the IRS, and to backup withholding (currently imposed at a rate of 28.0%). Backup withholding will not apply, however, if you (1) are a corporation or come within certain other exempt categories and, when required, can demonstrate that fact or (2) provide a taxpayer identification number, certify as to no loss of exemption from backup withholding and otherwise comply with the applicable backup withholding rules. To establish your status as an exempt person, you will generally be required to provide certification on IRS Form W-9, W-8BEN, W-8BEN-E, W-8ECI or W-8IMY, as applicable. Backup withholding is not an additional tax. Any amounts withheld from payments to you under the backup withholding rules will be allowed as a refund or a credit against your U.S. federal income tax liability, provided that you furnish the required information to the IRS.

"Specified Foreign Financial Asset" Reporting

Owners of "specified foreign financial assets" with an aggregate value in excess of U.S.\$50,000 (and in some circumstances, a higher threshold), may be required to file an information report with respect to such assets with their U.S. federal income tax returns. "Specified foreign financial assets" generally include any financial accounts maintained by foreign financial institutions as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities. Prospective purchasers should consult their own tax advisors regarding the application of the U.S. federal income tax laws to their particular situations as well as any additional tax consequences resulting from purchasing, holding or disposing of ADSs, including the applicability and effect of the tax laws of any state, local or foreign jurisdiction, including estate, gift, and inheritance laws.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

We are required to file annual and special reports and other information with the SEC. You may read and copy any documents filed by the Company at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains a website at <http://www.sec.gov> which contains reports and other information regarding registrants that file electronically with the SEC.

I. SUBSIDIARY INFORMATION

Not applicable.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

Market risk.

The Company is exposed to market risk, which involves variations in interest and exchange rates that may affect its financial position, operating results and cash flows. The Company's hedge policy calls for a periodic review of its exposure to interest and exchange rate risk for its main assets and obligations.

Interest rate risk.

As of December 31, 2016, approximately 76.4% of the Company's financial debt, primarily its short-term debt and bonds, was at fixed interest rates. The remaining 23.6% was at variable interest rates including derivatives. Of the variable rate debt, approximately 98.3% is indexed to local interest rates (either as originally denominated or by re-denominating with derivatives).

The Company has identified as important its interest rate risk generated primarily from variable rate obligations, which are sensitized by measuring the impact on income of a reasonably possible variation in the observed interest rate. Following regulatory guidelines, the deviation in relevant interest rates is estimated using historical series with a daily frequency for each of the identified risk variables. The distribution of percentage changes occurring in three-month intervals is then analyzed and the extreme scenarios that fall outside a confidence interval of 95% are eliminated. The amount of the sensitized exposure corresponds to the total of the variable rate debt.

For variable rate debt, the financial risk refers to the potential upward deviation of cash flows related to interest payments on obligations from a specific target, attributable to the rise in interest rates that are important to the Company's indebtedness structure, namely: LIBOR, TAB nominal and the Chamber rate (CAM), Chile.

As of and for December 31, 2016

<u>Classification</u>	<u>Currency</u>	<u>Exposure</u>	<u>Market variable</u>	<u>Change in risk factor</u> %	<u>Effect on income</u> (ThCh\$)
Net liability	Ch\$	39,754,050,000	TAB NOM 90	(36.28)	148,207,935
				39.62	(161,835,300)
Net liability	Ch\$	34,819,697,369	TAB NOM 180	(33.33)	120,708,284
				36.36	(131,681,765)
Net liability	Ch\$	338,687,230,000	CAM	(39.21)	1,161,661,397
				38.89	(1,152,188,113)
Net liability	BR\$	375,208,879	CDI	(12.95)	306,980,853
				12.90	(305,656,861)
Net liability	COP\$	—	DTF	(17.17)	—
				12.00	—

As of and for December 31, 2015

<u>Classification</u>	<u>Currency</u>	<u>Exposure</u>	<u>Market variable</u>	<u>Change in risk factor</u> %	<u>Effect on income</u> (ThCh\$)
Net liability	Ch\$	39,754,050,000	TAB NOM 90	(40.30)	179,417
				40.91	(182,146)
Net liability	Ch\$	34,819,697,369	TAB NOM 180	(34.94)	119,834
				38.20	(131,021)
Net liability	Ch\$	406,469,230,000	CAM	(41.77)	1,332,677
				39.79	(1,269,363)
Net liability	BR\$	305,956,978	CDI	(14.52)	256,586
				12.90	(227,944)

As of and for December 31, 2014

<u>Classification</u>	<u>Currency</u>	<u>Exposure</u>	<u>Market variable</u>	<u>Change in risk factor</u> %	<u>Effect on income</u> (ThCh\$)
Net liability	USD	400,000,000	LIBOR 1M	(36.23)	101,133
				33.91	(94,648)
Net liability	Ch\$	79,508,100,000	TAB NOM 90	(42.86)	316,896
				43.19	(319,361)
Net liability	Ch\$	184,819,697,369	TAB NOM 180	(37.04)	638,566
				45.07	(777,073)
Net liability	Ch\$	607,851,430,000	CAM	(43.25)	2,147,451
				42.18	(2,094,005)
Net liability	BR\$	698,216,971	CDI	(14.82)	668,159
				13.18	(594,228)
Net liability	COP\$	296,642,344,553	DTF TA	(17.18)	135,386
				12.02	(94,704)
Net liability	COP\$	66,762,674,279	IBR	(27.01)	48,663
				19.89	(35,829)

The effect on income obtained from a theoretical exercise shows the incremental effect generated from the reasonably possible estimated change (i.e. it corresponds to the difference between the amount that was effectively recorded for the interest payment and the amount that would have been recorded in a scenario of lower or higher interest rates).

The Company's risk management strategy is to hold its financial debt in variable rates in order to benefit from lower cost of funds and the remainder of its financial debt in fixed rates in order to reduce uncertainty stemming from variable interest payments, by denominating part of its variable interest rate liabilities into fixed rate liabilities using derivative financial instruments for these purposes, which allow the interest rate of the original obligation to be fixed.

Foreign exchange rate risk.

In the countries in which the Company operates, most expenses and income are in local currency. As a result, most of its debt (83%) is denominated in local currency or local currency linked (U.F.). As of December 31, 2016, approximately 16.6% of our total outstanding debt was unhedged and subject to currency swings between our functional currency and the U.S. dollars. The remainder of our debt was either in local currencies or hedged with cross currency swaps or other foreign currency hedges. The Company's policy is to hedge risks from variations in exchange rates on its net liability position in foreign currency using market instruments designed for that purpose.

The Company has identified as important the exchange rate risk generated from obligations in U.S. dollars, Argentine pesos, Peruvian Nuevos Soles and Unidades de Fomento, which are sensitized by measuring the impact on income of a reasonably possible variation in observed exchange rates. Following regulatory guidelines, the deviation in relevant exchange rates is estimated using historical series with a daily frequency for each of the identified risk variables. The distribution of percentage changes occurring in three-month intervals is then analyzed and the extreme scenarios that fall outside a confidence interval of 95% are eliminated.

As of and for December 31, 2016

<u>Classification</u>	<u>Currency</u>	<u>Exposure</u>	<u>Market variable</u>	<u>Closing value</u>	<u>Change in risk factor</u> %	<u>Exchange rate value</u>	<u>Effect on income</u> (ThCh\$)
Net liability	USD	787,407,477	USD-CLP	669.47	(8.64)	611.66	45,519,917
					9.86	735.46	(51,959,814)
Net liability	ARG	2,683,826,384	ARS-CLP	42.26	(17.26)	34.97	19,572,033
					11.00	46.91	(12,479,583)
Net liability	UF	22,264,770	CLF-CLP	26,347.13	(0.467)	26,224.00	2,741,368
					2.292	26,951.09	(13,446,952)
Net liability	COP	6,305,004,476	COP-CLP	0.22	(10.366)	0.20	146,012
					9.337	0.24	(131,517)
Net liability	PEN	131,912,445	PEN-CLP	199.79	(7.957)	183.89	2,097,011
					9.226	218.22	(2,431,446)
Net liability	BRL	371,262,861	BRL-CLP	206.13	(11.958)	181.48	9,151,527
					11.065	228.94	(8,467,668)

As of and for December 31, 2015

<u>Classification</u>	<u>Currency</u>	<u>Exposure</u>	<u>Market variable</u>	<u>Closing value</u>	<u>Change in risk factor</u> %	<u>Exchange rate value</u>	<u>Effect on income</u> (ThCh\$)
Net liability	USD	1,388,843,062	USD-CLP	719.16	(8.76)	647.97	86,375,317
					10.22	782.76	(100,826,078)
Net liability	ARG	447,185,623	ARS-CLP	54.80	(14.53)	46.84	3,560,441
					11.17	60.92	(2,736,182)
Net liability	UF	18,080,089	CLF-CLP	25,629.09	(0.484)	25,505.07	2,242,293
					2.380	26,239.04	(11,028,017)
Net liability	COP	4,352,231,183	COP-CLP	0.22	(10.505)	0.20	102,043
					9.497	0.24	(92,255)
Net liability	PEN	132,268,544	PEN-CLP	207.56	(8.239)	190.46	2,261,895
					9.541	227.36	(2,619,300)
Net liability	BRL	448,714,904	BRL-CLP	178.90	(12.247)	156.99	9,831,486
					11.141	198.83	(8,943,599)

As of and for December 31, 2014

<u>Classification</u>	<u>Currency</u>	<u>Exposure</u>	<u>Market variable</u>	<u>Closing value</u>	<u>Change in risk factor</u> %	<u>Exchange rate value</u>	<u>Effect on income</u> (ThCh\$)
Net liability	USD	573,261,055	USD-CLP	606.75	(8.95)	552.46	31,120,559
					9.74	665.82	(33,863,241)
Net liability	ARG	430,004,718	ARS-CLP	71.64	(14.55)	61.22	4,480,841
					11.25	79.70	(3,466,153)
Net liability	UF	18,434,243	CLF-CLP	24,627.10	(0.496)	24,504.87	2,253,307
					2.460	25,232.89	(11,167,289)
Net liability	COP	400,779,827,586	COP-CLP	0.26	(10.505)	0.23	10,743,949
					9.786	0.28	(10,009,522)
Net liability	PEN	541,187,436	PEN-CLP	203.54	(8.387)	186.47	9,238,629
					9.450	222.77	(10,409,018)
Net liability	BRL	1,025,118,587	BRL-CLP	228.19	(10.900)	203.32	25,497,495
					11.433	254.28	(26,745,359)

The effect on income obtained from a theoretical exercise shows the incremental effect generated from the reasonably possible estimated change (i.e. it corresponds to the difference between the amount that was effectively recorded for exchange differences and the amount that would have been recorded in a scenario of lower or higher exchange rates).

The Company's strategy is to hold most of its financial debt in local currencies to reduce uncertainty stemming from an increase in the value of its liabilities due to foreign currency fluctuations, using derivative financial instruments for these purposes, which allow the value of the obligation to be expressed in its functional currency.

Additionally, the exposure to exchange rates for conversion of the functional currency of the subsidiaries in Argentina, Colombia, Peru and Brazil, relating to the difference between monetary assets and liabilities (i.e., those denominated in a local currency and consequently exposed to the translation from their functional currencies into the presentation currency for the Company's consolidated financial statements) is hedge only when it's predictable that adverse material differences could occur and the cost related to hedging is deemed reasonable by management. The Company currently does not have any net investment hedging contracts.

The Company assesses the fluctuation of the functional currencies compared to the presentation currency through a sensitivity analysis on equity and net assets in local currency using favorable and unfavorable scenarios, the amounts of exposure of all possible scenarios, including a general one, resulting from this analysis are as follows:

Currency	Rate of conversion	Scenarios	Flux on assets ThCh\$	Flux%	Flux on Equity ThCh\$	Flux %
ARG PESO	34.97	S1	(244,211,478)	(2.33)%	(103,557,406)	(2.54)%
	46.91	S2	154,621,108	1.48%	65,566,781	1.61%
COP PESO	0.20	S1	(142,263,787)	(1.36)%	(105,059,848)	(2.57)%
	0.24	S2	174,671,777	1.67%	128,992,703	3.16%
PER SOL	183.89	S1	(98,158,348)	(0.94)%	(63,180,231)	(1.55)%
	218.22	S2	115,174,918	1.10%	80,746,926	1.98%
BRL REAL	181.48	S1	(169,305,028)	(1.62)%	(106,681,761)	(2.61)%
	228.94	S2	160,863,372	1.54%	101,153,426	2.48%
All currencies		S1	(653,938,641)	(6.24)%	(378,479,246)	(9.27)%
		S2	605,331,175	5.78%	376,459,836	9.22%

S1: Scenario 1 represents the most unfavorable exchange rate to be used in converting into the presentation currency, and how that impacts to the net assets and equity of the Group

S2: Scenario 2 represents the most advantageous exchange rate to be used in converting into the presentation currency, and how that impacts to the net investment and equity of the Group

Item 12. Description of Securities Other than Equity Securities

A. DEBT SECURITIES

Not applicable.

B. WARRANTS AND RIGHTS

Not applicable.

C. OTHER SECURITIES

Not applicable.

D. AMERICAN DEPOSITARY SHARES

The Bank of New York Mellon, a New York banking corporation, is the Depository under our Deposit Agreement dated April 11, 2012.

Each ADS represents three shares (or a right to receive three shares) deposited with the principal Santiago office of Banco Santander Chile, as custodian for the Depository. Each ADS may also represent any other securities, cash or other property which may be held by the Depository from time to time. The depository's corporate trust office at which the ADSs are administered is located at 101 Barclay Street, New York, New York 10286. The Bank of New York Mellon's principal executive office is located at One Wall Street, New York, New York 10286.

You may hold ADSs either (A) directly (i) by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (ii) by having ADSs registered in your name in the Direct Registration System, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder.

As an ADS holder, we will not treat you as one of our shareholders and you will not have shareholder rights. Chilean law governs shareholder rights. The Depositary is the holder of the shares underlying the ADSs. The deposit agreement among us, the Depositary and holders of ADSs, and all other persons indirectly holding ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

Share dividends and other distributions

The Depositary is required, to the extent that in its judgment it can convert Chilean pesos on a reasonable basis into U.S. dollars and transfer the U.S. dollars to the United States, and subject to Chilean law, to convert all cash dividends and other cash distributions that it receives in respect of the deposited shares of Cencosud common stock into U.S. dollars and to distribute the amount thus received (net of the fees and any conversion expenses of the Depositary) to the holders of ADSs in proportion to the number of ADSs representing such shares held by each of them. See “Item 10.—D. Exchange Controls.” The amount distributed also will be reduced by any amounts required to be withheld by us, the Depositary or the Custodian on account of taxes or other governmental charges. If the Depositary determines that in its judgment any currency received by it cannot be so converted on a reasonable basis and transferred, the Depositary may distribute, or in its discretion hold, such foreign currency, without liability for interest thereon, for the respective account of the ADS holders entitled to receive the same.

If a distribution upon the deposited shares of Cencosud common stock by us consists of a dividend in, or a free distribution of, shares of Cencosud common stock, upon receipt by or on behalf of the Depositary of such additional shares of Cencosud common stock from us, the Depositary may or shall, if we so request, distribute to the holders of ADSs, in proportion to their holdings, additional ADSs representing the number of shares of Cencosud common stock so received as such dividend or distribution, in either case after deduction or payment of the fees and expenses of the Depositary. If such additional ADSs are not so issued, each ADS shall thereafter also represent the additional shares of Cencosud common stock distributed with respect to the shares of Cencosud common stock represented thereby. In lieu of delivering fractions of ADSs, in any such case, the Depositary will sell the amount of shares of Cencosud common stock represented by the aggregate of such fractions and distribute the net proceeds in dollars, all in the manner and subject to the conditions set forth in the Deposit Agreement.

If we offer or cause to be offered to the holders of shares of Cencosud common stock any rights to subscribe for additional shares of Cencosud common stock or any rights of any other nature, the Depositary, after consultation with us, shall have discretion as to the procedure to be followed in making such rights available to holders of ADSs or in disposing of such rights and distributing the net proceeds thereof as in the case of a distribution received in cash. If at the time of the offering of any such rights the Depositary determines that it is lawful and feasible to do so, the Depositary may, after consultation with us, distribute such rights available to holders by means of warrants or otherwise. To the extent the Depositary determines, in its discretion, that it is not lawful or feasible to make the rights available, it may sell such rights, warrants or other instruments, if a market is available therefor, at public or private sale, at such place or places and upon such terms as the Depositary may deem proper and allocate the net proceeds of such sales, net of the fees and expenses of the Depositary, for the accounts of the holders of ADSs otherwise entitled thereto upon an averaged or other practicable basis without regard to any distinctions among such holders of ADSs because of exchange restrictions or the date of delivery of any ADRs or otherwise. If, by the terms of the rights offering or by reason of applicable law, the Depositary may neither make such rights available to the holders nor dispose of such rights and distribute the net proceeds thereof, the Depositary shall allow the rights to lapse.

The Depositary will not offer such rights to the holders of ADSs unless both the rights and the securities to which the rights relate are either exempt from registration under the Securities Act or are registered under the Securities Act. If a holder of ADSs requests a distribution of warrants or other instruments, notwithstanding that there has been no such registration under the Securities Act, the Depositary will not effect the distribution unless it has received an opinion of our United States counsel satisfactory to the Depositary upon which the Depositary may rely that the distribution is exempt from registration under the provisions of the Securities Act. However, we will have no obligation to file a registration statement under the Securities Act to make available to holders of ADSs any right to subscribe for or to purchase any securities. If an exemption from registration is not available and a registration statement is not filed, holders of ADSs will not be permitted to purchase such securities or otherwise exercise such rights and the Depositary may sell such rights for the account of such holders of ADSs as described in the preceding paragraph. Such a disposal of rights may reduce the proportionate equity interest in us of the holders of ADSs.

The Depositary will send to holders of ADSs anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the Depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which cash ADSs will also represent the newly distributed property. However, the Depositary is not required to distribute any securities (other than ADSs) to holders of ADSs unless it receives satisfactory evidence from us that it is legal to make that distribution.

Issuance of ADSs

The Depositary has agreed that, upon deposit with the Custodian of the requisite number of shares of Cencosud common stock and receipt of evidence satisfactory to it that the conditions to deposit described below have been met, and subject to the terms of the Deposit Agreement, the Depositary will deliver to, or upon the order of, the person or persons specified by the Depositary upon payment of the fees, governmental charges and taxes provided in the Deposit Agreement, the number of ADSs issuable in respect of such deposit.

Cancellation and withdrawal of ADSs

Upon surrender of ADSs at the Corporate Trust Office of the Depositary and payment of the fees of the Depositary and of the taxes and governmental charges, if any, provided for in the Deposit Agreement and subject to the terms thereof, ADS holders are entitled to delivery of the deposited shares of Cencosud common stock, any other property or documents of title at the time represented by the surrendered ADSs.

Subject to the terms and conditions of the Deposit Agreement and any limitations established by the Depositary, the Depositary may deliver ADSs prior to the receipt of shares of Cencosud common stock (a “Pre-Release”) and may receive ADSs in lieu of shares of Cencosud common stock. Each Pre-Release shall be:

- preceded or accompanied by a written representation and agreement from the person to whom ADSs are to be delivered that such person, or its customer,
- owns the shares of Cencosud common stock or ADSs to be remitted, as the case may be,
- assigns all beneficial right, title and interest in such shares of Cencosud common stock to the Depositary for the benefit of the owners of the ADSs, and
- agrees in effect to hold such shares of Cencosud common stock for the account of the Depositary until delivery of the same upon the Depositary’s request,
- at all times fully collateralized (such collateral marked to market daily) with cash or such other collateral as the Depositary deems appropriate,
- terminable by the Depositary on not more than five business days’ notice, and
- subject to such further indemnities and credit regulations as the Depositary reasonably deems appropriate.

The Depositary will limit the number of ADSs involved in such Pre-Release transactions so that the number of ADSs represented thereby will not, at any one time, exceed 30 percent of the total number of ADSs then outstanding; however, the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate.

The Depositary shall not be required to accept for deposit any shares of Cencosud common stock unless it receives evidence satisfactory to the Depositary that any approval, if required, has been granted by any governmental body in Chile that is then performing the function of the regulation of currency exchange.

If the person proposing to deposit shares of Cencosud common stock is not domiciled or resident in Chile, the Custodian shall not accept those shares of Cencosud common stock unless it receives from or on behalf of that person sufficient evidence that the shares of Cencosud common stock were purchased in full compliance with the foreign exchange regulations applicable to investments in Chile (either Chapter XIV of the Compendium of Foreign Exchange Regulation of the Central Bank or Decree Law 600 of 1974, as amended, and related agreements with the Foreign Investment Committee) and, if applicable, an instrument whereby that person assigns and transfers to the Depositary any rights it may have under Chilean regulations relating to currency exchange. Pursuant to Chapter XIV of the Compendium of Foreign Exchange Regulations of the Central Bank, the Custodian and/or the Depositary must give notice to the Central Bank of Chile that the shares of Cencosud common stock have been deposited in exchange for ADSs.

If required by the Depositary, shares of Cencosud common stock presented for deposit at any time, whether or not our transfer books or the transfer books of the Foreign Registrar, if applicable, are closed, must also be accompanied by an agreement or assignment, of other instrument satisfactory to the Depositary, which will provide for the prompt transfer to the Custodian of any dividend, or right to subscribe for additional shares of Cencosud common stock or to receive other property which any person in whose name the shares of Cencosud common stock are or have been recorded may thereafter receive upon or in respect of such deposited shares of Cencosud common stock, or in lieu thereof, such agreement of indemnity or other agreement as shall be satisfactory to the Depositary.

At the request, risk and expense of any person proposing to deposit shares of Cencosud common stock, and for the account of such person, the Depositary may receive certificates for shares of Cencosud common stock to be deposited, together with the other instruments herein specified, for the purpose of forwarding such share certificates to the Custodian for deposit hereunder.

Upon each delivery to a Custodian of a certificate or certificates for shares of Cencosud common stock to be deposited hereunder, together with the other documents above specified, such Custodian must, as soon as transfer and recordation can be accomplished, present such certificate or certificates to us or the Foreign Registrar, if applicable, for transfer and recordation of the shares of Cencosud common stock being deposited in the name of the Depositary or its nominee or such Custodian or its nominee.

In the event that Shares are to be redeemed and, as a result, Shares registered in the name of the Custodian are called for redemption by the us, the Depositary will call for the redemption of ADSs (in aggregate number representing the number of Shares registered in the name of the Custodian called for redemption) and may adopt such method as it may deem equitable and practicable to select the ADSs called for redemption.

Voting rights

As soon as practicable after receipt of notice of any meeting or solicitation of consents or proxies of holder of shares of Cencosud common stock, as defined in the Deposit Agreement, if we so request, the Depositary has agreed to mail to holders of ADRs registered on the books of the Depositary a notice in English containing

- such information as is contained in such notice,
- a statement that each holder of ADSs at the close of business on a specified record date will be entitled, subject to any applicable provisions of Chilean law and our Bylaws to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the amount of Cencosud common stock represented by such holders' ADSs, and
- a statement as to the manner in which such instructions may be given, including an express indication that instructions may be given to the Depositary to give a discretionary proxy to a person designated by us.

Upon the written request of a holder of ADSs on such record date, received on or before the date established by the Depositary for such purpose, the Depositary has agreed to endeavor insofar as practicable to vote or cause to be voted the amount of shares of Cencosud common stock represented by the ADSs in accordance with any instruction set forth in such request. If no instructions are received by the Depositary from a holder of ADSs with respect to any of the shares of Cencosud common stock represented by such holder's ADSs on or before the date established by the Depositary for such purpose, the Depositary will give a discretionary proxy to a person designated by us to vote the amount of shares of Cencosud common stock represented by those ADSs, unless we have notified the Depositary that (i) we do not wish such proxy given, (ii) we believe substantial shareholder opposition exists, or (iii) we believe the matter to be voted on would have a material and adverse effect on the rights of holders of our shares.

There are no legal or practical impediments to an ADS holder's ability to vote that are not faced by holders of our shares of common stock except that there can be no assurance that we have request the Depositary to send the notice or that ADS holders will receive notice of meetings in time to instruct the Depositary before the applicable cutoff date.

Record dates

Whenever any cash dividend or other cash distribution shall become payable or any distribution other than cash shall be made, or whenever rights shall be issued with respect to shares of Cencosud common stock or whenever the Depositary shall receive notice of any meeting of holders of shares of Cencosud common stock or shareholders generally, the Depositary will fix a record date that will be the same as, or as near as practicable to the record date fixed by us with respect to the Cencosud common stock for the determination of the holders of ADSs who are entitled to receive such dividend, distribution or rights, or net proceeds of the sale thereof, or to give instructions for the exercise of voting rights at any such meeting, subject to the provisions of the Deposit Agreement. Subject to the Deposit Agreement, only such holders of ADSs at the close of business on such record date shall be entitled to receive or be affected by any such dividend, distribution, proceeds, exchange or other matter or to give such voting instructions.

In the event that the record date determined by the Depositary (the "ADS Record Date") and that established by us (the "Common Stock Record Date") are not the same, ADS holders on the Common Stock Record Date who dispose of their ADSs prior to the ADS Record Date will not receive dividends paid in respect of the shares of Cencosud common stock represented by such holder's ADSs on the Common Stock Record Date.

Reports and other communications

The Depositary will maintain at its transfer office in the Borough of Manhattan, the City of New York, facilities for the execution and delivery, registration of transfers and surrender of ADSs, in accordance with the provisions of the Deposit Agreement, which at reasonable times will be open for our inspection and inspection by the holders of ADSs, provided that such inspection shall not be for the purpose of communication with holders of ADSs in the interest of a business or object other than our business or a matter related to the Deposit Agreement or the ADSs.

We will transmit to the Depositary copies (translated into English) of any communications generally distributed to holders of Cencosud common stock. The Depositary will make available for inspection by ADS holders at the Corporate Trust Office of the Depositary any reports and communications, including any material soliciting voting instructions, received from us that are both

- received by the Depositary or the Custodian or the nominee of either as a holder of shares of Cencosud common stock and
- made generally available to the holders of shares of Cencosud common stock by us.

The Depositary will also send to ADS holders copies of such reports when furnished by us as provided in the Deposit Agreement.

On or before the first date on which we give notice, by publication or otherwise, of any meeting of the holders of shares of Cencosud common stock or shareholders generally, or of any adjourned meeting of such holders, or of the taking of any action in respect of any cash or other distributions or offering of any rights, we shall transmit to the Depositary and the Custodian a written English-language version of the notice thereof in the form given or to be given to holders of shares of Cencosud common stock. The Depositary will, if we request, at our expense, arrange for the mailing of such notices to all ADR holders.

Payment of taxes

If any tax or governmental charge becomes payable with respect to any ADS or any shares of Cencosud common stock represented by any ADSs, including without limiting the generality of the foregoing any Chilean tax on a gain realized, or deemed to be realized, upon the withdrawal or sale of shares of Cencosud common stock, such tax or other governmental charge will be payable to the Depositary by the holder of the ADSs, who must pay the amount thereof to the Depositary upon demand. The Depositary may refuse to effect any transfer of such ADSs or any withdrawal of

the shares of Cencosud common stock represented by such ADSs until such payment is made, and may withhold any dividends or other distributions, or may sell for the account of the holder of the ADS thereof any part or all of the shares of Cencosud common stock represented by such ADSs, and may apply such dividends or other distributions or the proceeds of any such sale in payment of such tax or other governmental charge and the holder of such ADSs shall remain liable for any deficiency. In the event the Depositary determines that there is a reasonable possibility that a tax would be imposed upon the withdrawal of shares in exchange for surrendered ADSs the Depositary may require, as a condition to such exchange, that the withdrawing investor provide satisfactory security to the Depositary in an amount sufficient to cover the estimated amount of such tax.

Amendment and termination

The form of the ADRs and the Deposit Agreement may at any time be amended by written agreement between us and the Depositary. Any amendment that imposes or increases any fees or charges (other than taxes and other governmental charges, registration fees, cable, telex, or facsimile transmission costs, delivery costs or other such expense) or that otherwise prejudices any substantial existing right of ADS holders, will not take effect as to outstanding ADSs until the expiration of 30 days after notice of such amendment has been given to the record holders of outstanding ADSs. Every holder of ADSs at the time such amendment so becomes effective will be deemed, by continuing to hold such ADSs, to consent and agree to such amendment and to be bound by the Deposit Agreement or the ADRs as amended thereby. In no event may any amendment impair the right of any ADS holder to surrender its ADSs and receive therefor the shares of Cencosud common stock represented thereby, except in order to comply with mandatory provisions of applicable law.

Whenever we direct, the Depositary has agreed to terminate the Deposit Agreement by mailing notice of such termination to the holders of ADSs at least 30 days prior to the date fixed in such notice for such termination. The Depositary may likewise terminate the Deposit Agreement at any time 60 days after the Depositary shall have delivered to us its written resignation provided that a successor depositary shall not have been appointed and accepted its appointment before the end of such 60-day period. If any ADSs remain outstanding after the date of termination, the Depositary thereafter will discontinue the registration of transfers of ADSs, will suspend the distribution of dividends to the holders thereof and will not give any further notices or perform any further acts under the Deposit Agreement, except that the Depositary will continue the collection of dividends and other distributions pertaining to the shares of Cencosud common stock, the sale of property and rights as provided in the Deposit Agreement and the delivery of shares of Cencosud common stock, together with any dividends or other distributions received with respect thereto and the net proceeds of the sale of any rights or other property, in exchange for surrendered ADSs. At any time after the expiration of four months from the date of termination, the Depositary may sell the shares of Cencosud common stock and hold the net proceeds, together with any other cash then held, unsegregated and without liability for interest, for the pro rata benefit of the holders of ADSs that have not theretofore been surrendered.

Limits on our obligations and the obligations of the depositary; limits on liability to ADS holders

Neither we nor the Depositary assume any obligation nor will we be subject to any liability under the Deposit Agreement to holders of ADSs, except that we agree to perform our obligations specifically set forth in the Deposit Agreement without negligence or bad faith. Neither we nor the Depositary will be under any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or in respect of the ADRs on behalf of any holder of ADSs or other person, and the Custodian will not be under any obligation whatsoever with respect to such proceedings, the responsibility of the Custodian being solely to the Depositary. The Depositary will not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the Depositary or in connection with any matter arising wholly after the removal or resignation of the Depositary, provided that in connection with the issue out of which such potential liability arises the Depositary performed its obligations without negligence or bad faith while it acted as Depositary. The Depositary will not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities, or for the manner in which any such vote is cast or the effect of any such vote, provided that any such action or non-action is without negligence and in good faith. None of the limitations described in this section will affect investor rights under U.S. federal securities laws.

Disclosure of interest in ADSs

Holders of ADSs are subject to certain provisions of the rules and regulations promulgated under the Exchange Act relating to the disclosure of interests in the shares of Cencosud common stock. Any holder of ADSs who is or becomes directly or indirectly interested in five percent (or such other percentage as may be prescribed by law or regulation) or more of the outstanding shares of Cencosud common stock must within ten days after becoming so interested and thereafter upon certain changes in such interests notify us as required by such rules and regulations. In addition, holders of ADSs as a matter of Chilean law are subject to the reporting requirements contained in Articles 12 and 54 and Title XV of Law 18,045 of Chile, which provision may apply when a holder beneficially owns ten percent or more of the Cencosud common stock or has the intention of taking control of Cencosud. See "Item 10. B. Memorandum and Articles of Association."

Requirements for depositary actions

As a condition precedent to the delivery, registration of transfer or surrender of any ADSs or any split up or combination of ADR or withdrawal of any shares of Cencosud common stock, we, the Depositary or the Custodian may require from the holder or the presenter of the ADR or the depositor of the shares.

- payment of a sum sufficient to pay or reimburse the Depositary, the Custodian or us for any tax or other governmental charge and any stock transfer or registration fee or any charge of the Depositary upon delivery of the ADS or upon surrender of the ADS, as set forth in the Deposit Agreement, and
- the production of proof satisfactory to the Depositary or Custodian of the identity or genuineness of any signature and proof of citizenship, residence, exchange-control approval, legal or beneficial ownership, compliance with all applicable laws and regulations,

compliance with all other applicable provisions governing the shares of Cencosud common stock and the terms of the Deposit Agreement or other information as the Depositary may deem necessary or proper or as we may require by written request to the Depositary or the Custodian.

The delivery, registration, registration of transfer of ADSs or split-up or combination of ADRs, or the deposit or withdrawal of shares of other property represented by ADSs, in particular instances or generally, may be suspended during any period when the transfer books of the Depositary are closed, or if any such action is deemed necessary or advisable by the Depositary or us at any time or from time to time.

The Depositary will act as ADS registrar or appoint a registrar or one or more co-registrars for registration of the ADSs in accordance with any requirements of the New York Stock Exchange or of any other stock exchange on which the ADSs may be listed or quoted.

The Depositary may appoint one or more co-transfer agents for the purpose of effecting transfers of ADSs or combinations and split-ups of ADRs at designated transfer offices on behalf of the Depositary. In carrying out its functions, a co-transfer agent may require evidence of authority and compliance with applicable laws and other requirements by holders of ADSs or persons entitled to ADSs and will be entitled to protection and indemnity to the same extent as the Depositary.

Books of depositary

The transfer of the ADSs is registrable on the books of the Depositary, provided, however, that the Depositary may close the transfer books at any time or from time to time when deemed expedient by it in connection with the performance of its duties.

Valuation of underlying shares for Chilean law purposes

For all purposes of valuation under Chilean law, the Deposit Agreement provides that the acquisition value of the shares of Cencosud common stock delivered to any holder upon surrender of ADSs shall be the highest reported sales price of the Cencosud common stock on the Santiago Stock Exchange for the day on which the transfer of the Cencosud common stock is recorded under the name of such holder on our books. In the event that no such sales price is reported by the Santiago Stock Exchange or another organized securities market during that day, the value shall be deemed to be the highest sale price on the day during which the last trade took place. However, if more than 30 days have lapsed since the last trade, such value shall be adjusted in accordance with the variation of the Chilean Consumer Price Index for the corresponding term.

Depositary Fees and Expenses

Pursuant to the Deposit Agreement, holders of our ADSs may have to pay to The Bank of New York Mellon, either directly or indirectly, fees or charges up to the amounts set forth in the table below:

Persons depositing or withdrawing shares or ADS holders must pay:

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

\$.05 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs

\$.05 (or less) per ADSs per calendar year

Registration or transfer fees

Expenses of the Depositary

Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes

For:

- Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
- Cancellation of ADSs for the purpose of withdrawal, including if the Deposit Agreement terminates or if ADSs are redeemed
- Any cash distribution to ADS holders
- Distribution of securities distributed to holders of deposited securities which are distributed by the Depositary to ADS holders
- Depositary services
- Transfer and registration of shares on our share register to or from the name of the Depositary or its agent when you deposit or withdraw shares
- Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
- converting foreign currency to U.S. dollars
- As necessary

Persons depositing or withdrawing shares or ADS holders must pay:

For:

Any charges incurred by the Depositary or its agents for servicing the deposited securities • As necessary

The Depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the Depositary may make payments to us to reimburse and / or share revenue from the fees collected from ADS holders, or waive fees and expenses for services provided, generally relating to costs and expenses arising out of establishment and maintenance of the ADS program. In performing its duties under the Deposit Agreement, the Depositary may use brokers, dealers or other service providers that are affiliates of the Depositary and that may earn or share fees or commissions.

Depositary Payments

Cencosud S.A. received from The Bank of New York Mellon U.S.\$134,821, U.S.\$56,330, and U.S.\$995,511 during 2016, 2015 and 2013, respectively, as depositary payments in connection with its American Depositary Shares program. These amounts were net of withholding taxes of U.S.\$47,962, U.S.\$20,549 and U.S.\$346,325 for 2016, 2015 and 2013, respectively. The Company did not receive any depositary payments during 2014.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

A. USE OF PROCEEDS

Not applicable.

Item 15. Controls and Procedures.

(a) Disclosure Controls and Procedures.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has conducted and evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2016, pursuant to Rule 13a-15 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2016.

Disclosure controls and procedures means controls and other procedures that are designed to ensure that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and, that such information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's annual report on internal control over financial reporting (ICFR)

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorization of the Company's management and directors; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate and that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has assessed the effectiveness of Cencosud's internal control over financial reporting as of December 31, 2016 based on the criteria established in Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2016 based on criteria in Internal Control — Integrated Framework (1992) issued by the COSO.

(c) Attestation Report of the registered public accounting firm

The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by PricewaterhouseCoopers Consultores, Auditores y Compañía Limitada, an independent registered public accounting firm, as stated in their report which appears herein.

(d) Changes in internal control over financial reporting.

There have been no significant changes in our internal control over financial reporting during the period covered by this annual report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

The members of the audit committee are David Gallagher, Roberto Philipps and Cristián Eyzaguirre, each of whom is independent within the meaning of the SEC corporate governance rules. Our Board of Directors has determined that Roberto Philipps is "audit committee financial expert" as defined by the SEC.

Item 16B. Code of Ethics

We have adopted a code of ethics and business conduct that applies to our directors, executive officers and all employees. The text of our code of ethics is posted on our web site at: www.cencosud.com/inversionistas/ under the "informacion de interes" tab. The information on our website is not incorporated by reference into this document.

Item 16C. Principal Accountant Fees and Services

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by PricewaterhouseCoopers *Consultores, Auditores y Compañía Limitada* ("PwC"), an independent registered public accounting firm and our principal external auditors, for the periods indicated. Except as set forth below, we did not pay any other fees to our auditors during the periods indicated below.

	For the year ended December 31,		
	2016	In USDS 2015	2014
Audit Fees(105)	5,286,149	4,841,673	6,700,051
Audit- Related Fees(106)	51,000	9,252	376,910
Tax Fees(107)	16,800	23,555	114,000
Total	5,353,949	4,874,480	7,190,961

Our audit committee pre-approves all audit and non-audit services provided by our independent auditor pursuant to the Sarbanes-Oxley Act of 2002.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

(105) "Audit fees" means the aggregate fees billed for professional services rendered by our principal auditors for the audit of our annual financial statements as well as in connection with audit services for SEC or other regulatory filings.

(106) "Audit-related fees" represents aggregate fees billed for professional services rendered by our principal auditors for the assurance and related services.

(107) "Tax Fees" in the above table are fees billed for tax compliance and tax consultations in Argentina, Brazil, Chile, Peru and Colombia.

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

General Summary of Significant Differences With Regard To Corporate Government Standards

As a foreign private issuer, we may follow our home country's corporate governance practices in lieu of most of the NYSE's corporate governance listing standards, or the NYSE Standards. Our corporate governance practices differ in certain significant respects from those that U.S. companies must adopt in order to maintain NYSE listing and, in accordance with Section 303A.11 of the NYSE Listed Company Manual, a brief, general summary of those differences is provided as follows. *Composition of the Board of Directors; Independence*. The NYSE listing standards provide that listed companies must have a majority of independent directors and that certain board committees must consist solely of independent directors. Under NYSE rule 303A.02, a director qualifies as independent only if the board affirmatively determines that such director has no material relationship with the company, either directly or indirectly. In addition, the NYSE listing standards enumerate a number of relationships that preclude independence.

Under the amendment to the Chilean Corporations Act, in effect as of January 1, 2010, an open-stock corporation must have at least one independent director (out of a minimum of seven directors) when its market capitalization reaches or exceeds 1.5 million *Unidades de Fomento* (as of December 31, 2016 approximately UF\$39,521 million) and at least 12.5% of its outstanding shares with voting rights are in the possession of shareholders that individually control or possess less than 10% of such shares. In addition, the Chilean Corporation Act enumerates a number of relationships that preclude independence. The Chilean law also establishes a number of principles of general applicability designed to avoid conflicts of interests and to establish standards and procedures to conduct related party transactions. Specifically, directors elected by a group or class of shareholders have the same duties to the company and to the other shareholders as the rest of the directors, and all transactions with the company in which a director has an interest, must be in the interest of and for the benefit of the company, compare in price, terms and conditions to those prevailing in the market at the time of its approval and comply with the requirements and procedures set forth in Chapter XVI of the Chilean Corporation Act. See "Item 7. Major Shareholders and Related Party Transactions."

Furthermore, such transactions must be reviewed by the directors committee (as defined below); they require prior approval by the board of directors, excluding interested directors, and must be disclosed at the next meeting of shareholders, unless such transactions fall within one the exemptions contemplated by the Chilean Corporations Act (i.e., *di minimis* transaction amount, or if the counterparty is a wholly owned subsidiary or when the transaction falls within the ordinary course as so determined in the company's policy on recurring business transactions as approved by the board of directors). See "Item 7. Major Shareholders and Related Party Transactions." Pursuant to NYSE rule 303A.00, we may follow Chilean practices and are not required to have a majority of independent directors.

Committees. The NYSE listing standards require that listed companies have a Nominating/Corporate Governance Committee, a Compensation Committee and an Audit Committee. Each of these committees must consist solely of independent directors and must have a written charter that addresses certain matters specified by the listing standards.

Under Chilean law, the only board committee that is required is the directors committee (*comité de directores*), composed of three members, such committee having a direct responsibility to (a) review the company's financial statements and the independent auditors' report and issue an opinion on such financial statements and report prior to their submission for shareholders' approval, (b) make recommendations to the board of directors with respect to the appointment of independent auditors and risk rating agencies that the board may propose to the shareholders at a shareholders' meeting, (c) review related party transactions, and issue a report on such transactions, (d) review the managers, principal executive officers' and employees' compensation policies and plans, (e) prepare an annual report of the performance of its duties, including the principal recommendations to shareholders; (f) report to the board of directors the convenience of retaining non-audit services from its external auditors, if the nature of such services could impair their independence; and (g) perform other duties as defined by the company's bylaws, by the general shareholders' meeting or by the board. Requirements to be deemed an independent director are set forth in "Item 6. Directors, Senior Management and Employees—Board Practices."

Shareholder Approval of Equity-Compensation Plans. Under NYSE listing standards, shareholders must be given the opportunity to vote on all equity-compensation plans and material revisions thereto, with limited exemptions. An "equity-compensation plan" is a plan or other arrangement that provides for the delivery of equity securities of the listed company to any employee, director or other service provider as compensation for services.

Under Chilean law, if previously approved by shareholders at an extraordinary shareholders' meeting, up to ten percent of a capital increase in a publicly traded company may be set aside to fund equity-compensation plans for the company's employees and/or for the employees of the company's subsidiaries. Pursuant to NYSE rule 303A.00, as a foreign private issuer, we may follow Chilean practices and are not required to comply with the NYSE listing standards with respect to shareholder approval of equity-compensation plans.

Corporate Governance Guidelines. The NYSE listing standards provide that listed companies must adopt and disclose corporate governance guidelines with regard to (a) director qualifications standards; (b) director responsibilities; (c) director access to management and independent advisors; (d) director compensation; (e) director orientation and continuing education; (f) management succession; and (g) annual performance evaluation of the board. Chilean law does not require that such corporate governance guidelines be adopted. Director responsibilities and access to management and independent advisors are directly provided for by applicable law. Director compensation is determined by the annual meeting of shareholders pursuant to applicable law. As a foreign private issuer, we may follow Chilean practices and are not required to adopt and disclose corporate governance guidelines.

During 2012, the Superintendencia de Valores y Seguros (Superintendencia de Valores y Seguros, or “SVS”) adopted new regulations that require publicly traded corporations to produce information about the standards of their corporate governance currently in place and disclose such information not later than June 30, 2013 and thereafter on March 31 of each calendar year.

In compliance with such regulations, the Company intends to deliver and make public the relevant information about its corporate governance practices and policies as currently in effect, as well as the corporate governance practices and policies that it is either in the process of adopting or reviewing for future implementation.

Code of Business Conduct. The NYSE listing standards require that listed companies adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.

We have adopted a code of ethics, which includes business conduct guidelines that apply generally to all of our executive officers and employees. A copy of this code of business conduct, as amended, is available in our website at www.cencosud.com/inversionistas/ under the “informacion de interes” tab. The information on our website is not incorporated by reference into this document.

Information of Interest to the Market. In 2008, the SVS promulgated new rules which require public companies to adopt a manual regarding disclosure of information of interest to the market, board members and executives shares transactions and black-out periods for such transactions. This manual applies to our directors, the directors of our subsidiaries, our executive officers, some of our employees which may be in possession of confidential, reserved or privileged information of interest, and to our advisors. The manual took effect on June 1, 2008. A copy of the manual regarding disclosure of information of interest to the market, as amended on March 18, 2010, is available in our website at <http://www.cencosud.com/inversionistas/>. The information on our website is not incorporated by reference into this document.

Executive Sessions. To empower non-management directors to serve as a more effective check on management, NYSE listing standards provide that non-management directors of each company must meet at regularly scheduled executive sessions without management.

Under Chilean law, the office of director is not legally compatible with that of a company officer in publicly traded companies. The board of directors exercises its functions as a collective body and may partially delegate its powers to executive officers, attorneys, a director or a board commission of the company, and for specific purposes to other persons. As a foreign private issuer, we may follow Chilean practices and are not required to comply with the NYSE listing standard for executive sessions.

Certification Requirements. Under NYSE listing standards, Section 303A.12 (a) provides that each listed company CEO must certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards and Section 303A.12 (b) provides that each listed company CEO must promptly notify the NYSE in writing after any executive officer of the listed company becomes aware of any material non-compliance with any applicable provisions of Section 303A.

As a foreign private issuer, we must comply with Section 303A.12 (b) of the NYSE listing standards, but we are not required to comply with 303A.12 (a).

Item 16H. Mine Safety Disclosure

Not applicable.

PART III

Item 17. Financial Statements

We have responded to Item 18 in lieu of responding to this item.

Item 18. Financial Statements.

See pages F-1 through F-181 of this annual report.

Exhibit No.	Description
1.1	Restated bylaws of Cencosud S.A., previously filed as exhibit 1.1 to the Company’s annual report on Form 20-F (File No. 001-35575) for the year ended December 31, 2012, filed with the Securities and Exchange Commission on May 7, 2013 (“2012 Form 20-F”) and incorporated by reference herein.
4.1	Stock Purchase Agreement among UBS A.G., London Branch, as buyer, Palermo Argentina Holdings I, S.L., Palermo Argentina Holdings II, S.L., International Finance Corporation, SCF Chile S.A., BSSF Chile S.A., and BSSFP Chile S.A., as sellers, dated March 30, 2011, previously filed as exhibit 10.1 to the Company’s registration statement on Form F-1 (File No. 333-181711) filed with the Securities and Exchange Commission on May 25, 2012 (“Form F-1”) and incorporated by reference herein.
4.2	Option Agreement between Cencosud S.A. and UBS A.G., London Branch, dated March 30, 2011, and related documents, previously filed as exhibit 4.2 to the Company’s 2012 Form 20-F and incorporated by reference herein.

- 4.3** Indenture, dated as of January 20, 2011, among Cencosud S.A., as issuer, Cencosud Retail S.A., as guarantor, and The Bank of New York Mellon, as trustee, paying agent, registrar and transfer agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and Luxembourg transfer agent, previously filed as exhibit 4.3 to the Company’s 2012 Form 20-F and incorporated by reference herein.
- 4.4** Indenture, dated as of December 6, 2012, among Cencosud S.A., as issuer, Cencosud Retail S.A., as guarantor, and The Bank of New York Mellon, as trustee, paying agent, registrar and transfer agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and Luxembourg transfer agent, previously filed as exhibit 4.4 to the Company’s 2012 Form 20-F and incorporated by reference herein.
- 4.5** Credit Agreement, dated as of October 17, 2012, among Cencosud S.A., as borrower, the lenders party thereto, and JPMorgan Chase Bank, National Association, as Administrative Agent, previously filed as exhibit 4.5 to the Company’s 2012 Form 20-F and incorporated by reference herein.
- 4.6** Share Purchase Agreement, dated as of October 18, 2012, between Carrefour Nederland B.V., Carrefour S.A. and Cencosud S.A., previously filed as exhibit 4.6 to the Company’s 2012 Form 20-F and incorporated by reference herein.
- 4.7** English language summary of the 2013 Plan—Stock Option Plan, previously filed as exhibit 10.3 to the Company’s registration statement on Form F-1 and incorporated by reference herein.
- 4.8** English language summary of the Incentive Plan—Stock Option Plan, previously filed as exhibit 10.4 to the Company’s registration statement on Form F-1 and incorporated by reference herein.
- 4.9** English language summary of the Retention Plan—Stock Option Plan, previously filed as exhibit 4.9 to the Company’s 2012 Form 20-F and incorporated by reference herein.
- 4.10** Indenture, dated as of February 12, 2015, among Cencosud S.A., as issuer, Cencosud Retail S.A., as guarantor, and The Bank of New York Mellon, as trustee, paying agent, registrar and transfer agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and Luxembourg transfer agent, relating to the Senior Notes due 2025, previously filed as exhibit 4.10 to the Company’s annual report on Form 20-F (File No. 001-35575) for the year ended December 31, 2014, filed with the Securities and Exchange Commission on April 30, 2015 (“2014 Form 20-F”) and incorporated by reference herein.
- 4.11** Indenture, dated as of February 12, 2015, among Cencosud S.A., as issuer, Cencosud Retail S.A., as guarantor, and The Bank of New York Mellon, as trustee, paying agent, registrar and transfer agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and Luxembourg transfer agent, relating to the Senior Notes due 2045, previously filed as exhibit 4.11 to the Company’s 2014 Form 20-F and incorporated by reference herein.
- 8.1** Subsidiaries of Cencosud S.A.
- 12.1** Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2** Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1** Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

April 28, 2017

Cencosud S.A.

By: /s/ Jaime Soler
Name: Jaime Soler
Title: Chief Executive Officer

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Cencosud S.A.

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of profit and loss and other comprehensive profit, changes in net equity and of cash flows present fairly, in all material respects, the financial position of Cencosud S.A. and its subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15 of this annual report. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Cencosud S.A.

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A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PricewaterhouseCoopers
Santiago, Chile
April 27, 2017

Cencosud S.A. and subsidiaries Consolidated Statements of Financial Position

Assets	Note	As of December 31,	
		2016 ThCh\$	2015 ThCh\$
Current assets			
Cash and cash equivalents	5	275,219,003	268,275,126
Other financial assets, current	6	219,988,622	254,850,725
Other non-financial assets, current	22	23,628,279	14,442,030
Trade receivables and other receivables	8	867,139,677	819,839,383
Receivables due from related parties, current	9	28,988,176	14,851,194
Inventories	10	1,149,286,014	1,068,309,333
Current tax assets	16	74,135,647	61,197,049
Total current assets other than assets held for sale		2,638,385,418	2,501,764,840
Assets held for sale	34	57,123,872	—
Total current assets		2,695,509,290	2,501,764,840
Non-current assets			
Other financial assets, non-current	6	287,360,674	421,532,586
Other non-financial assets, non-current	22	52,335,275	31,907,769
Trade receivable and other receivables, non-current	8	11,893,706	30,996,852
Investments accounted for using the equity method	11	200,727,534	251,527,505
Intangible assets other than goodwill	12	408,168,114	401,749,417
Goodwill	13	1,432,319,489	1,391,692,072
Property, plant and equipment	14	2,578,793,573	2,711,490,630
Investment property	15	2,081,694,027	1,807,095,204
Non-current tax assets,	16	83,376,450	8,854,347
Deferred income tax assets	16	616,579,356	552,114,088
Total non-current assets		7,753,248,198	7,608,960,470
Total assets		10,448,757,488	10,110,725,310

The accompanying notes are an integral part of these consolidated financial statements.

Cencosud S.A. and subsidiaries Consolidated Statements of Financial Position

Net equity and liabilities	Note	As of December 31,	
		2016	2015
		ThCh\$	ThCh\$
Current liabilities			
Other financial liabilities, current	17	408,009,016	356,173,111
Trade payables and other payables	18	1,926,847,052	1,856,524,795
Payables to related parties, current	9	18,722,919	29,196,949
Provisions and other liabilities	19	11,779,434	15,641,961
Current income tax liabilities	16	74,585,510	49,433,829
Current provision for employee benefits	21	106,496,839	97,889,042
Other non-financial liabilities, current	20	26,977,677	21,225,549
Total current liabilities other than liabilities held for sale		2,573,418,447	2,426,085,236
Liabilities held for sale	34	15,669,233	—
Total current liabilities		2,589,087,680	2,426,085,236
Non-current liabilities			
Other financial liabilities,	17	2,903,625,666	2,924,038,308
Trade accounts payables	18	4,803,725	4,502,991
Provisions and other liabilities	19	68,256,160	78,188,586
Deferred income tax liabilities	16	719,542,091	649,536,334
Other non—financial liabilities, non—current	20	79,390,431	57,562,037
Total non-current liabilities		3,775,618,073	3,713,828,256
Total liabilities		6,364,705,753	6,139,913,492
Equity			
Paid-in capital	23	2,420,564,735	2,321,380,936
Retained earnings	23	2,489,410,413	2,329,411,478
Share premium	23	461,302,097	526,633,344
Other reserves	23	(1,286,017,106)	(1,205,679,999)
Equity attributable to controlling shareholders		4,085,260,139	3,971,745,759
Non-controlling interest	23	(1,208,404)	(933,941)
Total equity		4,084,051,735	3,970,811,818
Total equity and liabilities		10,448,757,488	10,110,725,310

The accompanying notes are an integral part of these consolidated financial statements.

Cencosud S.A. and subsidiaries Consolidated Statements of Profit and Loss and Other Comprehensive Profit

Statements of profit and loss	Note	For the year ended December 31,		
		2016 ThChS	2015 ThChS	2014 ThChS
Continuing Operations				
Revenues from ordinary activities	24	10,333,001,434	10,991,337,710	10,711,029,246
Cost of Sales	25	(7,356,471,437)	(7,813,225,785)	(7,827,431,886)
Gross Profit		2,976,529,997	3,178,111,925	2,883,597,360
Other income	25	301,152,013	210,520,659	114,437,716
Distribution cost	25	(26,817,851)	(27,869,865)	(26,653,898)
Administrative expenses	25	(2,325,903,847)	(2,473,335,481)	(2,274,046,291)
Other expenses	25	(170,659,033)	(174,280,483)	(182,076,769)
Other gains (losses), net	25	59,564,064	(124,454,721)	(6,514,980)
Operating profit		813,865,343	588,692,034	508,743,138
Finance income	25	14,540,360	14,938,640	6,709,144
Finance expenses	25	(283,510,615)	(259,038,397)	(180,257,503)
Share of profits of investments accounted for using the equity method	11	11,896,164	14,067,092	6,208,206
Exchange differences	25	37,287,243	(116,742,837)	(24,410,699)
Losses from indexation	25	(14,312,457)	(22,008,523)	(39,575,950)
Profit before income tax		579,766,038	219,908,009	277,416,336
Income tax expense	26	(191,968,568)	(58,540,083)	(125,931,659)
Profit from continuing operations		387,797,470	161,367,926	151,484,677
Discontinued Operations Profit from discontinued operations	34	—	70,616,993	12,661,641
Profit (loss) attributable to Controlling shareholders		387,754,867	231,940,905	164,894,672
Non—controlling interest	23.5	42,603	44,014	(748,354)
Net Profit		387,797,470	231,984,919	164,146,318
Earnings per share from continuing and discontinued operations attributable to controlling shareholders				
Basic earnings per share from continuing operations	27	135.5	57.0	53.8
Basic earnings per share from discontinued operations		—	25.0	4.5
		135.5	82.0	58.3
Diluted earnings per share from continuing operations	27	135.5	56.3	53.8
Diluted earnings per share from discontinued operations		—	24.7	4.5
		135.5	81.0	58.3

The accompanying notes are an integral part of these consolidated financial statements.

Cencosud S.A. and subsidiaries Consolidated Statements of Profit and Loss and Other Comprehensive Profit

	For the year ended December 31,		
	2016 ThChS	2015 ThChS	2014 ThChS
Net Profit	387,797,470	231,984,919	164,146,318
Other comprehensive profit			
Items that will not be reclassified to profit and loss			
Revaluation surplus	18,435,465	—	—
Re-measurements of employee benefit obligations	(1,349,426)	(526,293)	(431,191)
Total OCI that will not be reclassified to profit and loss	17,086,039	(526,293)	(431,191)
Items that may be reclassified to profit and loss			
Foreign currency translation losses	(63,537,176)	(490,709,278)	(81,363,229)
Cash flow hedge	(50,610,889)	2,527,712	(7,791,437)
Total items that may be reclassified to profit and loss	(114,148,065)	(488,181,566)	(89,154,666)
Other comprehensive loss, before taxes.	(97,062,026)	(488,707,859)	(89,585,857)
Income tax related to revaluation surplus	(4,182,452)	—	—
Income tax related to re-measurement of employee benefit obligations	458,805	178,940	146,605
Total income tax that will not be reclassified to profit and loss	(3,723,647)	178,940	146,605
Income tax related to cash flow hedge	13,672,433	(870,348)	467,671
Total income tax that may be reclassified to profit and loss	13,672,433	(870,348)	467,671
Total other comprehensive loss	(87,113,240)	(489,399,267)	(88,971,581)
Total comprehensive (loss) income	300,684,230	(257,414,348)	75,174,737
Income (loss) attributable to			
Controlling shareholders	300,906,096	(257,312,191)	76,055,757
Non-controlling interest	(221,866)	(102,157)	(881,020)
Total comprehensive profit	300,684,230	(257,414,348)	75,174,737

The accompanying notes are an integral part of these consolidated financial statements.

Cencosud S.A. and subsidiaries
Consolidated Statement of Changes in Net Equity
For the year ended December 31, 2016

Statement of changes in net equity ThChS	Paid-in capital	Share premium	Revaluation surplus reserves	Translation reserves	Hedge reserves	Employee benefit reserves	Share based payments reserves	Other reserves	Total reserves	Retained earnings	Equity attributable to parent company shareholders	Non-controlling interest	Total equity
Opening balance as of January 1, 2016	2,321,380,936	526,633,344	—	(1,187,109,821)	14,859,584	(229,427)	19,276,599	(52,476,934)	(1,205,679,999)	2,329,411,478	3,971,745,759	(933,941)	3,970,811,818
Changes in equity													
Comprehensive profit	—	—	—	—	—	—	—	—	—	—	—	—	—
Net profit	—	—	—	—	—	—	—	—	—	387,754,867	387,754,867	42,603	387,797,470
Other comprehensive (loss) profit	—	—	14,252,148	(63,271,842)	(36,938,456)	(890,621)	—	—	(86,848,771)	—	(86,848,771)	(264,469)	(87,113,240)
Total Comprehensive (loss) profit	—	—	14,252,148	(63,271,842)	(36,938,456)	(890,621)	—	—	(86,848,771)	387,754,867	300,906,096	(221,866)	300,684,230
Share issuance	99,183,799	(65,331,247)	—	—	—	—	—	—	—	—	33,852,552	—	33,852,552
Dividends	—	—	—	—	—	—	—	—	—	(227,755,932)	(227,755,932)	—	(227,755,932)
Stock option (see Note 33)	—	—	—	—	—	—	7,673,363	—	7,673,363	—	7,673,363	—	7,673,363
Decrease due to changes in ownership interest without a loss of control (see Note 23.5)	—	—	—	—	—	—	—	(1,161,699)	(1,161,699)	—	(1,161,699)	(52,597)	(1,214,296)
Total transactions with owners	99,183,799	(65,331,247)	14,252,148	(63,271,842)	(36,938,456)	(890,621)	7,673,363	(1,161,699)	(80,337,107)	159,998,935	113,514,380	(274,463)	113,239,917
Total Changes in equity	99,183,799	(65,331,247)	14,252,148	(63,271,842)	(36,938,456)	(890,621)	7,673,363	(1,161,699)	(80,337,107)	159,998,935	113,514,380	(274,463)	113,239,917
Ending balance, as of December 31, 2016	2,420,564,735	461,302,097	14,252,148	(1,250,381,663)	(22,078,872)	(1,120,048)	26,949,962	(53,638,633)	(1,286,017,106)	2,489,410,413	4,085,260,139	(1,208,404)	4,084,051,735

Cencosud S.A. and subsidiaries
Consolidated Statement of Changes in Net Equity
For the year ended December 31, 2015

Statement of changes in net equity	Paid-in capital	Share premium	Revaluation surplus reserves	Translation reserves	Hedge reserves	Employee benefit reserves	Share based payments reserves	Other reserves	Total reserves	Retained earnings	Equity attributable to parent company shareholders	Non-controlling interest	Total equity
Opening balance as of January 1, 2015	2,321,380,936	526,633,344	—	(696,546,714)	13,202,220	117,926	13,458,245	(52,476,934)	(722,245,257)	2,166,548,572	4,292,317,595	(831,784)	4,291,485,811
Changes in equity													
Comprehensive profit	—	—	—	—	—	—	—	—	—	—	—	—	—
Net profit	—	—	—	—	—	—	—	—	—	231,940,905	231,940,905	44,014	231,984,919
Other comprehensive (loss) profit	—	—	—	(490,563,107)	1,657,364	(347,353)	—	—	(489,253,096)	—	(489,253,096)	(146,171)	(489,399,267)
Total Comprehensive (loss) profit	—	—	—	(490,563,107)	1,657,364	(347,353)	—	—	(489,253,096)	231,940,905	(257,312,191)	(102,157)	(257,414,348)
Dividends	—	—	—	—	—	—	—	—	—	(67,295,731)	(67,295,731)	—	(67,295,731)
Stock option (see Note 33)	—	—	—	—	—	—	5,818,354	—	5,818,354	—	5,818,354	—	5,818,354
Other changes (*)	—	—	—	—	—	—	—	—	—	(1,782,268)	(1,782,268)	—	(1,782,268)
Total transactions with owners	—	—	—	(490,563,107)	1,657,364	(347,353)	5,818,354	—	(483,434,742)	162,862,906	(320,571,836)	(102,157)	(320,673,993)
Total changes in equity	—	—	—	(490,563,107)	1,657,364	(347,353)	5,818,354	—	(483,434,742)	162,862,906	(320,571,836)	(102,157)	(320,673,993)
Ending balance, as of December 31, 2015	2,321,380,936	526,633,344	—	(1,187,109,821)	14,859,584	(229,427)	19,276,599	(52,476,934)	(1,205,679,999)	2,329,411,478	3,971,745,759	(933,941)	3,970,811,818

(*) It corresponds to the recognition effects of adopting IFRS on the subsidiary CAT Company Insurance Brokers and Services S.A. That entity was formerly under compliance of Circular 1602 and subsequent amendments to the Superintendence of Securities and Insurance.

Cencosud S.A. and subsidiaries
Consolidated Statement of Changes in Net Equity
For the year ended December 31, 2014

Statement of changes in net equity ThCh\$	Paid-in capital	Share premium	Revaluation surplus reserves	Translation reserves	Hedge reserves	Employee benefit reserves	Share based payments reserves	Other reserves	Total reserves	Retained earnings	Equity attributable to parent company shareholders	Non-controlling interest	Total equity
Opening balance as of January 1, 2014	2,321,380,936	526,633,344	—	(615,316,151)	20,525,986	402,512	10,636,164	(52,479,121)	(636,230,610)	2,049,483,333	4,261,267,003	100,086	4,261,367,089
Changes in equity													
Comprehensive profit	—	—	—	—	—	—	—	—	—	—	—	—	—
Net profit	—	—	—	—	—	—	—	—	—	164,894,672	164,894,672	(748,354)	164,146,318
Other comprehensive (loss) profit	—	—	—	(81,230,563)	(7,323,766)	(284,586)	—	—	(88,838,915)	—	(88,838,915)	(132,666)	(88,971,581)
Total Comprehensive (loss) profit	—	—	—	(81,230,563)	(7,323,766)	(284,586)	—	—	(88,838,915)	164,894,672	76,055,757	(881,020)	75,174,737
Dividends	—	—	—	—	—	—	—	—	—	(47,829,433)	(47,829,433)	—	(47,829,433)
Stock option (see 33)	—	—	—	—	—	—	2,822,081	—	2,822,081	—	2,822,081	—	2,822,081
Decrease due to changes in ownership interest without a loss of control (see 23.4)	—	—	—	—	—	—	—	2,187	2,187	—	2,187	(50,850)	(48,663)
Total transactions with owners	—	—	—	(81,230,563)	(7,323,766)	(284,586)	2,822,081	2,187	(86,014,647)	117,065,239	31,050,592	(931,870)	30,118,722
Total Changes in equity	—	—	—	(81,230,563)	(7,323,766)	(284,586)	2,822,081	2,187	(86,014,647)	117,065,239	31,050,592	(931,870)	30,118,722
Ending balance, as of December 31, 2014	2,321,380,936	526,633,344	—	(696,546,714)	13,202,220	117,926	13,458,245	(52,476,934)	(722,245,257)	2,166,548,572	4,292,317,595	(831,784)	4,291,485,811

Cencosud S.A. and subsidiaries
Consolidated statements of cash flows

	Note	For the years ended December 31,		
		2016 ThCh\$	2015 ThCh\$	2014 ThCh\$
Cash flows from (used in) operating activities				
Types of revenues from operating activities				
Revenue from sale of goods and provision of services [1]		12,191,359,273	13,083,522,912	12,510,757,329
Other operating revenues		10,622,821	7,391,645	12,356,355
Types of payments				
Payments to suppliers for goods & services		(9,886,349,821)	(10,081,992,082)	(10,210,372,358)
Payments to and on behalf of personnel		(1,294,869,320)	(1,561,123,940)	(1,367,742,879)
Other operating payments		(527,800,502)	(641,499,919)	(483,963,826)
Interest paid		(177,049)	(4,192,782)	(2,582,002)
Interest received		3,277,560	3,160,127	1,678,603
Taxes paid		(88,546,161)	(66,528,483)	(87,128,966)
Other cash inflows		(3,449,722)	4,862,929	1,897,957
Cash flows from operating activities (continuing operations)		404,067,079	743,600,407	374,900,213
Cash flows from operating activities (discontinued operations)		—	(107,449,303)	14,583,058
Net cash flow from operating activities		404,067,079	636,151,104	389,483,271
Cash flows from (used in) investing activities				
Disposal of subsidiaries and associates [2]		123,053,746	—	—
Acquisition of non controlling interest and capital contributions to associate [3]		(1,434,532)	(30,132,967)	—
Proceeds from sale of property, plant and equipment		4,376,965	18,047,004	7,515,592
Purchases of property, plant and equipment		(208,173,413)	(171,605,755)	(227,422,961)
Purchases of intangible assets		(42,050,787)	(35,442,620)	(22,594,236)
Collection from related parties		—	290,824,586	—
Dividends received		5,174,138	2,698,866	6,892,639
Interest received		1,266,095	1,777,720	630,971
Proceeds from sale of other financial assets—mutual funds		3,751,752,842	5,629,604,005	825,385,250
Purchases of other financial assets—mutual funds		(3,715,064,833)	(5,843,819,506)	(825,799,626)
Cash flows from investment activities (continuing operations)		(81,099,799)	(138,048,667)	(235,392,371)
Cash flows from investment activities (discontinued operations)		—	169,095,101	1,996,104
Net cash flow from (used in) investment activities		(81,099,799)	31,046,434	(233,396,267)
Cash flows from (used in) financing activities				
Proceeds from paid in capital		33,852,552	—	—
Proceeds from borrowings at long—term		167,443,505	758,577,959	725,079,729
Proceeds from borrowings at short—term		317,535,081	3,578,568,363	7,871,210,244
Total loan proceeds from borrowings		518,831,138	4,337,146,322	8,596,289,973
Repayments of borrowings		(335,656,582)	(4,763,327,130)	(8,383,816,787)
Dividends paid		(227,397,994)	(80,898,846)	(55,893,005)
Interest paid		(260,728,874)	(224,580,118)	(188,378,177)
Other cash inflows (outflows) [4]		(2,061,800)	57,792,022	—
Cash flows used in financing activities (continuing operations)		(307,014,112)	(673,867,750)	(31,797,996)
Cash flows used in financing activities (discontinued operations)		—	35,258,696	(80,580,490)
Net cash used in financing activities		(307,014,112)	(638,609,054)	(112,378,486)
Net increase in cash and cash equivalents before the effect of variations in the exchange rate on cash and cash equivalents				
		15,953,187	28,588,484	43,708,518
Effects of variations in the exchange rate on cash and cash equivalents				
		(9,009,310)	20,814,849	3,451,650
Net increase in cash and cash equivalents				
		6,943,877	49,403,333	47,160,168
Cash and cash equivalents at the beginning of the year	5	268,275,126	218,871,793	171,711,625
Cash and cash equivalents at the end of the year	5	275,219,003	268,275,126	218,871,793
Cash and cash equivalents per the statement of financial position				
		275,219,003	268,275,126	218,871,793
Cash and cash equivalents reported as part of assets of the disposal group				
		—	—	755,493

The accompanying notes are an integral part of these consolidated financial statements.

[1] This caption includes goods and services and related value added tax

[2] This amount includes proceeds from the sale of the associate Mall Viña amounting ThCh\$110,574,884 (Note 11) and the sale of a subsidiary and the drugstore's business in Perú amounting ThCh\$3,468,109 and ThCh\$9,010,753, respectively.

[3] Acquisition of interest in Easy S.A. in 2016 (see Note 23.5) and capital contributions to CAT made in 2015 according to agreement with BNS in equal parts without affecting the owners' interest (See Note 36)

[4] Other cash inflows financing activities during 2015 includes results from the re-couponsing of several derivative contracts designated as hedges. (See note 7.3)

Cencosud S.A. and subsidiaries
Notes to the consolidated financial statements

1 General information

Cencosud S.A. (hereinafter “Cencosud Group,” “the Company,” “the Holding,” “the Group”) taxpayer ID number 93.834.000-5 is a public corporation with an indefinite life, with its legal residence at Avda. Kennedy 9001, 4th floor, Las Condes, Santiago, Chile.

Cencosud S.A. is a public company registered with the Chilean Superintendence of Securities and Insurance (SVS), under No.743, which shares are quoted in Chile on the Chilean Electronic Stock Exchange and the Santiago Stock Exchange. The Company is also quoted on the United States of America Stock Exchange (“NYSE”) in New York in the form of American Depositary Receipts (ADRs).

Cencosud S.A. is a retail operator in Latin America, which has active operations in Chile, Argentina, Brazil, Colombia and Peru, where it has developed a successful multi-format and multi-brand strategy reaching sales of ThCh\$ 10,333,001,434 to December 31, 2016.

During the year ended December 31, 2016, the Company employed an average of 139,093 employees, ending with a total number of 138,160 employees.

The Company’s operations include supermarkets, hypermarkets, home improvement stores, department stores, shopping centers, as well as real estate development and financial services, which makes it the most diversified retail company of Latin-American capital in South America with the biggest offering of square meters, catering to the consumption needs of over 180 million customers.

Additionally, the Company operates other lines of business that complement the main retail operations, such as insurance brokerage, travel agency, customer loyalty services and family entertainment centers. All of these services have gained recognition and prestige among customers, with brands that excel at quality and service.

The Company splits its capital stock among 2,862,536,947 shares of a single series whose main shareholders are the following:

Major shareholders as of December 31, 2016	Shares	Interest %
Inversiones Quinchamali Limitada	573,754,802	20.043%
Inversiones Latadia Limitada	550,823,211	19.243%
Inversiones Tano Limitada	287,328,548	10.038%
Banco de Chile por cuenta de terceros	197,355,845	6.894%
Banco Itau por cuenta de inversionistas	157,660,854	5.508%
Fondo de Pensiones Provida B	75,326,810	2.632%
Horst Paulmann Kemna	70,336,573	2.457%
Banco Santander - JP Morgan	63,837,132	2.230%
Fondo de Pensiones Habitat C	59,963,690	2.095%
Fondo de Pensiones Capital C	48,811,913	1.705%
Fondo de Pensiones Cuprum C	45,676,632	1.596%
Fondo de Pensiones Provida B	43,323,908	1.514%
Other Shareholders	688,337,029	24.045%
Total	2,862,536,947	100.000%

The Cencosud group is controlled by the Paulmann family, as detailed below:

<u>Interest of Paulmann family as of December 31, 2016</u>	<u>Interest</u>
	<u>%</u>
Inversiones Quinchamali Limitada	20.043%
Inversiones Latadía Limitada	19.243%
Inversiones Tano Limitada	10.038%
Paulmann Kemna Horst	2.457%
Manfred Paulmann Koepfer	0.486%
Peter Paulmann Koepfer	0.492%
Heike Paulmann Koepfer	0.486%
Succession of Doña Helga Koepfer Schoebitz	0.113%
Inversiones Alpa Limitada	0.002%
Total	53.361%

The consolidated financial statements of Cencosud group corresponding to the year ended December 31, 2016, were approved by the Board of Directors in a session held on April 27, 2017.

2 Summary of the main accounting policies

2.1 Presentation basis

The consolidated financial statements of Cencosud S.A. have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historic-cost basis, as modified by the revaluation at fair value of certain financial instruments, derivative instruments and investment property.

The presentation of the financial statements in conformity with IFRS requires the use of certain accounting estimates, and also requires Management to exercise its judgment in the process of applying the Company's accounting policies. Note 4 to these financial statements shows the areas in which a greater level of judgment has been applied, or where there is a higher level of complexity and therefore hypothesis and estimates are material to the financial statements.

Figures in the accompanying financial statements are expressed in thousands of Chilean pesos, as the Chilean peso is the functional and presentation currency of the Company. All values have been rounded to the nearest thousand of pesos, except where mentioned.

The following revisions were made to prior period financial statements:

a) The Company revised its consolidated statement of profit and loss and other comprehensive profit for the year ended December 31, 2015, to correct the amount related to income tax related to cash flow hedge, which was not appropriately presented. The revision resulted in the following:

	<u>As previously reported December 31, 2015</u>	<u>Adjustment</u>	<u>As revised December 31, 2015</u>
Cash flow hedge	4,491,679	(1,963,967)	2,527,712
Total items that may be reclassified to profit and loss	(486,217,599)	(1,963,967)	(488,181,566)
Income tax related to cash flow hedge	(2,834,315)	1,963,967	(870,348)
Total income tax that may be reclassified to profit and loss	(2,834,315)	1,963,967	(870,348)

The Company evaluated the materiality of these amounts quantitatively and qualitatively, and has concluded that the amounts described above were not material to its annual prior period financial statements or trends of financial results.

b) The Company determined that in Notes 16.2 and 26 to the Consolidated Statements for the years ended December 31, 2015 and 2014 certain amounts related to the effects of deferred income tax expense were misclassified between Current income tax expense and deferred income tax expense.

There is no impact to the consolidated income tax expense. The Company has evaluated the effects of the revisions made and concluded that none are material to any of its previously issued annual Consolidated Financial Statements. Nevertheless, the Company has elected to revise the comparative periods mentioned above. For the years ended December 31, 2015 and 2014, these revisions are as follows:

Note 16.2

	<u>For the year ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>ThCh\$</u>	<u>ThCh\$</u>
Effects on statement of profit and loss as previously reported	97,487,598	(17,548,140)
Adjustment	(2,683,876)	(453,952)
Effects on statement of profit and loss as revised	<u>94,803,722</u>	<u>(18,002,092)</u>
Effects on statement of profit and loss from discontinued operations as previously reported	(2,683,876)	(12,026,969)
Adjustment	2,683,876	12,480,921(*)
Effects on statement of profit and loss from discontinued operations as revised	<u>—</u>	<u>453,952</u>

(*) The reclassification of corresponding deferred income tax assets and liabilities to the discontinued operations line item is presented separately for an amount of (ThCh\$12,026,969).

Note 26

	<u>For the year ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>ThCh\$</u>	<u>ThCh\$</u>
Total current income tax expense, net as previously reported	156,027,681	107,130,790
Adjustment	(2,683,876)	798,777
Total current income tax expense, net, as revised	<u>153,343,805</u>	<u>107,929,567</u>
Total deferred income tax expense, net, as previously reported	(97,487,598)	18,800,869
Adjustment	2,683,876	(798,777)
Total deferred income tax expense, net as revised	<u>(94,803,722)</u>	<u>18,002,092</u>

c) Certain revisions have been made to correct amounts that were not properly presented in the notes to the consolidated financial statements. The Company determined that in Notes 25.5 and 25.6 to the consolidated financial statements certain amounts related to the effects of discontinued operations were not presented appropriately for the years ended December 31, 2015 and 2014.

There is no impact to the consolidated statement of profit and loss and other comprehensive profit. The Company has evaluated the effects of these errors within the notes to the consolidated financial statements and concluded that none are material to any of its previously issued annual Consolidated Financial Statements. Nevertheless, the Company has elected to revise the periods mentioned above. For the years ended December 31, 2015 and 2014, these revisions are as follows:

Note 25.5 Other operating income

Other operating income	Discontinued operation 2015		
	As previously reported December 31, 2015	Adjustment	As revised December 31, 2015
	ThChS	ThChS	ThChS
Other income	883,399	(1,319,849)	(436,450)

Note 25.6 Financial results

Other gains (losses)	Discontinued operation 2015		
	As previously reported December 31, 2015	Adjustment	As revised December 31, 2015
	ThChS	ThChS	ThChS
Other finance income	862,350	(993,798)	(131,448)
Financial income	862,350	(993,798)	(131,448)
Bank loan expenses	(33,329)	66,658	33,329
Interest on bank loans	(5,195,830)	19,517,051	14,321,221
Financial Expenses	(5,229,159)	19,583,709	14,354,550
Results from UF indexed bonds in Chile	(38,046)	76,092	38,046
(Losses) gains from indexation	(38,046)	76,092	38,046
Bond debt USA and Peru	2,760,915	(5,521,830)	(2,760,915)
Exchange difference	2,760,915	(5,521,830)	(2,760,915)
Financial results total	(1,643,940)	13,144,173	11,500,233

Note 25.6 Financial results

Other gains (losses)	Discontinued operation 2014		
	As previously reported December 31, 2014	Adjustment	As revised December 31, 2014
	ThChS	ThChS	ThChS
Other finance income	269,291	(528,911)	(259,620)
Financial income	269,291	(528,911)	(259,620)
Bank loan expenses	(98,788)	197,576	98,788
Interest on bank loans	(9,885,062)	48,738,828	38,853,766
Financial Expenses	(9,983,850)	48,936,404	38,952,554
Results from UF indexed bonds in Chile	(1,281,445)	6,251,377	4,969,932
(Losses) gains from indexation	(1,281,445)	6,251,377	4,969,932
Bond debt USA and Peru	(5,539,807)	24,738,486	19,198,679
Exchange difference	(5,539,807)	24,738,486	19,198,679
Financial results total	(16,535,811)	79,397,356	62,861,545

2.2 *New and amended standards adopted by the group*

(a) New standards, amendments and interpretations adopted by the Group from January 1, 2016.

Standard	Description
IFRS 11 — Acquisition of an interest in a joint operation	The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business.
IAS 16 — Property, Plant and Equipment	The amendments provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated.
IAS 1 — Presentation of Financial Statements	The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports.
IFRS 10 and IAS 28 — “Consolidated financial statements” and “Investments in associates and joint ventures”	These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

Annual Improvements to IFRSs 2012—2014 Cycle issued on 25 September 2014.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
IFRS 7 Financial Instruments: Disclosures	Adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required.

IAS 19 Employee Benefits	Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).
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The adoption of these standards and amendments did not have have a material impact on the Group,

(b) New standards, amendments and interpretations not yet adopted.

Standard	Description	Application for annual periods beginning on or after:
IFRS 9 “Financial Instruments”	The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.	01-01-2018
IFRS 15 “Revenue from Contracts with Customers”	This standard defines a new model to recognize revenue from contracts with costumers.	01-01-2018
IFRS 16 “Leases”	Specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value	01-01-2019
IFRIC 22 — Foreign Currency Transactions and Advance Consideration	IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.	01-01-2018
IAS 7 — Statement of Cash Flows	The amendments are intended to clarify IAS 7 to improve disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	01-01-2017
IAS 12 — Income Taxes	The IASB had concluded that the diversity in practice around the recognition of a deferred tax asset that is related to a debt instrument measured at fair value is mainly attributable to uncertainty about the application of some of the principles in IAS 12. Therefore the amendments consist of some clarifying paragraphs and an illustrating example.	01-01-2017
IFRS 2 — Share-based Payment	The amendments to IFRS 2 clarify the classification and measurement of share-based payment transactions. The amendments address several requests that the IASB and the IFRS Interpretations Committee received and that the IASB decided to deal with in one combined narrow-scope project.	01-01-2018
IFRS 15 — Revenue from Contracts with Customers	The amendments in Clarifications to IFRS 15 ‘Revenue from Contracts with Customers’ address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some	01-01-2018

Standard	Description	Application for annual periods beginning on or after:
	transition relief for modified contracts and completed contracts. The IASB concluded that it was not necessary to amend IFRS 15 with respect to collectability or measuring non-cash consideration. In all its decisions, the IASB considered the need to balance helping entities with implementing IFRS 15 and not disrupting the implementation process.	
IAS 40 — Investment Property	The amendment provides guidance on transfers to, or from, investment properties. More specifically, the question was whether a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use.	01-01-2018
IFRS 12 — Disclosure of Interests in Other Entities	The amendment clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10—B16, apply to an entity’s interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	01-01-2018
IAS 28 — Investments in Associates and Joint Ventures (2011)	The amendment clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition	01-01-2018
IFRS 10 — Consolidated Financial Statements	<p>The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.</p> <p>The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a ‘business’ (as defined in IFRS 3 Business Combinations).</p> <p>Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor’s investors in the associate or joint venture. The amendments apply prospectively.</p>	N/A**

** In December the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

These standards, amendments and interpretations are not expected to have a material impact on the Group, except for the following:

IFRS 9 - Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has not yet undertaken a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the recognition of such assets.

The other financial assets held by the Group mainly include:

- Mutual Fund Shares
- Derivatives (hedging and economical)
- Highly liquid financial instruments, and
- Financial investments long term

The Group does not expect the new guidance to have a significant impact on the classification and measurement of these financial assets.

There will be no impact on the Group's recognition for financial liabilities, as the new requirements only affect the recognition for financial liabilities that are designated at fair value through profit or loss and the group does not have liabilities with such classification. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the recognition for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group is yet to undertake a detailed assessment, it would appear that the Group's current hedge relationships would qualify as accounting hedges upon the adoption of IFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contracts under IFRS 15 Revenue from Contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extend of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 9 must be applied mandatorily for financial years commencing on or after January 1, 2018.

The Group does not intend to adopt IFRS 9 before its mandatory date. At this stage, the Group does not intend to adopt the standard before its effective date.

IFRS 15 - Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

The standard permits a full retrospective or modified retrospective approach for adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- Accounting for the customers loyalty program — IFRS 15 requires that the total consideration received must be allocated to the points and goods based on relative stand-alone selling prices rather than based on the residual value method; this could result in different amounts being allocated to the goods sold and deffera in the recognition of a portion of the revenue, and
- GIFT CARD - IFRS 15 allows that when it is adequately established the rate of wastage from clients, over their separate total contractual rights (breakage), the variable consideration treatment is given and a portion of such right is recognized as revenue. This could lead to a recognition of revenue in advance.

IFRS 15 must be applied mandatorily for financial years commencing on January 1, 2018. The expected date of adoption by the Group is January 1, 2018. At this stage, the Group is not able to estimate the impact of this new standard on the Group's financial statements, the Group will make a more detailed assessment of the impact over the next twelve months.

IFRS 16 - Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the recognition of the Group's operating leases. As at the reporting date, the Group has non-cancellable operating leases commitments of Ch\$ 1,755,184 million (see note 30). However, the Group has not yet determined to what extend these commitments will result in the recognition of an asset and liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under the new IFRS 16 definitions.

IFRS 16 is mandatory for financial years commencing on or after January 1, 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

2.3 Consolidation basis

2.3.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it's exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those through its power over the entity.

When the Group holds less than a majority of voting rights over an investee, it has the power over the investee when these voting rights are sufficient to give the Group the ability to direct unilaterally the relevant activities of the investee. The Group considers all facts and circumstances to evaluate if the voting rights over an investee are sufficient to give it power, including:

- (a) the size of the investor holding of voting rights relative to the size and dispersion of holding of the other vote holders; (b) the potential voting rights held by the investor, other vote holders or other parties; (c) rights arising from other contractual agreements; and (d) any additional facts and circumstances that indicate the investor has, or does not have, the current ability to direct the relevant activities in the time that decision need to be made, including voting patterns at previous shareholders' meetings.

The Group will reassess whether it controls an investee if facts and circumstances indicate that there are changes in the elements of control previously mentioned.

The financial statements of subsidiaries are included in the consolidated financial statements from the date in which control commences until the date in which control ceases.

2.3.2 Associates

Associates are those entities where the Group has a significant influence but not control, which is generally reflected in an interest between 20% and 50% of the voting rights. The investments in associates are accounted for using the equity method and are initially recognized at cost. The investment of the Group in associates includes the goodwill of the acquisition, net of any accumulated impairment loss.

The Group's interest in the gains or losses which occurred after the acquisition of its associates is charged to profit and loss, and its participation in the equity changes subsequent to the acquisition that do not correspond to profit and loss is allocated to the corresponding equity reserves (and is presented accordingly in the statement of other comprehensive profit).

When the Group's interest in the losses of an associate is equal to or higher than its interest—including any other uninsured accounts receivable—the Group does not recognize additional losses, unless it has incurred liabilities or payments on behalf of the associate.

Unrealized profits on transactions between the Group and its associates are eliminated to the extent of the Group's interest in such entities. The unrealized losses are also eliminated unless the transaction provides evidence of impairment loss of the asset transferred. Whenever necessary to ensure consistency within the Group's policy, the accounting policies of the associates are modified.

Dilution gains or losses in associates are recognized in the statement of income.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the impact in the statement of income.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions—that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the associate is recorded in equity.

2.4 **Subsidiary entities**

2.4.1 *Directly consolidated entities*

The detail of the subsidiaries included in consolidation is as follows:

Country	Tax ID Number	Company name	Interest percentage				
			12/31/2016		Total	12/31/2015	12/31/2014
			Direct	Indirect		Total	Total
			%	%	%	%	%
Chile	81.201.000-K	Cencosud Retail S.A.	99.9620%	0.0004%	99.9624%	99.9609	99.9609
Chile	96.671.750-5	Easy Retail S.A.	99.5748%	0.3516%	99.9264%	99.5750	99.5750
Chile	76.568.660-1	Cencosud Administradora de Procesos S.A. (1)	0.0000%	0.0000%	0.0000%	100.0000	100.0000
Chile	96.978.180-8	Cencosud Internacional Ltda.	90.0800%	9.9200%	100.0000%	100.0000	99.9963
Chile	94.226.000-8	Cencosud Shopping Centers S.A.	99.99996%	0.0000%	99.99996%	99.99996	99.99996
Chile	78.410.310-2	Comercial Food And Fantasy Ltda.	90.0000%	0.0000%	90.0000%	90.0000	90.0000
Chile	76.433.310-1	Costanera Center S.A.	99.99996%	0.0000%	99.99996%	100.0000	99.9999
Chile	76.476.830-2	Cencosud Fidelidad S.A.	99.0000%	1.0000%	100.0000%	100.0000	100.0000
Chile	99.565.970-0	Banco Paris S.A.	98.8900%	1.1100%	100.0000%	100.0000	100.0000
Chile	83.123.700-7	Mercado Mayorista P y P Ltda.	90.0000%	0.0000%	90.0000%	90.0000	90.0000
China	Foreign	Cencosud (Shanghai) Trading CO, Ltda.	100.0000%	0.0000%	100.0000%	100.0000	100.0000
Chile	76.236.195-7	Cencosud Argentina SPA (2)	0.0000%	0.0000%	0.0000%	100.0000	100.0000

(1) On February 1, 2016, Easy S.A. (Absorbed Company) was merged with and into Easy Retail S.A.

(Absorbent Company), formerly known as Cencosud Administradora de Procesos S.A., latterly succeeding in all its rights and obligations.

(2) From January 1, 2016, Cencosud Argentina S.P.A. (Absorbed Society) was merged with and into Cencosud Internacional Argentina S.P.A. (Absorbent Society), latterly succeeding in all the absorbed rights and obligations and acquiring all of its assets and liabilities. Cencosud Argentina S.P.A. was consequently dissolved.

2.4.2 *Indirect consolidation entities*

The financial statements of consolidated subsidiaries also include the following companies:

<u>Country</u>	<u>Tax ID number</u>	<u>Company name</u>
Chile	81.201.000-K	Cencosud Retail S.A.
Chile	76.062.794-1	Santa Isabel Administradora S.A.
Chile	77.301.910-K	Logística y Distribución Paris Ltda.
Chile	77.312.480-9	Administradora de Servicios Cencosud Ltda.
Chile	99.586.230-1	Hotel Costanera S.A.
Chile	79.829.500-4	Eurofashion Ltda.
Chile	76.166.801-3	Administradora TMO S.A.
Chile	76.168.900-2	Meldar Capacitación Ltda.
Chile	77.779.000-5	Paris Administradora Ltda.
Chile	96.989.640-0	MegaJohnson's Viña del Mar S.A.
Chile	96.988.700-2	Johnson Administradora Ltda.
Chile	76.398.410-9	American Fashion SPA
Chile	76.568.660-1	Easy Retail S.A.
Chile	94.226.000-8	Cencosud Shopping Centers S.A.
Chile	88.235.500-4	Sociedad Comercial de Tiendas S.A.
Chile	84.658.300-9	Inmobiliaria Bilbao Ltda.
Chile	78.409.990-8	ACC Alto las Condes Ltda.
Chile	76.433.310-1	Costanera Center S.A.
Chile	96.732.790-5	Inmobiliaria Santa Isabel S.A.
Chile	76.203.299-6	Comercializadora Costanera Center S.P.A.
Chile	99.565.970-0	Banco Paris S.A.
Chile	96.978.180-8	Cencosud Internacional Ltda.
Chile	76.258.309-7	Cencosud Internacional Argentina S.P.A.
Argentina	Foreign	Cencosud S.A.(Argentina)
Argentina	Foreign	Unicenter S.A.
Argentina	Foreign	Jumbo Retail Argentina S.A.
Argentina	Foreign	Agrojumbo S.A.
Argentina	Foreign	Blaisten S.A.
Argentina	Foreign	Cavas y Viñas El Acequion S.A.
Argentina	Foreign	Agropecuaria Anjullón S.A.
Argentina	Foreign	Corminas S.A.
Argentina	Foreign	Invor S.A.
Argentina	Foreign	Pacuy S.A.
Argentina	Foreign	Supermercados Davi S.A.
Uruguay	Foreign	SUDCO Servicios Regionales S.A.
Colombia	Foreign	Cencosud Colombia S.A.
Brazil	Foreign	Cencosud Brasil Comercial Ltda.
Brazil	Foreign	Mercantil Rodrigues Comercial Ltda.
Brazil	Foreign	Perini Comercial de Alimentos Ltda.
Peru	Foreign	Cencosud Perú S.A.
Peru	Foreign	Loyalty Perú SAC
Peru	Foreign	Almacenes Metro S.A.
Peru	Foreign	Cencosud Retail Perú S.A.
Peru	Foreign	Tres Palmeras S.A.
Peru	Foreign	Las Hadas Inversionistas S.A.
Peru	Foreign	Cinco Robles SAC.
Peru	Foreign	ISMB Supermercados S.A.
Peru	Foreign	Travel International Partners Perú S.A.
Peru	Foreign	Banco Cencosud S.A.

2.5 Foreign currency transaction

2.5.1 Functional and presentation currency

Each entity included in these consolidated financial statements is measured using its functional currency, which is the currency of the main economic environment where the entity operates.

In the case of international subsidiaries, the functional currency of each company has been defined to be the local currency, as the business has a local focus and it is involved in the retail business.

The functional currency of each subsidiary that the Group operates is:

Country	Functional currency
Chile	Chilean peso
Argentina	Argentinian peso
Brazil	Brazilian Real
Peru	Peruvian Nuevo Sol
Colombia	Colombian peso
China	Yuan

If the presentation currency differs from the functional currency of the entity, this entity must translate its results and financial position to the selected presentation currency, which in this case is the Chilean peso.

2.5.2 Transactions and balances

Transactions in foreign currency and adjustable units (“Unidad de Fomento” or “UF”) are recorded at the exchange rate of the corresponding currency or adjustable unit as of the date on which the transaction complies with the requirements for its initial recognition. The UF is a Chilean inflation-indexed, peso-denominated monetary unit. The UF rate is set daily in advance based on changes in the previous month’s inflation rate. At the close of each statement of financial position the monetary assets and liabilities denominated in foreign currencies and adjustable units are translated into Chilean pesos at the exchange rate of the corresponding currency or adjustable unit. The exchange difference arising, both from the liquidation of foreign currency operations, as well as from the valuation of foreign currency monetary assets and liabilities, and the difference arising from the changes in adjustable units are recorded in the statement of profit and loss.

Transactions in foreign currency will be translated to the functional currency using the exchange rates in effect at the time of each transaction. Gains and losses in foreign currency that result from the liquidation of the transactions and from the translation at the current exchange rates as of the closing of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit and loss.

Exchange rates

The assets and liabilities held in foreign currency and those set in UF (indexation unit), are presented at the following exchange rates and closing values:

Date	Ch\$/US\$	SCh/uf	SCh/S Ar\$	SCh/ Colombian\$	SCh/ Peruvian nuevo sol	SCh/ Brazilian real	SCL/ Chinese yuan
12-31-2016	669.47	26,347.98	42.28	0.22	199.69	205.82	96.13
12-31-2015	710.16	25,629.09	54.75	0.22	208.25	178.31	108.11
12-31-2014	606.75	24,627.10	70.97	0.25	202.93	228.27	97.59

Group entities

The results and financial position of all the entities of the Group (none is in a hyperinflationary economy), that have a functional currency different than the presentation currency, are translated to the presentation currency as

follows:

- a. Assets, liabilities and equity of each statement of financial position are translated at the closing exchange rate of the closing date of the accounting period.
- b. Revenues and expenses of each statement of profit and loss are translated at average exchange rate (unless this average does not represent a reasonable approximation of the accumulative effect of the rates existing on the transaction dates, in which case income and expenses are translated at the exchange rate of the date of the transaction); and
- c. All the resulting exchange differences are recognized in other comprehensive income.

On consolidation, the exchange rate differences arising from the translation of a net investment in foreign operations (or local entities with a functional currency that is different than the holding company), are recorded in net equity. When an investment is sold or disposed of (in part or entirely), exchange differences are recorded in the statement of income as part of the gain or loss on sale.

Adjustments to goodwill and fair value of the assets and liabilities arising from the acquisition of a foreign entity (or entity with a functional currency different to that of the holding company) are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

2.6 Financial information of operating segments.

Segment information is reported in a manner consistent with the internal reports delivered to those responsible for making the relevant operating decisions. Such executives are in charge of allocating resources and assessing the performance of the operating segments, which have been identified as: supermarkets, department stores, home improvement stores, shopping centers, financial services and other for which the strategic decisions are made.

This information is detailed in Note 28.

2.7 Property, plant and equipment.

Property, plant and equipment are measured at the acquisition cost, which includes the additional costs incurred until the asset is in operating condition, less the accumulated depreciation and the impairment losses.

Impairment losses are recorded as expenses in the Company's consolidated statements of profit and loss by function.

Depreciation is recorded in the statement of profit and loss following the straight line method considering the useful life of the different components.

Leasehold improvements are amortized over the shorter of useful life or the duration of lease agreements.

The Group reviews the residual value, useful life and depreciation method of the property, plant and equipment as of each reporting period. Modifications in the initially set criteria are recognized, according to the situation, as a change in an estimate.

Periodic expenses related to maintenance, conservation and repairs are recorded in the consolidated statement of profit and loss by function as incurred.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to income during the financial period in which they are incurred.

2.8 Investment property.

Investments properties are assets maintained to generate income through lease which corresponds to land, buildings, work in progress and other constructions which are held to be leased or for a capital appreciation as a

result of the increases in the future of their respective market prices. Investment properties are initially recognized at acquisition cost which mainly includes its purchase price and any directly attributable expenditure and are not subject to annual depreciation. The group has chosen the fair value model as its accounting policy for subsequent remeasurement of these assets, using the methodology of discounting the future cash flows to an appropriate discount rate. Gains and losses arising from changes in fair value of investment properties are included in the statement of profit and loss as they occur. Gains from investment property revaluation are not part of the taxable income and are excluded in determining the distributable net result for minimum accrual dividend.

The Group owns shopping centers in which it keeps its own stores and stores leased to third parties. In these cases, only the portion leased to third parties is considered investment property, recognizing its own stores as property, plant and equipment in the financial statements.

Transfers to, or from, investment property are made when there is a change in use. For a transfer from investment property to owner-occupied property or inventories, the property's deemed cost will be considered its fair value at the date of the change in use. If an owner-occupied property becomes an investment property, the Company will apply its property plant and equipment accounting policies up to the date of change in use and will recognize any difference between the carrying amount of the property and its fair value at that date as a reserve in other comprehensive income, in the same way as a revaluation is recognized in accordance with IAS 16.

2.9 Intangible assets.

2.9.1 General.

Intangible assets are those non-monetary assets without physical substance that are able of being separable and identified, either because they are separable or because they arise from a legal or a contractual right. Intangible assets recorded in the statement of financial position are those assets whose cost can be measured in a reliable way (or identified and recorded at fair value in a business combination) and those that the Group expects will generate future economic benefits.

In the case of intangible assets with an indefinite useful life, the Company considers that these maintain their value constantly over time, and therefore are not amortizable. However, these are tested for impairment annually, or more frequently, if events or changes in circumstances indicate a potential impairment.

2.9.2 Goodwill.

The goodwill represents the excess of the acquisition cost over the fair value of the Group's interest in the identifiable net assets of the subsidiary/associate as of the date of acquisition. Goodwill related to subsidiary acquisitions is included in the line item intangible assets. Goodwill related to acquisitions of associates is included under investments in associates, and is tested for impairment along with the total balance of the associate.

Goodwill is not amortized; it is subsequently measured at cost less accumulated impairment losses and tested for impairment annually. To perform this analysis, goodwill is allocated among the cash generating units that are expected to benefit from the business combination in which the goodwill arose, and estimate the recoverable value of the cash generating units through the method of the discounted cash flows estimated for each of the cash generating units. If the recoverable value of any of the cash generating units is lower than the discounted cash flows, a loss should be recorded to income for the period. A loss from impairment of goodwill cannot be reversed in subsequent periods.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense.

Gains and losses related to the sale of an entity include the carrying value of the goodwill related to the sold entity.

2.9.3 Commercial brands.

Commercial brands correspond to intangible assets of indefinite useful life that are shown at its acquisition cost, less any impairment loss. Trademarks acquired in a business combination are recognized at fair value at the acquisition date. These assets are subject to impairment tests annually or more frequently when events indicate that

impairment may exist.

2.9.4 Information technology and licenses.

The licenses and database for information technology that have been acquired are capitalized at the cost incurred in the purchase plus the cost of implementation of the specific application. These expenses are amortized over the estimated useful life.

The corresponding development and maintenance expense of information technology are recorded as an expense of the period. Costs directly related with the production of unique and identifiable information technology that are controlled by the Group, and that may generate economic benefits that exceed the costs for over a year, are recognized as intangible assets. The direct costs include the expenses related to the personnel developing the application.

Development costs of technology recognized as assets are amortized over their estimated useful life.

2.10 Borrowing costs.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of any qualified assets as described in Notes 2.7, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until the assets are ready for their intended use or sale.

Investment income, earned on the temporary investment related to specific borrowings pending their expenditures on qualifying assets, is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit and loss in the period in which they are incurred.

2.11 Impairment loss of non-financial assets.

The assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. The assets subject to amortization are reviewed for impairment tests whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

To test if the assets have experienced an impairment of value, the Group compares the book value of the assets with their recoverable amount and recognizes an impairment loss for the excess of the book value over its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that have experienced an impairment loss are subject to subsequent impairment reviews as of each statements of financial position closing date in case a reversal of the loss may have occurred. If this situation occurs, the recoverable amount of the specific asset is recalculated and its amount increased if necessary. The increase is recognized in the Consolidated Statement of Comprehensive Income as a reversal of impairment losses. The increase in the asset resulting from the reversal of the impairment loss is limited to the amount that would have been recognized had there been no impairment.

2.12 Financial assets.

The classification depends on the purpose for which the investments were acquired. The Group sets the classification of the investments at the time of the initial recognition. Purchases or sales of financial assets are accounted for at fair value as of the settlement date, which is the date when the asset is delivered or received by the Company.

2.12.1 Financial assets at fair value through profit or loss.

This category has two subcategories: (i) financial assets held for “trading” and (ii) those designated at the beginning as financial assets at fair value through profit or loss. The gains and losses that arise from changes in the subsequent measurement to fair value are included in the profit and loss of the period. A financial asset is classified at fair value through profit and loss if it is acquired mainly with the purpose of selling it in the short-term or if it is designated as such.

The financial derivative instruments are classified as held for trading unless they are designated as hedging instruments.

2.12.2 Trade receivables and other receivables.

Trade receivables are financial assets other than financial derivative instruments, with fixed payments or with established amounts that are not traded in the financial market. They are included within current assets, with the exception of those maturing in more than twelve months from the closing date of the financial statements, in which case, they are classified as non-current assets.

Account receivables originated by the Company with a maturity in excess of 90 days are measured at their “amortized cost” by recognizing the accrued interest based on the effective interest rate (IRR) in profit and loss.

Amortized cost means the initial cash outflow or inflow of a financial asset or liability less repayments of principal and the cumulative amortization of any transaction fees or costs not recognized in net income in the period of acquisition based on the effective interest rate, considering the potential reductions due to impairment or payment default.

The effective interest rate is that which equals the future cash flows with the initial net asset value.

2.12.3 Financial assets and liabilities offset

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis to realize the asset and settle the liability simultaneously.

2.12.4 Impairment loss on the value of financial assets

The Group assesses at each reporting date if there is objective evidence that a financial asset or a group of financial assets may have suffered losses by impairment accounting. A financial asset or a group of financial assets is impaired, and incurred a loss for impairment, if there is evidence objective of an impairment as a result of one or more events that occurred after the initial recognition of the asset, and that event (or events) that causes of loss makes an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

Assets at amortized cost: An impairment allowance for trade accounts receivable is set when there is objective evidence that the Company will not be able to collect all the payments according to the original terms of the accounts receivable. Some indicators of potential impairment of accounts receivable are debtor’s financial difficulties, probability that the debtor will start a bankruptcy process or a financial restructuring, default or failure to pay, as well as the experience related to the behavior and characteristics of the collective portfolio.

The amount of the allowance is the difference between the carrying value of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The book value of the asset is reduced through the allowance account and the amount of the loss is recorded in the statement of profit and loss.

If a loan has a variable interest rate, the discount rate to assess any loss the impairment is determined in accordance with the contract current effective interest rate.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be attributed objectively to an event that occurred after the impairment has been recognized (such as an improvement in the creditworthiness of the debtor), the reversal of previously recognized impairment is recognized in the consolidated statement of profit and loss.

2.13 Derivative financial instruments and hedging activity.

Derivative financial instruments are initially recorded at fair value on the date a derivative contract is entered and are subsequently re-measured at fair value through the statement of profit and loss, except in the specific case when the derivative instrument is designated and qualify as hedging for accounting purposes.

The method to recognize a gain or loss resulting from each valuation will depend on whether the derivative is designated as a hedge or not, and on the nature of the inherent risk of the hedged party. The Group designates certain derivatives as: (i) fair value hedge of assets and liabilities recorded in the statements of financial position or; (ii) hedge of asset and liability cash flows recorded in the statements of financial position as highly probable transactions.

The Group documents at the inception of the transaction the relationship between the hedging instrument and the hedged item, as well as its risk management objective and strategy for undertaking various hedging transactions. The Company also documents their evaluation, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions, are highly offsetting changes in fair values or cash flows of the hedged items. A hedge is considered effective when changes in the fair value or cash flows of the underlying item directly attributable to the risk hedged are offset with the changes in fair value or in the cash flow of the hedging instrument with effectiveness between 80%, to 125%.

2.13.1 Fair value hedge.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of profit and loss, together with any changes in the fair value of the covered parties that can be attributable to the hedged risk.

The gain or loss related to the effective portion of interest rate swaps that hedge borrowings at fixed interest rates is recognized in the statement of profit and losses as “financial expenses.”

The gain or loss related to the ineffective portion is also recorded immediately in the statement of income depending on the nature of the hedged item within the non-operating items; for those hedges related to foreign exchange exposures, as “exchange difference”; and for those hedges related to interest rate exposures, as “interest expense”. The changes in the fair value of the loans at a fixed rate that can be related to the interest rate risk are recorded in the statement of income under “financial expenses.”

If the hedge ceases to comply with the requirements to be recorded following the hedge accounting guidance, the adjustment in the book value of the hedged party for which the effective rate method is being used will be amortized in income over the remaining period until its maturity.

2.13.2 Cash flows hedges

The effective portions of the changes in the fair value of derivatives that have been designated and qualify as cash flows hedges are recorded in net equity through other comprehensive income. The gain or loss related to the ineffective portion is recorded immediately in the statement of profit and loss as non-operating items; for those hedges related to foreign exchange exposures, as of “exchange difference”; and for those hedges related to interest rate exposures, as “interest expense”, depending on the nature of the hedged item.

The accumulated amounts in net equity are included in the statement of income in the periods in which the hedged parties impact the the statement of profit and loss, having in consideration the nature of the hedged item.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecasted transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income, presented under non-operating items of “exchange difference” and “interest expense” depending on the nature of the hedged item.

2.14 Inventories.

Assets recorded under inventory are stated at the lower value between acquisition cost or production cost, and the net realizable value.

The net realizable value is the estimated sales price in the normal course of operations, less estimated costs necessary to complete the sale.

Commercial and other discounts as well as other similar entries are deducted in the determination of the acquisition price.

The valuation method of the inventory is the Weighted Average Cost.

The cost of inventory includes all the costs related to the acquisition and transformation of the inventory, as well as other costs that may have been incurred to achieve their current condition and location, among which the cost of consumed material, labor, and manufacturing expenses are included.

2.15 Cash and cash equivalents.

Cash and cash equivalents include cash-in-hand, time deposits at financial entities, and other liquid short-term investments with a high liquidity usually with an original maturity of up to three months and bank overdrafts. In the statement of financial position, if there are overdrafts, these are recorded under the line other financial liabilities within the line bank loans.

2.16 Borrowings and other financial liabilities.

Borrowings, debt arising from bond issuances and financial liabilities are initially recorded at their fair value, less the transaction costs that are directly related to the transaction. Afterwards, the financial liabilities held by the Group are measured at their amortized cost using the effective rate method.

The effective rate is that which matches future payments with the net initial value of the liability.

The financial liabilities are derecognized when the obligation is cancelled, liquidated or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is accounted by derecognizing the original liability and recognizing the new liability, and the difference in the respective carrying amounts is recognized in the statement of profit and loss

2.17 Trade payables and other payables.

The trade creditors and other accounts payable are recorded at their nominal value, as their average payment terms are small and there is not a relevant difference with their fair value.

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.18 Provisions.

Provisions are recorded in the statements of financial position when:

- a. The Group has a present obligation (either legal or implicit) as a result of past events,
- b. It is probable that a resource outflow will occur that incorporate economic benefits to extinguish the obligation, and
- c. A reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the cash outflows that are expected to be necessary to settle the liability, considering the best information available at the date of the annual financial statements, and are restated

at the closing of each accounting period. The discount rate used to establish the present value reflects the current market assessments, at the date of the financial statements, of the time value of money, as well as the specific risk related to the specific liability.

2.19 Employee benefits

2.19.1 Staff vacations.

The Company records vacation benefits expense following the accrual method. This benefit corresponds to all the personnel and is equivalent to a fixed amount according to the contracts of each employee. This benefit is recorded at its nominal value.

2.19.2 Employee Benefit Plans

The Group, in its Brazilian operations has a pension plan among other benefits with the employees. These benefits, both defined benefit and defined contribution, are instrumented through pension plans.

The Group's net obligation in respect of defined benefit plan is calculated separately for each plan by estimating the amount of the future benefit that the employees have earned in the current and prior periods, discounting that amount at present value and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any refund from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plans are recognized in profit and loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that related to past service or the gain or loss on curtailment is recognized immediately in profit and loss. The Group recognizes gain and losses on the settlement of a defined benefit plan when the settlement occurs.

Defined Contribution plans

Obligations for contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

2.20 Revenue recognition.

Revenue recognition corresponds to the gross entry of economic benefits during the period from the Group operations. The revenue amount is shown net of any tax levy, price discounts and other items that impact the sales price.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below. The group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Ordinary revenue from sales of goods.

The sales of goods are recorded when the risks and benefits that rise from the ownership of the goods are

substantially transferred, the amount of the income can be accurately calculated, and the collection of the sales is deemed probable.

Ordinary revenue from leases.

Revenue obtained from leases is recognized in a straight-line over the life of the corresponding contracts as per IAS 17.

Interest income.

The financial income derived from the Group's commercial cards is recorded on an accrual basis according to the terms agreed upon with the customers. Interest is recognized using effective interest rate method.

When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, which is the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

Revenues from insurance brokerage, travel agencies and family entertainment centers.

The Company has income from personal and/or large-scale insurance brokerage exclusively to customers of the companies involved in the Group. The commission is recognized as earned over the term of the related coverage.

The Company generates revenues from domestic and international travel agency services. Commissions are recognized monthly and when the risks and benefits inherent in the transactions have been transferred to third parties.

The Company has revenues from of family entertainment services which are part of the malls of the Group. Revenue is recognized when services have been effectively provided.

Customer loyalty program.

The Group operates a loyalty program where customers accumulate points for purchases made, which entitle them to discounts on future purchases. The reward points are recognized as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognized as deferred income at their fair value.

Revenue from the reward points is recognized when the points are redeemed. Breakage is recognized as reward points are redeemed based upon expected redemption rates. Reward points expire 12 months after the initial sale.

2.21 Deferred income.

Cencosud recognizes deferred income for transactions from which cash is received and when the conditions described in Note 2.20 to record revenue have not been met, such as cash received at the beginning of the issuance of the Group's investment property rental contracts.

Deferred income is recorded in the statement of income on an accrual basis and when the commercial and contractual conditions are met.

2.22 Leases.

Leases are classified as financial when they substantially transfer all the risks and benefits related to the ownership of the good. All other leases are considered as operating.

Assets acquired through a finance lease are recorded as non-current assets, and are initially measured at the present value of the minimum future payments or at its fair value if it is lower, reflecting the corresponding debt with the lessor as a liability. The payments made are detailed between the debt repayment and the corresponding financial burden, which is recorded as a financial expense for the year.

In the case of operating leases, the expense is recorded in a straight line according to the life of the lease contract for the fixed lease portion. The contingent leases are recorded as an expense of the period in which the payment appears probable, as well as the increments of fixed rent indexed by the fluctuation of the consumer price index.

2.23 Current and deferred income taxes.

The tax expense for the period is comprised of current and deferred tax. Tax is recognized in the statement of profit and loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current tax is that which is estimated that will be paid or recovered during the period, using approved legal tax rates, or about to be approved at the date of the financial position statement, corresponding to the current period and including an adjustment corresponding to income taxes payable or recoverable from prior periods.

The deferred tax is calculated using the liability method, which identifies the temporary differences that arise from carrying balances used for the purpose of financial information and those used for tax purposes. The deferred tax liability corresponds to the amounts payable in the future from the temporary tax differences, and the deferred tax assets are those amounts recoverable as a result of temporary deductible differences, compensating negative taxable income balances or tax deductions pending application.

The assets and liabilities from deferred income taxes are measured at the rates applicable in the corresponding periods when the assets will be realized or the liabilities will be paid, based on approved current legal regulations at the date of the financial statements and after considering all tax consequences that derive from the way that the Group expects to recover the assets and liquidate the liabilities.

A deferred income tax asset is recorded only up to the point that it is probable that there will be future taxable income, against which unused fiscal credits can be applied. The deferred income tax assets accounted for, as well as those not accounted for, are subject to review at every closing date.

The deferred income tax rate is accrued from the temporary differences that arise from the investments in subsidiaries and affiliates, except when the Company has control over the time when the temporary differences will be reversed, and what it is probable that the temporary difference will not be reversed in the foreseeable future.

The deferred income tax assets and liabilities are recorded in the consolidated financial statements as non-current assets and liabilities, independently of their expected date of realization or settlement.

The deferred income tax assets and liabilities are compensated when there is a legally executable right to compensate the current tax assets with the current tax liabilities and when the deferred income tax asset and liability are related to the income tax that is levied by the same tax authority to the same tax subject or to different tax subjects where there is the intention of settling the balances over a net basis.

2.24 Payment of dividends.

Provision for the payment of dividends to the Company's shareholders is made in the annual statement of financial position of the Group as of the date the dividends are approved by the Company's shareholders or when the corresponding liability is accrued according to legal regulations or the by-laws set at the Shareholders' Meeting.

Law 18,046, requires the distribution of at least 30% of the net results for the year, unless the Shareholders provided by unanimity of the issued voting otherwise. In compliance with this requirement, the Company provisions 30 % of the net result thereof less dividends paid on a temporary basis during the year as minimum dividend.

2.25 Paid-in capital.

The Company's paid-in capital is represented by ordinary shares.

The incremental costs that can be directly allocated to the issuance of new shares are presented as a reduction to paid-in-capital, net of income taxes.

2.26 Share-based payments.

Compensation plans implemented through the use of stock options are recognized in the financial statements applying IFRS 2 "Share-based payments", booking the expenses associated with the services provided by

company executives at the time that these are incurred and a credit in the account of other equity reserves.

The Company determines the fair value of the services received by referring to the fair value of the equity instruments at the date on which these are issued. The plan that issues the stock options based on continued employment assumes that the services will be received on a lineal basis up to the maturity date of the stock options. Likewise, in the case of stock options based on performance, it is assumed that the services will be received on a lineal basis up to the maturity date of the stock options.

The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, including any performance condition which includes having a current employment contract with the Company or any of its subsidiaries in Chile or abroad and the employment relationship has-not been interrupted from the date of signature of this contract until the date of execution of stock options.

At each year end, the Company reviews the estimations of the number of options that can be exercised. Once the options are exercised, the Company will decide if new compensation payments in shares will be issued.

2.27 Non-current assets classified as held for sale.

Non current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the sale is considered highly probable. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for investment properties, financial instruments and others that are carried at fair value. An impairment loss is recognized for any initial or subsequent write down of the asset (or disposal group) to fair value less cost to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non current asset (or disposal group) is recognized at the date of recognition. Non-current assets (including those that are part of disposal group) are not depreciated or amortized while they are classified as held for sale.

Non current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

2.28 Discontinued operations.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations, net of tax, are presented separately in the statement of profit and loss. Net cash flows attributable to the operating, investing and financing activities of discontinued operations are required to be disclosed either in the notes to the financial statements or on the face of the statements of cash flows. IFRS 5 requires that a company “restate” its statement of comprehensive income as if the operation had been discontinued for all prior periods presented.

2.29 Cost of sales.

Cost of sales includes the cost of acquiring products sold and other costs incurred to bring inventory to the locations and conditions necessary for their sale. These costs primarily include acquisition costs net of discounts obtained, non-recoverable import expenses and taxes, insurance and costs for transporting products to distribution centers.

Cost of sales also includes losses related to the credit card receivable portfolio from the financial services segment.

2.30 Other expenses by function.

Other expenses by function includes, primarily, advertising expenses that the company incurs to promote its products and brands.

2.31 Distribution costs.

Distribution costs include all expenses necessary to deliver products to customers.

2.32 Administrative expenses.

Administrative expenses include payroll and personnel compensation, depreciation of property, plant and equipment for administrative purposes, amortization of non-current assets, and other overhead and administrative expenses.

2.33 Change in accounting policies

The Company assess accounting policies frequently, and decide to change any of the adopted standards only if the change: (i) is required by a recently issued IFRS ; or (ii) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance, or cash flows.

2.34 Non-cash transactions

Except for the acquisitions of assets through finance leases, the Group has not entered into other non-cash investing or financing transaction. See note 17.5.

3 Risk management policies

3.1 Position-taking financial instruments.

3.1.1 Categories of financial instruments (classification and presentation).

The Company's position-taking instruments are classified based on their nature, characteristics and the purpose for which they have been acquired or issued.

As of December 31, 2016, and 2015 the Company classifies its financial instruments as follows:

Table 1-1. Classification of financial instruments.

December 2016

Classification	Group	Type	Note	At amortized cost		At fair value
				Book value	Fair value (disclosure)	Book value
				ThCh\$	ThCh\$	ThCh\$
At fair value through profit or loss	Mutual funds	Mutual fund shares	6	—	—	189,960,780
	Derivatives	Forward	6	—	—	1,398,557
	Other financial instruments	High liquid financial instruments	6	—	—	28,629,285
Financial investments-long term		6	—	—	240,874	
Loans and trade receivables, net	Cash and equivalents	Cash balances	5	52,646,980	52,646,980	—
		Bank balances	5	135,282,148	135,282,148	—
		Short-term deposits	5	87,289,875	87,289,875	—
		Trade receivables, net	8	879,033,383	899,487,360	—
Financial liabilities and payables	Receivables from related entities	Receivables from related parties, current	9	28,988,176	28,988,176	—
		Bank loans (1)	17	215,393,417	212,407,148	—
	Bond debt (1)	Current	17	206,299,337	207,098,796	—
		Non-Current	17	127,530,284	126,048,238	—
	Other loans (leases)	Current	17	2,618,875,407	2,686,390,744	—
		Non-Current	17	2,713,893	2,713,893	—
	Deposits and saving accounts	Current	17	19,256,643	19,256,643	—
		Non-Current	17	56,128,948	56,128,948	—
	Debt purchase Subsidiaries	Non-Current	17	45,030,033	45,030,033	—
	Other financial liabilities—other	Non-Current	17	1,722,769	1,722,769	—
	Trade payables	Current	17	2,091,081	2,091,081	—
		Non-Current	18	1,726,983,368	1,726,983,368	—
	Withholding taxes	Current	18	191,397	191,397	—
		Non-Current	18	199,863,684	199,863,684	—
	Payables to related parties, current	Current	18	4,612,328	4,612,328	—
Non-Current		18	18,722,919	18,722,919	—	
Hedges	Hedging derivatives	Hedging derivatives liabilities	6 and 17	—	—	16,592,870
		Hedging derivatives assets	6 and 17	—	—	287,119,800

(1) The fair value has been determined using discounted cash flows valuation models. Meaningful inputs include the

discount rate used to reflect the credit risk associated with Cencosud SA, these inputs are categorized at level II, within the fair value hierarchy.

December 2015

Classification	Group	Type	Note	At amortized cost		At fair value
				Book value ThChS	Fair value (disclosure) ThChS	Book value ThChS
At fair value through profit or loss	Mutual funds	Mutual fund shares	6	—	—	181,562,472
	Derivatives	Forward	6	—	—	1,873,528
	Other financial instruments	High liquid financial investments	6	—	—	71,414,725
		Financial investments — long term	6	—	—	185,549
Loans and trade receivables, net	Cash and equivalents	Cash balances	5	41,943,295	41,943,295	—
		Bank balances	5	189,062,850	189,062,850	—
		Short-term deposits	5	37,268,981	37,268,981	—
	Receivables	Receivables due from Bretas	6	2,625,340	2,625,340	—
		Trade receivables, net	8	850,836,235	872,665,225	—
	Receivables from related entities	Receivables from related parties, current	9	14,851,194	14,851,194	—
Financial liabilities and payables	Bank loans (1)	Current	17	193,821,962	190,870,451	—
		Non-Current	17	269,733,099	270,497,907	—
	Bond debt (1)	Current	17	61,488,514	60,155,615	—
		Non-Current	17	2,586,966,437	2,634,404,575	—
	Other loans (leases)	Current	17	3,025,088	3,025,088	—
		Non-Current	17	29,524,500	29,524,500	—
	Deposits and saving accounts	Current	17	94,067,332	94,067,332	—
		Non-Current	17	23,601,397	23,601,397	—
	Debt purchase Subsidiaries	Current	17	1,388,767	1,388,767	—
		Non-Current		4,889,206	4,889,206	—
Letters of credit	Non-Current	17	8,235,348	8,235,348	—	
Other financial liabilities— other	Current	17	2,323,419	2,323,419	—	
	Trade payables	Current	18	1,622,571,864	1,622,571,864	—
	Non-Current	18	571,936	571,936	—	
Withholding taxes	Current	18	233,952,931	233,952,931	—	
	Non-Current	18	3,931,055	3,931,055	—	
	Payables to related parties, current	Current	9	29,196,949	29,196,949	—
Hedges	Hedging derivatives	Hedging derivatives liabilities	17	—	—	1,146,350
		Hedging derivatives assets	6	—	—	418,721,697

(1) The fair value has been determined using discounted cash flows valuation models. Meaningful inputs include the discount rate used to reflect the credit risk associated with Cencosud SA, these inputs are categorized at level II, within the fair value hierarchy.

3.1.2. General criteria.

The Company maintains instruments classified at fair value through profit and loss for trading and risk management (derivative instruments not classified as cash flow or fair value hedges purposes). This category is comprised of investments in mutual funds, high liquid financial instruments and derivatives.

The category “loans and trade receivables net” includes bank balances, time deposits and receivables mainly from the credit card business, receivables from consumer credit loans of Banco Paris and notes receivable from customers when credit is extended using post-dated checks. As a result, this category of financial instruments

combines the objectives of surplus optimization, liquidity management and financial planning to satisfy the Company's working capital needs.

Financial liabilities maintained by the Company include obligations with banks and financial institutions, bond issuances and payables, and certificate of deposit issued by Banco Paris and other liabilities.

Lastly, the Company has designated as hedges those derivative instruments determined to be highly effective in offsetting exposure to changes in the hedged item attributable to the hedged risk.

3.1.3. *Accounting treatment of financial instruments (Note 2, accounting policies).*

3.1.4. *Valuation methodology (initially and subsequently).*

Financial instruments that have been accounted for at fair value in the statement of financial position as of December 31, 2016 have been measured using the methodologies as set forth in IAS 39. These methodologies applied for each class of financial instruments are classified using the following hierarchy:

Level I: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the group is the current bid price. These instruments are included in level 1."

Level II: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined as the present value of forward exchange rates at the balance sheet date;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Level III: Inputs for assets or liabilities that are not based on observable market data.

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The Group has established control framework with respect to the measurements of fair value. This includes a valuation team that has an overall responsibility for overseeing all significant fair value measurements, including level 3 fair values, and reports directly to the regional CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence from third parties to support the conclusion that such valuations meet the requirements of IFRS, including the fair value hierarchy in which such valuation should be classified.

Taking into account the nature and characteristics of the instruments maintained in its portfolio, the Company classifies its valuation methodologies in the three aforementioned levels. Currently, the valuation process considers internally developed valuation techniques, for which parameters and observable market inputs are used, mainly using the present value methodology.

In 2016, the Group has no financial instruments categorized at level III, however, the procedures above mentioned are in line with the Group policies regarding the estimation and review of the inputs used in fair-valuing financial assets and current and non-current non-financial assets, see note 4.

The table below presents the percentage of financial instruments, valued under each method, compared to their total value.

Table 1-4. Valuation methodologies.

December 2016

Classification	Group	Type	Note	Valuation method			Amortized cost
				Value ThCh\$	Level I %	Level II %	
At fair value through profit or loss	Mutual funds	Mutual fund shares	6	189,960,780	100%	—	—
	Derivatives	Forward	6	1,398,557	—	100%	—
	Other financial Instrument	Highly liquid financial instruments	6	28,629,285	100%	—	—
		Financial investments — long term	6	240,874	100%	—	—
Loans and trade receivables, net	Cash and cash equivalents	Cash balances	5	52,646,980	—	—	100%
		Bank balances	5	135,282,148	—	—	100%
		Short-term deposits	5	87,289,875	—	—	100%
		Trade receivables, net	8	879,033,383	—	—	100%
	Receivables from related parties	Related parties, current	9	28,988,176	—	—	100%
Financial liabilities and payables	Bank loans	Current	17	215,393,417	—	—	100%
		Non-Current	17	206,299,337	—	0.1%	99.9%
	Bonds payable	Current	17	127,530,284	—	—	100.0%
		Non-Current	17	2,618,875,407	—	0.3%	99.7%
	Other loans (lease)	Current	17	2,713,893	—	—	100%
		Non-Current	17	19,256,643	—	—	100%
	Deposits and saving accounts	Current	17	56,128,948	—	—	100%
		Non-Current	17	45,030,033	—	—	100%
	Debt purchase affiliates	Non-Current	17	1,722,769	—	—	100%
	Other financial liabilities	Current	17	2,091,081	—	—	100%
	Trade payables	Current	18	1,726,983,368	—	—	100%
		Non-Current	18	191,397	—	—	100%
	Withholding taxes	Current	18	199,863,684	—	—	100%
Non-Current		18	4,612,328	—	—	100%	
Payables to related	Current	9	18,722,919	—	—	100%	

Classification	Group	Type	Note	Valuation method			Level III %	Amortized cost %
				Value ThCh\$	Level I %	Level II %		
	parties							
Hedges	Hedging derivatives	Hedging derivatives liabilities	17	16,592,870	—	100%	—	—
		Hedging derivatives assets	6	287,119,800	—	100%	—	—
December 2015								
Classification	Group	Type	Note	Valuation method			Level III %	Amortized cost %
				Value ThCh\$	Level I %	Level II %		
At fair value through profit or loss	Mutual funds	Mutual fund shares	6	181,562,472	100%	—	—	—
	Derivatives	Forward	6	1,873,528	—	100%	—	—
	Other financial Instrument	Highly liquid financial instruments	6	71,414,725	100%	—	—	—
		financial investments — long term	6	185,549	100%	—	—	—
Loans and trade Receivables, net	Cash and cash equivalents	Cash balances	5	41,943,295	—	—	—	100%
		Bank balances	5	189,062,850	—	—	—	100%
		Short-term deposits	5	37,268,981	—	—	—	100%
	Receivables	Receivables due from Bretas	6	2,625,340	—	—	—	100%
		Trade receivables, net	8	850,836,235	—	—	—	100%
	Receivables from related parties	Related parties, current	9	14,851,194	—	—	—	100%
Financial liabilities and payables	Bank loans	Current	17	193,821,962	—	—	—	100%
		Non-Current	17	269,733,099	—	0.1%	—	99.9%
	Bonds payable	Current	17	61,488,514	—	—	—	100%
		Non-Current	17	2,586,966,437	—	0.4%	—	99.6%
	Other loans (lease)	Current	17	3,025,088	—	—	—	100%
		Non-Current	17	29,524,500	—	—	—	100%
	Deposits and saving accounts	Current	17	94,067,332	—	—	—	100%
		Non-Current	17	23,601,397	—	—	—	100%
	Debt purchase affiliates	Current	17	1,388,767	—	—	—	100%
		Non-Current	17	4,889,206	—	—	—	100%
	Letters of credit	Non-Current	17	8,235,348	—	—	—	100%
	Other financial liabilities	Current	17	2,323,419	—	—	—	100%
	Trade payables	Current	18	1,622,571,864	—	—	—	100%
		Non-Current	18	571,936	—	—	—	100%
	Withholding taxes	Current	18	233,952,931	—	—	—	100%
		Non-Current	18	3,931,055	—	—	—	100%
	Payables to related parties	Current	9	29,196,949	—	—	—	100%
Hedges	Hedging derivatives	Hedging derivatives liability	17	1,146,350	—	100%	—	—
		Hedging derivatives assets	6	418,721,697	—	100%	—	—

Instruments classified as Level II correspond mainly to interest rate and cross currency swaps that have been

valued by discounting the future cash flows stipulated in the contract for both the asset and liability component of each instrument. The structure of interest rates used to bring the future cash flows to present value is constructed based on the currency of each component and inferred from transactions involving risk-free instruments in the relevant market.

In addition, the fair value for informational purposes (Table 1-1) has been estimated for those instruments accounted for at amortized cost. For instruments maturing in less than one year, the Company has determined that the fair value does not differ significantly from the book value presented. The criteria adopted is applied to balances maintained in cash and cash equivalents, trade and other payables and the current portion of bank loans and bonds payable.

The Group recognizes transfers between levels of the fair value hierarchy at the end the reporting period during the change has occurred. As of December 31, 2016, there have been no transfers between level I and II, or transfers out of level III to another level of fair value.

3.1.5 Master netting or similar agreements

The Group does not have any hedged positions that qualify for netting mostly due to; (a) the hedge activities that the Group uses mostly relate to financial liabilities such as bank obligations and bonds, and (b) the position of the fair value of these derivatives contracts, hedging interest rate and exchange rates fluctuations, were favorable and thus presented as a assets as of December 31, 2016 and 2015.

3.1.6 Particular effects on equity accounts.

As of December 31, 2016, the Company presents an amount deducted from the equity corresponding to the effect of applying special hedge accounting for those derivative financial instruments that have been classified as cash flow hedges, namely derivative contracts (Cross Currency Swap) as follows:

<u>Hedged Instrument</u>	<u>Hedged currency</u>	<u>Hedged amount</u> (MM Ch\$)	<u>Maturity</u>
Incabond bond	PEN	280,000	2018
144A bond	USD	635,000	2021
144A bond	USD	1,200,000	2023
144A bond	USD	150,000	2025
Scotiabank loan	USD	33,333	2017
Rabobank loan	USD	30,000	2018
Rabobank loan	USD	50,000	2020
Mizuho loan	USD	41,667	2019
Sumitomo loan	USD	50,000	2019

All Cencosud's contractual counterparties of "Derivatives" are internationally assessed by rating agencies with "A" grade or superior.

In addition, the effect of those gains and losses generated from exchange rate fluctuations has been separated on the income statement and equity, based on the relevant nature of the operations carried out by the Company.

3.1.7 Reclassifications.

As of the end of this reporting period, there are no reclassifications between categories.

3.1.8 Embedded derivatives.

As of the end of this reporting period, the Company has not identified any embedded derivatives that should be valued independently from the host contract.

3.1.9. *Non-compliance.*

As of the end of this reporting period, the Company has not identified any non-compliance conditions related to outstanding liabilities.

3.1.10. *Hedges.*

The Company has entered into derivative contracts to hedge risks of fluctuations in exchange rates and interest rates. These instruments have been designated as hedges of eligible items and have been valued and accounted for as defined in the accounting criteria described in note 2.13.

Although the Company holds positions in financial instruments as part of its overall financial risk management strategy, only the following derivative instruments have been classified as accounting hedges:

Table 1-10. Hedges.

2016

Hedge type	Risk	Hedge subject classification	Group	Type	Book value (ThCh\$)	Hedging instrument		Fair value (ThCh\$)	Note
						Group	Type		
Fair value	Interest rate and exchange rate	Financial Asset	Bonds payable	US bond	—	Derivate	Cross currency swap	7,233,863	6
Cash flow	Interest rate and exchange rate	Financial Asset	Bonds payable	US bond	—	Derivate	Cross currency swap	113,934,978	6
Cash flow	Interest rate and exchange rate	Financial Asset	Bank obligations	Rabobank Credit	—	Derivate	Cross currency swap	4,950,198	6
Cash flow	Interest rate and exchange rate	Financial Asset	Bank obligations	Scotiabank Credit	—	Derivate	Cross currency swap	2,617,937	6
Fair value	Interest rate and exchange rate	Financial Asset	Bonds payable	US Bond – 2	—	Derivate	Cross currency swap	15,065,227	6
Cash flow	Interest rate and exchange rate	Financial Asset	Bonds payable	US Bond – 2	—	Derivate	Cross currency swap	137,504,727	6
Cash flow	Interest rate and exchange rate	Financial Asset	Bank obligations	Rabobank Credit	—	Derivate	Cross currency swap	(43,621)	6
Cash flow	Interest rate and exchange rate	Financial Asset	Bank obligations	Mizuho Credit	—	Derivate	Cross currency swap	400,645	6
Cash flow	Interest rate and exchange rate	Financial Asset	Bank obligations	Sumitomo Credit	—	Derivate	Cross currency swap	5,455,846	6
							Sub—total derivative	287,119,800	
Fair value	Interest rate and exchange rate	Financial Liability	Bank obligations	HSBC Bank	—	Derivate	Cross currency swap	(263,247)	17
Fair value	Interest rate and exchange rate	Financial Liability	Bank obligations	Itau Bank	—	Derivate	Cross currency swap	(1,404,461)	17
Fair value	Interest rate and exchange rate	Financial Liability	Bank obligations	Bank of America	—	Derivate	Cross currency swap	(1,410,834)	17
Cash flow	Interest rate and exchange rate	Financial Liability	Bank obligations	US Bond 3	—	Derivate	Cross currency swap	(6,251,288)	17
Cash flow	Interest rate and exchange rate	Financial Liability	Bank obligations	US Bond 3	—	Derivate	Cross currency swap	(3,115,194)	17
Cash flow	Interest rate and exchange rate	Financial Liability	Bank obligations	Incabond	—	Derivate	Cross currency swap	(4,147,846)	17
							Sub—total derivative	(16,592,870)	

2015

Hedge type	Risk	Hedge subject classification	Group	Type	Book value (ThCh\$)	Hedging instrument		Fair value (ThCh\$)	Note
						Group	Type		
Fair value	Interest rate and exchange rate	Financial Asset	Bonds payable	US bond	—	Derivate	Cross currency swap	9,453,659	6
Cash flow	Interest rate and exchange rate	Financial Asset	Bonds payable	US bond	—	Derivate	Cross currency swap	155,091,817	6
Cash flow	Interest	Financial Asset	Bank obligations	Rabobank Credit	—	Derivate	Cross currency swap	8,886,287	6

Hedge type	Risk	Hedge subject classification	Group	Type	Book value (ThCh\$)	Hedging instrument		Fair value (ThCh\$)	Note
						Group	Type		
Cash flow	rate and exchange rate								
	Interest rate and exchange rate	Financial Asset	Bank obligations	Scotiabank Credit	—	Derivate	Cross currency swap	8,221,251	6
Fair value	Interest rate and exchange rate	Financial Asset	Bonds payable	US Bond — 2	—	Derivate	Cross currency swap	27,221,902	6
Cash flow	Interest rate and exchange rate	Financial Asset	Bonds payable	US Bond — 2	—	Derivate	Cross currency swap	196,025,382	6
Cash flow	Interest rate and exchange rate	Financial Asset	Bank obligations	Rabobank Credit	—	Derivate	Cross currency swap	2,871,461	6
Cash flow	Interest rate and exchange rate	Financial Asset	Bank obligations	Mizuho Credit	—	Derivate	Cross currency swap	2,950,408	6
Cash flow	Interest rate and exchange rate	Financial Asset	Bank obligations	Sumitomo Credit	—	Derivate	Cross currency swap	7,999,530	6
							Sub—total derivative	418,721,697	
Cash flow	Interest rate	Financial liability	Bank obligations	IFC Credit	—	Derivate	Interest rate swap	(58,029)	17
Cash flow	Interest rate and exchange rate	Financial liability	Bonds payable	Incabond 1	—	Derivate	Cross currency swap	(1,088,321)	17
							Sub—total derivative	(1,146,350)	

The cash flow hedges have been evaluated as highly effective. A cash flow hedge is intended to hedge exposure to changes in the cash flows that (i) are attributed to a particular risk associated with an asset or liability recorded previously (as all or some of the future interest payments of debt at variable interest), or a highly probable forecasted transaction and that (ii) may affect profit for the year.

For the described hedge, the financial risk refers to the potential upward deviation of equivalent cash flows in the functional currency (Ch\$) such as interest payments for bonds and debt. The hedge strategy adopted enables the Company to fix the cash outflow expressed in the functional currency for all coupon payments being hedged.

3.2. Characteristics of financial risks.

The Board of Directors understands that it is imperative for the Company to have an institutional framework that protects its financial stability and sustainability by effectively managing financial risks.

In general terms, the Company's efforts are aimed at maintaining a policy that is sustainable with the development of its business, which by nature incorporates an important number of associated risks. As a result, the Company's strategy is focused on maintaining strong financial solvency, placing emphasis on obtaining the cash flows necessary for its investments, ensuring proper management of working capital and taking necessary actions to minimize the financial risk from exposure of its loan commitments in different currencies and interest rates.

The Company identifies the following risks relevant to its operations:

3.2.1. Credit risk.

The concept of credit risk refers to financial uncertainty, at different time horizons, related to complying with obligations entered into with counterparties, when contractual rights are exercised to receive cash or other financial assets from the Company.

3.2.1.1. Exposure:

The following table presents, as of December 31, 2016 and 2015, the amount in the financial asset category that best represents maximum exposure to credit risk without considering guarantees or credit enhancements.

Table 2-1-1. Exposure to credit risk by financial asset category.

As of December 31, 2016

<u>Classification</u>	<u>Group</u>	<u>Type</u>	<u>Note</u>	<u>Book value</u> <u>(ThCh\$)</u>
At fair value through profit or loss	Mutual funds	Mutual funds shares	6	189,960,780
	Derivatives	Forward	6	1,398,557
	Other financial instruments	Highly liquid financial investments	6	28,629,285
		Financial investments — long term	6	240,874
Loans and trade receivables net	Cash and cash equivalents	Cash balances	5	52,646,980
		Bank balances	5	135,282,148
		Short-term deposits	5	87,289,875
	Receivables	Trade receivables net, current and not current	8	879,033,383
		Related parties, current	9	28,988,176
		Derivatives	Hedge derivatives	6

As of December 31, 2015

<u>Classification</u>	<u>Group</u>	<u>Type</u>	<u>Note</u>	<u>Book value</u> <u>(ThCh\$)</u>
At fair value through profit or loss	Mutual funds	Mutual funds shares	6	181,562,472
	Derivatives	Forward	6	1,873,528
	Other financial instruments	Highly liquid financial investments	6	71,414,725
		Financial investments — long term	6	185,549
Loans and trade receivables net	Cash and cash equivalents	Cash balances	5	41,943,295
		Bank balances	5	189,062,850
		Short-term deposits	5	37,268,981
	Receivables	Receivables due from Bretas	6	2,625,340
		Trade receivables net, current and not current	8	850,836,235
		Related parties, current	9	14,851,194
Derivatives	Hedge derivatives	9	418,721,697	

Credit risk exposure is primarily concentrated in i) trade receivables; and ii) credit card operations, which complements the integral products portfolio delivered by the company (see note 8).

3.2.1.2. Effect of guarantees on exposure.

As of the end of this reporting period, the Company has not received any guarantees or other credit enhancements that impact its credit exposure detailed above. However, trade receivables are adequately covered from operating risks with life insurance policies that cover the risk of death.

3.2.1.3. Concentrations.

As of the end of this reporting period, the Company identifies its concentrations for credit risk based on the relevant counterparty for each category of financial assets.

Table 2-1-2. Diversification of counterparties.

As of December 31, 2016

<u>Classification</u>	<u>Group</u>	<u>Type</u>	<u>Counterparty</u>	<u>Exposure by type of instrument %</u>
At fair value through profit and loss	Mutual funds	Mutual funds	Domestic banks	45.37%
			Foreign banks	54.63%
	Other financial instruments	Highly liquid financial instruments	Domestic banks	100.00%
			Foreign banks	0.00%
			Domestic banks	100.00%
			Foreign banks	0.00%
Trade receivables and credit card	Cash and cash equivalents	Cash balances	Domestic banks	30.74%
			Foreign banks	69.26%
		Bank balances	Domestic banks	37.69%
			Foreign banks	62.31%
		Short- term deposits	Domestic banks	56.60%
			Foreign banks	43.40%
Hedges	Receivables from related parties	Related parties, current	Non-financial institutions	100.00%
	Derivatives	Hedge assets	Domestic banks	100.00%
			Foreign banks	0.00%

As of December 31, 2015

<u>Classification</u>	<u>Group</u>	<u>Type</u>	<u>Counterparty</u>	<u>Exposure by type of instrument %</u>
At fair value through profit and loss	Mutual funds	Mutual funds	Domestic banks	75.93
			Foreign banks	24.07
	Other financial instruments	Highly liquid financial instruments	Domestic banks	100.00
			Foreign banks	0.00
			Domestic banks	100.00
			Foreign banks	0.00
Loans and trade receivables	Cash and cash equivalents	Cash balances	Domestic banks	27.39
			Foreign banks	72.61
		Bank balances	Domestic banks	70.90
			Foreign banks	29.10
		Short- term deposits	Domestic banks	2.83
			Foreign banks	97.17
Hedges	Receivables	Trade receivables, gross	Non-financial institutions	100.00
	Receivables from related parties	Related parties,	Non-financial institutions	100.00
Hedges	Derivatives	Hedging assets	Domestic banks	100.00
			Foreign banks	0.00

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Non-financial institutions are mainly composed of: i) receivables from other companies. (See note 8); and ii) credit cards' clients, which are classified and evaluated following the credit policies established in every market where the Company operates this activity.

As presented above, a considerable portion of the Company's credit risk exposure stems from trade receivables, which, given the high degree of fragmentation of the customer portfolio (in terms of geographic location, age, socioeconomic level, among others), has been segmented using internal credit scales.

3.2.1.4. Financial assets that are not in default or impaired.

As part of its credit risk management activities, the Company constantly monitors the credit quality of counterparties for financial assets that are not in default or impaired. The following table details the credit quality by financial entity of the Company's investments:

As of December 31, 2016

Type	Counterpart	Amount of exposure (ThChS)	Credit quality	
			Solvency	Outlook
Mutual funds	Scotiabank	11,822,000	AA	Stable
	Bank Chile	11,562,000	AA+	Stable
	BBVA	11,822,000	AA+	Stable
	Santander	10,019,335	AA+	Stable
	J.P. Morgan	17,078,336	A+	Stable
	Estado	11,822,000	AA	Stable
	Security	12,062,000	AA-	Stable
Mutual funds	Foreign banks	103,773,109	(*)	Stable
Financial instruments	Bonds - Central bank of Chile	28,629,285	AAA	Stable
Derivatives	Hedging assets	287,119,800	—	Stable
Derivatives	Non-hedging derivative assets	1,398,557	—	Stable

As of December 31, 2015

Type	Counterpart	Amount of exposure (ThChS)	Credit quality	
			Solvency	Outlook
Mutual funds	J.P. Morgan	136,817,355	A+	Stable
	Foreign banks	44,745,117	(*)	Stable
Financial instruments	Bonds - Central bank of Chile	71,414,725	AAA	Stable
Derivatives — Hedging	Domestic banks	418,721,697	—	Stable
Derivatives — Financial	Domestic banks	1,873,528	—	Stable

(*) All mutual funds included under "Foreign banks" have international risk ratings greater than or equal to A- as required by the Company's investment policy. The assets that are due but not impaired are presented in Note 8.

3.2.1.5. Credit Risk from operations other than credit card business.

Credit risk from operations other than the credit card and banking businesses is limited primarily to balances maintained in notes payable from customers for sales with post-dated checks and external credit cards, which are generally recoverable in 30, 60 and 90 days, and investments in time deposits, bank balances and mutual funds. The Company monitors the latter using the credit risk rating granted by risk rating agencies. In addition, it targets its investments in mutual funds toward portfolios with highly solvent underlying assets, properly diversified assets and consistent management by the fund manager.

3.2.1.6. *Credit Risk from credit card business.*

Given the relative importance of this exposure from the credit card business as compared to total maximum credit risk exposure, Cencosud has targeted its credit risk management toward developing a management model for its own credit cards as well as the banking business that is consistent with the Company's strategic guidelines and the profiles of its credit transactions. The model takes into consideration the large-scale and fragmented nature of the cardholder portfolio and is structured in terms of cardholder selection, portfolio management and recovery of cardholders in default.

3.2.1.6.1 *Business definition.*

The financial business is defined as one more element of Cencosud's offering value, which complements the comprehensive product and service offerings the Company provides through each of its retail business units and is aimed at building long-term relationships with our customers.

In the particular field of financial business, significant progress has been made in structuring our shared model with local class partners. This model has been already implemented in Brazil, Colombia and Chile, with Bradesco, Colpatria Bank and Scotiabank respectively. Cencosud remains in control 100% of the operation of financial business in Argentina, and Peru through the Banco Cencosud Peru and a very limited mortgage portfolio in Chile remnant, through Banco Paris.

3.2.1.6.2. *Risk Model*

Foundations:

The Risk Management Model is tightly linked to the large-scale and fragmented nature of the retail cardholder portfolio with a very large volume of cardholders (more than 5,000,000 in the region) and average debt per cardholder of around US\$ 550.

In this context, the challenge lies in managing the cardholder portfolio and its associated risk, building long-term relationships with cardholders and making the value proposition and the retail business sustainable over time. Risk management is structured to ensure:

- Optimum cardholder selection.
- Optimum portfolio management, which involves activating, strengthening, retaining, reducing and containing the portfolio card holders.
- Optimum collections management for cardholders in default, maximizing recovery with high standards of quality and service without affecting the relationship with Cencosud's customers. Cardholder management efforts are broadly targeted to include all customers, from our target market to prospective customers, including those with or without retail purchases, with or without credit card movements and with or without payments in default.

a. Key Risk Management Factors

The large-scale and fragmented nature of the business determines portfolio management, in which the following key risk management factors stand out:

- Automation and centralization of decision making.
- Customer segmentation.
- Management of information and earnings projections.
- Collections management.
- Large-scale and selective control model for credit and collections circuit.
- Provision models to cover portfolio risk in line with Basel II standards.

Automation and centralization of decision making: credit and collections decisions are large-scale and automated and only minorities of decisions are analyzed by very specialized personnel. The Company features world class risk management and collections systems, including Capstone Decision Accelerator (CDA), TRIAD, Model Builder (from Fair Isaac Corporation - FICO) and Cyber Financial, among others.

Customer segmentation: processes are segmented, differentiated by strategy and action tactics per risk profile, activity level and likelihood of occurrence, among others.

Management of information and earnings projections: the Company manages comprehensive information and statistical models on all relevant business and customer variables, which allows it to make timely, prognostic decisions.

Collections management: the Company has one sole collections model for managing collections for retail cards, which uses an outsourcing collection model to efficiently recover debt through quality management of debtors.

Large-scale and selective control model for credit and collections circuit: the Company has large-scale controls over all phases of the credit and collections process, from its centralized processes to its point-of-sale and collections processes.

Provision models to cover portfolio risk in line with Basel II standards: the Company has different provisions models that adhere to local regulations in each country as well as Basel II standards, in order to most adequately reflect cardholder portfolio risk. External variables which affect payment behavior are also included in statistical models for estimating provisions. The Company is making progress in each country on implementing anti-cyclical provisions based on industry best practices, starting with Chile, Peru and Argentina. It also uses back testing to periodically monitor the sufficiency of the provisions it establishes.

Lastly, the Company has a corporate governance strategy that includes, among others, local Risk Committees for each country and a Corporate Risk Committee in which directors and senior executives participate. These committees have the following objectives, among others:

- Monitor the business's main risk indicators.
- Monitor the correct functioning of policies and credit and collections processes.
- Authorize entry into new markets and/or new products that impact risk.
- Authorize provisions model and monitor sufficiency.

3.2.1.7. *Liquidity risk.*

The concept of liquidity risk is used by the Company to refer to financial uncertainty, at different time horizons, related to its capacity to respond to cash needs to support its operations, under both normal and exceptional circumstances.

As of December 31, 2016 and 2015, the Company presents the following maturities for its liability financial instruments:

Table 2-2-1. Maturity analysis.

As of December 31, 2016

Classification	Instrument	Maturity						Total liabilities
		0—6 months	6—12 months	1—2 years	2—3 years	3—5 years	More than 5 years	
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Other financial liabilities current and non-current	Total liabilities	2,199,451,318	254,362,851	355,031,048	301,084,302	820,262,331	2,701,361,908	6,631,553,758
	Bank loans	131,990,706	91,520,822	36,893,572	151,395,750	33,609,573	—	445,410,423
	Bond debt	120,459,976	99,202,603	251,061,962	146,707,352	783,879,425	2,689,351,058	4,090,662,376
	Other loans	291,268	2,422,625	3,077,510	2,981,200	2,773,333	12,010,850	23,556,786
	Other financial liabilities (Cross Currency Swaps—Interest Rate Swaps)	—	4,151,393	12,441,477	—	—	—	16,592,870
	Term deposits	—	56,113,724	45,030,033	—	—	—	101,143,757
	Debt purchase of subsidiaries	—	—	1,722,769	—	—	—	1,722,769
	Other financial liabilities (other)	2,091,081	—	—	—	—	—	2,091,081
Other trade liabilities	Trade payables and other payables and liabilities	1,925,895,368	951,684	4,803,725	—	—	—	1,931,650,777
	Related parties debts	18,722,919	—	—	—	—	—	18,722,919

As of December 31, 2015

Classification	Instrument	Maturity						Total liabilities
		0—6 months	6—12 months	1—2 years	2—3 years	3—5 years	More than 5 years	
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Other financial liabilities current and non-current	Total liabilities	2,159,926,715	181,386,938	300,529,851	297,961,977	457,742,494	3,236,955,573	6,634,503,548
	Bank loans	102,951,065	99,701,856	83,159,226	40,185,843	161,716,098	8,762,694	496,476,782
	Bond debt	77,074,337	72,809,646	173,605,935	250,165,276	291,432,459	3,205,226,940	4,070,314,593
	Other loans	208,345	2,816,743	4,861,705	4,811,000	4,287,574	19,850,907	36,836,274
	Other financial liabilities (Cross Currency Swaps—Interest Rate Swaps)	—	58,029	1,088,321	—	—	—	1,146,350
	Deposits and other demand deposits	86,275,083	3,515,945	23,601,397	—	—	—	113,392,425
		451,312	—	—	—	—	—	451,312
		—	—	8,074,123	935,572	306,363	3,115,032	12,431,090
		4,628,595	—	—	—	—	—	4,628,595
	Debt purchase of subsidiaries	1,388,767	1,388,767	1,636,153	1,864,286	—	—	6,277,973
	2,323,419	—	—	—	—	—	2,323,419	
Commercial loans	Trade payables and other payables and non-current liabilities	1,855,428,843	1,095,952	4,502,991	—	—	—	1,861,027,786
	Payables to related parties	29,196,949	—	—	—	—	—	29,196,949

As part of its comprehensive risk management framework, the Company has liquidity management policies aimed at ensuring timely compliance with its obligations based on the scale and risk of its operations, both under normal conditions and exceptional situations, which are defined as circumstances in which cash flows can be substantially greater than expected as a result of unforeseen changes in general market conditions or the particular situation of a certain institution. In this context, liquidity risk management tools have been designed to both ensure positioning of the statements of financial position that allows minimizing the probability of an internal liquidity crisis (prevention policies) as well as defining contingency plans to address a liquidity crisis scenario.

For such purposes, the liquidity management policies define the Company's management strategy, management's roles and responsibilities, internal limits for cash flow mismatches, sources of risk, contingency plans and internal control mechanisms.

One of the indicators used to monitor liquidity risk is the liquidity position, which is measured and controlled each day based on the difference between cash flows payable for liabilities and expense accounts and cash flows receivable from assets and income accounts for a given maturity period.

In the event of a cash deficit on a consolidated level, Cencosud S.A. has various short and long-term financing alternatives, including lines of credit with banks, access to international debt markets, liquidation of investment instruments, etc. In contrast, in the event of a cash surplus on a consolidated level, this money is invested in different investment instruments.

As of December 31, 2016, the Company has available unused lines of credit for approximately ThCh\$ 612,235,347 (ThCh\$ 466,587,164 as of December 31, 2015).

As of December 31, 2016, the company held unused line of credits as a result of Confirming operations by ThCh\$ 150,506,973 (ThCh\$ 144,121,845 as of December 31, 2015) which held the original maturities agreed with the supplier. Such operations are presented in the line trade accounts payables.

Confirming operations that consider a longer term of payment with the bank that the original payment deadline set by the Company and its suppliers in the trade agreement amounted, in the portion corresponding to the longest period of payment as of December 31, 2016 to ThCh\$ 2,091,081 (ThCh\$ 2,323,419 as of December 31, 2015) in Peru. These operations are presented under "Other financial liabilities" (see note 17)

These operations are monitored on a regular basis so that these exposures do not adversely affect the consolidated financial ratios according to corporate policies with the final purpose of ensuring that the liquidity ratio and short term debt are within the parameters set up by management.

3.2.1.8. Market risk.

The Company is exposed to market risk, which involves variations in interest and exchange rates that may affect its financial position, operating results and cash flows. The Company's hedge policy calls for a periodic review of its exposure to interest and exchange rate risk for its main assets and obligations.

3.2.1.8.1. Interest rate risk.

As of December 31, 2016, approximately 76.41% of the Company's financial debt, primarily its short-term debt and bonds, was at fixed interest rate. The remaining 23.59% was at floating interest rates including derivatives. Within the variable rate debt liabilities, approximately 98.31% is indexed to local interest rates (either as originally denominated or by re-denominating it with derivatives).

The Company has identified as important its interest rate risk generated primarily from variable rate obligations, which are sensitized by measuring the impact on income of a reasonably possible variation in the observed interest rate. Following regulatory guidelines, the deviation in relevant interest rates is estimated using historical series with a daily frequency for each of the identified risk variables. The distribution of percentage changes occurring in three-month intervals is then analyzed and the extreme scenarios that fall outside a confidence interval of 95% are eliminated. The amount of the sensitized exposure corresponds to the total of the variable rate debt.

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For variable rate debt, the financial risk refers to the potential upward deviation of cash flows related to interest payments on obligations from a specific target, attributable to the rise in interest rates that are important to the Company's indebtedness structure, namely: LIBOR, TAB (Chilean interbank interest rate) nominal and the Chamber rate (CAM), Chile.

As of and for December 31, 2016

<u>Classification</u>	<u>Currency</u>	<u>Exposure</u>	<u>Market variable</u>	<u>Change in risk factor</u> %	<u>Effect on profit and loss</u> (ThCh\$)
Net liability	Ch\$	39,754,050,000	TAB NOM 90	(36.28)	148,208
				39.62	(161,835)
Net liability	Ch\$	34,819,697,369	TAB NOM 180	(33.33)	120,708
				36.36	(131,682)
Net liability	Ch\$	338,687,230,000	CAM	(39.21)	1,161,661
				38.89	(1,152,188)
Net liability	BR\$	375,208,879	CDI	(12.95)	306,981
				12.90	(305,657)
Net liability	Co\$	—	FTD	(17.17)	—
				12.00	—

As of and for December 31, 2015

<u>Classification</u>	<u>Currency</u>	<u>Exposure</u>	<u>Market variable</u>	<u>Change in risk factor</u> %	<u>Effect on profit and loss</u> (ThCh\$)
Net liability	Ch\$	39,754,050,000	TAB NOM 90	(40.30)	179,417
				40.91	(182,146)
Net liability	Ch\$	34,819,697,369	TAB NOM 180	(34.94)	119,834
				38.20	(131,021)
Net liability	Ch\$	406,469,230,000	CAM	(41.77)	1,332,677
				39.79	(1,269,363)
Net liability	BR\$	305,956,978	CDI	(14.52)	256,586
				12.90	(227,944)

The effect on profit and loss obtained from a theoretical exercise shows the incremental effect generated from the reasonably possible estimated change (i.e. it corresponds to the difference between the amount that was effectively recorded for the interest payment and the amount that would have been recorded in a scenario of lower or higher interest rates).

The Company's risk management strategy is to hold its financial debt in variable rates in order to benefit from lower cost of funds and the remainder of its financial debt in fixed rates in order to reduce uncertainty stemming from variable interest payments, by denominating part of its variable interest rate liabilities into fixed rate liabilities using derivative financial instruments for these purposes, which allow the interest rate of the original obligation to be fixed.

3.2.1.8.2. Foreign exchange rate risk.

In the countries in which the Company operates, most expenses and income are in local currency. As a result, most of its debt (83.4%) is denominated in local currency. As of December 31, 2016, approximately 76.41% of the debt in U.S. dollars was hedged with cross currency swaps or other foreign currency hedges. The Company's policy is to hedge risks from variations in exchange rates on its net liability position in foreign currency using market instruments designed for that purpose.

The Company has identified as important the exchange rate risk generated from obligations in US dollars, Argentine pesos, Peruvian Nuevos Soles and Unidades de Fomento, which are sensitized by measuring the impact

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on income of a reasonably possible variation in observed exchange rates. Following regulatory guidelines, the deviation in relevant exchange rates is estimated using historical series with a daily frequency for each of the identified risk variables. The distribution of percentage changes occurring in three-month intervals is then analyzed and the extreme scenarios that fall outside a confidence interval of 95% are eliminated.

As of and for December 31, 2016

<u>Classification</u>	<u>Currency</u>	<u>Exposure</u>	<u>Market variable</u>	<u>Closing value</u>	<u>Change in risk factor</u> %	<u>Exchange rate value</u>	<u>Effect on profit and loss</u> (ThCh\$)
Net liability	USD	787,407,477	USD-CLP	669.47	(8.64)%	611.66	45,519,917
					9.86%	735.46	(51,959,814)
Net liability	ARG	2,683,826,384	ARS-CLP	42.26	(17.26)%	34.97	19,572,033
					11.00%	46.91	(12,479,583)
Net liability	UF	22,264,770	CLF-CLP	26,347.13	(0.467)%	26,224.00	2,741,368
					2.292%	26,951.09	(13,446,952)
Net liability	COP	6,305,004,476	COP-CLP	0.22	(10.366)%	0.20	146,012
					9.3377%	0.24	(131,517)
Net liability	PEN	131,912,445	PEN-CLP	199.79	(7.957)%	183.89	2,097,011
					9.226%	218.22	(2,431,446)
Net liability	BRL	371,262,861	BRL-CLP	206.13	(11.958)%	181.48	9,151,527
					11.065%	228.94	(8,467,668)

As of and for December 31, 2015

<u>Classification</u>	<u>Currency</u>	<u>Exposure</u>	<u>Market variable</u>	<u>Closing value</u>	<u>Change in risk factor</u> %	<u>Exchange rate value</u>	<u>Effect on profit and loss</u> (ThCh\$)
Net liability	USD	1,388,843,062	USD-CLP	710.16	(8.76)%	647.97	86,375,317
					10.22%	782.76	(100,826,078)
Net liability	ARG	447,185,623	ARS-CLP	54.80	(14.53)%	46.84	3,560,441
					11.17%	60.92	(2,736,182)
Net liability	UF	18,080,089	CLF-CLP	25,629.09	(0.484)%	25,505.07	2,242,293
					2.380%	26,239.04	(11,028,017)
Net liability	COP	4,352,231,183	COP-CLP	0.22	(10.505)%	0.20	102,043
					9.497%	0.24	(92,255)
Net liability	PEN	132,268,544	PEN-CLP	207.56	(8.239)%	190.46	2,261,895
					9.541%	227.36	(2,619,300)
Net liability	BRL	448,714,904	BRL-CLP	178.90	(12.247)%	156.99	9,831,486
					11.141%	198.83	(8,943,599)

The effect on profit and loss obtained from a theoretical exercise shows the incremental effect generated from the reasonably possible estimated change (i.e. it corresponds to the difference between the amount that was effectively recorded for exchange differences and the amount that would have been recorded in a scenario of lower or higher exchange rates).

The Company's strategy is to hold most of its financial debt in local currencies to reduce uncertainty stemming from an increase in the value of its liabilities due to foreign currency fluctuations, using derivative financial instruments for these purposes, which allow the value of the obligation to be expressed in its functional currency.

Additionally, the exposure to exchange rates for conversion of the functional currency of the subsidiaries in Argentina, Colombia, Peru and Brazil, relating to the difference between monetary assets and liabilities (e.i., those denominated in a local currency and consequently exposed to the translation from their functional currencies into the presentation currency for the Group consolidated financial statements) is hedge only when it's predictable that adverse material differences could occur and the cost related to hedging is deemed reasonable by management. The Company currently does not have any net investment hedging contracts.

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The Company assesses the fluctuation of the functional currencies compared to the presentation currency through a sensitivity analysis on equity and net assets in local currency using favorable and unfavorable scenarios, the amounts of exposure of all possible scenarios, including a general one, resulting from this analysis are as follows:

<u>Currency</u>	<u>Rate of conversion</u>	<u>Scenarios</u>	<u>Flux on assets ThChS</u>	<u>Flux%</u>	<u>Flux on Equity ThChS</u>	<u>Flux %</u>
ARG PESO	34.97	S1	(244,211,478)	(2.33)%	(103,557,406)	(2.54)%
	46.91	S2	154,621,108	1.48%	65,566,781	1.61%
COP PESO	0.20	S1	(142,263,787)	(1.36)%	(105,059,848)	(2.57)%
	0.24	S2	174,671,777	1.67%	128,992,703	3.16%
PER SOL	183.89	S1	(98,158,348)	(0.94)%	(63,180,231)	(1.55)%
	218.22	S2	115,174,918	1.10%	80,746,926	1.98%
BRL REAL	181.48	S1	(169,305,028)	(1.62)%	(106,681,761)	(2.61)%
	228.94	S2	160,863,372	1.54%	101,153,426	2.48%
All currencies		S1	(653,938,641)	(6.24)%	(378,479,246)	(9.27)%
		S2	605,331,175	5.78%	376,459,836	9.22%

S1: Scenario 1 represents the most unfavorable exchange rate to be used in converting into the presentation currency, and how that impacts to the net assets and equity of the Group

S2: Scenario 2 represents the most advantageous exchange rate to be used in converting into the presentation currency, and how that impacts to the net investment and equity of the Group

4 Estimates, judgment or criteria applied by management

The estimates and criteria used are continuously assessed and are based on prior experience and other factors, including the expectation of occurrence of future events that are considered reasonable according to the circumstances.

The Cencosud Group makes estimates and assumptions with respect to the future. Actual results could differ from those estimates. The estimates and assumptions that have a significant risk of generating material adjustments to the asset and liability balances in the next year are presented below.

4.1 Estimate of impairment of assets with indefinite useful lives

The Cencosud Group assesses annually, or when there is a triggering event, whether goodwill has experienced any impairment, according to the accounting policy described in Note 2.11. The recoverable balances of the cash generating units have been determined from the base of their value in use. The methodology of discounting cash flows at a real pre-tax discount rate calculated for each country is applied.

The rates used for the annual test in 2016 and 2015 were as follows:

Segment	2016				
	Chile	Argentina	Peru	Colombia	Brazil
Supermarkets	9.01%	—	10.08%	9.44%	9.97%
Department Stores	8.41%	—	—	—	—
Home Improvement	8.84%	24.84%	—	—	—

Segment	2015				
	Chile	Argentina	Peru	Colombia	Brazil
Supermarkets	8.62%	—	9.31%	8.76%	9.65%
Department Stores	7.87%	—	—	—	—
Home Improvement	8.48%	35.40%	—	—	—

The projection of cash flows is carried out by each country and by business segment, by using the functional currency of each country and considering a horizon of 5 years perpetuity, unless they justify a different period. The projections are based on the historical information, taking the 2017 official budget as the first yearly flow, and considering the main macroeconomic variables that affect the markets. In addition, projections considered a moderate organic growth and recurring investments needed to keep generating capacity of flow of each segment

The assets measured correspond mainly to trademarks and goodwill arising from past business combinations. The measurements are performed for each operating segment representing the cash generating unit determined to carry out the annual impairment test. The projected cash flows in each segment are allocated initially to identifiable tangible and intangible assets and the exceeding portion is allocated to goodwill. The valuation review of the trademarks incorporates among other factors the market analysis, financial projections and the determination of the role that brand has in the generation of sales.

During the years ended December 31, 2016 and December 31, 2015, except for the goodwill of the CGU Supermarkets - Brazil, there have been no losses for impairment of assets with indefinite useful life. (See note 13)

4.2 Impairment of accounts receivable

The Company assesses the impairment of the accounts receivable when there is objective evidence that it will not be able to collect all the amounts according to the original terms of the account receivable (Note 2.12.2).

4.3 Investment property

a) Fair value measurement for lands

The fair value for land is determined under responsibility of the Company's finance department, by contracting external experts who have the appropriate professional qualification and recent experience in the location and category of the property being valued.

The methodology used in determining the fair value of lands was the market approach, which consists of determining the fair value based on recent transactions occurred in the market. If such information is not available, management obtains data from a variety of sources including current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences. The key inputs under this approach are the price per square metre from recent sales.

This measurement corresponds to level II of the fair value hierarchy.

b) Fair value measurements for investment properties other than land.

The Company's finance department is responsible for determining fair value measurements included in the financial statements, including Level 3 fair values of investment properties. The Company's finance department includes a valuations team that prepares a valuation for each investment property every quarter. The valuation team reports directly to the Chief Financial Officer (CFO) and the Audit Committee (AC). Discussions of valuation processes, key inputs and results are held between the CFO, AC and the valuation team at least once every quarter, in line with the Company's quarterly reporting dates.

The fair value measurement for this type of investment has been categorized as a level III fair value based on the inputs used in the valuation technique. Investment properties are valued on a highest and best use basis. Changes in Level 3 fair values are analyzed at each reporting date during the quarterly valuation discussions between the CFO, AC and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

For all of the Company's investment properties, the current use is considered to be the highest and best use.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers in or out of Level 3 fair value measurements for investment properties during the period, nor transfers between Level 1 and Level 2 of the fair value hierarchy.

For investment property the methodology of the discounted future cash flows uses a country-specific WACC post-tax rate, measured in real terms and differentiated by country. The rates used at December 31, 2016 were 6.19% in Chile 12.27% in Argentina, 6.75% in Peru and 7.03% in Colombia (at December 31, 2015: 6.73% in Chile, 22.50% in Argentina, 7.50% in Peru and 7.66% in Colombia). To this effect, a calculation is performed to obtain the net revenues that correspond to the lease income minus the direct costs and operating expenses. Additionally, the projected cash flows used the historical information of the recent years and the projected macroeconomic variables that will affect each country.

The cash flows are calculated in a scenario of moderated growth for those investment properties that have reached the expected maturity level and the main variables used are:

1. Determination of the Discount Rate

The discount rate is reviewed quarterly for each country and consists of the following factors:

- a) BETA: Because the American market presents a greater number of comparable companies within this industry, using betas of companies in that country.
- b) Risk-free rate: It draws on the U.S. Treasury rate at 30 years (30yr T-Bond)
- c) Risk premium: Estimated on long-term returns of the stock market and the country risk of each transaction,

estimated by the Credit Default Swap to 10 years (10yr CDS). In the case of Argentina's country risk used is the average of the last three years.

- d) Leverage Ratio: Estimated as of BETA referring them on 66.9% equity and 33.1% debt.
- e) Tax rate: We use the tax rate in effect in each country
- f) Spread: The international bond spread of Cencosud is used to estimate the return on debt which is similar to the Industry spread. With all these factors we estimate the discount rate (WACC) nominal and real, the latter being used as the flow is estimated at UF (Unidad de Fomento) in Chile, or adjusted for inflation in Peru and Argentina

2. Revenue growth:

The evolution of income depends on the property, but remains between 0.5% and 1.0% annual real growth, except those newly opened malls whose maturation does expect superior performance improved in the first years of operation. The revenue projection is reviewed quarterly so that it is aligned to the budget approved by the board in the short term and that their expectations of long-term trends are in line with the life cycle in which the asset is (Shopping).

3. Growth in costs and expenses:

As income, change in expenditure depends on the property but always reflects the standard structure resulting from the operation of such properties and operating agreements signed with tenants. These are also reviewed quarterly to be aligned with the budget and expected evolution for each Shopping.

4. Investment Plan:

For each shopping center, the Company reviews whether the investment plans is in line with the characteristics of each property and the life cycle in which they are placed.

Based on the points described above, the estimated available flow projection thirty-year term, after which is estimated a perpetuity. The present value of these flows determines the fair value of the investment property.

5. Valuation technique and Inter-relationship between key unobservable inputs.

Valuation technique (Discounted cash flows): The valuation model considers the present value of the net cash flows to be generated from the property taking into account expected revenue growth, occupancy rates, other cost and expenses not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates (see above on "determination of discount rate"). Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit and lease terms.

Class	Country (*)	Unobservable input	Range
Malls	Chile	Expected revenue growth (real)	0.5% - 1%
		Occupancy rate	90% - 100%
	Argentina	Expected revenue growth (real)	0.5% - 1%
		Occupancy rate	90% - 100%
Office	Chile	Expected revenue growth (real)	0.5% - 1%
		Occupancy rate (1 st through 5 th year)	50% - 90%%
		Thereafter	80% - 98%

(*) The group concentrates 89% of the total of the investment properties in Chile and Argentina.

The estimated fair value of the investment properties would increase (decrease) if:

- Risk-adjusted discount rate were lower (higher)
- Expected revenue growth were higher (lower)

- The occupancy rate were higher (lower)

4.4 Fair value of derivatives

The fair value of financial instruments that are not traded in an active market as it is the case of the over-the-counter derivatives is determined by using valuation techniques. The group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flows analysis for various foreign exchange contracts and interest rate contracts that are not traded in active markets. (See note 3.1.4)

5 Cash and cash equivalents

The composition of this item as of December 31, 2016 and 2015 is the following:

Cash categories	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Cash in hand	52,646,980	41,943,295
Bank balances	135,282,148	189,062,850
Short-term deposits	87,289,875	37,268,981
Cash and cash equivalents	275,219,003	268,275,126

Cash and equivalents include cash, bank account balances and short term investments. Currency is as follows:

Currency	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Chilean Peso	68,328,986	91,333,057
Argentine Peso	20,720,236	15,680,751
US dollars	64,499,270	27,107,038
Peruvian New Sol	74,757,620	78,194,481
Brazilian Real	11,133,439	8,172,385
Colombian Peso	35,779,452	47,787,414
Total cash and cash equivalents	275,219,003	268,275,126

6 Other financial assets, current and non-current

The composition of this item as of December 31, 2016 and 2015 includes the following:

	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Other financial assets, current		
Mutual Funds Shares	189,960,780	181,562,472
Hedging Derivatives	1,398,557	1,873,528
Highly liquid financial instruments	28,629,285	71,414,725
Total other financial assets, current	219,988,622	254,850,725
	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Other financial assets, non-current		
Derivatives	287,119,800	418,721,697
Financial investments Long term	240,874	185,549
Account receivable due from Bretas	—	2,625,340
Total other financial assets, non-current	287,360,674	421,532,586

6.1 Offsetting non-derivatives financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends to either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The following financial assets and liabilities are subject to offsetting in accordance with paragraph 42 of IAS 32:

a) As of December 31, 2016

Financial assets

	Related amounts not set off in the balance sheet					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instrument	Cash collateral received	Net amount
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Account receivable due from Bretas,	8,427,279	(8,427,279)	—	—	—	—

b) As of December 31, 2015

Financial assets

	Related amounts not set off in the balance sheet					
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Financial instrument	Cash collateral received	Net amount
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Account receivable due from Bretas,	8,613,305	(10,249,458)	(1,636,153)	4,261,493	—	2,625,340

c) As of December 31, 2016

Financial liabilities

	Related amounts not set off in the balance sheet					
	Gross amounts of recognized financial assets ThCh\$	Gross amounts of recognized financial liabilities set off in the balance sheet ThCh\$	Net amounts of financial assets presented in the balance sheet ThCh\$	Financial instrument ThCh\$	Cash collateral received ThCh\$	Net amount ThCh\$
Account payable due from Bretas purchase	(10,150,048)	8,427,279	(1,722,769)	—	—	(1,722,769)

d) As of December 31, 2015

Financial liabilities

	Related amounts not set off in the balance sheet					
	Gross amounts of recognized financial assets ThCh\$	Gross amounts of recognized financial liabilities set off in the balance sheet ThCh\$	Net amounts of financial assets presented in the balance sheet ThCh\$	Financial instrument ThCh\$	Cash collateral received ThCh\$	Net amount ThCh\$
Account payable due from Bretas purchase	(10,249,458)	8,613,305	(1,636,153)	1,636.153	—	—

The Company entered into an agreement for the acquisition of Bretas in October 2010. As part of this acquisition, the Group assumed certain tax contingencies and accounted them for in accordance with IFRS 3, however, the former shareholders of Bretas agreed on assuming these tax contingencies when their settlement becomes effective, which entitled the Group to account for a receivable amount as a guarantee and present it as an offset of the non-current financial liability that the Group accounted for as a result of the outstanding consideration from the acquisition.

As of December 31, 2016 this amount owed by the Group to the former owners of Bretas was reclassified and presented as a current financial liability considering its enforceability in the short term. As a result of this change in presentation of the financial liability and the expected settlement of certain contingencies in the long term, the parties agreed that (a) the receivable for contingencies which settlement is expected in the short term is to offset the financial liability for the outstanding consideration, and (b) all cash outflows that the Group makes related to the long-term tax contingencies are to be deducted from the future lease payments made to the former shareholders of Bretas, established in a separate lease contract.

This change in the agreement resulted in the presentation of a separate long-term account receivable for the tax contingencies. As of December 31, 2016, 2015 and 2014, the amount of the mentioned tax contingencies is presented as a long-term provision in the consolidated statement of financial position of the Group.

7 Derivative financial instruments**7.1 Financial assets and liabilities held at fair value through profit or loss**

The Company, following the financial risk management policy described in Note 3, enters into financial derivative contracts to hedge exchange rate and interest rate fluctuation risks.

This caption mainly includes forward contracts used to produce future cash flows in USD. The balance as of December 31, 2016 shows a current asset amounting ThCh\$ 1,398,557, and ThCh\$ 1,873,528 as of December 31, 2015.

Changes in the fair value of the assets and liabilities classified in this category (cross currency swaps and interest rate swaps) are recorded under “financial income” or “financial expenses” depending on the nature of the hedged item, except for the agreements that do not hedge direct liabilities.

These financial instruments are recorded in the accounts other current and non-current financial assets and other current and non-current financial liabilities. The liabilities are detailed in Note 17.4 and the asset in Note 6.

These financial instruments are presented as “operating activities” in the statement of cash flows as part of the changes in working capital. This is based on the fact that Cencosud has entered into these assets and liabilities as derivative financial instruments to serve as economic and financial hedges for the risks associated with exchange rates and interest rates as described previously.

Instruments at fair value through profit or loss and hedge instruments are detailed in Note 3.

7.2 Hedging assets and liabilities

The Company has derivatives to hedge exposure to exchange rate and interest rate variation, particularly instruments classified as cross currency swaps (CCS), used to hedge debts denominated in Peruvian Nuevo Soles and U.S. dollars from bond placements and bank debt in those currencies. These instruments are classified as cash flow and fair value hedges. The fair value of these contracts as of December 31, 2016 represent a non-current asset of Th Ch\$ 287,119,800 and a current liability of ThCh\$ 4,151,393, and a non-current liability of ThCh\$ 12,441,477 (ThCh\$ 418,721,697 non-current asset, ThCh\$ 58,029 current liability, and ThCh\$ 1,088,321 non-current liability as of December 31, 2015).

7.3 Assets and liabilities derivatives designated as hedges

The following table indicates the period in which the cash flows associated with cash hedges are expected to occur and the carrying amounts of the related hedging instruments.

December 31, 2016	Carrying amount ThCh\$	Expected cash flows	
		One year or less ThCh\$	More than one year ThCh\$
Cross Currency Swap			
Assets	287,119,800	53,557,600	1,312,161,200
Liabilities	16,592,870	64,946,624	159,899,408

December 31, 2015	Carrying amount ThCh\$	Expected cash flows	
		One year or less ThCh\$	More than one year ThCh\$
Cross Currency Swap			
Assets	418,721,697	30,773,600	1,284,206,000
Liabilities	1,088,321	—	57,856,056
Interest Rate Swap			
Liabilities	58,029	—	—

During 2015 several derivative agreements designated as cash flow hedges and fair value hedges were included into a settlement operation. The operation involved the modification of the referential exchange rate for all instruments, while all other elements such as terms, notional and maturity were maintained as initially subscribed. The settlement of these aforementioned cross currency swap agreements produced cash inflows amounting ThCh\$ 51,015,785 included in the consolidated statements of cash flows under the "Other cash inflows (outflows)" line. Previous effects accumulated in net equity through other comprehensive income, will be recycled to the statement of profit and loss following the straight line method considering the terms of the hedged items.

8 Trade receivables and other receivables

Trade receivables and other receivables as of December 31, 2016 and 2015 are as follows:

	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Trade receivables and other receivables, net, current		
Trade receivables net, current	187,736,950	174,446,809
Credit card receivables net, current	409,219,883	342,372,436
Other receivables, net, current	270,182,844	302,409,953
Letters of credit loans	—	610,185
Total	867,139,677	819,839,383
	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Trade receivables and other receivables, net, non-current		
Trade receivables net, non-current	373,386	415,973
Credit card receivables net, non-current	8,412,427	4,610,379
Other receivables, net, non-current	3,107,893	16,312,688
Letters of credit loans	—	9,657,812
Total	11,893,706	30,996,852
	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Trade receivables and other receivables, gross, current		
Trade receivables gross, current	201,676,904	192,176,807
Credit card receivables gross, current	428,296,390	358,131,672
Other receivables gross, current	280,824,236	313,390,901
Letters of credit loans	158,572	776,786
Total	910,956,102	864,476,166
	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Trade receivables and other receivables, gross, non-current		
Trade receivables gross, non-current	373,386	415,973
Credit card receivables gross, non-current	8,412,427	4,610,379
Other receivables gross, non-current	3,107,893	16,312,688
Letters of credit loans, non-current	—	9,657,812
Total	11,893,706	30,996,852

Trade receivables and other receivables close to maturity	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Less than three months	645,374,201	622,399,661
Between three and six months	88,253,127	65,106,283
Between six and twelve months	73,541,986	60,918,226
In more than twelve months	11,893,706	30,996,852
Total	819,063,020	779,421,022

Please refer to table 1-1 in Note 3 to see the trade receivables' and other receivables' fair value.

The maturity of past due trade receivables as of December 31, 2016 and 2015 is as follows:

Trade receivables past due but not impaired	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Past due in less than three months	77,517,208	81,294,828
Past due between three and six months	10,223,002	10,635,980
Past due between six and twelve months	3,325,672	10,809,004
Past due in more than twelve months	12,720,906	13,312,184
Total	103,786,788	116,051,996

The movement of the bad debt allowance is as follows:

Change in bad debt allowance	As of December 31,		
	2016	2015	2014
	ThCh\$	ThCh\$	ThCh\$
Initial balance	44,636,783	45,643,245	91,600,887
Increase in provision	57,105,655	27,855,602	145,456,872
Write-off	(26,885,538)	(23,427,920)	(97,906,650)
Reversal of provision	(31,040,475)	(60,904,525)	(38,037,483)
Reclassification to assets held for sale (note 34)	—	55,470,381	(55,470,381)
Total	43,816,425	44,636,783	45,643,245

The maximum exposure to credit risk at the date of the report is the book value in each category of the trade account. The Cencosud Group does not request collateral as a guarantee.

Summary of the credit card policies

Argentina

The approval decision and the credit limit are based on a combination of statistical models, payment history in the financial system and an estimate of the applicant's income level. Refinancing requires an initial payment of at least 50% of the unpaid minimum payment and are limited to a maximum of once every six months. Allowances are calculated each month by applying statistical methodology that combines portfolio behavior over the last 12 months. The local regulator requires allowances for 100% of delinquent debt once it is 360 days past due. Accounts that are 180 days past due must be allowed to 100% of the credit balances.

Peru

Prospective credit card holders are selected based on the cardholders' purchasing behavior in the Bonus customer loyalty program, combined with an analysis of behavior profiles by credit rating agencies available in the country. Operations are structured following the requirements defined by Peruvian banking regulations; including observing mandatory definitions for refinancing, and classifying debtors based on days in default which, in turn, translates into establishing allowances over the principal of the loans.

9 Transactions with related parties

Transactions with related companies are based on immediate payment or collection or with a term of up to 30 days, and are not subject to special conditions. These operations comply with what is established in articles 44 and 49 of Law N° 18,046 that regulates the Corporations.

It is noteworthy that the related party transactions are in accordance with IAS 24 (Revised) "Related Parties". The Company has a policy to disclose all transactions performed with related parties during the period.

9.1 Trade receivables from related parties

The composition of the item as of December 31, 2016 and December 31, 2015 is as follows:

Tax ID Number	Company	Receivables from related parties				Balance as of			
		Transaction description	Transaction term	Nature of relationship	Currency	Current		Non-current	
						12/31/2016	12/31/2015	12/31/2016	12/31/2015
						ThCh\$	ThCh\$	ThCh\$	ThCh\$
96.863.570-0	Inmobiliaria Mall Viña del Mar S.A.	Dividends receivable	Current	Associate	Chilean Pesos	—	1,516,720	—	—
99.500.840-8	CAT Administradora de Tarjetas S.A.	Trade receivable	Current	Associate	Chilean Pesos	20,226,071	7,552,703	—	—
99.500.840-8	CAT Administradora de Tarjetas S.A.	Dividends receivable	Current	Associate	Chilean Pesos	4,135,701	3,707,894	—	—
77.218.570-7	CAT Corredores de Seguros y Servicios S.A.	Trade receivable	Current	Associate	Chilean Pesos	443,446	1,383,949	—	—
77.218.570-7	CAT Corredores de Seguros y Servicios S.A.	Dividends receivable	Current	Associate	Chilean Pesos	370,903	265,914	—	—
76.388.146-6	Operadora de Procesos S.A.	Dividends receivable	Current	Associate	Chilean Pesos	487,097	—	—	—
76.388.146-6	Operadora de Procesos S.A.	Trade receivable	Current	Associate	Chilean Pesos	2,624,104	413,421	—	—
76.388.155-5	Servicios Integrales S.A.	Dividends receivable	Current	Associate	Chilean Pesos	682,020	—	—	—
76.388.155-5	Servicios Integrales S.A.	Trade receivable	Current	Associate	Chilean Pesos	18,834	10,593	—	—
Total						<u>28,988,176</u>	<u>14,851,194</u>	<u>—</u>	<u>—</u>

9.2 Trade payables to related parties

The composition of the item as of December 31, 2016 and December 31, 2015 is as follows:

Tax ID number	Company	Payables to related parties				Balance as of			
		Transaction description	Transaction term	Nature of relationship	Currency	Current		Non-current	
						12/31/2016	12/31/2015	12/31/2016	12/31/2015
						ThCh\$	ThCh\$	ThCh\$	ThCh\$
-	Loyalti Del Perú S.A.C.	Fund transfer	Current	Associate	Peruvian New Sol	675,399	444,619	—	—
99.500.840-8	CAT Administradora de Tarjetas S.A.	Trade payable	Current	Associate	Chilean Pesos	16,765,170	24,723,846	—	—
77.218.570-7	CAT Corredores de Seguros y Servicios S.A.	Trade payable	Current	Associate	Chilean Pesos	243,112	1,640,310	—	—
76.388.146-6	Operadora de Procesos S.A.	Trade payable	Current	Associate	Chilean Pesos	989,095	2,388,174	—	—
76.388.155-5	Servicios Integrales S.A.	Trade payable	Current	Associate	Chilean Pesos	50,143	—	—	—
Total						<u>18,722,919</u>	<u>29,196,949</u>	<u>—</u>	<u>—</u>

9.3 Transactions with related parties and impact on profit and loss

The operations and its impact on profit and loss are presented for the years ended December 31, 2016 and December 31, 2015, as follows:

Transactions									
Tax ID Number	Company	Nature of relationship	Transaction description	Currency	Country	Impact to profit and loss (charge /credit)		Impact to profit and loss (charge /credit)	
						12/31/2016 ThCh\$	12/31/2015 ThCh\$	12/31/2016 ThCh\$	12/31/2015 ThCh\$
3.294.888-k	Horst Paulmann Kemna	Chairman	Dividends paid	Chilean pesos	Chile	5,626,926	—	2,086,318	—
3.294.888-k	Horst Paulmann Kemna	Chairman	Easy shares purchase	Chilean pesos	Chile	1,434,533	—	—	—
4.580.001-6	Helga Koepfer Schoebitz	Shareholder	Dividends paid	Chilean pesos	Chile	248,038	—	88,671	—
76.425.400-7	Inversiones Tano Ltda.	Shareholder	Dividends paid	Chilean pesos	Chile	33,219,359	—	13,094,932	—
86.193.900-6	Inversiones Quinchamali Ltda.	Shareholder	Dividends paid	Chilean pesos	Chile	45,900,384	—	16,408,848	—
96.802.510-4	Inversiones Latadia Ltda.	Shareholder	Dividends paid	Chilean pesos	Chile	44,065,857	—	15,753,025	—
7.012.865-9	Manfred Paulmann Koepfer	Shareholder	Dividends paid	Chilean pesos	Chile	1,001,525	—	373,666	—
8.953.509-3	Peter Paulmann Koepfer	Director	Dividends paid	Chilean pesos	Chile	995,724	—	355,960	—
8953510-7	Heike Paulmann Koepfer	Director	Dividends paid	Chilean pesos	Chile	983,222	—	351,490	—
0-E	Plaza Lima Norte	Company director relationship	Leases paid	Peruvian New Sol	Peru	—	—	792,684	(792,684)
0-E	Plaza Lima Norte	Company director relationship	Utilities paid	Peruvian New Sol	Peru	—	—	264,972	(264,972)
96.863.570-0	Inmobiliaria Mall Viña Del Mar S.A.	Associate	Leases paid	Chilean pesos	Chile	1,407,010	(1,407,010)	3,465,464	(3,465,464)
96.863.570-0	Inmobiliaria Mall Viña Del Mar S.A.	Associate	Utilities Paid	Chilean pesos	Chile	955,675	(955,675)	2,355,071	(2,355,071)
96.863.570-0	Inmobiliaria Mall Viña Del Mar S.A.	Associate	Dividends collected	Chilean pesos	Chile	—	—	2,698,866	—
96.863.570-0	Inmobiliaria Mall Viña Del Mar S.A.	Associate	Sale of goods	Chilean pesos	Chile	15,791	15,791	6,276	6,276
77.209.070-6	Viña Cousiño Macul S.A.	Common director	Merchandise buying	Chilean pesos	Chile	719,011	(719,011)	1,176,517	(1,176,517)
92.147.000-2	Wenco S.A.	Common director	Merchandise buying	Chilean pesos	Chile	2,947,306	(2,947,306)	3,223,718	(3,223,718)
92.147.000-2	Wenco S.A.	Common director	Sale of goods	Chilean pesos	Chile	18,210	18,210	504,605	494,333
76.076.630-5	Maxi Kioskos Chile S.A.	Company's Director	Leases collected	Chilean pesos	Chile	423,932	423,932	231,553	231,553
76.076.630-5	Maxi Kioskos Chile S.A.	Company's Director	Utilities collected	Chilean pesos	Chile	250,093	250,093	231,410	231,410
78.410.320-K	Imp y Comercial Regen Ltda.	Company's Director	Merchandise buying	Chilean pesos	Chile	494,566	(494,566)	725,201	(725,201)
78.410.320-K	Imp Y Comercial Regen Ltda.	Company's Director	Leases collected	Chilean pesos	Chile	226,550	226,550	217,559	217,559
78.410.320-K	Imp Y Comercial Regen Ltda.	Company's Director	Sale of goods	Chilean pesos	Chile	16,861	16,861	29,406	29,406
78.410.320-K	Imp Y Comercial Regen Ltda.	Company's Director	Common expenses collected	Chilean pesos	Chile	88,573	88,573	80,986	80,986
79.595.200-4	Adelco santiago Ltda.	Company's Director	Leas collected	Chilean pesos	Chile	26,925	26,925	—	—
88.983.600-8	Teleductos S.A.	Common director	Leas collected	Chilean pesos	Chile	43,067	43,067	655,936	655,936
88.983.600-8	Teleductos S.A.	Common director	Services provided	Chilean pesos	Chile	907,390	(907,390)	708,626	(708,626)
92.491.000-3	Labsa Inversiones Ltda.	Company, director relationship	Leases paid	Chilean pesos	Chile	574,595	(574,595)	573,675	(573,675)
93.737.000-8	Manquehue Net S.A.	Common director	Services provided	Chilean pesos	Chile	31,202	(31,202)	24,179	(24,179)
96.566.940-K	Agencias Universales S.A.	Common director	Services provided	Chilean pesos	Chile	3,585	(3,585)	93,316	(93,316)
96.566.940-K	Agencias Universales S.A.	Common director	Sale of goods	Chilean pesos	Chile	14,024	14,024	14,121	14,121
92.580.000-7	Empresa Nacional de Telecomunicaciones S.A.	Common director	Services provided	Chilean pesos	Chile	1,182,055	(1,182,055)	1,526,532	(1,526,532)
92.580.000-7	Empresa Nacional de Telecomunicaciones S.A.	Common director	Leases paid	Chilean pesos	Chile	206,845	206,845	—	—
90.193.000-7	Empresa El Mercurio.S.A.P.	Common director	Leases paid	Chilean pesos	Chile	100,935	100,935	95,172	95,172
90.193.000-7	Empresa El Mercurio.S.A.P.	Common director	Common expenses collected	Chilean pesos	Chile	20,187	20,187	19,039	19,039
90.193.000-7	Empresa El Mercurio.S.A.P.	Common director	Services provided	Chilean pesos	Chile	363,493	363,493	23,745	23,745
90.193.000-7	Empresa El Mercurio.S.A.P.	Common director	Services provided	Chilean pesos	Chile	3,060,358	(3,060,358)	3,232,744	(3,232,744)
96.628.870-1	Entel Telefonía Local S.A.	Common director	Services provided	Chilean pesos	Chile	18,368	(18,368)	18,677	7,608
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Common director	Services provided	Chilean pesos	Chile	1,143,871	(1,143,871)	588	(588)
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Common director	Services provided	Chilean pesos	Chile	5,324,800	(5,324,800)	7,471,131	(7,471,131)
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Common director	Lease collected	Chilean pesos	Chile	1,406,600	1,406,600	609,582	609,582
96.806.980-2	Entel PCS Telecomunicaciones S.A.	Common director	Services provided	Chilean pesos	Chile	206,694	206,694	151,162	151,162
96.566.940-K	Cia Nacional de Telefonos,Telefónica del Sur S.A	Common director	Services provided	Chilean pesos	Chile	1,786	(1,786)	2,632	(2,632)
96.566.940-K	Cia Nacional de Telefonos,Telefónica del Sur S.A	Common director	Lease collected	Chilean pesos	Chile	4,151	4,151	7,443	7,443
4773765-6	Cristian Eyzaguirre Johnston	Common director	Services provided	Chilean pesos	Chile	—	—	39,376	(39,376)
96.628.870-1	Industria Productos Alimenticios S.A.	Common director	Merchandise buying	Chilean pesos	Chile	857,008	(857,008)	1,143,233	(1,143,233)

Transactions									
Tax ID Number	Company	Nature of relationship	Transaction description	Currency	Country	Impact to profit and loss (charge /credit)		Impact to profit and loss (charge /credit)	
						12/31/2016 ThCh\$	12/31/2015 ThCh\$	12/31/2016 ThCh\$	12/31/2015 ThCh\$
79.675.370-5	Assets- Chile S.A	Common director	Sale of goods	Chilean pesos	Chile	7,822	7,822	6,841	6,841
70.649.100-7	Centros de Estudios Públicos	Company, director relationship	Services provided	Chilean pesos	Chile	21,169	(21,169)	20,794	(20,794)
0-E	JetAviation Flight Services Inc.	Company, director relationship	Services provided	Chilean pesos	Chile	840,340	(840,340)	1,305,905	(1,305,905)
92434000	Besalco S.A	Common director	Services provided	Chilean pesos	Chile	4,056	(4,056)	1,296	1,296
88.417.000-1	Sky Airline S.A.	Company, director relationship	Leases collected	Chilean pesos	Chile	3,861	3,861	15,061	15,061
88.417.000-1	Sky Airline S.A.	Company, director relationship	Other expenses collected	Chilean pesos	Chile	1,044	1,044	5,464	5,464
99.500.840-8	CAT Administradora de Tarjetas S.A.	Associate	Financial retail income	Chilean pesos	Chile	18,865,689	18,865,689	14,642,163	14,642,163
99.500.840-8	CAT Administradora de Tarjetas S.A.	Associate	Cencosud Card sales	Chilean pesos	Chile	673,859,245	—	519,182,170	—
99.500.840-8	CAT Administradora de Tarjetas S.A.	Associate	Statements collection	Chilean pesos	Chile	1,001,180,680	—	671,579,842	—
99.500.840-8	CAT Administradora de Tarjetas S.A.	Associate	Leases collected	Chilean pesos	Chile	49,906	49,906	89,588	89,588
99.500.840-8	CAT Administradora de Tarjetas S.A.	Associate	Other expenses collected	Chilean pesos	Chile	386	386	—	—
99.500.840-8	CAT Administradora de Tarjetas S.A.	Associate	Merchandise buying	Chilean pesos	Chile	26,714	26,714	524,058	524,058
99.500.840-8	CAT Administradora de Tarjetas S.A.	Associate	Gift Cards buying	Chilean pesos	Chile	30,671	30,671	467,512	467,512
77.218.570-7	CAT Corredores de Seguros y Servicios S.A.	Associate	Gift Cards buying	Chilean pesos	Chile	30,735	30,735	2,405	2,405
77.218.570-7	CAT Corredores de Seguros y Servicios S.A.	Associate	Leases collected	Chilean pesos	Chile	144,008	144,008	2,016	2,016
77.218.570-7	CAT Corredores de Seguros y Servicios S.A.	Associate	Merchandise buying	Chilean pesos	Chile	224,668	224,668	145,126	145,126
77.218.570-7	CAT Corredores de Seguros y Servicios S.A.	Associate	Financial retail income	Chilean pesos	Chile	142,570	142,570	355,977	355,977
76.388.155-5	Servicios Integrales S.A.	Associate	Merchandise buying	Chilean pesos	Chile	9,603	9,603	616	616
76.388.155-5	Servicios Integrales S.A.	Associate	Gift Cards buying	Chilean pesos	Chile	28,970	28,970	201,053	201,053
76.388.155-5	Servicios Integrales S.A.	Associate	Financial retail income	Chilean pesos	Chile	142,570	142,570	—	—
76.388.146-6	Operadora de Procesos S.A.	Associate	Commissions payment	Chilean pesos	Chile	6,403,725	(6,403,725)	4,820,649	(4,820,649)
76.388.146-6	Operadora de Procesos S.A.	Associate	Financial retail income	Chilean pesos	Chile	7,840,994	7,840,994	6,535,534	6,535,534
0-E	Brinox Metalurgica S.A.	Company, director relationship	Merchandise buying	Brasilian Reals	Brazil	374,303	(374,303)	450,479	(450,479)
0-E	Moura Neto Consultoria Ltda.	Company, director relationship	Services provided	Brasilian Reals	Brazil	86,408	(86,408)	53,849	(53,849)

9.4 Board of Directors and key management of the Company

The Board of Directors as of December 31, 2016 is comprised of the following people:

Board of directors	Role	Profession
Horst Paulmann Kemna	Chairman	Businessman
Heike Paulmann Koepfer	Director	Commercial Engineer
Peter Paulmann Koepfer	Director	Commercial Engineer
Roberto Oscar Phillips	Director	National Public Accountant
Cristián Eyzaguirre Johnston	Director	Economist
Richard Büchi Buc	Director	Civil Engineer
David Gallagher Patrickson	Director	Businessman
Julio Moura Neto	Director	Engineer
Mario Valcarce Durán	Director	Commercial Engineer

Key management of the Company as of December 31, 2016 is composed of the following people:

Senior management	Position	Profession
Jaime Soler	Chief Executive Officer	Commercial Engineer
Carlos Mechetti	General Counsel	Attorney at law
Bronislao Jandzio	Audit Managing Director	Business Administrator
Renato Fernández	Corporate Affairs Manager	Journalist
Antonio Ureta Vial	Home Improvement Managing Director	Commercial Engineer
Patricio Rivas	Financial Retail Managing Director	Commercial Engineer
Rodrigo Hetz	Human Resources Director	Industrial Engineer
Andres Artigas	Chief Information Officer	Industrial Engineer
Rodrigo Larrain	Chief Financial Officer	Industrial Engineer
Ricardo Bennett	Department Store Managing Director	Industrial Engineer
Tomas Zavala	Corporate Strategy Managing Director	Industrial Engineer
Carlos Madina	Shopping Managing Director	Business Administrator

9.5 Board of Directors compensation

In accordance with Article 33 of Law N° 18,046 in regards to Corporations, the Ordinary Shareholders' Meeting held on April 29, 2016, set the following amounts for the 2016 period:

- Fees paid for attending Board sessions: payment of UF 330 (equivalent to ThCh\$ 8,695) each month for those holding the position of Director of the Board and twice this amount for the President of the Board, if and only if they attend a minimum of 10 ordinary sessions each year.
- Fees paid for attending the Directors' Committee: payment to each Director of UF 110 (equivalent to ThCh\$ 2,898) for each session they attend.

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The details of the amount paid to Directors for the years ended December 31, 2016, 2015 and 2014, are as follows:

Name	Role	For the year ended December 31,		
		2016	2015	2014
		ThCh\$	ThCh\$	ThCh\$
Horst Paulmann Kemna	Chairman	206,280	198,458	184,487
Heike Paulmann Koepfer	Director	103,140	99,229	92,243
Peter Paulmann Koepfer	Director	103,140	99,229	92,243
Cristián Eyzaguirre Johnston	Director	103,140	99,229	92,243
Roberto Oscar Philipps	Director	137,526	132,305	122,991
Erasmus Wong Lu Vega (*)	Director	—	65,549	92,243
David Gallagher Patrickson	Director	137,526	132,305	122,991
Julio Moura	Director	103,140	99,229	92,243
Richard Büchi Buc	Director	137,526	132,305	122,991
Mario Valcarce Durán	Director	92,177	—	—
Total		1,123,595	1,057,838	1,014,675

(*) Mr. Erasmus Wong Lu resigned from his position as Director, with effect as of August 26, 2015.

9.6 Compensation paid to senior management

Key management compensation	For the year ended December 31,		
	2016	2015	2014
	ThCh\$	ThCh\$	ThCh\$
Salary and other short term employee benefits	4,928,236	5,365,049	5,195,504
Shares—based payments	1,382,504	1,039,827	612,501
Total	6,310,740	6,404,876	5,808,005

The Cencosud Group has established an incentive plan, which rewards management for the achievement of individual objectives as well as company's results. These incentives are structured as a minimum and a maximum of gross compensation and are paid once a year.

10 Inventory

The composition of this item as of December 31, 2016 and 2015 is as follows:

Inventory category	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Raw materials	4,740,484	5,687,964
Goods	1,293,309,256	1,196,132,051
Provisions	(148,763,726)	(133,510,682)
Total	1,149,286,014	1,068,309,333

The composition of inventories by business line as of December 31, 2016 and 2015 is as follows:

Inventory category	As of December 31, 2016			
	Department stores	Supermarkets	Home improvement	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Raw material	1,164,458	3,576,026	—	4,740,484
Goods	192,143,210	697,409,780	254,992,540	1,144,545,530
Total	193,307,668	700,985,806	254,992,540	1,149,286,014

Inventory category	As of December 31, 2015			
	Department stores	Supermarkets	Home improvement	Total
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Raw material	1,466,349	4,221,615	—	5,687,964
Goods	186,513,106	658,932,859	217,175,404	1,062,621,369
Total	187,979,455	663,154,474	217,175,404	1,068,309,333

The Company periodically assesses its inventories at their net realizable value, by separating the inventory in lines of business and verifying the age, inventory turnover, sales prices and seasonality. Any adjustments are carried against profit and loss of the period.

The goods included in inventory are stated at the lower of the purchase price or production cost, net of allowance for obsolescence and net realizable value.

The carrying amount of inventories at December 31, 2016 and December 31, 2015 accounted for to its net realizable value less selling costs, provides for:

Current Inventories:

Inventories measured at net realizable value	Inventories at net realizable value as of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Inventory	49,219,377	69,009,364
Total	49,219,377	69,009,364

<u>Net realizable value movements</u>	<u>Balance as of December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>ThCh\$</u>	<u>ThCh\$</u>
Beginning Balance	69,009,364	59,318,630
Increase of Inventory to NRV (Net Realizable Value)	8,671,880	20,881,321
Decrease of Inventory to NRV (Net Realizable Value)	(28,461,867)	(11,190,587)
Total	<u>49,219,377</u>	<u>69,009,364</u>

Other information relevant to inventory:

<u>Additional information inventory</u>	<u>For the periods between</u>		
	<u>01/01/2016</u>	<u>01/01/2015</u>	<u>01/01/2014</u>
	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>
Cost of inventories recognized as expenses during the year	6,857,704,962	7,351,891,515	7,390,481,785

Provision movements:

<u>Provisions</u>	<u>Balance as of December 31,</u>	
	<u>2016</u>	<u>2015</u>
	<u>ThCh\$</u>	<u>ThCh\$</u>
Beginning Balance	133,510,682	131,827,604
Increase of provision	16,568,409	7,019,718
Reversals of provision	(1,315,365)	(5,336,640)
Total	<u>148,763,726</u>	<u>133,510,682</u>

The circumstances or events that led to the reversal of any write-down of inventories at December 31, 2016 and 2015, relate mainly to settlements and auctions recovering amounts higher than the estimated net realizable value for inventories.

The Company has not given inventories as collaterals at the end of the year.

11 Investments in associates recorded following the equity method

11.1 Breakdown of investments in associates

The composition of the item as of December 31, 2016 and 2015, as well as other related information is as follows:

<u>Investments in associates</u>	<u>Country Of origin</u>	<u>Functional currency</u>	<u>Ownership percentage</u>	<u>Voting power percentage</u>	<u>Balance as of December 31, 2015</u>	<u>Participation in profit or loss of equity method</u>	<u>Translation difference</u>	<u>Other decreases (*)</u>	<u>Balance as of December 31, 2016</u>
			<u>%</u>	<u>%</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>
Loyalti del Perú S.A.C.	Peru	Peruvian Nuevo Sol	42.50	42.50	907,728	124,043	(42,050)	—	989,721
Inmobiliaria Mall Viña del Mar S.A.	Chile	Chilean Pesos	33.33	33.33	55,575,262	—	—	(55,575,262)	—
CAT Administradora de Tarjetas S.A. (**)	Chile	Chilean Pesos	49.00	49.00	191,121,964	7,922,067	—	(3,327,232)	195,716,799
Servicios Integrales S.A. (**)	Chile	Chilean Pesos	49.00	49.00	2,123,468	1,705,049	—	(2,790,787)	1,037,730
Operadora de Procesos S.A. (**)	Chile	Chilean Pesos	49.00	49.00	1,511,742	1,217,743	—	(773,138)	1,956,347
CAT Corredores de Seguros y Servicios S.A. (**)	Chile	Chilean Pesos	49.00	49.00	287,341	927,262	—	(187,666)	1,026,937
Total					251,527,505	11,896,164	(42,050)	(62,654,085)	200,727,534

(*) On April 18, 2016, Sociedad Comercial de Tiendas S.A., a subsidiary of Cencosud SA, sold its interest ownership in Inmobiliaria Mall Viña del Mar S.A. to Comercial ECCSA S.A. (“Ripley”) and Parque Arauco S.A for a total value of 4,275,000 units (“Unidad de Fomento” or “UF”) or ThCh\$110,574,884. Other decreases column includes the aforementioned amount.

(**) The “other increase (decrease)” column includes paid and accrued dividends recorded during 2016 relating to CAT Administradora de Tarjetas S.A., Servicios Integrales S.A., Operadora de Procesos S.A. and CAT Corredores de Seguros y Servicios S.A.

The composition of the item as of December 31, 2015 and 2014, as well as other related information is as follows:

<u>Investments in associates</u>	<u>Country Of origin</u>	<u>Functional currency</u>	<u>Ownership percentage</u>	<u>Voting power percentage</u>	<u>Balance as of December 31, 2014</u>	<u>Participation in profit or loss of equity method</u>	<u>Translation difference</u>	<u>Other increase (decrease)(**)</u>	<u>Balance as of December 31, 2015</u>
			<u>%</u>	<u>%</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>
Loyalti del Perú S.A.C.	Peru	Peruvian Nuevo Sol	42.50	42.50	752,427	132,852	22,449	—	907,728
Inmobiliaria Mall Viña del Mar S.A (*)	Chile	Chilean Pesos	33.33	33.33	51,495,487	8,291,299	—	(4,211,524)	55,575,262
CAT Administradora de Tarjetas S.A. (**)	Chile	Chilean Pesos	49.00	49.00	—	2,804,813	—	188,317,151	191,121,964

Investments in associates	Country Of origin	Functional currency	Ownership percentage %	Voting power percentage %	Balance as of December 31, 2014	Participation in profit or loss of equity method	Translation difference	Other increase (decrease)(**)	Balance as of December 31, 2015
					ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Servicios Integrales S.A. (**)	Chile	Chilean Pesos	49.00	49.00	—	2,013,532	—	109,936	2,123,468
Operadora de Procesos S.A. (**)	Chile	Chilean Pesos	49.00	49.00	—	286,040	—	1,225,702	1,511,742
CAT Corredores de Seguros y Servicios S.A. (**)	Chile	Chilean Pesos	49.00	49.00	—	538,556	—	(251,215)	287,341
Total					52,247,914	14,067,092	22,449	185,190,050	251,527,505

(*)The “other increase (decrease)” column includes dividends paid in fiscal year 2015 and dividends provisioned at the end of the year 2015 from Inmobiliaria Mall Viña Del Mar S.A.

(**) The “other increase (decrease)” column includes the recognition of the initial cost associated with non-controlling interests acquired under the sale of financial retail business to BNS from CAT Administradora de Tarjetas S.A., Servicios Integrales S.A., Operadora de Procesos S.A. and CAT Corredores de Seguros y Servicios S.A. (see Note 34). CAT Administradora de Tarjetas S.A.’s amount breaks down as follows: initial investment balance (49%) ThCh \$30,347,561; fair value ThCh \$131,449,283; capital contribution ThCh \$30,132,966; and accrued minimum dividend ThCh (\$3,612,659).

The composition of the item as of December 31, 2014 and 2013, as well as other related information is as follows:

Investments in associates	Country Of origin	Functional currency	Ownership percentage %	Voting power percentage %	Balance as of December 31, 2013	Participation in profit or loss of equity method	Translation difference	Other increase (decreases)	Balance as of December 31, 2014
					ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Loyalti del Perú S.A.C.	Peru	Peruvian Nuevo Sol	42.50	42.50	860,815	170,050	66,543	(344,981)	752,427
Carnes Huinca S.A.	Argentina	Argentine Pesos	50.00	50.00	192,079	(133,810)	(58,269)	—	—
Inmobiliaria Mall Viña del Mar S.A.	Chile	Chilean Pesos	3.33	33.33	48,889,260	6,171,966	—	(3,565,739)	51,495,487
Total					49,942,154	6,208,206	8,274	(3,910,720)	52,247,914

Other increase (decrease) column includes deferred tax adjustments amounting to (ThCh\$ 2,684,913), from Inmobiliaria Mall Viña Del Mar S.A., related to the income tax rate modifications, according to instructions given by SVS Circular 856.

Associated parties listed above have a capital stock of ordinary shares only, in which the Group holds a direct stake; country of incorporation or registration is also its principal place of business. At the issuance date of these financial statements, there are no contingent liabilities relating to the Group’s share in their capital. Associates listed above are private companies and there is no available quoted market price for their actions.

CAT Administradora de Tarjetas S.A. RUT: 99.500.840-8, is a closed corporation, domiciled Social in Agustinas 785 floor 3 of the commune and city of Santiago de Chile. As a subsidiary of Scotiabank Chile, they are responsible for the issuance and operation of credit cards, and the granting of loans with and without guarantee. These operations are approved by Resolution No. 98 of August 25, 2006, whereby the Superintendency of Banks and Financial Institutions authorizes it to exercise the issuance of credit cards, in accordance with the provisions of paragraph 1 of letter B, of the Title III of Chapter III.J.1 of the Compendium of Financial Rules of the Central Bank of Chile.

11.2 Relevant summarized information with regards to associates

The information below reflects the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the group and the associates.

The information regarding investments in associates as of December 31, 2016 is as follows:

At December 31, 2016								
Investments in associates	Interest %	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Ordinary income	Ordinary expense	Net profit
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Loyalti del Perú S.A.C.	42.50	6,391,374	479,980	1,747,672	2,794,925	6,856,808	6,564,940	291,867
CAT Administradora de Tarjetas S.A.	49.00	871,454,486	43,384,718	742,330,275	12,667,742	171,597,803	155,430,320	16,167,483
Servicios Integrales S.A.	49.00	5,735,820	788,624	4,404,577	2,053	4,911,688	1,431,997	3,479,691
Operadora de Procesos S.A.	49.00	10,769,949	721,742	7,491,937	7,208	30,013,548	27,528,358	2,485,190
CAT Corredores de Seguros y Servicios S.A.	49.00	14,037,004	651,964	12,831,636	39,334	10,797,006	8,904,643	1,892,363
Total		908,388,633	46,027,028	768,806,097	15,511,262	224,176,853	199,860,258	24,316,594

The information regarding investments in associates as of December 31, 2015 is as follows:

At December 31, 2015								
Investments in associates	Interest %	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Ordinary income	Ordinary expense	Net profit (loss)
		ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Loyalti del Perú S.A.C.	42.50	4,664,202	232,332	1,163,272	1,597,431	8,160,447	7,847,854	312,593
Inmobiliaria Mall Viña del Mar S.A.	33.33	27,208,175	267,881,769	14,388,656	113,963,197	26,354,450	1,478,065	24,876,385
CAT Administradora de Tarjetas S.A.	49.00	536,713,808	213,934,942	587,531,093	12,645,392	135,253,452	116,335,623	18,917,829
Servicios Integrales S.A.	49.00	9,917,549	308,619	6,198,738	36,751	5,637,886	842,050	4,795,836
Operadora de Procesos S.A.	49.00	9,453,707	740,659	7,109,178	—	19,932,661	19,348,905	583,756
CAT Corredores de Seguros y Servicios S.A.	49.00	13,293,077	398,095	12,904,007	—	8,314,694	6,957,988	1,356,706
Total		601,250,518	483,496,416	629,294,944	128,242,771	203,653,590	152,810,485	50,843,105

For a book value reconciliation of CAT Administradora de Tarjetas S.A. see below:

Investment book value reconciliation	12/31/2016	12/31/2015
	ThCh\$	ThCh\$
Net Assets	159,841,188	150,472,265
Percentage of participation	49%	49%
Cencosud's recognition	78,322,182	73,727,347
Goodwill	117,394,617	117,394,617
Total book value	195,716,799	191,121,964

As of May 1, 2016 the Company completed the purchase price allocation of the non-controlling interest portion (49%) held in CAT Administradora de Tarjetas S.A. As a result of the Scotiabank agreement, an intangible asset related to “Customers relationship” was identified and measured at ChTh \$14,054,666. Goodwill initially recorded (ChTh \$131,449,283) was reduced to ChTh \$117,394,617.

12 Intangible assets other than goodwill

Intangible assets are mainly composed of software and brands acquired in business combinations. The detail as of December 31, 2016 and 2015 is as follows:

	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Intangibles assets other than goodwill net		
Finite life intangible assets, net	140,640,088	133,909,906
Indefinite life intangible assets, net	267,528,026	267,839,511
Intangible assets, net	408,168,114	401,749,417
Patents, Trade Marks and Other Rights, Net	267,528,026	267,839,511
Software (IT)	109,301,075	103,417,708
Other Identifiable Intangible Assets, net	31,339,013	30,492,198
Identifiable Intangible Assets, Net	408,168,114	401,749,417
	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Intangibles assets other than goodwill gross		
Finite life intangible assets, Gross	291,475,386	253,636,682
Indefinite life intangible assets, Gross	267,528,026	267,839,511
Intangible Assets, Gross	559,003,412	521,476,193
Patents, Trade Marks and Other Rights, Gross	267,528,026	267,839,511
Software (IT)	239,383,522	203,727,371
Other Identifiable Intangible Assets, Gross	52,091,864	49,909,311
Identifiable Intangible Assets, Gross	559,003,412	521,476,193
	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Accumulated amortization and value impairment		
Finite life intangible assets	(150,835,298)	(119,726,776)
Indefinite life intangible assets	—	—
Intangible Assets, Gross	(150,835,298)	(119,726,776)
Software (IT)	(130,082,447)	(100,309,663)
Other Identifiable Intangible Assets	(20,752,851)	(19,417,113)
Accumulated amortization and value impairment	(150,835,298)	(119,726,776)

Other identifiable intangible assets mainly correspond to customer's data base.

The Group performs an annual recoverability analysis, according to the described criteria in note 2.11 under Impairment loss of non-financial assets IAS 36 "impairment of assets."

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The detail of the useful lives applied to intangible assets as of December 31, 2016 and 2015 is as follows:

Estimated useful lives or amortization rates used	Minimum life	Maximum life
Development costs	1	7
Patents, Trade Marks and Other Rights	Indefinite	Indefinite
Software (IT)	1	7
Other identifiable Intangible Assets	1	5

The movement of intangible assets as of and for the year ended December 31, 2016 is the following:

Intangible movements	Patents, trademarks and other rights	Applications (IT)	Other identifiable intangible assets	Intangible assets, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Initial balance as of January 1, 2016	267,839,511	103,417,708	30,492,198	401,749,417
Additions	—	37,671,772	—	37,671,772
Retirements	—	(1,517,096)	—	(1,517,096)
Amortization	—	(29,772,784)	(1,335,738)	(31,108,522)
Decrease in foreign exchange	(311,485)	(498,525)	2,182,553	1,372,543
Balance at December 31, 2016	267,528,026	109,301,075	31,339,013	408,168,114

The movement of intangible assets as of and for the year ended December 31, 2015 is the following:

Intangible movements	Patents, trademarks and other rights	Applications (IT)	Other identifiable intangible assets	Intangible assets, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Initial balance as of January 1, 2015	275,070,653	88,441,290	37,030,237	400,542,180
Additions	—	35,364,898	—	35,364,898
Retirements	—	(369,699)	—	(369,699)
Amortization	—	(27,993,517)	(677,511)	(28,671,028)
Decrease in foreign exchange	(7,231,142)	(5,139,705)	(5,102,800)	(17,473,647)
Transfer from construction in progress	—	13,114,441	(757,728)	12,356,713
Balance at December 31, 2015	267,839,511	103,417,708	30,492,198	401,749,417

The details of the amounts related to identifiable intangible assets that are individually significant as of December 31, 2016 and 2015 are as follows:

Individually significant identifiable Intangible assets	Book Value 2016	Book Value 2015	Remaining amortization period	Country of origin	Segment
	ThCh\$	ThCh\$			
Paris Brand	120,754,313	120,754,313	Indefinite	Chile	Department stores
Johnson's Brand	15,501,628	15,501,628	Indefinite	Chile	Department stores
Pierre Cardin License	171,584	171,584	Defined	Chile	Department stores
Wong Brand	31,840,410	33,189,716	Indefinite	Peru	Supermarkets
Metro Brand	69,469,986	72,413,925	Indefinite	Peru	Supermarkets
Bretas Brand	17,255,743	14,949,332	Indefinite	Brazil	Supermarkets
Perini Brand	772,648	669,376	Indefinite	Brazil	Supermarkets
Prezunic Brand	11,761,714	10,189,637	Indefinite	Brazil	Supermarkets
Total	267,528,026	267,839,511			

The factors for considering the brands with indefinite useful lives over time are the following:

- Verifiable history and expected use of the asset by the Company: This is the most important factor to consider in the definition of the useful life of the brand. The brands mentioned have a history of more than 80 years of successful existence in the market. The use that has been and is being given to these brands shows an intention to keep them and consolidate them further in the long term.
- Legal, regulatory or contractual limits to the useful life of the intangible asset: There are no legal, regulatory or contractual limits linked to the brands. The brands are duly protected and the pertinent registrations remain current.
- Effects of obsolescence, demand, competition and other economic factors: The brands have a rating linked to strong national brands according to their history. This implies a low risk of obsolescence.
- Maintenance of the necessary investment levels to produce the projected future cash flows: historic and projected cash flows for the brands are duly sustained with investments in marketing, publicity, technology, renovations and improvements to the retail infrastructure. They are efficient as a result of synergies and scale of operations, but are compatible and realistic for the industry. An increase in the other general administration expenses and necessary sales is also contemplated to sustain the projected increase in sales.
- Relationship of the useful life of an asset or group of assets with the useful life of an intangible asset: The brands do not depend on the useful life of any asset or group of assets as they existed independently for a substantial time prior to the acquisitions, and they are not related to sectors subject to technological obsolescence or other causes.

The charge to profit and loss for amortization of intangibles for the years ended December 31, 2016, 2015 and 2014, is detailed below:

Item line in statement of income which includes amortization of identifiable

Intangible assets	As of December 31,		
	2016	2015	2014
	ThCh\$	ThCh\$	ThCh\$
Administrative expenses (see note 25.3)	31,108,522	28,671,028	17,015,375
Total	31,108,522	28,671,028	17,015,375

As of December 31, 2016, 2015 and 2014, there are no relevant intangible assets encumbered. There are also no restrictions on ownership of them.

As of December 31, 2016, 2015 and 2014, there are no commitments to acquire intangible assets.

No significant intangible assets that have been fully amortized are in use as of December 31, 2016.

13 Goodwill

The goodwill represents the excess of the acquisition cost, over the fair value of the Group's interest in the identifiable net assets of the subsidiary/associate as of the date of acquisition. Goodwill is allocated to each store or group of stores, as appropriate, in each country and operating segment (CGUs cash generating units).

13.1 Measurement of the Goodwill recoverable amount

Goodwill is tested at least annually, if there are any triggering events of impairment, the recoverable value is checked in interim periods. These triggering events may include a significant change in the economic environment affecting business, new laws, operating performance indicators, competition movements, or disposal of a significant part of a cash-generating unit (CGU).

To check whether goodwill has an impairment on its value, the company compares the carrying amount of the assets with their recoverable value, and if necessary it recognizes an impairment loss for the excess of the carrying amount over its recoverable amount. The Group believes that the approach of value in use, determined by the model of discounted cash flows, is the most reliable method for determining the recoverable value of the CGU.

Reversal of an impairment loss for goodwill is prohibited.

13.2 Goodwill classified by segment and countries

The following table details goodwill balances and movements by operating segment and country as of December 31, 2016 and December 31, 2015:

Goodwill per operating segment and country	As of December, 2015	Impairment	Increase (decrease) foreign exchange	As of December, 2016
	ThCh\$		ThCh\$	ThCh\$
Real Estate & Shopping—Argentina	115,986	—	(26,417)	89,569
Supermarkets—Chile	106,991,957	—	—	106,991,957
Supermarkets—Brazil	343,976,582	—	53,085,893	397,062,475
Supermarkets—Peru	275,687,596	—	(11,331,984)	264,355,612
Supermarkets— Colombia	439,366,277	—	—	439,366,277
Financial services — Colombia	52,305,509	—	—	52,305,509
Shopping Centers — Colombia	31,383,305	—	—	31,383,305
Home Improvement—Argentina	2,477,939	—	(1,100,075)	1,377,864
Home Improvement—Chile	1,227,458	—	—	1,227,458
Department stores—Chile	138,159,463	—	—	138,159,463
Total	1,391,692,072	—	40,627,417	1,432,319,489

The following table details goodwill balances and movements by operating segment and country as of December 31, 2015 and December 31, 2014:

Goodwill per operating segment and country	As of December, 2014	Impairment	Increase (decrease) foreign exchange	As of December, 2015
	ThCh\$		ThCh\$	ThCh\$
Real Estate & Shopping—Argentina	150,347	—	(34,361)	115,986
Supermarkets—Chile	106,991,957	—	—	106,991,957
Supermarkets—Brazil	569,584,936	(116,771,460)	(108,836,894)	343,976,582
Supermarkets—Peru	268,644,820	—	7,042,776	275,687,596
Supermarkets— Colombia	499,279,860	—	(59,913,583)	439,366,277

Goodwill per operating segment and country	As of December, 2014 ThCh\$	Impairment	Increase (decrease) foreign exchange ThCh\$	As of December, 2015 ThCh\$
Financial services — Colombia	59,438,079	—	(7,132,570)	52,305,509
Shopping Centers — Colombia	35,662,847	—	(4,279,542)	31,383,305
Home Improvement—Argentina	3,208,796	—	(730,857)	2,477,939
Home Improvement—Chile	1,227,458	—	—	1,227,458
Department stores—Chile	138,159,463	—	—	138,159,463
Total	1,682,348,563	(116,771,460)	(173,885,031)	1,391,692,072

13.3 Impairment risks on Cash Generating Unit Supermarkets - Brazil, as of June 30 2015

During the first half 2015, the Brazilian economy experienced a deterioration in its macroeconomic variables that worsened from the 2nd quarter. These circumstances affect the assumptions used in the annual impairment test for projections in 2015 and successive periods.

External Indicators

The most representative variables of the hard economic conditions in Brazil and the weakening of the market are the following:

- a) Devaluation of local currency against the dollar: Brazilian Real (BRL) loss of 15% in front of the American Dollar (USD) during the first half of 2015 (December 31, 2014 at BRL \$ 2.6926 / USD; June 30 2015 BRL \$ 3.0975 / USD).
- b) Decrease in GDP growth. Falling from 0.1% growth in 2014, to a projection (tending to a contraction) of -1.5% in 2015 (IMF Bulletin, July 2015).
- c) Increase of the unemployment rate. From a 4.8% unemployment rate at the end of 2014; to 6.7% unemployment rate as of May 2015.
- d) Persistent high inflation. By passing from a rate of 6.4% in the year 2014 to 8.4% in the last 12 months measured at May 2015.
- e) Significant increase in Producers Price Index (PPI). Raw materials have experimented meaningful increase. The SELIC (Bank overnight rate) has reached a level of 13.75%, one of the highest among the ten largest economies in the world.+-

As a consequence of worsening macroeconomic variables in Brazil, the Company has established a permanent monitoring of the CGU Supermarkets in Brazil performance in 2015, noticing impacts on the following internal indicators.

Internal Indicators

- a) Decrease in sales in local currency. Showing a 1.4% growth in last 12 months, a figure lower than the expected in the company's projections for 2015.
- b) Decrease in sales in local currency by quarter. The 2015 second quarter sales fell 5.3%, in comparison with the same quarter of 2014.
- c) Adjusted EBITDA. The adjusted EBITDA in local currency were 1.4% measured in the last twelve months. This index is lower than the official budget projection figure.

After evaluating the Supermarkets — Brazil segment development, the Group has considered that there are qualitative triggering events indicating that the goodwill of the Supermarkets - Brazil CGU could be at risk of impairment. According to this, a new calculation of the recovery value of the CGU Supermarkets Brazil was made by taking into account the adjusted assumptions and updated business outlook. The value in use was obtained by discounting the future cash flows at their present value, using an updated WACC rate.

The financial model showed that the recoverable amount of the CGU Supermarkets - Brazil was lower than the carrying value of its long-term assets, for this reason, the Group recorded a goodwill impairment in the amount of ThCh\$116,771,460 million (BRL \$ 566 million).

The Supermarkets — Brazil impairment loss of goodwill, effective at June 30 2015, has been recognized within the consolidated statement of profit and loss and other comprehensive income, under the “Other gains and losses” line (see 25.3). This impairment does not represent any impact over the Company’s cash flows.

The deferred taxes effect generated by the impairment of goodwill of Brazil Supermarkets segment have been recorded in accordance with IAS 36, paragraph 64 and IAS 12, by comparing the carrying amount of the asset with its tax base. (See note 16)

As of December 31, 2016 and 2015, the performance of the supermarkets segment - Brazil, evidenced by meeting allocated budgets set in the second half of 2015, gives no reasons for recording any further impairment in this CGU.

13.4 Key assumptions for the 2016 test

a) Discount rate

The real discount rate applied to annual test conducted in September 2016, was estimated based on an average cost of capital rate historical data, with a leverage of 31% and considering as reference the major competitors in the industry. Different discount rates are used in each of the countries where the Company operates depending on the associated risk. See table below:

Segment and Country	2016				
	Chile %	Argentina %	Peru %	Colombia %	Brazil %
Supermarkets	9.01	—	10.08	9.44	9.97
Home Improvement	8.41	—	—	—	—
Department stores	8.84	24.84	—	—	—

Segment and Country	2015				
	Chile %	Argentina %	Peru %	Colombia %	Brazil %
Supermarkets	8.62	—	9.31	8.76	9.65
Home Improvement	7.87	—	—	—	—
Department stores	8.48	35.40	—	—	—

b) Other assumptions

The Group has defined a financial model which considers the revenues, expenditures, cash flow balances, net tax payments and capital expenditures on a five years period (2017-2021), and perpetuity thereafter. As an exception, the Supermarkets — Colombia segment has been forecasted on an eight years horizon, as a result of the recent inclusion of the Jumbo and Metro brands. These brands are on a pathway to maturity and the Company believes they have further room to increase their sales by square meter, getting close to regional and local averages.

The financial projections to determine the net present value of future cash flows are modeled considering the principal variables that determine the historic flows of each group of CGU and the budgets approved by the Board. Conservative growth rates are used for this purpose, which fluctuate from 0% to 5% annual average for the first five year of the projections and the terminal growth rates are between 0.5% and 1%, beyond fifth year, taking into account the maturity of each segment. Higher growth rates may be assigned depending on the business performance in each country, and their periods of stabilization and maturity.

The most sensitive variables in these projections are the discount rates applied in determining the net present value

of projected cash flows, operating costs, and market prices of the goods and services traded.

Sensitizations tests were applied for the group of CGUs, (considering the following reasonable scenarios:

- EBITDA margin would have been 5% lower, than management's estimates, or
- Perpetuity growth rate would have been 10% lower, than management's estimates, or
- the estimated cost of capital used in determining the discount rate, would have been 5% higher, than management's estimates,

After considering the mentioned scenarios in isolation, there were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write-down.

14 Property, plant and equipment

14.1 The composition of this item as of December 31, 2016 and 2015 is as follows:

	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Construction in progress	66,402,237	63,017,895
Land	659,605,782	725,437,554
Buildings	1,048,864,332	1,075,995,255
Plant and equipment	219,967,327	246,716,665
Information technology equipment	36,328,354	32,046,485
Fixed installations and accessories	304,243,709	343,696,782
Motor vehicles	670,349	577,489
Leasehold improvements	234,231,790	202,460,078
Other property plant and equipment	8,479,693	21,542,427
Totals	2,578,793,573	2,711,490,630

	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Property, plant and equipment categories, gross		
Construction in progress	66,402,237	63,017,895
Land	659,605,782	725,437,554
Buildings	1,299,194,334	1,310,237,782
Plant and equipment	595,558,141	608,586,845
Information technology equipment	152,482,771	142,496,186
Fixed installations and accessories	751,739,889	732,584,234
Motor vehicles	5,099,000	4,640,629
Leasehold improvements	329,887,733	274,904,826
Other property plant and equipment	13,779,119	27,627,230
Totals	3,873,749,006	3,889,533,181

	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Accumulated depreciation and impairment of property, plant and equipment		
Buildings	(250,330,002)	(234,242,527)
Plant and equipment	(375,590,814)	(361,870,180)
Information technology equipment	(116,154,417)	(110,449,701)
Fixed installations and accessories	(447,496,180)	(388,887,452)
Motor vehicles	(4,428,651)	(4,063,140)
Leasehold improvements	(95,655,943)	(72,444,748)
Other property plant and equipment	(5,299,426)	(6,084,803)
Totals	(1,294,955,433)	(1,178,042,551)

14.2 The following table shows the technical useful lives for the assets.

Method used for the depreciation of property, plant and equipment (life)	Rate explanation	Minimum life	Maximum life
Buildings	Useful Life (years)	25	60
Plant and equipment	Useful Life (years)	7	20
Information technology equipment	Useful Life (years)	3	7
Fixed installations and accessories	Useful Life (years)	7	15
Motor vehicles	Useful Life (years)	1	5
Leasehold improvements	Useful Life (years)	5	35
Other property plant and equipment	Useful Life (years)	3	15

The Company and its subsidiaries reviewed the estimated useful lives of property, plant and equipment at the end of each fiscal year. As such, the Company has determined that there are no significant changes in the estimated useful lives in the reporting periods.

14.3 Reconciliation of changes in property, plant and equipment

The following chart shows a detailed roll-forward of changes in property, plant and equipment; by class between January 1, 2016 and December 31, 2016:

<u>Movement year 2016</u>	<u>Construction in progress</u>	<u>Land</u>	<u>Building, net</u>	<u>Plant and equipment net</u>	<u>Information technology equipment, net</u>	<u>Fixed installations and accessories, net</u>	<u>Motor vehicles, net</u>	<u>Lease improvements, net</u>	<u>Other property, plant and equipment, net</u>	<u>Property, plant and equipment, net</u>
	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>
Opening balance January 1, 2016	63,017,895	725,437,554	1,075,995,255	246,716,665	32,046,485	343,696,782	577,489	202,460,078	21,542,427	2,711,490,630
Charges										
Additions	112,960,591	2,637,687	14,673,368	27,951,919	4,281,236	19,393,558	64,748	9,534,011	894,142	192,391,260
Decrease derived from loss of control in subsidiaries	(26,452)	—	(294,862)	(36,007)	(34,940)	—	—	—	—	(392,261)
Transfers to (from) investment properties	(6,299,632)	(41,143,628)	(1,890,902)	(733,140)	224,296	(756,374)	—	—	(3,306,574)	(53,905,954)
Retirements	(227,085)	(992,318)	(5,922,284)	(5,606,035)	(567,568)	(298,660)	—	(212,866)	(2,259,506)	(16,086,322)
Depreciation expenses	—	—	(31,219,656)	(52,165,648)	(14,005,719)	(67,906,543)	(221,744)	(30,452,796)	(632,791)	(196,604,897)
Increase (decrease) for revaluation charged to equity	—	18,435,465	—	—	—	—	—	—	—	18,435,465
Impairment losses recognized in results	—	(2,639,637)	—	—	—	—	—	—	—	(2,639,637)
(Decrease) increase in foreign exchange	(2,225,068)	(14,638,273)	(21,515,463)	(718,868)	(919,762)	(2,617,885)	(25,217)	14,468,605	(2,343,689)	(30,535,620)
Transfer to non—current assets and disposal groups held for sale	—	(27,520,057)	(9,440,631)	(537,066)	(1,684)	(445,337)	—	—	(5,414,316)	(43,359,091)
Other (decrease)Increase	(100,798,012)	28,989	28,479,507	5,095,507	15,306,010	13,178,168	275,073	38,434,758	—	—
Total changes	3,384,342	(65,831,772)	(27,130,923)	(26,749,338)	4,281,869	(39,453,073)	92,860	31,771,712	(13,062,734)	(132,697,057)
Final balance as of December 31, 2016	66,402,237	659,605,782	1,048,864,332	219,967,327	36,328,354	304,243,709	670,349	234,231,790	8,479,693	2,578,793,573

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The following chart shows a detailed roll-forward of changes in property, plant and equipment; by class between January 1, 2015 and December 31, 2015:

Movement year 2015	Construction In progress	Land	Building, net	Plant and equipment net	Information technology equipment, net	Fixed installations and accessories, net	Motor vehicles, net	Lease improvements, net	Other property, plant and equipment, net	Property, plant and equipment, net
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Opening balance January 1, 2015	108,039,312	771,941,960	1,138,386,080	271,557,150	41,570,626	383,530,334	3,256,956	260,036,836	31,409,202	3,009,728,456
Charge	—	—	—	—	—	—	—	—	—	—
Additions	39,267,282	13,256,435	12,810,066	25,541,163	3,304,532	19,284,001	310,638	13,851,190	2,831,930	130,457,237
Disposals	—	—	(2,845,401)	—	(271,851)	—	(12,525)	—	—	(3,129,777)
Transfers to (from) investment properties	8,913,555	—	2,988,070	—	—	3,686,245	—	—	—	15,587,870
Other decreases	(10,292,730)	—	—	—	(2,063,983)	—	—	—	—	(12,356,713)
Retirements	(419)	(688,384)	(26,926)	(7,869,437)	(403,731)	(1,352,637)	—	—	(17,000)	(10,358,534)
Depreciation expenses	(33,329,879)	(52,615,043)	(14,591,325)	(66,642,810)	(498,560)	(21,336,782)	(804,885)	(189,819,284)	—	—
Decrease in foreign exchange	(5,274,847)	(59,116,214)	(55,509,268)	(19,513,608)	(954,739)	(27,690,495)	(770,493)	(51,211,220)	(8,577,741)	(228,618,625)
Transfer from construction in progress	(77,634,258)	43,757	13,522,513	29,616,440	5,456,956	32,882,144	(1,708,527)	1,120,054	(3,299,079)	—
Total changes	(45,021,417)	(46,504,406)	(62,390,825)	(24,840,485)	(9,524,141)	(39,833,552)	(2,679,467)	(57,576,758)	(9,866,775)	(298,237,826)
Final balance as of December 31, 2015	63,017,895	725,437,554	1,075,995,255	246,716,665	32,046,485	343,696,782	577,489	202,460,078	21,542,427	2,711,490,630

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The following chart shows a detailed roll-forward of changes in property, plant and equipment; by class between January 1, 2014 and December 31, 2014:

<u>Movement year 2014</u>	<u>Construction In progress</u> <u>ThCh\$</u>	<u>Land</u> <u>ThCh\$</u>	<u>Building, net</u> <u>ThCh\$</u>	<u>Plant and equipment net</u> <u>ThCh\$</u>	<u>Information technology equipment, net</u> <u>ThCh\$</u>	<u>Fixed installations and accessories, net</u> <u>ThCh\$</u>	<u>Motor vehicles, net</u> <u>ThCh\$</u>	<u>Lease improvements, net</u> <u>ThCh\$</u>	<u>Other property, plant and equipment, net</u> <u>ThCh\$</u>	<u>Property, plant and equipment, net</u> <u>ThCh\$</u>
Opening balance January 1, 2014	196,653,736	755,456,534	1,159,045,283	270,153,069	35,962,383	389,903,950	1,192,222	230,830,919	62,685,772	3,101,883,868
Charge	—	—	—	—	—	—	—	—	—	—
Additions	74,613,966	28,789,994	12,142,562	22,688,461	7,431,611	10,221,794	37,127	21,411,800	6,356,217	183,693,532
Disposals	—	—	—	—	—	—	(12,998)	—	—	(12,998)
Transfer to non—current assets and disposal groups held for sale	(153,192)	—	—	(1,063,820)	(737,816)	(697,955)	—	—	—	(2,652,783)
Transfers from (to) investment properties	6,208,164	9,024,753	(255,582)	145,240	—	424,342	—	—	(11,834)	15,535,083
Other Increase/(decrease)	(31,645,866)	—	3,595,249	(28,050,617)	—	—	—	—	—	—
Retirements	(41,390)	—	(3,735,684)	(1,936,378)	(854,924)	(29,646)	—	—	(10,692,659)	(17,290,681)
Depreciation expenses	(33,585,988)	(53,175,448)	(12,446,988)	(63,836,549)	(289,575)	(18,888,233)	(804,885)	(183,027,666)	—	—
Increase (decrease) in foreign exchange	21,117,212	(21,329,321)	(31,192,967)	(15,939,444)	(3,048,321)	(9,767,635)	(41,059)	292,006	(439,753)	(60,349,282)
Transfer from construction in progress	(158,713,318)	—	35,968,456	50,685,470	11,669,432	57,312,033	2,371,239	26,390,344	(25,683,656)	—
Total changes	(88,614,424)	16,485,426	(20,659,203)	1,404,081	5,608,243	(6,373,616)	2,064,734	29,205,917	(31,276,570)	(92,155,412)
Final balance as of December 31, 2014	108,039,312	771,941,960	1,138,386,080	271,557,150	41,570,626	383,530,334	3,256,956	260,036,836	31,409,202	3,009,728,456

14.4 The Company has traditionally maintained the policy to carry out all the necessary work in response to the opportunities and changes experienced in domestic and regional markets where the Company operates, to capture the best opportunities and results for each of its business units.

The cost includes disbursements directly attributable to the acquisition or construction of an asset, as well as interests from related financing in the case of qualifying assets.

14.5 *Borrowing costs:*

The company incorporates borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset during the period to complete and prepare the asset for its intended use.

During the years ended as of December 31, 2016 and 2015 there is no capitalization of the borrowing costs.

14.6 *Assets subject to finance lease*

The financial lease operations are shown in note 30.

14.7 *Assets granted*

As of December 31, 2016 and 2015, properties, plant and equipment granted as guarantee amounted ThCh\$ 3,867,501 and ThCh\$ 3,630,138, respectively, whose details are shown in Note 31.1 Guarantees Granted. Nevertheless, there are no restrictions on transfer of assets.

14.8 *Commitments to acquire assets*

As of December 31, 2016, there are commitments to acquire property, plant and equipment of ThCh\$ 86,104,812. (As of December 31, 2015 there are commitments to acquire property, plant or equipment of ThCh\$ 59,290,755).

14.9 *Assets out of service*

As of December 31, 2016 and 2015, there are no essential elements or assets that are temporarily out of service. The property, plant and equipment mainly relate to stores and operating fixed assets to enable the performance of the retail business every day of the year, except when there are restrictions for public holidays established in each country.

14.10 *Assets fully depreciated*

In view of the nature of the retail business, the Company has no significant fully depreciated assets that are in use as of December 31, 2016 and 2015. These assets relate mainly to minor equipment such as scales, furniture, computers, cameras, lighting and others. The retail business assets are depreciated based on the term of the lease agreement.

14.11 *Impairment losses*

Assets subject to amortization are tested for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be recovered. It recognizes an impairment loss when the carrying amount is greater than its recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which identifiable cash flows exist separately. As discussed below, the Company has recognized an impairment loss, related to property, plant and equipment, in the amount of ThCH\$ 2,639,637 for the period ended December 31, 2016. No impairment related to property, plant and equipment was recorded for the periods ended December 31, 2015 and 2014.

During 2016, the Company has initiated a detailed plan for a non-strategic sale of assets in Chile. These assets were previously classified within the property, plant and equipment category.

International Financial Reporting Standard IFRS 5 "Assets Held for Sale" indicates that the assets of a company

must be classified according to the use or destination that the company decides to give them. Accordingly, these assets must be reclassified as a consequence of a change of plans by management, since the intention of the company is to realize the sale of such assets within a period not exceeding one year.

In order to comply with IFRS5, the market value obtained by management was compared with the book value of the assets included in the sales plan. From this comparison, it was verified that in eight of the locations in the process of commercialization, the book value exceeds its recoverable value amounted to ThCh \$ 2,639,637, proceeding to record the impairment prior to reclassification to assets held for sale. See Note 25.4. Assets held for sale at December 31, 2016 amounts to carrying value of ThCh \$ 10,883,992, recoverable amount of ThCh \$ 8,244,355 and related impairment of ThCh \$ 2,639,637.

Management has determined the fair value of each asset held for sale, based on market information. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available management consider information from a variety of source including current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences. The key input under this approach is the price per square metre from recent sales. These values were determined using level II inputs in accordance with the definitions of IFRS 13.

14.12 Land revaluation:

During 2016, several pieces of land, included within the Propertiy, plant and equipment item amounting a historical cost of ThCh \$ 23.527.099 were revalued. Such revaluation was made as required by IAS 40 prior to the transfer of such assets from property, plant and equipment to investment property.

In order to determine the amount of the revaluation, the fair value of the mentioned land parcels was determined by management, with experience in the localities and category of the appraised properties.

Management has determined the fair value of each property, taking into account independent valuations. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the management consider information from a variety of sources including current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences. The key input under this approach is the price per square metre from recent sales. These values were determined using level II inputs in accordance with the definitions of IFRS 13.

The revaluation implied a net increase in the value of property, plant and equipment amounted to ThCh \$ 18,435,465 credited to equity through other comprehensive income.

In addition, the revaluation generated a recognition of deferred tax liabilities amounting to ThCh \$ 4,182,452, which was recorded in other comprehensive income. As a result, the net effect of this revaluation was ThCh \$ 14,253,013.

14.13 Property Plant and Equipment components:

The main items that compose each asset class are:

Plant and equipment: presented in this asset class are primarily properties used in the operation of retail business such as mixers, sausages portioning machines, system ready meals, frozen island, cold containers, and refrigerated display cases, forming bread ovens, blender, among others.

Equipment for information technology: correspond to items such as computers, printers, notebook, labeling, scanner, clock control, price inquiries and servers, among others.

Fixtures and fittings: presented in this asset class are expenditures to enable operations of stores, such, ceilings, floors, wall finishes, lighting the sky, smoke detectors, sprinklers, air ducts and heating, communications networks , escalators, elevators, hoists, electrical substation and central air conditioning among others.

Leasehold improvements: presented in this asset class are disbursements associated with enabling or leased store

improvements such as remodeling of facades, finishes, floors, ceilings and walls among others. Other property, plant and equipment: mainly corresponds to fixed assets in transit and assets acquired under finance lease.

15 Investment properties

The investment properties are assets held to generate rental income and include lands, buildings, malls in Chile, Argentina, Peru and Colombia and other real estate projects in progress that are held either to obtain rental income or for capital appreciation. The factors considered in the valuation methodology of the investment properties are described in note 4.3 “Estimates, judgment or criteria applied by management”.

15.1 The roll-forward of investment properties at December 31, 2016 and 2015 is the following:

Roll-forward of investment properties, net, fair value method	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Investment properties, net, initial value	1,807,095,204	1,663,592,396
Revaluation, adjustment to fair value gains	287,519,826	198,154,988
Additions, Investment Properties, Fair Value Method	1,225,878	6,404,431
Transfer to (from) property, plant and equipment	53,905,954	(15,587,870)
Transfer to assets classified as held for sale	(2,939,242)	—
Retirements, Fair Value Method	(3,579,094)	—
Decrease in foreign exchange rate, Investment Properties, Fair Value Method	(61,534,499)	(45,468,741)
Changes in Investment Properties, Fair Value Method, Total	274,598,823	143,502,808
Investment Properties, Fair Value Method, Final Balance	2,081,694,027	1,807,095,204

The value of land measured through a market approach, classified as investment property and valued under the Level II of the hierarchy of the fair value as of December 31, 2016 and 2015, is the following:

Roll-forward of the land included within investment properties, net, fair value method	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Land, net, initial value	324,977,027	312,213,496
Revaluation, adjustment to fair value gains recognized into results re	(6,881,702)	41,838,118
Transfer from properties occupied by the owner, investment properties fair value method	41,962,564	—
Retirements of investment properties, fair value method	(2,929,242)	—
Increase (decrease) in foreign exchange rate, fair value method	6,917,331	(29,074,587)
Changes in land, fair value method, Total	39,068,951	12,763,531
Land investment properties, fair value method, final balance	364,045,978	324,977,027

15.2 Income and expense from investment properties

Income and expense from investment properties	As of December 31,		
	2016	2015	2014
	ThCh\$	ThCh\$	ThCh\$
Revenue from investment property leases	238,722,047	248,025,700	214,849,681

Income and expense from investment properties	As of December 31,		
	2016	2015	2014
	ThCh\$	ThCh\$	ThCh\$
Direct expense of operation of investment properties which generate lease revenue	62,208,103	82,973,153	62,505,656
Direct expense of operation of investment properties which do not generate lease revenue	—	—	—

15.3 *As of December 31, 2016, investment properties are not encumbered.*

15.4 *As of December 31, 2016, there are commitments to acquire investment properties by ThCh\$ 4,331,676. (ThCh\$ 10,859,113 as of December 31, 2015).*

15.5 *Investment Properties*

At December 31, 2016 and 2015, these assets are valued using the fair value model. The methodology used in the valuation of these assets and significant assumptions used are described in note 4.3. The costanera center project corresponds to assets that have been classified as investment property. The shopping mall is in operation since June, 2012. First 15,000 square meters of tower 2 and 4 were allowed to be leased as commercial offices by the municipality authority from August 2015.

16 Deferred taxes

The source of the deferred income taxes recorded as of December 31, 2016 and 2015 is the following:

16.1 Deferred income tax assets

Deferred income tax assets related to	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Fixed assets	5,328,148	3,249,977
Accruals	7,668,963	7,916,959
Inventories	64,051,119	56,665,261
Bad-debt reserve	13,716,646	16,338,999
Provisions	42,880,180	41,621,916
Vacation / annual leave	5,568,839	5,444,147
Tax loss carry-forward	462,789,346	398,346,540
Tax credits	37,486,690	28,292,628
Total	639,489,931	557,876,427

The recovery of the deferred tax asset balances requires that the business achieves a sufficient level of taxable income in the future. The Company estimates that the estimated projected future income will cover the recovery of these assets.

16.2 Deferred tax liabilities

Deferred income tax liabilities related to	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Fixed assets	464,629,690	377,101,618
Intangibles	267,077,149	252,321,486
Accumulations or accruals	9,522,236	11,816,772
Foreign currency translation	(884,823)	13,653,687
Other	2,108,414	405,110
Total	742,452,666	655,298,673

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Deferred income tax assets	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Deferred tax assets to be recovered after more than 12 months	480,661,447	423,658,900
Deferred tax assets to be recovered within 12 months	158,828,484	134,217,527
Deferred tax assets	639,489,931	557,876,427

Deferred income tax liabilities	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Deferred tax liabilities to be recovered after more than 12 months	(639,630,974)	(531,748,712)
Deferred tax liabilities to be recovered within 12 months	(102,821,692)	(123,549,961)
Deferred tax liabilities	(742,452,666)	(655,298,673)
Deferred tax liability (net)	(102,962,735)	(97,422,246)

The gross movement on the deferred income tax account is as follows:

	As of December 31,		
	2016	2015	2014
	ThCh\$	ThCh\$	ThCh\$
As of 1 January	(97,422,246)	(183,483,696)	(159,621,487)
Effects on statement of profit and loss(*)	(50,577,006)	94,803,722	(18,002,092)
Exchange differences	35,087,731	(8,050,864)	5,098,625
Tax credited (debited) directly to equity	9,948,786	(691,408)	614,276
Effects on statement of profit and loss from discontinued operations	—	—	453,951
Reclassification of deferred income tax assets and liabilities to discontinued operations	—	—	(12,026,969)
At 31 December	(102,962,735)	(97,422,246)	(183,483,696)

(*) In 2015 the (decrease) increase in assets and liabilities for deferred tax includes effects of the recently enacted tax laws in Peru, Chile and Colombia.

Consolidated impacts in results are explained in note 26 (corporate income tax).

16.3 The deferred tax roll-forward is as follows:

Movements in deferred tax asset	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Deferred tax assets, initial balance	557,876,427	484,341,049
Increase in deferred tax assets	65,138,261	132,750,740
Increase (decrease) in foreign exchange rate	16,475,243	(59,215,362)
Deferred tax assets, final balance	639,489,931	557,876,427

Movements in deferred tax liability	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Deferred tax liabilities, initial balance	(655,298,673)	(667,824,745)
Decrease in deferred tax liabilities	(105,766,481)	(38,638,426)
Increase in foreign exchange rate	18,612,488	51,164,498
Deferred tax liabilities, final balance	(742,452,666)	(655,298,673)

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The changes in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets	Tax losses carry forward ThCh\$	Bad debt provision ThCh\$	Provisions ThCh\$	Other ThCh\$	Total ThCh\$
As of December 31, 2013	174,936,932	26,738,963	58,954,431	51,230,870	311,861,196
Credit (charged) to the Statement of profit and losses, and foreign exchange differences	176,027,822	(5,413,433)	5,564,767	19,879,270	196,058,426
Charged directly to equity	—	—	—	(23,578,573)	(23,578,573)
At December 31, 2014	350,964,754	21,325,530	64,519,198	47,531,567	484,341,049
Credit (charged) to the Statement of profit and losses, and foreign exchange differences	47,381,786	(4,986,531)	(22,897,282)	54,728,813	74,226,786
Charged directly to equity	—	—	—	(691,408)	(691,408)
At December 31, 2015	398,346,540	16,338,999	41,621,916	101,568,972	557,876,427
Credit (charged) to the Statement of profit and losses, and foreign exchange differences	64,442,806	(2,622,353)	1,258,264	8,586,001	71,664,718
Credited directly to equity	—	—	—	9,948,786	9,948,786
At December 31, 2016	462,789,346	13,716,646	42,880,180	120,103,759	639,489,931
Deferred tax liabilities	Fixed assets ThCh\$	Intangibles ThCh\$	Capitalized expenses ThCh\$	Other ThCh\$	Total ThCh\$
Charged directly to equity					
As of December 31, 2013	(335,327,877)	(110,695,030)	(7,987,656)	(17,472,120)	(471,482,683)
(Charged) credit to the Statement of profit and losses, and foreign exchange differences	(30,186,121)	(162,217,672)	(5,886,405)	1,948,136	(196,342,062)
At December 31, 2014	(365,513,998)	(272,912,702)	(13,874,061)	(15,523,984)	(667,824,745)
(Charged) credit to the Statement of profit and losses, and foreign exchange differences	(11,587,620)	20,591,216	2,057,289	1,465,187	12,526,072
At December 31, 2015	(377,101,618)	(252,321,486)	(11,816,772)	(14,058,797)	(655,298,673)
(Charged) credit to the Statement of profit and losses, and foreign exchange differences	(87,528,072)	(14,755,663)	2,294,536	12,835,206	(87,153,993)
At December 31, 2016	(464,629,690)	(267,077,149)	(9,522,236)	(1,223,591)	(742,452,666)

16.4 Compensation of deferred income tax assets and liabilities

The deferred tax assets and liabilities are offset when there is a legal right to compensate the current tax assets against the current tax liabilities and when the deferred income tax assets and liabilities are related to the income tax levied on the same tax authority and the same entity.

The compensated amounts are detailed below:

Concept	Gross assets/ liabilities ThCh\$	Off-setting values ThCh\$	Net Balances ThCh\$
Deferred income tax assets	557,876,427	(5,762,339)	552,114,088
Deferred income tax liabilities	(655,298,673)	5,762,339	(649,536,334)
Final balance at December 31, 2015	(97,422,246)	—	(97,422,246)
Deferred income tax assets	639,489,931	(22,910,575)	616,579,356
Deferred income tax liabilities	(742,452,666)	22,910,575	(719,542,091)
Final balance at December 31, 2016	(102,962,735)	—	(102,962,735)

16.5 Current and non-current income tax assets and liabilities

The composition of this item as of December 31, 2016 and 2015 is the following:

Current tax assets	12/31/2016 ThCh\$	12/31/2015 ThCh\$
Current tax assets	74,135,647	61,197,049
Compensated amounts	—	—
Current tax assets, total	74,135,647	61,197,049
Current income tax liabilities	12/31/2016 ThCh\$	12/31/2015 ThCh\$
Current income tax liabilities, total	74,585,510	49,433,829
Compensated amounts	—	—
Current income tax liabilities, total	74,585,510	49,433,829
Non-current tax assets	12/31/2016 ThCh\$	12/31/2015 ThCh\$
Minimum presume tax asset	78,523,676	857,294
Tax receivable long term	4,852,774	7,997,053
Non-current tax assets, total	83,376,450	8,854,347
Non-current tax liabilities	12/31/2016 ThCh\$	12/31/2015 ThCh\$
Income tax payable	—	—
Non-current tax liabilities, total	—	—

17 Other financial liabilities, current and non-current

The composition of this item as of December 31, 2016 and 2015 is the following:

17.1 Types of interest bearing (accruing) loans

Loans	Balance as of 12/31/2016		Balance as of 12/31/2015	
	Current	Non-current	Current	Non-current
	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Bank loans (*) (1)	215,393,417	206,299,337	193,821,962	269,733,099
Bond debt (*) (2)	127,530,284	2,618,875,407	61,488,514	2,586,966,437
Other loans—leases (5)	2,713,893	19,256,643	3,025,088	29,524,500
Other financial liabilities (hedge derivatives) (4)	4,151,393	12,441,477	58,029	1,088,321
Term deposits (3)	56,113,724	45,030,033	89,791,028	23,601,397
Term savings accounts	—	—	451,312	—
Letters of credit	—	—	—	8,235,348
Deposits and other demand deposits	15,224	—	3,824,992	—
Debt purchase Bretas	—	1,722,769	—	1,636,153
Debt M. Rodriguez	—	—	—	1,864,286
Debt Johnson's	—	—	1,388,767	1,388,767
Other Financial liabilities -Other	2,091,081	—	2,323,419	—
Totals Loans	408,009,016	2,903,625,666	356,173,111	2,924,038,308

(*) The variation in these groups of financial liabilities is mainly related to placement in international markets of two series of bonds for a total amount of USD 1,000 million dollars of the United States of America, in accordance with Rule 144A of the Securities Act 1933 United States of America, which took place in February 2015 and whose resources were used to pay debt in Chile companies and subsidiaries in Brazil.

(1) Bank loans correspond to loans taken out with banks and financial institutions (see note 17.2)

(2) Bond debt corresponds to bonds placed in public securities markets or issued to the public in general (see note 17.3)

(3) Time deposits are the main funding source of the Banco Cencosud Peru.

(4) Other financial liabilities (hedge derivatives) includes Cross Currency Swaps, Interest Rate Swaps and Forward contracts (see note 17.4)

(5) Other loans (leases) are shown in detail in note 17.5

17.2 Bank loans—breakdown of currency and maturity dates

At December 31, 2016

Segment	ID	Creditor name	Currency	Amortization type	Effective interest rate %	Nominal rate %	Current			Non-current			Total non-current at 12/31/2016 ThCh\$	
							Expiration		Total current at 12/31/2016 ThCh\$	Expiration		5 or more years ThCh\$		
							Up to 90 days ThCh\$	90 days to 1 year ThCh\$		1 to 3 years ThCh\$	3 to 5 years ThCh\$			
Chile	97.004.000-5	BANCO DE CHILE S.A.	USD	Monthly	0.02	0.02	3,705,858	—	3,705,858	—	—	—	—	
	97.015.000-5	BANCO SANTANDER CHILE S.A.	USD	Monthly	0.10	0.10	1,194,807	—	1,194,807	—	—	—	—	
	97.015.000-5	BANCO SANTANDER CHILE S.A.	CHS	At maturity	6.59	6.28	802,444	—	802,444	49,877,927	—	—	49,877,927	
	97.032.000-8	BANCO BILBAO VIZCAYA ARGENTARIA CHILE S.A.	CHS	Semiannual	5.48	5.25	2,421,575	—	2,421,575	12,186,894	20,890,466	—	33,077,360	
	97.032.000-8	BANCO BILBAO VIZCAYA ARGENTARIA CHILE S.A.	USD	Monthly	1.36	1.36	4,550,527	—	4,550,527	—	—	—	—	
	97.032.000-8	BANCO BILBAO VIZCAYA ARGENTARIA CHILE S.A.	CHS	Monthly	0.32	0.32	1,360,695	—	1,360,695	—	—	—	—	
	97.032.000-8	BANCO BILBAO VIZCAYA ARGENTARIA CHILE S.A.	USD	Monthly	0.06	0.06	3,150,209	—	3,150,209	—	—	—	—	
	97.030.000-6	BANCO DEL ESTADO DE CHILE S.A.	CHS	At maturity	5.20	4.71	10,402	—	10,402	39,453,919	—	—	39,453,919	
	O-E	BANCO SCOTIABANK	USD	Semiannual	2.19	1.90	—	22,392,398	22,392,398	—	—	—	—	
	O-E	BANCO RABOBANK CURACAO N.V.	USD	Annual	3.37	3.86	—	6,884,327	6,884,327	13,548,040	—	—	13,548,040	
	O-E	BANCO RABOBANK CURACAO N.V.	USD	At maturity	2.72	2.51	253,902	—	253,902	22,315,667	10,990,370	—	33,306,037	
	O-E	BANCO MIZUHO	USD	Semiannual	2.70	2.31	5,773,596	5,578,917	11,352,513	16,597,292	—	—	16,597,292	
	O-E	BANCO SUMITOMO	USD	Semiannual	2.61	2.25	—	13,608,361	13,608,361	19,929,881	—	—	19,929,881	
	Argentina	O-E	BANCO GALICIA	ARS	Monthly	27.00	27.00	86,329	—	86,329	—	—	—	—
		O-E	BANCO BBVA	ARS	Monthly	28.00	28.00	127,098	—	127,098	—	—	—	—
O-E		BANCO GALICIA	ARS	Monthly	27.00	27.00	1,370,733	—	1,370,733	—	—	—	—	
O-E		BANCO MACRO	ARS	Monthly	27.00	27.00	4,242,749	—	4,242,749	—	—	—	—	
O-E		BANCO GALICIA	ARS	Monthly	27.50	27.50	34,241,844	—	34,241,844	—	—	—	—	
O-E		BANCO COMAFI	ARS	Monthly	27.20	27.20	4,381,164	—	4,381,164	—	—	—	—	
O-E		BANCO FRANCES	ARS	Monthly	27.00	27.00	4,080,318	—	4,080,318	—	—	—	—	
O-E		BANCO ITAU	ARS	Monthly	27.00	27.00	10,514,698	—	10,514,698	—	—	—	—	
O-E		BANCO CIUDAD	ARS	Monthly	27.50	27.50	7,230,799	—	7,230,799	—	—	—	—	
Colombia	O-E	HELM BANK	COP	Semiannual	2.16	2.16	814,788	560,463	1,375,251	—	—	—	—	
	O-E	BANCO COLPATRIA	COP	At maturity	11.14	11.14	24,187	8,282	32,469	—	—	—	—	
	O-E	BANCO COLPATRIA	COP	At maturity	11.14	11.14	818	—	818	—	—	—	—	
Brasil	O-E	BANK OF AMERICA	USD	At maturity	14.74	14.74	10,125,443	30,376,328	40,501,771	—	—	—	—	
	O-E	BRADESCO	REAL	At maturity	15.33	15.33	9,690,557	—	9,690,557	—	—	—	—	
	O-E	HSBC	USD	At maturity	15.85	15.85	2,207,885	6,623,654	8,831,539	—	—	—	—	
	O-E	SAFRA	REAL	At maturity	16.47	16.47	185,165	—	185,165	—	—	—	—	
	O-E	SANTANDER	REAL	At maturity	10.40	10.40	17,101	51,302	68,403	128,407	—	—	128,407	
	O-E	SANTANDER	REAL	At maturity	13.00	13.00	4,900	14,698	19,598	36,688	—	—	36,688	
	O-E	BANCO DO NORDESTE	REAL	Monthly	8.50	8.50	81,024	243,071	324,095	343,786	—	—	343,786	
O-E	ITAÚ	USD	At maturity	16.10	16.10	16,400,001	—	16,400,001	—	—	—	—		
TOTAL							129,051,616	86,341,801	215,393,417	174,418,501	31,880,836	—	206,299,337	

At December 31, 2015

Segment	ID	Creditor name	Currency	Amortization type	Effective interest rate	Nominal rate	Current			Non-current			
							Expiration		Total Current at 12/31/2015	Expiration		Total non-current at 12/31/2015	
							Up to 90 days	90 days to 1 year		1 to 3 years	3 to 5 years		5 or more years
							ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	
Chile	97.004.000-5	BANCO DE CHILE S.A.	USD	Monthly	0.99	0.99	6,743,357	—	6,743,357	—	—	—	—
	97.015.000-5	BANCO SANTANDER CHILE S.A.	USD	Monthly	1.03	1.03	4,229,146	—	4,229,146	—	—	—	—
	97.015.000-5	BANCO SANTANDER CHILE S.A.	Ch\$	At maturity	6.59	6.28	802,444	—	802,444	—	49,828,795	—	49,828,795
	97.032.000-8	BANCO BILBAO VIZCAYA ARGENTARIA CHILE S.A.	Ch\$	Semiannual	4.08	4.06	648,459	—	648,459	6,963,939	19,150,834	8,569,268	34,684,041
	97.032.000-8	BANCO BILBAO VIZCAYA ARGENTARIA CHILE S.A.	USD	Monthly	0.72	0.72	4,624,742	—	4,624,742	—	—	—	—
	97.032.000-8	BANCO BILBAO VIZCAYA ARGENTARIA CHILE S.A.	Ch\$	Monthly	0.28	0.28	6,440,470	—	6,440,470	—	—	—	—
	97.030.000-6	BANCO DEL ESTADO DE CHILE S.A.	Ch\$	Monthly	0.28	0.28	27,374,842	—	27,374,842	—	—	—	—
	97.030.000-6	BANCO DEL ESTADO DE CHILE S.A.	Ch\$	At maturity	5.59	5.08	11,219	—	11,219	—	39,342,179	—	39,342,179
	O-E	BANCO SCOTIABANK	USD	Semiannual	2.19	1.90	—	23,849,679	23,849,679	23,551,667	—	—	23,551,667
	O-E	BANCO RABOBANK CURACAO N.V.	USD	Annual	4.16	3.86	—	7,366,756	7,366,756	21,617,519	—	—	21,617,519
	O-E	BANCO RABOBANK CURACAO N.V.	USD	At maturity	2.20	2.00	197,460	—	197,460	—	35,303,000	—	35,303,000
	O-E	BANCO MIZUHO	USD	Semiannual	2.17	1.80	178,917	5,918,000	6,096,917	23,672,000	5,674,366	—	29,346,366
	O-E	BANCO SUMITOMO	USD	Semiannual	2.15	1.80	—	173,643	173,643	28,406,400	6,852,114	—	35,258,514
	Argentina	O-E	BANCO FRANCES	ARS	Monthly	31.50	31.50	651	—	651	—	—	—
O-E		BANCO IFC	USD	Monthly	1.93	1.93	2,775,705	2,719,529	5,495,234	—	—	—	—
O-E		BANCO GALICIA	ARS	Monthly	30.00	30.00	8,267,250	—	8,267,250	—	—	—	—
O-E		BANCO FRANCES	ARS	Monthly	31.50	31.50	3,558,750	—	3,558,750	—	—	—	—
O-E		BANCO CIUDAD	ARS	Monthly	31.00	31.00	7,493,863	—	7,493,863	—	—	—	—
Colombia	O-E	HELM BANK	COP	Semiannual	5.96	5.96	—	741,354	741,354	—	—	—	—
	O-E	BANCO COLPATRIA	COP	At maturity	6.12	6.12	230,064	—	230,064	—	—	—	—
Brasil	O-E	HSBC	BRL	At maturity	15.97	15.97	13,437,189	40,311,568	53,748,757	—	—	—	—
	O-E	HSBC	BRL	At maturity	15.85	15.85	2,098,401	6,295,220	8,393,621	—	—	—	—
	O-E	SAFRA	BRL	At maturity	16.08	16.08	2,247,209	6,741,627	8,988,836	—	—	—	—
	O-E	SANTANDER	BRL	At maturity	9.40	9.40	318	954	1,272	125,150	51,703	—	176,853
	O-E	SANTANDER	BRL	At maturity	12.00	12.00	104	311	415	35,757	11,919	—	47,676
	O-E	SANTANDER	BRL	At maturity	17.61	17.61	8,068,069	—	8,068,069	—	—	—	—
Perú	O-E	BANCO DO NORDESTE	BRL	Monthly	8.50	8.50	68,675	205,959	274,634	576,489	—	—	576,489
	O-E	SANTANDER	PEN	At maturity	5.50	5.50	58	—	58	—	—	—	—
TOTAL							99,497,362	94,324,600	193,821,962	104,948,921	156,214,910	8,569,268	269,733,099

17.3 Bond debt

17.3.1 Long Terms Bonds—Short term portion as of December 31, 2016 and December 31, 2015.

Inscription number or ID	Series	Current nominal amount placed	Restatement unit of the bond	Interest rate %	Effective interest rate %	Maturity	Periodicity		Accounting value		Placement in Chile or abroad
							Principal installment	Amortization type	12/31/2016 ThCh\$	12/31/2015 ThCh\$	
268	BJUMB - B1	306,597	UF	6.5	6.9	01/09/2026	Semiannual	Semiannual	676,894	622,999	Local
268	BJUMB - B2	1,532,986	UF	6.5	6.9	01/09/2026	Semiannual	Semiannual	3,429,525	3,159,513	Local
530	BCENC - E	2,000,000	UF	3.5	4.1	07/05/2018	Semiannual	At Maturity	316,292	294,596	Local
530	BCENC - F	4,500,000	UF	4.0	4.3	07/05/2028	Semiannual	At Maturity	727,763	680,487	Local
551	BCENC - J	3,000,000	UF	5.7	5.7	15/10/2029	Semiannual	Semiannual	937,381	911,732	Local
551	BCENC - N	4,500,000	UF	4.7	5.0	28/05/2030	Semiannual	Semiannual	513,793	468,866	Local
551	BCENC - O	54,000,000	Ch\$	7.0	7.7	01/06/2031	Semiannual	At Maturity	315,330	314,592	Local
816	BCENC-P	52,000,000	UF	4.7	5.4	07/11/2022	Semiannual	Semiannual	400,352	—	Local
816	BCENC-R	5,000,000	UF	2.7	3.4	07/11/2041	Semiannual	At Maturity	582,946	—	Local
N/A	ÚNICA - A	280,000,000	S	7.2	7.5	05/05/2018	Semiannual	At Maturity	607,145	655,479	Foreign
N/A	ÚNICA - A	130,000,000	S	7.6	7.8	12/08/2017	Semiannual	At Maturity	26,714,720	796,368	Foreign
N/A	ÚNICA - A	750,000,000	USD	5.5	5.5	20/01/2021	Semiannual	At Maturity	12,408,383	13,160,638	Foreign
N/A	ÚNICA - A	1,200,000,000	USD	4.9	5.2	20/01/2023	Semiannual	At Maturity	18,661,682	19,522,865	Foreign
N/A	ÚNICA - A	650,000,000	USD	5.2	5.3	12/02/2025	Semiannual	At Maturity	8,822,680	9,348,654	Foreign
N/A	ÚNICA - A	350,000,000	USD	6.6	6.7	12/02/2045	Semiannual	At Maturity	6,003,148	6,366,467	Foreign
N/A	MAS CUOTAS SERIE I VDFC	333,944	Arg\$	28.0	28.0	01/02/2016	Monthly	Monthly	—	103,348	Foreign
N/A	MAS CUOTAS SERIE I CP	387,126	Arg\$	28.0	28.0	01/07/2015	Monthly	Monthly	—	387,126	Foreign
N/A	MAS CUOTAS SERIE II VDFA	10,062,114	Arg\$	26.0	26.0	01/04/2016	Monthly	Monthly	—	2,523,193	Foreign
N/A	MAS CUOTAS SERIE II	1,134,797	Arg\$	28.0	28.0	01/04/2016	Monthly	Monthly	—	1,283,706	Foreign
N/A	MAS CUOTAS SERIE II VDFB	679,415	Arg\$	32.3	32.3	01/11/2016	Monthly	Monthly	—	832,678	Foreign
N/A	MAS CUOTAS SERIE II VDFC	58,430	Arg\$	34.0	34.0	01/11/2016	Monthly	Monthly	—	55,207	Foreign
N/A	FF MAS CUOTAS SERIE IV VDF A	77,419	Arg\$	31.3	31.3	01/03/2017	Monthly	Monthly	3,273,274	—	Foreign
N/A	FF MAS CUOTAS SERIE IV VDF B	23,203	Arg\$	33.8	33.8	01/04/2017	Monthly	Monthly	981,005	—	Foreign
N/A	FF MAS CUOTAS SERIE IV VDF C	1,934	Arg\$	30.9	30.9	01/05/2017	Monthly	Monthly	81,750	—	Foreign
N/A	FF MAS CUOTAS SERIE IV	23,670	Arg\$	0.0	0.0	01/02/2018	Monthly	Monthly	1,000,483	—	Foreign
N/A	FF MAS CUOTAS SERIE V VDF A	223,114	Arg\$	28.9	28.9	15/06/2017	Monthly	Monthly	9,433,264	—	Foreign
N/A	FF MAS CUOTAS SERIE V VDF B	23,043	Arg\$	29.9	29.9	15/07/2017	Monthly	Monthly	974,237	—	Foreign
N/A	FF MAS CUOTAS SERIE V VDF C	2,294	Arg\$	27.6	27.6	15/07/2017	Monthly	Monthly	96,993	—	Foreign
N/A	FF MAS CUOTAS SERIE V	58,482	Arg\$	0.0	0.0	28/05/2018	Monthly	Monthly	2,470,932	—	Foreign
N/A	FF MAS CUOTAS SERIE VI VDF A	526,228	Arg\$	26.8	26.8	15/08/2017	Monthly	Monthly	22,248,928	—	Foreign
N/A	FF MAS CUOTAS SERIE VI VDF B	34,113	Arg\$	28.1	28.1	15/08/2017	Monthly	Monthly	1,442,280	—	Foreign
N/A	FF MAS CUOTAS SERIE VI VDF C	3,396	Arg\$	24.7	24.7	15/08/2017	Monthly	Monthly	143,590	—	Foreign
N/A	FF MAS CUOTAS SERIE VI	118,119	Arg\$	0.0	0.0	30/09/2018	Monthly	Monthly	4,265,514	—	Foreign
Total short—term portion									127,530,284	61,488,514	

17.3.2 Bond long term

As of December 31, 2016 and December 31, 2015.

Inscription number or ID	Series	Current nominal amount placed	Restatement unit of the bond	Interest rate %	Effective interest rate %	Maturity	Periodicity		Accounting value		Placement in Chile or abroad
							Principal installment	Amortization type	12/31/2016	12/31/2015	
									ThCh\$	ThCh\$	
268	BJUMB - B1	306,597	UF	6.5	6.9	01/09/2026	Semiannual	Semiannual	7,572,160	7,857,807	Local
268	BJUMB - B2	1,532,986	UF	6.5	6.9	01/09/2026	Semiannual	Semiannual	36,972,945	38,291,796	Local
530	BCENC - E	2,000,000	UF	3.5	4.1	07/05/2018	Semiannual	At Maturity	52,231,106	50,519,499	Local
530	BCENC - F	4,500,000	UF	4.0	4.3	07/05/2028	Semiannual	At Maturity	115,257,083	111,914,897	Local
551	BCENC - J	3,000,000	UF	5.7	5.7	15/10/2029	Semiannual	Semiannual	79,009,401	76,853,673	Local
551	BCENC - N	4,500,000	UF	4.7	5.0	28/05/2030	Semiannual	Semiannual	115,830,727	112,670,350	Local
551	BCENC - O	54,000,000	CH\$	7.0	7.7	01/06/2031	Semiannual	At Maturity	50,873,893	50,749,637	Local
816	BCENC-P	52,000,000	CH\$	4.7	5.4	07/11/2022	Semiannual	Semiannual	50,266,600	—	Local
816	BCENC-R	5,000,000	UF	2.7	3.4	07/11/2041	Semiannual	At Maturity	115,790,192	—	Local
N/A	ÚNICA - A	280,000,000	SOLES	7.2	7.5	05/05/2018	Semiannual	At Maturity	55,797,704	58,070,977	Foreign
N/A	ÚNICA - A	130,000,000	SOLES	7.6	7.8	12/08/2017	Semiannual	At Maturity	—	27,060,400	Foreign
N/A	ÚNICA - A	750,000,000	USD	5.5	5.5	20/01/2021	Semiannual	At Maturity	504,394,448	536,157,982	Foreign
N/A	ÚNICA - A	1,200,000,000	USD	4.9	5.2	20/01/2023	Semiannual	At Maturity	771,685,964	814,653,208	Foreign
N/A	ÚNICA - A	650,000,000	USD	5.2	5.3	12/02/2025	Semiannual	At Maturity	430,388,334	456,046,424	Foreign
N/A	ÚNICA - A	350,000,000	USD	6.6	6.7	12/02/2045	Semiannual	At Maturity	232,074,329	246,119,787	Foreign
N/A	FF MAS CUOTAS SERIE IV	23,670	ARG\$	0.0	0.0	01/02/2018	Monthly	Monthly	285	—	Foreign
N/A	FF MAS CUOTAS SERIE V	58,482	ARG\$	0.0	0.0	28/05/2018	Monthly	Monthly	1,679	—	Foreign
N/A	FF MAS CUOTAS SERIE VI	118,119	ARG\$	0.0	0.0	30/09/2018	Monthly	Monthly	728,557	—	Foreign
Total Long— Term portion									2,618,875,407	2,586,966,437	

17.4 Other Financial Liabilities—Derivatives—Options

The detail as of December 31, 2016 and December 31, 2015 is as follows:

ID	Institution Name	Asset Position		Assets Interest rate %	Liability Position (In Thousands)		Liability Interest Rate %	Periodicity			Total Current and Non-Current		
		(In Thousands)	currency		Thousands)	Currency		Due date	Interest payment	Principal Installment	December 31, 2015 (ThCh\$)	December 31, 2014 (ThCh\$)	Placement in Chile or abroad
O-E	Banco BBVA	1,226	USD	2.07	2,059	USD	3.49	15/08/2016	Semiannual	NA	—	31,197	Foreign
O-E	Banco Santander	1,301	USD	2.07	2,062	USD	3.41	15/08/2016	Semiannual	NA	—	26,832	Foreign
O-E	Banco HSBC	13,000	USD	15.85	42,068	Real	2.94	04/04/2017	Monthly	At Maturity	263,247	—	Foreign
O-E	Banco Itaú	24,012	USD	16.10	24,012	Real	3.81	09/01/2017	Monthly	At Maturity	1,404,461	—	Foreign
O-E	Banco Bank Of América	60,000	USD	14.74	202,500	Real	2.39	21/12/2017	Monthly	At Maturity	1,410,834	—	Foreign
O-E	Merrill Lynch	280,000	SOL	7.19	2,257	U.F.	3.67	05/05/2018	Semiannual	At Maturity	4,147,846	1,088,321	Foreign
97.008.000-7	Banco Scotiabank	100,000	USD	7.77	67,845,674	Ch\$	5.15	12/02/2025	Semiannual	At Maturity	6,251,287	—	Local
97.004.000-5	Banco Chile	50,000	USD	7.87	33,724,325	Ch\$	5.15	12/02/2025	Semiannual	At Maturity	3,115,195	—	Local
TOTAL											16,592,870	1,146,350	

17.5 Other loans—leases

The detail of the leasing agreement as of December 31, 2016 and 2015 is as follows:

December 2016

Debtor	ID	Creditor Name	Currency	Amortization type	Current Expiration			Non-Current Expiration			
					Up to 90 days ThCh\$	Between 90 days and one year ThCh\$	TOTAL Current as of December 31, 2016 ThCh\$	1 to 3 years ThCh\$	3 to 5 years ThCh\$	5 or more years ThCh\$	Total non-Current as of December 31, 2016 ThCh\$
Cencosud Shopping Centers S.A.	94226000-8	CIA. DE SEG.DE VIDA CONS. NAC. DE SEG. S.A.	Ch\$	Monthly	57,491	165,105	222,596	774,626	593,232	745,638	2,113,496
Cencosud Shopping Centers S.A.	94226000-8	CIA. DE SEG.DE VIDA CONS. NAC. DE SEG. S.A.	Ch\$	Monthly	53,653	165,219	218,872	729,414	553,635	695,868	1,978,917
Cencosud Shopping Centers S.A.	94226000-8	CIA. DE SEG.DE VIDA CONS. NAC. DE SEG. S.A.	Ch\$	Monthly	29,418	90,589	120,007	399,936	303,557	381,543	1,085,036
Cencosud Retail S.A.	81201000-K	INMOBILIARIA EDIFICIO PANORAMICO LTDA	Ch\$	Monthly	11,663	35,576	47,239	106,745	122,792	488,047	717,584
Cencosud Retail S.A.	81201000-K	CENTRO ESPAÑOL DE TEMUCO	UF	Monthly	6,448	19,779	26,227	59,466	68,696	180,750	308,912
Cencosud Retail S.A.	81201000-K	BANCO CHILE - LEASING	UF	Semiannual	—	875,202	875,202	1,882,289	—	—	1,882,289
Cencosud Retail S.A.	81201000-K	BANCO BICE - LEASING	UF	Semiannual	—	545,478	545,478	657,599	—	—	657,599
Cencosud Retail S.A.	81201000K	BANCO SANTANDER CHILE S.A. - LEASING	UF	Semiannual	—	140,231	140,231	163,321	—	—	163,321
Cencosud Retail S.A.	81201000-K	INVERSIONES OLYMPUS LTDA.	UF	Monthly	829	2,489	3,318	9,956	16,593	337,294	363,843
Cencosud Retail S.A.	81201000-K	INMOBILIARIA RECOLETA LTDA.	UF	Monthly	813	2,443	3,256	9,770	16,284	558,067	584,121
Cencosud Retail S.A.	81201000-K	INVERSIONES PUNTA BLANCA LTDA.	UF	Monthly	163	488	651	1,954	3,256	397,395	402,605
Cencosud Retail S.A.	81201000-K	EMPRESAS PROULX CHILE II S.A.	UF	Monthly	547	1,641	2,188	6,562	10,937	612,055	629,554
Cencosud Retail S.A.	81201000-K	INERSA S.A.	UF	Monthly	979	2,943	3,922	11,771	19,618	476,921	508,310
Cencosud Retail S.A.	81201000K	RVC RENTAS S.A.	UF	Monthly	576	1,732	2,308	6,927	11,545	363,650	382,122
Cencosud Retail S.A.	81201000-K	SEGUROS DE VIDA CRUZ DEL SUR S.A.	UF	Monthly	307	920	1,227	3,683	6,137	1,031,169	1,040,989
Cencosud Retail S.A.	81201000-K	INMOBILIARIA MALL VIÑA DEL MAR S.A.	UF	Monthly	206	618	824	2,470	4,117	982,044	988,631
Cencosud Retail S.A.	81201000-K	EMPRESAS PROULX CHILE II S.A.	UF	Monthly	532	1,596	2,128	6,386	10,643	549,709	566,738
Cencosud Retail S.A.	81201000-K	INMOBILIARIA TIERRA SANTA	UF	Monthly	578	1,736	2,314	6,946	11,576	256,637	275,159
Cencosud Retail S.A.	81201000-K	INMOBILIARIA GR CHAMISERO I S.A.	UF	Monthly	331	993	1,324	3,971	6,618	1,210,316	1,220,905
Grandes Superficies de Colombia S.A.	830025638	CENTRO COMERCIAL BULEVAR NIZA	COP	Monthly	19,418	60,007	79,425	173,657	195,453	1,041,083	1,410,193
Grandes Superficies de Colombia S.A.	830025638	FCP INVERLINK	COP	Monthly	34,370	106,210	140,580	307,365	345,941	1,299,082	1,952,388
Grandes Superficies de Colombia S.A.	830025638	COMERCIALIZADORA DE COLECCIONES S.A.	COP	Monthly	72,694	200,830	273,524	—	—	—	—
Grandes Superficies de Colombia S.A.	830025638	SOISAN S.A.	COP	Monthly	252	800	1,052	2,486	3,106	18,339	23,931
Total					291,268	2,422,625	2,713,893	5,327,300	2,303,736	11,625,607	19,256,643

December 2015

	ID	Creditor Name	Currency	Amortization type	Current Expiration			Non-Current Expiration			
					Up to 90 days ThCh\$	Between 90 days and one year ThCh\$	TOTAL Current as of December 31, 2015 ThCh\$	1 to 3 years ThCh\$	3 to 5 years ThCh\$	5 or more years ThCh\$	Total non- Current as of December 31, 2015 ThCh\$
Cencosud Shopping Centers S.A.	94226000-8	CIA. DE SEG.DE VIDA CONS. NAC. DE SEG. S.A	Ch\$	Monthly	56,603	169,808	226,411	1,029,423	1,029,423	2,187,546	4,246,392
Cencosud Shopping Centers S.A.	94226000-8	CIA. DE SEG.DE VIDA CONS. NAC. DE SEG. S.A	Ch\$	Monthly	31,730	95,190	126,920	577,069	577,069	1,226,285	2,380,423
Cencosud Shopping Centers S.A.	94226000-8	CIA. DE SEG.DE VIDA CONS. NAC. DE SEG. S.A	Ch\$	Monthly	6,219	18,658	24,877	113,111	113,111	240,363	466,585
Cencosud Shopping Centers S.A.	94226000-8	CIA. DE SEG.DE VIDA CONS. NAC. DE SEG. S.A	Ch\$	Monthly	13,778	41,334	55,112	250,576	250,576	532,480	1,033,632
Cencosud Shopping Centers S.A.	94226000-8	CIA. DE SEG.DE VIDA CONS. NAC. DE SEG. S.A	Ch\$	Monthly	16,236	48,709	64,945	295,286	295,286	627,490	1,218,062
Cencosud Retail S.A.	81201000-K	INMOBILIARIA EDIFICIO PANORÁMICO LTDA	Ch\$	Monthly	10,319	31,890	42,209	95,769	112,434	538,211	746,414
Cencosud Retail S.A.	81201000-K	CENTRO ESPAÑOL DE TEMUCO	UF	Monthly	5,707	17,692	23,399	53,232	62,795	211,382	327,409
Cencosud Retail S.A.	81201000-K	BANCO CHILE — LEASING	UF	Semiannual	—	1,448,359	1,448,359	3,012,203	—	—	3,012,203
Cencosud Retail S.A.	81201000-K	BANCO BICE — LEASING	UF	Semiannual	—	592,666	592,666	1,007,470	—	—	1,007,470
Cencosud Retail S.A.	81201000K	BANCO SANTANDER CHILE S.A. - LEASING	UF	Semiannual	—	143,571	143,571	243,486	—	—	243,486
Cencosud Retail S.A.	81201000-K	INVERSIONES OLYMPUS LTDA.	UF	Monthly	835	2,505	3,340	10,020	16,700	330,542	357,262
Cencosud Retail S.A.	81201000-K	INMOBILIARIA RECOLETA LTDA.	UF	Monthly	813	2,437	3,250	9,751	16,250	545,286	571,287
Cencosud Retail S.A.	81201000-K	INVERSIONES PUNTA BLANCA LTDA.	UF	Monthly	163	487	650	1,951	3,250	386,811	392,012
Cencosud Retail S.A.	81201000-K	EMPRESAS PROULX CHILE II S.A.	UF	Monthly	546	1,636	2,182	6,547	10,915	596,806	614,268
Cencosud Retail S.A.	81201000-K	INERSA S.A.	UF	Monthly	979	2,936	3,915	11,745	19,580	467,007	498,332
Cencosud Retail S.A.	81201000K	RVC RENTAS S.A.	UF	Monthly	576	1,728	2,304	6,913	11,520	355,489	373,922
Cencosud Retail S.A.	81201000-K	SEGUROS DE VIDA CRUZ DEL SUR S.A.	UF	Monthly	249	746	995	2,982	4,970	1,007,154	1,015,106
Cencosud Retail S.A.	81201000-K	INMOBILIARIA MALL VIÑA DEL MAR S.A.	UF	Monthly	148	443	591	1,773	2,955	959,049	963,777
Cencosud Retail S.A.	81201000-K	EMPRESAS PROULX CHILE II S.A.	UF	Monthly	531	1,593	2,124	6,373	10,620	536,162	553,155
Cencosud Retail S.A.	81201000-K	INMOBILIARIA TIERRA SANTA	UF	Monthly	578	1,733	2,311	6,934	11,555	251,480	269,969
Cencosud Retail S.A.	81201000-K	INMOBILIARIA GR CHAMISERO I S.A.	UF	Monthly	282	847	1,129	3,387	5,645	1,178,133	1,187,165
Grandes Superficies de Colombia S.A.	830025638	CENTRO COMERCIAL BULEVAR NIZA	COP	Monthly	18,304	56,562	74,866	163,688	184,233	1,146,682	1,494,603
Grandes Superficies de Colombia S.A.	830025638	FCP INVERLINK	COP	Monthly	32,397	100,113	132,510	289,721	326,083	1,477,164	2,092,968
Grandes Superficies de Colombia S.A.	830025638	COMERCIALIZADORA DE COLECCIONES S.A.	COP	Monthly	11,127	34,385	45,512	99,506	111,995	4,222,114	4,433,615
Grandes Superficies de Colombia S.A.	830025638	SOISAN S.A.	COP	Monthly	225	715	940	2,226	2,779	19,978	24,983
				Total	208,345	2,816,743	3,025,088	7,301,142	3,179,744	19,043,614	29,524,500

17.6 Restrictions.

1. As established in the agreement to issue bonds of Cencosud S.A. dated July 5, 2001 and by virtue of which two series (Series A and Series B) were issued, of which only Series B (tranche B1 and B2) remains in effect, the Company, hereinafter the Issuer, has the following indebtedness limits or management restrictions, among others:
 - a) Comply with the laws, regulations and other legal provisions applicable to it;
 - b) Establish and maintain adequate accounting systems based on generally accepted accounting principles in Chile, as well as hire and maintain an independent external auditing firm of recognized local or international prestige to examine and analyze the Financial Statements and issue an opinion on the statements as of December 31 of each year. Likewise, in accordance with current standards and as long as they are in effect, the Issuer shall hire and maintain, continuously and without interruption, two risk rating agencies registered with the SVS for the life of the bond issuance. These risk rating agencies may be replaced to the extent that the Issuer complies with the obligation of maintaining two of them, continuously and without interruption, for the life of the bond issuance. Nevertheless, it is expressly agreed that: (i) in the event that by SVS provision the currently valid accounting standards were modified, replacing IFRS, and that change were to affect one or more of the restrictions contained in the Ninth clause and/or the definitions in the First clause related to the aforementioned Ninth clause of the Agreement, or (ii) if the valuation criteria established for the accounting entries in the current Financial Statements were modified by the competent entity authorized to issue accounting standards, the Issuer shall, within fifteen Working Days of the new provisions having been reflected for the first time in its Financial Statements, present these changes to the Bondholders' Representative. The Issuer, within twenty Working Days of the new provisions having been reflected for the first time in its Financial Statements, shall request that its external auditors proceed to adapt the obligations indicated in the Ninth clause and/or the definitions contained in the First clause that are related to the aforementioned Ninth clause of the Agreement based on the new accounting situation within twenty Working Days after the date of request. The Issuer and the Bondholders' Representative shall modify the Agreement in order to adjust it as determined by the auditors within ten Working Days of the auditors having issued their report, and the Issuer shall file with the SVS the request for this modification of the Agreement, together with the respective documentation. The aforementioned procedure shall be considered prior to the date on which the Financial Statements must be filed with the SVS by the Issuer, for the reporting period following that in which the new provisions have been reflected for the first time in its Financial Statements. For this, prior consent from the bondholders' association shall not be necessary. Notwithstanding, the Bondholders' Representative shall inform the Bondholders of the modifications to the Agreement by publishing a notice in the newspaper *La Nacion* (print or digital version) and in the event this publication is suspended or no longer exists, in the Official Gazette, which shall take place within twenty Working Days following the date the respective deed modifying the Agreement is granted. In the cases mentioned above, and until the Agreement has been modified in accordance with the aforementioned procedure, the Issuer shall not be considered to have breached the Agreement when as a result exclusively of these modifications, the Issuer fails to comply with one or more restrictions contained in the Ninth clause of the Agreement and/or the definitions contained in the First clause that are related to the aforementioned Ninth clause. Once the Agreement has been modified as stated above, the Issuer shall comply with the agreed-upon modifications to reflect its new accounting situation. Record is left that the procedure contained in this provision is intended to protect the changes produced exclusively by provisions on accounting matters and in no case those produced by variations in market conditions that affect the Issuer. All expenses resulting from the above shall be borne by the Issuer. Likewise, the Issuer shall hire and maintain, continuously and without interruption, two risk rating agencies registered with the SVS for the life of the bonds;
 - c) Send a copy of its quarterly and annual Financial Statements to the Bondholders' Representative within the same period of time in which it must be filed with the SVS;

- d) Notify the Bondholders' Representative of notices for ordinary and extraordinary shareholders' meetings no later than the day of publication of the last notice for shareholders;
- e) Notify the Bondholders' Representative of all material events that are not considered reserved or any infraction of the Issuer's obligations under the agreement as soon as the event or infraction occurs or comes to its knowledge, within the same period of time in which it must notify the SVS. The document that fulfills this obligation must be signed by the Issuer's Chief Executive Officer or by his replacement and must be sent with a return receipt or by certified mail;
- f) Maintain, during the life of this Agreement, its assets free of Restricted Encumbrances that are equivalent, at least, to one point two times the unpaid balance of the principal owed on the Bonds. This obligation shall be verified and measured as of the reporting dates of the Financial Statements. The Issuer shall send information to verify the ratio referred to in this clause to the Bondholders' Representative upon request. In the event that the Issuer fails to comply with this obligation, it may equally and within a maximum of sixty days from the date of violation, establish guarantees in favor of the Bondholders that are proportionally equal to those granted to third parties other than the Bondholders. For these purposes, assets and debt will be valued at book value. The following shall not be considered for these purposes: encumbrances established for any authority for taxes that are still not owed by the Issuer and are being duly challenged by it; those established in the ordinary course of business of the Issuer that are being duly challenged by it; preferences established by law such as, for example, those mentioned in article two thousand four hundred seventy-two of the Civil Code and articles one hundred five and one hundred six of the Securities Market Law; and all encumbrances to which the Issuer has not consented and that are being duly challenged by it;
- g) Not sell or transfer essential assets that represent more than 30 of its total assets and that place in danger the continuity of its business, unless that sale, cession or transfer is to a subsidiary and to the extent that it jointly and severally undertakes to pay the Bonds;
- h) Maintain an indebtedness ratio no greater than one point three;
- i) Maintain minimum equity of eleven million, five hundred thousand UF at all times during the life of the bonds;
- j) Not make investments in debt instruments issued by related persons or engage in transactions with related persons under conditions that are less favorable than market conditions for the Issuer;
- k) Contract and maintain insurance that reasonably protects its operating assets;
- l) Send information on any reduction in its interest in Subsidiaries that results in losing control and stems from a sale, exchange or merger of its interest in them to the Bondholders' Representative within 30 working days of the event having occurred;
- m) Record in its accounting books the provisions that arise from adverse contingencies that, in management's opinion, should be reflected in the Financial Statements of the Issuer in accordance with IFRS or the standards that replace them and those established by the SVS, as appropriate.

As of December 31, 2016 and 2015, the Company was in compliance with the aforementioned financial debt covenants.

- 2. As established in the agreement to issue bonds of Cencosud S.A., dated March 13, 2008, and by virtue of which two series (Series E and Series F) were issued, the Company, hereinafter the Issuer, has the following obligations and management restrictions, among others:
 - a) Comply with applicable laws, regulations and other legal provisions, particularly those related to the timely and correct payment of taxes, duties and charges;
 - b) Establish and maintain adequate accounting systems based on IFRS or those standards that replace IFRS; an independent external auditing firm of recognized prestige to issue an opinion on the financial statements as of December 31 of each year; two risk rating agencies registered with the SVS for the life of the Bonds;

- c) Send to the Bondholders' Representative (i) a copy of all information that the Issuer must send the SVS, as long as it is not considered reserved information, including a copy of its quarterly and annual Financial Statements, within the period of time in which it should file such information with the SVS; (ii) information on compliance with the obligations undertaken by virtue of the Agreement within the period of time in which it should file its Financial Statements with the SVS; (iii) copies of the risk rating reports on the issuance no later than five Working Days after receipt of these reports from its private risk rating agencies; (iv) all information regarding any violation of its obligations undertaken by virtue of the Issuance Agreement and any other relevant information requested by the SVS, as soon as the event occurs or comes to its knowledge.
- d) Notify the Bondholders' Representative of notices for ordinary and extraordinary shareholders' meetings no later than the day of publication of the last notice for shareholders;
- e) Send the Bondholders' Representative information on any reduction of its interest in the capital of its Relevant Subsidiaries that are greater than 10 of the capital, as well as any reduction that means losing control of the company once the transaction has taken place;
- f) Not engage in, with related persons, transactions under conditions that are less favorable for the Issuer than prevailing market conditions;
- g) Maintain the following financial ratios based on the Quarterly Financial Statements: (i) An indebtedness level based on the Financial Statements of a ratio of other current financial liabilities and other non-current financial liabilities, less cash and cash equivalents, less other current financial assets, over total equity attributable to the owners of the parent company, no greater than one point two. Liabilities shall include the obligations that the Issuer undertakes as endorser, simple and/or joint guarantor and those in which it responds directly or indirectly for obligations of third parties; and ii) Maintain Total Assets free of all pledges, mortgages or other encumbrances for an amount at least equal to one point two times the Issuer's Liabilities in conformity with the Financial Statements;
- h) Except by express statement of the Bondholders' Representative, authorized at an extraordinary meeting of the Bondholders, with votes that represent at least fifty-one percent of the Bonds in circulation, that releases the Issuer from the obligation indicated below, it shall maintain ownership of the brands (i) "Jumbo" and (ii) "Paris" directly or through its subsidiaries;
- i) Record in its accounting books the provisions that arise from adverse contingencies that, in the Issuer's opinion, should be reflected in the Issuer's financial statements;
- j) Maintain insurance that reasonably protects its operating assets and ensure that its subsidiaries meet this condition;
- k) Not grant endorsements or guarantees or establish itself as joint and several co-signers in favor of third parties, except subsidiaries of the Issuer.
- l) Maintain direct or indirect ownership of at least fifty-one percent of Cencosud Supermercados S.A. and forty-nine percent of Cencosud Administradora de Tarjetas S.A., as well as the Companies that eventually control the business areas currently developed by these Companies;
- m) Maintain income from retail sales, mall management, real estate investment and credit assessments, granting and management equivalent to at least sixty-seven percent of the Issuer's ordinary revenue, based on the Quarterly Financial Statements; and
- n) Inform the Bondholders' Representative of the effective use of the funds stemming from the Bond placement corresponding to the Line.

As of December 31, 2016 and 2015, the Company was in compliance with the aforementioned financial debt covenants.

- 3. As established in the Master Issuance Agreement for the Private Offering Program for Corporate Bonds of

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Cencosud S.A., dated April 24, 2008, hereinafter “the Program”, entered into in Lima, Peru, and by virtue of which two issuances of the same series (Series A) were carried out, the Company, hereinafter the Issuer, has the following obligations and management restrictions, among others:

- a) Preserve its corporate existence and duly maintain and develop its corporate objective;
- b) Be in full compliance with all tax obligations, whether formalities or payment obligations, except those that have been challenged using procedures set forth by the laws of the applicable jurisdiction;
- c) Maintain on at least a pari passu basis with Bonds issued with respect to payment obligations of other debts or obligations without specific guarantees;
- d) Not make substantial changes in the line of business or its corporate objective that produce a material adverse effect on the Issuer’s financial condition, understanding as such any change that reduces the Program’s risk rating by two (2) or more risk categories below the rating in effect at that time;
- e) A change in control that reduces the Program’s risk rating by two (2) or more risk categories below the rating in effect at that time may not occur;
- f) Not transfer fully or partially, its obligations under the Program Documents;
- g) Maintain indebtedness, based on the consolidated Financial Statements, or the individual financial statements if the Issuer does not consolidate, of a ratio of consolidated financial liabilities, or individual if the Issuer does not consolidate, less Cash, less Time Deposits, less Marketable Securities, less repo agreements and forward contracts classified as other current assets in the Issuer’s consolidated Financial Statements, or the individual financial statements if the Issuer does not consolidate, to Total Equity that does not exceed 1.20. Consolidated financial liabilities, or individual if the Issuer does not consolidate, shall include the obligations that the Issuer undertakes as endorser, simple and/or joint guarantor and those in which it responds directly or indirectly for obligations of third parties. Nevertheless, the liabilities of Banco Paris shall not be considered for the purpose of calculating this indebtedness; and
- h) The Issuer shall issue each quarter: (i) a report that is a sworn statement indicating that no violation of the obligations established in this clause has occurred; (ii) a report containing the calculation of the ratios referred to in the preceding letter.

As of December 31, 2016 and 2015, the Company was in compliance with the aforementioned financial debt covenants.

4. As established in the agreement to issue bonds of Cencosud S.A., dated September 5, 2008 and modified on October 2, 2008, and by virtue of which the Series J, N and O were issued, the Company, hereinafter the Issuer, has the following obligations or management restrictions:
 - a) Comply with applicable laws, regulations and other legal provisions, particularly those related to the timely and correct payment of taxes, duties and charges;
 - b) Establish and maintain adequate accounting systems based on IFRS or those standards that replace IFRS; an independent external auditing firm of recognized prestige to issue an opinion on the financial statements as of December 31 of each year; two risk rating agencies registered with the SVS for the life of the Bonds;
 - c) Send to the Bondholders’ Representative (i) a copy of all information that the Issuer must send the SVS, as long as it is not considered reserved information, including a copy of its quarterly and annual Financial Statements, within the period of time in which it should file such information with the SVS; (ii) information regarding compliance with the obligations undertaken by virtue of the Agreement within the period of time in which it should file its Financial Statements with the SVS; (iii) copies of the risk rating reports on the issuance no later than five Working Days after receipt of these reports from its private risk rating agencies; (iv) all information regarding any violation of its obligations undertaken by virtue of the Agreement and any other relevant information requested by the SVS, as soon as the event occurs or comes to its knowledge;

- d) Notify the Bondholders' Representative of notices for ordinary and extraordinary shareholders' meetings no later than the day of publication of the last notice for shareholders;
- e) Send the Bondholders' Representative information on any reduction of its interest in the capital of its Relevant Subsidiaries that are greater than 10 of the capital, as well as any reduction that means losing control of the company once the transaction has taken place;
- f) Not engage in, with related persons, transactions under conditions that are less favorable for the Issuer than prevailing market conditions;
- g) Maintain the following financial ratios based on the Quarterly Financial Statements: (i) An indebtedness level based on the Financial Statements of a ratio of other current financial liabilities and other non-current financial liabilities, less cash and cash equivalents, less other current financial assets, over total equity attributable to the owners of the parent company, no greater than one point two. Liabilities shall include the obligations that the Issuer undertakes as endorser, simple and/or joint guarantor and those in which it responds directly or indirectly for obligations of third parties; and ii) Maintain Total Assets free of all pledges, mortgages or other encumbrances for an amount at least equal to one point two times the Issuer's Liabilities in conformity with the Financial Statements;
- h) Except by express statement of the Bondholders' Representative, authorized at an extraordinary meeting of the Bondholders, with votes that represent at least fifty-one percent of the Bonds in circulation, that releases the Issuer from the obligation indicated below, it shall maintain ownership of the brands (i) "Jumbo" and (ii) "París" directly or through its subsidiaries;
- i) Record in its accounting books the provisions that arise from adverse contingencies that, in the Issuer's opinion, should be reflected in the Issuer's financial statements;
- j) Maintain insurance that reasonably protects its operating assets and ensure that its subsidiaries meet this condition;
- k) Not grant endorsements or guarantees or establish itself as joint and several co-signers in favor of third parties, except subsidiaries of the Issuer.
- l) Maintain direct or indirect ownership of at least fifty-one percent of Cencosud Supermercados S.A. and forty-nine percent of Cencosud Administradora de Tarjetas S.A., as well as the Companies that eventually control the business areas currently developed by these Companies;
- m) Maintain income from retail sales, mall management, real estate investment and credit assessments, granting and management equivalent to at least sixty-seven percent of the Issuer's ordinary revenue, based on the Quarterly Financial Statements; and
- n) Inform the Bondholders' Representative of the effective use of the funds stemming from the Bond placement corresponding to the Line.

As of December 31, 2016 and 2015, the Company was in compliance with the aforementioned financial debt covenants.

- 5. As established in the debt consolidation agreement signed June 30, 2010, and the rescheduling of such debt signed on March 13, 2014, between Cencosud Retail S.A. as Debtor and Banco del Estado de Chile as Creditor, Cencosud S.A., shall comply with the following obligations and financial and management restrictions:
 - a) Maintain income from retail sales, mall management, real estate investment and credit assessments, granting and management equivalent to at least sixty-seven percent of the Consolidated Operating Income, based on the Consolidated Quarterly Financial Statements;
 - b) Not merge with any company, except those cases in which the merger meets all of the following requirements: (i) that the Company resulting from the merger is a Corporation established and governed by

the laws of the Republic of Chile, and (ii) that the Company resulting from the merger maintains Cencosud's current line of business;

- c) Maintain at all times a ratio of Net Financial Debt to Own Funds of no more than one point two;
- d) Maintain minimum equity equivalent to 28,000,000 UF.
- e) Maintain assets free of all pledges, mortgages and other encumbrances for an amount at least equivalent to one point two times its unguaranteed consolidated liabilities. The obligations established in this letter and in letters (a),(c) and (d) above shall be measured every quarter based on the Financial Statements of Cencosud S.A.
- f) Do not establish personal guarantees in favor of other creditors to secure obligations of third parties that do not belong to Cencosud S.A. and its subsidiaries without prior authorization from the Bank;
- g) Send to the Bank, signed by duly authorized persons, its annual report and annual Financial Statements, duly audited, and the quarterly Financial Statements, in the same format in which they were filed with the SVS, within 5 days following the date on which the information must be filed with the SVS. This obligation shall only be demandable in the event, for any reason, that the information is not available on the SVS's website; and
- h) Each quarter, submit to the Bank a certificate of compliance of the affirmative and negative obligations established in the agreement, including a detail of the calculation of the financial covenants entered into by the Finance Manager.

As of December 31, 2016 and 2015, the Company was in compliance with the aforementioned financial debt covenants.

- 6. As established in the line of credit agreement signed October 04, 2011 between Cencosud S.A. as Debtor and Rabobank Curacao N.V as Creditor, Cencosud S.A., shall comply with the following obligations and financial and management restrictions:
 - a) Maintain with the rest of the lenders at least the same conditions, guarantees or preferences under this agreement, according to the Chilean law, except for the preferences in favor of the fiscal authority, employees, labor obligations and any other obligation imposed by applicable laws. In the event that conditions of guarantees and / or preferences are granted to other creditors, the same conditions of guarantees and / or preferences must be delivered to the Bank. In addition, in the event that other creditors are granted financial conditions that give them additional protection, the Debtor undertook to deliver the same financial conditions to the Bank, provided that such additional protections are granted to other creditors in a document Subject to Chilean law, and as long as these documents remain in force.
 - b) Not encumber or give guarantee over Assets of Cencosud, except for the mentioned in this agreement.
 - c) Send the Audited Financial Statements under IFRS and its corresponding notes, as soon as they are available, even if they are not in the S.V.S web site. in any case, within sixty and ninety days following the end of each quarter and the business year of Cencosud S.A., respectively.
 - d) Send, amongst with the Financial Information, a letter signed off by the attorneys properly authorized by the debtor, a letter informing comply or not any of the obligations included in this contract.
 - e) The debtor will inform any relevant or essential event that could be adversely affect within ten bank business days after the event occurs, except for legal exceptions.
 - f) As soon as take knowledge, and within thirty business bank days, the company should inform the following: i) any potential force major that could affect this contract; ii) any fails to comply to the terms of this agreement, litigation or relevant claims against the debtor or any event that could adversely affect the obligations included in this contract, iii) inform to the bank any deviation in the budget under this contract iv) Any event that could adversely affect and could reasonably occurs, mentioned before.

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- g) Give to the bank any copy of the documents or notice relevant that could result in any material adversely effect to the bank.
- h) Inform any modifications to the by-laws within fifteen business bank days, and the granting of new general powers that have or may have an impact on the contract.
- i) Inform to the bank, within ten bank business days, any claim, action or demand initiated against the company by any court or other public or private entity that could cause any material adverse effect.
- j) Keep updated the contingencies plans to keep the business on going and make the best effort to accomplish with the main obligations related to licenses, permits, software.
- k) Inform to the bank, within ten bank business days the acquisition over or equal to fifty millions of US dollars, of any ownership in companies that give to the debtor the control over that company.
- l) To pay on time taxes, labor or other obligations.
- m) To keep accurate accounting records according to the generally accounting principles accepted in Chile
- n) Keep the main asset to the business in good shape, giving proper maintenance, keeping insurance over the asset. The Debtor or any of its affiliates may waive such rights, licenses, permits, trademarks, franchises, concessions or patents, to the extent that this does not imply an Adverse Material Effect. Especially the debtor will keep the property of the following brands a) Jumbo and b) Paris
- o) Keep its actual business operations and activities.
- p) To keep the actual number of shares in its main subsidiaries
- q) Comply with the laws, regulations and other legal provisions applicable to its subsidiaries.
- r) Maintain the following financial ratios: (i) Leverage Ratio of no more than 1.2; (ii) Consolidated Equity greater than UF 28,000,000; (iii) assets pledges or encumbrances over consolidated liabilities under 1.2
- s) Not sell or transfer any essential consolidated asset. Essential asset under this contract are the brands a) Jumbo and Paris, b) the shares that represent at least fifty percent of the companies "Cencosud Retail S.A." and Cencosud Shopping Centers S.A.
- t) Not enter into or execute, and not allow Relevant Subsidiaries to enter into or execute any act or agreement to liquidate or dissolve its operations or businesses, nor to agree on, enter into or execute any act to split or merge, when it involves or may involve, directly or indirectly, losing control or ownership of its current businesses, as well as the assets necessary for execution and that it produces or may produce an Important Adverse Effect.

As of December 31, 2016 and 2015, the Company was in compliance with the aforementioned financial debt covenants.

- 7. As established in the credit agreement signed October 19, 2011 between Cencosud S.A. as Debtor and Scotiabank & Trust (Cayman) LDT as Creditor, Cencosud S.A., shall comply with the following obligations and financial and management restrictions:
 - a) Send the Audited Financial Statements under IFRS and its corresponding notes, as soon as they are available, even if they are not in the S.V.S web site.
 - b) Send copy of the general information reported by the debtor to the S.V.S to accomplish with any rule.
 - c) Send the taxes or stamp tax payments to which this contract is affected and inform any action on these taxes.

- d) Send, amongst with the Financial Information, a letter signed off by the attorneys properly authorized by the debtor, a letter informing comply or not any of the obligations included in this contract. Additionally to that the company should send a certificate signed off by the external auditors.
- e) Give to the bank any change in relevant events that could result in any material adversely effect to the bank.
- f) Ensure that at any time its obligations under this agreement shall have the same payment preference (pari passu) as its other debts with third party creditors.
- g) Not sell, transfer or give guarantees over any essential consolidated asset of the company or any subsidiary.
- h) The debtor and the guarantors cannot incur in other indebtedness, except for those consider as part of the normal business and that cannot adversely affect the Company.
- i) Keep the main asset to the business in good shape, giving proper maintenance, keeping insurance over the asset.
- j) Prohibition to the debtor or guarantor, merging or selling its assets, except for the exceptions consider in this agreement.
- k) To keep accurate accounting records according to the generally accounting principles accepted in Chile.
- l) To keep actual main business operations.
- m) Maintain the following financial ratios: (i) Leverage Ratio of no more than 1.2; (ii) Consolidated Equity greater than UF 28,000,000; (iii) Maintain a financial expense ratio of at least 3.0 to 1.0 and assets pledges or encumbrances over consolidated liabilities under 1.2.
- n) Not engage in, with related persons, transactions under conditions that are more that those transactions which could have agree with third parties.

As of December 31, 2016 and 2015, the Company was in compliance with the aforementioned financial debt covenants.

- 8. As established in the novation contract, recognition of debt and restructuring signed March 21, 2014 between Cencosud Administradora de Tarjetas S.A.; Cencosud S.A. as Debtor and Banco Bilbao Vizcaya Argentaria Chile as Creditor, Cencosud S.A., shall comply with the following obligations and financial and management restrictions:
 - a) Submit to the Bank a copy of its individual and consolidated Financial Statements for each quarter as soon as possible and in any event within thirty days of filing them with the SVS, to the extent that this information is not available on the SVS's website or another publicly accessible website. If it were not obligated to file this information with the SVS, it must still submit it to the Bank as soon as it is available. These Financial Statements shall be prepared in accordance with IFRS;
 - b) Submit to the Bank a copy of its individual and consolidated Financial Statements for each year end as soon as possible and in any event within thirty days of filing them with the SVS, to the extent that this information is not available on the SVS's website or another publicly accessible website. If it were not obligated to file this information with the SVS, it must still submit it to the Bank as soon as it is available. These Financial Statements shall be certified by an independent auditor of recognized international prestige that is registered with the SVS;
 - c) Along with the Financial Statements referred to in the preceding letters, submit to the Bank a certificate issued by the Chief Executive Officer and/or Chief Financial Officer, or their replacement, that certifies that, to the best of their knowledge and understanding, no Grounds for Non-compliance or Non-Compliance, as defined in the agreement, have occurred or detailing the nature and extent of such events if they have occurred;

- d) Notify the Bank as soon as possible but no later than five banking days after the date on which any executive has knowledge of: (i) the occurrence of any Grounds for Non-Compliance, as defined in the agreement, or any Non-Compliance; (ii) any action, lawsuit or judicial or administrative proceedings regarding this instrument; (iii) any circumstance or event that affects or could result in an Important Adverse Effect on the businesses, activities, operations or financial situation of Cencosud and that results in the inability to pay of the Debtor and/or Cencosud; (iv) any relevant event referring to Cencosud's operations that, in conformity with articles nine and ten of Law eighteen thousand forty-five on Securities Markets and the instructions provided by the SVS in General Character Ruling number thirty, may be interpreted as a material event, to the extent that that information is not available on the SVS's website or another publicly accessible site and provided that that information is not considered "reserved" in conformity with the law;
- e) Submit to the Bank, when requested in writing or for justified reasons, additional information on the financial, tax, accounting, economic and/or legal situation of Cencosud, in which case it shall be provided within thirty banking days of the date on which the request is made in writing. Notwithstanding, and at the Bank's request, Cencosud shall inform the Bank of the modifications made to the Company within thirty banking days of the event, submitting all pertinent information, and shall also inform the Bank of all new powers of attorney or the revocation of current powers of attorney, providing a copy of the corresponding public deeds;
- f) Submit to the Bank, at its request, information necessary to correctly apply the provisions on individual credit limits;
- g) Maintain and ensure that each Subsidiary maintains its books, records and accounting notes in which it makes complete, timely and reliable notes in conformity with current standards and IFRS;
- h) Maintain all relevant rights, licenses, permits, brands, franchises, concessions or patents fully valid, with the understanding, however, that these rights, licenses, permits, brands, franchises, concessions or patents may be surrendered to the extent that they do not involve an Important Adverse Effect. In particular, it shall maintain ownership of the following brands directly or through its subsidiaries: (i) "Jumbo" and (ii) "Paris";
- i) Comply with and ensure that each Subsidiary complies with each and every one of its obligations by virtue of any act, contract or convention, whose failure to comply produces or could produce, individually or collectively, an Important Adverse Effect;
- j) Comply with and ensure that each Relevant Subsidiary complies with current laws and standards applicable to the development of its business and ownership of its assets;
- k) Pay and ensure that each Subsidiary pays, fully and opportunistically, all important obligations, which are understood for the purposes of this instrument as those obligations that are important for the business, operations, financial or other conditions, projections, including but not limited to all taxes, charges or property taxes it must pay, as well as all obligations that, for taxes, charges, property taxes, labor matters or obligations with its suppliers or others, may result in an Encumbrance, except when compliance of these obligations is challenged through proper legal proceedings initiated in good faith and adequate accounting provisions have been established in accordance with IFRS;
- l) Maintain and ensure that each Relevant Subsidiary maintains all assets necessary to keep its businesses and operations in proper working order and maintenance, except for wear resulting from legitimate use. It shall also maintain and ensure that each Relevant Subsidiary maintains proper insurance coverage for these assets in conformity with industry practice;
- m) Ensure that all operations with related persons, as defined in law number eighteen thousand forty-five, either directly or through related persons, are carried out under prevailing market conditions;
- n) Ensure that at any time its obligations under this agreement shall have the same payment preference (pari passu) as its other debts with third party creditors. These restrictions shall not be applied to any case where the agreement considers them Permitted Encumbrances;
- o) Possess, directly or indirectly, shares that represent at least fifty-one percent of the capital of the following Companies: Cencosud Retail S.A. and Cencosud Shopping Centers S.A., and their respective successor

companies and transferees, as well as the Companies that eventually control the business areas currently developed by these Companies;

- p) Maintain a ratio of net financial liabilities to equity of less than one point two;
- q) Maintain assets free of pledges or Encumbrances or at least one hundred twenty percent of the value of liabilities;
- r) Not dispose of or transfer, and ensure that the Relevant Subsidiaries do not dispose of or transfer, either directly or indirectly, their Essential Assets, as defined hereinafter. For the purposes of this agreement, "Essential Assets" shall be defined as the brands "Jumbo" and "Paris" and the shares that represent at least fifty-one percent of the capital of the companies Cencosud Retail S.A. and Cencosud Shopping Centers S.A. and;
- s) Not enter into or execute, and not allow Relevant Subsidiaries to enter into or execute any act or agreement to liquidate or dissolve its operations or businesses, nor to agree on, enter into or execute any act to split or merge, when it involves or may involve, directly or indirectly, that the Debtor and/or the Guarantor lose control or ownership of its current businesses, as well as the assets necessary for execution and that it produces or may produce an Important Adverse Effect, except when such acts are for an amount less than or equal to two percent of the consolidated assets of Cencosud S.A.

As of December 31, 2016 and 2015, the Company was in compliance with the aforementioned financial debt covenants.

- 9. As established in the credit agreement signed March 25, 2014 between Cencosud S.A. as Debtor and Mizuho Bank Ltd as Creditor, Cencosud S.A., shall comply with the following obligations and financial and management restrictions:
 - a) Annual Financial Statements. To the extent that they are not freely available at a public access web page of the SVS, the SEC web page or the Borrower's corporate web page, it will provide to the Lender, within five (5) Business Days after the date on which they are required to be furnished to the SVS or, if no longer required by the SVS, within 90 days after the end of each fiscal year of the Borrower, the Consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at the end of such fiscal year and the related Consolidated statements of income and retained earnings and statement of changes in financial position of the Borrower and its Consolidated Subsidiaries for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, and the Consolidated statement of cash flows for such fiscal year, all reported on in conformity with Applicable Accounting Principles and with the unqualified opinion thereon of independent public accountants of recognized international standing.
 - b) Quarterly Financial Statements. To the extent that they are not freely available at a public access web page of the SVS, the SEC web page or the Borrower's corporate web page, it will provide to the Lender within five (5) Business Days after the date on which they are required to be furnished to the SVS or, if no longer required by the SVS, within 60 days after the end of the first three quarters of each fiscal year of the Borrower, the unaudited Consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at the end of each such fiscal quarter and the related unaudited Consolidated statements of income and retained earnings of the Borrower and its Consolidated Subsidiaries for such quarter and for the portion of the fiscal year ended at the end of such quarter, setting forth in the case of such statements of income and retained earnings in comparative form the figures for the corresponding quarter and the corresponding portion of the previous fiscal year, and the unaudited Consolidated statement of cash flows for such fiscal quarter, all certified as to fairness of presentation and conformity with Applicable Accounting Principles by a senior financial officer of the Borrower.
 - c) Information to the Superintendencia de Valores y Seguros of the Republic of Chile. To the extent that they are not freely available at a public access web page of the SVS, the United States Securities and Exchange Commission ("SEC") or the Borrower's corporate web page, promptly after the making of any filing with the SVS of any circular, document or other material written information required to be filed with the SVS and distributed generally to the Borrower's shareholders, it will provide a copy thereof to the Lender with the exception of any private, confidential or restricted access communications with the SVS or the SEC as the

Borrower may reasonably determine.

- d) Stamp Tax. Promptly after the Borrower has paid any Stamp Tax required to be paid by it hereunder, the Borrower will deliver to the Lender one copy of any document or other information required to be filed in connection with such payment.
- e) Litigation. It will promptly deliver to the Lender details of any litigation, arbitration or administrative proceeding which, had it been current, pending or threatened at the date of this Agreement, would have rendered the representation and warranty in Section 3.10 incorrect.
- f) Events of Default. It will promptly notify the Lender of the occurrence of any Event of Default or Default, together with a description of any action taken or proposed to be taken to remedy it. Together with each financial statement delivered by it under Sections 5.1(a) and (b), and promptly after any request made by the Lender from time to time, it will deliver to the Lender a certificate signed on its behalf by the Gerente de Finanzas or such other Person as may be acceptable to the Lender for that purpose (i) for each fiscal quarter of the Borrower, setting forth reasonably detailed calculations demonstrating compliance with Section 5.9 and (ii) confirming that, so far as it is aware and (if applicable) except as previously notified to the Lender or waived in accordance with Section 7.1, no Event of Default or Default has occurred and is continuing or (as the case may be) setting out details of any which has occurred and is continuing and has not been so notified and of which it is aware and of any action taken or proposed to be taken to remedy it.
- g) Notices. It will promptly give notice to the Lender of (i) any changes known to the Borrower in taxes, duties or other fees of Chile or any political subdivision or taxing authority thereof or any change known to the Borrower in any laws of Chile, that would reasonably be expected to adversely affect the ability of the Borrower to make any payment due under this Agreement or the Note and (ii) any development or event which has had or would reasonably be expected to have a Material Adverse Effect.
- h) Other Information. It will promptly deliver to the Lender such other information relating to the financial condition or business of the Borrower or any of its Material Subsidiaries (including, without limitation, such information regarding the use of proceeds of the Loan) as the Lender may from time to time reasonably request.
- i) Notices to Central Bank. On the Drawdown Date, it will give notice to the Central Bank of the terms and conditions of the Loan as contemplated by this Agreement.
- j) Ranking. The Borrower will take all actions necessary to ensure that its payment obligations hereunder and under the Note rank and will at all times rank at least pari passu with all other present and future unsecured and unsubordinated Indebtedness of the Borrower.
- k) Limitation on Liens and Asset Dispositions. (a) The Borrower will not, and will not permit any of its Material Subsidiaries to, sell, assign or otherwise transfer to any Person (other than to the Borrower) any of the Essential Assets, except that the Borrower or any Material Subsidiary may sell, assign or otherwise transfer Essential Assets (x) in the ordinary course its business provided that such sale, assignment or transfer of assets is for at least the fair market value of such assets and (y) outside of the ordinary course of its business for fair value in an aggregate amount not to exceed an amount equal to 10 of the Borrower's or such Material Subsidiary's total assets, as the case may be, in any fiscal year and provided that the proceeds of any such sale, assignment or transfer shall be reinvested in the business of the Borrower, or in the case of a sale, assignment or other transfer of Essential Assets by any other Subsidiary, in the business of the Borrower or any other Subsidiary, in each case, within 90 days of receipt thereof. The parties agree that a Material Subsidiary Change in Control shall not qualify as a sale, assignment or transfer of Essential Assets for purposes of this Agreement.

(b) The Borrower will not, and will not permit any of its Material Subsidiaries to create, incur or suffer to exist in favor of any Person any Lien (other than Permitted Liens and the Liens existing on the date hereof) on any Assets of the Borrower; provided that at all times the ratio of the total Assets of the Borrower and its Consolidated Subsidiaries (determined on a Consolidated basis) that are not subject to any Lien (including Permitted Liens) to the Borrower's Total Liabilities must be at least 1.20.
- l) Maintenance of Existence and Payment of Obligations. The Borrower will (a) subject to Section 5.8, preserve, renew and keep in full force and effect its corporate existence, (b) take all reasonable action to

maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect and (c) pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its taxes and other obligations of whatever nature, except to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect or where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves to the extent required by Applicable Accounting Principles have been provided on the books of the Borrower.

- m) **Compliance with Laws; Authorizations.** The Borrower will comply with any applicable Requirements of Law to which it is subject and obtain and comply with the terms of and maintain in full force and effect all authorizations, approvals, licenses and consents required by the laws and regulations of Chile to the extent necessary to enable the Borrower lawfully to enter into and perform its obligations under the Loan Documents or to ensure the legality, validity, enforceability or admissibility in evidence in Chile of the Loan Documents except to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect.
- n) **Maintenance of Property; Insurance.** The Borrower will, and will cause each of its Material Subsidiaries to, keep all Assets used or useful in its business in good working order and condition, ordinary wear and tear excepted, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect, and maintain with financially sound insurance companies insurance on all its tangible Assets in at least such amounts and against at least such risks as are customary for its type of business.
- o) **Books and Records.** The Borrower will, and will cause each of its Subsidiaries to, keep proper books of records and account in which full, true and correct entries in conformity with Applicable Accounting Principles and all applicable Requirements of Law to which it is subject shall be made of all dealings and transactions in relation to its business and activities.
- p) **Limitation on Fundamental Changes.** The Borrower will not (a) enter into any transaction of merger, consolidation or amalgamation, unless (i) such transaction of merger, consolidation or amalgamation does not result in an Event of Default and (ii) in the case of any such transaction of merger, consolidation or amalgamation, the Borrower is the surviving corporation or (b) spin off any of its businesses, Subsidiaries or groups of Assets to any Person other than a Subsidiary except for any spin-offs which do not have a Material Adverse Effect.
- q) **Net Financial Debt to Consolidated Net Worth plus Minority Interests Ratio.** The Borrower will not permit the Net Financial Debt to Consolidated Net Worth plus Minority Interests Ratio at any time to exceed 1.2 to 1.0.
- r) **Transactions with Affiliates.** The Borrower will not, nor will it permit any of its Subsidiaries to: (a) transfer, sell, lease, assign or otherwise dispose of any Assets to an Affiliate, (b) make any loan or extension of credit to an Affiliate, (c) merge into or consolidate with an Affiliate except as permitted by Section 5.9, or purchase or acquire Assets from an Affiliate or (d) enter into any other transaction, with or for the benefit of an Affiliate unless, in each case, such transaction that is entered into with an Affiliate is on an arm's-length basis on terms no more favorable to such Affiliate than would be available to an unrelated Person.
- s) **Purpose of the Loans.** The Borrower will not use any of the proceeds of the Loan, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time. The Lender shall not have any responsibility as to the use by the Borrower of any of such proceeds.
- t) **Central Bank Notice.** Within 5 Business Days of the Drawdown Date, the Lender shall have received evidence satisfactory to it that the corresponding notice required by Chapter XIV of the Foreign Exchange Regulations issued by the Central Bank has been made.

As of December 31, 2016 and 2015, the Company was in compliance with the aforementioned financial debt covenants.

- 10. As established in the credit agreement signed March 26, 2014 between Cencosud S.A. as Debtor and

Rabobank as Creditor, Cencosud S.A., shall comply with the following obligations and financial and management restrictions:

- a) Submit to the Bank, so soon as possible and in any case in ninety days following the closing date of Financial Statements for each quarter and annuals, to the extent that this information is not available on the SVS's website or another publicly accessible website, copy of his Financial statements, individual and consolidated, for the period understood in every quarter and understood in the annual exercise, case the latter inside hundred twenty days of the closing and certified by an auditor independent from recognized prestige. These Financial statements will have to be prepared in conformity with IFRS
- b) Submit to the Bank a certificate issued by the Chief Executive Officer and/or Chief Financial Officer, or their replacement, that certifies that, to the best of their knowledge and understanding, no grounds for non-compliance or violation, as defined hereinafter, have occurred or detailing the nature and extent of such events if they have occurred;
- c) Notify the Bank as soon as possible but no later than five banking days after the date on which any executive has knowledge of: (i) the occurrence of any Grounds for Non-Compliance, as defined hereinafter, or any Non-Compliance; (ii) any action, lawsuit or judicial or administrative proceedings regarding this instrument; (iii) any circumstance or event that affects or could result in an Adverse Important Effect on the businesses, activities, operations or financial situation of the Debtor and/or Cencosud and that results in the inability to pay of the Debtor and/or Cencosud; (iv) any relevant event referring to Cencosud's and/or the Guarantor's operations that, in conformity with articles nine and ten of Law eighteen thousand forty-five on Securities Markets and the instructions provided by the SVS in General Character Ruling number thirty, may be interpreted as a material event, to the extent that that information is not available on the SVS's website or another publicly accessible site;
- d) Submit to the Bank, when requested in writing or for justified reasons, additional information on its financial, tax, accounting, economic and/or legal situation, in which case it shall be provided within thirty banking days of the date on which the request is made in writing. Notwithstanding, and at the Bank's request, it shall inform the Bank of the modifications made to the Company within thirty banking days of the event, submitting all pertinent information, and shall also inform the Bank of all new powers of attorney or the revocation of current powers of attorney, providing a copy of the corresponding public deeds;
- e) Submit to the Bank, at its request, information necessary to correctly apply the provisions on individual credit limits;
- f) Maintain and ensure that each Subsidiary maintains its books, records and accounting notes in which it makes complete, timely and reliable notes in conformity with current standards and IFRS;
- g) Maintain all relevant rights, licenses, permits, brands, franchises, concessions or patents fully valid, with the understanding, however, that these rights, licenses, permits, brands, franchises, concessions or patents may be surrendered to the extent that they do not involve an Important Adverse Effect. In particular, it shall maintain ownership of the following brands directly or through its subsidiaries: (i) "Jumbo" and (ii) "Paris";
- h) Comply with and ensure that each Subsidiary complies with each and every one of its obligations by virtue of any act, contract or convention, whose failure to comply produces or could produce, individually or collectively, an Important Adverse Effect;
- i) Comply with and ensure that each Relevant Subsidiary complies with current laws and standards applicable to the development of its business and ownership of its assets;
- j) Pay and ensure that each Subsidiary pays, fully and opportunely, all important obligations, which are understood for the purposes of this instrument as those obligations that are important for the business, operations, financial or other conditions, projections, including but not limited to all taxes, charges or property taxes it must pay, as well as all obligations that, for taxes, charges, property taxes, labor matters or obligations with its suppliers or others, may result in an Encumbrance, except when compliance of these obligations is challenged through proper legal proceedings initiated in good faith and adequate accounting provisions have been established in accordance with IFRS;

- k) Maintain and ensure that each Relevant Subsidiary maintains all assets necessary to keep its businesses and operations in proper working order and maintenance, except for wear resulting from legitimate use. It shall also maintain and ensure that each Relevant Subsidiary maintains proper insurance coverage for these assets in conformity with industry practice;
- l) Ensure that all operations with related persons, as defined in law number eighteen thousand forty-five, either directly or through related persons, are carried out under prevailing market conditions;
- m) Ensure that at any time its obligations under this agreement shall have the same payment preference (pari passu) as its other debts with third party creditors. These restrictions shall not be applied to any case where the agreement considers them Permitted Encumbrances;
- n) Maintain direct or indirect ownership of at least fifty-one percent of Cencosud Retail S.A. and Cencosud Shopping Centers S.A., as well as its successor companies and transferees and the Companies that eventually control the business areas currently developed by these Companies;
- o) Maintain in the consolidated Financial Statements income from the business areas of sales to the detail, administration of commercial centers, real-estate investment and evaluation, grant and credit administration, to an equivalent level, at least, of 67% of the income of exploitation consolidated.
- p) Maintain a ratio of net financial liabilities to equity of less than one point two.
- q) Maintain assets free of pledges or Encumbrances or at least one hundred twenty percent of the value of current;
- r) Maintain minimum equity of twenty-eight million UF.
- s) Not dispose of or transfer, and ensure that the Relevant Subsidiaries do not dispose of or transfer, either directly or indirectly, their Essential Assets, as defined hereinafter. For the purposes of this agreement, "Essential Assets" shall be defined as the brands "Jumbo" and "Paris" and the shares that represent at least fifty-one percent of the capital of the companies Cencosud Retail S.A. and Cencosud Shopping Centers S.A. and;
- t) Not enter into or execute, and not allow Relevant Subsidiaries to enter into or execute any act or agreement to liquidate or dissolve its operations or businesses, nor to agree on, enter into or execute any act to split or merge, when it involves or may involve, directly or indirectly, losing control or ownership of its current businesses, as well as the assets necessary for execution and that it produces or may produce an Important Adverse Effect, except when such acts are for an amount less than or equal to two percent of the consolidated assets of Cencosud S.A.
- u) Do not constitute liens on assets other than those defined as permitted liens.

As of December 31, 2016 and 2015, the Company was in compliance with the aforementioned financial debt covenants.

- 11. As established in the credit agreement signed March 28, 2014 between Cencosud S.A. as Debtor and Banco Santander-Chile as Creditor, Cencosud S.A., shall comply with the following obligations and financial and management restrictions:
 - a) Submit to the Bank, so soon as possible and in any case in ninety days following the closing date of Financial Statements for each quarter and annuals, to the extent that this information is not available on the SVS's website or another publicly accessible website, copy of his Financial statements, individual and consolidated, for the period understood in every quarter and understood in the annual exercise, case the latter inside hundred twenty days of the closing and certified by an auditor independent from recognized prestige. These Financial statements will have to be prepared in conformity with IFRS
 - b) Submit to the Bank a certificate issued by the Chief Executive Officer and/or Chief Financial Officer, or their replacement, that certifies that, to the best of their knowledge and understanding, no grounds for non-

compliance or violation, as defined hereinafter, have occurred or detailing the nature and extent of such events if they have occurred;

- c) Notify the Bank as soon as possible but no later than five banking days after the date on which any executive has knowledge of: (i) the occurrence of any Grounds for Non-Compliance, as defined hereinafter, or any Non-Compliance; (ii) any action, lawsuit or judicial or administrative proceedings regarding this instrument; (iii) any circumstance or event that affects or could result in an Adverse Important Effect on the businesses, activities, operations or financial situation of the Debtor and/or Cencosud and that results in the inability to pay of the Debtor and/or Cencosud; (iv) any relevant event referring to Cencosud's and/or the Guarantor's operations that, in conformity with articles nine and ten of Law eighteen thousand forty-five on Securities Markets and the instructions provided by the SVS in General Character Ruling number thirty, may be interpreted as a material event, to the extent that that information is not available on the SVS's website or another publicly accessible site;
- d) Submit to the Bank, when requested in writing or for justified reasons, additional information on its financial, tax, accounting, economic and/or legal situation, in which case it shall be provided within thirty banking days of the date on which the request is made in writing. Notwithstanding, and at the Bank's request, it shall inform the Bank of the modifications made to the Company within thirty banking days of the event, submitting all pertinent information, and shall also inform the Bank of all new powers of attorney or the revocation of current powers of attorney, providing a copy of the corresponding public deeds;
- e) Submit to the Bank, at its request, information necessary to correctly apply the provisions on individual credit limits;
- f) Maintain and ensure that each Subsidiary maintains its books, records and accounting notes in which it makes complete, timely and reliable notes in conformity with current standards and IFRS;
- g) Maintain all relevant rights, licenses, permits, brands, franchises, concessions or patents fully valid, with the understanding, however, that these rights, licenses, permits, brands, franchises, concessions or patents may be surrendered to the extent that they do not involve an Important Adverse Effect. In particular, it shall maintain ownership of the following brands directly or through its subsidiaries: (i) "Jumbo" and (ii) "Paris";
- h) Comply with and ensure that each Subsidiary complies with each and every one of its obligations by virtue of any act, contract or convention, whose failure to comply produces or could produce, individually or collectively, an Important Adverse Effect;
- i) Comply with and ensure that each Relevant Subsidiary complies with current laws and standards applicable to the development of its business and ownership of its assets;
- j) Pay and ensure that each Subsidiary pays, fully and opportunely, all important obligations, which are understood for the purposes of this instrument as those obligations that are important for the business, operations, financial or other conditions, projections, including but not limited to all taxes, charges or property taxes it must pay, as well as all obligations that, for taxes, charges, property taxes, labor matters or obligations with its suppliers or others, may result in an Encumbrance, except when compliance of these obligations is challenged through proper legal proceedings initiated in good faith and adequate accounting provisions have been established in accordance with IFRS;
- k) Maintain and ensure that each Relevant Subsidiary maintains all assets necessary to keep its businesses and operations in proper working order and maintenance, except for wear resulting from legitimate use. It shall also maintain and ensure that each Relevant Subsidiary maintains proper insurance coverage for these assets in conformity with industry practice;
- l) Ensure that all operations with related persons, as defined in law number eighteen thousand forty-five, either directly or through related persons, are carried out under prevailing market conditions;
- m) Ensure that at any time its obligations under this agreement shall have the same payment preference (pari passu) as its other debts with third party creditors. These restrictions shall not be applied to any case where the agreement considers them Permitted Encumbrances;

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- n) Maintain direct or indirect ownership of at least fifty-one percent of Cencosud Retail S.A. and Cencosud Shopping Centers S.A., as well as its successor companies and transferees and the Companies that eventually control the business areas currently developed by these Companies;
- o) Maintain a ratio of net financial liabilities to equity of less than one point two.
- p) Maintain assets free of pledges or Encumbrances or at least one hundred twenty percent of the value of current;
- q) To quote with the Bank the contracting of derivative products and financial services.
- r) Not dispose of or transfer, and ensure that the Relevant Subsidiaries do not dispose of or transfer, either directly or indirectly, their Essential Assets, as defined hereinafter. For the purposes of this agreement, "Essential Assets" shall be defined as the brands "Jumbo" and "Paris" and the shares that represent at least fifty-one percent of the capital of the companies Cencosud Retail S.A. and Cencosud Shopping Centers S.A. and;
- s) Not enter into or execute, and not allow Relevant Subsidiaries to enter into or execute any act or agreement to liquidate or dissolve its operations or businesses, nor to agree on, enter into or execute any act to split or merge, when it involves or may involve, directly or indirectly, losing control or ownership of its current businesses, as well as the assets necessary for execution and that it produces or may produce an Important Adverse Effect, except when such acts are for an amount less than or equal to two percent of the consolidated assets of Cencosud S.A.

As of December 31, 2016 and 2015, the Company was in compliance with the aforementioned financial debt covenants.

- 12. As established in the credit agreement signed March 28, 2014 between Cencosud S.A. as Debtor and Sumitomo Mitsui Banking Corporation as Creditor, Cencosud S.A., shall comply with the following obligations and financial and management restrictions:
 - a) Annual Financial Statements. To the extent that they are not freely available at a public access web page of the SVS, the SEC web page or the Borrower's corporate web page, it will provide to the Lender, within five (5) Business Days after the date on which they are required to be furnished to the SVS or, if no longer required by the SVS, within 90 days after the end of each fiscal year of the Borrower, the Consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at the end of such fiscal year and the related Consolidated statements of income and retained earnings and statement of changes in financial position of the Borrower and its Consolidated Subsidiaries for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, and the Consolidated statement of cash flows for such fiscal year, all reported on in conformity with Applicable Accounting Principles and with the unqualified opinion thereon of independent public accountants of recognized international standing.
 - b) Quarterly Financial Statements. To the extent that they are not freely available at a public access web page of the SVS, the SEC web page or the Borrower's corporate web page, it will provide to the Lender within five (5) Business Days after the date on which they are required to be furnished to the SVS or, if no longer required by the SVS, within 75 days after the end of the first three quarters of each fiscal year of the Borrower, the unaudited Consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at the end of each such fiscal quarter and the related unaudited Consolidated statements of income and retained earnings of the Borrower and its Consolidated Subsidiaries for such quarter and for the portion of the fiscal year ended at the end of such quarter, setting forth in the case of such statements of income and retained earnings in comparative form the figures for the corresponding quarter and the corresponding portion of the previous fiscal year, and the unaudited Consolidated statement of cash flows for such fiscal quarter, all certified as to fairness of presentation and conformity with Applicable Accounting Principles by a senior financial officer of the Borrower.
 - c) Information to the Superintendencia de Valores y Seguros of the Republic of Chile. To the extent that they are not freely available at a public access web page of the SVS, the United States Securities and Exchange Commission ("SEC") or the Borrower's corporate web page, promptly after the making of any filing with the

SVS of any circular, document or other material written information required to be filed with the SVS and distributed generally to the Borrower's shareholders, it will provide notice of such filing and a copy thereof to the Lender with the exception of any private, confidential or restricted access communications with the SVS or the SEC as the Borrower may reasonably determine.

- d) Stamp Tax. Promptly after the Borrower has paid any Stamp Tax required to be paid by it hereunder, the Borrower will deliver to the Lender one copy of any document or other information required to be filed in connection with such payment.
- e) Litigation. It will promptly deliver to the Lender details of any litigation, arbitration or administrative proceeding which, had it been current, pending or threatened at the date of this Agreement, would have rendered the representation and warranty in Section 3.10 incorrect.
- f) Events of Default. It will promptly notify the Lender of the occurrence of any Event of Default or Default, together with a description of any action taken or proposed to be taken to remedy it. Together with each financial statement delivered by it under Sections 5.1(a) and (b), it will deliver to the Lender a certificate signed on its behalf by the Gerente de Finanzas or such other Person as may be acceptable to the Lender for that purpose (i) for each fiscal quarter of the Borrower, setting forth reasonably detailed calculations demonstrating compliance with Section 5.9 and (ii) confirming that so far as it is aware and (if applicable) except as previously notified to the Lender or waived in accordance with Section 7.1, no Event of Default or Default has occurred and is continuing or (as the case may be) setting out details of any which has occurred and is continuing and has not been so notified and of which it is aware and of any action taken or proposed to be taken to remedy it.
- g) Notices. It will promptly give notice to the Lender of (i) any changes known to the Borrower in Taxes of Chile or any political subdivision or taxing authority thereof or any change known to the Borrower in any laws of Chile, that would reasonably be expected to adversely affect the ability of the Borrower to make any payment due under this Agreement or the Note, (ii) any Material Subsidiary Change in Control, (iii) any sale of Assets outside of the ordinary course of business and (iv) any development or event which has had or would reasonably be expected to have a Material Adverse Effect, provided that in the case of clauses (ii) and (iii), notice need not be provided to the extent the information relates to confidential (hecho reservado) communications with the SVS or the SEC as the Borrower may reasonably determine.
- h) Other Information. It will promptly deliver to the Lender such other information relating to the financial condition or business of the Borrower or any of its Material Subsidiaries as the Lender may from time to time reasonably request.
- i) Notices to Central Bank. On the Drawdown Date, it will give notice to the Central Bank of the terms and conditions of the Loan as contemplated by this Agreement.
- j) Ranking. The Borrower will take all actions necessary to ensure that its payment obligations hereunder and under the Note rank and will at all times rank at least pari passu with all other present and future unsecured and unsubordinated Indebtedness of the Borrower.
- k) Limitation on Liens and Asset Dispositions. (a) The Borrower will not, and will not permit any of its Material Subsidiaries to, sell, assign or otherwise transfer to any Person (other than to the Borrower) any of its material Assets, except that the Borrower or any Material Subsidiary may sell, assign or otherwise transfer material Assets (x) in the ordinary course its business provided that such sale, assignment or transfer of assets is for at least the fair market value of such assets and (y) outside of the ordinary course of its business for fair value in an aggregate amount not to exceed an amount equal to 10% of the Borrower's or such Material Subsidiary's total assets, as the case may be, in any fiscal year, and provided that, the proceeds of any such sale, assignment or transfer shall be reinvested in the business of the Borrower, or in the case of a sale, assignment or other transfer of Essential Assets by any other Subsidiary, in the business of the Borrower or any other Subsidiary, in each case, within 90 days of receipt thereof. If such proceeds are not reinvested within such 90 day period, the Borrower shall prepay the outstanding principal amount of the Loan in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid, in an amount equal to the net cash proceeds received by the Borrower or any of its Material Subsidiaries in connection with any such sale, lease or transfer.
(b) The Borrower will not, and will not permit any of its Material Subsidiaries to create, incur or suffer to

exist in favor of any Person any Lien (other than Permitted Liens and the Liens existing on the date hereof) on any Assets of the Borrower if such Lien (if foreclosed upon) would have a Material Adverse Effect; provided that at all times the ratio of the total Assets of the Borrower and its Consolidated Subsidiaries (determined on a Consolidated basis) that are not subject to any Lien (including Permitted Liens) to the Borrower's Total Liabilities must be at least 1.20.

- l) Maintenance of Existence and Payment of Obligations. The Borrower will, and will cause each of its Material Subsidiaries to, (a) subject to Section 5.8, preserve, renew and keep in full force and effect its corporate existence, (b) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect and (c) pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its Taxes and other obligations of whatever nature, except to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect or where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves to the extent required by Applicable Accounting Principles have been provided on the books of the Borrower.
- m) Compliance with Laws; Authorizations. The Borrower will (a) comply with any applicable Requirements of Law to which it is subject, except to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect and (b) obtain and comply with the terms of and maintain in full force and effect all authorizations, approvals, licenses and consents, including those relating to Jumbo and Paris, required by the laws and regulations of Chile to the extent necessary to enable the Borrower lawfully to enter into and perform its obligations under the Loan Documents or to ensure the legality, validity, enforceability or admissibility in evidence in Chile of the Loan Documents.
- n) Maintenance of Property; Insurance. The Borrower will, and will cause each of its Material Subsidiaries to, keep all Assets used or useful in its business in good working order and condition, ordinary wear and tear excepted, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect, and maintain with financially sound insurance companies insurance on all its tangible Assets in at least such amounts and against at least such risks as are customary for its type of business.
- o) Books and Records. The Borrower will, and will cause each of its Subsidiaries to, keep proper books of records and account in which full, true and correct entries in conformity with Applicable Accounting Principles and all applicable Requirements of Law to which it is subject shall be made of all dealings and transactions in relation to its business and activities.
- p) Limitation on Fundamental Changes. The Borrower will not (a) enter into any transaction of merger, consolidation or amalgamation, unless (i) such transaction of merger, consolidation or amalgamation does not result in a Default or an Event of Default and (ii) in the case of any such transaction of merger, consolidation or amalgamation, the Borrower is the surviving corporation or (b) spin off any of its businesses, Subsidiaries or groups of Assets to any Person other than a Subsidiary except for any spin-offs which do not have a Material Adverse Effect, provided, the Borrower will not enter any such transaction if, after giving effect to such transaction, less than 67 of the Borrower's consolidated net income would be attributable to income from businesses other than its retail, investment, lending and management businesses.
- q) Net Financial Debt to Consolidated Net Worth plus Minority Interests Ratio. The Borrower will not permit the Net Financial Debt to Consolidated Net Worth plus Minority Interests Ratio at any time to exceed 1.2 to 1.0.
- r) Stamp Tax. The Borrower will, on the Drawdown Date, pay any Stamp Tax required to be paid by it hereunder.
- s) Transactions with Affiliates. The Borrower will not, nor will it permit any of its Subsidiaries to: (a) transfer, sell, lease, assign or otherwise dispose of any Assets to an Affiliate, (b) make any loan or extension of credit to an Affiliate, (c) merge into or consolidate with an Affiliate except as permitted by Section 5.9, or purchase or acquire Assets from an Affiliate or (d) enter into any other transaction, with or for the benefit of an Affiliate unless, in each case, such transaction that is entered into with an Affiliate is on an arm's-length basis on terms no more favorable to such Affiliate than would be available to an unrelated Person.

- t) Purpose of the Loans. The Borrower will not use any of the proceeds of the Loan, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any “margin stock” within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time. The Lender shall not have any responsibility as to the use by the Borrower of any of such proceeds.
- u) Anti-Terrorism. The Borrower shall not, and shall not permit any of its Subsidiaries or any of their respective directors or officers to become subject to any Sanctions. The Borrower shall, and shall cause each of its Subsidiaries and their respective directors and officers to remain in compliance, in all material respects, with (i) all applicable Sanctions Laws, (ii) to the extent applicable, all Anti-Corruption Laws and (iii) the PATRIOT Act, to the extent applicable, and any other terrorism and money laundering laws, rules, regulations and orders applicable to the Borrower and its Subsidiaries. The Borrower shall not, and shall cause each of its Subsidiaries not to, use any part of the proceeds of the Loan, directly or indirectly, (A) for the purpose of financing any activities or business of or with any Person or in any country or territory that at such time is the subject of any Sanctions or (B) for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of any Anti-Corruption Law.
- v) Central Bank Notice. Within 5 Business Days of the Drawdown Date, the Lender shall have received evidence satisfactory to it that the corresponding notice required by Chapter XIV of the Foreign Exchange Regulations issued by the Central Bank has been made.

As of December 31, 2016 and 2015, the Company was in compliance with the aforementioned financial debt covenants.

13. In accordance with the terms of the bond issue agreement entered into between Cencosud S.A. as the “Issuer” and Banco Bice as “Representative of the Bondholders”, dated December 11, 2014 and its subsequent amendments and supplementary deed dated October 20, 2016, by virtue of which it has proceeded to issue bonds “P Series” and “R Series”, the Company, has assumed the following obligations and restrictions:
- a) Accounting, Auditing and Risk Classification Systems. Establish and maintain adequate accounting systems based on IFRS standards or those that replace them, as well as hire and maintain a firm of independent external auditors of recognized national or international prestige and registered in the Register of External Audit Companies which is carried by the SVS, for the examination and analysis of the Financial Statements of the Issuer, in respect of which such signature shall issue an opinion on the thirty-first of December of each year. Likewise, the Issuer must contract and maintain, on a continuous and uninterrupted basis, two risk classifiers enrolled in the Superintendency, pending the maintenance of the Line.
 - b) Information delivery. While this Agreement is in force, the Bondholders’ Representative shall be informed of the Issuer’s transactions and financial statements through the reports and background information that the Issuer must provide to the Superintendency and the general public in accordance with the Securities Act, Securities Market and the regulations issued by the Superintendency. The Issuer must inform the Bondholders’ Representative, within the same timeframe in which the Financial Statements must be delivered to the Superintendency, of the fulfillment of the obligations contracted under the Contract, for which it must use the format included as Annex One of the same. In addition, the Issuer shall send to the Bondholders’ Representative copies of the risk classification reports of the issue, no later than the following five Business Days, counted from the receipt of these reports to their private classifiers. Finally, the Issuer undertakes to send to the Bondholders’ Representative, as soon as the event occurs or comes to its attention, all information regarding the breach of any of its obligations assumed under this Agreement.
 - c) Operations with Related Persons. Not to carry out, with related persons, operations in conditions that are more unfavorable to the Issuer in relation to those that prevail in the market, as provided in Title XVI of the Public Limited Companies Act.
 - d) Financial Ratios: Maintain the following financial relationships on the quarterly Financial Statements, presented in the form and term stipulated in Circular number eighteen hundred and seventy-nine of the twenty-fifth of April of two thousand eight and nine hundred twenty-four of the twenty-four of April of two thousand nine , Of the Superintendency of Securities and Insurance and its amendments or the standard that

replaces them: (i) A level of indebtedness, measured on Financial Statements, in which the ratio of other current financial liabilities and other current financial liabilities and other financial liabilities does not Current, less cash and cash equivalent, less current financial assets of the Issuer's Financial Statements, on the equity attributable to the owners of the parent company, does not exceed twenty times. Likewise, the obligations assumed by the Issuer as collateral, simple guarantor and / or joint liability and those in which they respond directly or indirectly to the obligations of third parties shall be added to the Liability Debt; and (ii) in accordance with the Financial Statements, to maintain assets free of any pledge, mortgage or other liens for an amount equal at least equal to the Issuer's Liabilities.

- e) Trademarks. Unless expressly stated by the Bondholders' Representative, authorized by the Extraordinary Meeting of Bondholders, with the votes representing at least fifty-one percent of the Bonds issued in circulation, which releases the Issuer from the obligation Hereinafter, it must maintain directly or through its subsidiaries the ownership of the brands i) "Jumbo"; and ii) "Paris".
- f) Contingencies. To record in its accounting records the provisions arising from adverse contingencies that, in the opinion of the Issuer, should be reflected in its accounting records.
- g) Guarantees. Not to grant guarantees, nor to establish as co-signer jointly in favor of third parties, except to Subsidiaries of the Issuer.
- h) Cencosud Retail S.A. ownership. To hold directly or indirectly shares representing at least fifty-one percent of the capital of Cencosud Retail SA, formerly known as Cencosud Supermercados SA, whose main business is the operation of self-service stores, supermarkets, distributors, large stores and Others similar, under the modality of wholesaler or retailer and their respective successors and assigns, as well as of the companies that eventually and in the future control the business areas that the company currently carries out.
- i) Use of funds. Inform the Representative of the Bondholders of the effective use of the funds arising from the placement of the Bonds corresponding to the line.

As of December 31, 2016 and 2015, the Company was in compliance with the aforementioned financial debt covenants.

14. According to the stated in the "Indenture", dated on January 20, 2011; December 6, 2012 and February 12, 2015 under the bond issuances pursuant to Rule 144/A under the Securities Act, the Cencosud S.A. as the "Issuer", and Cencosud Retail S.A. as the "Guarantor" shall comply with the following covenants:

I. Section 5.01. Payment of Securities

- (a) The Company shall promptly pay the principal of and interest on the Securities on the dates and in the manner provided in the Securities and in this Indenture. Principal and interest shall be considered paid on the date due if on such date the Trustee or a Paying Agent holds in accordance with this Indenture money sufficient to pay all principal and interest then due.
- (b) The Company shall pay interest on overdue principal at the rate borne by the Securities, and it shall pay interest on overdue installments of interest at the rate borne by the Securities to the extent lawful.

II. Section 5.02. Limitation on Liens

- (a) The Company shall not, nor shall it permit any Subsidiary to, issue, assume or suffer to exist any Indebtedness, if such Indebtedness is secured by a Lien upon any property or assets of the Company or any Subsidiary, unless, concurrently therewith, the Securities shall be secured equally and ratably with (or prior to) such Indebtedness; provided, however, that the foregoing restriction shall not apply to:
 - i. any Lien on property acquired, constructed, developed, extended or improved by the Company or any Subsidiary (individually or together with other Persons) after the date of this Indenture or any shares or other ownership interest in, or any Indebtedness of, any Person which holds, owns or is entitled to such property, to the extent such Lien is created, incurred or assumed (A) during the period such property was being constructed, developed, extended or improved or (B) contemporaneously with, or within 360 days after, such acquisition or the completion of such construction, development, extension or improvement in order to secure or provide for the payment of all or any part of the purchase price or other consideration of such property or the other costs of such acquisition, construction, development, extension or improvement (including costs such as escalation, interest during construction and financing and refinancing costs);

- ii. any Lien on any property or assets existing at the time of acquisition thereof and which (A) is not created as a result of or in connection with or in anticipation of such acquisition and (B) does not attach to any other property or assets other than the property or assets so acquired (except for property affixed or appurtenant thereto);
 - iii. any Lien on any property or assets acquired from a Person which is merged with or into the Company or any Subsidiary or any Lien existing on property or assets of any Person at the time such Person becomes a Subsidiary, in either such case which (A) is not created as a result of or in connection with or in anticipation of any such transaction and (B) does not attach to any other property or assets other than the property or assets so acquired or of such Person at the time it becomes a Subsidiary (except for property affixed or appurtenant thereto);
 - iv. any Lien which secures Indebtedness owed by a Subsidiary to the Company or any other Subsidiary;
 - v. any Lien securing Indebtedness of the type described in clause (a)(v) of the definition of "Indebtedness"; provided that such Indebtedness was entered into in the ordinary course of business and not for speculative purposes or the obtaining of credit;
 - vi. any Lien in favor of any Person to secure obligations under the provisions of any letters of credit, bank guarantees, bonds or surety obligations required or requested by any governmental authority in connection with any contract or statute;
 - vii. any Lien existing on the date of this Indenture or granted pursuant to an agreement existing on the date of this Indenture;
 - viii. Liens for taxes, assessments or governmental charges or levies if such taxes, assessments, governmental charges or levies are not at the time due and payable, or if the same are being contested in good faith by appropriate proceedings and appropriate provisions, if any, have been established as required by IFRS;
 - ix. Liens arising solely by operation of law:
 - x. Liens created for the sole purpose of securing Indebtedness that, when incurred, will be applied to repay all (but not part) of the Securities and all other amounts payable under the Securities; provided that the Securities and all other such amounts are fully satisfied within 30 days after the incurrence of such Indebtedness;
 - xi. judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment have not been finally terminated or the period within which such proceeding may be initiated has not expired and appropriate provisions, if any, have been established as required by IFRS; or
 - xii. any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part, of any Lien referred to in the foregoing clauses (i) through (xi) inclusive or any Lien securing any Indebtedness that refinances, extends, renews, refunds or replaces any other Indebtedness secured in accordance with the foregoing clauses (i) through (xi) inclusive; provided that the principal amount of Indebtedness secured thereby shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement plus an amount necessary to pay any customary fees and expenses, including premiums and defeasance costs related to such transaction, and that such extension, renewal or replacement shall be limited to all or a part of the property which secured the Lien so extended, renewed or replaced (plus improvements on such property) and property affixed or appurtenant thereto.
- (b) Notwithstanding Section 5.02(a) hereof, the Company or any Subsidiary may issue or assume Indebtedness secured by a Lien which would otherwise be prohibited under Section 5.02(a) hereof or enter into Sale and Leaseback Transactions that would otherwise be prohibited by Section 5.03 hereof; provided that the amount of such Indebtedness or the Attributable Value of such Sale and Leaseback Transaction, as the case may be, together with the aggregate amount (without duplication) of (i) Indebtedness outstanding at such time that was previously incurred pursuant to this Section 5.02(b) by the Company and the Subsidiaries, plus (ii) the Attributable Value of all such Sale and Leaseback Transactions of the Company and the Subsidiaries outstanding at such time that were previously incurred pursuant to this Section 5.02(b) shall not exceed 20 of Consolidated Net Tangible Assets at the time any such Indebtedness is issued or assumed by the Company or any Subsidiary or at the time any such Sale and Leaseback Transaction is entered into.

III. Section 5.03. Limitations on Sale and Leaseback Transactions

The Company shall not, nor shall it permit any Subsidiary to, enter into any Sale and Leaseback Transaction with respect to any of their property or assets, unless (a) the Company or such Subsidiary would be entitled pursuant to Section 5.02 hereof to issue or assume Indebtedness (in an amount equal

to the Attributable Value with respect to such Sale and Leaseback Transaction) secured by a Lien on such property or assets without equally and ratably securing the Securities, (b) the Company or such Subsidiary shall apply or cause to be applied, in the case of a sale or transfer for cash, the net proceeds thereof and, in the case of a sale or transfer otherwise than for cash, an amount equal to the fair market value (as determined in good faith by the Board of Directors) of the property or assets so leased, (i) to the retirement, within 360 days after the effective date of such Sale and Leaseback Transaction, of (A) Indebtedness of the Company ranking at least pari passu with the Securities or (B) Indebtedness of any Subsidiary, in each case owing to a Person other than the Company or any Affiliate of the Company, or (ii) to the acquisition, purchase, construction, development, extension or improvement of any property or assets of the Company or any Subsidiary used or to be used by or for the benefit of the Company or any Subsidiary in the ordinary course of business or (c) the Company or such Subsidiary equally and ratably secures the Securities. The restrictions set forth in this Section 5.03 shall not apply to any transactions providing for a lease for a term, including any renewal, of not more than three years or to arrangements between the Company and a Subsidiary or between Subsidiaries.

IV. Section 5.04. Reporting Requirements

(a) So long as the Securities remain outstanding the Company shall:

- i. in the event the Company is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, furnish (or in lieu of furnishing, make accessible electronically with notice to the Trustee) to the Trustee and the Holders as follows: As soon as they are available, but in any case within 120 calendar days after the end of each fiscal year of the Company (currently expire on 31 December) copies of its audited financial statements (consolidated basis) for such fiscal year (including an income statement, a balance sheet and cash flow statement), in English, prepared in accordance with IFRS and audited by a member firm of independent accounting firm with international recognition; and
 - A. as soon as they are available, but in any event within 120 calendar days after the end of each fiscal year of the Company (currently ending December 31), copies of its audited financial statements (on a consolidated basis) in respect of such fiscal year (including a profit and loss account, balance sheet and cash flow statement), in English, prepared in accordance with IFRS and audited by a member firm of an internationally recognized firm of independent accountants; and
 - B. as soon as they are available, but in any event within 90 calendar days after the end of each of the first three fiscal quarters of each fiscal year of the Company, copies of its unaudited financial statements (on a consolidated basis) in respect of the relevant period (including a profit and loss account, balance sheet and cash flow statement), in English, prepared on a basis consistent with the audited financial statements of the Company and in accordance with IFRS, together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period; and
- ii. in the event the Company is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act,
 - A. timely file with the Commission such annual and other reports as may be required by the rules and regulations of the Commission in effect at the relevant time and in the form required thereunder, and
 - B. unless such information is publicly available on the Commission's EDGAR System, provide the Trustee, for further delivery to a Holder upon request by any such Holder, with copies of the reports referred to in clause (a) (ii) within 15 days after such reports are required to be filed with the Commission; and
- iii. so long as the Company is required to file the same with the SVS, will furnish (or in lieu of furnishing, make accessible electronically with notice to the Trustee) to the Trustee and Holders, as soon as they are available, but in any event within 120 calendar days after the end of each fiscal year of the Guarantor (currently ending December 31), copies of the Guarantor's audited financial statements (on a consolidated basis) in respect of such fiscal year in the format required by the SVS, in English, prepared in accordance with IFRS and audited by a member firm of an internationally recognized firm of independent accountants.

(b) The Trustee shall upon written request forward to each registered Holder who so requests the reports received by the Trustee under this Section 5.04.

(c) The Company shall give the Trustee written notice of anytime it becomes or ceases to be subject to

Section 13 or 15(d) of the Exchange Act. As of the date of this Indenture, the Company is subject to Section 13 and 15(d) of the Exchange Act.

- (d) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including compliance by the Company or the Guarantor, as applicable, with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

V. Section 5.05. Additional Amounts

- (a) The Company shall make all payments of principal, premium, if any, and interest in respect of the Securities free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature and interest, penalties and fines in respect thereof (collectively, "Taxes") imposed, levied, collected, withheld or assessed by, within or on behalf of a Relevant Jurisdiction or by or within any political subdivision thereof or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law or by the interpretation or administration thereof. In the event of any such withholding or deduction of Taxes, the Company or the Guarantor, as applicable, shall pay to Holders such additional amounts ("Additional Amounts") as will result in the payment to such Holder of the net amount that would otherwise have been receivable by such Holder in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable in respect of:
- i. any Taxes that would not have been so withheld or deducted but for the existence of any present or former connection (including, without limitation, a permanent establishment in a Relevant Jurisdiction) between the Holder, applicable recipient of payment or beneficial owner of a Security or any payment in respect of such Security (or, if the Holder or beneficial owner is an estate, nominee, trust, partnership, corporation or other business entity, between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over, the Holder, applicable recipient of payment or beneficial owner) and an authority with the power to levy or otherwise impose or assess a Tax, other than the mere receipt of such payment or the mere holding or ownership of such Security or beneficial interest or the enforcement of rights thereunder;
 - ii. any Taxes that would not have been so withheld or deducted if a Security had been presented for payment within 30 days after the Relevant Date (as defined below) to the extent presentation is required (except to the extent that the Holder would have been entitled to Additional Amounts had such Security been presented for payment on the last day of such 30-day period);
 - iii. any Taxes that would not have been so withheld or deducted but for the failure by the Holder or the beneficial owner of a Security or any payment in respect of such Security to (A) make a declaration of non-residence, or any other claim or filing for exemption, to which it is entitled or (B) comply with any certification, identification, information, documentation or other reporting requirement concerning its nationality, residence, identity or connection with a Relevant Jurisdiction; provided that such declaration or compliance was required as of the date of this Indenture as a precondition to exemption from all or part of such Taxes and the Company or the Guarantor, as applicable, has given the Holders at least 30 days prior notice that they will be required to comply with such requirements;
 - iv. any estate, inheritance, gift, value added, sales, use, excise, transfer, capital gains, personal property or similar taxes, duties, assessments or other governmental charges;
 - v. any Taxes that are payable otherwise than by deduction or withholding from payments on a Security;
 - vi. any Taxes that would not have been so imposed if the Holder had presented a Security for payment (where presentation is required) to another paying agent;
 - vii. any payment to a Holder of a Security that is a fiduciary or partnership (including an entity treated as a partnership for tax purposes) or any Person other than the sole beneficial owner of such payment or Security, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or the beneficial owner of such payment or Security would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual Holder of such Security;
 - viii. any withholding or deduction imposed on a payment required to be made pursuant to European Council Directive 2003/48/EC or any other European Union directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such a directive;

- ix. any Taxes imposed under Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, any successor law or regulation implementing or complying with, or introduced in order to conform to, such sections or any intergovernmental agreement or any agreement entered into pursuant to section 1471(b)(1) of the U.S. Internal Revenue Code of 1986, as amended; or
 - x. any combination of clauses (i) through (ix) above.
- (b) For the purposes of this Section 5.05, “Relevant Date” means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received in The City of New York, New York by the Trustee on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Holders in accordance with this Indenture.
- (c) All references to principal, premium, if any, and interest in respect of the Securities shall be deemed also to refer to any Additional Amounts which may be payable as set forth in this Indenture or in the Securities.
- (d) Notwithstanding the foregoing, the limitations on the obligations of the Company and the Guarantor to pay Additional Amounts set forth in clause (a)(iii) above shall not apply if the provision of any certification, identification, information, documentation or other reporting requirement described in such clause (a)(iii) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a Holder or beneficial owner of a Security (taking into account any relevant differences between U.S. and Chilean law, rules, regulations or administrative practice) than comparable information or other reporting requirements imposed under U.S. tax law, regulations and administrative practice (such as IRS Forms W-8BEN, W-8BENE and W-9).
- (e) At least 10 Business Days prior to the first Interest Payment Date (and at least 10 Business Days prior to each succeeding Interest Payment Date if there has been any change with respect to the matters set forth in the Officer’s Certificate referenced below), the Company or the Guarantor, as applicable, shall furnish to the Trustee and each Paying Agent an Officer’s Certificate instructing the Trustee and each Paying Agent whether payments of principal of or interest on the Securities due on such Interest Payment Date shall be without deduction or withholding for or on account of any Taxes. If any such deduction or withholding shall be required, prior to such Interest Payment Date, such Officer’s Certificate shall specify the amount, if any, required to be withheld on such payment to Holders and certify that the Company or the Guarantor, as applicable, shall pay such withholding or deduction to the relevant taxing authority. Any Officer’s Certificate required by this Indenture to be provided to the Trustee and any Paying Agent for these purposes shall be deemed to be duly provided if telecopied to the Trustee and each Paying Agent.
- (f) The Company or the Guarantor, as applicable, will furnish to the Holders, within 60 days after the date the payment of any Taxes so deducted or withheld is due pursuant to applicable law, either certified copies of tax receipts evidencing such payment by the Company or the Guarantor, as applicable, or, if such receipts are not obtainable, other evidence of such payments by the Company or the Guarantor, as applicable, reasonably satisfactory to the Holders.
- (g) Upon written request, the Company or the Guarantor, as applicable, shall furnish to the Trustee documentation reasonably satisfactory to the Trustee evidencing payment of Taxes.
- (h) The Company or the Guarantor, as applicable, shall promptly pay when due any present or future stamp, court or similar documentary taxes or any other excise or property taxes, charges or similar levies that arise in any jurisdiction from the execution, delivery or registration of each Security or any other document or instrument referred to herein or therein, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of Chile and except, in certain cases, for taxes, charges or similar levies resulting from certain registration of transfer or exchange of Securities.

VI. Section 5.06. Rule 144A Information

So long as the Securities are not freely transferable under the Securities Act, the Company shall take all action necessary to provide information to permit resales of the Securities pursuant to Rule 144A under the Securities Act, including furnishing to any Holder of a Security or beneficial interest in a Global Security, or to any prospective purchaser designated by such Holder, upon written request of such Holder, financial and other information required to be delivered under Rule 144A(d)(4) (as amended from time to time and including any successor provision) unless, at the time of such request, the Company is subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act or is exempt from such requirements pursuant to Rule 12g3-2(b) under the Exchange Act (as amended from time to time and including any successor provision).

VII. Section 5.07. Further Instruments and Acts

Upon request of the Trustee, the Company and the Guarantor shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out the purpose of this Indenture.

VIII. Section 5.08. Statement as to Compliance

As promptly as practicable beginning with the fiscal year ending December 31, 2014 and in any event within 120 days after the end of such fiscal year, the Company shall deliver to the Trustee an Officer's Certificate stating whether or not to the best knowledge of the signer thereof the Company is in compliance (without regard to periods of grace or notice requirements) with all conditions and covenants under this Indenture, and if the Company shall not be in compliance, specifying such non-compliance and the nature and status thereof of which such signer may have knowledge.

IX. Section 5.09. Corporate Existence

Subject to Article VI hereof, each of the Company and the Guarantor shall do or cause to be done all things necessary to preserve and keep in full force and effect:

- (a) its existence as a corporation, and, in the case of the Company, the corporate, partnership, limited liability company or other existence of each Subsidiary, in accordance with the respective organizational documents (as the same may be amended from time to time) of the Company, the Guarantor or any such Subsidiary; and
- (b) the rights (charter and statutory), licenses and franchises of the Company and the Subsidiaries; provided, however, that the Company shall not be required to preserve any such right, license or franchise, or the corporate, partnership or other existence of any Subsidiary (other than the Guarantor), if the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and the Subsidiaries, taken as a whole, or would otherwise not have a material adverse effect on the business, properties, management, financial position, results of operations or prospects of the Company and its Subsidiaries, taken as a whole.

X. Section 5.10. Listing

In the event that the Securities are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, the Company shall use its reasonable best efforts to maintain such listing; provided that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the "Transparency Directive") or any legislation implementing the Transparency Directive or other directives or legislation, the Company could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Company would otherwise use to prepare its published financial information, the Company may delist the Securities from the Official List of the Luxembourg Stock Exchange in accordance with the rules of the exchange and seek an alternative admission to listing, trading and/or quotation for the Securities on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as the Board of Directors may decide.

XI. Section 6.01. When the Company or the Guarantor May Merge or Transfer Assets.

- (a) Neither the Company nor, until the release of the Subsidiary Guarantee in accordance with the provisions of Section 11.07, the Guarantor, shall consolidate with or merge into any other Person or convey or transfer its properties and assets substantially as an entirety to any Person, unless:
 - i. the successor Person (the "Surviving Person") is a Person existing under the laws of Chile or the United States (or any State thereof or the District of Columbia) and expressly assumes, by a supplemental indenture, the due and punctual payment of the principal, premium, if any, and interest (and Additional Amounts, if any) on all the outstanding Securities and the performance of every covenant in this Indenture on the part of the Company or the Guarantor, as applicable, to be performed or observed;
 - ii. immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, has occurred and is continuing; and
 - iii. the Company or the Guarantor, as applicable, has delivered to the Trustee an Officer's Certificate and Opinion of Counsel stating that such consolidation, merger, conveyance or transfer and such supplemental indenture comply with the provisions of this Section 6.01 relating to such transaction.
- (b) In case of any consolidation, merger, conveyance or transfer (other than a lease) that complies with

Section 6.01(a) hereof, the Surviving Person shall succeed to and be substituted for the Company, as obligor, or the Guarantor, as guarantor, as applicable, on the Securities, with the same effect as if it had been named in this Indenture as such obligor or guarantor, as applicable.

As of December 31, 2016 and 2015, the Company was in compliance with the aforementioned financial debt covenants and managing commitments.

18 Trade accounts payable and other payables

The detail of this item as of December 31, 2016 and 2015 is as follows:

<u>Account</u>	<u>As of December 31,</u>			
	<u>Current</u>		<u>Non-current</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>
Trade payable	1,726,983,368	1,622,571,864	191,397	571,936
Withholdings	199,863,684	233,952,931	4,612,328	3,931,055
Total	1,926,847,052	1,856,524,795	4,803,725	4,502,991

The main suppliers of Cencosud S.A. are as follows: Agrosuper Com. de Alimentos Ltda., Nestlé Chile S.A., Cervec y Malteria Quilmes SAI, Unilever Chile S.A., Samsung Electronics Chile, Comercial Santa Elena S.A., Unilever Argentina S.A., Empresas Carozzi S.A., Mastellone Hnos. S.A., CMPC Tissue S.A., Watt's Comercial S.A., Samsung Electronics Colombia, BRF S.A., Sancor Cooperativas Unidas Ltda., LG Electronics Colombia Ltda., LG Electronics Inc. Chile Ltda., Cooperativa Agrícola y Lechera de la Unión Ltda., JBS S.A., Embotelladora Andina S.A., Danone Argentina S.A.

19 Provisions and other liabilities

19.1 Provisions

19.1.1 The composition of this item as of December 31, 2016 and 2015 is as follows:

Accruals and provision	As of December 31,			
	Current		Non-current	
	2016 ThCh\$	2015 ThCh\$	2016 ThCh\$	2015 ThCh\$
Legal claims provision(1)	10,340,136	12,301,212	58,005,001	65,515,010
Onerous contracts provision(2)	1,439,298	3,340,749	10,251,159	12,673,576
Total	11,779,434	15,641,961	68,256,160	78,188,586

The following table shows the civil, labor and tax proceedings faced by the Company and its subsidiaries (by country). The proceedings comprising each category are those that present probable occurrence likelihood and the amount of loss can be quantified or estimated.

	Provision Legal Claims				Exposure	
	Civil	Labor	Tax	Total	Current	Non-current
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Total as of December 31,2016	28,708,673	21,405,740	18,230,724	68,345,137	10,340,136	58,005,001
Total as of December 31,2015	40,771,526	21,779,689	15,265,007	77,816,222	12,301,212	65,515,010

Provision By Country	December 31, 2016		December 31,2015	
	ThCh\$		ThCh\$	
Chile	15,351,464		11,910,013	
Argentina	19,260,544		32,492,814	
Brazil	29,078,658		26,230,753	
Peru	673,291		1,180,867	
Colombia	3,981,180		6,001,775	
Total Provision	68,345,137		77,816,222	

(1) The nature of these obligations is as follows:

Civil provision: This primarily corresponds to civil and commercial trials that mainly deal with claims from customers, defects in products, accidents of customers in the stores and law suits related with customer service.

Labor provision: This primarily corresponds to staff severance indemnities and salary disputes from former employees.

Tax provision: This primarily corresponds to tax claims in the countries in which the Company operates.

(2) Provisions for onerous contracts

The provisions recorded under this concept correspond mainly to the excess over the fair value payable related to onerous lease contracts recorded in business combinations.

19.2 *Movement of provisions:*

Provision type	Legal claims ThCh\$	Onerous contracts ThCh\$	Total ThCh\$
Initial Balance January 1, 2016	77,816,222	16,014,325	93,830,547
Movements in Provisions:			
Creation of additional provisions	8,075,575	—	8,075,575
Increase and decrease in existing provisions	578,142	(4,323,868)	(3,745,726)
Application of provision	(12,127,645)	—	(12,127,645)
Reversal of unused provision	(2,504,731)	—	(2,504,731)
Increase (decrease) in foreign exchange rate	(3,492,426)	—	(3,492,426)
Changes in provisions, total	(9,471,085)	(4,323,868)	(13,794,953)
Total provision, closing balance as of December 31, 2016	68,345,137	11,690,457	80,035,594
Movements in Provisions:			
Creation of additional provisions	14,695,645	—	14,695,645
Decrease in existing provisions	(13,713,948)	(4,148,990)	(17,862,938)
Application of provision	(4,780,907)	—	(4,780,907)
Reversal of unused provision	(3,034)	—	(3,034)
Increase (decrease) in foreign exchange rate	(17,721,718)	(459,838)	(18,181,556)
Changes in provisions, total	(21,523,962)	(4,608,828)	(26,132,790)
Total provision, closing balance as of December 31, 2015	77,816,222	16,014,325	93,830,547
Movements in Provisions:			
Creation of additional provisions	15,688,454	—	15,688,454
Decrease in existing provisions	(9,569,206)	(4,410,328)	(13,979,534)
Application of provisions	(11,984,434)	—	(11,984,434)
Reversal of unused provision	(1,836,299)	(414,586)	(2,250,885)
Increase (decrease) in foreign exchange rate	(2,139,133)	—	(2,139,133)
Changes in provisions, total	(9,840,618)	(4,824,914)	(14,665,532)
Total provision, closing balance as of December 31, 2014	99,340,184	20,623,153	119,963,337

20 Other non-financial liabilities

The composition of this item as of December 31, 2016 and 2015 is as follows:

	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Customer loyalty program	12,477,063	11,409,811
Guarantee deposits	10,312,460	8,223,557
Minimum accrual dividend	357,939	—
Other	3,830,215	1,592,181
Total Other non-financial Liabilities, current	26,977,677	21,225,549
Guarantee deposits	14,256,800	14,174,590
Prepaid Commissions	56,001,514	35,600,722
Other	9,132,117	7,786,725
Total Other non-financial Liabilities, non-current	79,390,431	57,562,037

21 Current provisions for employee benefits**21.1 Vacations and bonuses**

The composition of this item as of December 31, 2016 and 2015 is as follows:

	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Employees' vacation	61,740,743	58,156,253
Profit sharing and bonuses	44,756,096	39,732,789
Total current provisions for employee benefits	106,496,839	97,889,042

The amount of accrual liabilities for vacations is calculated in accordance with current Chilean legislation on an accrual basis. The bonuses relate to the amount that is paid the following year with respect to compliance with annual targets, which can be estimated reliably.

21.2 Other employee benefits

a) Description and conditions

Up to the 2016 financial year, the Group contributed to a post-employment and retirement benefit plans in Brazil, which used to be accounted for as defined benefit plan. These plans used to entitle the employees to receive certain benefits and pension payments after the respective vesting periods were fulfilled.

These defined benefits were implemented through pension plans where the company committed to provide benefits in the post-employment period.

During 2016, the early settlement of the obligations to the employees associated with these plans was effected, so that at the end of the year these obligations are no longer maintained.

The benefits on which the Group used to contribute were as follows:

Benefits	Conditions
Pension due to an early retirement	Retirement at age 55 and 5 years of service.
Pension due to disability	1 year of service
Death benefits	1 year of service
Other benefits	Retirement at age 55 and 5 years of service.
Death pension	1 year of enrollment in the benefit plan

The defined benefit plan exposed the Group to risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

b) Funding

The Group had two types of benefit plans in Brazil; a) benefit plan in which employees contribute, and b) benefits in which employees don't make any contributions.

For plans in which the employees contribute: the contribution is conditioned to the formal adherence to the plan, the employees contribute with a 6% limit of their monthly salary, receiving in exchange an equal contribution from the employer (Cencosud Brazil). Furthermore, the employee receives a return from the plan asset.

Plan assets:

Suppliers	December 31, 2016				December 31, 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment funds — fixed income	—	—	—	—	1,600,789	—	—	1,600,789
Investments funds — Equity	—	—	—	—	480,591	—	—	480,591
Total	—	—	—	—	2,081,380	—	—	2,081,380

The investment strategy of the plans seeks to maximize the return on investment and minimize risks. Asset allocation entails less exposure to equities in order to resemble market conditions and short-term provisions.

c) Movement in net defined benefit (asset) liability

Movements	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	ChTh\$ 2016	ChTh\$ 2015	ChTh\$ 2016	ChTh\$ 2015	ChTh\$ 2016	ChTh\$ 2015
Balance at January 1	2,914,669	1,727,929	(3,031,548)	(1,823,972)	(116,879)	(96,043)
Service cost	27,207	286,550	—	—	27,207	286,550
Interest cost (Income)	34,520	149,627	(48,388)	(385,541)	(13,868)	(235,914)
Included in profit of loss	61,727	436,177	(48,388)	(385,541)	13,339	50,636
Re-measurement loss (gain):						
Actuarial loss (gain)						
Demographic assumptions	2,669,170	1,143,561	—	—	2,669,170	1,143,561
Financial assumptions	—	—	—	—	—	—
Experience adjustment	—	—	—	—	—	—
Return on plan assets	—	—	(1,516,465)	(623,471)	(1,516,465)	(623,471)
Exchange rates	664,433	(392,998)	(467,712)	399,201	196,721	6,203
Included in OCI	3,333,603	750,563	(1,984,177)	(224,270)	1,349,426	526,293
Contributions paid by employer	—	—	—	(597,765)	—	(597,765)
Early settlement	(6,309,999)	—	4,969,282	—	(1,340,717)	—
Benefits paid	—	—	94,831	—	94,831	—
Total other	(6,309,999)	—	5,064,113	(597,765)	(1,245,886)	(597,765)
Balance at December 31	—	2,914,669	—	(3,031,548)	—	(116,879)

d) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages)

Assumptions	31/12/2015
Discount rate	12.58
Inflation	5.0
Salaries growth rate	6.16

e) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

December 31, 2016	Defined benefit obligation	
	Increase ThCh\$	Decrease ThCh\$
Discount rate (0.5 movement)	—	—

December 31, 2015	Defined benefit obligation	
	Increase ThCh\$	Decrease ThCh\$
Discount rate (0.5 movement)	(97,974)	107,669

22 Other current and non-current non-financial assets

The composition of the item as of December 31, 2016 and 2015 is as follows:

Other non-financial assets, current	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Lease and other guarantee deposits	12,155,652	4,251,300
Pre-paid rent	2,896,243	1,406,997
Pre-paid insurance	8,576,384	8,783,733
Total	23,628,279	14,442,030

Other non-financial assets, non-current	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Lease guarantees	10,694,835	7,265,156
Pre-paid rent	41,196,894	24,032,777
Other	443,546	609,836
Total	52,335,275	31,907,769

As of December 31, 2016 and 2015, no significant differences exist between the carrying value of current and non-current non-financial assets, and their fair value.

23 Net equity

The objectives of the Cencosud Group regarding capital management are to safeguard its capacity to continue as a going concern, ensuring appropriate returns for its shareholders and benefits for other stakeholders, and maintaining an optimum capital structure while reducing capital costs.

Capital management

The Group's objective regarding capital management is to safeguard the capacity to continue ensuring appropriate returns for the shareholders and benefits for other stakeholders, and maintaining an optimum capital structure while reducing capital costs.

In line with the industry, the Company monitors its capital using a leverage ratio calculation. This ratio is calculated by dividing net financial debt by total equity. The Company defines net financial debt as total financial liabilities (a) less (i) total cash and cash equivalents, (ii) total other financial assets, current and non-current, and (iii) other financial liabilities, current and non-current, from Banco Paris and Banco Peru, (b) plus (i) cash and cash equivalents from Banco Paris and Banco Peru and (ii) total other financial assets, current and non-current, from Banco Paris and Banco Peru. Total financial liabilities is defined as Other financial liabilities, current, plus Other financial liabilities, non-current.

In accordance with the above, the Company combines different financing sources, such as: capital increases, operating cash flows, bank loans and bonds.

Management's strategy for indebtedness is to hold the majority of the Company's debt in local currencies, with a target ratio of debt denominated in foreign currency of 10% to 15% of our total financial liabilities.

In case of increased liquidity needs, the Company may obtain funding primarily through short-term bank borrowings, overdraft lines of credit and by reducing our cash outflows, primarily by reducing or suspending advance payments to suppliers. The Company's liquidity internal policies are disclosed in Note 3.2.1.7. Liquidity risk.

Management of debt and liquidity takes into account the contractual financial covenants, maintaining a safety margin in order to avoid breaching these parameters.

23.1 Paid-in capital

As of December 31, 2016, the issued and paid shares were 2,862,536,947 (2,828,723,963 as of December 31, 2015).

As of June 22, 2012, the Company proceeded to increase the authorized Capital through the issuance of 270,000,000 of shares, without a par value and in a unique series, as agreed at the shareholders meeting held on April 29th, 2011 which complemented and modified preliminary agreements made at extraordinary shareholders meetings on March 1st and May 15th of 2012. 27,000,000 shares out of the capital increase were set aside to offer them in a stock option plan for the Company's upper management.

The referential share price reported to the SVS (Superintendencia de Valores y Seguros) was ThCh\$ 3,555.56. The final issue share price was ThCh\$2,600 per share.

In connection with the share issuance, 59,493,000 shares were issued in the United States of America in the form of American Depositary Shares (ADSs) and the remaining 210,507,000 shares were issued in the local market in Chile.

At the extraordinary shareholders meeting held on November 20, 2012, the shareholders agreed to increase capital by ThCh\$835,000,000 through the issuance of 332,987,717 of shares in one series and without a par value. 10% out of the total issuance was set aside to offer them in a stock option plan for employees, the remaining of the shares was offered to the Company's shareholders.

The following table shows the movement of the fully paid shares described above between January 1, 2014 and December 31, 2016

<u>Movement of paid shares</u>	<u>No of shares</u>	<u>Shares Issuances (Th\$)</u>	<u>Shares premium (Th\$)</u>
Paid shares as of January 1, 2014	2,828,723,963	2,321,380,936	526,633,344
Paid shares as of December 31, 2014	2,828,723,963	2,321,380,936	526,633,344
Paid shares as of January 1, 2015	2,828,723,963	2,321,380,936	526,633,344
Paid shares as of December 31, 2015	2,828,723,963	2,321,380,936	526,633,344
Paid shares as of January 1, 2016	2,828,723,963	2,321,380,936	526,633,344
Stock options issuance 2016	33,812,984	99,183,799	(65,331,247)
Paid shares as of December 31, 2016	2,862,536,947	2,420,564,735	461,302,097

23.2 Authorized shares

The following table shows the movement of the fully authorized shares between January 1, 2014 and December 31, 2016:

<u>Movement of authorized shares</u>	<u>No of shares</u>
Authorized shares as of January 1, 2014	2,889,022,734
Authorized shares as of January 1, 2015	2,889,022,734
Authorized shares as of December 31, 2015	2,889,022,734
Authorized shares as of January 1, 2016	2,889,022,734
Expired shares as of April 29, 2016	(13,264,341)
Authorized shares as of December 31, 2016	2,875,758,393

As of December 31, 2016, 13,221,446 issued shares were pending of subscription and payment, of which expiration will be on November 20, 2017. As of December 31, 2015, 60,298,771 issued shares were pending of subscription and payment, of which 27,000,000 and 33,298,771 were going to expire on April 29, 2016 and November 20, 2017 respectively.

23.3 Dividends

The dividend distribution policy adopted by Cencosud S.A. establishes the payment of dividends of 30 percent of the distributable net profits.

In relation to SVS Ruling No. 1945, on October 29, 2010, the Company's Board of Directors agreed that the net distributable profits for the year 2010 and following years will be the figure reflected in the financial statements as "profit for the year attributable controlling shareholders", excluding the unrealized result for fair value appraisal of investment properties, net of deferred taxes.

The Board of Directors ordinary session held on March 27, 2015 agreed to propose to the Ordinary Shareholders Meeting, to be held on April 24, 2015, to distribute a dividend of Ch\$ 20.59906 per share, chargeable to the 2014 net profits. The shareholders' meeting approved the proposed dividend, and made clear that the final dividend considers the former payment of an interim dividend of Ch\$8 per share paid in December 3, 2014. This final dividend was paid to shareholders from May 13, 2015.

On October 30th, 2015, the Board of Directors agreed on distributing an interim dividend of Ch\$16 per share in relation to the profits of 2015. This dividend was paid to the shareholders from December 4, 2015.

On April 29, 2016, the Ordinary Shareholders Meeting agreed on distributing a definitive dividend in relation to the profits of 2015 amounted to Ch\$ 73,684,179,628, which represents about to 80.55% of the distributable profit. This also represents a dividend of Ch\$ 25.92268 per share. The aforementioned distribution of profits shall be

made by: (i) the distribution of an additional dividend in the amount of Ch\$ 10 per share, after accounting for plus (ii) the distribution of an interim dividend of Ch\$ 16 per share already paid from December 4, 2015.

In addition, the Shareholders Meeting approved an extraordinary dividend in the amount of Ch\$ 50 per share, chargeable to retained earnings from previous years, reducing the reserve fund for future dividends amounted to Ch\$ 142,122,981,100. The payment of the above dividend will be made from May 17, 2016.

On November 2, 2016, the Board of Directors agreed on distributing an interim dividend of Ch\$20 per share in relation to the profits of 2016. This dividend was paid to the shareholders from December 7, 2016.

The company recorded a minimum dividend by Th\$Ch\$ 357,939 at December 31, 2016. No recognition was done as of December 31, 2015, being that the interim dividend paid during 2015 exceeded the distributable minimum dividend calculated on the 2015 liquid profits.

The total charge to equity as of December 31, 2016 was ThCh\$ 227,755,932 (ThCh\$ 67,295,731 as of December 31, 2015).

23.4 Reserves

Reserves are described as follows:

- Revaluation surplus: Corresponds to revaluation of property, plant and equipment items transferred to investment properties during the year as a result of a change in their usage.
- Currency translation reserve: This item includes the exchange rate differences resulted from the conversion of the financial statement of all subsidiaries from their functional currency into the presentation currency of the Group.
- Hedging reserves: This reserve includes the effect of the changes in the fair value of certain financial instruments used as cash flow hedges and deemed as effective. These reserves are transferred to income of the period at the end of the life of the instruments' contracts when the hedged cash flow is realized.
- Actuarial gain (loss) reserve: This reserve is composed of the actuarial gains (losses) and the effect from the return on the pension plan asset that have been recognized over the past two year in relation to the Company's pension plan Brazil.
- Shared based payments reserves: This reserve is originated from the share-based compensation options plan for executives of Cencosud S.A. and subsidiaries maintained by the Company.
- Other reserves: The initial balance shows the effect of the elimination of price-level restatement of book-basis capital under IFRS for the transition year. As of December 31, 2016 and December 31, 2015, no significant changes were observed.

Movements of reserves between January 1, 2016 and December 31, 2016 are as follows:

Reserve movement	Revaluation surplus	Translation	Hedging reserves	Actuarial gain (loss) reserves	Shared based payments reserves	Other reserves	Total reserves
Initial balance current period January 1, 2016	—	(1,187,109,821)	14,859,584	(229,427)	19,276,599	(52,476,934)	(1,205,679,999)
Change in equity							
Increase (decrease) in reserves	18,435,465	(63,537,176)	(134,093,256)	(1,349,426)	—	—	180,544,393
Deferred taxes	(4,182,452)	—	33,708,201	458,805	—	—	29,984,554
Reclassification to profit or loss of reserves	—	—	83,482,367	—	—	—	83,482,367
Reclassification of deferred taxes related to reserves	—	—	(20,035,768)	—	—	—	(20,035,768)
Other comprehensive (loss) profit	14,253,013	(63,537,176)	(36,938,456)	(890,621)	—	—	87,113,240
Transfer from retained earnings	—	—	—	—	7,673,363	—	7,673,363
Decrease) from changes in ownership interest in subsidiaries that do not result in loss of control	—	—	—	—	—	(1,214,296)	(1,214,296)
Non-controlling interests	(865)	265,334	—	—	—	52,597	317,066
Total changes in equity	14,252,148	(63,271,842)	(36,938,456)	(890,621)	7,673,363	(1,161,699)	(80,337,107)
Closing balance of current year, December 31, 2016	14,252,148	(1,250,381,663)	(22,078,872)	(1,120,048)	26,949,962	(53,638,633)	(1,286,017,106)

Movements of reserves between January 1, 2015 and December 31, 2015 are as follows:

Reserve movement	Revaluation surplus	Translation	Hedging reserves	Actuarial gain (loss) reserves	Shared based payments reserves	Other reserves	Total reserves
Initial balance current period January 1, 2015	—	(696,546,714)	13,202,220	117,926	13,458,245	(52,476,934)	(722,245,257)
Change in equity	—	—	—	—	—	—	—
(Decrease) increase in reserves	—	(490,709,278)	203,521,764	(526,293)	—	—	(287,713,807)
Deferred taxes	—	—	(46,094,010)	1178,940	—	—	(45,915,070)
Reclassification to profit or loss of reserves	—	—	(200,994,052)	—	—	—	(200,994,052)
Reclassification of deferred taxes related to reserves	—	—	45,223,662	—	—	—	45,223,662
Other comprehensive (loss) profit	—	(490,709,278)	1,657,364	(347,353)	—	—	(489,399,267)
Transfer to (from) retained earnings	—	—	—	—	5,818,354	—	5,818,354
Non-controlling interests	—	146,171	—	—	—	—	146,171
Total changes in equity	—	(490,563,107)	1,657,364	(347,353)	5,818,354	—	(483,434,742)
Closing balance of current year, December 31, 2015	—	(1,187,109,821)	14,859,584	(229,427)	19,276,599	(52,476,934)	(1,205,679,999)

Movements of reserves between January 1, 2014 and December 31, 2014 are as follows:

Reserve movement	Revaluation surplus	Translation	Hedging reserves	Actuarial gain (loss) reserves	Shared based payments reserves	Other reserves	Total reserves
Initial balance current period January 1, 2014	—	(615,316,151)	20,525,986	402,512	10,636,164	(52,479,121)	(636,230,610)
Change in equity	—	—	—	—	—	—	—
Increase (decrease) in reserves	—	(81,230,563)	132,438,007	(431,191)	—	—	50,776,253
Deferred taxes	—	—	(28,980,512)	146,605	—	—	(28,833,907)
Reclassification to profit or loss of reserves	—	—	(140,229,444)	—	—	—	(140,229,444)
Reclassification of deferred taxes related to reserves	—	—	29,448,183	—	—	—	29,448,183
Other comprehensive (loss) profit	—	(81,230,563)	(7,323,766)	(284,586)	—	—	(88,838,915)
Transfer from retained earnings	—	—	—	—	2,822,081	—	2,822,081
Increase from changes in ownership interest in subsidiaries that do not result in loss of control	—	—	—	—	—	2,187	2,187
Total changes in equity	—	(81,230,563)	(7,323,766)	(284,586)	2,822,081	2,187	(86,014,647)
Closing balance of current year, December 31, 2014	—	(696,546,714)	13,202,220	117,926	13,458,245	(52,476,934)	(722,245,257)

23.5 *Non-controlling interest*

Details of the non-controlling shares as of December 31, 2016 and 2015 are as follows:

Company	Non-controlling Interest Dec 31, 2016 %	Non-controlling Interest Dec 31, 2015 %	As of December 31,	
			2016	2015
			ThCh\$	ThCh\$
Cencosud Shoppings Centers S.A.	0.00004	0.00004	479	415
Mercado Mayorista P y P Ltda.	10.00000	10.00000	93,871	93,871
Easy Retail S.A.	0.07361	0.42500	18,795	324,244
Comercial Food and Fantasy Ltda.	10.00000	10.00000	—	(24,643)
Administradora del Centro Comercial Alto Las Condes Ltda.	55.00000	55.00000	(1,608,229)	(1,613,621)
Cencosud Retail S.A.	0.03900	0.03906	231,864	194,291
Jumbo Retail Argentina S.A.	0.07600	0.07600	54,816	91,502
Total			(1,208,404)	(933,941)

Company	Non- controlling Interest 2016 %	Non- controlling interest 2015 %	Non- controlling interest 2014 %	Results		
				2016	2015	2014
				ThCh\$	ThCh\$	ThCh\$
Cencosud Shoppings Centers S.A.	0.00004	0.00004	0.00004	59	52	24
Cencosud Internacional Ltda.	0.00000	0.00000	0.00000	—	—	1,027
Costanera Center S.A.	0.00000	0.00000	0.00004	—	—	8
Mercado Mayorista P y P Ltda.	0.00000	0.00000	10.00000	—	—	—
Easy Retail S.A.	0.07361	0.42500	0.42500	7,787	57,604	95,558
Comercial Food and Fantasy Ltda.	10.00000	10.00000	10.00000	—	5,748	29,023
Administradora del Centro Comercial Alto Las Condes Ltda.	55.00000	55.00000	55.00000	5,392	(46,064)	(881,525)
Cencosud Retail S.A.	0.03900	0.03906	0.03906	45,434	27,476	26,331
Jumbo Retail Argentina S.A.	0.07600	0.07600	0.07600	(16,069)	(802)	(18,800)
Total				42,603	44,014	(748,354)

During 2016 the Company acquired an additional interest in Easy S.A. (Easy S.A. was latterly merged out by incorporation to Easy Retail S.A. as explained in Note 2.4.1). As a result of this transaction an impact of ThCh 1,161,699 attributable to Parent Company's shareholders was recognized in equity.

24 Income

The breakdown of ordinary income is as follows:

Income by nature	For the year ended December 31,		
	2016	2015	2014
	ThCh\$	ThCh\$	ThCh\$
Sale of goods	9,909,089,911	10,566,453,580	10,376,295,411
Services rendered(**)	240,691,021	350,524,624	307,290,878
Commission(*)	11,337,059	21,577,463	31,099,176
Interests income	171,883,443	113,541,659	198,169,776
Income from discontinued operation	—	(60,759,616)	(201,825,995)
Total	10,333,001,434	10,991,337,710	10,711,029,246

(*) Includes revenues from family entertainment centers and customer loyalty program.

(**) Includes lease revenues from Shopping Centers

100% of the sales made in each country where the Group operates are received in local currency.

24.1 Agreements between the Group; Banco Colpatría Red Multibanca S.A. (“Colpatría”); and Banco Bradesco S.A. (“Bradesco”) in its subsidiaries in Colombia and Brazil respectively, collectively, the “Banks”.

The Company entered into agreements with Colpatría and Bradesco with the purpose to hold the exclusive rights to place and operate a mixed-brand name credit card business in Colombia and Brazil, respectively, as well as the offering of certain financial services of these Banks among customers of the Company. Profits or losses (which include interests and commissions, operating and funding costs, provision for uncollectibility risk, administrative and sales expenses and other expenses) are distributed equally between the parties on a quarterly basis.

The Company owns 50% of the credit risk associated with the mentioned credit card business, including defaults in payment and losses

The original contract with Colpatría had an initial term of 5 years since December 16, 2011 and provides for an automatic extension for periods of 1 year. The contract with Bradesco has duration of 16 years, counted from the date of its signature.

The Company entered into 15 year term new contract with Colpatría, beginning on January 1, 2017 involving a one-time payment from Colpatría to Cencosud amounting ThCh\$ 19,000,000. Such revenue is to be recognized on an accrual basis during the term of the contract.

Total income from ordinary activities recognized through Colpatría agreement amounted to ThCh \$ 3,880,173 and ThCh \$ 5,653,587 for the years ended December 31, 2016 and 2015, respectively.

Total income from ordinary activities recognized through Bradesco agreement amounted to ThCh \$ 1,919,500 and ThCh \$ 5,056,751 for the years ended December 31, 2016 and 2015, respectively.

25 Breakdown of significant results

The items by function from the Statements of Income are described as follows in 25.1, 25.2 and 25.3.

Expenses by nature of integral income by function	For the year ended December 31,		
	2016	2015	2014
	ThCh\$	ThCh\$	ThCh\$
Cost of sales	7,356,471,437	7,813,225,785	7,827,431,886
Distribution cost	26,817,851	27,869,865	26,653,898
Administrative expenses	2,325,903,847	2,473,335,481	2,274,046,291
Other expenses (*)	170,659,033	174,280,483	182,076,769
Total	9,879,852,168	10,488,711,614	10,310,208,844

(*) Mainly includes marketing expenses.

25.1 Expenses by nature

The following is a breakdown of the main operating and management costs and expenses of the Cencosud Group for the following periods:

Expenses by nature	For the year ended December 31								
	2016 Total ThCh\$	2016 Discontinued operation ThCh\$	2016 Continued Operation ThCh\$	2015 Total ThCh\$	2015 Discontinued operation ThCh\$	2015 Continued Operation ThCh\$	2014 Total ThCh\$	2014 Discontinued operation ThCh\$	2014 Continued Operation ThCh\$
Cost of goods sold	6,857,704,962	—	6,857,704,962	7,351,891,515	—	7,351,891,515	7,390,481,785	—	7,390,481,785
Other cost of sales	498,766,475	—	498,766,475	481,734,294	(20,400,024)	461,334,270	492,749,104	(55,799,003)	436,950,101
Personnel expenses	1,407,920,316	—	1,407,920,316	1,566,138,658	(8,616,416)	1,557,522,242	1,463,788,463	(37,077,303)	1,426,711,160
Depreciation and amortization	227,713,419	—	227,713,419	219,205,342	(715,030)	218,490,312	202,342,813	(2,299,772)	200,043,041
Distribution cost	26,817,851	—	26,817,851	27,869,865	—	27,869,865	26,653,898	—	26,653,898
Other expenses	170,659,033	—	170,659,033	174,280,483	—	174,280,483	195,747,099	(13,670,330)	182,076,769
Cleaning	72,732,141	—	72,732,141	81,141,367	(23,750)	81,117,617	75,541,300	(70,415)	75,470,885
Safety and security	61,415,993	—	61,415,993	70,546,449	(25,803)	70,520,646	61,630,026	(69,828)	61,560,198
Maintenance	84,015,568	—	84,015,568	89,496,072	(493,522)	89,002,550	87,680,995	(934,684)	86,746,311
Professional fees	80,258,121	—	80,258,121	80,276,695	(687,767)	79,588,928	81,768,457	(2,811,581)	78,956,876
Bags for Customers	19,474,469	—	19,474,469	23,790,414	—	23,790,414	25,258,963	—	25,258,963
Credit card commission	104,245,054	—	104,245,054	105,922,156	(11,352)	105,910,804	89,437,729	—	89,437,729
lease	192,951,505	—	192,951,505	187,290,287	(548,126)	186,742,161	190,337,568	(2,011,677)	188,325,891
Other	75,177,261	—	75,177,261	66,899,255	(6,249,448)	60,649,807	51,719,851	(10,184,614)	41,535,237
Total	9,879,852,168	—	9,879,852,168	10,526,482,852	(37,771,238)	10,488,711,614	10,435,138,051	(124,929,207)	10,310,208,844

25.2 *Personnel expenses*

The following is a breakdown of personnel expenses for the following periods:

	For the year ended December 31								
	2016 Total ThCh\$	2016 Discontinued operation ThCh\$	2016 Continued Operation ThCh\$	2015 Total ThCh\$	2015 Discontinued operation ThCh\$	2015 Continued Operation ThCh\$	2014 Total ThCh\$	2014 Discontinued operation ThCh\$	2014 Continued Operation ThCh\$
Personal Expenses									
Salaries	1,137,238,659	—	1,137,238,659	1,234,606,918	(7,755,321)	1,226,851,597	1,161,612,487	(31,847,526)	1,129,764,961
Short-term employee benefits	241,018,372	—	241,018,372	261,573,693	(444,059)	261,129,634	270,153,015	(4,028,624)	266,124,391
Termination benefits	29,663,285	—	29,663,285	69,958,047	(417,036)	69,541,011	32,022,961	(1,201,153)	30,821,808
Total	1,407,920,316	—	1,407,920,316	1,566,138,658	(8,616,416)	1,557,522,242	1,463,788,463	(37,077,303)	1,426,711,160

25.3 *Depreciation and amortization*

The following is a breakdown of depreciation and amortization for the following periods:

	For the year ended December 31								
	2016 Total ThCh\$	2016 Discontinued operation ThCh\$	2016 Continued Operation ThCh\$	2015 Total ThCh\$	2015 Discontinued operation ThCh\$	2015 Continued Operation ThCh\$	2014 Total ThCh\$	2014 Discontinued operation ThCh\$	2014 Continued Operation ThCh\$
Depreciation and amortization									
Depreciation	196,604,897	—	196,604,897	189,855,744	(36,460)	189,819,284	183,863,858	(836,192)	183,027,666
Amortization	31,108,522	—	31,108,522	29,349,598	(678,570)	28,671,028	18,478,955	(1,463,580)	17,015,375
Total	227,713,419	—	227,713,419	219,205,342	(715,030)	218,490,312	202,342,813	(2,299,772)	200,043,041

25.4 *Other gains (losses)*

	For the year ended December 31								
	2016 Total ThCh\$	2016 Discontinued operation ThCh\$	2016 Continued Operation ThCh\$	2015 Total ThCh\$	2015 Discontinued operation ThCh\$	2015 Continued Operation ThCh\$	2014 Total ThCh\$	2014 Discontinued operation ThCh\$	2014 Continued Operation ThCh\$
Other gains (losses)									
Gain in the sale of subsidiary and associates	56,809,562	—	56,809,562	61,376,274	61,376,274	—	—	—	—
Goodwill and long lived assets impairment (*)	(2,639,637)	—	(2,639,637)	(116,771,460)	—	(116,771,460)	—	—	—
Sales of Property, plant and equipment	13,517,279	—	13,517,279	11,066,401	—	11,066,401	372,490	—	372,490
Insurance claims	6,562,359	—	6,562,359	—	—	—	1,411,112	—	1,411,112
Additional interest tax	(4,437,693)	—	(4,437,693)	(5,298,267)	—	(5,298,267)	(2,918,407)	—	(2,918,407)
Other net gains and losses	(10,247,806)	—	(10,247,806)	(13,451,395)	—	(13,451,395)	(5,380,175)	—	(5,380,175)
Total	59,564,064	—	59,564,064	(63,078,447)	61,376,274	(124,454,721)	(6,514,980)	—	(6,514,980)

(*) Assets impairment: see note 13.3

25.5 *Other operating income*

	For the year ended December 31								
	2016 Total ThCh\$	2016 Discontinued operation ThCh\$	2016 Continued Operation ThCh\$	2015 Total ThCh\$	2015 Discontinued operation ThCh\$	2015 Continued Operation ThCh\$	2014 Total ThCh\$	2014 Discontinued operation ThCh\$	2014 Continued Operation ThCh\$
Other operating income									
Sell Carton & Wraps	3,961,166	—	3,961,166	2,973,184	—	2,973,184	3,761,265	—	3,761,265
Recovery of fees	2,307,693	—	2,307,693	3,267,738	—	3,267,738	2,446,055	—	2,446,055
Increase on revaluation of investment properties	287,519,826	—	287,519,826	198,154,988	—	198,154,988	100,772,615	—	100,772,615
Other Income	7,363,328	—	7,363,328	6,561,199	(436,450)	6,124,749	7,648,335	(190,554)	7,457,781
Total	301,152,013	—	301,152,013	210,957,109	(436,450)	210,520,659	114,628,270	(190,554)	114,437,716

25.6 **Financial results**

The following is the financial income detailed for the periods ended:

	For the year ended December 31								
	2016 Total ThCh\$	2016 Discontinued operation ThCh\$	2016 Continued Operation ThCh\$	2015 Total ThCh\$	2015 Discontinued operation ThCh\$	2015 Continued Operation ThCh\$	2014 Total ThCh\$	2014 Discontinued operation ThCh\$	2014 Continued Operation ThCh\$
Other gains (losses)									
Other finance income	14,540,360	—	14,540,360	15,070,088	(131,448)	14,938,640	6,968,764	(259,620)	6,709,144
Financial income	14,540,360	—	14,540,360	15,070,088	(131,448)	14,938,640	6,968,764	(259,620)	6,709,144
Bank loan expenses	(127,938,161)	—	(127,938,161)	(130,257,214)	33,329	(130,223,885)	(115,207,662)	98,788	(115,108,874)
Bond debt expenses	(138,118,149)	—	(138,118,149)	(125,424,158)	—	(125,424,158)	(100,627,140)	—	(100,627,140)
Interest on bank loans	(1,018,807)	—	(1,018,807)	(17,487,821)	14,321,221	(3,166,600)	(38,853,766)	38,853,766	—
Valuation of financial derivatives expenses	(16,435,498)	—	(16,435,498)	(223,754)	—	(223,754)	35,478,511	—	35,478,511
Financial Expenses	(283,510,615)	—	(283,510,615)	(273,392,947)	14,354,550	(259,038,397)	(219,210,057)	38,952,554	(180,257,503)
Results from UF indexed bonds in Chile	(13,217,946)	—	(13,217,946)	(18,365,658)	38,046	(18,327,612)	(41,529,164)	4,969,932	(36,559,232)
Results from UF indexed Brazil	(961,058)	—	(961,058)	(2,669,679)	—	(2,669,679)	(6,829,994)	—	(6,829,994)
Results from UF indexed Other	(133,453)	—	(133,453)	(1,011,232)	—	(1,011,232)	3,813,276	—	3,813,276
(Losses) gains from indexation	(14,312,457)	—	(14,312,457)	(22,046,569)	38,046	(22,008,523)	(44,545,882)	4,969,932	(39,575,950)
Financial debt IFC-ABN Argentina	(279,587)	—	(279,587)	(2,533,974)	—	(2,533,974)	(3,250,121)	—	(3,250,121)
Bond debt USA and Peru	37,722,040	—	37,722,040	(102,744,898)	(2,760,915)	(105,505,813)	(38,940,755)	19,198,679	(19,742,076)
Financial debt Peru	(95,841)	—	(95,841)	(3,600,116)	—	(3,600,116)	(1,568,572)	—	(1,568,572)
Financial assets and Financial debt— Colombia	(59,369)	—	(59,369)	(5,102,934)	—	(5,102,934)	150,070	—	150,070
Exchange difference	37,287,243	—	37,287,243	(113,981,922)	(2,760,915)	(116,742,837)	(43,609,378)	19,198,679	(24,410,699)
Financial results total	(245,995,469)	—	(245,995,469)	(394,351,350)	11,500,233	(382,851,117)	(300,396,553)	62,861,545	(237,535,008)

26 Corporate income tax

The corporate income tax expense on continuing operations amounts to ThCh\$ 191,968,568, ThCh\$ 58,540,083, and ThCh\$ 125,931,659, for the periods according to the following detail:

Expenses (income) due to income tax, current and deferred portions (presentation)	For the year ended December 31,		
	2016	2015	2014
	ThCh\$	ThCh\$	ThCh\$
Total current tax expenses, Net	141,391,562	153,343,805	107,929,567
Deferred tax income (expense) due to taxes arising from the creation and reversal of temporary differences	48,376,627	(97,037,060)	(2,370,924)
Deferred expenses (income) due to taxes arising from the changes in tax rates or new rates	2,200,379	2,233,338	20,373,016
Total deferred tax expenses, net	50,577,006	(94,803,722)	18,002,092
Income tax expense, net	191,968,568	58,540,083	125,931,659

Expenses (income) due to income tax, by source (national, foreign) (presentation)	For the year ended December 31,		
	2016	2015	2014
	ThCh\$	ThCh\$	ThCh\$
Current income tax expense, Net, Foreign	83,510,854	110,735,624	83,895,424
Current income tax expense, Net, Local	57,880,708	42,608,181	24,034,143
Current income tax expense, Net, Total	141,391,562	153,343,805	107,929,567
Deferred income tax expense, Net, Foreign	13,517,519	(101,004,658)	(681,264)
Deferred income tax expense, Net, Local	37,059,487	6,200,936	18,683,356
Deferred income tax expense, Net, Total	50,577,006	(94,803,722)	18,002,092
Tax Expense on continuing operations	191,968,568	58,540,083	125,931,659

Increase in 2016 deferred tax income mainly results from the next following:

- Goodwill impairment recognized in 2015 on the Supermarkets — Brazil segment (ThCh\$ 38,942,000).
- The C-291 taxation ruling issued in Colombia on May 2015, which allows tax payers for future loss carry forward of the CREE tax for (ChTh\$ 43,696,915).
- Increase in Argentinean deferred tax asset amounting to ThCh\$ 54,257,269 (ThCh\$ 9,728,574 in 2015) as a result of their investment properties revaluation.
- During the third quarter of 2016, Brazil ceased the recognition of deferred tax assets related to carry-loss forward in the amount of ThCh\$ 15,114,258.

The CREE is a Colombian National tax which applies over profits and gains obtained by companies which are likely to enrich them. This tax replaced certain wage-based social contributions.

The following chart shows the reconciliation between the corporate income tax calculations resulting from the application of the legal and effective rates for the periods:

Reconciliation of income tax expense using the statutory rate to income tax expense using the effective rate	For the periods		
	2016	2015	2014
	ThCh\$	ThCh\$	ThCh\$
Income tax expense using the legal rate	139,143,849	65,368,125	61,398,123
Tax effect of rates in other territories	25,643,921	7,753,808	15,170,940
Tax on non-deductible expenses	4,639,699	2,574,393	7,432,995
Chile - Taxable effects from investment and equity	(1,419,871)	(2,927,916)	(25,080,448)
Colombia - Wealth tax (non-deductible)	2,226,839	2,543,000	—
Deductible expenditures (goodwill)	—	—	39,609,320
Chile — Taxable fair value adjustments related to derivatives and stock options	(4,745,299)	904,335	(642,994)
Chile — Mall Viña sale	11,093,933	—	—
Gains on sale of financial retail	—	(13,015,267)	—
Colombia - Goodwill write off (Mercadefam 2014)	393,953	2,779,000	—
Colombia — CREE tax loss carry forward	—	(43,696,915)	—
Colombia — Presumptive Income rate adjustment 9 (rate 34 and credit 25)	—	—	3,853,344
Tax effect of changes in tax rates	(2,200,379)	(2,233,338)	20,373,016
Non taxable profits from investments accounted for using the equity method	(2,861,902)	(3,135,204)	(1,859,945)
Brazil — Tax losses valuation	15,114,258	7,025,919	—
Chile — not recognized provisional payment on absorbed profits (PPUA)	—	17,251,879	—
Other increase (decrease) for legal tax	4,939,567	17,348,264	5,677,308
Adjustments to tax expenses using the legal rate, total	52,824,719	(6,828,042)	64,533,536
Income tax expense using the effective rate	191,968,568	58,540,083	125,931,659

Main components of effective tax rate reconciliation include:

- i. During the third quarter of 2016 Brazil has ceased the recognition of deferred tax asset over carry forward losses amounted to ChTh\$ 15,114,258.
- ii. Mall Viña gain from sale is non-taxable. Effective rate effect amounted to ThCh \$11,093,933.

Other increase (decrease) line is mainly affected by the next Colombian and Brazilian matters:

- i. Colombia: An increase of the assets tax from 5.4% to 7.2% was effective since 2016. Alternative taxable basis caused a diminishing of this item.
- ii. Brazil: Reversal of deferred taxed related to tax contingencies which expired during 2016.

- a) Tax losses:

The Company has deferred assets for tax losses arising from the different countries where it has investments. These arise mainly in the retail and real estate areas, both in Chile and abroad. For the tax losses carry-forward, there are no limits regarding their usage in all jurisdictions where the Group operates, the realization of tax losses is estimated based on the Group future projections.

These losses have been produced in countries where there is no limited period for their use, and reversal is estimated as projected future revenues as increasing.

- b) Reversal of asset and liability timing differences:

The reversal of asset and liability timing differences is directly related to the nature of the asset and liability accounts generating these differences. There is no set term for the reversal of timing differences, due to the reversal of some and the origin of others.

- c) Rate of income tax.

Chile

The current income tax rate in Chile that affects the Company is 24%. Under the 2014 enacted tax law, the income tax rate will be 21%, 22.5%, 24%, 25.5% and 27%, for the years 2014, 2015, 2016, 2017, 2018 and following fiscal years, respectively, based on the adoption of the partially integrated system. The Income Tax System adopted by Cencosud was the partially integrated system.

Any other later effects have been recognized within the income statement.

Foreign subsidiaries

The rates that affect its foreign subsidiaries are: 35% in Argentina, 40% in Colombia (39% in 2015), 29.5% in Peru (28% in 2015) and 34% in Brazil. Peru published a taxation reform on December 10, 2016 (law N° 30.296) which envisaged gradual reduction in taxes from the current 30% to 28% in 2015-2016, 27% in 2017-2018, and 26% from 2019 onwards. The mentioned reduction will not have any effect; being that Legislative Decree No. 1261 published on December 10, 2016 contemplates a rate of 29.5% effective from the 2016 financial year.

In addition, law 1,739 modified the income tax for equity “CREE” tax from a rate of 8% to 9%, beginning since 2016 financial year. Additional 5%, 6%, 8% and 9% rates were established in a temporary way for the 2015, 2016, 2017 y 2018 financial years respectively.

27 Earnings per share

The basic earnings per share is calculated dividing the profits attributable to the Company shareholders among the weighted average of the common shares circulating during the year, excluding any common shares acquired by the Company and held as treasury shares.

Basic Earnings per Share	For the year ended December 31,		
	2016	2015	2014
Profit from continuing operations attributable to controlling shareholders	387,754,867	161,323,912	152,233,031
Profit from discontinued operations attributable to controlling shareholders	—	70,616,993	12,661,641
Available income for common shareholders, basic	387,754,867	231,940,905	164,894,672
Weighted average of share number, basic	2,862,536,947	2,828,723,963	2,828,723,963
Earnings per share from continued operations, basic	135.5	57.0	53.8
Earnings per share from discontinued operations, basic	0.0	25.0	4.5

The basic earnings per share are calculated by dividing profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

The diluted earnings per share are calculated dividing the profits attributable to the Company's shareholders by the weighted-average of common shares that would be issued if all common shares were converted with diluting effects.

Basic Earnings per Share, diluted	For the year ended December 31,		
	2016	2015	2014
Profit from continuing operations attributable to controlling shareholders	387,754,867	161,323,912	152,233,031
Profit from discontinued operations attributable to controlling shareholders	—	70,616,993	12,661,641
Available income for common shareholders, diluted	387,754,867	231,940,905	164,894,672
Weighted average of share number, diluted	2,862,536,947	2,864,250,897	2,828,723,963
Earnings per share from continued operations, diluted	135.5	56.3	53.8
Earnings per share from discontinued operations, diluted	—	24.7	4.5

The diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average of common shares that would be issued on the conversion of all dilutive potential ordinary shares are dilutive.

Reconciliation of basic and diluted shares	For the year ended December 31,		
	2016	2015	2014
Weighted average number of shares, basic	2,862,536,947	2,828,723,963	2,828,723,963
Increase in shares from share-based compensation plans	—	35,526,934	—
Weighted average number of shares, diluted	2,862,536,947	2,864,250,897	2,828,723,963

The executive compensation plan dated September 2015 has granted dilutive effect, however previous plans, granted in September 2014 and September 2013, were excluded from the calculation of weighted average number of diluted shares, because they do not have dilutive effect.

The average market price of the Company shares used in the calculation was based on quoted market prices during the period in which the options were available for exercise.

28 Information by segment

The Company reports the information by segment according to what is set forth in IFRS 8 “Operating Segments.” An operating segment is defined as a component of an entity over which separated financial information is available and is regularly reviewed.

In the information by segments, all transactions between the different operating segments have been eliminated.

28.1 Segmentation criteria

For management purposes, the Company is organized in five reportable segments: Supermarkets, Shopping Centers, Home Improvement stores, Department stores and Financial Services. These segments are the basic on which the Company makes decisions with respect to its operations and resource allocation.

The reportable segments are disclosed in a similar way with the presentation of the internal reports used by Management in the control and decision making process, considering the segments from a point of view according to the type of business and geographical area.

The operating segments that are reported derive their revenues mainly from the sale of products and rendering of services to final consumers of retail. There are no customers whose purchases represent more than 10 of the consolidated revenue, nor a specific business segment.

The rest of the minor activities, mainly including the travel agency and family-entertainment centers businesses, plus certain consolidation adjustments and corporate expenses administered centrally, are included in the reportable segment “Support services, financing, adjustments and other”.

28.2 Regional information by segment

The information which is delivered to the chief operating decision maker (“Board of Directors”) of the reportable segments for the years ended December 31, 2016, 2015 and 2014 in thousands of Chilean pesos, is the following:

Regional information, by segment

Consolidated statement of profit and losses For the year ended December 31, 2016	Supermarkets ThCh\$	Shopping Centers ThCh\$	Home improvement ThCh\$	Department stores ThCh\$	Financial services ThCh\$	Support services, financing, adjustments and other ThCh\$	Consolidated ThCh\$	Discontinued ThCh\$
Revenues from ordinary activities	7,487,810,013	238,722,047	1,294,348,447	1,126,931,451	177,683,116	7,506,360	10,333,001,434	—
Cost of sales	(5,600,464,369)	(31,110,450)	(849,368,178)	(810,966,512)	(59,818,180)	(4,743,748)	(7,356,471,437)	—
Gross Margin	1,887,345,644	207,611,597	444,980,269	315,964,939	117,864,936	2,762,612	2,976,529,997	—
Other revenues by function	10,002,717	289,829,520	722,070	1,361,259	12,495	(776,048)	301,152,013	—
Sales, general and administrative expenses	(1,620,570,006)	(31,097,653)	(321,878,612)	(292,372,078)	(53,538,638)	(203,923,744)	(2,523,380,731)	—
Financial expenses and income, net	—	—	—	—	—	(268,970,255)	(268,970,255)	—
Participation in profit or loss of equity method associates	124,043	—	—	—	11,772,121	—	11,896,164	—
Exchange differences	—	—	—	—	—	37,287,243	37,287,243	—
Losses from Indexation	—	—	—	—	—	(14,312,457)	(14,312,457)	—
Other gains (Losses), net	5,203,779	1,358,580	—	—	—	53,001,705	59,564,064	—
Income tax charge	—	—	—	—	—	(191,968,568)	(191,968,568)	—
Profit attributable to Non-controlling interests	—	—	—	—	—	—	—	—
Profit (loss)	282,106,177	467,702,044	123,823,727	24,954,120	76,110,914	(586,899,512)	387,797,470	—
Profit (loss) from continuing operations	282,106,177	467,702,044	123,823,727	24,954,120	76,110,914	(586,899,512)	387,797,470	—
Profit (loss) from discontinued operations attributable to owners of the Company	—	—	—	—	—	—	—	—
Profit (loss) of atribuible to non-controlling interest	—	—	—	—	—	(42,603)	(42,603)	—
Profit for the year attributable to shareholders, Total	282,106,177	467,702,044	123,823,727	24,954,120	76,110,914	(586,942,115)	387,754,867	—
Depreciation and amortization	145,114,047	6,395,488	24,492,090	30,128,018	5,718,133	15,865,643	227,713,419	—

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Regional information, by segment

Consolidated statement of profit and losses For the year ended December 31, 2015	Supermarkets ThCh\$	Shopping Centers ThCh\$	Home improvement ThCh\$	Department stores ThCh\$	Financial services ThCh\$	Support services, financing, adjustments and other ThCh\$	Consolidated ThCh\$	Discontinued ThCh\$
Revenues from ordinary activities	8,045,566,155	248,025,700	1,469,245,715	1,051,641,710	165,819,835	11,038,595	10,991,337,710	60,759,616
Cost of sales	(6,014,367,110)	(33,983,830)	(962,485,095)	(749,412,484)	(49,275,553)	(3,701,713)	(7,813,225,785)	(20,400,024)
Gross Margin	2,031,199,045	214,041,870	506,760,620	302,229,226	116,544,282	7,336,882	3,178,111,925	40,359,592
Other revenues by function	8,467,569	198,510,652	288,273	1,235,475	32,713	1,985,977	210,520,659	436,450
Sales, general and administrative expenses	(1,723,848,849)	(25,126,550)	(360,203,432)	(280,692,906)	(60,488,548)	(225,125,544)	(2,675,485,829)	(17,371,214)
Financial expenses and income, net	—	—	—	—	14,223,102	(258,322,859)	(244,099,757)	(14,223,102)
Participation in profit or loss of equity method associates	132,852	8,291,299	—	—	5,642,941	—	14,067,092	—
Exchange differences	—	—	—	—	(2,760,915)	(113,981,922)	(116,742,837)	2,760,915
Losses from Indexation	—	—	—	—	38,046	(22,046,569)	(22,008,523)	(38,046)
Other gains (Losses), net	—	—	—	—	(61,376,274)	(63,078,447)	(124,454,721)	61,376,274
Income tax charge	—	—	—	—	2,683,876	(61,223,959)	(58,540,083)	(2,683,876)
Profit attributable to Non-controlling interests	—	—	—	—	—	—	—	—
Profit (loss)	315,950,617	395,717,271	146,845,461	22,771,795	85,156,216	(734,456,441)	231,940,905	70,616,993
Profit (loss) from continuing operations	315,950,617	395,717,271	146,845,461	22,771,795	14,539,223	(734,456,441)	161,367,926	—
Profit (loss) from discontinued operations attributable to owners of the Company	—	—	—	—	70,616,993	—	70,616,993	70,616,993
Profit (loss) of attributable to non-controlling interest	—	—	—	—	—	(44,014)	(44,014)	—
Profit for the year attributable to shareholders, Total	315,950,617	395,717,271	146,845,461	22,771,795	85,156,216	(734,500,455)	231,940,905	70,616,993
Depreciation and amortization	131,945,572	7,970,491	26,834,291	32,985,941	2,695,820	16,058,197	218,490,312	715,030

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Consolidated statement of profit and losses For the year ended December 31, 2014	Supermarkets ThCh\$	Shopping Centers ThCh\$	Home improvement ThCh\$	Department stores ThCh\$	Financial services ThCh\$	Support services, financing, adjustments and other ThCh\$	Consolidated ThCh\$	Discontinued ThCh\$
Revenues from ordinary activities	8,159,236,907	214,849,681	1,225,616,059	991,442,445	117,678,894	2,205,260	10,711,029,246	201,825,995
Cost of sales	(6,216,769,021)	(28,028,570)	(800,341,557)	(741,279,355)	(39,046,459)	(1,966,924)	(7,827,431,886)	(55,799,003)
Gross Margin	1,942,467,886	186,821,111	425,274,502	250,163,090	78,632,435	238,336	2,883,597,360	146,026,992
Other revenues by function	9,212,081	100,845,534	725,300	1,730,198	(6)	1,924,609	114,437,716	190,554
Sales, general and administrative expenses	(1,662,113,333)	(27,620,981)	(302,797,111)	(258,903,578)	(39,677,703)	(191,664,252)	(2,482,776,958)	(69,130,204)
Financial expenses and income, net	—	—	—	—	—	(173,548,359)	(173,548,359)	(38,692,934)
Participation in profit or loss of equity method associates	36,241	6,171,965	—	—	—	—	6,208,206	—
Exchange differences	—	—	—	—	—	(24,410,699)	(24,410,699)	(19,198,679)
Losses from Indexation	—	—	—	—	—	(39,575,950)	(39,575,950)	(4,969,932)
Other gains (Losses), net	—	—	—	2,434,854	—	(8,949,834)	(6,514,980)	35,340
Income tax charge	—	—	—	—	—	(125,931,659)	(125,931,659)	(1,599,496)
Profit (loss)	289,602,875	266,217,629	123,202,691	(4,575,436)	38,954,726	(561,917,808)	151,484,677	12,661,641
Profit (loss) from continuing operations	289,602,875	266,217,629	123,202,691	(4,575,436)	38,954,726	(561,917,808)	151,484,677	—
Profit (loss) from discontinued operations attributable to owners of the Company	—	—	—	—	12,661,641	—	12,661,641	12,661,641
Profit (loss) of attributable to non-controlling interest	—	—	—	—	—	748,354	748,354	—
Profit for the year attributable to shareholders, Total	289,602,875	266,217,629	123,202,691	(4,575,436)	51,616,367	(561,169,454)	164,894,672	12,661,641
Depreciation and amortization	134,505,152	5,487,636	20,362,503	26,429,194	1,942,336	11,316,220	200,043,041	(2,299,772)

The Company controls the results of each of the reportable segments at the level of revenues, gross margin, costs and management expenses. The support services, exchange rates, readjustments, taxes and non-recurring income and expense, or financial income, are not allocated as they are centrally managed.

The financing policy of the Group has been historically obtaining funding and managing these resources through the Holding Company Cencosud S.A., the funds are subsequently transferred to other countries as required to finance the local investments. This policy aims to reduce the financial cost of the Group.

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Certain figures presented of the consolidated financial statements of the Group as of December 31, 2014 and December 31, 2015 in the segment information have been reallocated based on the presentation shown on the consolidated financial statement as of December 31, 2016. These reallocations did not affect net profit or net equity, and mainly refer to “Sales, general and administrative expenses” from Argentinean administrative supporting outgoings such as back office areas and corporate expenditures, that were previously presented as part of our business segments; and are now allocated under “Support services, financing adjustment and Others” segment. Those 2015 and 2014 expenditures reallocations related to “Sales, general and administrative expenses” from Argentina are presented in detail as follows:

Detailed reallocations from administrative expenditures in Argentina Previously reported for the year ended December 31, 2015	Supermarkets ThCh\$	Shopping Centers ThCh\$	Home improvement ThCh\$	Department stores ThCh\$	Financial services ThCh\$	Support services, financing, adjustments and other ThCh\$	Continuing operations total ThCh\$	Discontinued operation financial services ThCh\$
Sales, general and administrative expenses	(1,722,350,594)	(40,442,523)	(398,609,716)	(280,692,906)	(65,294,285)	(168,095,805)	(2,675,485,829)	(17,371,214)
Profit for the year attributable to shareholders, Total	317,448,872	380,401,298	108,439,177	22,771,795	80,350,479	(677,470,716)	231,940,905	70,616,993
Relocating amounts from business segments	(1,498,255)	15,315,973	38,406,284	—	4,805,737	(57,029,739)	—	—
Relocated figures for the year ended December 31, 2015								
Sales, general and administrative expenses	(1,723,848,849)	(25,126,550)	(360,203,432)	(280,692,906)	(60,488,548)	(225,125,544)	(2,675,485,829)	(17,371,214)
Profit for the year attributable to shareholders, Total	315,950,617	395,717,271	146,845,461	22,771,795	85,156,216	(734,500,455)	231,940,905	70,616,993
Detailed reallocations from administrative expenditures in Argentina Previously reported for the year ended December 31, 2014	Supermarkets ThCh\$	Shopping Centers ThCh\$	Home improvement ThCh\$	Department stores ThCh\$	Financial services ThCh\$	Support services, financing, adjustments and other ThCh\$	Continuing operations total ThCh\$	Discontinued operation financial services ThCh\$
Sales, general and administrative expenses	(1,662,113,333)	(34,477,086)	(327,214,081)	(258,903,578)	(42,531,877)	(157,537,003)	(2,482,776,958)	(69,130,204)
Profit for the year attributable to shareholders, Total	289,602,875	259,361,524	98,785,721	(4,575,436)	48,762,193	(527,042,205)	164,894,672	12,661,641
Relocating amounts from business segments	—	6,856,105	24,416,970	—	2,854,174	(34,127,249)	—	—
Relocated figures for the year ended December 31, 2014								
Sales, general and administrative expenses	(1,662,113,333)	(27,620,981)	(302,797,111)	(258,903,578)	(39,677,703)	(191,664,252)	(2,482,776,958)	(69,130,204)
Profit for the year attributable to shareholders, Total	289,602,875	266,217,629	123,202,691	(4,575,436)	51,616,367	(561,169,454)	164,894,672	12,661,641

28.3 *Gross margin by country and segment, in thousands of Chilean pesos:*

Gross margin by country and segment

<u>For the year ended December 31, 2016</u>	<u>Supermarkets</u> ThCh\$	<u>Shopping Centers</u> ThCh\$	<u>Home improvement</u> ThCh\$	<u>Department stores</u> ThCh\$	<u>Financial services</u> ThCh\$	<u>Support services, financing, adjustments and other</u> ThCh\$	<u>Continuing operations total</u> ThCh\$	<u>Discontinued operation financial services</u> ThCh\$
Chile								
Ordinary income, total	2,616,197,933	139,407,770	520,223,540	1,058,840,744	1,788,108	6,046,477	4,342,504,572	—
Cost of sales	(1,954,429,331)	(13,816,589)	(368,969,099)	(756,626,013)	82,031	(880,557)	(3,094,639,558)	—
Gross margin	661,768,602	125,591,181	151,254,441	302,214,731	1,870,139	5,165,920	1,247,865,014	—
Argentina								
Ordinary income, total	1,633,149,171	70,369,944	710,380,433	—	111,093,110	3,997,502	2,528,990,160	—
Cost of sales	(1,113,209,230)	(14,170,137)	(432,541,669)	—	(32,657,917)	(3,100,424)	(1,595,679,377)	—
Gross margin	519,939,941	56,199,807	277,838,764	—	78,435,193	897,078	933,310,783	—
Brazil								
Ordinary income, total	1,587,848,913	—	—	—	1,919,500	—	1,589,768,413	—
Cost of sales	(1,243,652,774)	—	—	—	—	—	(1,243,652,774)	—
Gross margin	344,196,139	—	—	—	1,919,500	—	346,115,639	—
Peru								
Ordinary income, total	838,634,911	20,000,788	—	68,090,707	59,002,225	1,257,144	986,985,775	—
Cost of sales	(640,310,661)	(2,868,605)	—	(54,340,499)	(27,242,099)	(785,153)	(725,547,017)	—
Gross margin	198,324,250	17,132,183	—	13,750,208	31,760,126	471,991	261,438,758	—
Colombia								
Ordinary income, total	811,979,085	8,943,545	63,744,474	—	3,880,173	(3,794,763)	884,752,514	—
Cost of sales	(648,862,373)	(255,119)	(47,857,410)	—	(195)	22,386	(696,952,711)	—
Gross margin	163,116,712	8,688,426	15,887,064	—	3,879,978	(3,772,377)	187,799,803	—
Total								
Ordinary income, total	7,487,810,013	238,722,047	1,294,348,447	1,126,931,451	177,683,116	7,506,360	10,333,001,434	—
Cost of sales	(5,600,464,369)	(31,110,450)	(849,368,178)	(810,966,512)	(59,818,180)	(4,743,748)	(7,356,471,437)	—
Gross margin	1,887,345,644	207,611,597	444,980,269	315,964,939	117,864,936	2,762,612	2,976,529,997	—

Gross margin by country and segment

For the year ended December 31, 2015	Supermarkets	Shopping Centers	Home improvement	Department stores	Financial services	Support services, financing, adjustments and other	Continuing operations total	Discontinued operation financial services
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Chile								
Ordinary income, total	2,504,713,626	134,018,301	494,849,395	992,691,705	3,074,321	6,534,280	4,135,881,628	(60,759,616)
Cost of sales	(1,875,988,752)	(8,140,179)	(352,579,420)	(701,962,095)	466,379	(213,642)	(2,938,417,709)	20,400,024
Gross margin	628,724,874	125,878,122	142,269,975	290,729,610	3,540,700	6,320,638	1,197,463,919	(40,359,592)
Argentina								
Ordinary income, total	2,154,753,159	86,133,535	910,919,861	—	103,033,874	6,036,371	3,260,876,800	—
Cost of sales	(1,475,306,215)	(22,581,382)	(561,595,409)	—	(28,560,852)	(3,154,118)	(2,091,197,976)	—
Gross margin	679,446,944	63,552,153	349,324,452	—	74,473,022	2,882,253	1,169,678,824	—
Brazil								
Ordinary income, total	1,677,542,981	—	—	—	5,056,751	—	1,682,599,732	—
Cost of sales	(1,316,967,292)	—	—	—	—	—	(1,316,967,292)	—
Gross margin	360,575,689	—	—	—	5,056,751	—	365,632,440	—
Peru								
Ordinary income, total	867,510,854	18,866,958	—	58,950,005	49,001,302	892,452	995,221,571	—
Cost of sales	(673,489,862)	(2,961,767)	—	(47,450,389)	(21,181,144)	(707,482)	(745,790,644)	—
Gross margin	194,020,992	15,905,191	—	11,499,616	27,820,158	184,970	249,430,927	—
Colombia								
Ordinary income, total	841,045,535	9,006,906	63,476,459	—	5,653,587	(2,424,508)	916,757,979	—
Cost of sales	(672,614,989)	(300,502)	(48,310,266)	—	64	373,529	(720,852,164)	—
Gross margin	168,430,546	8,706,404	15,166,193	—	5,653,651	(2,050,979)	195,905,815	—
Total								
Ordinary income, total	8,045,566,155	248,025,700	1,469,245,715	1,051,641,710	165,819,835	11,038,595	10,991,337,710	(60,759,616)
Cost of sales	(6,014,367,110)	(33,983,830)	(962,485,095)	(749,412,484)	(49,275,553)	(3,701,713)	(7,813,225,785)	20,400,024
Gross margin	2,031,199,045	214,041,870	506,760,620	302,229,226	116,544,282	7,336,882	3,178,111,925	(40,359,592)

For the year ended December 31, 2014	Supermarkets	Shopping Centers	Home improvement	Department stores	Financial services	Support services, financing, adjustments and other	Continuing operations total	Discontinued operation financial services
	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$	ThCh\$
Chile								
Ordinary income, total	2,354,805,121	120,733,606	465,520,212	952,203,421	329,538	(1,030,905)	3,892,560,993	201,825,995
Cost of sales	(1,766,081,982)	(7,302,377)	(329,587,879)	(707,454,394)	(260,542)	(515,869)	(2,811,203,043)	(55,799,003)
Gross margin	588,723,139	113,431,229	135,932,333	244,749,027	68,996	(1,546,774)	1,081,357,950	146,026,992
Argentina								
Ordinary income, total	1,813,585,714	66,588,613	692,925,000	—	62,597,052	8,122,804	2,643,819,183	—
Cost of sales	(1,257,008,623)	(18,675,802)	(420,660,060)	—	(16,245,764)	(2,001,227)	(1,714,591,476)	—
Gross margin	556,577,091	47,912,811	272,264,940	—	46,351,288	6,121,577	929,227,707	—
Brazil								
Ordinary income, total	2,154,312,700	—	—	—	3,842,801	—	2,158,155,501	—
Cost of sales	(1,733,475,746)	—	—	—	—	—	(1,733,475,746)	—
Gross margin	420,836,954	—	—	—	3,842,801	—	424,679,755	—
Peru								
Ordinary income, total	836,676,581	17,438,146	—	39,239,024	42,814,446	835,932	937,004,129	—
Cost of sales	(653,144,482)	(1,678,214)	—	(33,824,961)	(22,540,153)	693,161	(710,494,649)	—
Gross margin	183,532,099	15,759,932	—	5,414,063	20,274,293	1,529,093	226,509,480	—
Colombia								
Ordinary income, total	999,856,791	10,089,316	67,170,847	—	8,095,057	(5,722,571)	1,079,489,440	—
Cost of sales	(807,058,188)	(372,177)	(50,093,618)	—	—	(142,989)	(857,666,972)	—
Gross margin	192,798,603	9,717,139	17,077,229	—	8,095,057	(5,865,560)	221,822,468	—
Total								
Ordinary income, total	8,159,236,907	214,849,681	1,225,616,059	991,442,445	117,678,894	2,205,260	10,711,029,246	201,825,995
Cost of sales	(6,216,769,021)	(28,028,570)	(800,341,557)	(741,279,355)	(39,046,459)	(1,966,924)	(7,827,431,886)	(55,799,003)
Gross margin	1,942,467,886	186,821,111	425,274,502	250,163,090	78,632,435	238,336	2,883,597,360	146,026,992

28.4 Regional information by segment: Total assets

At December 31, 2016	Supermarkets ThCh\$	Shopping centers ThCh\$	Home improvement ThCh\$	Department stores ThCh\$	Financial services ThCh\$	Support services, financing, adjustments and other ThCh\$	Consolidated total ThCh\$
Current Assets							
Cash and cash equivalents	181,727,680	4,377,803	13,760,047	2,246,159	1,008,517	72,098,797	275,219,003
Other financial assets, current	—	—	—	—	—	219,988,622	219,988,622
Other non-financial assets, current	7,618,030	758,065	1,541,496	1,014,364	11,070,047	1,626,277	23,628,279
Trade receivables and other receivables	291,088,879	30,693,990	68,693,890	30,059,294	420,662,271	25,941,353	867,139,677
Receivables due from related parties, current	37,222	—	—	—	28,950,954	—	28,988,176
Inventory	700,985,806	—	254,992,540	193,307,668	—	—	1,149,286,014
Current tax assets	16,633,102	2,090,444	3,647,748	13,803,843	3,722,153	34,238,357	74,135,647
Assets held for sale, current	17,886,465	—	—	—	—	39,237,407	57,123,872
Total current assets	1,215,977,184	37,920,302	342,635,721	240,431,328	465,413,942	393,130,813	2,695,509,290
Non-Current Assets							
Other financial assets, non-current	—	—	—	—	—	287,360,674	287,360,674
Other non-financial assets, non- current	40,549,624	7,677,318	2,390,633	1,707,428	10,083	189	52,335,275
Trade receivables and other receivables, non-current	3,100,863	—	8,792,843	—	—	—	11,893,706
Equity method investments	989,721	—	—	—	199,737,813	—	200,727,534
Intangible assets other than goodwill	195,476,999	418,055	11,146,455	160,203,723	159,887	40,762,995	408,168,114
Goodwill	1,207,776,321	31,472,874	2,605,322	138,159,463	52,305,509	—	1,432,319,489
Property, plant and equipment	1,546,905,547	470,346,933	284,046,215	248,862,284	2,827,945	25,804,649	2,578,793,573
Investment property	—	2,081,694,027	—	—	—	—	2,081,694,027
Income tax assets, non-current	77,993,287	194,325	669,273	4,509,476	—	10,089	83,376,450
Deferred income tax assets	—	—	—	—	—	616,579,356	616,579,356
Total non-current assets	3,072,792,362	2,591,803,532	309,650,741	553,442,374	255,041,237	970,517,952	7,753,248,198
Total Assets	4,288,769,546	2,629,723,834	652,286,462	793,873,702	720,455,179	1,363,648,765	10,448,757,488

<u>At December 31, 2015</u>	<u>Supermarkets</u> ThCh\$	<u>Shopping centers</u> ThCh\$	<u>Home improvement</u> ThCh\$	<u>Department stores</u> ThCh\$	<u>Financial services</u> ThCh\$	<u>Support services, financing, adjustments and other</u> ThCh\$	<u>Consolidated total</u> ThCh\$
Current Assets							
Cash and cash equivalents	189,911,013	10,655,476	10,099,524	27,667,723	2,260,803	27,680,587	268,275,126
Other financial assets, current	—	—	—	—	—	254,850,725	254,850,725
Other non-financial assets, current	7,383,625	1,727,010	2,162,422	1,105,427	137,474	1,926,072	14,442,030
Trade receivables and other receivables	297,479,644	46,051,513	64,122,155	41,321,666	361,279,198	9,585,207	819,839,383
Receivables due from related parties, current	—	—	—	—	—	14,851,194	14,851,194
Inventory	663,154,474	—	217,175,404	187,979,455	—	—	1,068,309,333
Current tax assets	4,040,401	2,203,113	2,864,949	9,445,277	1,173,773	41,469,536	61,197,049
Assets held for sale, current	—	—	—	—	—	—	—
Total current assets	1,161,969,157	60,637,112	296,424,454	267,519,548	364,851,248	350,363,321	2,501,764,840
Non-Current Assets							
Other financial assets, non-current	—	—	—	—	—	421,532,586	421,532,586
Other non-financial assets, non-current	—	—	—	—	—	31,907,769	31,907,769
Trade receivables and other receivables, non-current	16,450,570	7,218	79,248	—	14,268,191	191,625	30,996,852
Equity method investments	907,728	55,575,262	—	—	195,044,515	—	251,527,505
Intangible assets other than goodwill	200,638,822	163,082	10,290,743	156,587,317	4,022,963	30,046,490	401,749,417
Goodwill	1,166,022,412	31,499,291	3,705,397	138,159,463	52,305,509	—	1,391,692,072
Property, plant and equipment	1,706,820,173	389,750,103	317,911,465	263,934,396	3,315,863	29,758,630	2,711,490,630
Investment property	—	1,807,095,204	—	—	—	—	1,807,095,204
Income tax assets, non-current	—	—	—	—	—	8,854,347	8,854,347
Deferred income tax assets	—	—	—	—	—	552,114,088	552,114,088
Total non-current assets	3,090,839,705	2,284,090,160	331,986,853	558,681,176	268,957,041	1,074,405,535	7,608,960,470
Total Assets	4,252,808,862	2,344,727,272	628,411,307	826,200,724	633,808,289	1,424,768,856	10,110,725,310

28.5 Current Asset and liabilities by segment

Regional information by segment Current assets and liabilities at December 31, 2016	Supermarkets ThCh\$	Shopping Center ThCh\$	Home Improvement ThCh\$	Department Stores ThCh\$	Financial Services (Insurance + cards + bank) ThCh\$	Support Services, Financing, and Other Settings ThCh\$	Total Consolidated ThCh\$
Trade accounts payable and other payables	1,294,692,757	35,089,329	273,630,631	246,827,811	39,764,889	36,841,635	1,926,847,052

Regional information by segment Current assets and liabilities at December 31, 2015	Supermarkets ThCh\$	Shopping Center ThCh\$	Home Improvement ThCh\$	Department Stores ThCh\$	Financial Services (Insurance + cards + bank) ThCh\$	Support Services, Financing, and Other Settings ThCh\$	Total Consolidated ThCh\$
Trade accounts payable and other payables	1,244,291,150	38,229,357	251,243,590	260,408,188	37,795,722	24,556,788	1,856,524,795

28.6 Information by country, assets and liabilities

In thousands of Chilean pesos:

Assets and liabilities by country

At December 31, 2016	Chile ThCh\$	Argentina ThCh\$	Brazil ThCh\$	Peru ThCh\$	Colombia ThCh\$	Consolidated total ThCh\$
Total assets	4,779,856,500	1,411,985,049	1,431,919,219	1,240,938,778	1,584,057,942	10,448,757,488
Total liabilities	4,202,937,399	813,235,515	530,551,320	403,728,564	414,252,955	6,364,705,753
Net investment	885,649,473	655,906,732	781,437,358	693,076,414	1,067,981,758	4,084,051,735
Percentage of equity	14.1	14.7	22.1	20.5	28.6	100.0
At December 31, 2015						
Total assets	4,848,797,914	1,242,359,909	1,165,419,318	1,277,031,996	1,577,116,173	10,110,725,310
Total liabilities	4,182,284,401	693,797,284	472,091,927	397,106,480	394,633,400	6,139,913,492
Net investment	855,443,631	690,663,761	690,694,802	717,680,431	1,016,329,193	3,970,811,818
Percentage of equity	16.8	13.8	17.5	22.2	29.8	100.00

28.7 Regional information, including intersegments is as follows:

Regional information, by segment	For the year ended December 31, 2016		
	Total segment revenue	Intersegment revenue	Revenue from external customer
	ThCh\$	ThCh\$	ThCh\$
Supermarkets	7,487,810,013	—	7,487,810,013
Shopping	361,495,808	122,773,761	238,722,047
Home Improvement	1,294,885,208	536,761	1,294,348,447
Department stores	1,126,931,451	—	1,126,931,451
Financial Services	177,683,116	—	177,683,116
Others	7,506,360	—	7,506,360
TOTAL	10,456,311,956	123,310,522	10,333,001,434

Regional information, by segment	For the year ended December 31, 2015		
	Total segment revenue	Intersegment revenue	Revenue from external customer
	ThCh\$	ThCh\$	ThCh\$
Supermarkets	8,045,566,155	—	8,045,566,155
Shopping	394,197,230	146,171,530	248,025,700
Home Improvement	1,471,430,410	2,184,695	1,469,245,715
Department stores	1,051,641,710	—	1,051,641,710
Financial Services	165,819,835	—	165,819,835
Others	11,038,595	—	11,038,595
TOTAL	11,139,693,935	148,356,225	10,991,337,710

Regional information, by segment	For the year ended December 31, 2014		
	Total segment revenue	Intersegment revenue	Revenue from external customer
	ThCh\$	ThCh\$	ThCh\$
Supermarkets	8,159,236,907	—	8,159,236,907
Shopping	354,270,879	139,421,198	214,849,681
Home Improvement	1,232,202,692	6,586,633	1,225,616,059
Department stores	991,442,445	—	991,442,445
Financial Services	319,504,889	—	319,504,889
Financial Services (discontinued operations)	(201,825,995)	—	(201,825,995)
Others	2,205,260	—	2,205,260
TOTAL	10,857,037,077	146,007,831	10,711,029,246

28.8 Non-current assets by country

At December 31, 2016	Chile ThCh\$	Argentina ThCh\$	Brazil ThCh\$	Peru ThCh\$	Colombia ThCh\$	Consolidated total ThCh\$
Other non-financial assets	23,356,132	7,663,639	19,431,481	1,877,863	6,160	52,335,275
Trade receivables and other receivables	—	8,815,714	3,077,992	—	—	11,893,706
Equity Method investments	199,737,813	—	—	989,721	—	200,727,534
Intangible assets other than goodwill	219,352,035	9,823,814	64,145,345	106,901,729	7,945,191	408,168,114
Goodwill	246,378,878	1,467,433	397,062,475	264,355,612	523,055,091	1,432,319,489
Property Plant and Equipment	1,107,174,199	212,741,017	340,287,996	355,639,693	562,950,668	2,578,793,573
Investment Property	1,531,658,588	323,482,594	—	197,264,575	29,288,270	2,081,694,027
Income tax assets, non-current	4,852,774	5,409,578	73,114,098	—	—	83,376,450
Non-current assets—Total	3,332,510,419	569,403,789	897,119,387	927,029,193	1,123,245,380	6,849,308,168
At December 31, 2015	Chile ThCh\$	Argentina ThCh\$	Brazil ThCh\$	Peru ThCh\$	Colombia ThCh\$	Consolidated total ThCh\$
Other non-financial assets	25,390,011	4,464,185	—	2,047,413	6,160	31,907,769
Trade receivables and other receivables	9,657,812	5,026,352	16,312,688	—	—	30,996,852
Equity Method investments	250,619,777	—	—	907,728	—	251,527,505
Intangible assets other than goodwill	211,149,130	14,676,994	55,464,964	111,421,733	9,036,596	401,749,417
Goodwill	246,378,878	2,593,925	343,976,582	275,687,596	523,055,091	1,391,692,072
Property Plant and Equipment	1,165,259,184	261,376,733	315,071,707	372,374,780	597,408,226	2,711,490,630
Investment Property	1,367,201,015	216,225,818	—	196,505,533	27,162,838	1,807,095,204
Income tax assets, non-current	7,997,053	857,294	—	—	—	8,854,347
Non-current assets—Total	3,283,652,860	505,221,301	730,825,941	958,944,783	1,156,668,911	6,635,313,796
At December 31, 2014	Chile ThCh\$	Argentina ThCh\$	Brazil ThCh\$	Peru ThCh\$	Colombia ThCh\$	Consolidated total ThCh\$
Other non-financial assets	25,929,866	6,211,511	—	1,725,040	7,000	33,873,417
Trade receivables and other receivables	11,092,704	3,760,685	19,923,966	—	—	34,777,355
Equity Method investments	51,495,487	—	—	752,427	—	52,247,914
Intangible assets other than goodwill	191,711,948	14,880,200	75,035,961	107,805,013	11,109,058	400,542,180
Goodwill	246,378,878	3,359,143	569,584,936	268,644,820	594,380,786	1,682,348,563
Property Plant and Equipment	1,190,341,063	336,413,924	404,896,191	369,333,777	708,743,501	3,009,728,456
Investment Property	1,268,128,765	205,318,919	—	160,257,212	29,887,500	1,663,592,396
Income tax assets, non-current	42,190,641	856,902	—	—	—	43,047,543
Non-current assets—Total	3,027,269,352	570,801,284	1,069,441,054	908,518,289	1,344,127,845	6,920,157,824

The amounts for non-current assets by country shown in this note exclude other non-current financial assets and deferred tax assets as per IFRS 8.

28.9 Additions to non-current assets:

<u>As of December 31, 2016</u>	<u>Supermarkets</u>	<u>Shopping Center</u>	<u>Home Improvement</u>	<u>Department Stores</u>	<u>Financial Services (Insurance + cards + bank)</u>	<u>Support Services, Financing, and Other Settings</u>	<u>Total Consolidated</u>
	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>
Property plant and equipment	113,455,353	33,906,164	11,131,370	27,836,982	1,258,327	4,803,064	192,391,260
Intangible asset, other than goodwill	8,638,903	138,107	2,964,884	9,083,317	584,489	16,262,072	37,671,772
Investment properties	—	1,225,878	—	—	—	—	1,225,878
Total additions	122,094,256	35,270,149	14,096,254	36,920,299	1,842,816	21,065,136	231,288,910
<u>As of December 31, 2015</u>	<u>Supermarkets</u>	<u>Shopping Center</u>	<u>Home Improvement</u>	<u>Department Stores</u>	<u>Financial Services (Insurance + cards + bank)</u>	<u>Support Services, Financing, and Other Settings</u>	<u>Total Consolidated</u>
	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>
Property plant and equipment	71,673,841	20,199,831	16,678,579	19,406,886	793,948	1,704,152	130,457,237
Intangible asset, other than goodwill	15,347,604	81,582	3,705,156	5,490,784	455,074	10,284,698	35,364,898
Investment properties	—	6,404,431	—	—	—	—	6,404,431
Total additions	87,021,445	26,685,844	20,383,735	24,897,670	1,249,022	11,988,850	172,226,566

29 Restrictions, contingencies, legal proceedings and other matters

29.1 Civil legal proceedings

- The subsidiaries Cencosud Retail S.A. and Easy S.A in Chile are involved in lawsuits and litigation that are pending as of December 31, 2016. The amounts of these claims are covered by a civil liability insurance policy.

- On May 22, 2015 the municipality constructions authority of Vitacura ordered the stagnation of the project developed by Cencosud Shopping Centers S.A., on the piece of land located at the 8950 of Kennedy Avenue in Santiago. This Municipality based its decision on the fact that the construction does not have the required permission. The Company filed an appeal on June 19, 2015 to the metropolitan administrative authority (Secretaria Regional Ministerial — “SEREMI”), who issued a ruling accepting the Company’s position and ordering the Municipality to adjust its decision.

On November 13, 2015, SEREMI resolved the Appeal brought by Cencosud Shopping Centers S.A., welcoming and ordering the authority of Vitacura, among other considerations, to adjust its action in accordance with the regulations applicable to the date of granting the respective permit. On November 25, 2015, “SEREMI” issued an extended ruling, which reverted its previous position base on the Public Ministry’s opinion.

On December 23, 2015 Cencosud filed a “protection claim” to the Appellate Court, alleging to revoke the SEREMI’s new position redefined on November 25, 2015. On April 2016 the Appellate Court accepted the Cencosud’s protection claim, which is being appealed by SEREMI the Supreme Court. On May 30, 2016 the Supreme Court rejected the SEREMI’s pretensions, which means that the ruling originally issued on June 19, 2015 is fully valid, and it confirms the Company’s allegations. On August 17, 2016 SEREMI resolved to invalidate its ruling according to the Supreme Court decision.

On August 17, 2016, the SEREMI resolved to invalidate the exempted resolution questioned in compliance with the Supreme Court’s ruling. On January 19, 2017, the municipality constructions authority of Vitacura proceeded to invalidate the aforementioned resolution by which it paralyzed the works. On that same date, the authority issued a new resolution in which it established the expiration of the building permit, which was rendered invalid by virtue of a decision issued by the Court of Appeals of Santiago on February 2, 2017.

- During January 2016, the authority National Economic Prosecutor (Fiscalia Nacional Económica FNE) filed a claim to the Free Competition Court (Tribunal de Defensa de la Libre Competencia) against Cencosud, Walmart Chile and SMU supermarkets’ chains, for alleged collusion between the mentioned chains for a price-fixing scheme involving poultry products.

The Group answered the aforementioned request to the Court on March 22, 2016, and categorically rejected the allegations raised by the FNE in such claim. The company will keep defending itself in the process to prove its innocence.

To Cencosud collusion and anti-competitive practice is unacceptable and totally condemnable.

Potential fines in this case could be up to 30,000 UTA (approximately U.S. \$24.5 million at the time of the suit filing).

- The indirect controlled Cencosud Colombia S.A. was legally questioned by the social welfare government authority (UGPP), about omissions, arrears and inaccuracies incurred with respect to the lawful contributions of several employees. The process is being driven by a local Labour Court and with claims amounting to USD \$810 thousand. The Company, in consultation with its legal advisors, considers that the chances of getting a favorable ruling to the position of the company are reasonably higher than obtain to an unfavorable ruling.
- An indirectly controlled subsidiary of Cencosud S.A. in Colombia is involved in litigations regarding extra contractual civil responsibility. The amounts of these claims are covered by a civil liability insurance policy.
- A civil lawsuit was filed against the indirectly controlled affiliate Cencosud Brasil Comercial Ltda. (previously named GBarbosa Comercial), by the Public Employees Union in supermarkets in the State of Sergipe, which is awaiting the first instance ruling. The union is seeking compensation for overtime hours for all employees of the subsidiary for the period after May 2007. The petition was filed and supported by the ruling, albeit still not judicial, that was issued through another public civil claim, which annulled a bank of hours from May 2007 to April 2009.

The Company, in consultation with its legal advisor, cannot estimate the value of the case given the complexity of the calculations related to the process, as well as the absence of sufficient evidence in the file in order to quantify.

- Cencosud Retail Peru S.A, an indirectly controlled subsidiary of Cencosud S.A. has several outstanding cases at the close of the financial statements for liability claims causes. Total amounts claimed raise to MUSD 153 (ThCh\$102,095). The Company, in consultation with its legal advisors, considers that the chances of getting a favorable ruling to the position of the company are reasonably higher than obtain an unfavorable ruling.
- The indirect subsidiary Cencosud S.A. Argentina and Jumbo Retail S.A. Argentina, present several cases pending at the close of the financial statements for claims of civil liability, the amounts claimed amount to MUSD 3,577 (ThCh\$2,386,896). The Company, in consultation with its legal advisors, estimates that the chances of obtaining a judgment favorable to the company's position are reasonably superior to those of obtaining an unfavorable ruling.
- The indirect subsidiary Cencosud S.A. Argentina and Jumbo Retail S.A. Argentina, present several cases pending at the close of the financial statements for claims of labor type with their workers, whose amounts claimed amount to MUSD 30,611 (ThCh\$20,426,414). The Company, in consultation with its legal advisors, estimates that the chances of obtaining a judgment favorable to the company's position are reasonably superior to those of obtaining an unfavorable ruling.

29.2 Taxation legal proceedings

As of December 31, 2016 Group's Companies maintain several taxation controversies, which the most relevant are shown as follows:

Country	Society	Grounds	Amount [1] ThCh\$	Stage of the process	Expected outcome [2]
Chile	Cencosud S.A.	Shares transference cost	7,500,000	Trial	Positive
	Cencosud Internacional Limitada	Shares transference cost	27,431,929	Trial	Positive
	Paris Administradora Centro Limitada	Deductible expenses, offsetting losses	3,305,773	Trial	Positive
	Paris Administradora Limitada	Deductible expenses, offsetting losses	2,388,090	Trial	Positive
	Cencosud Retail S.A.	First category income tax	8,186,021	Trial	Positive
	Paris Administradora Sur Limitada	First category income tax	3,768,171	Trial	Positive
	Cencosud Retail S.A.	Deductible expenses income tax	5,685,229	Trial	Positive
	Sociedad Comercial de Tiendas S.A.	Income tax	332,015	Trial	Positive
	Cencosud Perú	VAT or G&S tax	1,062,694	Trial	Positive
Brazil	Cencosud Comercial Ltda	Income tax	52,938,651	Trial	Positive
	Cencosud Comercial Ltda	PIS & CONFIS [3]	17,204,942	Trial	Positive
	Cencosud Comercial Ltda	Different causes — Activities Tax	13,291,273	Trial	Positive

[1] Amount refers to tax payable or tax rebate. Amounts may vary. Fines, interest, translations and adjustments shall be also updated up to payment date, if necessary

[2] Potential outcomes are provided for the legal advisors who carry the processes

[3] The PIS and COFINS are federal social contributions designed for funding the social security system in Brazil, which are based on a company's gross revenues

The contingencies and legal proceedings disclosed above are deemed to be of a positive outcome.

30 Leases

The Company leases installations, land, equipment and other assets under operating lease agreements.

The agreements have diverse durations and expiration periods, renewal rights and indexation clauses, which are mainly related to the inflation rate in the countries where the contracts are held.

30.1 Operating leases.

The Minimum Future Payments of leases, as a Lessee as of December 31, 2016 and 2015 are detailed below:

	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Up to one year	156,535,546	154,061,702
Between two and up to five years	551,277,706	558,948,306
Over five years	1,047,370,343	1,352,051,649
Total	1,755,183,595	2,065,061,657

Lease payments and subleases recognized in the statement of profit and loss:

	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Minimum payments from operational leases	158,044,045	157,521,162
Contingent leases from operational leases	34,907,460	29,220,999
Total	192,951,505	186,742,161

The Minimum Future payments of leases, as a Lessor as of December 31, 2016 and 2015 are detailed below:

	As of December 31,	
	2016	2015
	ThCh\$	ThCh\$
Up to one year	189,537,029	114,179,348
Between two and five years	277,347,998	367,590,156
Over five years	81,554,424	133,433,795
Total	548,439,451	615,203,299

The contingent income recognized during 2016 in the statement of profit and loss amounts to ThCh\$ 39,012,375 (ThCh\$ 41,425,190 as of December 31, 2015).

The Company has no individually significant operating leases, nor are there restrictions on the distribution of dividends or on incurring other leasing contracts or debt. All the contracts are at market values.

30.2 *Financial leases*

In other property, plant and equipment are assets acquired under finance leases.

<u>Property, plant and equipment, net</u>	<u>Balance as of:</u>	
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	<u>ThCh\$</u>	<u>ThCh\$</u>
Land	7,597,210	11,651,800
Buildings	8,018,435	13,461,711
Equipment	143,655	143,655
Total	15,759,300	25,257,166

The values of the future payments under these leases are as follows:

<u>Reconciliation of minimum lease payments</u>	<u>December 31, 2016</u>		
	<u>Present Value</u>	<u>Interest</u>	<u>Gross</u>
	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>
Less than one year	2,713,893	—	2,713,893
Between one and five years	7,631,036	1,201,007	8,832,043
More than five years	11,625,607	385,243	12,010,850
Total	21,970,536	1,586,250	23,556,786

<u>Reconciliation of minimum lease payments</u>	<u>December 31, 2015</u>		
	<u>Present Value</u>	<u>Interest</u>	<u>Gross</u>
	<u>ThCh\$</u>	<u>ThCh\$</u>	<u>ThCh\$</u>
Less than one year	3,025,088	(231,355)	2,793,733
Between one and five years	10,480,886	3,145,714	13,626,600
More than five years	19,043,614	2,467,266	21,510,880
Total	32,549,588	5,381,625	37,931,213

31 Guarantees with third parties

The detail of the guarantees obtained is the following:

31.1 Guarantees received by project.

The amounts detailed below are related to off balance sheet guarantees received.

Grantor of the guarantee	As of December 31,	
	2016 ThCh\$	2015 ThCh\$
Delta Ingeniería y Construcción S.A.	136,616	—
Ascensores Schindler Chile S.A.	19,740	1,400,974
Constructora Inarco S.A.	357,143	632,517
Desarrollo Constructivo Axis S.A.	—	22,500
Efizity SPA.	4,149	—
Polex Chile SA	5,911	—
Total guarantees obtained for work completion	523,559	2,055,991
Guarantees received for store leases	11,275,997	10,418,684
Total guarantees related to work in progress	11,799,556	12,474,675

31.2 Direct guarantees

Guarantee creditor	Debtor		Guarantee type	Type	Committed Assets	
	Name	Relation			Book value 2016 ThCh\$	Book value 2015 ThCh\$
Other	Cencosud S.A Argentina	Subsidiary	Mortgage	Property, plant and equipment	3,867,501	3,630,138
Total property, plant and equipment					3,867,501	3,630,138

31.3 Debt Balance from Direct Guarantees

Guarantee creditor	Debtor		Guarantee type	Book value 2016	Book value 2015
	Name	Relation		ThCh\$	ThCh\$
Other	Cencosud S.A Argentina	Subsidiary	Mortgage	3,867,501	3,630,138
Total property, plant and equipment				3,867,501	3,630,138

32 Personnel distribution

The distribution of personnel of the Company is the following:

As of December 31, 2016					
Company	Managers and main executives	Professionals and technicians	Workers and other	Total	Average
Cencosud S.A.	8	898	257	1,163	1,118
Subsidiaries in Chile—Argentina Brazil—Peru—Colombia	366	16,943	119,688	136,997	137,975
Total	374	17,841	119,945	138,160	139,093

As of December 31, 2015					
Company	Managers and main executives	Professionals and technicians	Workers and other	Total	Average
Cencosud S.A.	8	907	197	1,112	1,147
Subsidiaries in Chile—Argentina Brazil—Peru—Colombia	361	17,015	121,986	139,362	142,666
Total	369	17,922	122,183	140,474	143,813

33 Stock options

As of December 31, 2016, the Company has a share-based compensation plan for executives of Cencosud S.A. and Affiliates. The details of the arrangements are described below:

Agreement	Stock options granted to key executives		
	2014 retention plan for executives	2015 retention plan for executives	2016 retention plan for executives
Nature of the arrangement	September 2013	September 2014	September 2015
Date of grant	September 2013	September 2014	September 2015
Number of instruments granted	22,171,504 shares	10,057,500 shares	35,526,934 shares
Exercise price	Ch\$ 2,600	Ch\$ 1,646	Ch\$ 1,000
Share price at granted date	Ch\$ 2,071	Ch\$ 1,785	Ch\$ 1,336
Vesting	0,9; 1,9; 2,9; 3,9 years	1.2; 2.2; 3.1 and 3.4 years	0.5; 1.3; and 2.1 years
Condition	<p>a) As of the grant date, the executive must have a current employment contract with the Company or any of its subsidiaries in Chile or abroad without any interruption in its employment relationship,</p> <p>b) From the date of signing of the stock option contract and until the exercise date, the Executive has not committed any serious breaches of its employment duties, at the Company's sole discretion,</p>	<p>a) As of the grant date, the executive must have a current employment contract with the Company or any of its subsidiaries in Chile or abroad without any interruption in its employment relationship,</p> <p>b) From the date of signing of the stock option contract and until the exercise date, the Executive has not committed any serious breaches of its employment duties, at the Company's sole discretion,</p>	<p>a) As of the grant date, the executive must have a current employment contract with the Company or any of its subsidiaries in Chile or abroad without any interruption in its employment relationship,</p> <p>b) From the date of signing of the stock option contract and until the exercise date, the Executive has not committed any serious breaches of its employment duties, at the Company's sole discretion, In the case that the Executive does not subscribe the shares within each defined term of the subscription plan, it will be understood that he or she has waived the respective option, and accordingly, any right; power; promise; or offer in connection with this 2016 Plan has been extinguished for all legal purposes, leaving the company free from any liability for such effects.</p>
Settlement	Cash	Cash	Cash
Data used in the options pricing model:			
Weighted average price of shares used	Ch\$ 2,071	Ch\$ 1,785	Ch\$ 1,336
Exercise price	Ch\$ 2,600	Ch\$ 1,646	Ch\$ 1,000
Expected volatility	23.4%	27.0%	27.6%
Expected term at grant day (in years)	0.9; 1.9; 2.9; 3.9 years	1.2; 2.2; 3.1 and 3.4 years	0.5; 1.3 and 2.1 years
Risk free interest rate	5.0	3.3	4.0
Expected dividends (dividends yield)	1%	0.9%	0.87%
Anticipated % of executives leaving the plan (at grant date)	10%	10%	10%
Fair value of the option at the grant date	Ch\$ 157.49	Ch\$ 404.37	Ch\$ 397.03

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As at September 28, 2015 the Company launched the 2016 options plan. All the Executives have accepted this plan, and they have waived in respect to any previous existing plans as at September 28, 2015, which have not been exercised by them, including those not exercised because the respective terms have been met. The change in the plan was given a treatment for following the guidance of IFRS 2 “Share based payments”.

Stock options granted to key executives	Numbers of shares	
	2016	2015
1) Outstanding as of the beginning of the period	35,676,984	25,191,698
2) Granted during the period	—	35,526,934
3) Forfeited during the period	(1,080,000)	(18,596,806)
4) Exercised during the period	(33,812,984)	—
5) Expired at the end of the period	(109,000)	(6,444,842)
6) Outstanding at the end of the period	675,000	35,676,984
7) Vested and expected to vest at the end of the period	675,000	35,676,984
8) Eligible for exercise at the end of the period	40	412

Stock options—Impact in P&L	2016	2015	2014
	ThCh\$	ThCh\$	ThCh\$
Impact in the income statement	7,673,363	5,818,354	2,822,081

In relation to the 2016, 2015 and 2014 Retention Plans, the outstanding options as of December 31, 2016 had a weighted-average contractual life of 0.25 years, 0.25 years and 0.10 years respectively. As of December 31, 2015 those options had a weighted-average contractual life of 0.96 years (2016 plan), 0.73 (2015 plan) and 0.42 (2014 plan) as each one corresponds.

The Company utilizes a valuation model that is based in a constant volatility assumption to value its employee share options. The fair value of each option grant has been estimated, as of the grant date, using the Black Scholes option pricing model.

The expected volatility is based on market data information. The calculation consisted of the determination of the standard deviation from the Company’s historical closing stock prices during a time horizon approximated to the relevant maturity.

34 Assets and liabilities classified as held for sale; and discontinued operations

1) As of December 31, 2016, non-current assets held for sale, in accordance with the disclosures required by IFRS 5, is broken down as follows:

a) Assets and liabilities of disposal group held for sale

As of December 31, 2016 assets and liabilities held for sale were as follows:

<u>Assets</u>	<u>12/31/2016</u>
	<u>ThCh\$</u>
Current assets	
Other financial assets, current	5,011
Other non-financial assets, current	134,502
Trade receivables and other receivables	929,937
Current inventories	877,016
Total current assets	1,946,466
Non-current assets	
Trade receivable and other receivables, non-current	8,879,073
Property Plan and Equipment	43,359,091
Investment properties	2,939,242
Total non-current assets	55,177,406
Total assets	57,123,872
<u>Liabilities</u>	<u>12/31/2016</u>
	<u>ThCh\$</u>
Current liabilities	
Other financial liabilities, current	1,842,529
Other provisions, current	78,699
Current provision for employee benefits	75,319
Total current liabilities	1,996,547
Non-current liabilities	
Other non-financial liabilities, non-current	10,869,777
Accounts payables and other payables	2,802,909
Total non-current liabilities	13,672,686
Total liabilities	15,669,233

December 31, 2016 assets and liabilities classified as as non-current assets classified as held for sale is detailed as follows:

b) Sale of non-strategic pieces of land in Chile

As of December 31, 2016, date of close of these financial statements, the Company remains committed to the plan of sale of undeveloped land in Chile. The process has been planned, defined and structured in conjunction with the Property and Shopping Divisions Management.

The assets included in this plan correspond to assets classified among Properties Plant and Equipment and Investment Property items, whose book value is expected to be recovered through the future sale, rather than continuing to use them within business units that the company operates. The sale of these assets is considered highly probable, and is expected to be materialized during the next twelve months. Key management has initiated an active program with the necessary actions to conclude agreements of significant conditions, such as the price and timing of the transactions with unrelated third parties, and finally sell them within the defined term.

The Company has made a number of administrative and operational plans to finalize the sale and has commissioned exclusively to the brokerage society “colliers” the task to market those assets. This company has extensive expertise in real estate and finance sectors.

Non-current assets and liabilities classified as held for sale as of December 31, 2016 are presented as follows:

Property, plant and equipment; and investment property held for sale	12/31/2016
	ThChS
Land	16,570,947
Fixed assets under leasing agreements	5,414,316
Facilities	348,921
Buildings	5,511
Furnitures and other assets	4,456,863
Total property, plant and equipment	26,796,558
Other financial liabilities, current and non-current - Leasing	(3,860,775)
Investment property	2,939,242

Detailed assets, classified as held for sale, have been recognized at the lower of carrying amount and fair value less costs to sell, from the moment of the reclassification.

c) Gas stations - Colombia

Colombian gas stations, previously reported under the “supermarkets” segment in our financial statements, have been included within the assets and liabilities held for sale as of December 31, 2016 and are presented as follows:

Gas stations - Colombia	12/31/2016
	ThChS
Other non financial assets, current	134,502
Trade receivables and other receivables, current	312,416
Inventories, current	877,016
Property, plant and equipment	16,562,533
Trade payables and other payables, current	(2,802,909)
Other provisions, current	(78,699)
Current provision for employee benefits	(75,319)
Net value of the gas stations classified as held for sale	14,929,540

The Company determined a plan for the sale of these assets, for which is expected to be completed in one year.

2) Sale of the Banco Paris business

On December 15, 2016, a contract was signed for the sale and transfer of assets and for the transfer and assumption of liabilities between Banco Paris and Banco Scotiabank Chile, where Banco Paris sells, and transfers to Scotiabank a set of mortgage loans granted By Banco Paris to different debtors, a set of assets originated in the acquisition of mortgage bonds issued by Banco Paris under the terms of Chapter 9-1 of the updated SBIF and II. A.1 of the Compendium of Financial Regulations of the Central Bank of Chile and other financial investments made by Banco Paris, all of them net of the corresponding provisions. The sale, assignment and transfer of the assets subject to this instrument will be perfected on the closing date, as this term will be defined later by the parties.

Assets and liabilities held for sale allocated within the Banco Paris business are presented according to the following detail:

Banco Paris	12/31/2016 ThCh\$
Other financial assets, current	5,011
Trade receivables and other receivables, current	617,521
Trade receivables, non-current	8,879,073
Other financial liabilities, current	(1,495,227)
Other financial liabilities, non-current	(7,356,304)
Net value of Banco Paris classified as held for sale	650,074

3) Sale of the financial retail segment in Chile

On May 1, 2015 the transaction for which Scotiabank Chile acquired 51% of the division of retail financial services of Cencosud SA was completed. As a result, the companies CAT Administradora de Tarjetas S.A., Operadora de Procesos S.A., Servicios Integrales S.A, and CAT Corredores de Seguros y Servicios S.A. were deconsolidated as of that date.

The transaction was valued at US \$ 280 million (ThCh\$ 169,845,372) and includes a commitment from BNS to finance 100% of the loan portfolio of retail financial business. As of December 31, 2015 the Company has recognized a gain of ThCh\$ 61,372,533 within the consolidated statement of profit and loss by function, under the “ Profit from discontinued operations “ line. The generated profit includes ThCh\$ 30,144,477 corresponding to the benefit related to the measurement at fair value of non-controlling interest in subsidiaries held after the sale.

a) Results of discontinued operations for the year ended December 31, 2015:

Statement of profit and loss by function - Discontinued operations	12/31/2015 ThCh\$	12/31/2014 ThCh\$
Revenues from ordinary activities	60,759,616	201,825,995
Cost of sales	(20,400,024)	(55,799,003)
Gross Margin	40,359,592	146,026,992
Other revenues by function	436,450	190,554
Sales, general and administrative expenses	(12,971,018)	(55,459,874)
Other expenses by function	(4,400,196)	(13,670,330)
Other gains	61,376,274	35,340

Statement of profit and loss by function - Discontinued operations	12/31/2015	12/31/2014
	ThCh\$	ThCh\$
Results from operating activities	84,801,102	77,122,682
Finance income	131,448	259,620
Finance expenses	(14,354,550)	(38,952,554)
Exchange differences	2,760,915	(19,198,679)
Gain from indexation	(38,046)	(4,969,932)
Results from operating activities before income tax	73,300,869	14,261,137
Income Tax	(2,683,876)	(1,599,496)
Net profit for the period	70,616,993	12,661,641

d) Cash flows from (used in) discontinued operations

For the year ended	12/31/2015	12/31/2014
	ThCh\$	ThCh\$
Net cash from (used in) operating activities	(107,449,303)	14,583,058
Net cash from (used in) investing activities	169,095,101	1,996,104
Net cash from (used in) financing activities	35,258,696	(80,580,490)

35 Environmental matters

As of December 31, 2016 and 2015, the Company has not made disbursements related to the protection of the environment, and there are no future commitments with regards to this matter.

36 Sanctions

At December 31, 2016 and December 31, 2015 the Superintendence of Securities and Insurance and other administrative authorities have not applied sanctions to the Company or its Directors

37 Subsequent events

Between the date of issuance of these consolidated financial statements and the filing date of this report, management is not aware of any other subsequent events that could significantly affect the consolidated financial statements.

Subsidiaries

Company name	Country	Controlling Stake
Cencosud Retail S.A.	Chile	99.9624%
Easy Retail S.A.	Chile	99.9264%
Cencosud Internacional Ltda.	Chile	100.0%
Cencosud Shopping Centers S.A.	Chile	100.0%
Comercial Food And Fantasy Ltda.	Chile	90.0%
Costanera Center S.A.	Chile	100.0%
Cencosud Fidelidad S.A.	Chile	100.0%
Banco Paris S.A.	Chile	100.0%
Mercado Mayorista P y P Ltda.	Chile	90.0%
Cencosud (Shanghai) Trading Co., Ltd	China	100.0%

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/RULE 15d-14(a) UNDER
THE EXCHANGE ACT

I, Jaime Soler, certify that:

1. I have reviewed this annual report on Form 20-F of Cencosud S.A.;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
 4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
 5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.
-

Date: April 28, 2017

By: /s/ Jaime Soler

Jaime Soler
Chief Executive Officer

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/RULE 15d-14(a) UNDER
THE EXCHANGE ACT

I, Rodrigo Larrain, certify that:

1. I have reviewed this annual report on Form 20-F of Cencosud S.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 28, 2017

By: /s/ Rodrigo Larrain
Rodrigo Larrain
Chief Financial Officer

Certification

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of Title 18, United States Code), each of the undersigned officers of Cencosud S.A. (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2016 of the Company (the "Form 20-F") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jaime Soler

Name: Jaime Soler
Title: Chief Executive Officer
Date: April 28, 2017

/s/ Rodrigo Larrain

Name: Rodrigo Larrain
Title: Chief Financial Officer
Date: April 28, 2017
