EARNINGS RELEASE 3Q18

Sept 2018

NOVEMBER 26, 2018

UNIMARC OK MARKET Alvi Telemercados.cl Supermercado Mayorista 10 Maxi ahorro Mayorsa

SMU

Executive Summary: SMU S.A.'s Consolidated Results

SMU reported **revenue for the first nine months of 2018** (9M18) of CLP 1,698,531 million, an increase of 2.2% with respect to the CLP 1,662,527 million reported for the first nine months of 2017 (9M17). With respect to the third quarter of 2018 (3Q18), revenue totaled CLP 577,090 million, an increase of 1.5% with respect to CLP 568,697 million reported for the third quarter of 2017 (3Q17).

Gross profit amounted to CLP 484,371 million for 9M18, an increase of 3.4% with respect to CLP 468,276 million for 9M17. Measured as a percentage of revenue, gross margin increased by 30 basis points ("bps"), reaching 28.5% for the first nine months of 2018, compared to 28.2% for the first nine months of 2017. With respect to the third quarter, gross profit totaled CLP 165,106 million (28.6% of revenue) for 3Q18, an increase of 4.5% with respect to CLP 158,064 million (27.8% of revenue) for 3Q17.

Operating expenses, defined as distribution costs plus administrative expenses (excluding depreciation), as a percentage of revenue decreased approximately 10 bps in the first nine months of the year, from 22.2% in 9M17 to 22.1% in 9M18, and in the third quarter they increased slightly, from 21.6% in 3Q17 to 21.7% in 3Q18. In both periods, administrative expenses as a percentage of sales decreased, reflecting the initiatives to improve operating efficiency that form an integral part of the Company's strategic plan. At the same time, distribution costs have increased during the year, as a result of the increase in centralized distribution. However, higher levels of centralization have a positive impact on gross profit, as suppliers pay the Company in exchange for the logistics services it provides.

EBITDA[1] for the first nine months of 2018 totaled CLP 109,486 million, an **increase of 10.1%** with respect to CLP 99,416 million for 9M17. **EBITDA margin for 9M18 reached 6.4%**, an improvement of 40 bps compared to 6.0% for 9M17. In the third quarter of 2018, EBITDA increased 14.5%, to CLP 40,036 million (EBITDA margin 6.9%), compared to CLP 34,973 million (EBITDA margin 6.1%) for 3Q17.

Operating income for the first nine months of 2018 amounted to CLP 71,988 million, 14.2% higher than the first nine months of 2017. Operating income for the third quarter of 2018 totaled CLP 27,769 million, an increase of 19.9% with respect to 3Q17.

The Company reported a **non-operating loss** of CLP -68,423 million for the first nine months of 2018, compared to a loss of CLP -55,466 million for 9M17. The greater non-operating loss in 9M18 is primarily due to **two non-recurring effects**: (i) extraordinary financial expenses of CLP 11,094 million, related to the prepayment of the entire outstanding amount of the Company's international bond during the first half of 2018; and (ii) an expense of CLP 8,365 million related to the organizational restructuring program carried out by the Company in January 2018 as part of its operating efficiency initiatives. The savings in personnel expenses generated by this program will allow the Company to more than make up for this non-recurring expense over the course of the full year 2018. Another relevant factor affecting non-operating results was the loss on indexed assets and liabilities, which increased by CLP -6,060 million between 9M17 and 9M18, as a result of higher inflation and a higher base of inflation-indexed liabilities during 2018.

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

It should be noted that despite recognizing extraordinary financial expenses of CLP 11,904 million this year, the Company's total interest expense decreased CLP 5,077 million (-10.0%) in 9M18 with respect to 9M17, and in the third quarter—when there are no extraordinary expenses—interest expense decreased CLP 6,985 million (-40.6%) with respect to 3T17. The **significant reduction in financial expenses** reflects the Company's efforts to reduce its level of indebtedness and strengthen its capital structure during the last two years.

Net income for the first nine months of 2018 totaled CLP 22,179 million, an increase of CLP 12,882 million with respect to CLP 9,297million for 9M17. Net income for 3Q18 amounted to CLP 7,402 million, compared to CLP 3,698 million for 3Q17.

With respect to **operating indicators**, in the **Food Retail segment**, **sales per square meter**[2] for the first nine months of 2018 amounted to CLP 312,008, an increase of 3.8% with respect to the same period of 2017. In this segment the Company had an increase in **same-store sales ("SSS")** of 2.7% for 9M18. With respect to **operating efficiency**, within the Food Retail Chile operations during the first nine months of 2018, the Company achieved a rate of **centralized distribution** of 47.0%, higher than the 45.1% recorded for the year 2017. The increase in centralization is one of the initiatives the Company has implemented, taking advantage of its distribution centers located throughout Chile, in order to improve its operating efficiency, inventory management, and in-store product availability.

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

Management Commentary

With respect to the release of earnings for the first nine months and third quarter of 2018, SMU's CEO, Marcelo Gálvez, stated, "Our results for the year to September continue to show improvements in EBITDA margin, which increased 40 basis points, and for the third quarter we had an increase of 80 basis points, reaching 6.9%. We have achieved this consistent expansion in margins despite the fact that revenue growth—and consumption in Chile in general—has been weaker than expected."

Mr. Gálvez went on to say, "With respect to our operations and the implementation of Plan CIMA, our strategic plan for 2017 to 2019, I would like to highlight a couple of initiatives related to customer experience. This past weekend, for the first time ever, we ran a marketing campaign that featured personalized discounts for each of the members of our Unimarc loyalty program, *Club Ahorro Unimarc*. This campaign was part of our ongoing efforts to better understand our customers, in order to satisfy their needs and improve their shopping experience in our stores."

"Another initiative related to improving the experience of our customers is our store upgrade plan, which involves changes to the layout and assortment of a group of Unimarc stores. To date we have completed 29 upgrades, with two additional reinaugurations scheduled for this week, and we are well on our way towards completing a further nine remodels in December, which means we are well positioned to meet our goal of having 40 upgrades completed by year-end 2018," continued Mr. Gálvez.

"We also remain focused on operating efficiency and optimizing our supply chain. In that sense, another recent highlight was the inauguration of a new, dedicated distribution center for our Alvi format, which will allow us to increase our rate of centralized distribution and to improve in-store product availability, thereby better serving our mom-and-pop customers who shop at our Alvi stores."

"In terms of non-operating matters, it is important to highlight the significant savings in interest expense that we reported for the third quarter. Our financial costs fell by slightly more than 40% with respect to the third quarter of last year, and this was a direct result of the transformation in our capital structure during the last two years," concluded Mr. Gálvez.

Conference Call

SMU will host a conference call and webcast for investors on Wednesday, November 28, 2018 at 12:00 pm Santiago/10:00 am ET to discuss its first nine months and third quarter 2018 results.

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

Webcast:
http://services.choruscall.ca/links/smu20181128.html

Note Regarding Presentation and Comparison of Information

On April 27, 2018, SMU completed the sale of its subsidiary Construmart S.A. and its subsidiaries. Such companies comprised the "Construction Materials" operating segment. In accordance with the provisions of IFRS 5, in SMU's Consolidated Financial Statements, this segment is presented as available for sale.

Consequently, the accounts in the Company's statements of comprehensive income for the first nine months and third quarter of 2017 have been restated in order to provide the same presentation as the first nine months and third quarter 2018 figures. As such, in both periods presented, Construmart's results are consolidated in a single line of SMU's statements of comprehensive income, under "Profit (loss) from discontinued operations". The statements of cash flows for the first nine months of 2017 have also been restated in order to be comparable to the figures for the first nine months of 2018.

The statements of financial position are comparable between periods, because the comparison is between September 30, 2018 and December 31, 2017, and as of both dates, Construmart is presented as available for sale. Therefore, in both periods, Construmart's assets are consolidated in a single line of SMU's statements of financial position, under "Non-current assets or asset groups classified as held-for-sale", and Construmart's liabilities are consolidated in a single line under "Non-current liabilities or liability groups classified as held-for-sale".

Given that the sale of Construmart was completed during the second quarter of 2018, as of September 30, 2018, the total amount of assets and liabilities classified as held-for-sale is zero, and during the third quarter of 2018, there is no profit or loss from discontinued operations. However, it is necessary to continue to present these line-items for comparison purposes with the previous year.

Analysis of Financial Statements

SMU's consolidated results for the periods of three and nine months ended September 30, 2018 and 2017 are presented in the table below. All figures are expressed in Chilean pesos (CLP) and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Table 1: Consolidated Income Statement

(CLP Million)	3Q18	3Q17 Restated	△%	9M18	9M17 Restated	△%
Revenues	577,090	568,697	1.5%	1,698,531	1,662,527	2.2%
Cost of Sales	(411,984)	(410,633)	0.3%	(1,214,160)	(1,194,251)	1.7%
Gross Profit	**165,106**	**158,064**	**4.5%**	**484,371**	**468,276**	**3.4%**
Gross Margin (%)	*28.6%*	*27.8%*		*28.5%*	*28.2%*	
Distribution Costs	(6,981)	(6,223)	12.2%	(20,564)	(18,058)	13.9%
Contribution Margin	**158,125**	**151,841**	**4.1%**	**463,807**	**450,218**	**3.0%**
Contribution Margin (%)	*27.4%*	*26.7%*		*27.3%*	*27.1%*	
Administrative Expenses (Excluding Depreciation)	(118,089)	(116,868)	1.0%	(354,321)	(350,802)	1.0%
EBITDA	**40,036**	**34,973**	**14.5%**	**109,486**	**99,416**	**10.1%**
EBITDA Margin (%)	*6.9%*	*6.1%*		*6.4%*	*6.0%*	
Depreciation and Amortization	(12,266)	(11,816)	3.8%	(37,498)	(36,399)	3.0%
Operating Income	**27,769**	**23,157**	**19.9%**	**71,988**	**63,017**	**14.2%**
Other Gains (Losses)	(1,305)	653	n.a.	(9,142)	978	n.a.
Financial Income	246	157	56.4%	1,042	692	50.5%
Financial Expenses	(10,199)	(17,184)	(40.6%)	(45,920)	(50,997)	(10.0%)
Share of Profit (Loss) of Associates	(1,065)	(503)	111.5%	(2,173)	(1,308)	66.2%
Foreign Exchange Differences	(294)	413	n.a.	750	2,088	(64.1%)
Income (Loss) for Indexed Assets and Liabilities	(4,745)	242	n.a.	(12,979)	(6,919)	87.6%
Non-operating Income	**(17,362)**	**(16,222)**	**7.0%**	**(68,423)**	**(55,466)**	**23.4%**
Net Income (Loss) Before Taxes	**10,407**	**6,935**	**50.1%**	**3,565**	**7,551**	**(52.8%)**
Income Tax Expense	(3,006)	(3,397)	(11.5%)	18,793	1,203	1,462.7%
Net Income (Loss) from Continued Operations	**7,402**	**3,538**	**109.2%**	**22,358**	**8,754**	**155.4%**
Net Income (Loss) from Discontinued Operations	**0**	**160**	**(100.0%)**	**(179)**	**543**	**n.a.**
Net Income (Loss) of the Period	**7,402**	**3,698**	**100.1%**	**22,179**	**9,297**	**138.6%**

*Restated: The figures for the first nine months and third quarter of 2017 have been restated to make them comparable with the figures for the first nine months and third quarter of 2018, when the construction materials segment is presented as available for sale. See "Note Regarding Presentation and Comparison of Information" (Page 5).

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

1. Analysis of Income Statement

1.1. Results of Operations: Food Retail Segment

1.1.1. Revenue

Revenue for the Food Retail segment increased 2.2% in the first nine months of 2018 with respect to the first nine months of 2017, from CLP 1,662,527 million to CLP 1,698,531 million. With respect to the third quarter of 2018, revenue amounted to CLP 577,090 million, an increase of 1.5% with respect to CLP 568,697 million for 3Q17.

Table 2: Food Retail Segment Revenue (CLP MMM)

REVENUE (CLP MMM)	3Q18	3Q17	△%	9M18	9M17	△%
UNIMARC	400	397	*0.9%*	1,185	1,164	*1.8%*
CASH & CARRY	148	146	*1.4%*	432	421	*2.6%*
OK MARKET	12	12	*4.2%*	37	36	*2.5%*
TELEMERCADOS	3	3	*-7.0%*	8	9	*-8.2%*
OTHERS(*)	2	0	*345.5%*	5	2	*113.3%*
FOOD RETAIL CHILE	566	559	*1.3%*	1,667	1,632	*2.1%*
FOOD RETAIL PERU	11.3	10.1	*12.0%*	31.7	30.7	*3.3%*
CONSOLIDATED	577	569	*1.5%*	1,699	1,663	*2.2%*

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

Food Retail Chile revenue grew 2.1% in the first nine months of 2018 and 1.3% in the third quarter of 2018, with respect to the same periods of 2017. Within the Food Retail Chile operations, Unimarc, the traditional supermarket, increased 1.8% in 9M18 and 0.9% in 3Q18. Unimarc accounts for approximately 70% of SMU's revenue. Revenue for the cash & carry format increased 2.6% in 9M18 and 1.4% in 3Q18, driven by growth in Mayorista 10 (+4.9% in 9M18 and +3.4% in 3Q18), where the new value proposition has been showing positive results in recent quarters. Revenue for the convenience store format (OK Market) grew 2.5% in 9M18 and 4.2% in 3Q18, while revenue for the e-grocery format (Telemercados) decreased 8.2% in 9M18 and 7.0% in 3Q18.

In Food Retail Peru, revenue (measured in Chilean pesos) increased 3.3% in the first nine months of 2018 with respect to the same period of 2017, and increased 12.9% in the third quarter of 2018. However, measured in Peruvian Soles, revenue increased 7.3% in 9M18 and 10.2% in 3Q18. The difference is explained by exchange rate fluctuations: the Chilean peso appreciated with respect to the Peruvian Sol during the first half of 2018, and during the third quarter, it depreciated.

Same-store sales (SSS) growth for the Food Retail segment amounted to 1.8% for the third quarter of 2018.

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

SSS (△%)	3Q17	4Q17	2017	1Q18	2Q18	3Q18
UNIMARC	1.5%	0.3%	2.3%	3.4%	1.7%	1.2%
CASH & CARRY	0.3%	0.5%	-0.7%	4.1%	5.5%	2.8%
OK MARKET	2.5%	1.4%	3.7%	-1.2%	3.1%	2.1%
FOOD RETAIL CHILE	1.2%	0.4%	1.5%	3.4%	2.7%	1.6%
FOOD RETAIL PERU	11.1%	4.7%	11.6%	0.3%	10.9%	10.3%
CONSOLIDATED	1.3%	0.4%	1.7%	3.2%	2.7%	1.8%

SSS for Unimarc grew 1.2% in the third quarter of 2018. Cash & carry increased 2.8%, driven by growth in Mayorista 10, reflecting the effect of the changing value proposition for this format. Same-store sales for the OK Market convenience stores increased 2.1% in 3Q18. Overall, Food Retail Chile recorded SSS growth of 1.6% for the third quarter of 2018.

Food Retail Peru—which accounts for around 2% of total revenue for the Food Retail segment—recorded an increase in SSS of 10.3%. The strong performance in this format during recent quarters reflects the implementation of its strategic plan.

Sales per square meter for the Food Retail segment reached CLP 312,008 for the first nine months of 2018, 3.8% higher than the first nine months of 2017.

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

SALES PER SQM (CLP Thousands/sqm)	3Q18	3Q17	△%	9M18	9M17	△%
FOOD RETAIL CHILE	322.0	313.6	2.7%	316.0	304.3	3.9%
FOOD RETAIL PERU	202.2	180.4	12.1%	187.8	182.3	3.0%
CONSOLIDATED	318.2	309.5	2.8%	312.0	300.5	3.8%

Food Retail Chile sales per square meter grew 3.9% in 9M18 compared to 9M17, and 2.7% for 3Q18 compared to 3Q17. For its part, Food Retail Peru (measured in Chilean pesos) recorded an increase of 3.0% in sales per square meter in the first nine months of 2018. However, as explained above, this figure is affected by the exchange rate. Sales per square meter measured in Peruvian Soles increased 7.0% in the first nine months of 2018. In the third quarter, sales per square meter in Peru, measured in Chilean pesos, grew 12.1%, and measured in Peruvian Soles, grew 10.3%.

By format, sales per square meter for Unimarc increased 3.6% in 9M18 (3.3% in 3Q18). For the cash & carry segment they increased 4.8% in 9M18 and 5.5% in 3Q18, and OK Market had an increase of 1.1% in 9M18 and 2.1% in 3Q18.

As of the end of the third quarter of 2018, SMU's food retail operations included **503 stores in Chile**, distributed from Arica to Punta Arenas—slightly more than the 500 stores in operation at the end of the third quarter of 2017—and a total of **562,068 square meters**.

During the first nine months of 2018, the Company opened three OK Market stores and one Unimarc store. During the same period, the Company closed one Unimarc store, due to a fire, and one Alvi store that had operated primarily as a distribution center for delivery sales, transferring the operation to another Alvi location. In addition to the store openings and closures during the period, the total square meters of certain stores have been modified due to space optimizations and store remodels.

In Peru, as of September 30, 2018, the Company had 24 stores, with 20,398 square meters, for a total selling space for the Food Retail segment of 582,466 square meters at period-end.

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

NUMBER OF STORES	3Q18	3Q17
UNIMARC	289	289
CASH & CARRY	99	100
OK MARKET	115	111
FOOD RETAIL CHILE	503	500
FOOD RETAIL PERU	24	24
CONSOLIDATED	527	524

SALES AREA (THOUSANDS OF SQM)	3Q18	3Q17
UNIMARC	391	402
CASH & CARRY	156	169
OK MARKET	15	14
FOOD RETAIL CHILE	562	586
FOOD RETAIL PERU	20	20
CONSOLIDATED	582	606

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

OPENINGS AND CLOSURES	1Q17		2Q17		3Q17		2017		1Q18		2Q18		3Q18	
	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.
UNIMARC	0	3	0	1	0	2	0	6	0	0	0	1	1	0
CASH & CARRY	0	0	0	0	0	0	0	0	0	1	1	1	0	0
OK MARKET	0	4	0	0	0	1	2	5	1	0	1	0	1	1
FOOD RETAIL CHILE	0	7	0	1	0	3	2	11	1	1	2	2	2	1
FOOD RETAIL PERU	0	0	0	0	0	0	0	0	0	0	0	0	0	0

*The closure in 1Q18 and the opening in 2Q18 in the Cash & Carry format is due to the temporary closure of a store in order to carry out maintenance work.

1.1.2. Distribution Costs and Administrative Expenses

In the first nine months of 2018, **distribution costs plus administrative expenses (excluding depreciation)** for the Food Retail segment, as a percentage of revenue, decreased by approximately 10 bps, from 22.2% in 9M17 to 22.1% in 9M18. In the third quarter they increased from 21.6% in 3Q17 to 21.7% in 3Q18.

Distribution costs for the first nine months of 2018 totaled CLP 20,564 million, an increase of 13.9% with respect to the same period of 2017. In the third quarter of 2018 distribution costs amounted to CLP 6,981 million, an increase of 12.2% with respect to the third quarter of 2017. The increase was primarily due to the increase in sales and the increase in centralized distribution across formats. However, higher levels of centralization have a positive impact on gross profit, as suppliers pay the Company in exchange for the logistics services it provides. By increasing the rate of centralized distribution, SMU seeks to improve its in-store product availability and optimize its inventory management. Distribution costs as a percentage of revenue increased slightly, from 1.1% for both 9M17 and 3Q17 to 1.2% for both 9M18 and 3Q18.

Administrative expenses (excluding depreciation) for the Food Retail segment increased 1.0% in the first nine months of 2018, totaling CLP 354,321 million (20.9% of revenue), versus CLP 350,802 million (21.1% of revenue) for 9M17. With respect to the third quarter of 2018, administrative expenses amounted to CLP 118,089 million (20.5% of revenue), an increase of 1.0% compared to the CLP 116,868 million (20.6% of revenue) for 3Q17. As a percentage of revenue, expenses increase less than gross profit, generating productivity gains that are reflected in a higher EBITDA margin.

The main increases in administrative expenses in the first nine months of 2018 were:

a. CLP 3,072 million (+5.2% YoY) in services, primarily due to increases in security expenses and retroactive increases in electricity charges due to a tariff increase;
b. CLP 2,873 million (+6.7% YoY) in lease expenses, related to inflation adjustments and the variable component of these expenses, which increased as a result of higher sales;
c. CLP 1,178 million (+12.7% YoY) in IT services, related to the implementation of projects associated with Plan CIMA[3]; and
d. CLP 1,028 million (11.8% YoY) in credit card commissions, associated with an increase in the use of this form of payment.

These increases were partially offset by a decrease of CLP 3,748 million (-2.2% YoY) in personnel expenses, primarily due to the lower headcount (-6.7% in 9M18 with respect to 9M17), which outweighs the increases due to the higher minimum wage and inflation adjustments to salaries.

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

The main increases in administrative expenses in the third quarter of 2018 were:

a. CLP 761 million (+3.8% YoY) in services, primarily due to increases in security expenses;
b. CLP 493 million (+3.4% YoY) in lease expenses, related to inflation adjustments and the variable component of these expenses, which increased as a result of higher sales; and
c. CLP 356 million (11.1% YoY) in credit card commissions, associated with an increase in the use of this form of payment.

These increases were partially offset by decreases of: (i) CLP 452 million (-16.9% YoY) in external services, (ii) CLP 409 million (-9.1% YoY) in materials, and (iii) CLP 391 million (-0.7% YoY) in personnel expenses, primarily due to the lower headcount (-5.5% in 3Q18 with respect to 3Q17), which outweighs the increases due to the higher minimum wage and inflation adjustments to salaries.

Table 7: Average Headcount in the Food Retail Segment

AVERAGE HEADCOUNT	3Q18	3Q17	△%	9M18	9M17	△%
STORES CHILE	27,478	29,090	*-5.5%*	27,758	29,777	*-6.8%*
HEADQUARTERS CHILE	1,600	1,644	*-2.7%*	1,582	1,642	*-3.7%*
FOOD RETAIL CHILE	29,078	30,734	*-5.4%*	29,340	31,419	*-6.6%*
STORES PERU	531	616	*-13.9%*	527	618	*-14.7%*
HEADQUARTERS PERU	137	134	*2.0%*	137	131	*4.1%*
FOOD RETAIL PERU	668	750	*-11.0%*	664	750	*-11.4%*
CONSOLIDATED	29,746	31,484	*-5.5%*	30,004	32,169	*-6.7%*

1.1.3. Gross Margin, Contribution Margin, and EBITDA

Gross profit for the Food Retail segment totaled CLP 484,371 million for the first nine months of 2018, an increase of 3.4% with respect to the first nine months of 2017, which is equivalent to 28.5% of revenue, 30 bps higher with respect to 28.2% in 9M17. Gross profit for the third quarter of 2018 amounted to CLP 165,106 million (28.6% of revenue), an increase of 4.5% with respect to 3Q17, when gross profit totaled CLP 158,064 million (27.8% of revenue).

Contribution margin grew 3.0% in 9M18, totaling CLP 463,807 million, compared to CLP 450,218 million for 9M17, amounting to 27.3% of revenue in 9M18 vs. 27.1% in 9M17. Contribution margin for the third quarter of 2018 amounted to CLP 158,125 million (27.4% of revenue), an increase of 4.1% with respect to CLP 151,841 million (26.7% of revenue) for 3Q17.

EBITDA for the Food Retail segment increased 10.1% in the first nine months of 2018, amounting to CLP 109,486 million, compared to CLP 99,416 million for 9M17. **EBITDA margin** increased from 6.0% in 9M17 to 6.4% in 9M18. In the third quarter of 2018, EBITDA increased 14.5%, to CLP 40,036 million (EBITDA margin 6.9%), from CLP 34,973 million (EBITDA margin 6.1%) for 3Q17.

EBITDAR (EBITDA less lease expenses) amounted to CLP 155,289 million (EBITDAR margin 9.1%) for the first nine months of 2018, 9.1% higher than the CLP 142,346 million (EBITDAR margin 8.6%) obtained in 9M17. Similarly, EBITDAR for the third quarter of 2018 increased 11.2%, to CLP 55,198 million (EBITDAR margin 9.6%), compared to CLP 49,642 million (EBITDAR margin 8.7%) for 3Q17.

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

The **consolidated non-operating loss** for SMU for the first nine months of 2018 totaled CLP -68,423 million, compared to the non-operating loss of CLP -55,466 million for the first nine months of 2017.

The variation in non-operating loss in 9M18 is primarily explained by **non-recurring effects**:

a. **Financial expenses:** SMU's financial expenses for the first nine months of 2018 include **extraordinary expenses of CLP 11,904 million** associated with the prepayment of 100% of the Company's international bond during the first half of the year. This amount includes prepayment costs, the unwind of the cross-currency swap, and the recognition of issuance expenses. Despite these extraordinary expenses, total financial expenses for the first nine months of 2018 decreased by CLP 5,077 million (-10.0%) with respect to 9M17, reflecting the significant reduction in the Company's level of indebtedness.

b. **Other gains (losses):** In 9M18, the Company recorded a loss of CLP -9,142 million, compared to a gain of CLP 978 million in 9M17 (a difference of CLP 10,120 million). This difference is primarily explained by a **one-time loss of CLP -8,365 million** due to the organizational restructuring program that was carried out in January 2018, as part of the Company's operating efficiency initiatives. The savings in personnel expenses generated by this program will allow the Company to more than make up for this non-recurring expense over the course of the full year 2018.

In addition, in 9M18 the Company recorded a **greater loss on indexed assets and liabilities** (CLP -12,979 million in 9M18 vs. CLP -6,919 million in 9M17), as a result of the higher inflation in 2018 compared to 2017.

With respect to the third quarter of 2018, the Company reported a non-operating loss of CLP -17,362 million, compared to a loss of CLP -16,222 million for 3Q17, a difference of CLP -1,140 million, primarily explained by:

a. A greater loss on **indexed assets and liabilities** (CLP -4,987 million), due to higher inflation in 3Q18 vs. 3Q17; and
b. A negative variation in **other gains (losses)** (CLP -1,958 million): in 3Q17, the Company reported a gain of CLP 653 million, primarily due to changes/terminations of lease contracts that qualify as financial leases, whereas in 3Q18 the Company recognized a loss of CLP -1,305 million, primarily related to a store that was damaged by a fire.

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

However, these negative variations were partially offset by a decrease of CLP 6,985 million (-40.6%) in financial expenses in 3Q18 compared to 3Q17. Financial expenses for the third quarter of 2018 totaled CLP 10,199 million. This amount is not affect by any non-recurring expenses, making it more representative of the level of interest expense the Company should have on an ongoing basis, following the significant improvements to its capital structure during the last two years.

The **income tax benefit** for the first nine months of 2018 amounted to CLP 18,793 million, an increase of CLP 17,590 million with respect to the income tax benefit of CLP 1,203 million for 9M17. The majority of this difference was generated in the second quarter, when the income tax benefit totaled CLP 16,605 million (+CLP 12,107 million vs 2Q17), primarily explained by deferred taxes associated with the sale of Construmart during that quarter. In the third quarter of 2018, the impact of taxes was negative, and the Company recorded an income tax expense of CLP -3,006 million, reflecting the positive pre-tax income for the quarter.

1.3. Operations Held for Sale: Construction Materials Segment

The results of the Construction Materials segment are consolidated in a single line of SMU's statements of comprehensive income, under "Profit (loss) from discontinued operations" (see Note Regarding Presentation and Comparison of Information, on page 5). On April 27, 2018, the sale of Construmart S.A. and subsidiaries was completed, and consequently, the results for this segment in 2018 only include the period through such date, whereas in 2017 the results include the full first nine months of the year.

1.4. Net Income

SMU reported **net income** for the first nine months of 2018 of CLP 22,179 million, more than double the net income for the same period of 2017, CLP 9,297 million. **Profit from continuing operations** totaled CLP 22,358 million, compared to CLP 8,754 million for 9M17. The **loss from discontinued operations** amounted to CLP -179 million in 9M18, compared to a profit of CLP 543 million for 9M17.

With respect to the third quarter, net income totaled CLP 7,402 million, twice as much as the CLP 3,698 million reported for 3Q17. Profit from continuing operations amounted to CLP 7,402 million, compared to CLP 3,538 million for 3Q17. The profit from discontinued operations for 3Q17 amounted to CLP 160 million, and in 3Q18 the Company no longer has discontinued operations, as the sale of Construmart was completed in April 2018.

2. Analysis of Statement of Financial Position

Table 10: Statement of Financial Position as of September 30, 2018 and December 31, 2017

(CLP Million)	September 2018	December 2017	△$	△%
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	95,941	110,540	(14,599)	(13.2%)
Other Current Financial Assets	17	15	1	9.1%
Other Current Non-Financial Assets	24,754	22,640	2,114	9.3%
Trade Accounts Receivable and Other Receivables, Net	40,193	47,073	(6,880)	(14.6%)
Accounts Receivable from Related Companies	8,805	14,363	(5,557)	(38.7%)
Inventories	188,850	194,157	(5,307)	(2.7%)
Current Tax Assets	7,601	5,323	2,278	42.8%
Non-Current Assets Classified as Held for Sale	0	101,311.1	(101,311)	(100.0%)
Total Current Assets	**366,161**	**495,421**	**(129,261)**	**(26.1%)**
NON-CURRENT ASSETS				
Other Non-Current Financial Assets	244	241	2	1.0%
Other Non-Current Non-Financial Assets	19,119	24,648	(5,530)	(22.4%)
Non-Current Accounts Receivable	3,082	2,369	713	30.1%
Investments Accounted for Using the Equity Method	1,997	3,075.9	(1,079)	(35.1%)
Intangible Assets Other Than Goodwill	72,957	78,284	(5,328)	(6.8%)
Goodwill	474,686	474,253	432	0.1%
Property, Plant, and equipment, net	435,780	409,971	25,808	6.3%
Deferred tax assets	431,428	413,330	18,097	4.4%
Total Non-Current Assets	**1,439,291**	**1,406,173**	**33,118**	**2.4%**
TOTAL ASSETS	**1,805,452**	**1,901,595**	**(96,143)**	**(5.1%)**
LIABILITIES				
CURRENT LIABILITIES				
Other Current Financial Libialities	101,180	70,342	30,837	43.8%
Trade and Other Current Payables	404,074	414,360	(10,286)	(2.5%)
Accounts Payable to Related Companies	4,285	3,357	928	27.6%
Other Current Provisions	1,131	1,227	(97)	(7.9%)
Current Tax Liabilities	-	0	0	-
Current Provisions for Employee Benefits	15,805	17,059	(1,254)	(7.3%)
Other Current Non-Financial Liabilities	5,515	3,436	2,079	60.5%
Non-Current Liabilities Classified as Held for Sale	0	60,929.3	(60,929)	(100.0%)
Total Current Liabilities	**531,989**	**570,711**	**(38,722)**	**(6.8%)**
NON-CURRENT LIABILITIES				
Other Non-Current Financial Liabilities	568,619	727,071	(158,452)	(21.8%)
Non-Current Payables	134	175	(41)	(23.4%)
Trade Payables due to Related Entities, Non-Current	-	0	0	-
Deferred Tax Liabilities	76	70	6	9.3%
Non-Current Provisions for Employee Benefits	3,944	2,699	1,245	46.1%
Other Non-Current Non-Financial Liabilities	6,876	8,094	(1,218)	(15.1%)
Total Non-Current Liabilities	**579,649**	**738,109**	**(158,460)**	**(21.5%)**
TOTAL LIABILITIES	**1,111,638**	**1,308,820**	**(197,182)**	**(15.1%)**
EQUITY				
Issued Capital	523,742	1,195,165	(671,423)	(56.2%)
Accumulated Losses	22,147	(740,068)	762,215	(103.0%)
Other Reserves	147,925	137,678	10,247	7.4%
Equity Attributable to the Owners of the Parent Company	693,814	592,775	101,039	17.0%
Non-Controlling Interest	0	(0)	0.0	(100.0%)
Total Equity	**693,814**	**592,775**	**101,039**	**17.0%**
TOTAL LIABILITIES AND EQUITY	**1,805,452**	**1,901,595**	**(96,143)**	**(5.1%)**

2.1. Assets

As of September 30, 2018, SMU's **total assets** decreased 5.1% with respect to December 31, 2017, totaling CLP 1,805,452 million.

Current assets as of September 30, 2018 decreased CLP 129,261 million (26.5%) with respect to December 31, 2017, totaling CLP 366,161 million, primarily due to:

a. A decrease in non-current assets or asset groups classified as held-for-sale (↓CLP 101,311 million), due to the completion of the sale of Construmart during the second quarter of 2018.
b. A decrease in cash and cash equivalents (↓CLP 14,599 million), explained by the variations that are described in section 3. Analysis of Statement of Cash Flows.
c. A decrease in trade and other receivables (↓CLP 6,880 million), primarily explained by the business cycle and year-end sales with credit and debit cards.
d. A decrease in accounts receivable from related parties (↓CLP 5,557 million), primarily explained by the elimination of the account receivable from the company Inmobiliaria SMU S.A., the administrator of SMU's Lo Aguirre distribution center. On June 29, 2018, SMU acquired 99.9999% of Inmobiliaria SMU, and as a result, this company is consolidated in SMU's financial statements beginning on such date.
e. A decrease in inventories (↓CLP 5,307 million), primarily explained by the seasonality of the business.

These decreases were partly offset by:

a. An increase in current tax assets (↑CLP 2,278 million), primarily explained by increases in recoverable taxes from prior years and in monthly provisional income tax payments.
b. An increase in other current non-financial assets (↑CLP 2,114 million), primarily explained by increases in prepaid insurance and value-added tax fiscal credit, partially offset by an increase in advanced payments to foreign suppliers.

Non-current assets as of September 30, 2018 totaled CLP 1,439,291 million, an increase of CLP 33,118 million (2.4%) with respect to year-end 2017, primarily due to:

a. An increase in property, plant and equipment (↑CLP 25,808 million) due to additions from business combinations, associated with the addition of Inmobiliaria SMU's assets (↑CLP 19,361 million), additions during the period (↑CLP 30,440 million), and other increases (↑CLP 6,481 million), partially offset by depreciation (↓CLP 28,686 million).
b. An increase in deferred tax assets (↑CLP 18,097 million), primarily due to the increase in accumulated tax losses (CLP 20,907 million), essentially due to the sale of Construmart, partially offset by lower balances of deferred intangible tax assets (CLP 1,724 million).

These increases were partly offset by:

a. A decrease in other non-current non-financial assets (↓CLP 5,530 million), due to a decrease in prepaid leases (↓CLP 7,383 million), as a result of the consolidation of Inmobiliaria SMU, partly offset by an increase in prepaid insurance (↑CLP 1,790 million).
b. A decrease in intangible assets other than goodwill (↓CLP 5,328 million) due to amortization (↓CLP 8,812 million), partially offset by additions during the period (↑CLP 3,491 million).
c. A decrease in investments accounted for using the equity method (↓CLP 1,079 million), primarily due to the recognition of losses of affiliate companies during the period.

2.2. Liabilities

As of September 30, 2018, the Company's **total liabilities** amounted to CLP 1,111,638 million, a decrease of 15.1% with respect to December 31, 2017.

Current liabilities decreased by CLP 38,722 million (-6.8%), primarily due to:

a. A decrease in non-current assets or asset groups classified as held-for-sale (↓CLP 60,929 million), due to the sale of Construmart during the second quarter of 2018.
b. A decrease in current trade and other accounts payable (↓CLP 10,286 million), associated with the business and payment cycles.
c. A decrease in current provisions for employee benefits (↓CLP 1,254 million), primarily due to the payment of the annual performance bonus, a lower provision for vacations, following the peak summer period in the southern hemisphere, and the organizational restructuring program carried out in January 2018.

These decreases were partially offset by an increase in current other financial liabilities (↑CLP 30,837 million), primarily due to the transfer from non-current to current of the portion of the syndicated loan that matures in June 2019.

Non-current liabilities decreased by CLP 158,460 million (-17.8%), primarily due to the decrease of CLP 158,452 million in other non-current financial liabilities. This decrease is primarily explained by: (i) the transfer from non-current to current of the portion of the syndicated loan that matures in June 2019, and (ii) the prepayment of the total outstanding amount of the international bond, partially offset by: (i) the placement of local bonds for a total of UF 3.5 million during the first half of 2018, and (ii) an increase in obligations under financial lease arrangements related to the consolidation of Inmobiliaria SMU.

2.3. Shareholders' Equity

Shareholders' equity increased by CLP 101,039 million (+17.0%), primarily due to the capital increase carried out in January 2018 (↑CLP 74,000 million) and earnings for the period (↑CLP 22,179 million). However, it should be noted that there are a number of movements within the shareholders' equity accounts related to the Extraordinary Shareholders' Meeting held on April 26, 2018, at which shareholders agreed to capitalize the Company's accumulated losses (CLP 740,068 million) and share issuance and placement expenses (CLP 5,355 million), resulting in a decrease in paid-in capital and an increase in retained earnings (accumulated losses).

3. Analysis of Statement of Cash Flows

Table 11: Statement of Cash Flows for the nine months ended September 30, 2018 and 2017

(CLP Million)	September 2018	September 2017 Restated	△$
Net Cash Flows From (Used in) Operating Activities	94,485	52,758	41,727
Net Cash Flows From (Used in) Investing Activities	6,532	(19,834)	26,366
Net Cash Flows From (Used in) Financing Activities	(115,616)	(39,446)	(76,170)
Net Increase (Decrease) in Cash and Cash Equivalents Before Effect of Exchange Rates	**(14,599)**	**(6,523)**	**(8,076)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(14,599)**	**(6,523)**	**(8,076)**
Cash and Cash Equivalents at Beginning of Period	110,540	48,497	62,043
Cash and Cash Equivalents at End of Period	**95,941**	**41,974**	**53,967**

Cash provided by **operating activities** for the first nine months of 2018 totaled CLP 94,485 million, compared to CLP 52,758 million for 9M17, an increase of CLP 41,727 million. The increase is primarily explained by an increase in cash receipts from sales of goods and services (+CLP 55,918 million), partially offset by an increase in payments to and on behalf of employees (+CLP 8,596 million) and an increase in payments to suppliers (+CLP 7,389 million).

Cash from **investing activities** for the first nine months of 2018 totaled a net inflow of CLP 6,532 million, compared to a net outflow of CLP -19,834 million for 9M17, a difference of CLP 26,366 million. The main inflow of cash during 9M18 was from the sale of Construmart (CLP 38,743 million). In both periods, the greatest outflow of cash is for **CAPEX**, which includes purchases of property, plant and equipment and purchases of intangible assets and amounted to CLP 29,898 million in 9M18 and CLP 18,033 million in 9M17.

Cash from **financing activities** for the first nine months of 2018 totaled a net outflow of CLP -115,616 million, mainly explained by: (i) the prepayment of 100% of the international bond (USD 300 million); (ii) payment of the syndicated loan payment due in June 2018 (CLP 35,944 million); (iii) the prepayment of Tranche III of the syndicated loan (approximately CLP 17 billion), associated with the sale of Construmart; (iv) interest payments of CLP 46,630 million; and (v) payment of financial leases (CLP 12,416 million); partially offset by: (i) proceeds from borrowings for CLP 108,953 million, mainly due to the placement of series T bonds in April and June; and (ii) the capital increase in January 2018 for a total of CLP 74 billion. In 9M17, the Company had a net outflow of CLP -39,446 million in cash from financing activities, mainly explained by: (i) payments of loans from related and non-related parties for a total of CLP 239,016 million; (ii) interest payments for a total of 50,081 million; and (iii) payment of financial leases for a total of CLP 9,042 million; partially offset by: (i) the capital increase carried out in January 2017 for a total of CLP 129,950 million; and (ii) proceeds from borrowings of CLP 128,743 million, related to the placement of series G and series K bonds in April 2017 and series P bonds in September 2017.

4. Financial Indicators

Table 12: Financial Indicators

			Sept. 2018	Dec. 2017
LIQUIDITY				
Liquidity Ratio	times	*Current assets/current liabilities*	0.69	0.87
Acid Ratio	times	*(Current assets - inventories)/current liabilities*	0.33	0.53
LEVERAGE				
Total Liabilities / Total Assets	times	*Total liabilities / Total assets*	0.62	0.69
Total Liabilities / Equity	times	*Total liabilities / Equity*	1.60	2.21
Net Financial Liabilities / Equity	times	*(Other current financial liabilities + other non-current financial liabilities - cash and cash equivalents)/Shareholders' equity*	0.83	1.16
Currents Liabilities / Total Liabilities	%	*Total current liabilities/Total liabilities*	47.86	43.60
INDEBTEDNESS				
Days of Inventory	days	*Average inventory for the period / Daily cost of goods sold for the period*	42.59	40.90
Accounts Receivable Days	days	*Average current trade and other accounts receivable for the period / (Daily revenue for the period * 1.19)*	5.83	6.44
Accounts Payable Days	days	*Average current trade and other accounts payable for the period / (Daily cost of goods sold for the period * 1.19)*	76.47	77.78
EFFICIENCY (12 months)				
Interest Coverage (Last 12 months)	times	*EBITDA for the last 12 months / (financial expenses for the last 12 months - financial income for the last 12 months)*	2.55	2.18
Gross Margin (Last 12 months)	%		28.50	28.24
EBITDA (Last 12 months)	CLP MM		152,106	142,036
EBITDA Margin (Last 12 months)	%		6.63	6.29
PROFITABILITY (12 months)				
Return on Assets	%	*Net income last 12 months / Total assets*	2.24	1.45
Return on Assets (excluding goodwill)	%	*Net income last 12 months / (Total assets - goodwill)*	3.04	1.94
Return on Equity	%	*Net income last 12 months / Shareholders' Equity*	5.84	4.66
Return on Invested Capital (including goodwill)	%	*Operating income last 12 months / (Accounts receivable + inventories + intangible assets + goodwill + property, plant and equipment)*	8.49	7.81
Return on Invested Capital (excluding goodwill)	%	*Operating income last 12 months / (Accounts receivable + inventories + intangible assets + property, plant and equipment)*	13.96	12.89

5. Risk Management

The main risks faced by SMU, as well as certain measures taken by the Company to mitigate such risks, are described in note 4 to SMU's consolidated financial statements as of September 30, 2018.

6. Main Events During the Period

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

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

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

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

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

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

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

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

   (4) The price of the Transaction has been determined to be UF 1.845.655 (one million eight hundred forty five thousand six hundred fifty five *Unidades de Fomento*), which will be subject to a discount in the amount of the net financial debt of Construmart, as well as other adjustments that are habitual for transactions of this nature. Such adjustments will be made on the closing date of the Transaction. With respect to the account receivable described in the Essential Fact filed on November 9, 2017, which could affect the amount of the price, this remains the same.

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

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

5. On February 9, 2018, the Company carried out a partial redemption of its International bond. Such bond was placed in February 2013 for a total capital amount of USD 300 million, and it matures in February 2020. The partial redemption was for a total capital amount of USD 120 million, plus the prepayment cost of USD 2.33 million, as well as interest accrued as of such date of USD 0.026 million. As a result, the total cash payment amounted to USD 122.35 million. The partial redemption was made using the proceeds of the capital increase carried out in November 2017.

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

7. Credit Ratings:

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

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

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

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

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

8. On March 27, 2018, the Company filed an Essential Fact, informing that the previous day, the Board of Directors agreed to call an Annual Ordinary Shareholders' Meeting to be held on April 26, 2018, at 10:00 am, at Cerro El Plomo 5680 11th floor, Las Condes, Santiago, in order to be inform the Company's shareholders of and/or to submit for the approval of the Company's shareholders the following matters:

(1) Approve annual report and financial statements for the 2017 period.

(2) Approve the report of independent auditors.
(3) Elect Board of Directors.
(4) Approve remunerations of Board of Directors and other corporate committees for the 2018 period. Inform Board of Directors expenses incurred during 2017 period.
(5) Inform activities and expenses of Directors' Committee and determine remunerations for 2018 period.
(6) Inform operations referred to under Title XVI of Law No. 18,046 (related-party operations).
(7) Designate independent audit firm and credit rating agencies for the 2018 period.
(8) Designate newspaper in which legally required notifications will be published.
(9) Use net profit for the 2017 period to absorb accumulated losses.
(10) Review any other matter that is of interest to shareholders and pertains to the Annual Ordinary Shareholders' Meeting.

At the same meeting, the Company's Board of Directors also agreed to call an Extraordinary Shareholders' Meeting to be held on the same day and at the same location described above, immediately following the Annual Ordinary Shareholders' Meeting in order to review and submit for the approval of the Company's shareholders the following matters:

(1) Decrease paid-in capital by CLP 5.355.276.874 by capitalizing expenses incurred in the issuance and placement of shares charged to the capital increase approved at the Extraordinary Shareholders' Meeting held on December 30, 2015 and complemented by the Extraordinary Shareholders' Meeting held on December 2, 2016. The expenses relate to the share placements carried out on January 24, 2016, November 16, 2017, and January 22, 2018.
(2) In the event that the preceding point 1 is approved, decrease paid-in capital by CLP 740.067.795.056 by capitalizing accumulated losses from previous periods, maintaining the same number of shares.
(3) Modify the Company's by-laws to reflect the resolutions approved by shareholders with respect to the preceding matters.
(4) Approve any additional agreements necessary to carry out the decisions made by shareholders at the Extraordinary Shareholders' Meeting.

9. On March 27, 2018, the Company announced that it had been notified by the Chilean antitrust authority (Fiscalía Nacional Económica) that the sale of the Company's subsidiary Construmart S.A. had been approved, and that consequently, the transaction would be completed in the coming weeks.

10. On April 2, 2018, the Company carried out a partial redemption of its International bond. Such bond was placed in February 2013 for a total capital amount of USD 300 million, and it matures in February 2020. The partial redemption was for a total capital amount of USD 80 million, plus the prepayment cost of USD 1.55 million, as well as interest accrued as of such date of USD 0.93 million. As a result, the total cash payment amounted to USD 82.48 million.

11. On April 5, 2018, the Company filed an Essential Fact, informing of the placement of the series T local bond (ticker BCSMU-T) for a total of UF 2.5 million at a placement rate of 3.04% and a nominal interest rate of 3.00%, maturing on March 15, 2025.

12. On April 26, 2018, the Company held its Annual Ordinary Shareholders' Meeting, where shareholders approved the following resolutions:

    (1) Approve annual report and financial statements for the 2017 period.
    (2) Approve the report of independent auditors.
    (3) Use net profit for the 2017 period to absorb accumulated losses.
    (4) Elect the following individuals to the Company's Board of Directors for the next three years:

    - Alvaro Saieh Bendeck
    - Pilar Dañobeitía Estades
    - Alejandro Alvarez Aravena
    - Abel Bouchon Silva
    - Fernando Del Solar Concha
    - Andrés Olivos Bambach
    - Rodrigo Perez Mackenna (Independent Director)
    - Tina Rosenfeld Kreisselmeyer (Independent Director)
    - Raúl Sotomayor Valenzuela

    (5) Approve remunerations of Board of Directors and other corporate committees for the 2018 period. In addition, shareholders were informed of Board of Directors expenses incurred during 2017 period.
    (6) Inform activities and expenses of Directors' Committee and determine remunerations for 2018 period.
    (7) Inform operations referred to under Title XVI of Law No. 18,046 (related-party operations).
    (8) Designate KPMG Auditores Consultores Limitada as the independent audit firm; Humphreys, Feller, and ICR as local credit rating agencies; and Moody's and Standard & Poor's as international credit rating agencies for the 2018 period.
    (9) Designate the El Pulso section of La Tercera as the newspaper in which legally required notifications will be published.

    In addition, the Company held an Extraordinary Shareholders' Meeting, where shareholders approved the following resolutions:

    (1) Decrease paid-in capital by CLP 5.355.276.874 by capitalizing expenses incurred in the issuance and placement of shares charged to the capital increase approved at the Extraordinary Shareholders' Meeting held on December 30, 2015 and complemented by the Extraordinary Shareholders' Meeting held on December 2, 2016.
    (2) Decrease paid-in capital by CLP 740.067.795.056 by capitalizing accumulated losses from previous periods, maintaining the same number of shares.
    (3) Modify the Company's by-laws to reflect the resolutions approved by shareholders with respect to the preceding matters.

13. On April 27, the rating agency Feller Rate upgraded the Company's credit rating from BBB- (positive outlook) to BBB (positive outlook).
14. On April 30, 2018, the Company filed an Essential Fact, informing:

    (1) As informed in an Essential Fact on November 9, 2017, Alvi Supermercados Mayoristas S.A. and Inversiones SMU SpA (jointly referred to as the "Sellers"), both of which are subsidiaries of the Company and together own 100% of the shares of Construmart S.A., executed a binding agreement (the "Agreement") with Larraín Vial Servicios Profesionales Ltda. ("Larraín Vial") for the sale of 100% of the shares of Construmart S.A. (the "Transaction"). In such Essential Fact, the Company informed that prior to the closing date of the Transaction, a special purpose vehicle would be constituted, through which the shares would be acquired. Such special purpose vehicle was made up by the Fondo de Inversión Hammer (the "Buyer").

    (2) In an Essential Fact filed on January 29, 2018, the Company reported that the Buyer had completed its due diligence review of Construmart and confirmed to the Sellers that it maintained its intention to acquire Construmart, in accordance with the terms of the Agreement, and that the closing date of the Transaction would be the second business day following the date on which fulfillment of certain final closing conditions agreed on by the parties has been verified.

    (3) On April 27, 2018, due to the fact that the parties had confirmed the fulfillment of the final closing conditions, the Transaction was completed and the Buyer has acquired 100% of the shares of Construmart S.A. The price agreed upon for the assets was CLP 50,625 million, and considering the discount of Construmart's debt, the equity value amounted to CLP 38,743 million. In addition, in accordance with the sale agreement, SMU received the payment of CLP 7,238 million for related party debt. As a result, the total amount received by SMU for this transaction was CLP 45,981 million. One of the conditions for the completion of the Transaction was the approval by the Chilean antitrust authority (Fiscalía Nacional Económica), which was obtained on March 23, 2018.

15. On May 8, 2018, the Company filed an Essential Fact, informing that at a Board of Directors' meeting held on May 7, 2018, the Company's directors agreed to name Mr. Álvaro Saieh Bendeck as Chairman of the Board and Ms. Pilar Dañobeitía Estades as Vice Chairman. In addition, the directors agreed to name Mr. Alejandro Álvarez Aravena, Mr. Rodrigo Pérez Mackenna and Ms. Tina Rosenfeld Kreisselmeyer as members of the Directors' Committee.

16. On May 15, 2018, the Company carried out a redemption of the total outstanding amount of its international bond. Such bond was placed in February 2013 for a total capital amount of USD 300 million, and a maturity date of February 2020. The redemption was for a total capital amount of USD 100 million, plus the prepayment cost of USD 1.928 million, as well as interest accrued as of such date of USD 2.088 million. As a result, the total cash payment amounted to USD 104.026 million, and the bond has been prepaid in its entirety.

17. On June 14, 2018, the Company filed an Essential Fact, informing of the placement of the series T local bond (ticker BCSMU-T) for a total of UF 1 million at a placement rate of 2.67% and a nominal interest rate of 3.00%, maturing on March 15, 2025. The Company intends to use the total amount of the net proceeds from the placement to pay a portion of its syndicated loan.

18. On June 26, 2018, the Company filed an Essential fact, informing that at an ordinary Board of Directors meeting held on June 25, 2018, SMU's directors approved the policy for customary transactions with related parties, according to the Chilean Corporations Act (Law. No. 18,046), article 147, letter b.

7. Subsequent Events

1. On October 29, 2018, the Company filed an Essential fact, informing that at an ordinary Board of Directors meeting held on the same date, the Company's current Vice Chairman, Pilar Dañobeitía Estades, was named as Chairman, and the Company's current Chairman, Álvaro Saieh Bendeck, was named as Vice Chairman.

About SMU

SMU is the largest Chilean food retailer, based on number of stores, and the third largest Chilean food retailer, based on revenue for the year ended December 31, 2017. We operate our food retail business in Chile through four different formats: supermarkets (*Unimarc*), cash and carry stores (*Mayorista 10* and *Alvi*), convenience stores (*OK Market*) and an online grocer (*Telemercados*). We also operate in Peru, through two food cash and carry brands, *Mayorsa* and *MaxiAhorro*.

Caution Regarding Forward-Looking Statements

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

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