

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

Form 20 -F/A  
(Amendment No. 1)

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, 2015

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  
+56 (2) 2959-0545

(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

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, 2015: 2,828,723,963 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, or non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

U.S. 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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## EXPLANATORY NOTE

This Form 20-F/A (the “Amended Filing”) is being filed by Cencosud S.A. (the “Company” or “Cencosud”) to amend its Annual Report on Form 20-F for the year ended December 31, 2015 (the “Original Filing”), filed with the Securities and Exchange Commission (the “SEC”) on April 15, 2016, to set forth (i) certain Item 3 disclosures, to replace the corresponding disclosures in the Original Filing in their entirety, and (ii) Item 4 and Item 5 to replace Item 4 and Item 5 in their entirety, respectively, in the Original Filing.

The portions of Item 3 filed herein, as well as Item 4 and Item 5 of this Amended Filing, are filed to correct certain clerical errors relating to the disclosure of certain figures therein. We have also included updated certifications required by the filing of the Amended Filing.

Other than the foregoing, no other changes have been made to the Original Filing, and all other items remain unchanged from the Original Filing. The Original Filing, as amended by the Amended Filing, speaks as of the original filing date of the Original Filing, and does not reflect events that may have occurred subsequent to the original filing date of the Original Filing.

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### Item 3. Key Information

#### 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. 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. Our inability to respond effectively to competitive pressures and changes in the retail markets could have a material adverse effect on us, including as a result of our losing market share.

##### *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. 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.

***Our growth in recent years has been due to a series of significant acquisitions that are not likely to be repeated in future periods.***

We may not be able to successfully execute our growth strategy through acquisitions as done in the past. As a result of the consolidation that has occurred in the retail industry, a significant component of our growth in recent years has occurred through acquisitions. In particular, we acquired various supermarket and department store chains in recent years, including Paris in Chile in 2005, GBarbosa in Brazil in 2007, Wong in Peru in 2008, Perini, Super Familia and Bretas in Brazil in 2010, Cardoso in Brazil and Johnson in Chile in 2011, and Prezunic in Brazil and Carrefour's supermarket operations in Colombia in 2012. See "Item 4. Information on the Company—A. History and Development of the Company—History." As noted above, we believe that further consolidation is likely to occur in the industries in which we operate. However, some of our principal competitors are larger than we are and are likely to be better positioned to take advantage of strategic acquisition and consolidation opportunities. We cannot assure you that in the future there will be continued availability of suitable acquisition candidates at favorable prices and upon advantageous terms and conditions or that we will be able to compete with our competitors for any future acquisitions. As a result, our growth rate is likely to be significantly lower than it has been in recent years, which may have a material adverse effect on us.

***A failure to successfully integrate acquired businesses may have a material adverse effect on us.***

Over the past several years, we have completed a number of important acquisitions and may continue to make acquisitions in the future. We believe that these acquisitions provide strategic growth opportunities for us. Achieving the anticipated benefits of these acquisitions will depend in part upon our ability to integrate these businesses in an efficient and effective manner. The challenges involved in successfully integrating acquisitions include: we may find that the acquired company or assets do not further our business strategy, that we overestimated the expected benefits to be derived from the acquisitions, we discover new contingencies not identified through the due diligence process, or that economic conditions have changed, all of which may result in a future impairment charge; we may have difficulty integrating the operations and personnel of the acquired business and may have difficulty retaining the customers and/or the key personnel of the acquired business; we may have difficulty incorporating and integrating acquired technologies into our business; our ongoing business and management's attention may be disrupted or diverted by transition or integration issues and the complexity of managing diverse locations; we may have difficulty maintaining uniform standards, controls, procedures and policies across locations; an acquisition may result in litigation from terminated employees of the acquired business or third parties; and we may experience significant problems or liabilities associated with technology and legal contingencies of the acquired business. These factors could have a material adverse effect on us, particularly in the case of a larger acquisition or multiple acquisitions in a short period of time. Our inability to successfully integrate our acquisitions could have a material adverse effect on us.

***The expansion of our business through acquisitions poses risks that may reduce the benefits we anticipate from these transactions.***

As part of our business strategy in the past, we have grown significantly through acquisitions. Any future decision to pursue an acquisition is based on our belief that such acquisition will complement our business strategy and grow our business. We currently do not have any plans for acquisitions and do not anticipate any acquisitions in the near future, however, our management is unable to predict whether or when any prospective acquisitions will occur, or the likelihood of a certain transaction being completed on favorable terms and conditions. If we decide to pursue an acquisition in the future, our ability to do so successfully will depend on many factors, including our ability to identify acquisitions, the ability to negotiate favorable transaction terms and our ability to finance any such acquisition from internal or external sources. Even if we are able to identify acquisition targets and obtain the necessary financing to make these acquisitions, it is possible that the cost of doing so, taken together with possible adverse market conditions and resulting loss of revenues or net income, could financially overextend us.

Acquisitions also expose us to the risk of successor liability relating to litigation, tax claims or other actions involving an acquired company, its management or contingent liabilities incurred before the acquisition. The due diligence we conduct in connection with an acquisition, and any contractual guarantees or indemnities that we receive from the sellers of acquired companies, may not be sufficient to protect us from, or compensate us for, actual or potential liabilities. Any material liability associated with an acquisition could have a material adverse effect on us, including our reputation, and reduce the benefits of such acquisition.

***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, as occurred in Chile with the denial by the *Tribunal de Defensa de la Libre Competencia* (the Chilean Antitrust Court) of the merger between Distribucion y Servicio D&S S.A. ("D&S") and Falabella in January 2008. Peru does not currently apply such controls, but we cannot assure you that it will not impose them in the future. Accordingly, our ability to expand our business through acquisitions in Chile, Argentina, Brazil, Peru and Colombia may be limited.

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. 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 2013, 2014 and 2015, 27.7%, 28.0% and 27.7% 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, 2015, supplier allowances and promotional incentives amounted to 16.1% of costs in our supermarket division, 9.4% of costs in our home improvement division and 5.7% of costs for our department store division. For the years ended December 31, 2015, the amount of these allowances and promotional incentives amounted to Ch\$1,299,604 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. As part of our strategy for growth, we are considering a possible separation of our Shopping Centers Division, primarily of those in Argentina, Chile, Peru and Colombia. 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.

***The potential separation of our Shopping Centers Division may face certain challenges and may not result in the expected benefits.***

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 would, as per our current plans, primarily involve shopping centers in Argentina, Chile, Peru and Colombia. This operation would involve the development of a plan for investment in additional expansions and new projects with the proceeds obtained from such separation. The Company currently expects that it would maintain a majority position in the resulting entity. 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.

Our decision to pursue the separation will depend on a number of factors, including market conditions and our ability to obtain any necessary regulatory approvals. Although we currently plan to keep a majority interest in the resulting entity, our financial profile will change upon the separation of the Shopping Centers Division from the Company's other businesses. Furthermore, we cannot guarantee that the separation will result in the intended benefits, such as growth and expansion.

***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. 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, 2015, 2014 and 2013 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.

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 38.4%, 35.8% and 33.2% of our total sales in 2015, 2014 and 2013, 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. 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, 2015, notional amounts in cross currency swaps with different counterparties stood at approximately U.S.\$ 1.9 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. The Argentine government requires importers to maintain a balance of payments requiring them to export equivalent amounts of merchandise. In response to that we have succeeded in placing Argentine made products throughout our stores in the markets in which we operate. Since 2002 the Argentine government has imposed duties on the exports of various primary and manufactured products, including some of those that are sold in our stores. Such duties have undergone significant increases, reaching a maximum of 35% for certain items. We cannot assure you that there will not be further increases in the export taxes or the new export or import taxes or quotas will not be imposed by the government of Argentina or that similar measure could be taken by other countries in which we operate.

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, 2015, approximately 40.9% 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."

***Cyber security***

Our security platform allows us to manage user identities, allocate resources to users and secure access to corporate resources. Our 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.

Cyber-attack detection systems are currently in place, including fire walls and intrusion prevention systems. We have deployed antivirus solutions for endpoints and servers, antispam and antivirus for corporate e-mail and a web filtering solution to secure internet access. Security infrastructure is deployed in Chile, Argentina, Peru, Brazil and Colombia. Additionally, different levels of penetration testing are executed periodically to validate the strength of the perimeter defense and suggest improvements measures if necessary.

During the last five years we have been working on a plan to incrementally adopt the requirements and best practices of the Payment Card Industry in order to increase controls around the cardholder data and reduce credit card fraud via its exposure.

All of our distribution centers have a backup network link, uninterruptible power supply and emergency power systems in order to be protected from link cuts and main power disruptions. We also use a daily data backup system and have service contracts in place to repair any hardware failures.

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.

***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. Peru is exposed to recurring flooding and mudslides due heavy rain due attributable to the El Niño phenomenon. 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.

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. 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, increased from 22.5% in 2015, to 24% in 2016. Further increases up to 27% are expected for the coming years. The Tax Reform changed 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. The Tax Reform Act was amended in February, 2016, but the key changes and impact of the reform remained.

***New tax reform legislation in Peru and Colombia may affect the operating results of, and reduce the amount of dividends we receive from, our Peruvian and Colombian subsidiaries.***

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 but also 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 increased 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.

In December 2014, Colombia's legislative branch approved a tax reform bill that came into effect on January 1, 2015. According to the new tax bill, Colombian companies will have to pay an annual wealth tax (between 0.2% and 1.5%, depending on the taxable base) and a higher CREE income tax (3% surcharge for the 2015, 2016, 2017 and 2018 tax years). The resulting increase in the tax liability of our Colombian subsidiaries is expected to decrease the amount of income available for dividends.

***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."

**Risks Related to Chile**

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

37.6%, 36.3% and 36.9% of our revenues from ordinary activities in the years ended December 31, 2015, 2014 and 2013, 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. Chile was also involved in an international litigation with Peru regarding maritime borders, which was resolved in 2013 at the international court at The Hague, and has had other conflicts with neighboring countries in the past. 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 4.4% during 2011, inflation of 1.6% in 2012, inflation of 3.0% in 2013, inflation of 4.9% in 2014 and inflation of 4.4% in 2015 according to the Central Bank 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, 2015, approximately 14.9% 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.

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

The Chilean 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 against the U.S. dollar. The value of the Chilean peso against the U.S. dollar may continue to fluctuate significantly in the future. See “Item 10. Additional Information—D. Exchange Controls—Foreign Exchange Controls—Chile” and “Item 3. Key Information—A. Selected Financial Data—Exchange Rates—Chile.”

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, 2015, after cross currency swaps and forward exchange agreements that fully hedge against the variation between the Chilean peso and the U.S. dollar, 31.7% 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.

***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. In light of the executive branch of the Chilean government having majority support at both houses of the Chilean Congress, we expect that the proposed bill will be approved as drafted or under some amended form following debate of the bill in both houses. A revised version of the bill has been approved by the Senate, but may face constitutional challenges and must be reconciled with the version of the bill that was passed in the lower house. It was expected that the bill would be approved by the end of the first quarter of 2016, though the reconciliation process will likely delay final approval and implementation of the reforms.

The draft the proposed bill contemplates several amendments to the existing labor framework in Chile, including, among other points:

- Expanding collective bargaining power to certain employees who were prevented from exercising this right, such as apprentices, temporary workers and others.
- Recognizing unions as the only party entitled to exercise collectively bargaining rights on behalf of the workers.
- Extending benefits obtained by a union in the course of a negotiation to any worker joining that union after the negotiation has concluded. The extension of said benefits to employees would be contingent to the assent of each union.
- Using collective bargaining agreements currently in effect as a floor for the negotiation of new conditions of employment. The financial situation of the company or business as of the date of discussions for a new agreement would not have any bearing on ongoing negotiations.
- Curtailing the employer's right to replace workers participating in a strike with current or new employees while the strike is taking place creating an obligation for unions to provide the personnel required to comply with "minimum services" through "emergency teams."
- Expanding the matters that may be subject to collective bargaining agreements, allowing the negotiation of more flexible workdays, adaptable systems and others.
- Allowing unions to annually request information regarding the remunerations and duties associated with each category of employees from large companies.

Approval and implementation of the proposed bill, which increases the collective bargaining power of labor unions, or similar reforms may have adverse effects on our overall employment and operating costs and may increase the likelihood of business disruptions on our various activities in Chile, which could negatively affect our financial results.

**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. There is no way to foresee if this trend will continue in the future. 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, including: (i) the elimination of the requirement to register foreign exchange transactions in the AFIP's Exchange Transactions Consultation Program, (ii) the elimination of the requirement of mandatory repatriation and conversion of foreign debt into Pesos; however, such repatriation and conversion are required in the foreign exchange market to repay such debt and interest thereon, (iii) the reestablishment of Argentine residents' right to purchase foreign currency up to the limit of U.S.\$ 2.0 million monthly for general savings and investments purposes, (iv) the reduction of the requirement of a mandatory, non-transferable and non-interest-bearing deposit of US Dollars equal to 30% of the inflowing amount for 365 calendar days term in connection with certain transactions involving foreign currency inflows, (v) the reduction of the minimum stay period, from 365 days to 120 calendar days (counted as from the date on which the funds are transferred to Argentina and converted into Pesos) in connection with foreign loans and portfolio investments and (vi) the elimination of the requirement of a minimum holding period (72 business hours from the time of the deposit of the Securities in the transferor's account) for purchases and subsequent sales of the securities in a foreign currency. Notwithstanding the foregoing, the minimum stay period is not applicable to primary issuances of bonds or other securities that are listed in a stock Exchange. In cases of partial or total prepayment of principal of foreign financial indebtedness, access to the foreign exchange market is admitted subject to the prior compliance with the minimum stay period mentioned in (v). In addition, on December 17, 2015, because certain restrictions were lifted, the Peso devalued against the U.S. Dollar considerably.

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. 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. After 2013, foreign currency restrictions in Argentina became more stringent in a government effort to curb their drain. However, the reforms implemented by the new administration since December 2015 have eased many restrictions on the purchase and transfer of foreign currency. Now the Peso floats against the US Dollar in the foreign exchange market with limited intervention by the Central Bank.

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. For this reason, GDP and inflation rates for the year 2015 have yet to be disclosed.

Although Argentina has reached an agreement with a significant portion of holdout creditors of its foreign debt, such agreement has not closed yet and remains subject to Congressional approval and approval by the relevant New York courts. Therefore, there is a certain degree of uncertainty regarding Argentina's future ability to access the international capital markets. The aforementioned factors in conjunction with less favorable prices for Argentina's main agricultural exports could have a negative effect on economic growth and could have a material adverse effect on us.

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.

Argentina's 2001 default and its failure to fully restructure its sovereign debt and fully negotiate with the holdout creditors may limit Argentina's ability to reenter the international capital markets. Litigation initiated by holdout creditors as well as claims with the International Centre for Settlement of Investment Disputes (ICSID) have resulted and may continue to result in judgments against the Argentine government which, if not paid, could prevent Argentina from obtaining credit from multilateral organizations. Judgment creditors have sought and may continue to seek attachment orders or injunctions relating to assets of Argentina that the government intended for other uses.

During February 2016, the Macri administration announced preliminary agreements with several groups of holders of defaulted debt (including NML Capital Ltd, the fund managed by Elliott, Aurelius Capital, Davidson Kempner and Bracebridge Capital), which is subject to two conditions: first, obtaining approval by the Argentine Congress (including repealing of local laws that restrict payments to holdouts), and second, the lifting of the so-called *pari passu* injunctions. So far, the House of Representatives of the Congress has approved the bill to close the transaction with the holdout creditors. The Senate is scheduled to vote on the bill in the first week of April. Thereafter, Argentina contemplates a capital raise in the global financial markets, which would be used to fund the payments. Upon payment (which shall take place on or before April 14), the injunctions entered several years ago against Argentina by Judge Thomas P. Griesa would automatically dissolve if Judge Griesa's indicative ruling of February 19 is converted into a final order vacating the injunctions. This settlement, if consummated, together with other agreements in principle with other holdout bondholders, resolves over 85% of the claims of those with "*pari passu*" and "*me-too*" injunctions.

However, there are still holdouts that did not reach an agreement with Argentina. As a result of this continuing and potential future litigation, as well as the injunctions issued by the United States courts preventing bondholders from receiving their interest payments on the bonds issued pursuant to the 2005 and 2010 exchange offers and the related subsequent events, the Argentine Government may not have the financial resources necessary to implement reforms and foster economic growth, which, in turn, could have a material adverse effect on the country's economy.

***There are concerns about the accuracy of the Argentine INDEC's measurements and thus its impact on us.***

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 has been criticized by economists and investors after its initial report found prices rising well below expectations. These events have 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 new measure revealed consumer prices increased at a 24% rate in 2014. The Macri administration replaced the authorities of INDEC and it is in the process of implementing a new methodology. INDEC is yet to issue the results for 2015. Prior to the suspension of the indexes, the consumer prices showed an 11.9% increase, from January to October, 2015. The new INDEC Director, Mr. Jorge Todesca, is expected to make substantial changes to the Institute methods and thus, produce more reliable statistics.

***Intervention by the Argentine government in the Argentine economy has increased and may have a direct impact on our prices and sales.***

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 300 products in supermarkets and in the home improvement industry. 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.

## **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, 2013, 2014 and 2015 our operations in Brazil represented 19.8%, 20.1% and 15.3% 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, the value of the Real fell to a record low of 4.0065 per U.S. dollar. Brazil's gross domestic product, in real terms, grew 1.8% in 2012 and 2.7% in 2013 and 0.1% in 2014, and decreased 3.85% in 2015. 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. Brazil's political scenario is further complicated by calls for impeachment of President Dilma Rousseff.

The 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 2015, inflation measured by the Brazilian consumer price index (Índice de Preços ao Consumidor), or IPCA, reached 10.67%, above the upper limit of 6.5%, established by the Brazilian monetary council. In 2016, the Brazilian monetary policy will continue to use the IPCA as reference for the inflation target. The inflation target for 2016 is set at 4.5%, allowing 2 percentage points below or above this target, which is similar to the target for 2015. If the Central Bank's assessment is that inflation will be above this target, it may raise interest rates. In 2016, factors that may adversely affect consumer inflation are, among others, the further depreciation of the Real against global benchmark currencies, a possible decision by the Brazilian federal government to raise utility prices (such as electricity tariffs) and potential tax increases. The inflation rate of administered prices has been decelerating and will, most likely, be the main driver of the moderate slowdown expected in 2016.

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, 11.75% in 2014 and 14.25% in 2015, 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. Hydrological conditions in late 2007 and early 2008 have been poor, particularly impacting reservoir levels in the northeastern and southeastern regions of Brazil. More recently, Brazil has experienced record heat levels in January 2014 which, coupled with a prolonged lack of rain, have left hydroelectric reservoirs at low levels. In 2015, Brazil increased the energy prices by as much as 50% in certain parts of the country, which led to an increase in our energy costs. The recurrence in the future of unfavorable hydrological conditions could lead to the implementation of broad electricity conservation programs or further 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, inflation and unemployment, could have a material adverse effect on us.***

Our operations in Peru represented 7.9%, 8.7% and 9.1% in 2013, 2014 and 2015, 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, which has exercised and continues to exercise substantial influence over many aspects of the private sector, and by other economic, social and political developments in Peru, including devaluation, currency exchange controls and economic growth. Previous Peruvian governments have imposed controls on prices, exchange rates, local and foreign investment and international trade, restricted the ability of companies to dismiss employees, expropriated private sector assets and prohibited the remittance of profits to foreign investors.

In the past, Peru has 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. A return to a high inflation environment would also undermine Peru's foreign competitiveness, with negative effects on the level of economic activity and employment and on us.

General elections in Peru are expected to take in place in April 2016, and presidential and congressional elections may impact the development of certain industries, affect the interpretation of existing legislation or result in the enactment of additional regulations, actions or agencies, which may result in changes in regulations in Peru that adversely affect our business.

***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 5.7% in 2012 and depreciated against the U.S. dollar by 9.6% in 2013, 6.7% in 2014 and 2.6% in 2015. 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.

## **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 9.7%, 10.2% and 8.3% of total consolidated revenues for 2013, 2014 and 2015, 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 and 3.2% in 2015.

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. Colombia was the United States' 22<sup>nd</sup> largest supplier of goods imports in 2013. U.S. goods imports from Colombia totaled \$21.6 billion in 2013, \$14.2 billion in 2014 and \$9.9 billion in 2015. U.S. imports from Colombia are down 6.5% since 2011 (pre-FTA). U.S. imports to Colombia accounted for 1.0% of overall imports in 2013. 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 *guerilla*, 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.

***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 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.

***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 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, 4.6% for 2014 and 6.67% in 2015. 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**

***Our ADSs have a limited trading history and market volatility may affect our stock price and the value of your investment.***

Our ADSs began to trade on the New York Stock Exchange on June 22, 2012, and as a result have a limited trading history. We cannot predict the extent to which investor interest in our company will maintain an active trading market on the NYSE, or how liquid that market will be in the future. 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, the Chile Electronic Stock Exchange and the Valparaíso 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 40.0% 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 60.0% of our shares, through Inversiones Quinchamali Ltda., Inversiones Latadía Ltda. and Inversiones Tano Ltda, as of the date of this annual report. A disposition 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.”

***Our recent transformation as a U.S. public company may increase our costs and disrupt the regular operations of our business.***

Our initial public offering has had a significant transformative effect on us. We have incurred and expect to incur additional legal, accounting, reporting and other expenses as a result of having an ADS program. We will also incur costs which we have not incurred previously, including, but not limited to, increased costs and expenses for directors’ fees, increased directors and officers insurance, increased investor relations, and various other incremental costs related to having an ADS program traded in the United States.

We also anticipate that we will incur costs associated with corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, as amended, as well as rules implemented by the Securities and Exchange Commission (the “SEC”) and NYSE. We expect these rules and regulations to increase our legal and financial compliance costs and make some management and corporate governance activities more time-consuming and costly. These rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. This could have a material adverse impact on our ability to recruit and bring on a qualified independent board. We cannot predict or estimate the amount of additional costs we may incur as a result of these requirements or the timing of such costs.

***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 Depositary 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 Depositary 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 Depositary for the ADSs could be materially and adversely affected. Cash distributions made in respect of the ADSs are received by the Depositary in Chilean pesos, are then converted by the Depositary into U.S. dollars at the then prevailing exchange rate and distributed to the holders of ADSs. In addition, the Depositary 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 Depositary will attempt to sell such owners’ preemptive rights and distribute the net proceeds of the sale (net of the depositary’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, ongoing 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—Present***

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, Goias 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.

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, once they were approved, 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 would, as per our current plans, primarily involve shopping centers in Argentina, Chile, Peru and Colombia. This operation would involve the development of a plan for investment in additional expansions and new projects with the proceeds obtained from such separation. The Company currently expects that it would maintain a majority stake in the entity. Any transaction ultimately undertaken with respect thereto will be subject to 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 11th, 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 Cruz Verde.

On March 1, 2016 Cencosud announced the sale of 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, totaling UF 4,275,000 (approximately U.S.\$160 million).

### **Principal Capital Expenditures for Organic Expansion**

Capital expenditures totaled Ch\$ 171,606 million, Ch\$227,423 million and Ch\$317,710 million for the years ended December 31, 2015, 2014 and 2013, 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 794,592 square meters of gross leasable area as of December 31, 2015, and we also offer private label credit cards, consumer loans and limited financial services to our retail customers.

For the year ended December 31, 2015, we had 1,180 stores and shopping centers with an aggregate of 4,416,704 square meters of selling space and had assets of Ch\$ 10,110,725 million, liabilities of Ch\$ 6,139,913 million, net earnings attributable to controlling shareholders of Ch\$ 231,985 million, and shareholders’ equity of Ch\$ 3,970,812 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 1,180 as of December 31, 2015 and the total selling space of our retail stores and shopping centers from 1,433,838 to 4,416,704 square meters as of December 31, 2015. In addition, over the same period, we completed several strategic acquisitions that have significantly increased the size and geographic scope of our operations.

In February 2014, we revised our internal corporate management structure to capitalize on the synergies between our retail business lines, consolidating the management of all of our retail business lines (Supermarkets, Department Stores, and Home Improvement) into one division under a new Corporate Retail Managing Director. This reorganization is expected to facilitate the exchange of better business practices among our business lines and divisions across the various countries in which we operate.

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, 2015:

|                         | Chile      | Argentina  | Brazil     | Peru       | Colombia   | Total        |
|-------------------------|------------|------------|------------|------------|------------|--------------|
| Supermarkets            | 245        | 286        | 222        | 90         | 101        | 944          |
| Home improvement stores | 35         | 50         | 0          | 0          | 10         | 95           |
| Department stores       | 79         | 0          | 0          | 9          | 0          | 88           |
| Shopping centers        | 25         | 22         | 0          | 4          | 2          | 53           |
| <b>Total</b>            | <b>384</b> | <b>358</b> | <b>222</b> | <b>103</b> | <b>113</b> | <b>1.180</b> |

In summary, highlights of our commercial activities include:

- 1,180 stores and shopping centers as of December 31, 2015.
- 4,416,704 square meters of selling space as of December 31, 2015.
- A total of 5.8 million active credit cards issued and U.S.\$1.8 billion in credit card operations as of December 31, 2015

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, 2015 |           |           |         |          |
|---|------------------------------|-----------|-----------|---------|----------|
|   | Chile                        | Argentina | Brazil    | Peru    | Colombia |
|   | (in millions of Ch\$)        |           |           |         |          |
| Revenues from ordinary activities (continuing operations) | 4,135,882                    | 3,260,877 | 1,682,600 | 995,222 | 916,758  |
| Gross profit  | 1,197,464                    | 1,169,679 | 365,632   | 249,431 | 195,906  |

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 944 supermarkets throughout Chile, Argentina, Brazil, Peru and Colombia as of December 31, 2015, 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, 2015, the second largest in Argentina and the largest in 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, 2015 we operated a total of 245 supermarkets in Chile under the Santa Isabel and Jumbo brands. We operate 286 supermarkets under Jumbo, Disco and Super Vea brands in Argentina, as of December 31, 2015.

In Brazil, as a result of our acquisitions, we are now the fourth-largest supermarket operator in terms of revenues, according to the ABRAS. Our operations in Brazil comprise 222 supermarkets. According to Nielsen, we are the largest supermarket operator in Peru in terms of sales, with 90 stores as of December 31, 2015.

In Colombia we are the third largest player in the food retailing industry according to Nielsen data as of December 31, 2015. Our operations in the country comprise 101 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, 2015. We sell a wide variety of building and other materials, including name brand and private label products. As of December 31, 2015, we have 35 Easy home improvement stores and 325,315 square meters of home improvement store selling space in Chile and 50 Easy and Blaisten home improvement stores and 383,786 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, 2015 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, 2015. 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 374,153 square meters of total selling space as of December 31, 2015 and 9 Paris stores in Peru with selling space of 45,233 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 Argentina, in terms of total leasable area based on our comparisons against publically filed information from our main competitors as of December 31, 2015. As of December 31, 2015, 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 794,592 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, 2015, we had a total of 5.8 million credit cards and other accounts in Chile, Argentina, Brazil, Colombia and Peru. As of December 31, 2015, we also had U.S.\$ 1.8 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, 2015, 2014 and 2013, 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, 2015 |                  |                   |                  |  |                     |
|-----------------------------------|------------------------------|------------------|-------------------|------------------|--|---------------------|
|                                   | Supermarkets                 | Home improvement | Department stores | Shopping centers | Financial services continuing operations | Other <sup>25</sup> |
|                                   | (in millions of Ch\$)        |                  |                   |                  |  |                     |
| Revenues from ordinary activities | 8,045,566                    | 1,469,246        | 1,051,642         | 248,026          | 165,820                                  | 11,039              |
| Gross profit                      | 2,031,199                    | 506,761          | 302,229           | 214,042          | 116,544                                  | 7,337               |

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, 2015, our brand portfolio includes the following principal brands:

|                  | SUPERMARKETS  | HOME IMPROVEMENT | DEPARTMENT STORES |
|------------------|---|------------------|-------------------|
| <b>Argentina</b> | Jumbo, Disco and Vea                                    | Easy, Blastein   | -                 |
| <b>Brazil</b>    | Prezunic, Gbarbosa, Bretas, Mercantil Rodriguez, Perini | -                | -                 |
| <b>Chile</b>     | Jumbo and Santa Isabel                                  | Easy             | Paris and Johnson |
| <b>Colombia</b>  | Jumbo and Metro   | Easy             | -                 |
| <b>Peru</b>      | 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<sup>26</sup> related to our consolidated growth for the periods presented:

|                                    | Year Ended December 31,             |            |           |
|------------------------------------|-------------------------------------|------------|-----------|
|                                    | 2015                                | 2014       | 2013      |
|                                    | (in millions of Ch\$) <sup>27</sup> |            |           |
| Number of retail stores *          | 1,127                               | 1,115      | 1,094     |
| Total store area (square meters) * | 3,622,112                           | 3,586,816  | 3,514,342 |
| Net sales *                        | 10,991,338                          | 10,176,675 | 9,640,294 |

\* Excluding shopping centers and financial services.

## 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, 2014 we owned a total of 245 supermarkets and hypermarkets in Chile operating under the 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, 2014 we operated 286 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, 2015 we operated 222 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 90 Metro and Wong hypermarkets and supermarkets at December 31, 2015. According to Nielsen, we are the 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.

<sup>25</sup> See “—Our Company” for a description of our “Other” segment.

<sup>26</sup> Number of stores and total store area excludes shopping centers and Financial Services.

<sup>27</sup> Except numbers of stores and selling space.

For the year ended December 31, 2015, our supermarkets generated revenues from ordinary activities and gross profit of Ch\$8,045,566 million and Ch\$2,031,199 million, respectively.

As noted under “Item 4. Information on the Company—A. History and Development of the Company—History” above, our supermarket operations have expanded through organic growth and several acquisitions over the past few years. The following table sets forth, for the periods indicated, the effect of the expansion of our supermarket operations:

|                                     | Year ended December 31, <sup>28</sup> |           |           |
|-------------------------------------|---------------------------------------|-----------|-----------|
|                                     | 2015                                  | 2014      | 2013      |
|                                     | (in millions of Ch\$) <sup>29</sup>   |           |           |
| Number of stores                    | 944                                   | 934       | 922       |
| Total selling space (square meters) | 2,411,305                             | 2,386,391 | 2,353,168 |
| Average sales per store             | 8,568                                 | 7,512     | 8,228     |
| Sales per square meter              | 3.35                                  | 2.40      | 2.14      |

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, |                  |                  |
|-----------------------------------|-------------------------|------------------|------------------|
|                                   | 2015                    | 2014             | 2013             |
|                                   | (in millions of Ch\$)   |                  |                  |
| Chile                             | 2,504,714               | 2,354,805        | 2,227,303        |
| Argentina                         | 2,154,753               | 1,813,585        | 1,786,933        |
| Brazil                            | 1,677,543               | 2,154,313        | 2,003,898        |
| Peru                              | 867,511                 | 836,676          | 745,470          |
| Colombia                          | 841,046                 | 999,857          | 919,390          |
| <b>Total</b>                      | <b>8,045,566</b>        | <b>8,159,237</b> | <b>7,682,994</b> |

#### Chile

At December 31, 2015, we operated 245 hypermarkets and supermarkets in Chile under the Jumbo and Santa Isabel brands, which together had 577,547 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 |         |         |
|-------------------------------------|------------------------|---------|---------|
|                                     | 2015                   | 2014    | 2013    |
| Number of stores                    | 245                    | 224     | 224     |
| Total selling space (square meters) | 577,547                | 546,236 | 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 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.

<sup>28</sup> For 2013 and 2014 average sales per store and sales per square meter exclude Colombian Supermarket operations.

<sup>29</sup> Except numbers of stores and selling space.

## Argentina

### General

We operated 286 supermarkets in Argentina at December 31, 2015, which together had 526,475 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, |         |         |
|-------------------------------------|-------------------------|---------|---------|
|                                     | 2015                    | 2014    | 2013    |
| Number of stores                    | 286                     | 290     | 290     |
| Total selling space (square meters) | 526,475                 | 529,428 | 524,921 |

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 3,000 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.

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, 2015, we operated 222 stores in Brazil that together had 611,363 square meters of total selling space. In addition to these, we also operate 140 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, 2015, our supermarkets in Brazil generated revenues from ordinary activities of Ch\$1,677,543 million, representing 15.3 % of our consolidated revenues from ordinary activities for such period.

The following table sets forth certain information related to our supermarkets in Brazil <sup>30</sup> for the periods presented:

|                                     | Year ended December 31, |         |         |
|-------------------------------------|-------------------------|---------|---------|
|                                     | 2015                    | 2014    | 2013    |
| Number of stores                    | 222                     | 219     | 221     |
| Total selling space (square meters) | 611,363                 | 602,194 | 596,746 |

*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 Familia Comercial de Alimentos Ltda., operator of the Super Familia 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 Familia 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. We agreed to pay the purchase price of R\$18 million (approximately U.S.\$11.3 million or Ch\$5,429 million) in three installments, 60% on the closing of the transaction, 20% on the six-month anniversary of the closing date and the remaining 20% on the first year anniversary of the closing date. 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, 2015, we operated 90 Wong and Metro hypermarkets and supermarkets in Peru which together had 269,526 square meters of total retail selling space. For the year ended December 31, 2015, our stores in Peru generated revenues from ordinary activities of Ch\$ 867,511 million, representing 7.9% 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, |         |         |
|-------------------------------------|-------------------------|---------|---------|
|                                     | 2015                    | 2014    | 2013    |
| Number of stores                    | 90                      | 87      | 87      |
| Total selling space (square meters) | 269,526                 | 261,700 | 259,360 |

As of December 31, 2015, 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.”

<sup>30</sup> Excluding Eletro-show stores and pharmacies operating under the GBarbosa brand. See “—Other Operations—Electronic Stores” and “—Other Operations—Pharmacies.”

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

|                                     | Year ended December 31, |         |         |
|-------------------------------------|-------------------------|---------|---------|
|                                     | 2015                    | 2014    | 2013    |
| Number of stores                    | 101                     | 100     | 100     |
| Total selling space (square meters) | 426,393                 | 425,196 | 425,908 |

As of December 31, 2015 the hypermarkets we operated in Colombia had an average selling space of 4,222 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.

*Hypermarkets*. 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 hypermarket operations in Colombia, Cencosud also operates hypermarkets 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 promotional strategies for its clients and is aimed at those that value price without neglecting quality.

*Supermarket*. Our supermarkets 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.

#### 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, 2014, we operated 93 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, 2015, 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, 2015, our home improvement stores generated revenues from ordinary activities and gross profit of Ch\$ 1,469,246 million, Ch\$ 506,761 million, respectively.

Our home improvement operations have expanded through organic growth and several acquisitions 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, |         |         |
|-------------------------------------|-------------------------|---------|---------|
|                                     | 2015                    | 2014    | 2013    |
| Number of stores                    | 95                      | 93      | 89      |
| Total selling space (square meters) | 791,421                 | 779,606 | 757,074 |

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, |                  |                  |
|--|-------------------------|------------------|------------------|
|  | 2014                    | 2013             | 2012             |
| (in millions of Ch\$)                    |                         |                  |                  |
| <b>Revenues from ordinary activities</b> |                         |                  |                  |
| Chile                                    | 494,849                 | 465,520          | 448,703          |
| Argentina                                | 910,920                 | 692,925          | 682,010          |
| Colombia                                 | 63,476                  | 67,171           | 46,177           |
| <b>Total</b>                             | <b>1,469,246</b>        | <b>1,225,616</b> | <b>1,176,890</b> |

## Chile

In Chile, we operate our home improvement store business through 35 Easy home improvement stores. For the years ended December 31, 2015, 2014 and 2013, Easy home improvement stores in Chile generated revenues from ordinary activities of Ch\$ 494,849 million, Ch\$465,520 million and Ch\$ 448,703 million, respectively, representing 4.5%, 4.3% and 4.4% 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, |         |         |
|-------------------------------------|-------------------------|---------|---------|
|                                     | 2015                    | 2014    | 2013    |
| Number of stores                    | 35                      | 33      | 32      |
| Total selling space (square meters) | 325,315                 | 313,500 | 307,853 |

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, 2015, 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 50 Easy and Blaisten home improvement stores, which had 383,786 square meters of total selling space as of December 31, 2015. For the year ended December 31, 2015, our home improvement stores in Argentina generated revenues from ordinary activities of Ch\$ 910,920 million, representing 8.3% 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, |         |         |
|---|-------------------------|---------|---------|
|   | 2015                    | 2014    | 2013    |
| Number of stores                                  | 50                      | 50      | 48      |
| Total selling space (square meters) <sup>31</sup> | 383,786                 | 383,786 | 373,490 |

Our home improvement business in Argentina has expanded rapidly over the past few years, primarily through the acquisition of four former Home Depot stores in 2002 and nine Blaisten stores in 2008. At December 31, 2015, our Easy and Blaisten home improvement stores in Argentina have an average of 7,676 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, 2015 we operated 10 Easy home improvement stores. For the year ended December 31, 2015, our Easy home improvement stores in Colombia generated revenues from ordinary activities of Ch\$63,476 million, representing 0.6% of our consolidated revenues from ordinary activities for such period. Nine of our Easy home improvement stores are located in Bogota and one is located in the city of Medellin.

<sup>31</sup> Methodology for the calculation of selling space was modified in 2013 to exclude aisles and cashier space.

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

|                                     | Year ended December 31, |        |        |
|-------------------------------------|-------------------------|--------|--------|
|                                     | 2015                    | 2014   | 2013   |
| Number of stores                    | 10                      | 10     | 9      |
| Total selling space (square meters) | 82,320                  | 82,320 | 75,733 |

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 clothing products (including clothes for women, men and children, shoes and accessories) which represent approximately 55% of Paris' sales, as well as of household goods, electronics and technology products which represent the other 45% of Paris' sales, each as of December 31, 2015. As of December 31, 2015, 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, 2015, we also believe we have the largest selling space for department stores in Chile.

As of December 31, 2015, we operated 79 department stores in Chile, which together had 374,153 square meters of total selling space. In Peru, our Paris store operations comprise 9 stores with 45,233 square meters of selling space. For the years ended December 31, 2015, 2014 and 2013, our department stores generated revenues from ordinary activities of Ch\$1,051,642 million, Ch\$ 991,442 million and Ch\$ 970,360 million, respectively, representing 9.6%, 9.3% and 9.6% 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, |         |         |
|-------------------------------------|-------------------------|---------|---------|
|                                     | 2015                    | 2014    | 2013    |
| Number of stores                    | 79                      | 79      | 77      |
| Total selling space (square meters) | 374,153                 | 375,586 | 371,891 |

#### Chile

Our Paris and Johnson department stores in Chile have an average selling area of 4,736 square meters.

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, Rainforest, Greenfield, Suburbia, Muv, Fes, Yoko and Aussie, 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, |        |        |
|-------------------------------------|-------------------------|--------|--------|
|                                     | 2015                    | 2014   | 2013   |
| Number of stores                    | 9                       | 9      | 6      |
| Total selling space (square meters) | 45,233                  | 45,232 | 32,208 |

Our Paris department stores operations in Peru were launched in 2013 and have an average selling area of 5,026 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 of 794,592 square meters as of December 31, 2015. 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, |                |                |
|--|-------------------------|----------------|----------------|
|  | 2015                    | 2014           | 2013           |
|  | (in millions of Ch\$)   |                |                |
| <b>Revenues from ordinary activities</b> |                         |                |                |
| Chile                                    | 134,018                 | 120,734        | 112,838        |
| Argentina                                | 86,134                  | 66,589         | 69,297         |
| Peru                                     | 18,867                  | 17,438         | 14,555         |
| Colombia                                 | 9,007                   | 10,089         | 8,642          |
| <b>Total</b>                             | <b>248,026</b>          | <b>214,850</b> | <b>205,332</b> |

#### *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.

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 62 and 63 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, 2015.

| Chile        | Number of Malls | GLA Total | GLA                            |                   |
|--------------|-----------------|-----------|--------------------------------|-------------------|
|              |                 |           | Third Party<br>(square meters) | GLA Related Party |
| Mega Center  | 1               | 152,667   | 115,740                        | 36,927            |
| Regional     | 1               | 117,920   | 74,559                         | 43,362            |
| Neighborhood | 8               | 471,603   | 221,502                        | 250,102           |
| Power Center | 15              | 359,025   | 19,407                         | 339,618           |

#### *Argentina*

Cencosud is the leader in the shopping center industry in Argentina in terms of GLA that totaled over 700,000 square meters in the country, with 22 shopping centers with 96.7% 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. Since 2002, we have also actively worked to promote this flow with the launch of our Aventura family entertainment centers. 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, 2015.

| Argentina    | <u>Number of Malls</u> | <u>GLA Total</u> | <u>GLA Third Parties</u><br>(square meters) | <u>GLA Related Parties</u> |
|--------------|------------------------|------------------|---|----------------------------|
| 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                      |
| <b>Total</b> | <b>22</b>              | <b>747,894</b>   | <b>277,203</b>                              | <b>470,691</b>             |

#### *Peru*

In Peru, Cencosud owns and operates four malls, with a GLA of 123,144 square meters, 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, 2015:

| Peru         | <u>Number of Malls</u> | <u>GLA Total</u> | <u>GLA Third Parties</u><br>(square meters) | <u>GLA Related Parties</u> |
|--------------|------------------------|------------------|---|----------------------------|
| 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                      |
| <b>Total</b> | <b>4</b>               | <b>123,144</b>   | <b>71,191</b>                               | <b>51,953</b>              |

#### *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 34,604 square meters of GLA.

| Colombia     | <u>Number of Malls</u> | <u>GLA Total</u> | <u>GLA Third Parties</u><br>(square meters) | <u>GLA Related Parties</u> |
|--------------|------------------------|------------------|---|----------------------------|
| Local        | 2                      | 34,604           | 14,991                                      | 19,613                     |
| <b>Total</b> | <b>2</b>               | <b>34,604</b>    | <b>14,991</b>                               | <b>19,613</b>              |

### Financial Services

#### *General*

Our financial services division was established in 2003 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. We rolled out a single Cencosud brand for our credit cards throughout our operations in South America, which will allow us to take a greater advantage of the “Cencosud” brand as well as to achieve greater operational efficiencies, and will make us able to consolidate under one common database all relevant information for our customers. Through this strategy, we expect 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, 2015, 35.9% of total sales in department stores, 15.4% in hypermarkets, 5.2% in supermarkets and 22.3% in home improvement stores, were paid with one of our credit cards. As of December 31, 2015, we had over 5.8 million active credit card accounts. Our financial services operations also include joint ventures in Brazil and Colombia and an insurance brokerage in 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, 2015:

|  | Year ended December 31, |                |               |
|--|-------------------------|----------------|---------------|
|  | 2015                    | 2014           | 2013          |
|  | (in millions of Ch\$)   |                |               |
| <b>Revenues from ordinary activities (continuing operations)</b> |                         |                |               |
| Chile <sup>32</sup>  | 3,074                   | 330            | 0             |
| Argentina  | 103,034                 | 67,796         | 44,740        |
| Brazil <sup>33</sup>   | 5,057                   | 3,843          | 3,983         |
| Peru   | 49,001                  | 42,814         | 25,347        |
| Colombia <sup>34</sup>   | 5,654                   | 8,095          | 7,581         |
| <b>Total</b>   | <b>165,820</b>          | <b>122,878</b> | <b>81,651</b> |

***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 20 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, and in Colombia with Banco Colpatria. Compared to Chile, the card's market penetration is less pronounced in other countries, such as Peru where it has been available for three years and for one year under the name of Banco Cencosud Peru.

***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).

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:

<sup>32</sup> Joint venture with Scotiabank since May 2015.

<sup>33</sup> Joint venture with Banco Bradesco.

<sup>34</sup> Joint venture with Colpatria.

- 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*

In Chile we operate our financial services 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 Card credit card ( *Cartão Cencosud* ) 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                                      |              | 2013           |              |
|                            | Sales                                     | %            | Sales          | %            |
|                            | (in millions of Ch\$, except percentages) |              |                |              |
| Hypermarkets               | 293,222                                   | 17.5%        | 276,449        | 17.6%        |
| Supermarkets               | 69,978                                    | 6.2 %        | 74,470         | 6.8%         |
| Home Improvement           | 115,262                                   | 20.7%        | 109,803        | 20.5%        |
| Department Stores          | 400,536                                   | 43.6%        | 426,533        | 46.0%        |
| <b>Total</b> <sup>35</sup> | <b>926,946</b>                            | <b>21.2%</b> | <b>933,639</b> | <b>21.7%</b> |



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

|   | <u>Year ended December 31,</u>                   |                |
|---|--|----------------|
|   | <u>2014</u>                                      | <u>2013</u>    |
|   | <u>(in millions of Ch\$, except percentages)</u> |                |
| <b>Portfolio Status</b>                             |  |                |
| Performing <sup>36</sup>                            | 351,532  | 406,239        |
| Past due:   |  |                |
| 31-89 days  | 18,425   | 20,542         |
| 90-180 days   | 14,752   | 17,106         |
| 181-365 days  |  |                |
| <b>Total</b>  | <b>384,709</b>                                   | <b>443,888</b> |
| Over 365 days and legal proceedings <sup>37</sup>   |  |                |
| Loan loss allowance as % of past due loans          | 61.9%  | 77.01%         |
| Loan loss allowance as % of all loans <sup>38</sup> | 5.3%   | 6.53%          |

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

|  | <u>Year ended December 31,</u>                   |             |
|--|--|-------------|
|  | <u>2014</u>                                      | <u>2013</u> |
|  | <u>(in millions of Ch\$, except percentages)</u> |             |
| Non-performing loans as % of total loans       | 8.6%   | 8.48%       |
| Total write-offs                               | 41,382   | 57,018      |
| Average monthly write-offs as % of total loans | 0.9%   | 1.07%       |

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."

#### *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, 2014 and 2013, our insurance activities in Chile generated revenues from ordinary activities of Ch\$ 2,414 million, Ch\$11,438 million and Ch\$ 21,513 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, 2015, we had issued 1.3 million active credit cards. For the year ended December 31, 2015, revenues from our proprietary cards in Argentina represented 0.9% 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 Vea, and Easy in Argentina and the percentage that such sales represent of each store's total sales for the periods presented:

<sup>35</sup> Includes value added taxes.

<sup>36</sup> Performing loans not past due more than 30 days.

<sup>37</sup> Entire portfolio written off. These claims are subject to a 100% allowance.

<sup>38</sup> Loan loss allowance does not include Ch\$3,533 million of anti-cyclical provisions.

|                            | Year ended December 31,                   |              |                |              |                |              |
|----------------------------|---|--------------|----------------|--------------|----------------|--------------|
|                            | 2015                                      |              | 2014           |              | 2013           |              |
|                            | Sales                                     | %            | Sales          | %            | Sales          | %            |
|                            | (in millions of Ch\$, except percentages) |              |                |              |                |              |
| Supermarkets (Jumbo)       | 135,639                                   | 19.4%        | 115,071        | 20.8%        | 131,306        | 23.9%        |
| Supermarkets (Disco & Vea) | 119,203                                   | 6.0%         | 90,474         | 5.4 %        | 92,378         | 5.5 %        |
| Supermarkets (Jumbo)       | 230,810                                   | 23.7%        | 158,058        | 21.3%        | 141,033        | 21.2%        |
| <b>Total</b>               | <b>485,653</b>                            | <b>13.3%</b> | <b>363,604</b> | <b>12.2%</b> | <b>364,717</b> | <b>12.6%</b> |

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,                   |       |       |
|--|---|-------|-------|
|  | 2015                                      | 2014  | 2013  |
|  | (in millions of Ch\$, except percentages) |       |       |
| Non-performing loans as % of total loans       | 4.2%                                      | 3.8%  | 3.8%  |
| Total write-offs                               | 7,252                                     | 7,104 | 7,226 |
| Average monthly write-offs as % of total loans | 0.23%                                     | 0.30% | 0.36% |

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

| Portfolio Status                                  | Year ended December 31,                   |                |                |
|---|---|----------------|----------------|
|   | 2015                                      | 2014           | 2013           |
|   | (in millions of Ch\$, except percentages) |                |                |
| Performing <sup>39</sup>                          | 255,829                                   | 211,947        | 163,092        |
| Past due:   |   |                |                |
| 31-89 days  | 8,072                                     | 5,855          | 4,471          |
| 90-180 days                                       | 3,140                                     | 2,590          | 1,524          |
| 181-365 days                                      | —   | —              | 0.81           |
| <b>Total</b>                                      | <b>267,041</b>                            | <b>220,392</b> | <b>169,088</b> |
| Over 365 days and legal proceedings <sup>40</sup> |   |                |                |
| Loan loss allowance as % of past due loans        | 71.7%                                     | 94.6%          | 93.8%          |
| Loan loss allowance as % of all loans             | 3.0%                                      | 3.6%           | 3.3%           |

#### 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, 2015, 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.

<sup>39</sup> Performing loans not past due more than 30 days.

<sup>40</sup> Entire portfolio written off. These claims are subject to a 100% allowance.

As consideration for Banco Bradesco's rights under this agreement, Banco Bradesco agreed to pay up to R\$300 million including an upfront payment of R\$100 million and two other R\$100 million payments that are subject to reaching certain goals with respect to Cencosud credit card revenues. Additionally, 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, 2015, we had approximately 1.233 million active credit card accounts in Brazil.

In the year ended December 31, 2015, 0.05% 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.

Profits or losses derived from this joint venture are distributed equally between the parties on a quarterly basis. This joint venture has a term of five years from 2012 being automatically extendable for an additional one year if neither party notifies the other six months prior to the original termination date. Our financial services operations have a total of 577 thousand active credit cards in Colombia.

### **Peru**

We aim to provide financial solutions to our customers in order to make our private label cards the primary form of payment used in our supermarkets 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 608 thousand active credit cards in Peru. In addition to our private label cards, Cencosud offers Visa and Mastercard credit cards. Currently 85.0% of our portfolio is under this type of card.

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

| <b>Portfolio Status</b>                    | <b>Year ended December 31,</b>                   |               |
|--|--|---------------|
|  | <b>2015</b>                                      | <b>2014</b>   |
|  | <b>(in millions of Ch\$, except percentages)</b> |               |
| <b>Performing</b>                          | 88,527   | 64,189        |
| <b>Past due:</b>                           |  |               |
| 31-89 days                                 | 3,525  | 3,564         |
| 90-180 days                                | 3,554  | 2,142         |
| 181-365 days                               | 94   | 27            |
| <b>Total</b>                               | <b>95,701</b>                                    | <b>69,923</b> |
| <b>Over 365 days and legal proceedings</b> |  |               |
| Loan loss allowance as % of past due loans | 83%  | 83%           |
| Loan loss allowance as % of all loans      | 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,                   |              |                |              |               |              |
|----------------------------|---|--------------|----------------|--------------|---------------|--------------|
|                            | 2015                                      |              | 2014           |              | 2013          |              |
|                            | Sales                                     | %            | Sales          | %            | Sales         | %            |
|                            | (in millions of Ch\$, except percentages) |              |                |              |               |              |
| Department Stores          | 22,742                                    | 32.6%        | 16,428         | 35.4%        | 4,556         | 26.6%        |
| Supermarkets               | 108,042                                   | 11.1%        | 91,246         | 15.5%        | 77,164        | 14.5%        |
| <b>Total</b> <sup>41</sup> | <b>130,784</b>                            | <b>14.8%</b> | <b>107,674</b> | <b>17.9%</b> | <b>81,720</b> | <b>14.5%</b> |

## Other Operations

### *Electronic stores*

As of December 31, 2015 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, 2015, 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.

### *Pharmacies*

We also operated 51 pharmacies in Brazil under the GBarbosa brand as of December 31, 2015, which are located inside or adjacent to our GBarbosa supermarkets. At December 31, 2015, 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.

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.

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 includes the transfer of assets and leasing of the stores for a period of 10 years starting in March 2016.

### *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, 2015, 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, 2015, 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.

<sup>41</sup> Includes value added taxes.

### Entertainment centers

In Chile and Argentina, we operate twelve 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, 2015, 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 Umbrale, 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, 2015, we had over three million active loyalty members in Chile, and as of the same date, 73% 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<sup>42</sup>, for the periods indicated.

|                   | Year ended December 31,                   |              |                  |            |                  |            |
|-------------------|---|--------------|------------------|------------|------------------|------------|
|                   | 2015                                      |              | 2014             |            | 2013             |            |
|                   | Sales<br>(W/tax)                          | %            | Sales<br>(W/tax) | %          | Sales<br>(W/tax) | %          |
|                   | (in millions of Ch\$, except percentages) |              |                  |            |                  |            |
| Supermarkets      | 2,989,119                                 | 74.5%        | 1,673,103        | 84%        | 1,570,694        | 83%        |
| Home Improvement  | 501,122                                   | 63.4%        | 442,895          | 68%        | 436,352          | 65%        |
| Department Stores | 1,130,978                                 | 74.2%        | 922,445          | 79%        | 933,451          | 80%        |
| <b>Total</b>      | <b>4,621,220</b>                          | <b>73.0%</b> | <b>4,172,197</b> | <b>75%</b> | <b>4,021,670</b> | <b>74%</b> |

<sup>42</sup> Percentage that such sales represent of total sales by each of our stores in Chile.

## Argentina

In Argentina we also offer our Jumbo Más and Vea Ahorro loyalty programs. As of December 31, 2015, we had almost two million loyalty club members in Argentina and, as of the same date, 61% 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<sup>43</sup> by each of our divisions in Argentina, for the periods indicated.

|              | Year ended December 31,                           |              |                  |              |                  |              |
|--------------|---|--------------|------------------|--------------|------------------|--------------|
|              | 2015  |              | 2014             |              | 2013             |              |
|              | Sales<br>(W/tax)                                  | % (1)        | Sales<br>(W/tax) | % (1)        | Sales<br>(W/tax) | % (1)        |
|              | (in millions of nominal Ar\$, except percentages) |              |                  |              |                  |              |
| Supermarkets | 16,518  | 61.0%        | 13,457           | 59.2%        | 9,615            | 55.5%        |
| <b>Total</b> | <b>16,518</b>                                     | <b>61.0%</b> | <b>13,457</b>    | <b>59.2%</b> | <b>9,615</b>     | <b>55.5%</b> |

## 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<sup>44</sup> by each of our divisions in Peru, for the periods indicated.

|                   | Year ended December 31,                  |              |                  |              |                  |              |
|-------------------|--|--------------|------------------|--------------|------------------|--------------|
|                   | 2015                                     |              | 2014             |              | 2013             |              |
|                   | Sales<br>(W/tax)                         | %            | Sales<br>(W/tax) | %            | Sales<br>(W/tax) | %            |
|                   | (in millions of S/., except percentages) |              |                  |              |                  |              |
| Supermarkets      | 108,042                                  | 11.1%        | 95,196           | 9.6%         | 81,070           | 9.3%         |
| Department Stores | 22,742                                   | 32.6%        | 16,428           | 35.4%        | 4,556            | 26.6%        |
| <b>Total</b>      | <b>130,784</b>                           | <b>12.5%</b> | <b>111,624</b>   | <b>11.3%</b> | <b>85,626</b>    | <b>10.1%</b> |

## 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 72% 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.

The following table sets forth certain information regarding our loyalty program sales<sup>45</sup> by each of our divisions in Colombia, for the periods indicated.

|                  | Year ended December 31, |              |                  |              |
|------------------|-------------------------|--------------|------------------|--------------|
|                  | 2015                    |              | 2014             |              |
|                  | Sales (W/tax)           | %            | Sales (W/tax)    | %            |
| Supermarkets     | 3,524,785               | 71.7%        | 3,438,902        | 64.4%        |
| Home Improvement | 227,879                 | 56.9%        | 210,276          | 48.1%        |
| <b>Total</b>     | <b>3,752,664</b>        | <b>70.8%</b> | <b>3,649,178</b> | <b>63.6%</b> |

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 40% of our sales coming from loyalty members in the last two months of 2015.

## 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").

<sup>43</sup> Percentage that such sales represent of total sales by each of our stores in Argentina.

<sup>44</sup> Percentage that such sales represent of total sales by each of our stores in Peru.

<sup>45</sup> Percentage that such sales represent of total sales by each of our stores in Colombia.

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. We are currently considering strategic alternatives for this business.

As of December 31, 2015, Banco Paris served more than 44,193 individual customers, with loans outstanding to approximately 690 debtors, including approximately 593 mortgage loans and 97 credit card accounts. At the same date, Banco Paris had 43 time deposits and 43,501 saving accounts.

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.

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,                                 |                |                |
|--|---|----------------|----------------|
|  | 2015  | 2014           | 2013           |
|  | (in millions of Ch\$, except percentages) <sup>46</sup> |                |                |
| <b>Portfolio Status</b>                    |   |                |                |
| Performing <sup>47</sup>                   | 8,756   | 214,332        | 239,986        |
| Past due:                                  |   |                |                |
| 31-89 days                                 | 757   | 8,549          | 4,375          |
| 90-180 days <sup>48</sup>                  | 366   | 6,620          | 2,996          |
| + 180 days                                 | 556   | 499            | 456            |
| <b>Total</b>                               | <b>10,435</b>   | <b>230,000</b> | <b>247,813</b> |
| Loan loss allowance as % of past due loans | 10%   | 85%            | 79%            |
| Loan loss allowance as % of all loans      | 2%  | 6%             | 3%             |

#### **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:

|   | 2015  | 2014        |
|---|---|-------------|
|   | (in millions of S.\$, except percentages) <sup>49</sup> |             |
| <b>Portfolio Status</b>                           |   |             |
| Performing <sup>50</sup>                          | 88,527  | 64,189      |
| Past due:   |   |             |
| 31-89 days  | 3,525   | 3,564       |
| 90-180 days                                       | 3,554   | 2,142       |
| 181-365 days                                      | 94  | 27          |
| Total   | 95,701  | ch\$ 69,923 |
| Over 365 days and legal proceedings <sup>51</sup> |   |             |
| Loan loss allowance as % of past due loans        | 82.8%   | 82.8%       |

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

|  | 2015   | 2014   |
|--|--|--------|
|  | (in millions of S.\$, except in percentages) |        |
| Non-performing loans as % of total loans       | 7.5%   | 8.2%   |
| Total write-offs                               | 11,406                                       | 15,889 |
| Average monthly write-offs as % of total loans | 1.0%   | 1.9%   |

<sup>46</sup> Includes activities from postponed commissions.

<sup>47</sup> 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.

<sup>48</sup> Entire portfolio written off. These claims are subject to a 100% allowance.

<sup>49</sup> Includes activities from postponed commissions.

<sup>50</sup> Performing loans not past due more than 30 days.

<sup>51</sup> Entire portfolio written off. These claims are subject to a 100% allowance.

## 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 2015 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 products are those manufactured by one company for offer under another company's brand. We carry our own private label program in both our food-retail and non-food-retail businesses, which allows us to offer a variety of products using our own portfolio of brands rather than third-party brands. The main objectives of our private label program are:

- to provide differentiation and uniqueness to our stores by offering a unique set of products available only in our stores; and
- to achieve incremental margin versus the national brands.

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.

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, 2015:

| Country      | Supermarkets-<br>Food | Supermarkets -<br>Non-Food | Home<br>Improvement | Department<br>Stores |
|--------------|-----------------------|----------------------------|---------------------|----------------------|
| Argentina    | 3.2%                  | 19.0%                      | 9.9%                | 0.0%                 |
| Brazil       | 0.9%                  | 3.3%                       | 0.0%                | 0.0%                 |
| Chile        | 6.1%                  | 28.3%                      | 15.0%               | 30.0%                |
| Colombia     | 7.1%                  | 10.2%                      | 11.0%               | 0.0%                 |
| Peru         | 9.1%                  | 28.9%                      | 0.0%                | 0.0%                 |
| <b>Total</b> | <b>4.8%</b>           | <b>17.9%</b>               | <b>12.2%</b>        | <b>30.0%</b>         |

The increase in penetration of our private label brands in the year ended December 31, 2015 from the year ended December 31, 2014 is set forth in the following table:

| Country      | Supermarkets-<br>Food | Supermarkets -<br>Non-Food | Home<br>Improvement | Department<br>Stores |
|--------------|-----------------------|----------------------------|---------------------|----------------------|
| Argentina    | +33.0%                | +5.1%                      | +22.8%              | +0.0%                |
| Brazil       | +105.4%               | -17.9%                     | +0.0%               | +0.0%                |
| Chile        | +3.0%                 | +10.2%                     | +6.8%               | +1.3%                |
| Colombia     | +4.7%                 | +21.5%                     | +36.3%              | +0.0%                |
| Peru         | +5.4%                 | +3.8%                      | +0.0%               | +0.0%                |
| <b>Total</b> | <b>+9.4%</b>          | <b>+7.7%</b>               | <b>+14.1%</b>       | <b>+1.3%</b>         |

## 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 60% of our sales at December 31, 2015.

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 fruits, vegetables and other refrigerated food categories to Santa Isabel and Jumbo stores. We use a cross-docking system for fresh products that allows fresh products to reach stores in 24 hours. Cross-docking is the practice of receiving goods at a distribution center, which are immediately consolidated with other goods for quick distribution to stores.
- 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 2,500 square meter distribution center that is used for storage and delivery of imported fresh meat.

During 2Q16, 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 SAP Warehouse Management System (“WMS”) and SAP Radio Frequency (“RF”), and can receive and store both dry and refrigerated/fresh products.

As of the second quarter of 2013, our 3,000 square meter cross-docking center in Concepcion was fully operational, servicing our 19 stores in the city, thus improving our lead time and service with smaller local trucks.

A new central refrigerated warehouse in Santiago is under construction, and is planned to initiate operation by 3Q16. This 31,000 square meter facility is an automatic sorter. It will concentrate all fresh/refrigerated products, replacing rented space and permitting the increased centralization of more product categories and increasing availability of such products.

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

In order to achieve operational efficiencies, during 2011 we increased the use of our centralized distribution system for Jumbo stores in the Santiago metropolitan region, primarily for non-perishable products and fruit and vegetables. During 2013 we finished the implementation of McKinsey’s “Lean Logistics Project,” which reviewed and rationalized our warehouse procedures. We use a SAP-based automatic replenishment system for all products stored in our distribution centers with the goal of increasing availability of products and maintaining lower inventories. During 2013 we improved our fresh products picking with Voice Picking technology obtaining a more accurate delivery.

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.

### *Argentina*

Distribution to our stores in Argentina is centralized from three distribution centers located in Buenos Aires, Cuyo and Córdoba, and a transfer site in Tucuman totaling 153,000 square meters, which together accounted for 70% of our supermarket sales in Argentina in 2015, 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 rolled out the voice picking software to the Mendoza Distribution Center. This technology gives our employees free use of their hands, thus improving their productivity and safety.

All trucks are provided by third-party companies pursuant to one- to three-year contracts.

During 2015 the Ezeiza Distribution Center in Buenos Aires was expanded by an additional 10,000 square meters and equipped with racks, in order to provide the required space for dry stock, and permit a growth of de x-dock flow (facilities with 200 or more doors, the cost-minimizing shape is an "X"). This expansion replaces rented space. The implementation of an automatic sorter is under evaluation.

In December 2013, our distribution center in the Argentine city of Cordoba was stormed and damaged in the middle of civil unrest that was occurring in the city as a product of a civil servant strike. Losses from this were partially covered by insurance, and were in our profit (loss) line for the period. No insurance payments were received during the 2013 period. This distribution center has since resumed operations.

### *Brazil*

We currently use three distribution centers for our GBarbosa stores in the north east of Brazil, totaling approximately 51,000 square meters. They are located in Aracaju (32,000 square meters), Salvador da Bahia (21,000 square meters) and Fortaleza (8,000 square meters). Our distribution centers accounted for approximately 80% of our sales as of December 31, 2015. The GBarbosa distribution centers run a dry and fresh goods stock operation. The rented distribution Center in Salvador was increased to 21,000 square meters in order to support our increased operations in the State of Bahia in 2013, and avoid expensive and bureaucratic delivery procedures for deliveries from other states. Deliveries to GBarbosa stores are made primarily through external carriers although we do own a small fleet of delivery vehicles. Home deliveries are handled entirely by external carriers.

In 1Q15 a new SAP WMS system with RF was installed and initiated operation in the Aracaju distribution center, increasing productivity and delivery accuracy.

Bretas stores in central Brazil are supported by two distribution centers, totaling approximately 40,000 square meters and a 6,000 square meters warehouse for fresh vegetables in the city of Uberlandia. The two large distribution centers are located in Belo Horizonte (30,000 square meters) and Goiania (10,000 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. Currently, the distribution centers include electronic goods for store and home delivery. Products stored in our distribution centers accounted for approximately 45% of our sales in 2015. Distribution to stores and home deliveries are made entirely by external carriers.

In the Bello Horizonte distribution center a new SAP WMS system is in the rollout phase and is planned to go live by April 2016.

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 were served by a rented distribution center. This distribution center is located in Rio de Janeiro city's center, has an area of 45,000 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. In late 2014 we terminated delivery service to nine Bretas stores from Rio de Janeiro, and resumed delivery from Bello Horizonte. This allowed us to clear areas of the Rio de Janeiro distribution center. The cleared area was used to improve the layout of the distribution center, install new racks in 1Q15 and prepare installations for inverse logistics and forklift chargers

During the fourth quarter of 2013 we completed the rollout of the SAP ERP to all of the Distribution Centers in Brazil, replacing different legacy systems.

### *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 26,248 square meter site, owned and used for the cross-docking of fresh vegetables, meat and other food products. Additional rented distribution centers add 29,200 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 third party. During the second quarter of 2013 an important upgrade of SAP warehouse management software and administrative procedures was done, achieving more speed and increasing throughput of our logistic operation in Lima.

Cross-docking of national groceries and fresh-products represents approximately 45% 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.

During 1Q15 a new 5,000 square meter distribution center was opened in Chiclayo (800km north of Lima), which operates with WMS SAP and RF, and can 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 60% 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 80,137 square meter distribution center located in Santiago that services all our Paris department stores in Chile. 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.

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.

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, which provides nine stores with click and collect. We plan to continue to roll out this new system in 2016 and continue on the path to full omnichannel functionality.

Distribution for our Paris stores in Peru is handled by a third party due to the size of the operations.

### ***Home improvement stores***

#### *Chile*

Our 90,000 square meters distribution center is located in Santiago and accounted for approximately 65% of our Easy sales in 2015. 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.

#### *Argentina*

We operate three distribution centers located in Buenos Aires for our Easy and Blaisten operations, totaling 59,000 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 45% of sales in 2015.

Transportation is handled by external carriers. Distribution center-to-store transportation and home delivery transportation contracts are negotiated every two years.

## **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 dia a dia*” (“*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 Veja supermarkets. Located mainly in the provinces, Veja 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 we have a very positive image in the eyes of our clients in the locations we operate, due to our low prices, the high quality of services we offer, and the wide range and superior quality of products. During 2014 the Company decided to take marketing to a regional level in Brazil, allowing for greater flexibility in all campaigns launched in the country to better target each core target audience. Brazil is the only country where Cencosud currently operates with regional marketing due to the structure of its operations there.

Our marketing department and external advertising agencies meet on a periodic basis to analyze and develop our marketing strategies, product development and advertising campaigns. As a result, we are able to customize and adjust our marketing strategy to local traditions and ethnical backgrounds, adding significant value. Our GBarbosa Brand sponsors traditional Brazilian northeastern celebrations of “Sao Joao” (St. John’s Day) and “Carnaval” (summer carnival).

For higher income consumers, we operate Perini supermarkets, offering a wide variety of delicatessen and premium products, and in-store produced food and pastries. Perini communication is mainly direct. Each client segment receives tailored communication, with activities and events of interest. We focus our marketing and advertising efforts on regional television advertisements, local press and also on the distribution of promotional flyers in our stores. Since a significant number of our clients are from middle- and low-income segments, and the majority is middle-aged housewives, television advertising is our main marketing tool.

We have included Cartao Cencosud (our private label card) in our advertising campaigns for GBarbosa, as it is one of the main drivers of our clients’ loyalty. In 2014, we held our anniversary sale commemorating Cencosud’s arrival to the Brazilian market. These celebrations were accompanied by special sales in selected products across our operations in Brazil. The result of these efforts was an immediate increase in traffic and sales for the products encompassed in the offers.

#### *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 both brands, acknowledging that factor as a vital driver 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. 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.

### **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 field, 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 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 for our consumers and to create long term loyalty, as well as increase sales and traffic, with the use of traditional, non-traditional and digital channels, which is fundamental in creating integrated experiences for each customer and in engaging in direct communication with our customers. Also, in line with our marketing objectives, key marketing campaigns have been implemented for supporting consumers in key issues of their lifelives, such as in Alto Las Condes with the “Best gift of your Life” campaign in generating awareness in breast cancer, our Christmas gift initiative in Chile for 11 institutions, with 40,000 gifts collected in 2015 for kids with special needs and , the Kids Day gift collection at Unicenter in 2015, among other social responsibility campaigns that are executed within 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, 2015:

|                   | <u>Chile</u>    | <u>Argentina</u> | <u>Brazil</u>   | <u>Peru</u>     | <u>Colombia</u> |
|-------------------|-----------------|------------------|-----------------|-----------------|-----------------|
| Supermarkets      | 2 <sup>nd</sup> | 2 <sup>nd</sup>  | 4 <sup>th</sup> | 1 <sup>st</sup> | 3 <sup>rd</sup> |
| Department stores | 2 <sup>nd</sup> | —                | —               | —52             | —               |
| Home improvement  | 2 <sup>nd</sup> | 1 <sup>st</sup>  | —               | —               | —               |
| Shopping centers  | 2 <sup>nd</sup> | 2 <sup>nd</sup>  | —               | —               | —               |

Source: ASACH, ABRAS, Nielsen, competitors’ press releases, and company estimates.

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

## Management Information Systems

In our Chilean supermarkets, we began the rollout of a new Point of Sale (POS) system, replacing the old IBM 4690 system of nearly 20 year old together with the systems that management of legacy promotions, which will be replaced by the most recent generations of Advance Retail Solution NCR and its Digital Promotions system for promotions. The rollout began in four locations and will continue to the rest of Chile in 2016. This platform allows us to develop massive campaigns, directed or personalized in a simple manner in order to perform a broad spectrum of promotions. Additionally, the new platform facilitates integration with future mobile solutions, supermarket e-commerce and omnichannel services. We also extended the WMS to a new distribution center in Chillan.

In 2015 we continued advancing protection of our store transactions in Chile by adopting technology that allows use of smart payment cards, known as EMV (Eurocard, MasterCard and Visa), which store data on chips rather than on magnetic strips. We plan to implement this technology in Argentine in 2016.

We have strengthened our omnichannel operations in Argentina with the complete makeover of our flagship e-commerce site in Argentina, Jumbo.com.ar. The user experience has been improved and includes response capabilities for mobile users. We also completed the implementation of the Business Intelligence solution on Teradata and MicroStrategy in Argentina, which is incorporated the system's regional platform.

In Chiclayo, Peru, we implemented a WMS that significantly improves our supply in the north the country.

In Brazil, we have focused our efforts on a search for a productivity-centered improvement in our SAP platform in order to optimize the processes and practices of the market. Nevertheless, we completed the implementation of the WMS for Gbarbosa and began a WMS project for Bretas that we expect will be completed in 2016.

The Department Stores division continued its omnichannel transformation in Chile and, in coordination with the well-known consultant, Kurt Salmon, developed a strategy and omnichannel roadmap for the implementation of important systems.

We completed the implementation of the Order Management System (OMS) of Manhattan Associates, which allows centralized management of all client orders and provides inventory visibility for the Company, and is an essential system for a large-scale omnichannel operation. This system allowed us to begin "click & collect" sales on our website. Additionally, we completed the implementation of Siebel CRM, a system for client management, which merged several call centers into one. During 2015, we completed a responsive website that allowed clients to view our website on a desktop, tablet or mobile device while preserving the content and images.

In 2015, we entered into a corporate agreement with IBM for the development of electronic commerce for Cencosud, which will primarily impact Home Improvement and Department Stores.

On the desktop front we are migrating our Collaboration and Office productivity applications to the cloud, for each of our 50,000 employees that use desktop computers or tablets and smartphones across Latin America. We selected Microsoft's Office 365 platform to handle email, workflows, enterprise social network, chat & desktop conferencing and all the usual office applications (spreadsheet, presentations and word processing) as well as unlimited backup space for each user in the cloud. The rollout of this cloud platform has been completed in Chile and is currently underway in Argentina and initiating in Brazil.

We replaced the management system for our loyalty program, which was previously outsourced, with an internal program on Oracle's Siebel Loyalty System. The adoption of this system will allow us greater flexibility in the administration of the loyalty program and will permit us to open the loyalty program to more participants.

In the Shopping Centers Division, we have finalized the implementation of a regional model for the commercial management of the divisions in Argentina, Chile, Colombia and Peru through SAP real estate. In 2015, in part for the opening of the Costanera Observation Deck, we also adopted Titan as a ticketing solution for box-office sales, web sales, supermarket kiosks and access control.

In 2015, with regard to the back office financials, we advanced the integration of all our Chilean companies with SAP FiCo, the regional solution. During 2016, we will migrate this regional platform to HANA technology in order to continue achieving efficiencies in our internal operations.

In seeking to simplify our human resources application architecture, we began the adoption of PeopleSoft for payroll administration and in 2015 the configuration of the base regional model was completed and implemented in Peru. In 2016, we will continue to rollout this model in other countries. Similarly, we advanced to the first stage of the implementation of the Cornerstone SaaS platform for training in all of our stores and in our central administration (140,000 people). This process includes a significant technological renovation of hardware in stores and will be carried out in during 2016-2017. The implementation of Cornerstone, an eLearning that tool requires an update on the computers in within the stores will be the rollout between 2016 and 2017.

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<sup>52</sup> Our Paris department stores operations are now starting up.

## Cyber security

Our security platform allows us to manage user identities, allocate resources to users and secure access to corporate resources. Our 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.

Cyber-attack detection systems are currently in place, including fire walls and intrusion prevention systems. We have deployed antivirus solutions for endpoints and servers, antispam and antivirus for corporate e-mail and a web filtering solution to secure internet access. Security infrastructure is deployed in Chile, Argentina, Peru, Brazil and Colombia. Additionally, different levels of penetration testing are executed periodically to validate the strength of the perimeter defense and suggest improvements measures if necessary.

During the last five years we have been working on a plan to incrementally adopt the requirements and best practices of the Payment Card Industry in order to increase controls around the cardholder data and reduce credit card fraud via its exposure.

All of our distribution centers have a backup network link, uninterruptible power supply and emergency power systems in order to be protected from link cuts and main power disruptions. We also use a daily data backup system and have service contracts in place to repair any hardware failures.

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.

## 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, 2015:

| Segment              | Country   | Number of stores | Area <sup>53</sup> | % Leased <sup>54</sup> |
|----------------------|-----------|------------------|--------------------|------------------------|
| Supermarkets         | Chile     | 245              | 577,547            | 60.0%                  |
| Supermarkets         | Argentina | 286              | 526,475            | 55.2%                  |
| Supermarkets         | Brazil    | 222              | 611,363            | 92.3%                  |
| Supermarkets         | Peru      | 90               | 269,526            | 47.8%                  |
| Supermarkets         | Colombia  | 101              | 426,393            | 34.7%                  |
| Home Improvement     | Chile     | 35               | 325,315            | 8.6%                   |
| Home Improvement     | Argentina | 50               | 383,786            | 22.0%                  |
| Home Improvement     | Colombia  | 10               | 82,320             | 30.0%                  |
| Department Stores    | Chile     | 79               | 374,153            | 73.4%                  |
| Department Stores    | Peru      | 9                | 45,233             | 88.9%                  |
| Shopping Centers     | Chile     | 25               | 431,207            | 98.2%                  |
| Shopping Centers     | Argentina | 22               | 277,203            | 96.7%                  |
| Shopping Centers     | Peru      | 4                | 71,191             | 95.2%                  |
| Shopping Centers     | Colombia  | 2                | 14,991             | 26.9%                  |
| Distribution Centers | Argentina | 12               | 223,000            | 23.8%                  |
| Distribution Centers | Brazil    | 9                | 157,000            | 100.0%                 |
| Distribution Centers | Chile     | 10               | 344,100            | 61.1%                  |
| Distribution Centers | Colombia  | 9                | 38,100             | 100.0%                 |
| Distribution Centers | Peru      | 6                | 82,800             | 69.8%                  |

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, 2015, we had the following undeveloped properties:

| Country   | Number of properties <sup>55</sup> | Total area (in square meters) | Ownership |
|-----------|------------------------------------|-------------------------------|-----------|
| Argentina | 72                                 | 3,279,209                     | Owned     |
| Brazil    | 24                                 | 348,003                       | Owned     |
| Brazil    | 13                                 | 114,278                       | Leased    |
| Chile     | 58                                 | 2,384,574                     | Owned     |
| Chile     | 8                                  | 306,747                       | Leased    |
| Colombia  | 3                                  | 71,681                        | Owned     |
| Peru      | 25                                 | 133,144                       | Owned     |
| Peru      | 10                                 | 21,352                        | Leased    |
| Total     | 213                                | 6,658,989                     |           |

### Intellectual Property

The principal trade names and service marks used in our business are *Jumbo*, *Jumbo Más*, *Easy*, *Más Easy*, *Santa Isabel*, *Disco*, *Vea*, *Paris*, *Más Paris*, *Paris Corredores de Seguros*, *Banco Paris*, *Johnson*, *Puntos Cencosud*, *Wong*, *Metro*, *GBarbosa*, 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

We maintain insurance policies covering, among other things, fires, earthquakes, floods, acts of terrorism and general business liability. Business interruption insurance is not currently available in Chile on terms we consider commercially attractive. 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 348.9 million, according to each country’s statistics agency as of 2015. Chile, our largest market in terms of revenues from ordinary activities, has a population of approximately 18.0 million and experienced GDP growth estimated to have expanded 4.7% in 2013, 1.8% in 2014 and 1.3% in 2015, 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 43.1 million and, according to the Central Bank of Argentina, experienced annual GDP growth of 5.3% in 2013, 0.5% in 2014 and a decrease of 0.5% in 2015, as reported by the Argentine Ministry of Economy and in 2015 from *MIS Consultores*. Brazil, our third-largest market in terms of revenues from ordinary activities, has a population of approximately 204 million and, according to the Central Bank of Brazil, experienced annual GDP growth of approximately 1.9% in 2013 and GDP contraction of -0.9% in 2014 and -5.09% in 2015. Peru has a population of approximately 31.4 million and, according to the Central Bank of Peru, experienced annual GDP growth of approximately 5.7% in 2013, 2.4% in 2014 and 3.3% in 2015. Colombia has a population of approximately 53 million and, according to the Central Bank of Colombia, experienced annual GDP growth of approximately 4.9% in 2013, 4.4% in 2014 and 3.1% in 2015.

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, 2015, 73.2% of our revenues from ordinary activities came from our supermarket operations, 13.4% came from home improvement operations, 9.6% from our department stores, 2.3% from our shopping centers and 1.5% from our financial services.

<sup>53</sup> In thousands of square meters.

<sup>54</sup> In the case of shopping centers, the percentage represents the occupancy rate.

<sup>55</sup> Includes properties where construction is ongoing and also office space and other type of properties.

|                                   | Year Ended December 31, 2015 |                  |                  |                   |  |                     |
|-----------------------------------|------------------------------|------------------|------------------|-------------------|--|---------------------|
|                                   | Supermarkets                 | Shopping centers | Home improvement | Department stores | Financial services continuing operations | Other <sup>56</sup> |
| Revenues from ordinary activities | 8,045,566                    | 248,026          | 1,469,246        | 1,051,642         | 165,820                                  | 11,039              |
| Gross profit                      | 2,031,199                    | 214,042          | 506,761          | 302,229           | 116,544                                  | 7,337               |

## The Supermarket Industry

### Chile

As of December 31, 2014, we estimate that the Chilean supermarket industry is composed of approximately 1,425 stores nationwide, including hypermarkets and supermarkets. As of December 31, 2015, total net sales by supermarkets in Chile grew by 8.5% as compared to the same period in 2014, according to the Chilean National Institute of Statistics. During the last three years, nominal same-store sales at our supermarkets grew by 1.6%, 4.3% and 4.6% in 2013, 2014 and 2015, 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 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, 2015, we estimate that the four largest supermarket operators in Chile represented over 90% of the industry in terms of net revenues. Our growth prospects in the Chilean food retailing sector are likely to depend to a large extent on future growth in Chilean GDP or acquisitions of other supermarket chains, and we cannot assure you that either 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, 2015:

|                                     | Wal-Mart Chile | Cencosud | SMU     | Falabella (Tottus) |
|-------------------------------------|----------------|----------|---------|--------------------|
| Number of stores                    | 394            | 245      | 506     | 57                 |
| Total selling space (square meters) | 934,000        | 577,547  | 586,000 | 195,812            |
| Market share <sup>57</sup>          | 38.0%          | 26.1%    | 21.5%   | 7.0%               |

Source: Public filings, INE, ASACH, Nielsen.

We estimate that Walmart Chile is the largest supermarket chain in Chile in terms of net revenues and, at December 31, 2015, it operated 394 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.

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 Montserrat for a price of U.S.\$ 44.3 million.

<sup>56</sup> See “Item 4. Information on the Company—B. Business Overview” for a description of our “Other” segment.

<sup>57</sup> As of December 31, 2014, based on reported net revenues from supermarket operations 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.

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, 2015:

|                            | Cencosud | Carrefour <sup>58</sup> | Wal-Mart <sup>59</sup> | Coto  |
|----------------------------|----------|-------------------------|------------------------|-------|
| Number of stores           | 286      | 577                     | 107                    | 120   |
| Market share <sup>60</sup> | 17.6%    | 17.7%                   | 12.4%                  | 13.0% |

Source: Public Filings, INDEC, Planet Retail.

Our main competitor in Argentina is Carrefour. At December 31, 2015, Carrefour operated 577 stores. Part of Carrefour’s competitive advantage arises from its low prices and aggressive promotional campaigns around special seasonal events coupled with a multiformat strategy.

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 2012, the twenty largest supermarket chains represented only approximately 76% of the food retail industry. According to ABRAS our stores accounted for approximately 4.6% of the gross sales of the 20 largest Brazilian food retailers in 2015. Another trend in the retail food industry is large chains migrating to smaller local and cash and carry format ( *atacarejo* ), such as Tesco Express and Sainsbury’s Local.

As set forth in the following table, according to ABRAS data, in 2015, the ten largest retailers recorded revenues of approximately R\$182 billion, conducting business in approximately 3,532 stores

| Company                              | Gross revenues |              | Number of Stores |
|--------------------------------------|----------------|--------------|------------------|
|                                      | (R\$ million)  | %            |                  |
| Companhia Brasileira de Distribuicao | 76,933         | 38.1%        | 2,181            |
| Carrefour                            | 42,702         | 21.2%        | 288              |
| Wal-Mart Brasil                      | 29,323         | 14.5%        | 485              |
| Cencosud Brasil                      | 9,268          | 4.6%         | 222              |
| Zaffari                              | 4,508          | 2.2%         | 31               |
| <b>Total</b> —five largest           | <b>162,734</b> | <b>80.7%</b> | <b>3,207</b>     |
| Irmão Muffato & Cia                  | 4,096          | 2.0%         | 44               |
| Supermercados BH                     | 3,973          | 2.0%         | 149              |
| SDBComercio                          | 3,884          | 1.9%         | 52               |
| Condor Super center Ltda.            | 3,816          | 1.9%         | 41               |
| Sonda Supermercados                  | 3,111          | 1.5%         | 39               |
| <b>Total</b> —ten largest            | <b>18,879</b>  | <b>9.4%</b>  | <b>325</b>       |

Source: ABRAS.

<sup>58</sup> Carrefour number of stores includes Express format.

<sup>59</sup> Walmart & Changomas stores are included in the number of stores.

<sup>60</sup> In terms of sales.



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.

### Peru

As of December 31, 2015, we estimate that the Peruvian supermarket industry was composed of approximately 248 stores nationwide, including hypermarkets and supermarkets. We believe supermarket penetration for the Lima metropolitan area was approximately 34 % resulting in a country average of less than 30.0%. 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 70% 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, 2015:

|                                     | <u>Cencosud</u> | <u>Supermercados<br/>Peruanos</u> | <u>Tottus<br/>(Falabella)</u> |
|-------------------------------------|-----------------|-----------------------------------|-------------------------------|
| Number of stores                    | 90              | 106                               | 52                            |
| Total selling space (square meters) | 269,526         | 288,241                           | 189,218                       |

Source: Public filings.

For the year ended December 31, 2015, we believe we were the 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, 2015. 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 retail sales including formal and informal trade and other channels, such as on-premise food outlets and drugstores, stood at COP 44.2 billion in 2015, an 11.8% increase versus 2014. 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 53 million. 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.

The following table presents certain information about us and our principal competitors in Colombia as of December 31, 2015:

|                                     | <u>Cencosud</u> | <u>Exito</u> | <u>Olimpica</u> |
|-------------------------------------|-----------------|--------------|-----------------|
| Number of stores                    | 101             | 573          | 259             |
| Total selling space (square meters) | 426,393         | 887,642      | 302,343         |

Source: Public filings.

## 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, 2015:

|                                     | <u>Sodimac</u> | <u>Cencosud</u> |
|-------------------------------------|----------------|-----------------|
| Number of stores                    | 86             | 35              |
| Total selling space (square meters) | 712,813        | 325,315         |

Source: Public filings, Internal estimates.

For the year ended December 31, 2015, 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, 2015. At December 31, 2015, Sodimac operated 86 home improvement stores with a total of 712,813 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 significant more penetration in the market than our Cencosud credit card.

### *Argentina*

We believe the Argentine home improvement industry is composed of more than 70 home improvements stores nationwide, of which we operated 50 as of December 31, 2015. 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, 2015:

|                                     | <u>Cencosud</u> | <u>Sodimac</u> |
|-------------------------------------|-----------------|----------------|
| Number of stores                    | 8               | 50             |
| Total selling space (square meters) | 83,736          | 383,786        |

Source: Falabella's public filings, internal estimates.

For the year ended December 31, 2015, 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, 2015. Our principal competitor in Argentina is also Sodimac, which operated 8 home improvement stores with a total of 83,736 square meters of selling space at December 31, 2015.

### *Colombia*

We believe the Colombian home improvement industry is the most underdeveloped in the countries where we compete. For the year ended December 31, 2015, there were 46 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, 2015:

|                                     | <u>Sodimac<br/>Home Center</u> | <u>Cencosud</u> |
|-------------------------------------|--------------------------------|-----------------|
| Number of stores                    | 36                             | 10              |
| Total selling space (square meters) | 344,324                        | 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 Mueblería 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, 2015:

|                                     | <u>Falabella</u> | <u>Cencosud</u> | <u>Ripley</u> | <u>La Polar</u> |
|-------------------------------------|------------------|-----------------|---------------|-----------------|
| Number of stores                    | 45               | 79              | 43            | 38              |
| Total selling space (square meters) | 310,210          | 374,153         | 276,080       | 153,000         |

Source: Falabella's public filings, Ripley's public filings and internal estimates.

For the year ended December 31, 2015, 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 2015, operated 45 department stores with a total of 310,210 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 2015, operated 43 department stores with a total of 276,080 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.

### 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, 2015, 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 Walmart Chile, which is in the process of selling and renting its assets), 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, 2015:

|  | <u>Gross leasable area<sup>61</sup><br/><sup>62</sup></u> | <u>Shopping Centers</u> | <u>Market share</u> |
|--|---|-------------------------|---------------------|
| GrupoPlaza (Falabella)                   | 1,199,000   | 15                      | 45.4%               |
| Parque Arauco S.A. <sup>63</sup>         | 409,500   | 10                      | 15.5%               |
| Espacio Urbano <sup>(2)</sup> (Wal-Mart) | 278,293   | 12                      | 10.5%               |
| Vivo                                     | 162,806   | 8                       | 6.2%                |
| Pasmar                                   | 162,900   | 4                       | 6.2%                |
| Cencosud <sup>64</sup>                   | 431,207   | 25                      | 16.3%               |

Source: Chilean Council of Shopping Centers and public filings by Falabella, Parque Arauco and Walmart Chile, as well as internal estimates.

At December 31, 2015, 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, 2015. As noted in the table above, our principal competitors include GrupoPlaza, 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 2015, the Argentine shopping center industry was composed of more than 37 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, 2015:

|          | <u>Gross leasable area</u> | <u>Shopping Centers</u> | <u>Market share</u> |
|----------|----------------------------|-------------------------|---------------------|
| Cencosud | 277,203                    | 22                      | 18.6%               |
| IRSA     | 338,904                    | 15                      | 22.7%               |
| Others   | 875,557                    | n.d.                    | 58.7%               |

Source: Cencosud and IRSA.

At December 31, 2015, we were the second largest shopping center operator in Argentina in terms of gross leasable space, with a market share of 18.6% based on our comparison against publically filed information from our competitor as of December 31, 2015. Our principal competitor in Argentina's shopping center market is IRSA which owns and operates the Abasto Shopping Center, Alto Palermo, Alto Avellandada, Paseo Alcorta and Patio Bullrich, among others.

### *Peru*

In 2014, we estimate the Peruvian shopping center industry was composed of more than 53 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.

The following table sets forth the market shares held by the major shopping center operators in Peru as of December 31, 2015:

|                        | <u>Gross leasable area<sup>65</sup></u> | <u>Shopping Centers</u> | <u>Market share<sup>66</sup></u> |
|------------------------|---|-------------------------|----------------------------------|
| Real Plaza (Interbank) | 607,534                                 | 18                      | 34.0%                            |
| Aventura Plaza         | 285,000                                 | 4                       | 15.9%                            |
| Open Plaza             | 277,000                                 | 10                      | 15.5%                            |
| Mega Plaza             | 221,773                                 | 10                      | 12.4%                            |
| Parque Arauco          | 137,684                                 | 6                       | 7.7%                             |
| Cencosud               | 71,191                                  | 4                       | 4.0%                             |
| Jockey Plaza           | 187,612                                 | 1                       | 10.5%                            |

Source: Company filings

Our principal shopping center in Peru is Real Plaza with leasable area of 607,534 square meters, resulting in a market share of approximately 34.0% of the shopping center market, based on gross leasable area at December 31, 2015. 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.

<sup>61</sup> In thousands of square meters.

<sup>62</sup> Wal-Mart and Cencosud areas includes area leased to related companies.

<sup>63</sup> Gross leasable area adjusted to reflect proportional ownership participation in each shopping center.

<sup>64</sup> Includes area used by affiliate companies.

<sup>65</sup> In thousands of square meters.

<sup>66</sup> Based on gross leasable area and including only the operators shown.

## 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, Brazil, Chile, Colombia and Peru. We cannot assure you that future legislative or regulatory developments will not impose restrictions on us that would be material.

### 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.

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 obtained in 1998 an insurance brokerage company authorization with the SVS and is subject to its supervision and regulations. Paris Corredores de Seguros Limitada 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.

This bill is currently pending presidential approval. At this point Cencosud does anticipate that the enactment of this bill will have a materially adverse effect on our operations or financial condition.

## **Argentina**

We and all of our subsidiaries with operations in Argentina are subject to the Consumer Protection Law. Compliance with the said law is enforced by the *Secretaría de Comercio Interior* on a national level. On the provincial and municipal level, there are numerous agencies that also enforce violations. 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 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.

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* (“INDECOLI”), the Peruvian public antitrust and consumer protection agency. Acquisitions are not subject to authorization from INDECOLI.

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. Concessionaires that operate pharmacies within some of our supermarkets are also subject to licensing and inspection by the *Dirección Regional de Medicamentos, Insumos y Drogas*. 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).

### *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 Cruz Verde. Cencosud no longer owns any pharmacies in Colombia.

### *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 (Comision de Regulacion de Energia 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.

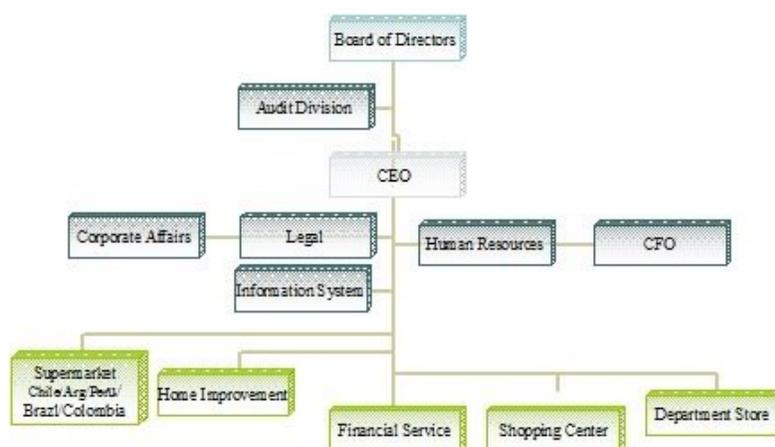
#### Regulation of Biofuel and Related Activities

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, 2015.



#### Our Subsidiaries

The following are our direct and indirect majority-owned subsidiaries as of December 31, 2015:

| Country | Controlling Stake | Chilean Tax ID number | Company name                             |
|---------|-------------------|-----------------------|--|
| Chile   | 100.0%            | 81.201.000-K          | Cencosud Retail S.A.                     |
| Chile   | 99.6%             | 96.671.750-5          | Easy S.A.                                |
| Chile   | 100.0%            | 76.568.660-1          | Cencosud Administradora de Procesos S.A. |
| 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   | 100.0%            | 76.236.195-7          | Cencosud Argentina S.P.A.                |

### D. PROPERTY , PLANTS AND EQUIPMENT

See “—B. Business Overview—Property, Plants and Equipment.”

#### 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 794,592 square meters of gross leasable area for third parties as of December 31, 2015. We also offer private label credit cards, consumer loans and limited financial services to our retail customers.



## 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 37.6% of our consolidated revenues from ordinary activities for the year ended December 31, 2015. 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 6.0% in 2011, 5.5% in 2012, 4.2% in 2013, and 1.8% in 2014 and is estimated to have grown in 2015 1.3% as reported by the Central Bank of Chile. 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, according to the Central Bank of Chile. Inflation began to accelerate during 2014 following less favorable copper prices and increased international oil prices, a lower real interest rate and expectations of monetary policy tightening in the U.S.

During 2014, the Chilean Central bank began a process of loosening monetary policy in response to weaker economic activity with the aim of boosting growth. Local output, demand and employment indicators continued to show softer dynamics in the economy during this period. These factors, in conjunction with timid global growth prospects, led the bank to cut its benchmark rate for the fourth consecutive time to 3% during its October 16, 2014 meeting. The unemployment rate was 6.28% in 2015, from 6.33% as of December 31, 2014, as internal demand cooled, from 5.98% in December 2013, and was 6.48% in December 2012, according to the Central Bank of Chile. See “Item 3. Key Information - D. Risk Factors. Risks Related to Chile.”

Chile maintains one of the highest foreign currency credit ratings in Latin America, currently rated AA- by Standard & Poor’s Financial Services LLC, (“S&P”), Aa3 by Moody’s Investors Service, Inc. (“Moody’s”) and A+ by Fitch, Inc. (“Fitch”), as of December 31, 2015. 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 29.7% of our consolidated revenues from ordinary activities for the year ended December 31, 2015. Accordingly, the Company is sensitive to macroeconomic conditions in Argentina.

From late 1998 to 2002, the Argentine economy went through an economic recession marked by reduced levels of consumption and investment and an elevated unemployment rate. As reported by the INDEC (Statistics and Census National Bureau), Argentina’s GDP decreased by 0.8% in 2000, 4.4% in 2001 and 10.9% in 2002. In December 2001, a deep economic and political crisis forced Argentina to declare a suspension on payment of its foreign debt. In early 2002, the government released the Argentine peso from its one-to-one peg to the U.S. dollar and allowed the exchange rate to float, resulting in a 49.6% devaluation of the Argentine peso from January 1, 2002 to December 31, 2002, according to the Central Bank of Argentina. From 2003 to 2010, economic indicators showed signs of recovery, guided by a competitive exchange rate, a healthier international context, higher commodity prices and expansionary fiscal and monetary policies. In 2005, Argentina completed the restructuring of most of its 2001 defaulted public debt, which in turn reduced significantly the risk premium on its outstanding bonds. The government completed negotiations to serve the remaining debt owed to the Paris Club. As a consequence, Argentina was able to decrease its public-to-GDP ratio from 139% in 2003 to around 45% in 2014, as reported by the Ministry of Economy.

According to the INDEC, the Argentine economy grew by 9.2% in 2005, 8.5% in 2006, 8.7% in 2007 and 6.8% in 2008. Due to the global financial crisis, Argentina’s GDP according to the World Bank, expanded by only 0.1% in 2009, while it showed strong signs of recovery in 2010 and 2011, growing by 9.1%, and 8.6%, respectively. During 2012 and 2013 Argentina’s GDP grew by 0.9%, and 3.0%, respectively, also according to the World Bank. According to INDEC unemployment stood at 7.2% in 2013, 8.9% in 2014 and 9.3% in 2015. As an effect of high consumption, however, the country has experienced inflation of 11% in 2010, 10% in 2011, 11% in 2012 and 10.5% in 2013, as reported by INDEC, exceeding that of other countries in South America, according to publicly available information. 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 2014 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% in 2015.

Argentina reported year over year a GDP growth of + 2.1% y / y in 2015, according to preliminary data. The Indec reported year over year growth of + 3.5% y / y in the 3T15 and, + 0.9 % y / y in the 4T15, keeping unchanged and no change in the 1H15 statistics. The figure was in line with private estimates, however, in its report the Indec reported that recalculates to 2004 and from 2004 to 2015 GDP series at current prices and constant prices of the year. The revised series will be published on June 29, along with other statistics for 1Q16.

After several years of price stability, the devaluation of the Argentine peso in January 2002 created pressures on the domestic price system that generated high inflation in 2002 before substantially stabilizing in 2003. The local interest rate, the BAIBAR, was 9.45%, 10.11%, 9.08%, 12.10% and 30.14% on December 31, 2009, December 31, 2010, December 31, 2011, December 31, 2012 and December 31, 2013, respectively, as reported by the Central Bank. The BAIBAR stood at 10.21% on September 30, 2014.

Argentina is rated SD by S&P, Caa1 by Moody's with positive outlook and RD by Fitch, as of September 30, 2015. 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 15.3% of our consolidated revenues from ordinary activities for the year ended December 31, 2015. Accordingly, the Company is sensitive to macroeconomic conditions in Brazil.

Brazil's economic and social progress between 2003 and 2014 helped lift 29 million people out of poverty and decrease inequality significantly. The income level of the poorest 40% of the population rose, on average, 7.1% (in real terms) between 2003 and 2014, compared to a 4.4% income growth for the population as a whole. However, the rate of poverty and inequality reduction has been showing signs of stagnation since 2015.

Brazil is currently going through a deep 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. The economic crisis - coupled with the political crisis now facing the country - has contributed to undermining the confidence of consumers and investors. Commodity price drops and the deterioration of investor sentiment with regard to emerging markets further exacerbated the crisis.

The realignment of regulated prices combined with the pass-through of exchange rate depreciation have caused an inflation peak in 2015 (with an inflation rate of 10.7% in December 2015 compared to 6.4% in 2014), exceeding the upper limit of the target band (4.5 ± 2%). The inflation rate of administered prices has been decelerating and will, most likely, be the main driver of the moderate slowdown expected in 2016. It is expected, however, to remain above the target ceiling for the year. Annual inflation rates are measured in Brazil through the Brazilian Extended Consumer Price Index (Índice de Preços ao Consumidor Amplo), or IPCA, that is reported by the Instituto Brasileiro de Geografia e Estatística ("IBGE").

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.

Budget rigidities and a difficult political environment are undermining the fiscal adjustment. Less than 15% of expenditures in Brazil are expected to be discretionary. Most public spending is mandatory (mandated by the Constitution or other legislation) and increases in line with revenues, nominal GDP growth, or other pre-established rules. Additionally, a large portion of revenues are earmarked for education and health. Attempts to pass legislation to increase revenue collection in the short term and address issues of a more structural nature - such as pensions - have so far fallen short of the government's intentions.

Brazil's medium-term outlook will depend on the success of the current adjustments and the enactment of further growth-enhancing reforms. Raising productivity and competitiveness is the crucial challenge for the country to achieve higher growth in the medium-term. With the recession of growth drivers over the past decade — credit-fueled consumption, labor expansion and the commodity boom — growth will need to be based on higher investments and productivity gains.

Brazil's economy tallied another profound contraction in the fourth quarter. The country remains plagued by high inflation, depressed confidence levels and low prices for export goods. Available data for the start of 2016 is also bleak: business confidence fell and the manufacturing PMI lost ground. The abysmal state of the economy combined with a large corruption scandal has rocked the government. On March 13, 2016, citizens gathered in one of the largest protests in Brazil's history to demand the resignation of President Dilma Rousseff. In Congress, the largest political party, the Brazilian Democratic Movement Party (PMDB), has stated the abandon the government's coalition from March 30, 2016.

Brazil's non-seasonally adjusted unemployment rate rose to 8.2% in February of 2016 from 7.6% in the previous month and above market forecast of 8.1%. It was the highest figure since May of 2009, as the number of unemployed increased sharply while employment fell. A year earlier, the unemployment rate was lower at 5.8%. Unemployment Rate in Brazil averaged 8.34% from 2001 until 2016, reaching an all time high of 13.10% in August of 2003 and a record low of 4.30% in December of 2013. Unemployment Rate in Brazil is reported by the IBGE.

The Brazilian economy contracted 1.4% on quarter in the last three months of 2015, slightly lower than market expectations of a 1.5% decline and following a 1.7% contraction in the previous period, marking the fourth straight quarter of contraction. Year-on-year, the GDP shrank 5.9%, bringing full 2015 contraction to 3.8%, the worst annual performance since 1991. GDP Growth Rate in Brazil averaged 0.63% from 1996 until 2015, reaching an all time high of 3.50 % in the third quarter of 1996 and a record low of -4.10% in the fourth quarter of 2008. GDP Growth Rate in Brazil is reported by the IBGE.

The central bank of Brazil left its benchmark interest rate unchanged at 14.25% for a fifth straight meeting on March 2<sup>nd</sup>, taking into account domestic and especially external risks and in spite of soaring inflation. Six of eight policymakers voted to maintain the SELIC rate (Special System for Settlement and Custody / Sistema Especial de Liquidação e Custódia) and two decided voted for a hike. Interest Rate in Brazil averaged 15.68% from 1999 until 2016, reaching an all time high of 45% in March of 1999 and a record low of 7.25% in October of 2012. The interest rate in Brazil is reported by the Banco Central do Brasil.

During the 2<sup>nd</sup> half of 2015 and the first two months of 2016, rating credit agencies, Standard & Poor's, Moody's and Fitch, have downgraded Brazil's investment credit rating. In general, the downgrade reflects the economy's deeper recession than 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+. Moody's rating for Brazil sovereign debt is Baa3. Fitch's credit rating for Brazil is BBB. In general, sovereign wealth funds, pension funds and other investors to gauge the credit worthiness of Brazil thus having a big impact on the country's borrowing costs use a credit rating.

### ***Developments in the Peruvian Economy***

Our operations in Peru accounted for 9.1% of our consolidated revenues from ordinary activities for the year ended December 31, 2015. Accordingly, the Company is sensitive to macroeconomic conditions in Peru.

According to the Central Bank of Peru, Peruvian GDP grew 5.8%, 2.4% and 3.3% in 2013, 2014 and 2015, respectively. 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 2013, 2014 and 2015 the unemployment rate was 4.2%, 4.7% and 5.7%, respectively. At its December 2015 meeting, the Central Bank of Peru moved raised the reference rate to at 34.275% in light of the monetary authority's inflation expectation of 2.0% for 2015 in order to maintain the convergence of inflation expectations that are above that target range. The CPI index increased from 2.98%, 3.2% and 4.4% in 2013, 2014 and 2015, respectively as reported by INEI. Interest rates increased during 2015 and were influenced by the growth of the reference rate in its effort to tame inflation; by the exchange rate depreciation, mixed signals on the recovery of the world economy, a fragile economic recovery among Peru's trading partners and high volatility in foreign exchange and financial markets. Interest rates were later reduced in January 2015.

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. Over the 2010-2015 period, the Peruvian economy experienced GDP growth at an average annual rate of 4.8%, and the average annual inflation rate increased to 32.38% in the same period.

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 8.3% of our consolidated revenues from ordinary activities for the year ended December 31, 2015. Accordingly, the Company is sensitive to macroeconomic conditions in Colombia.

Beginning in 2007 Colombia grew rapidly, attracting a record U.S.\$10.6 billion in foreign direct investment in 2008 according to the World Bank. However, Colombia’s credit rating was not raised to investment grade by Moody’s and S&P until 2011, when economic growth accelerated and the threat posed by guerrilla groups and organized crime receded. 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. Fitch also ratified Colombia sovereign in BBB with stable outlook.. 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.

By the end of 2015 Colombia's rating was higher than Brazil, Latin America’s largest economy, based on strong growth dynamics supported by government infrastructure programs encompassed in the “4G” plan, while noting moderate fiscal deficits. Security concerns, historically a major issue for Colombia, have not disappeared, but have been waning after several major government wins against domestic guerrilla groups. Colombia has cut its intentional homicide rate by almost half since 2002, when former President Alvaro Uribe took office, according to the World Bank, and increased investor confidence by sustaining moderate fiscal deficits, maintaining inflation stable and increasing economic growth according to Moody’s.

In October 2012 the US granted congressional approval to the implementation of the United States-Colombia Trade Promotion Agreement 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 U.S.–Colombia Trade Promotion Agreement (TPA) should have beneficial effects over both the U.S. and Colombian economies. Both economies are highly complementary according to the signatories. Between June 2012 and February 2013, compared to the previous year, two-way trade accounted for U.S.\$28.5 billion, an increase of five percent. During that period of time, U.S. exports to Colombia increased 20%, including significant increases in oil and derivatives, aircraft and parts, electric machinery, iron and steel products, cereals, soybean products and pharmaceutical products – accounting for U.S.\$11.4 billion. U.S. agricultural exports alone increased by 68% during that period.

We believe Colombia will be able to respond with both fiscal and monetary countercyclical policies if the international outlook further deteriorates. The most severe risks to the Colombian economy continue to be external; the consequences on the real economy of the sovereign debt crisis in Europe coupled with moderate growth in the United States may affect commodity prices and foreign investment inflows to emerging markets. Domestically, the most significant risk is the failure to execute important public works that are part of the set of infrastructure projects the country desperately needs and for which resources are available. See “Risk Factors – Risks Related to Colombia”

GDP growth was 4.0% in 2012, 4.9% in 2013, 4.4% in 2014, 3.1% in 2015 and the expected growth is 3.0% in 2016. Retail sales have increased 4.1% in 2012, 4.7% in 2013, 7.5% in 2014 and 6.5% in 2015 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%, 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.

Unemployment has gradually decreased in the last few years. According to the Central Bank of Colombia, the unemployment rate was 11.3%, 11.1%, 10.8%, 10.4% and 8.4% in 2009, 2010, 2011, 2012 and 2013, respectively. The unemployment rate was 11.3%, 11.1%, 10.8%, 10.4%, 9.7%, and 9.1% in 2009, 2010, 2011, 2012, 2013 and 2014, respectively. The unemployment rate was 8.9% as of December 31, 2015.

We believe one factor differentiates the Colombian recovery from its Latin American peers has 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 3.7% for 2014. However, in 2015 the inflation was higher than the Central Bank target of 6.8% 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.

Fiscal deficit has shown an increasing trend. It was 1.9% in 2012, 2.2% in 2013, 2.6% in 2014 and is estimated to have been 3.0% in 2015. This deficit has increased government debt to GDP ratios which stood at 51.7% in 2015.

In December 2014, Colombia’s legislative branch approved a tax reform bill that came into effect on January 1, 2015. According to the new tax bill, Colombian companies will have to pay an annual wealth tax (between 0.2% and 1.5%, depending on the taxable base) and a higher CREE income tax (3% surcharge for the 2015, 2016, 2017 and 2018 tax years). The resulting increase in the tax liability of our Colombian subsidiaries is expected to decrease the amount of income available for dividends.

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”

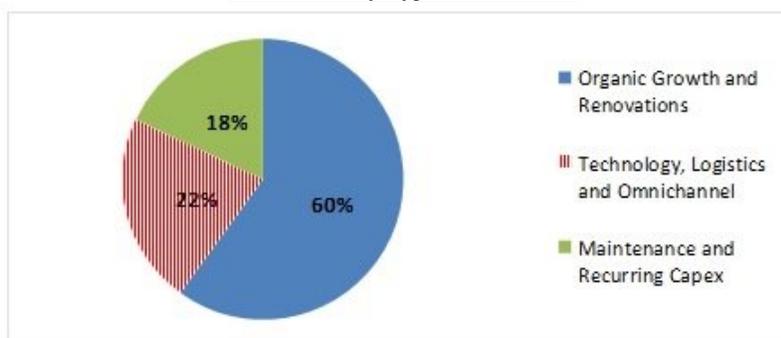
### ***Expansion activities***

A significant proportion of our expected revenue growth is based on our expansion activities, including acquisitions and organic growth. We forecast that our revenue for 2016 will be approximately U.S.\$16 billion based on the company’s expected revenue growth, due primarily to our expansion activities and growing same store sales. For the same period we expect to invest U.S.\$500 million.



The organic growth plan for the next four years (2016-2019) 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 would be eventually generated from the potential separation of the Shopping Centers Division or the sale of non-strategic assets).

**Distribution 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.

***Impact of acquisitions***

No acquisitions were made in the 2013, 2014 and 2015 fiscal periods.

***Impact of organic expansion***

During the year ended December 31, 2015, (a) in Chile, we opened seven 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; (b) in Argentina, we had a net closing of four supermarkets and reduced selling space by 2,952 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 one supermarket store and added 1,197 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 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 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 13,025 square meters; (e) in Colombia, we opened one Easy store that added selling space of 6,587. 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 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.

During the year ended December 31, 2013, we opened two supermarkets in Argentina, 10 in Chile, one in Peru, three in Colombia and 17 in Brazil. We opened six department stores in Peru and 5 home improvement stores in Colombia, four of these stores were cash & carry stores that have been refurbished and converted into home improvement stores following the Carrefour acquisition, while the same division opened one store in Argentina and one in Chile. During the year ended December 31, 2013, we also opened one shopping center in Peru.

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:

|                   | 2015         |          |          |              |              |
|-------------------|--------------|----------|----------|--------------|--------------|
|                   | Total 2014   | Openings | Closings | Acquisitions | Total 2015   |
| <b>Chile</b>      |              |          |          |              |              |
| 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          | 0        | 0        | —            | 375          |
| <b>Argentina</b>  |              |          |          |              |              |
| Supermarkets      | 290          | 1        | 5        | —            | 286          |
| Home Improvement  | 50           | 0        | 0        | —            | 50           |
| Shopping Centers  | 22           | 0        | 0        | —            | 22           |
| Total Argentina   | 362          | 0        | 0        | —            | 362          |
| <b>Brazil</b>     |              |          |          |              |              |
| Supermarkets      | 220          | 4        | 2        | —            | 222          |
| Total Brazil      | 220          | 0        | 0        | —            | 220          |
| <b>Peru</b>       |              |          |          |              |              |
| Supermarkets      | 87           | 3        | 0        | —            | 90           |
| Department Stores | 9            | 0        | 0        | —            | 9            |
| Shopping Centers  | 4            | 0        | 0        | —            | 4            |
| Total Peru        | 100          | 0        | 0        | —            | 100          |
| <b>Colombia</b>   |              |          |          |              |              |
| Home Improvement  | 100          | 3        | 2        | —            | 101          |
| Supermarkets      | 10           | 0        | 0        | —            | 10           |
| Shopping Centers  | 2            | 0        | 0        | —            | 2            |
| Total Colombia    | 112          | 0        | 0        | —            | 112          |
| <b>Total</b>      | <b>1,169</b> | <b>0</b> | <b>0</b> |              | <b>1,169</b> |

|                         | 2014         |           |          |              |              |
|-------------------------|--------------|-----------|----------|--------------|--------------|
|                         | Total 2013   | Openings  | Closings | Acquisitions | Total 2014   |
| <b>Chile</b>            |              |           |          |              |              |
| Supermarkets            | 224          | 14        | 1        | —            | 238          |
| Home Improvement        | 32           | 1         | —        | —            | 33           |
| Department Stores       | 77           | 2         | —        | —            | 79           |
| Shopping Centers        | 25           | —         | —        | —            | 25           |
| Total Chile             | 358          | 17        | 1        | —            | 375          |
| <b>Argentina</b>        |              |           |          |              |              |
| Supermarkets            | 290          | 1         | 1        | —            | 290          |
| Home Improvement        | 48           | 2         | —        | —            | 50           |
| Shopping Centers        | 18           | 4         | —        | —            | 22           |
| Total Argentina         | 356          | 9         | 1        | —            | 362          |
| <b>Brazil</b>           |              |           |          |              |              |
| Supermarkets            | 221          | 3         | 5        | —            | 220          |
| Total Brazil            | 221          | 3         | 5        | —            | 220          |
| <b>Peru</b>             |              |           |          |              |              |
| Supermarkets            | 87           | 1         | 1        | —            | 87           |
| Department Stores       | 6            | —         | —        | —            | 9            |
| Shopping Centers        | 3            | 1         | —        | —            | 4            |
| Total Peru              | 96           | 2         | 1        | —            | 100          |
| <b>Colombia</b>         |              |           |          |              |              |
| Home Improvement Stores | 9            | 1         | —        | —            | 10           |
| Supermarkets            | 100          | 2         | 2        | —            | 100          |
| Shopping Centers        | 2            | —         | —        | —            | 2            |
| Total Colombia          | 111          | 1         | 2        | —            | 112          |
| <b>Total</b>            | <b>1,142</b> | <b>13</b> | <b>8</b> |              | <b>1,168</b> |

|                   | 2013       |          |          |              |            |
|-------------------|------------|----------|----------|--------------|------------|
|                   | Total 2012 | Openings | Closings | Acquisitions | Total 2013 |
| <b>Chile</b>      |            |          |          |              |            |
| Supermarkets      | 214        | 9        | 1        | 0            | 222        |
| Home Improvement  | 31         | 1        | 0        | 0            | 32         |
| Department Stores | 77         | 1        | 2        | 0            | 78         |
| Shopping Centers  | 23         | 0        | 0        | 0            | 25         |
| Total Chile       | 345        | 11       | 3        | 0            | 357        |
| <b>Argentina</b>  |            |          |          |              |            |
| Supermarkets      | 288        | 5        | 3        | 0            | 290        |
| Home Improvement  | 47         | 1        | 0        | 0            | 48         |
| Shopping Centers  | 18         | 0        | 0        | 0            | 18         |
| Total Argentina   | 353        | 6        | 3        | 0            | 356        |
| <b>Brazil</b>     |            |          |          |              |            |
| Supermarkets      | 204        | 11       | 0        | 0            | 221        |
| Total Brazil      | 204        | 11       | 0        | 0            | 221        |
| <b>Peru</b>       |            |          |          |              |            |
| Supermarkets      | 86         | 1        | 0        | 0            | 87         |
| Department Stores | 0          | —        | —        | —            | 6          |
| Shopping Centers  | 3          | 1        | 0        | 0            | 2          |
| Total Peru        | 89         | 2        | 0        | 0            | 95         |
| <b>Colombia</b>   |            |          |          |              |            |
| Home Improvement  | 4          | 5        | 0        | 0            | 9          |

|                  |       |    |   |   |       |
|------------------|-------|----|---|---|-------|
| Supermarkets     | 96    | 4  | 0 | 0 | 100   |
| Shopping Centers | 2     | 0  | 0 | 0 | 2     |
| Total Colombia   | 102   | 9  | 0 | 0 | 111   |
| Total            | 1,091 | 39 | 6 | 0 | 1,142 |

### ***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 2015 and 2014, the value of the Chilean peso relative to the U.S. dollar depreciated approximately 17.0% and 15.7%, respectively; the Argentine Peso depreciated approximately 51.7% and 31.2% against the U.S. dollar, respectively; the Brazilian Real depreciated approximately 49.8% and 13.4% against the U.S. dollar, respectively; the Peruvian Sol depreciated approximately 14.1% and 6.7% against the U.S. dollar, respectively, and the Colombian peso depreciated 33.0% and 24.2% against the U.S. dollar, respectively. The observed exchange rate for the Chilean peso on January 2, 2016 was Ch\$710.16 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, 2015, 32% 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 2015 represented 24.1% and 27.7% 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 2015 represented 23.7% and 28.7% 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 32.7% of total sales for the year 2015, while the first quarter represented 32.7% 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 2015 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.

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 three years ended December 31, 2015, 2014 and 2013 has been restated to present the result of operations of the financial services segment in Chile as discontinued operations.

### ***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 would, as per our current plans, primarily involve shopping centers in Argentina, Chile, Peru and Colombia. This operation would involve the development of a plan for investment in additional expansions and new projects as indicated. The Company currently expects that it would maintain a majority position in the resulting entity. 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 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 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 Supermarkets in 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 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.

As of December 31, 2015 the performance of the supermarkets segment in Brazil, evidenced by meeting allocated budgets set in the second half of 2015, gives no reasons for recording any further impairment in this.

#### ***Impairment of accounts receivable***

We assesses 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 the 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, 2015 were 6.73% in Chile, 22.5% in Argentina, 7.50% in Peru and 7.66% in Colombia (at December 31, 2014: 7.09% in Chile, 22.53% in Argentina, 7.80% in Peru and 7.70% 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, 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:

|   | <b>Year Ended December 31,</b> |                    | <b>% Change</b> |
|---|--------------------------------|--------------------|-----------------|
|   | <b>2015</b>                    | <b>2014</b>        |                 |
|   | (in millions of Ch\$)          |                    |                 |
| <b>Revenues from ordinary activities:</b>                             |                                |                    |                 |
| 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%          |
| <b>Total revenues from ordinary activities</b>                        | <b>10,991,338</b>              | <b>10,711,029</b>  | <b>2.6%</b>     |
| <b>Cost of sales:</b>   |                                |                    |                 |
| Supermarkets  | (6,014,367)                    | (6,216,769)        | (3.3)%          |
| Shopping Centers  | (33,984)                       | (28,029)           | 27.6%           |
| 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)            | 9.9%            |
| <b>Total cost of sales</b>  | <b>(7,813,226)</b>             | <b>(7,827,432)</b> | <b>(0.2)%</b>   |
| <b>Gross profit:</b>  |                                |                    |                 |
| Supermarkets  | 2,031,199                      | 1,942,468          | 4.6%            |
| Shopping Centers  | 214,042                        | 186,821            | 13.7%           |
| 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)              | (730.9)%        |
| <b>Total gross profit</b>   | <b>3,178,112</b>               | <b>2,883,597</b>   | <b>10.2%</b>    |
| 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)            | 1.810.3%        |
| Exchange differences  | (116,743)                      | (24,411)           | 378.2%          |
| Losses from indexation  | (22,009)                       | (39,576)           | (44.4)%         |
| <b>Income (loss) before taxes</b>                                     | <b>219,908</b>                 | <b>277,416</b>     | <b>(20.7)%</b>  |
| 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%          |
| <b>Net profit</b>   | <b>231,985</b>                 | <b>164,146</b>     | <b>41.3%</b>    |
| Profit attributable to non-controlling shareholders                   | 44                             | (748)              | N/A             |
| Profit attributable to controlling shareholders                       | 231,941                        | 164,895            | 40.7%           |

#### *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 local peso terms, partially affected by the depreciation of local currencies (Brazilian real and Colombian peso). The largest increase in home improvement reflects the growth in same store sales (SSS) in Argentina, followed by department stores, financial service and shopping centers. The increase of revenues was offset by lower revenues from the supermarket business reflecting the impact of the Brazilian real and Colombian 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%, in that region.

### *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\$33,176 million, or 15.5%, to Ch\$248,026 million for the twelve months ended December 31, 2015, from Ch\$214,850 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) and 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 27.6%, 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 (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 last year.

### *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 last year. 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)%       |
| <b>Total losses from financial and other activities</b> | <b>(493,239)</b>      | <b>(237,843)</b> | <b>107.4%</b> |

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 exchange losses 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 <sup>67</sup> 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.

### *Profit (loss) from continuing operations*

As a result of the above factors, our net earnings 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, 2014 Compared to Year Ended December 31, 2013**

The following table presents, for the periods indicated, certain items of our statement of income:

|  | <b>Year Ended December 31,</b> |                    | <b>% Change</b> |
|--|--------------------------------|--------------------|-----------------|
|  | <b>2014</b>                    | <b>2013</b>        |                 |
|  | (in millions of Ch\$)          |                    |                 |
| <b>Revenues from ordinary activities:</b>                      |                                |                    |                 |
| Supermarkets   | 8,159,237                      | 7,682,994          | 6.2%            |
| Home improvement stores  | 1,225,616                      | 1,176,890          | 4.1%            |
| Department stores  | 991,442                        | 970,360            | 2.2%            |
| Shopping centers   | 214,850                        | 205,332            | 4.6%            |
| Financial services   | 117,679                        | 81,651             | 44.1%           |
| Other  | 2,205                          | 16,932             | (87.0)%         |
| <b>Total revenues from ordinary activities</b>                 | <b>10,711,029</b>              | <b>10,134,158</b>  | <b>5.7%</b>     |
| <b>Cost of sales:</b>  |                                |                    |                 |
| Supermarkets   | (6,216,769)                    | (5,782,590)        | 7.3%            |
| Home improvement stores  | (800,342)                      | (787,402)          | 1.6%            |
| Department stores  | (741,279)                      | (701,530)          | 5.7%            |
| Shopping centers   | (28,029)                       | (23,341)           | 20.1%           |
| Financial services   | (39,046)                       | (25,938)           | 50.5%           |
| Other  | (1,967)                        | (3,451)            | (43.0)%         |
| <b>Total cost of sales</b>                                     | <b>(7,827,432)</b>             | <b>(7,324,252)</b> | <b>6.7%</b>     |
| <b>Gross profit:</b>   |                                |                    |                 |
| Supermarkets   | 1,942,468                      | 1,900,404          | 2.9%            |
| Home improvement stores  | 425,275                        | 389,487            | 9.2%            |
| Department stores  | 250,163                        | 268,830            | (6.9)%          |
| Shopping centers   | 186,821                        | 181,991            | 2.7%            |
| Financial services   | 78,632                         | 55,713             | 41.1%           |
| Other  | 238                            | 13,481             | (98.2)%         |
| <b>Total gross profit</b>                                      | <b>2,883,597</b>               | <b>2,809,907</b>   | <b>3.1%</b>     |
| Administrative expenses, distribution costs and other expenses | (2,482,777)                    | (2,357,582)        | 5.3%            |
| Other revenues by function                                     | 114,438                        | 108,291            | 5.7%            |
| Participation in earnings of associates                        | 6,208                          | 10,289             | (39.7)%         |
| Financial income   | 6,709                          | 5,999              | 11.8%           |
| Financial expenses   | (180,258)                      | (196,592)          | (8.3)%          |
| Other earnings   | (6,515)                        | (3,165)            | 105.8%          |
| Exchange differences   | (24,411)                       | (22,787)           | 7.1%            |
| Losses from indexation   | (39,576)                       | (18,885)           | 109.6%          |
| <b>Income (loss) before taxes</b>                              | <b>277,416</b>                 | <b>335,476</b>     | <b>(17.3)%</b>  |
| Income tax charge  | (125,932)                      | (94,068)           | 33.9%           |
| Profit from continuing operations                              | 151,485                        | 241,408            | (37.2)%         |
| Profit from discontinued operations                            | 12,662                         | 8,357              | 51.5%           |
| <b>Net income</b>  | <b>164,146</b>                 | <b>249,765</b>     | <b>(34.3)%</b>  |

|   |         |         |         |
|---|---------|---------|---------|
| Profit attributable to non-controlling shareholders | (748)   | (166)   | 352.0%  |
| Profit attributable to controlling shareholders     | 164,895 | 249,930 | (34.0)% |

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<sup>67</sup> 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\$576,871 million, or 5.7%, to Ch\$10,711,029 million for the year ended December 31, 2014, from Ch\$10,134,158 million for the same period in 2013, as a result of positive contributions from all business segments, with the largest increase in financial services as a result of the growth of our loan portfolio, followed by supermarkets, home improvement, shopping centers and department stores.

#### ***Supermarkets***

Our consolidated revenue from ordinary activities from our supermarkets increased Ch\$476,244 million, or 6.2%, to Ch\$8,159,237 million for the year ended December 31, 2014, from Ch\$7,682,994 million for the same period in 2013, primarily due to (i) a revenue increase of Ch\$150,415 million, or 7.5%, in our Brazilian operations, resulting from a 2.5% depreciation of the CLP against the BRL and positive same store sales, (ii) an increase of Ch\$127,502 million in our Chilean supermarket operations due to a 4.3% increase in same store sales related to the improved performance of our Santa Isabel format and the steady performance of our Jumbo operations in the country, as well as the addition of 14 new stores compared to the same period in 2013, (iii) a 4.6% increase in same store sales in Peru which increased revenues by Ch\$91,207 million, or 12.2%, in that region, and (iv) an increase of Ch\$80,467 million in revenues from our Colombian operations due to positive same store sales in the second half of the year and increases in perishable products. Our Argentine operations posted a revenue increase of 1.5%, or Ch\$26,653 million on the back of positive same store sales of 29.0% in local currency, which were partially offset by an 11.8% depreciation in the AR\$ against the CLP in the period.

#### ***Home improvement stores***

Our consolidated revenue from ordinary activities from our home improvement stores increased Ch\$48,726 million, or 4.1%, to Ch\$1,225,616 million for the twelve months ended December 31, 2014, from Ch\$1,176,890 million for the same period in 2013, primarily due to (i) an increase in revenues from our Colombian operations of Ch\$20,994 million, or 45%, due to an 8.7% increase in selling space as a result of the opening of one store and due to CLP variations against the COP during the period, (ii) an increase in revenues of Ch\$16,817 million, or 4% in Chile resulting from a 2.7% increase in same store sales and the addition of one new store (iii) an increase of Ch\$10,915 million, or 2%, in our Argentine operations as a result of a 27.5% increase in same store sales which was partially offset by the 11.8% depreciation in the ARS against the Chilean peso in the period.

#### ***Department stores***

Our consolidated revenue from ordinary activities from our department stores increased Ch\$21,082 million, or 2.2%, to Ch\$991,442 million for the twelve months ended December 31, 2014, from Ch\$970,360 million for the same period in 2013, primarily due to an increase in the number of our Peruvian stores, jumping from six stores to nine, increasing the selling space by 40.4%, and resulted in a revenue increase of Ch\$24,656 million, or 169% which was offset by a decline in revenues from our Chilean department store operations of Ch\$3,573 million, or 0.3%, as a result of a 0.5% decrease in same store sales for 2014 compared to 2013.

#### ***Shopping centers***

Our consolidated revenue from ordinary activities from our shopping centers increased Ch\$9,518 million, or 4.6%, to Ch\$214,850 million for the twelve months ended December 31, 2014, from Ch\$205,332 million for the same period in 2013, primarily due to (i) an increase in revenues from our Chilean operations of Ch\$7,895 million, or 7%, as a result of the improved performance of our flagship development Costanera Center, (ii) an increase in revenues from our Peruvian operations of Ch\$2,883 million, or 20%, as a result of an increase in occupancy rates at our developments in the country from 87.0% to 89.0%, and (iii) an increase in revenues from our Colombian operations of Ch\$1,447 million or an increase of 19.1%, primarily due to the reclassification of revenues derived from ancillary stores from the supermarket segment to real estate. These increases were partially offset by a 4% decrease in revenues from our Argentina division as a result of sluggish spending in the country and the depreciation of the ARS during period as described above.

#### ***Financial services***

Our consolidated revenue from ordinary activities from our financial services increased Ch\$36,028 million, or 44.1%, to Ch\$117,679 million for the twelve months ended December 31, 2014, from Ch\$81,651 million for the same period in 2013, primarily due to (i) an increase in revenues of Ch\$17,467 million, or 69%, from our Peruvian operations as a result of portfolio expansion from the growth of our department store business, (ii) an increase in revenues from our Argentine operations of Ch\$17,857 million, or 40%, as a result of an increase in the size of our loan portfolio and (iii) an increase in revenues from our Colombian operations of Ch\$514 million, or 7%, also due to the increase in the size of our loan portfolio and the addition of new product offerings. These increases were partially offset by a decrease of Ch\$140 million, or 4%, in Brazil, from Ch\$3,983 million to Ch\$3,843 million for the twelve months of 2013 and 2014, respectively, due to a decrease in the size of our loan portfolio in the country.

#### ***Cost of sales***

Our consolidated cost of sales increased Ch\$503,180 million, or 6.9%, to Ch\$7,827,432 million for the twelve months ended December 31, 2014 from Ch\$7,324,252 million for the same period in 2013, primarily due to an increase in sales of 5.7%.

### *Supermarkets*

Our consolidated cost of sales in our supermarkets increased Ch\$434,179 million, or 7.5%, to Ch\$6,216,769 million for the twelve months ended December 31, 2014 from Ch\$5,782,590 million for the same period in 2013, due to (i) an increase in cost of sales in Brazil of Ch\$170,154 million, or 11%, as a result of a 7.5% increase in sales; (ii) an increase of Ch\$98,232 million, or 5.9%, in Chile which was in line with the sales growth the country experienced, (iii) an increase of Ch\$75,182 million in Peru as a result of an increase of 12.2% in sales as well as increased costs in connection with increased promotional pricing activities, (iv) a Ch\$66,305 million, or 9.0%, increase in cost of sales in Colombia due to a 8.8% increase in sales and (v) an increase in cost of sales in Argentina of Ch\$11,648 million or 0.9%.

### *Home improvement stores*

Our consolidated cost of sales in home improvement stores increased Ch\$12,940 million, or 1.6%, to Ch\$800,342 million for the twelve months ended December 31, 2014 from Ch\$787,402 million for the same period in 2013, mainly due to (i) an increase in cost of sales in Colombia of Ch\$16,361 million, or 49%, as a result of the expansion of our operations in the country together with an increase of Ch\$10,400, or 3%, in cost of sales in Chile which was in line with the sales growth in our Chilean business. These effects were partially offset by a decrease in cost of sales in Argentina of Ch\$13,822 million or 3% as a result of improved terms with suppliers. Costs as a percentage of sales decreased to 65.3% in the twelve months of 2014, compared to 66.9% for 2013, due to more favorable commercial terms with suppliers due to contract renegotiations, a more flexible pricing environment in Argentina and a greater retail consumer mix, that has higher margin customers, versus wholesale in Chile.

### *Department stores*

Our consolidated cost of sales in our department stores increased Ch\$39,749 million, or 5.7%, to Ch\$741,279 million for the twelve months ended December 31, 2014 from Ch\$701,530 million for the same period in 2013, due to (i) an increase of Ch\$21,655 million, or 178%, in cost of sales in Peru as a result of the abovementioned expansion of the department store business in the country and (ii) an increase in cost of sales in Chile of Ch\$18,095 million, or 3%, as a result of increased promotional activities. Costs as a percentage of sales increased 250 basis points due to the deterioration of the consumer environment in Chile.

### *Shopping centers*

Our consolidated cost of sales, primarily depreciation and expenses, from our shopping centers increased Ch\$4,688 million, or 20.1%, to Ch\$28,029 million for the twelve months ended December 31, 2014 from Ch\$23,341 million for the same period in 2013, due to (i) an increase in Argentina of Ch\$4,843 million, or 35%, as a result of increased operational expenses related to the renegotiation of collective bargaining agreements, (ii) an increase of Ch\$483 million or 7% in cost of sales for our Chilean operations in line with sales growth for the period and (iii) an increase in cost of sales in Colombia as a result of the inclusion of supermarket ancillary stores into this segment of Ch\$21 million, or 6%. These effects were partially offset by a decrease in cost of sales in Peru of Ch\$659 million, or 35%, due to cost reductions and efficiencies.

### *Financial services*

Our consolidated cost of sales, primarily provisions for bad debts and collection and processing costs, from our financial services division increased 50.5%, or Ch\$13,108 million, to Ch\$39,046 million for the twelve months ended December 31, 2014 from Ch\$25,938 million for the same period in 2013, due to (i) an increase of Ch\$8,008 million, or 55%, in Peru as a result of the growth of our loan portfolio and (ii) an increase of Ch\$4,840 million, or 46%, in Argentina also due to the growth of our business during the period.

### **Gross profit**

Our consolidated gross profit increased 2.6%, or Ch\$73,691 million, to Ch\$2,883,597 million for the twelve months ended December 31, 2014 from Ch\$2,809,907 million for the same period in 2013, primarily due to gross profit improvement in the supermarket and home improvement segments.

Our consolidated gross profit as a percentage of revenues from ordinary activities decreased 70 bps to 27.0% for the twelve months ended December 31, 2014 from 27.7% for the same period in 2013.

### *Supermarkets*

Our consolidated gross profit in our supermarkets increased Ch\$42,064 million, or 2.2%, to Ch\$1,942,468 million for the twelve months ended December 31, 2014 from Ch\$1,900,404 million for the same period in 2013, as a result of (i) an increase in gross profit of Ch\$29,270 million, or 5.2%, in Chile as a result of the improved performance of our Santa Isabel format and the steady performance of our Jumbo operations in the country, (ii) an increase in gross profit of Ch\$16,025 million, or 9.6%, in Peru as a result of a 12.2% increase in sales, (iii) an increase of Ch\$15,005 million, or 2.8%, in Argentina as a result of sales growth and improved inventory management and (iv) an increase in gross profit in Colombia of Ch\$14,162 million or 7.9%, in line with sales growth experienced. Gross profit as a percentage of revenues from ordinary activities decreased for the supermarkets segment to 24.0% for the twelve months ended December 31, 2014 compared to 24.7% for the same period of 2013 as a result of a lower gross profit in our Brazilian operations due to increased inventory shrinkage for the operation, and as a result of increased cost of sales in Peru and Colombia due to increased promotional activities to better position our brands and support our market share in those regions.

### *Home improvement stores*

Our consolidated gross profit in our home improvement stores increased Ch\$35,788 million, or 9.2%, to Ch\$425,275 million for the twelve months ended December 31, 2014 from Ch\$389,487 million for the same period in 2013. Gross profit as a percentage of revenues from ordinary activities increased to 34.6% for the twelve months ended December 31, 2014, compared to 33.9% for the same period in 2013, primarily as a result of improved margins in Chile and Argentina: (i) gross profit as a percentage of revenues from ordinary activities in Argentina increased the most to 39.3% from 36.2% as a result of a more flexible pricing environment in light of government mandated price controls being limited to a reduced share of products sold and inventory accumulation preceding a high inflation period, (ii) gross profit as a percentage of revenues from ordinary activities in Chile increased to 29.2% from 28.8% as a result of having a larger base of retail clients in the sales mix leading to better profit margins and (iii) improvements in the scale of our Colombian operations, which went from 9 to 10 stores adding 6,587 m<sup>2</sup> of selling space, which resulted in better terms with suppliers as a result of greater purchased volumes increasing gross profit by 37%, or Ch\$4,633 million; however, this effect was offset by inventory clearance sales during the period reducing gross profit as a percentage of revenues from ordinary activities from 26.9% to 25.4% in the country.

### *Department stores*

Our consolidated gross profit in our department stores decreased Ch\$18,667 million, or 6.9%, to Ch\$250,163 million for the twelve months ended December 31, 2014 from Ch\$268,830 million for the same period in 2013. The deterioration in the Chilean economy and reduced consumer spending led to an expansion of our promotional activities, resulting in a decrease in gross profit of Ch\$21,668 million, or 8%, during the twelve months ended December 31, 2014 as compared to the same period in 2013. In Peru, gross profit in Chile increased Ch\$3,001 million, or 124%, as a result of the increase in sales of 169% due to the increase in size of the operation, which went from 6 to 9 stores. Our consolidated gross profit as a percentage of revenues from ordinary activities decreased to 25.2% for the twelve months ended December 31, 2014 from 27.7% for the same period in 2013.

### *Shopping centers*

Our consolidated gross profit in our shopping centers increased Ch\$4,830 million, or 2.7%, to Ch\$186,821 million for the twelve months ended December 31, 2014 from Ch\$181,991 million for the same period in 2013, as a result of (i) an increase in gross profit in Chile of Ch\$7,413 million, or 7% related to the improved performance of our developments in the country, in particular our Costanera Center, (ii) an increase in gross profit in Peru of Ch\$3,542 million, or 29%, as a result of improved occupancy rates at Arequipa Center and Plaza Lima Sur and (iii) an increase in gross profit in Colombia of Ch\$1,426 million, or 17%, mainly due to the reclassification of the activities of ancillary stores that were previously included under supermarkets into this segment. These increases were partially offset by a decline in gross profit in Argentina of Ch\$7,551 million, or 14%, as a result of lower sales made by tenants at our shopping centers as well as the depreciation of the ARS during the period.

As a result of the foregoing factors, our consolidated gross profit as a percentage of revenues from ordinary activities in our shopping centers decreased to 86.9% for the twelve months ended December 31, 2014 compared to 88.6% for the same period in 2013.

### *Financial services*

Our consolidated gross profit in our financial services segment increased Ch\$22,919 million, or 41.1%, to Ch\$78,632 million for the twelve months ended December 31, 2014 from Ch\$55,713 million for the same period in 2013, 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\$13,018 million, or 39%, (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\$9,459 million and (iii) the expansion of our Colombian operations, increasing gross profit in Colombia by Ch\$514 million, or 7%.

### *Other revenues by function*

Our consolidated other revenues by function increased by Ch\$6,146 million, or 5.7%, to Ch\$114,438 million for the twelve months ended December 31, 2014 from Ch\$108,291 million for the same period in 2013, as a result of an increase in the fair value of properties in the period and a lower discount rate used in the twelve month period ended December 31, 2014 when compared to the same period in 2013 partially offset by the negative effect of rising tax rates on our cash flow model.

### *Administrative expenses, distribution costs and other expenses*

Our consolidated administrative expenses, distribution costs and other expenses increased Ch\$125,195 million, or 5.3%, to Ch\$2,482,777 million for the twelve months ended December 31, 2014 from Ch\$2,357,582 million for the same period in 2013. This increase was in line with the related 5.7% increase in revenue from ordinary activities.

### *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>2014</u>                  | <u>2013</u> | <u>% Change</u> |
|   | <u>(in millions of Ch\$)</u> |             |                 |
| Other gains (losses)                    | (182,077)                    | (152,142)   | 19.7%           |
| Participation in earnings of associates | 6,208                        | 10,289      | (39.7)%         |
| Financial income                        | 6,709                        | 5,999       | 11.8%           |
| Financial expenses                      | (180,258)                    | (196,592)   | (8.3)%          |

|   |                         |                         |                     |
|---|-------------------------|-------------------------|---------------------|
| Other earnings  | (6,515)                 | (3,165)                 | 105.8%              |
| Exchange differences                                    | (24,411)                | (22,787)                | 7.1%                |
| Losses from indexation                                  | (39,576)                | (18,885)                | 109.6%              |
| <b>Total losses from financial and other activities</b> | <b><u>(419,919)</u></b> | <b><u>(377,282)</u></b> | <b><u>11.3%</u></b> |

Our consolidated losses from financial and other activities increased 11.3% for the twelve month period ended December 31, 2014 compared to the same period in 2013, in light of the following factors:

- An increase in Other gains (losses) of Ch\$(29,935) million, resulting mainly the fair value of derivative contracts in connection with our hedging activities of our U.S.\$ denominated debt (please see Note 3 to our Financial Statements for further details on our hedging activities); and
- A decrease in financial expenses of Ch\$16,334 million, resulting in a financial expense of Ch\$180,258 million for the twelve months ended December 31, 2014 compared to a financial expense of Ch\$196,592 million for the same period of 2013 as a result of lower variable interest rates. As presented, financial expenses were reduced as a result of a lower debt load, despite greater working capital needs; and

which were offset by:

- An increase in exchange differences of Ch\$1,624 million, resulting in exchange losses of Ch\$24,411 million for the twelve month period ended December 31, 2014 compared to exchange losses of Ch\$22,787 million for the same period of 2013 as a result of the mark to market of the derivatives offset by a lower CLP/USD depreciation.
- An increase in losses stemming from indexation of Ch\$20,691 million as a result of a higher inflation rate in Chile, resulting in a loss of Ch\$39,576 million for the twelve months ended December 31, 2014, compared to a loss of Ch\$18,885 million for the same period of 2013.

#### *Income tax charge*

For the twelve month period ended December 31, 2014, we had an income tax expense of Ch\$125,932 million, compared to an income tax expense of Ch\$94,068 million for the same period in 2013. This increase of Ch\$31,861 million was primarily due to a higher corporate tax rate during the 2014 period.

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.

#### *Profit (loss) from continuing operations*

As a result of the above factors, our net earnings decreased Ch\$89,923 million, or 37.2%, to Ch\$151,485 million for the twelve months ended December 31, 2014 from Ch\$241,408 million for the same period in 2013. Our net earnings, as a percentage of revenues from ordinary activities, decreased to 1.4% for the twelve months ended December 31, 2014 from 2.4% for the same period in 2013.

#### **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:

|  | <b>Year Ended<br/>December 31,</b> |                | <b>% Change</b> |
|--|------------------------------------|----------------|-----------------|
|  | <b>2015</b>                        | <b>2014</b>    |                 |
|  | <b>(in millions of Ch\$)</b>       |                |                 |
| 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:                     |                                    |                |                 |
| <b>Total gross profit</b>                                      | <b>40,360</b>                      | <b>146,027</b> | <b>(72.4)%</b>  |
| 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)%         |
| <b>Income (loss) before taxes</b>                              | <b>73,301</b>                      | <b>14,261</b>  | <b>414.0%</b>   |
| Income tax charge  | (2,684)                            | (1,599)        | 67.8%           |
| <b>Profit from Discontinued Operations</b>                     | <b>70,617</b>                      | <b>12,662</b>  | <b>457.7%</b>   |
| 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. (See 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 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:

|   | <b>As of December 31,</b>    |                 | <b>% Change</b> |
|---|------------------------------|-----------------|-----------------|
|   | <b>2015</b>                  | <b>2014</b>     |                 |
|   | <b>(in millions of Ch\$)</b> |                 |                 |
| 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)%         |
| <b>Total losses from financial and other activities</b> | <b>50,312</b>                | <b>(62,636)</b> | <b>N/A</b>      |

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 portfolio expansion in the period;
- A 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 stemming 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.

#### *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.

#### **Year Ended December 31, 2014 Compared to Year Ended December 31, 2013 for Discontinued Operations**

The following table presents, for the periods indicated, certain items of the statement of income for our discontinued operations:

|  | <b>Year Ended<br/>December 31,</b> |                 | <b>% Change</b> |
|--|------------------------------------|-----------------|-----------------|
|  | <b>2014</b>                        | <b>2013</b>     |                 |
|  | <b>(in millions of Ch\$)</b>       |                 |                 |
| Revenues from discontinued operations:                         |                                    |                 |                 |
| Total revenues   | <b>201,826</b>                     | <b>206,882</b>  | (2.4)%          |
| Cost of sales from discontinued operations:                    |                                    |                 |                 |
| Total cost of sales  | <b>(55,799)</b>                    | <b>(59,817)</b> | (6.7)%          |
| Gross profit from discontinued operations:                     |                                    |                 |                 |
| <b>Total gross profit</b>                                      | <b>146,027</b>                     | <b>147,065</b>  | (0.7)%          |
| Administrative expenses, distribution costs and other expenses | (69,130)                           | (90,340)        | (23.5)%         |
| Other revenues by function                                     | 191                                | 423             | (54.9)%         |
| Financial expenses (net)                                       | (38,693)                           | (34,973)        | 10.6%           |
| Other earnings   | 35                                 | 16              | 120.9%          |
| Exchange differences   | (19,199)                           | (9,670)         | 98.5%           |
| Losses from indexation   | (4,970)                            | (2,074)         | 139.6%          |
| <b>Income (loss) before taxes</b>                              | <b>14,261</b>                      | <b>10,447</b>   | <b>36.5%</b>    |
| Income tax charge  | (1,599)                            | (2,089)         | (23.4)%         |
| <b>Profit from Discontinued Operations</b>                     | <b>12,662</b>                      | <b>8,357</b>    | <b>51.5%</b>    |
| Basic earnings (loss) per share                                | 4.5                                | 3.0             | 457.7%          |
| Diluted earnings (loss) per share                              | 4.5                                | 3.0             | 450.8%          |

#### *Revenues from discontinued operations*

##### *Discontinued operations*

Our consolidated revenue from discontinued operations decreased Ch\$5,056 million, or 2.4%, to Ch\$201,826 million for the twelve months ended December 31, 2014, from Ch\$206,882 million for the same period in 2013, primarily due to the effects of legal interest rate caps (*Tasa Maxima Convencional*) being applied in Chile as part of a regulatory framework developed in 2013.

#### *Cost of sales*

##### *Discontinued operations*

Our consolidated cost of sales from discontinued operations, primarily provisions for bad debts and collection and processing costs, decreased 6.7%, or Ch\$4,018 million, to Ch\$55,799 million for the twelve months ended December 31, 2014 from Ch\$59,817 million for the same period in 2013, due to improved risk management activities as a lower percentage of our Chile loan portfolio was provisioned for non-performing loans.

## **Gross profit**

### *Discontinued operations*

Our consolidated gross profit from discontinued operations decreased Ch\$1,038 million, or 0.7%, to Ch\$146,027 million for the twelve months ended December 31, 2014 from Ch\$147,065 million for the same period in 2013, as a result of the enactment of interest rate caps and a reduction in the number of cardholders with payments in arrears, which reduced revenues from overdue payments.

### *Other revenues by function*

Our consolidated other revenues by function from discontinued operations decreased by Ch\$232 million, or 54.9%, to Ch\$191 million for the twelve months ended December 31, 2014 from Ch\$423 million for the same period in 2013, as a result of an increase in the recovery of commission fees.

### *Administrative expenses, distribution costs and other expenses*

Our consolidated administrative expenses, distribution costs and other expenses from discontinued operations decreased Ch\$21,210 million, or 23.5%, to Ch\$69,130 million for the twelve months ended December 31, 2014 from Ch\$90,340 million for the same period in 2013. This decrease was above the related revenue contraction of 2.4%, and was due to cost cutting, expense control and enhanced productivity initiatives across our business division.

### *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:

|  | <b>As of December 31,</b>    |             | <b>% Change</b> |
|--|------------------------------|-------------|-----------------|
|  | <b>2014</b>                  | <b>2013</b> |                 |
|  | <b>(in millions of Ch\$)</b> |             |                 |
| Other gains (losses)                             | 35                           | 16          | 118.8%          |
| Financial income                                 | 260                          | 145         | 79.3%           |
| Financial expenses                               | (38,953)                     | (34,973)    | 10.6%           |
| Exchange differences                             | (19,199)                     | (9,670)     | 98.5%           |
| Losses from indexation                           | (4,970)                      | (2,074)     | 139.6%          |
| Total losses from financial and other activities | (62,827)                     | (46,412)    | 35.4%           |

Our consolidated losses from financial and other activities from discontinued operations increased 35.4% for the twelve month period ended December 31, 2014 compared to the same period in 2013, in light of the following factors:

- An increase in financial expenses of Ch\$3,720 million, resulting in a financial expense of Ch\$38,953 million for the twelve months ended on December 31, 2014, compared to a financial expense of Ch\$34,973 million for the same period of 2013 as a result of portfolio expansion in the period;
- An increase in exchange rate differences of Ch\$9,529 million, resulting in a loss of Ch\$19,199 million for the twelve months ended on December 31, 2014 compared to a loss of Ch\$9,670 million for the same period in 2013 as a result of the devaluation of local currencies against the U.S. dollar; and
- An increase in losses stemming from indexation of Ch\$2,896 million as a result of a higher inflation rate in Chile, resulting in a loss of Ch\$4,970 million for the twelve months ended on December 31, 2014, compared to a loss of Ch\$2,074 million for the same period of 2013,

which were partially offset by:

- An increase in Other gains (losses) of Ch\$19 million, from Ch\$16 million for the twelve months ended December 31, 2013 to Ch\$35 million in the same period of 2014 due to the fair value of derivative contracts, and;
- An increase in financial income from Ch\$145 million for the twelve months ended December 31, 2013 to Ch\$260 million for the same period in 2014 due to investments made by the Company with excess cash.

### *Income tax charge*

For the twelve months ended December 31, 2014, we had an income tax expense of Ch\$1,599 million, compared to an income tax expense of Ch\$2,089 million for the same period in 2013. This decrease of Ch\$490 million was a consequence of the tax reform enacted in Chile during 2014. The application of the Chilean tax reform resulted in a profit over the equity held by our financial services business in Chile. This profit due to the application of the tax reform in Chile resulted in a reduction in our effective tax rate in Chile (See Note 26 to our audited financial statements).

### *Profit (loss) from discontinued operations*

As a result of the above factors, our net earnings from discontinued operations increased Ch\$4,305 million, or 51.5% , to Ch\$12,662 million for the twelve months ended December 31, 2014 from Ch\$8,357 million for the same period in 2013. Our net earnings, as a percentage of revenues from ordinary activities, increased to 5.7% for the twelve months ended December 31, 2014 from 4.0% for the same period in 2013.



## **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.

The Joint Venture transaction with Scotiabank for the Credit Card business in Chile also allowed the Company to reduce the use of funds devoted to fund the increase in the portfolio in Chile.

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.

At December 31, 2013 we had a negative working capital of Ch\$526,480 million.

On April 1, 2014, we refinanced liabilities in a collective amount of approximately U.S.\$770 million, reducing liquidity needs for the next 24 months. 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.

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 2016. We anticipate financing any future acquisitions or capital expenditures for property, plant and equipment with cash from operations and additional indebtedness.

### ***Leverage***

Our objective regarding capital management is to safeguard our capacity to continue ensuring appropriate returns for our 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 capital. Net financial debt corresponds to total indebtedness (including current and non-current debt) less cash and cash equivalents. Total capital corresponds to total equity as shown in the consolidated statement of financial position plus net debt.

In accordance with the above, we combine different financing sources, such as: capital increases, operating cash flows, bank loans and bonds.

### ***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, 2015, financial liabilities reached Ch\$3,280,211 million, a 2.2% decrease when compared to December 31, 2014. As of December 31, 2015 our net financial debt was Ch\$2,335,552 million, up from Ch\$2,780,812 million as of December 31, 2014.

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, 2015, approximately 27% of our debt was variable-rate, and the remainder was fixed-rate. At December 31, 2015, approximately

31.7% of our debt was denominated in U.S. dollars, approximately 14.9% in UF, approximately 49.1% in Chilean pesos, approximately 1.9% in Argentine pesos, approximately 0.9% in Peruvian nuevos soles, approximately 0.9% in Brazilian reais and approximately 0.03% 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.

In March, 2013, we completed a preemptive rights offering in the Chilean market that raised U.S.\$1,600 million, and used the proceeds from that capital increase to prepay the outstanding amount of the Bridge Loan Agreement of U.S.\$1,500 million. The rest of the proceeds of the capital increase were used to pay other short term liabilities.

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 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 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.

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 amount 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 was expected to pave 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 certain outstanding liabilities including the repayment of the Bridge Loan. This refinancing is expected to allow the Company to proceed with its organic expansion program for 2015 through 2018.

#### *Credit facilities (Banks loans and bonds)*

At December 31, 2015, our principal bank credit facilities and bonds (including interest) consisted of the following:

|                     | Currency | As of December 31, 2015              |                  |                                       |
|---------------------|----------|--------------------------------------|------------------|---------------------------------------|
|                     |          | Amount<br>Outstanding<br>(in U.S.\$) | Maturity<br>Date | Amount<br>Outstanding<br>(in Ch\$ Th) |
| <b>Banks:</b>       |          |                                      |                  |                                       |
| <b>Chile</b>        |          |                                      |                  |                                       |
| BBVA CHILE          | CLP      | 9,093,627                            | N/A*             | 6,457,930                             |
| BANCO ESTADO        | CLP      | 38,651,929                           | N/A*             | 27,449,054                            |
| SCOTIABANK          | USD      | 66,931,983                           | 23-10-2017       | 47,532,417                            |
| RABOBANK            | USD      | 40,377,667                           | 04-10-2018       | 28,674,604                            |
| MIZUHO BANK         | USD      | 50,251,940                           | 27-03-2019       | 35,686,918                            |
| SANTANDER CHILE     | CLP      | 71,730,550                           | 29-03-2019       | 50,940,167                            |
| SUMITOMO            | USD      | 50,238,193                           | 01-04-2019       | 35,677,155                            |
| BANCO ESTADO        | CLP      | 56,146,602                           | 28-06-2019       | 39,873,071                            |
| RABOBANK            | USD      | 50,278,051                           | 26-03-2020       | 35,705,461                            |
| BBVA CHILE          | CLP      | 50,079,290                           | 02-02-2021       | 35,564,309                            |
| <b>Total Chile</b>  |          | <b>483,779,832</b>                   |                  | <b>343,561,085</b>                    |
| <b>Brazil</b>       |          |                                      |                  |                                       |
| HSBC BRASIL         | BRL      | 11,869,993                           | N/A*             | 8,429,594                             |
| SAFRA               | BRL      | 12,607,797                           | N/A*             | 8,953,553                             |
| SANTANDER BR        | BRL      | 11,347,017                           | N/A*             | 8,058,198                             |
| HSBC BRASIL         | BRL      | 38,013,943                           | 19-12-2016       | 26,995,982                            |
| HSBC BRASIL         | BRL      | 30,411,155                           | 19-12-2016       | 21,596,786                            |
| HSBC BRASIL         | BRL      | 7,602,789                            | 19-12-2016       | 5,399,197                             |
| BANCO NORDESTE      | BRL      | 1,202,439                            | 16-12-2018       | 853,924                               |
| SANTANDER BR        | BRL      | 237,297                              | 16-12-2019       | 168,519                               |
| SANTANDER BR        | BRL      | 67,799                               | 16-12-2019       | 48,148                                |
| <b>Total Brazil</b> |          | <b>113,360,229</b>                   |                  | <b>80,503,900</b>                     |
| <b>Argentina</b>    |          |                                      |                  |                                       |
| BBVA FRANCES        | ARS      | 5,199,282                            | N/A*             | 3,692,322                             |
| BANCO CIUDAD AR     | ARS      | 11,614,161                           | N/A*             | 8,247,913                             |
| BANCO GALICIA       | ARS      | 11,231,151                           | N/A*             | 7,975,914                             |



|                        |     |                      |            |                      |
|------------------------|-----|----------------------|------------|----------------------|
| IFC                    | USD | 7,752,421            | 16-08-2016 | 5,505,459            |
| <b>Total Argentina</b> |     | <b>35,797,015</b>    |            | <b>25,421,608</b>    |
| <b>Colombia</b>        |     |                      |            |                      |
| COLOMBIA               | COP | 328,603              | N/A*       | 233,361              |
| <b>Total Colombia</b>  |     | <b>328,603</b>       |            | <b>233,361</b>       |
| <b>Bonds:</b>          |     |                      |            |                      |
| Incabond 2             | PEN | 39,239,797           | 12-08-2017 | 27,866,534           |
| Incabond 1             | PEN | 83,017,316           | 05-05-2018 | 58,955,577           |
| Bcenc-E                | CLF | 72,750,711           | 07-05-2018 | 51,664,645           |
| Regs/144a 2021         | USD | 768,447,917          | 20-01-2021 | 545,720,973          |
| Regs/144a 2023         | USD | 1,226,162,500        | 20-01-2023 | 870,771,561          |
| Regs/144a 2025         | USD | 662,925,069          | 12-02-2025 | 470,782,867          |
| Jumbo B                | CLF | 71,859,385           | 01-09-2026 | 51,031,661           |
| Bcenc-F                | CLF | 163,809,032          | 07-05-2028 | 116,330,622          |
| Bcenc-J                | CLF | 109,849,285          | 15-10-2029 | 78,010,568           |
| Bcenc-N                | CLF | 163,535,073          | 28-05-2030 | 116,136,067          |
| Bcenc-O                | CLP | 76,682,583           | 01-06-2031 | 54,456,903           |
| Regs/144a 2045         | USD | 358,952,951          | 12-02-2045 | 254,914,028          |
| <b>Total Bonds</b>     |     | <b>3,797,231,619</b> |            | <b>2,696,642,007</b> |

\* Non-committed overdraft credit facilities with no set maturity.

In addition, at December 31, 2015, we had Ch\$32,549 million in financial leasings.

At December 31, 2015 we had over Ch\$466,587 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, 2015, 53.3% 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 2013-2015 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, |           |           |
|---------------------------------------|-------------------------|-----------|-----------|
|                                       | 2015                    | 2014      | 2013      |
|                                       | (in millions of Ch\$)   |           |           |
| Net cash from operating activities    | 743,600                 | 374,900   | 302,066   |
| Net cash used in investing activities | (138,049)               | (235,392) | (309,367) |

Net cash (used in) from financing activities

(673,868)

(31,798)

(115,918)

*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 outflow of Ch\$68,316 million for the year ended December 31, 2015 compared to a net cash inflow of Ch\$107,710 million for the year ended December 31, 2014.

*Operating activities* . Our net cash flows from operations increased to Ch\$743,600 million for the year ended December 31, 2015 from Ch\$374,900 million for the year ended December 31, 2014. This increase was produced mainly due to the revenue from sale of goods and services. In the supermarket division the increase was primarily attributable to increased cash flows of Ch\$502,055 million from Ch\$352,955 million as a result of a higher contribution from Chile, Colombia and Brazil, partially offset by a lower contribution from Argentina and Peru. Our Department Store, Shopping centers and Financial Service divisions also saw improvements in their cash flows from operations, with cash flows from Department Store operations improving to Ch\$71,084 million for the year ended December 31, 2015 from Ch\$31,121 million for the year ended December 31, 2014. Net cash flow from Financial Services operations increased to Ch\$214,871 million for the year ended December 31, 2015 from Ch\$31,803 million for the year ended December 31, 2014 as a result of the joint Venture agreement with Scotiabank. Net cash flow from shopping center operations improve to Ch\$ 124,581 million for the year ended December 31, 2015 from Ch\$ 124,890 million for the year ended December 31, 2014 as a result of greater contribution from Chile, Argentina and Peru.

*Investing activities* . Net cash flow from investing activities amounted to Ch\$(138,049) million for the year ended in December 31, 2015 compared to Ch\$(235,392) million for the year ended December 31, 2014. This change was mainly due to net cash flow from supermarket investing activities amounting to Ch\$ (130,868) million for the year ended December 31, 2015 compared to Ch\$(154,641) million for the year ended December 31, 2014 due to lower investment across the region. Net cash flow from home improvement investing activities amounted to Ch\$ (49,861) million for the year ended December 31, 2015 compared to Ch\$(22,292) million for the year ended December 30, 2014. The variation was primarily due to higher organic growth in Chile and Colombia during 2015 compared to 2014. Net cash flow from department store investing activities amounted to Ch\$(22,433) million for the year ended December 31, 2015 compared to Ch\$(15,108) million for the year ended December 31, 2014 due to greater investment in IT for the strengthening of the e-commerce platform. Net cash flow from shopping center investing activities amounted to Ch\$ 3,383 million for the year ended December 31, 2015 compared to Ch\$(33,155) million for the year ended December 31, 2014. The variation was primarily due to fewer openings and lower maintenance costs. Net cash flow from financial services investing activities amounted to Ch\$183,191 million for the year ended December 31, 2015 compared to Ch\$ (253) million for the year ended December 31, 2014, due to the execution of the sale to Scotiabank of 49% interest in our financial retail operation in Chile.

*Financing activities* . Net cash flows from financing activities amounted to Ch\$ (673,868) million for the year ended December 31, 2015 compared to Ch\$(31,798) million, for the year ended December 31, 2014. During 2015 several derivative agreements designated as cash flow hedges and fair value hedges were included into a recouping 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. Recouping of these aforementioned cross currency swap agreements produced cash inflows amounting Ch\$ 51,016 million included in the consolidated statements of cash flows under the "Other cash inflows (outflows)" line. In addition, this change was primarily due to net cash flows from supermarket financing activities amounting to Ch\$ (308,854) million for the year ended December 31, 2015 compared to Ch\$(177,846) million for the year ended December 31, 2014. The variation was related to higher inflows from loans as a consequence of net payments in order to reduce leverage. Net cash flows from home improvement financing activities increased to Ch\$ 86,744 million for the year ended December 31, 2015 from Ch\$ 33,326 million for the year ended December 31, 2014 due to lower financing need of working capital partially offset by higher capex expenditure. Net cash flows from department store financing activities amounted to Ch\$ (61,828) million for the year ended December 31, 2015 compared to Ch\$(2,624) million for the year ended December 31, 2014. of net payments in order to reduce leverage. Net cash flows from shopping center financing activities amounted to Ch\$ (123,874) million for the year ended December 31, 2015 compared to Ch\$(89,306) million for the year ended December 31, 2014 of net payments in order to reduce leverage. Net cash flows from financial service financing activities increased to Ch\$ (509,526) million for the year ended December 31, 2015 from Ch\$ 32,862 million for the year ended December 31, 2014 due to higher portfolio growth in Argentina and Peru.

*Cash flows for year ended December 31, 2014 compared to year ended December 31, 2013 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\$107,710 million for the year ended December 31, 2014 compared to a net cash outflow of Ch\$123,219 million for the year ended December 31, 2013.

*Operating activities* . Our net cash flows from operations increased to Ch\$374,900 million for the year ended December 31, 2014 from Ch\$302,066 million for the year ended December 31, 2013. The increase was primarily attributable to our supermarket division, where cash flows increased to Ch\$352,955 million from Ch\$297,980 million as a result of a higher contribution from Chile, Peru and Colombia, partially offset by a lower contribution from Argentina and Brazil. All other divisions also saw improvement in their cash flows from operations with cash flows from home improvement operations improving to Ch\$ (7,610) million for the year ended December 31, 2014 from Ch\$ (11,153) million for the year ended December 31, 2013. Net cash flow from department store operations increased to Ch\$ 31,121 million for the year ended December 31, 2014 from Ch\$ 23,490 million for the year ended December 31, 2013 as a result of better inventory management. Net cash flow from shopping center operations increased to Ch\$124,890 million for the year ended December 31, 2014 from Ch\$116,801 million for the year ended December 31, 2013 as a result of greater contribution from Chile, Colombia and Peru. Net cash flow from financial service operations increased to Ch\$31,803 million for the year ended December 31, 2014 from Ch\$(1,250) million for the year ended December 31, 2013 due to a 47.3% and a 13.3% portfolio growth in Argentina and Peru, respectively.

*Investing activities* . Net cash flow from investing activities amounted to Ch\$ (235,392) million for the year ended in December 31, 2014 from Ch\$ (309,367) million for the year ended December 31, 2013. This change was mainly due to net cash flow from supermarket investing activities amounting to Ch\$ (154,641) million for the year ended December 31, 2014 from Ch\$ (250,967) million for the year ended December 31, 2013. 80% of the variation is explained by lower investment in Property, Plant and Equipment driven by lower investments in Brazil and Chile, partially offset by higher investments in Argentina, Colombia and Peru. Net cash flow from home improvement investing activities amounted to Ch\$ (22,292) million for the year ended December 31, 2014 from Ch\$ (27,988) million for the year ended December 30, 2013. The variation was primarily due to lower organic growth in the region during 2014 compared to 2013. Net cash flow from department store investing activities amounted to Ch\$ (15,108) million for the year ended December 31, 2014 from Ch\$ (14,195) million for the year ended December 31, 2013. The variation was primarily because of higher investments in Properties, Plant and Equipment for the net opening of two stores in Chile and three stores in Peru compared to December 2013. Net cash flow from shopping center investing activities amounted to Ch\$ (33,155) million for the year ended December 31, 2014 from Ch\$ (56,305) million for the year ended December 31, 2013. The variation was primarily due to lower investments for Costanera Center

and the remodeling of our shopping centers. Net cash flow from financial services investing activities amounted to Ch\$(253) million for the year ended December 31, 2014 from Ch\$ (86) million for the year ended December 31, 2013, due to less cash invested in the other retail businesses and in mutual funds.

*Financing activities* . Net cash flows from financing activities amounted to Ch\$ (31,798) million for the year ended December 31, 2014 from Ch\$ (115,918) million, for the year ended December 31, 2013. This change was primarily due to net cash flows from supermarket financing activities amounting to Ch\$ (177,846) million for the year ended December 31, 2014 from Ch\$ (78,033) million for the year ended December 31, 2013. The variation was related to lower inflows from loans as a consequence of reduced capex and higher outflows for the payment of loans due to the refinancing of debt to improve liquidity. Net cash flows from home improvement financing activities decreased to Ch\$ 33,326 million for the year ended December 31, 2014 from Ch\$ 34,736 million for the year ended December 31, 2013 due to lower financing need of working capital. Net cash flows from department store financing activities amounted to Ch\$ (2,624) million for the year ended December 31, 2014 from Ch\$ (24,551) million for the year ended December 31, 2013. This was due to Paris growth in Peru during 2013. Net cash flows from shopping center financing activities amounted to Ch\$ (89,306) million for the year ended December 31, 2014 from Ch\$ (63,008) million for the year ended December 31, 2013 due to higher needs of capital investments for maintenance. Net cash flows from financial service financing activities increased to Ch\$ (32,862) million for the year ended December 31, 2014 from Ch\$ (68,830) million for the year ended December 31, 2013 due to lower financing needs for portfolio growth.

***Analysis of cash flows for discontinued operations***

The following table summarized our generation and use of cash for the periods presented for discontinued operations.

|  | <b>Year ended December 31,</b> |             |             |
|--|--------------------------------|-------------|-------------|
|  | <b>2015</b>                    | <b>2014</b> | <b>2013</b> |
|  | <b>(in millions of Ch\$)</b>   |             |             |
| Net cash from/(used in) operating activities | (107,449)                      | 14,583      | 62,717      |
| Net cash from/(used in) investing activities | 169,095                        | 1,996       | (11,141)    |
| Net cash from/(used in) financing activities | 35,259                         | (80,580)    | 8,888       |

*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 inflow of Ch\$96,904 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 inflows 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 outflows 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.

*Cash flows for year ended December 31, 2014 compared to year ended December 31, 2013 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\$64,001 million for the year ended December 31, 2014 compared to a net cash inflow of Ch\$60,465 million for the year ended December 31, 2013.

*Operating activities* . Our net cash flows from operations decreased 77% to Ch\$14,583 million for the year ended December 31, 2014 from Ch\$62,717 million for the year ended December 31, 2013. The decrease was primarily attributable to the reduction in the portfolio reflecting both lower average loans per customer and the decrease in the penetration of sales in our stores.

*Investing activities* . Our net cash flows from investing activities increased to inflows of Ch\$1,996 million for the year ended December 31, 2014 from outflows of Ch\$11,141 million for the year ended December 31, 2013. The increase was primarily attributable to higher portfolio growth financed by the holding company.

*Financing activities* . Our net cash flows from financing activities decreased to outflows of Ch\$80,580 million for the year ended December 31, 2014 from inflows of Ch\$8,888 million for the year ended December 31, 2013. The decrease was primarily attributable to lower portfolio growth at Banco Paris.

**Capital expenditures and permanent investments**

The following table presents our capital expenditures for the periods indicated:

|                                     | Years ended December 31, |           |           |
|-------------------------------------|--------------------------|-----------|-----------|
|                                     | 2015                     | 2014      | 2013      |
|                                     | (in millions of Ch\$)    |           |           |
| Capital expenditures <sup>68</sup>  | (171,606)                | (227,423) | (317,710) |
| Permanent investments <sup>69</sup> | —                        | —         | —         |
| Total                               | (171,606)                | (227,423) | (317,710) |

Our total capital expenditures were approximately Ch\$171,606 million, Ch\$227,423 million and Ch\$317,710 million in 2015, 2014 and 2013, respectively. In each of these years, our capital expenditures were made primarily to develop and expand our stores and shopping centers. In 2015, 2014 and 2013 we had no permanent investments as there were no acquisitions made in the period. In the past, permanent investments were primarily related to acquisitions.

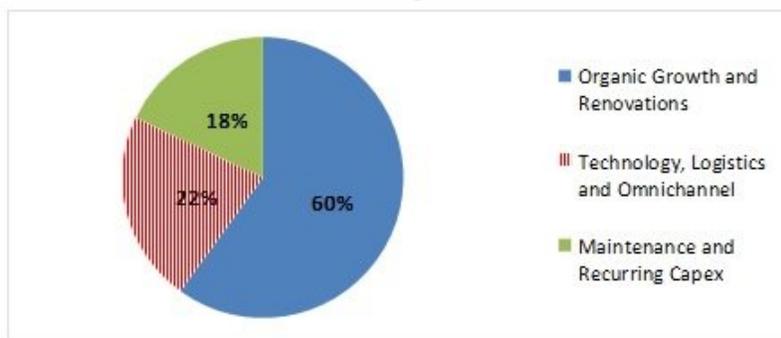
In 2015, we invested approximately Ch\$171,606 million to open new supermarkets, department stores, home improvement stores and shopping centers. In Chile, we opened 7 new stores in our supermarket division adding 9,674 square meters of selling space, we added two new stores in our home improvement division 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 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 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.

During 2013, our organic expansion included the opening of 46 new stores and the addition of 5 new shopping centers. This represented selling space growth of 788,212 square meters. Our supermarket division saw the opening of 34 new stores with focus on Brazil with the opening of 17 new stores, or 43,982 square meters of selling space, followed by Chile with 10 new stores, a selling space expansion of 21,559 square meters. Our home improvement division opened 7 new stores, with most of our growth coming from Colombia where we opened 5 stores adding 38,665 square meters of selling space. Lastly, as a greenfield project, our department store division opened 6 new stores in Peru to take the division to the Peruvian market, resulting in a selling space of 32,222 square meters. Our shopping center division opened 5 new shopping centers with Chile leading the way with one new neighborhood mall and a new powercenter, adding 2,301 square meters. Peru followed with the opening of a neighborhood mall that added 17,085 square meters of gross leasable area. Finally, Colombia added two new local shopping centers that added 14,514 square meters of gross leasable area. See “—A. Trends and Factors Affecting Our Results of Operations—Impact of Acquisitions” above for additional details regarding our acquisition activities in recent years.

In 2016, we expect to invest U.S.\$500 million. The organic growth plan for the next four years (2016-2019) 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 would be eventually generated from the potential spinoff of the Shopping Centers Division or the sale of non-strategic assets).

**Distribution by Type of Investment**



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.

<sup>68</sup> Purchase of property, plant and equipment.

<sup>69</sup> Primarily investments in acquired companies. See “—A. Trends and Factors Affecting Our Results of Operations—Impact of Acquisitions” above for additional details regarding our acquisition activities in recent years.

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 <sup>70</sup> and commitments as of December 31, 2015:

|  | <u>Less than One<br/>Year</u> | <u>One to Three<br/>Years</u> | <u>Three to Five<br/>Years</u> | <u>Thereafter</u>       | <u>Total</u>            |
|--|-------------------------------|-------------------------------|--------------------------------|-------------------------|-------------------------|
|  | <i>(in millions of \$)</i>    |                               |                                |                         |                         |
| Long-term debt obligations                         | 0                             | 547.116                       | 453.149                        | 3,213.990               | 4,214.254               |
| Short-term debt obligations                        | 352.537                       | 0                             | 0                              | 0                       | 352.537                 |
| Time deposits and other Bank Balances              | 94.871                        | 32.611                        | 306                            | 3.115                   | 130.903                 |
| Leases obligations and other financial liabilities | 158.248                       | 561.862                       | 1,333.458                      | 19.851                  | 2,073.419               |
| Commercial loans                                   | 1,885.722                     | 4.503                         | 0                              | 0                       | 1,890.225               |
| Tax Liabilities                                    | 0                             | 0                             | 0                              | 0                       | 0                       |
| Other financial liabilities Option                 | 2.323                         | 0                             | 0                              | 0                       | 2.323                   |
| <b>Total</b>                                       | <b><u>2,493.701</u></b>       | <b><u>1,146.092</u></b>       | <b><u>1,786.913</u></b>        | <b><u>3,236.956</u></b> | <b><u>8,663.662</u></b> |

### G. SAFE HARBOR

See section entitled “Forward-Looking Statements” in this annual report for forward-looking statement safe harbor provisions.

<sup>70</sup> 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 19. Exhibit s.**

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| <b>1.1</b>         | 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.  |
| <b>4.1</b>         | 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.   |
| <b>4.2</b>         | 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.  |
| <b>4.3</b>         | 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.  |
| <b>4.4</b>         | 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.  |
| <b>4.5</b>         | 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.  |
| <b>4.6</b>         | 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.   |
| <b>4.7</b>         | 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.   |
| <b>4.8</b>         | 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.  |
| <b>4.9</b>         | 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.   |
| <b>4.10</b>        | 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. |
| <b>4.11</b>        | 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.   |
| <b>8.1</b>         | Subsidiaries of Cencosud S.A. *   |
| <b>12.1</b>        | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.   |
| <b>12.2</b>        | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.   |
| <b>13.1</b>        | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.   |

\* Previously filed as an exhibit to the Original Filing.

**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.

**Cencosud S.A.**

Date: July 7, 2016

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, Jaime Soler, certify that:

1. I have reviewed this annual report on Form 20-F of Cencosud S.A., as amended by this Amendment No. 1 on Form 20-F/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: July 7, 2016

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., as amended by this Amendment No. 1 on Form 20-F/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: July 7, 2016

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, 2015 of the Company, as amended by this Amendment No. 1 on Form 20-F/A accompanying this Certification (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

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Name: Jaime Soler  
Title: Chief Executive Officer  
Date: July 7, 2016

/s/ Rodrigo Larrain

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Name: Rodrigo Larrain  
Title: Chief Financial Officer  
Date: July 7, 2016