4th Quarter 2019

EARNINGS RELEASE

SMU S.A.

MARCH 16, 2020

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

During the fourth quarter of 2019, SMU was affected by incidents related to the social crisis that began in Chile on October 18, continuing through year-end. Many of the Company's stores were looted or damaged by acts of vandalism, including fires in some cases. Consequently, during the period, some of the Company's stores were completely closed and others were partially closed or operated with reduced opening hours. At year-end, of the Company's 513 locations in Chile, 492 were operating. Pursuant to its insurance policies covering physical damage, loss of merchandise, and business interruption, SMU has filed claims with the insurance companies and received preliminary estimates of the indemnities to be received for each concept. These amounts have been recognized under "revenue," in the case of the business interruption cover, and "other gains (losses)," in the case of physical damage and loss of merchandise cover.

SMU reported **revenue** for the full year 2019 of CLP 2,297,032 million, similar (+0.1%) to the CLP 2,295,415 million reported for full year 2018. Revenue for the fourth quarter of 2019 (4Q19) totaled CLP 587,548 million, a decrease of 1.6% with respect to CLP 596,884 million reported for the fourth quarter of 2018 (4Q18).

Revenue for both the full year and the fourth quarter of 2019 include the recognition of CLP 8,493 million associated with business interruption insurance. Although this amount is treated as revenue, it is important to note that the insurance claim is calculated on the basis of fixed expenses and the margin of each store, and therefore this amount is not equivalent to the loss of revenue. Instead, it is a closer approximation of the loss of EBITDA[1], plus fixed expenses. In this sense, 2019 revenue is not fully comparable to 2018 revenue.

Gross profit amounted to CLP 681,866 million for full year 2019, an increase of 4.3% with respect to CLP 653,792 million for 2018. Measured as a percentage of revenue, gross margin increased by 120 basis points ("bps"), reaching 29.7% for 2019, compared to 28.5% for 2018, reflecting improved commercial efficiency. With respect to the fourth quarter, gross profit totaled CLP 179,439 million (30.5% of revenue) in 4Q19, an increase of 5.9% (210 bps) with respect to CLP 169,421 million (28.4% of revenue) for 4Q18. It should be noted that the calculation of gross margin is distorted by the CLP 8,493 million recognized under revenue for business interruption insurance indemnities, as this amount does not have an offsetting amount in cost of goods sold.

Operating expenses[2] as a percentage of revenue amounted to 21.8% in 2018 and 21.1% in 2019. However, excluding the effects of IFRS 16 in 2019 (a decrease of CLP 37,562 million in lease expenses), operating expenses as a percentage of revenue amounted to 22.7% (an increase of approximately 90 bps with respect to 2018), essentially due to higher personnel expenses and higher distribution costs. Similarly, operating expenses excluding the effects of IFRS 16 in 4Q19 would have amounted to 22.7% of revenue, compared to 21.2% in 4Q18 (an increase of 150 bps). The calculation of operating expenses as a percentage of revenue is affected by the fact, described above, that the amount recognized in the top line only reflects the EBITDA and fixed expenses recovered through insurance, and not the total loss in revenue.

EBITDA totaled CLP 198.015 million (EBITDA margin 8.6%) in 2019 and CLP 152,502 million (EBITDA margin 6.6%) in 2018. Excluding the effects of IFRS 16 in 2019, EBITDA would have amounted to CLP 160,453 million, an **increase of 5.2%** with respect to 2018, and an **EBITDA margin** of 7.0%, an expansion of 35 bps with respect to 2018. With respect to the fourth quarter, excluding

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

the effects of IFRS 16, EBITDA for 4Q19 would have amounted to CLP 46,355 million (EBITDA margin 7.9%), an increase of 7.8% with respect to CLP 43,016 million (EBITDA margin 7.2%) for 4Q18. It should be noted that the calculation of EBITDA includes the preliminary estimate of insurance to be recovered, which was recognized as revenue in the period.

Operating income amounted to CLP 111,788 million in full year 2019 and CLP 102,554 million in full year 2018. Excluding the effects of IFRS 16 (decrease of CLP 37,562 million in lease expenses and increase of CLP 35,739 million in depreciation and amortization), operating income for 2019 would have amounted to CLP 109,964 million, an **increase of 7.2%** with respect to 2018. Likewise, operating income for 4Q19, excluding the effects of IFRS 16, would have amounted to CLP 33,456 million, 9.5% higher than CLP 30,566 million recorded for 4Q18.

The Company reported a **non-operating loss** of CLP -22,783 million for 4Q19, compared to CLP -17,255 million for 4Q19. The difference is primarily explained by the difference between the losses due to acts of vandalism associated with the Chilean social crisis in the fourth quarter of 2019 (CLP -29,849 million) and the estimate of insurance to be recovered that was recognized in the period (CLP 24,285 million). The net effect of these two figures is included in the line-item "Other gains (losses").

The non-operating loss for the full year amounted to CLP -71,988 million in 2019 and CLP -85,678 million for 2018. Despite the losses related to the social crisis in 4Q19, describe above, the lower non-operating loss in 2019 is explained primarily by a number of non-recurring expenses recorded in 2018, especially one-time interest expense of CLP 11,904 million associated with the prepayment of the international bond.

Net income totaled CLP 34,584 million for full year 2019 and CLP 33,033 million for full year 2018. Excluding the effects of IFRS 16, net income would have totaled CLP 36,361 million in 2019, an increase of 10.1% with respect to 2018. Of particular note is the **improvement of 136% in pre-tax income** in 2019, totaling CLP 39,799 million (CLP 16,876 million in 2018). Net income for 2018 was significantly affected by an income tax benefit (CLP 16,336 million), primarily due to the tax effects of the sale of Construmart during the second quarter of 2018. If it weren't for this one-time effect in 2018, the increase in net income in 2019 would have been greater.

With respect to **operating indicators**, in 2019 the Company reported a slight increase (+0.2%) in **same-store sales ("SSS")**. In Chile this indicator was flat year over year, largely due to the impact of the social crisis in 4Q19. **Sales per square meter**[3] amounted to CLP 330,922, an increase of 3.9% with respect to 2018. With respect to operating efficiency, the Company's rate of **centralized distribution** amounted to 47.7% in full year 2019, an increase with respect to the 46.6% reported for 2018. The Company plans to continue increasing its rate of centralization in the coming years, as part of its strategy to improve its operating efficiency, inventory management, and in-store product availability.

[3] 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 fourth quarter of 2019, SMU's CEO, Marcelo Gálvez, stated, "Just as we reported at the time, SMU's operations and results were affected by the social unrest in Chile. Many of our stores were looted or otherwise damaged, and consequently we had to partially or totally close them in order to ensure the safety of our employees and customers. We made a great effort to normalize our operations, to the extent that safety conditions allowed. Thanks to the commitment and execution of our team, we were able to end the year with 96% of our stores operating."

Mr. Gálvez went on to say, "Thanks as well to our diligent work with the insurance companies, in our December financial statements we have been able to recognize a preliminary estimate of the indemnity to be received for our business interruption, physical damage and loss of merchandise insurance."

He added, "The recognition of the insurance estimate distorts the main line-items of our income statement, making it difficult to analyze our numbers this quarter. However, including this preliminary estimate of the insurance to be received, EBITDA improved 5.2% year over year, when we exclude the impact of the change in account rules. This improvement reflects the implementation of our strategic initiatives. With respect to non-operating results, here we also had a significant improvement in the year, reflecting savings in interest expense, but in the fourth quarter we had a negative impact due to the damages and loss of merchandise in our stores."

Mr. Gálvez concluded by saying, "In 2019, we had to face significant challenges, and I would like to highlight the resilience and agility of our employees. I would also like to highlight the progress we made as a company last year. This was the final year of our three-year strategic plan, CIMA, and our achievements in terms of customer experience and insight and the expansion of our logistics network certainly leave us in a stronger position in order to implement our new strategic plan for 2020-2022. We began 2020 working hard on our plan to reopen stores that were closed due to the crisis in Chile, and we have also been working on the initiatives that are part of this new strategic plan. To date we have opened five new OK Market locations, and we have recently surpassed one million downloads of our Club Ahorro app, which we launched in October and which provides our customers with frictionless access to personalized discounts. We have a lot of work ahead of us this year, but I have full confidence in our team."

Highlights

Launch of Strategic Plan for 2020-2022

On November 26, 2019, SMU announced the details of its strategic plan for the 2020-2022 period. This new plan is largely the continuation of the previous plan, CIMA, with many of the same strategic pillars—customer experience, operating efficiency, organizational excellence, and sustainability—and organic growth has been added as a new pillar, with over 50 new store openings planned in Chile and Peru for the next three years. Within this new plan, technological development, financial strengthening, and development of logistics are considered areas that provide the necessary support in order to successfully implement the five key pillars.

Conference Call

SMU will host a conference call and webcast for investors on Wednesday, March 18, 2020 at 11:00 am Santiago/ 10:00 am ET to discuss its fourth quarter 2019 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 (live):
http://services.choruscall.ca/links/smu20200318.html

After the call, a recording will be made available at:

https://www.smu.cl/en/inversionistas/informacion-financiera/

Note Regarding Presentation and Comparison of Information

Sale of Construmart

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 has been presented as available for sale since December 31, 2017.

As such, Construmart's results are consolidated in a single line of SMU's statements of comprehensive income, under "Profit (loss) from discontinued operations". Given that the sale of Construmart was completed during the second quarter of 2018, there is no profit or loss from discontinued operations in 2019. However, it is necessary to continue to present these line-items for comparison purposes with the previous year.

In the statements of financial position, the total amount of assets and liabilities classified as held-for-sale is zero for both of the periods presented (December 31, 2019 and 2018), and as a result, it is no longer necessary to present the line-item "Non-current assets/liabilities or asset/liability groups classified as held-for-sale".

Application of IFRS 16

On January 1, 2019, IFRS 16 "Leases" went into effect. This financial reporting standard establishes the definition of a lease contract and stipulates the accounting treatment of assets and liabilities arising from such contracts. The new standard does not modify the accounting treatment defined in IAS 17 "Leases" from the standpoint of the lessor, but it does change the account treatment from the standpoint of the lessee, as it requires the recognition of assets and liabilities for most lease contracts.

Note 3.1 New Accounting Pronouncements in SMU's consolidated financial statements as of September 30, 2019 contains a complete description of the application of IFRS 16 and the related criteria. The primary effects of the application of this standard to the lease contracts that were classified as operating leases as of December 31, 2018 and as of January 1, 2019 were classified as finance leases are summarized below.

Statement of Financial Position:

- Initial recognition, as of January 1, 2019, of assets (property, plant and equipment: right of use) and liabilities (other financial liabilities: lease liabilities qualifying as finance leases) in the amount of CLP 255,245 million, associated with contracts that were classified as operating leases as of December 31, 2018 and as of January 1, 2019 were classified as finance leases.

- Reclassification as of January 1, 2019 of prepaid leases in the amount of CLP 16,632 million from other non-financial assets to property, plant and equipment (rights of use).

Statements of Income:

The initial recognition, as of January 1, 2019, of right-of-use assets and of financial liabilities gives rise to the following effects on the statements of income for the year ended December 31, 2019:

- Decrease of lease expenses in the amount of CLP 37,562 million, causing EBITDA to improve by the same amount.
- Increase in financial expenses in the amount of CLP 8,503 million.
- Increase of CLP 35,739 million in depreciation.
- Decrease in loss on indexed assets and liabilities in the amount of CLP 4,902 million.
- The total impact on net income for the period is a loss of CLP 1.777 million.

Statements of Cash Flows:

There is a positive impact on cash from operating activities (payments to suppliers for goods and services), offset by a negative impact on cash from financing activities (cash payments for liabilities under finance lease agreements and interest paid).

Pro Forma Presentation:

Due to the application of IFRS 16 in 2019, the abovementioned accounts are not comparable between 2019 and 2018. However, this earnings release contains a *pro forma* presentation of 2019 figures, provided solely for illustrative purposes, so that SMU's results and financial position can be evaluated excluding the effects of the change in accounting rules.

Covenants:

SMU's debt contracts provide for modifications in covenants in the event of accounting rule changes, and the Company's local bond contracts have been modified to reflect a change in the net financial liabilities to shareholders' equity covenant, which previously required SMU to maintain a ratio of less than 1.3 times and now requires SMU to maintain a ratio of less than 1.66 times. The modification to the contract was signed by SMU and its bondholders' representatives Banco de Chile, on May 17, 2019, and BICE, on May 24, 2019.

Analysis of Financial Statements

SMU's consolidated results for the periods of three and 12 months ended December 31, 2019 and 2018 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 1.1: Consolidated Income Statement

(CLP Million)	4Q19 (IFRS 16)	4Q18 (IAS 17)	△%	2019 (IFRS 16)	2018 (IAS 17)	△%
Revenue	587.548	596.884	(1,6%)	2.297.032	2.295.415	0,1%
Cost of Sales	(408.109)	(427.463)	(4,5%)	(1.615.166)	(1.641.623)	(1,6%)
Gross Profit	**179.439**	**169.421**	**5,9%**	**681.866**	**653.792**	**4,3%**
Gross Margin (%)	***30,5%***	***28,4%***		***29,7%***	***28,5%***	
Distribution Costs	(8.149)	(7.825)	4,2%	(31.335)	(28.388)	10,4%
Contribution Margin	**171.290**	**161.597**	**6,0%**	**650.531**	**625.404**	**4,0%**
Contribution Margin (%)	***29,2%***	***27,1%***		***28,3%***	***27,2%***	
Administrative Expenses (Excluding Depreciation)	(115.394)	(118.580)	(2,7%)	(452.516)	(472.902)	(4,3%)
EBITDA	**55.896**	**43.016**	**29,9%**	**198.015**	**152.502**	**29,8%**
EBITDA Margin (%)	***9,5%***	***7,2%***		***8,6%***	***6,6%***	
Depreciation and Amortization	(21.872)	(12.451)	75,7%	(86.227)	(49.948)	72,6%
Operating Income	**34.024**	**30.566**	**11,3%**	**111.788**	**102.554**	**9,0%**
Other Gains (Losses)	(7.412)	(1.510)	390,9%	(8.447)	(10.652)	(20,7%)
Financial Income	111	226	(51,0%)	771	1.268	(39,2%)
Financial Expenses	(12.228)	(10.131)	20,7%	(50.057)	(56.051)	(10,7%)
Share of Profit (Loss) of Associates	(344)	(808)	(57,5%)	(3.332)	(2.981)	11,8%
Foreign Exchange Differences	571	(90)	n.a.	483	660	(26,8%)
Income (Loss) for Indexed Assets and Liabilities	(3.481)	(4.942)	(29,6%)	(11.406)	(17.921)	(36,4%)
Non-operating Income	**(22.783)**	**(17.255)**	**32,0%**	**(71.988)**	**(85.678)**	**(16,0%)**
Net Income (Loss) Before Taxes	**11.241**	**13.311**	**(15,5%)**	**39.799**	**16.876**	**135,8%**
Income Tax Expense	(801)	(2.456)	(67,4%)	(5.216)	16.336	n.a.
Net Income (Loss) from Continued Operations	**10.440**	**10.855**	**(3,8%)**	**34.584**	**33.213**	**4,1%**
Net Income (Loss) from Discontinued Operations	**0**	**0**	**n.a.**	**0**	**(179)**	**(100,0%)**
Net Income (Loss) of the Period	**10.440**	**10.855**	**(3,8%)**	**34.584**	**33.033**	**4,7%**

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

Table 2.2: Consolidated Income Statement Pro Forma [(1)]

(CLP Million)	4Q19 (IAS 17 *Pro Forma*)	4Q18 (IAS 17)	△%	2019 (IAS 17 *Pro Forma*)	2018 (IAS 17)	△%
Revenue	587.548	596.884	(1,6%)	2.297.032	2.295.415	0,1%
Cost of Sales	(408.109)	(427.463)	(4,5%)	(1.615.166)	(1.641.623)	(1,6%)
Gross Profit	**179.439**	**169.421**	**5,9%**	**681.866**	**653.792**	**4,3%**
Gross Margin (%)	*30,5%*	*28,4%*	*0,0%*	*29,7%*	*28,5%*	*0,0%*
Distribution Costs	(8.149)	(7.825)	4,2%	(31.335)	(28.388)	10,4%
Contribution Margin	**171.290**	**161.597**	**6,0%**	**650.531**	**625.404**	**4,0%**
Contribution Margin (%)	*29,2%*	*27,1%*		*28,3%*	*27,2%*	
Administrative Expenses (Excluding Depreciation) [(2)]	(124.935)	(118.580)	5,4%	(490.078)	(472.902)	3,6%
EBITDA	**46.355**	**43.016**	**7,8%**	**160.453**	**152.502**	**5,2%**
EBITDA Margin (%)	*7,9%*	*7,2%*		*7,0%*	*6,6%*	
Depreciation and Amortization [(3)]	(12.899)	(12.451)	3,6%	(50.489)	(49.948)	1,1%
Operating Income	**33.456**	**30.566**	**9,5%**	**109.964**	**102.554**	**7,2%**
Other Gains (Losses)	(7.412)	(1.510)	390,9%	(8.447)	(10.652)	(20,7%)
Financial Income	111	226	(51,0%)	771	1.268	(39,2%)
Financial Expenses [(4)]	(10.042)	(10.131)	(0,9%)	(41.554)	(56.051)	(25,9%)
Share of Profit (Loss) of Associates	(344)	(808)	(57,5%)	(3.332)	(2.981)	11,8%
Foreign Exchange Differences	571	(90)	n.a.	483	660	(26,8%)
Income (Loss) for Indexed Assets and Liabilities [(5)]	(5.178)	(4.942)	4,8%	(16.308)	(17.921)	(9,0%)
Non-operating Income	**(22.294)**	**(17.255)**	**29,2%**	**(68.387)**	**(85.678)**	**(20,2%)**
Net Income (Loss) Before Taxes	**11.162**	**13.311**	**(16,1%)**	**41.577**	**16.876**	**146,4%**
Income Tax Expense	(801)	(2.456)	(67,4%)	(5.216)	16.336	n.a.
Net Income (Loss) from Continued Operations	**10.361**	**10.855**	**(4,6%)**	**36.361**	**33.213**	**9,5%**
Net Income (Loss) from Discontinued Operations	**0**	**0**	**n.a.**	**0**	**(179)**	**(100,0%)**
Net Income (Loss) of the Period	**10.361**	**10.855**	**(4,6%)**	**36.361**	**33.033**	**10,1%**

*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) *Pro Forma*: For illustrative purposes, a pro forma presentation of 2019 and 4Q19 is provided, eliminating the effects of the application of IFRS 16, so that figures are comparable with 2018 and 4Q18 (applying the previous standard, IAS 17).
(2) Administrative expenses: increase by CLP 9,541 million in 4Q19 and CLP 37,562 million in 2019 due to lease expenses associated with lease contracts that under the previous standard qualified as operating leases and, therefore, were treated as administrative expenses.
(3) Depreciation: decreases by CLP 8,973 million in 4Q19 and CLP 35,739 million in 2019, associated with lease contracts that under the previous standard qualified as operating leases and, therefore, were not depreciated.
(4) Financial expenses: decrease by CLP 2,186 million in 4Q19 and CLP 8,503 million in 2019, associated with lease contracts that under the previous standard qualified as operating leases and, therefore, did not accrue interest.
(5) Income (loss) for indexed assets and liabilities: loss increases by CLP 1,697 million in 4Q19 and CLP 4,902 million in 2019, because under the older standard, changes in liabilities arising from inflation are recognized under this line-item (under the new standard, they are recognized as rights of use and depreciated over the remainder of the contract).

1. Analysis of Income Statement

1.1. Results of Operations: Food Retail Segment

1.1.1. Revenue

Revenue for 2019 (CLP 2,297,032 million) was similar with respect to 2018 (CLP 2,295,415 million), an increase of 0.1% year over year. In the fourth quarter of 2019, revenue decreased 1.6%, totaling CLP 587,548 million.

Revenue for 2019 and 4Q19 include the recognition of the preliminary estimate of the indemnity for business interruption insurance, CLP 8,493 million, for stores that were closed due to the social crisis. Although this amount is treated as revenue, it is important to note that the insurance claim is calculated on the basis of fixed expenses and the margin of each store, and therefore this amount is not equivalent to the loss of revenue. Instead, it is a closer approximation of the loss of EBITDA, plus fixed expenses. In this sense, 2019 revenue is not fully comparable to 2018 revenue.

The preliminary amount recognized for business interruption insurance is included in the revenue by format in table 2, below, but it is not included for purposes of same-store sales or sales per square meter.

Table 2: Revenue (CLP MMM)

REVENUE (CLP MMM)	4Q19	4Q18	△%	2019	2018	△%
UNIMARC	406	412	*-1,5%*	1.586	1.597	*-0,7%*
CASH & CARRY	149	152	*-1,9%*	592	583	*1,5%*
OK MARKET	12,7	13,8	*-8,0%*	52,3	51,2	*2,2%*
TELEMERCADOS	3,0	3,6	*-16,8%*	8,4	11,9	*-29,1%*
OTHERS(*)	2,4	1,8	*35,2%*	7,0	6,4	*10,3%*
FOOD RETAIL CHILE	573	583	*-1,7%*	2.245	2.249	*-0,2%*
FOOD RETAIL PERU	15,0	14,2	*5,7%*	51,6	45,8	*12,6%*
CONSOLIDATED	588	597	*-1,6%*	2.297	2.295	*0,1%*

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

Food Retail Chile revenue remained relatively flat in 2019 with respect to 2018, despite lower revenue in the fourth quarter due to the social unrest. Revenue for the year decreased 0.2% and in the fourth quarter revenue decreased 1.7%. By format, Unimarc—the traditional supermarket that accounts for approximately 70% of SMU's revenue—decreased 0.7% in 2019 with respect to 2018 and 1.5% in 4Q19 with respect to 4Q18. Revenue for the cash & carry format increased 1.5% in 2019, managing to offset the decrease of 1.9% in the fourth quarter. Likewise, the OK Market convenience stores recorded revenue growth of 2.2% for full year 2019, despite the decrease of 8.0% in the fourth quarter. The reduction in operating hours that was necessary in all formats in order to ensure safety conditions for employees and customers had a more significant impact on OK Market, due to the peaks in demand first thing in the morning (associated with breakfast) and at the end of the day. Revenue for the e-grocery format (Telemercados) decreased 29.1% in 2019 (-16.8% in 4Q19).

In Food Retail Peru, revenue (measured in Chilean pesos) increased 12.6% in full year 2019 with respect to 2018 (+5.7% in 4Q18). Measured in Peruvian Soles, revenue increased 4.2% in 2019 and decreased 5.2% in 4Q19, due to a decline in sales to mom-and-pops.

Same-store sales (SSS) were relatively flat (+0.2%) in the full year 2019 compared to 2018, and in 4Q19 they decreased 1.1% with respect to 4Q18.

Table 3: Same-Store Sales Growth (%)

SSS (△%)	4Q18	2018	1Q19	2Q19	3Q19	4Q19	2019
UNIMARC	0,0%	1,7%	-0,5%	-0,4%	-0,1%	-1,2%	-0,5%
CASH & CARRY	1,4%	3,4%	2,4%	2,6%	3,0%	-0,2%	2,0%
OK MARKET	5,3%	2,4%	6,1%	4,7%	5,5%	-8,6%	1,7%
FOOD RETAIL CHILE	0,4%	2,1%	0,2%	0,3%	0,7%	-1,2%	0,0%
FOOD RETAIL PERU	10,6%	8,1%	11,8%	11,7%	0,8%	-8,8%	3,0%
CONSOLIDATED	0,6%	2,1%	0,6%	0,7%	0,7%	-1,1%	0,2%

Same-stores sales only include stores that were operating as of December 31, 2019. However, many of the stores that are included in the calculation were affected by temporary or partial closures during the period, negatively affecting SSS for the fourth quarter.

SSS for Unimarc decreased 0.5% in 2019 and 1.2% in 4Q19, whereas cash & carry increased 2.0% in the full year and decreased 0.2% in the fourth quarter. OK Market convenience stores increased 1.7% for the full year and decreased 8.6% in 4Q19. Overall, SSS for the Food Retail Chile segment were flat for the full year 2019 and decreased 1.1% in the fourth quarter.

Food Retail Peru—which accounts for around 2% of total revenue for the Food Retail segment—recorded an increase in SSS of 3.0% for full year 2019 and a decrease of 8.8% in the fourth quarter.

Sales per square meter reached CLP 330,922 for the full year 2019, 3.9% higher than 2018.

Table 4: Sales per Square Meter (Thous. CLP/M2)

SALES PER SQM (CLP Thousands/sqm)	4Q19	4Q18	△%	2019	2018	△%
FOOD RETAIL CHILE	343,6	341,8	0,5%	334,5	322,3	3,8%
FOOD RETAIL PERU	252,6	248,6	1,6%	225,6	203,0	11,1%
CONSOLIDATED	340,6	338,8	0,5%	330,9	318,6	3,9%

Sales per square meter are calculated on a monthly basis and include all stores that recorded sales during the month, even when the store did not operate for the entire month. Therefore, sales per square meter for 4Q19 are affected by temporary and partial closures during the period.

Food Retail Chile sales per square meter grew 3.8% in 2019 compared to 2018 and 0.5% in the fourth quarter of 2019 with respect to 4Q18. For its part, Food Retail Peru (measured in Chilean pesos) recorded an increase of 11.1% in sales per square meter in 2019 vs. 2018 and 1.6% in 4Q19 vs. 4Q18.

By format, sales per square meter for Unimarc increased 1.8% in 2019 (decrease of 0.5% in 4Q19);

the cash & carry segment increased 9.2% in 2019 (+4.2% in 4Q19); and OK Market increased 0.9% in 2019 (decrease of 10.0% in 4Q19).

As of the end of 2019, SMU's food retail operations included **513 stores** in Chile, distributed from Arica to Punta Arenas—an increase with respect to the 505 stores in operation at the end of 2018—and a total of **552,484** square meters. The number of stores at year-end 2019 includes 21 stores that were not operating due to fires or other damage caused by acts of vandalism during the social unrest in Chile in the fourth quarter. By format, these 21 stores include nine Unimarc stores, five Mayorista 10 stores, two Alvi stores, and five OK Market stores.

During the year 2019, the Company opened three Unimarc stores and six OK Market stores and closed one OK Market. 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 December 31, 2019, the Company had 24 stores, with 20,398 square meters, for a total selling space for the Food Retail segment of 572,882 square meters at year end.

Table 5: Number of Stores and Sales Area (Thous. Square Meters)

NUMBER OF STORES	4Q19	4Q18	SALES AREA (THOUSANDS OF SQM)	4Q19	4Q18
UNIMARC	292	289	UNIMARC	387	388
CASH & CARRY	99	99	CASH & CARRY	151	156
OK MARKET	122	117	OK MARKET	15	15
FOOD RETAIL CHILE	512	505	FOOD RETAIL CHILE	552	558
FOOD RETAIL PERU	24	24	FOOD RETAIL PERU	20	20
CONSOLIDATED	536	529	CONSOLIDATED	573	579

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

OPENINGS AND CLOSURES	4Q18		1Q19		2Q19		3Q19		4Q19	
	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.
UNIMARC	0	0	0	0	0	0	1	0	2	0
CASH & CARRY	0	0	0	0	0	0	0	0	0	0
OK MARKET	2	0	2	1	2	0	1	0	1	0
FOOD RETAIL CHILE	2	0	2	1	2	0	2	0	3	0
FOOD RETAIL PERU	0	0	0	0	0	0	0	0	0	0

1.1.2. Distribution Costs and Administrative Expenses

Distribution costs plus administrative expenses (excluding depreciation and amortization) for the Food Retail segment, as a percentage of revenue, amounted to 21.8% in 2018 and 21.1% in 2019. However, excluding the effects of IFRS 16 in 2019, operating expenses as a percentage of revenue would have amounted to 22.7% (an increase of approximately 90 bps with respect to 2018). Likewise, in the fourth quarter of 2019, operating expenses excluding the effects of IFRS 16, they would have amounted to 22.7% of revenue (21.2% in 4Q18). As mentioned above, this ratio is distorted in the last quarter of 2019 by the recognition of the business interruption insurance.

Distribution costs for 2019 totaled CLP 31,335 million, an increase of 10.4% with respect to 2018. Distribution costs as a percentage of revenue increased from 1.2% in 2018 to 1.4% in 2019.The increase is the result of the increase in centralized distribution across formats, as well as higher fuel costs and the increase in the exchange rate and inflation. 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. With respect to the fourth quarter of 2019, distribution costs amounted to CLP 8,149 million, an increase of 4.2% with respect to 4Q18.

Administrative expenses (excluding depreciation and amortization) totaled CLP 452,516 million (19.7% of revenue) in 2019 and CLP 472,902 million (20.6% of revenue) in 2018. However, excluding the effects of IFRS 16 (decrease of CLP 37,562 million in lease expenses in 2019), administrative expenses would have totaled CLP 490,078 million (21.3% of revenue) in 2019, an increase of 3.6% (70 bps) with respect to 2018. With respect to the fourth quarter, administrative expenses totaled CLP 115,394 million (19.6% of revenue) in 4Q19 and CLP 118,580 million (19.9% of revenue) in 4Q18. Excluding the effects of IFRS 16, administrative expenses would have totaled CLP 124,935 million (21.3% of revenue) in 4Q19, an increase of 5.4% (140 bps) with respect to 4Q18.

The main increase in administrative expenses in 2019 was the increase of CLP 18,329 million (+8.2% YoY) in personnel expenses, primarily due to provisions for variable compensation, as well as inflation adjustments and the increase in minimum wage. Average headcount was similar in 2019 and 2018. During the period there were also increases in services (CLP 1,406 million; +1.7% YoY); maintenance (CLP 1.214 million; +7.8% YoY); external services (CLP 966 million; +10.9% YoY); and insurance (CLP 916 million; + 19.4% YoY); partially offset by decreases in advertising (CLP 4,177 million; -20.3% YoY) and materials (CLP 3,951 million; -20.3% YoY).

In addition, lease expenses decreased CLP 35,420 million (-57.7% YoY) with respect to 2018, but excluding the effects of IFRS 16, lease expenses would have increased CLP 2,142 million (+3.5% YoY).

The main increase in administrative expenses in 4Q19 was the increase of CLP 7,613 million (+13.7% YoY) in personnel expenses, primarily due to provisions for variable compensation, as well as inflation adjustments and the increase in minimum wage. In addition, during the quarter there were increases in services (CLP 987 million; +4.8% YoY) and maintenance expenses (CLP 636 million; +17.5% YoY).

The main decreases in expenses during the quarter were from advertising (CLP 2,514 million; -45.8% YoY) and materials (CLP 1,074 million; -25.3% YoY).

In addition, lease expenses decreased CLP 9,262 million (-59.6% YoY) with respect to 4Q18, but excluding the effects of IFRS 16, lease expenses would have increased CLP 279 million (+1.8% YoY).

Table 7: Average Headcount

AVERAGE HEADCOUNT	4Q19	4Q18	△%	2019	2018	△%
STORES CHILE	27.315	27.757	-1,6%	27.675	27.758	-0,3%
HEADQUARTERS CHILE	1.859	1.619	14,8%	1.740	1.591	9,3%
FOOD RETAIL CHILE	29.174	29.376	-0,7%	29.415	29.349	0,2%
STORES PERU	494	569	-13,3%	510	538	-5,2%
HEADQUARTERS PERU	148	149	-0,2%	140	140	0,4%
FOOD RETAIL PERU	642	718	-10,6%	650	678	-4,1%
CONSOLIDATED	29.816	30.094	-0,9%	30.065	30.026	0,1%

1.1.3. Gross Margin, Contribution Margin, and EBITDA

Gross profit for the full year 2019 totaled CLP 681,866 million, an increase of 4.3% with respect to 2018, which is equivalent to 29.7% of revenue, 120 bps higher with respect to 28.5% in 2018. The increase reflects improved commercial efficiency in 2019, as well as the impact of the CLP 8,493 million recognized under revenue for business interruption insurance indemnities. In the fourth quarter of 2019, gross profit amounted to CLP 179,439 million (30.5% of revenue), an increase of 5.9% (210 bps) with respect to CLP 169,421 million (28.4% of revenue) for 4Q18.

Contribution margin grew 4.0% in 2019, totaling CLP 650,531 million, compared to CLP 625,404 million for 2018, amounting to 28.3% of revenue in 2019 vs. 27.2% in 2018. With respect to the fourth quarter, contribution margin totaled CLP 171,290 million (29.2% of revenue), an increase of 6.0% with respect to CLP 161,597 million (27.1% of revenue) for 4Q18.

EBITDA, which includes the estimated recovery of business interruption insurance, totaled CLP 198,015 million (EBITDA margin 8.6%) in 2019 and CLP 152,502 million (EBITDA margin 6.6%) in 2018. Excluding the effects of IFRS 16 in 2019, EBITDA would have amounted to CLP 160,453 million, an increase of 5.2% with respect to 2018, and EBITDA margin would have been 7.0%, an increase of 35 bps compared to 2018. In the fourth quarter of 2019, EBITDA totaled CLP 55,896 million (EBITDA margin 9.5%). Excluding the effects of IFRS 16 in 4Q19, EBITDA would have amounted to CLP 46,355 million (EBITDA margin 7.9%), an increase of 7.8% with respect to CLP 43,016 million (EBITDA margin 7.2%) for 4Q18.

EBITDAR (EBITDA less lease expenses) amounted to CLP 223,951 million (EBITDAR margin 9.7%) for 2019, 4.7% higher than the CLP 213,858 million (EBITDAR margin 9.3%) obtained in 2018. With respect to the fourth quarter, EBITDAR for 4Q19 totaled CLP 62,186 million (EBITDAR margin 10.6%), 6.2% higher than CLP 58,569 million (EBITDAR margin 9.8%) for 4Q18.

Operating income amounted to CLP 111,788 million in 2019 and CLP 102,554 million in 2018. Excluding the effects of IFRS 16 (decrease of CLP 37,562 million in lease expenses and increase of CLP 35,739 million in depreciation and amortization), operating income for 2019 would have amounted to CLP 109,964 million, an increase of 7.2% with respect to 2018. Likewise, operating income for 4Q19, excluding the effects of IFRS 16, would have amounted to CLP 33,456 million, 9.5% higher than CLP 30,566 million recorded for 4Q18.

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

The consolidated **non-operating loss** for SMU totaled CLP -71,988 million in full year 2019 and CLP -85,678 million in 2018. Excluding the effects of IFRS 16, the non-operating loss for 2019 would have amounted to CLP -68,387 million, an improvement of CLP 17,290 million with respect to 2018.

The improved non-operating loss is primarily explained by three effects:

a. **Financial expenses** decreased by CLP 5,994 million (CLP 14,497 million excluding the effects of IFRS 16): In 2019, SMU reported financial expenses of CLP -50,057 million, including CLP -8,503 million associated with the application of IFRS 16 and CLP -1,377 million associated with the prepayment of renegotiated debt made in the third quarter. In 2018, the Company reported financial expenses of CLP -56,051 million, including a non-recurring expense of CLP -11,904 million related to the prepayment of the international bond during the period. Considering recurring financial expenses and excluding the effects of IFRS 16, in 2018 financial expenses totaled CLP -44,147, whereas in 2019 they amounted to CLP -40,177 million, a decrease of CLP 3,970 million (9,0%), reflecting the Company's efforts to reduce its level of indebtedness and strengthen its capital structure in recent years.

b. **Other gains (losses)** improved by CLP 2,205 million: The difference is explained by the following positive effects:

   (i) A lower expense of CLP 4,690 million, associated with the organizational restructuring plan implemented by the Company;

   (ii) A lower expense of CLP 1,995 million, associated with the provision of a fine following a ruling by Chilean Antitrust Court (*Tribunal de la Defensa de la Libre Competencia*) in 2018; and

   (iii) A lower expense of CLP 1,346 million; associated with losses from fires or floods in stores, which in this case relates to the fire at the Unimarc Las Tranqueras location in 2018.

   These effects were partially offset by a higher expense of CLP 3,116 million, due to the difference between the losses from acts of vandalism related to social unrest in 4Q19 (CLP -29,849 million) and the recognition of the preliminary estimate of the insurance indemnity for physical damage and loss of merchandise (CLP 24,285 million) and the insurance recovered from other claims, primarily the Unimarc Las Tranqueras fire (CLP 2,448 million).

c. **Loss on indexed assets and liabilities** decreased by CLP 6,515 million (CLP 1,613 million excluding the effects of IFRS 16), due to slightly lower inflation in 2019 with respect to 2018.

With respect to the fourth quarter, the non-operating loss amounted to CLP -22,783 million in 4Q19 and CLP -17,255 million in 4Q18. Excluding the effects of IFRS 16, the non-operating loss for 4Q19 would have amounted to CLP -22,294 million, a difference of CLP -5,039 million with respect to 4Q18. The difference is essentially explained by the variation of CLP -5,903 million in other gains (losses) which, in turn, is due to the difference (CLP -5,564 million) between losses due to acts of vandalism related to social unrest in 4Q19 (CLP -29,849 million) and the estimated amount of insurance to be recovered for the quarter (CLP 24,285 million).

[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)

The **income tax expense** for 2019 amounted to CLP -5,216 million, a difference of CLP -21,552 million with respect to the income tax benefit of CLP 16,336 million for 2018, mainly explained by deferred tax income recorded in April 2018, associated with the sale of Construmart. In addition, pre-tax income was CLP 22,923 million higher in 2019 than in 2018. In the fourth quarter of 2019, income tax expense amounted to CLP -801 million, a difference of CLP 1,655 million with respect to CLP -2,456 million for 4Q18. The difference is primarily due to the higher pre-tax income in 4Q19.

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, this segment generated results in 2018, but not in 2019.

1.4 Net Income

SMU reported **net income** for the full year 2019 of CLP 34,584 million, an increase of CLP 1,551 million (4.7%) with respect to CLP 33,033 million for 2018. However, as described in section 1.2 above, net income for 2018 was affected by an income tax benefit of CLP 16,336 million, primarily associated with the sale of Construmart. It should be noted that **pre-tax income** for 2019 increased 136% with respect to 2018, amounting to CLP 39,799 million (CLP 16,876 million in 2018).

Excluding the effects of IFRS 16, net income for 2019 would have totaled CLP 36,361 million, an increase of CLP 3,328 million (10.1%) with respect to 2018.

For the fourth quarter of 2019, net income amounted to CLP 10,440 million, a decrease of CLP 415 million (3.8%) with respect to CLP 10,855 million for 4Q18.

Excluding the effects of IFRS 16, net income for 4Q19 would have totaled CLP 10,361 million, a decrease of CLP 494 million (4.6%) with respect to 4Q18.

2. Analysis of Statement of Financial Position

Table 8.1: Statement of Financial Position as of December 31, 2019 and 2018

(CLP Million)	December 2019 (IFRS 16)	December 2018 (IAS 17)	△$	△%
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	50.810	82.644	(31.834)	(38,5%)
Other Current Financial Assets	21	18	3	14,9%
Other Current Non-Financial Assets	17.955	20.245	(2.290)	(11,3%)
Trade Accounts Receivable and Other Receivables, Net	91.813	57.597	34.216	59,4%
Accounts Receivable from Related Companies	1.525	8.739	(7.214)	(82,5%)
Inventories	195.744	194.938	806	0,4%
Current Tax Assets	4.263	8.059	(3.796)	(47,1%)
Total Current Assets	**362.132**	**372.241**	**(10.109)**	**(2,7%)**
NON-CURRENT ASSETS				
Other Non-Current Financial Assets	250	245	5	2,2%
Other Non-Current Non-Financial Assets	2.178	17.635	(15.457)	(87,6%)
Non-Current Accounts Receivable	1.525	2.738	(1.213)	(44,3%)
Non-Current Accounts Receivable from Related Parties	7.000	-	7.000	-
Investments Accounted for Using the Equity Method	14.276	2.838,9	11.437	402,9%
Intangible Assets Other Than Goodwill	65.745	73.320,1	(7.575)	(10,3%)
Goodwill	475.717	474.866,9	850	0,2%
Property, Plant, and equipment, net	723.286	439.408,7	283.877	64,6%
Deferred tax assets	425.722	429.105,6	(3.384)	(0,8%)
Total Non-Current Assets	**1.715.700**	**1.440.158**	**275.542**	**19,1%**
TOTAL ASSETS	**2.077.832**	**1.812.399**	**265.433**	**14,6%**
LIABILITIES				
CURRENT LIABILITIES				
Other Current Financial Libialities	139.327	96.600	42.727	44,2%
Trade and Other Current Payables	382.858	418.291	(35.432)	(8,5%)
Accounts Payable to Related Companies	1.879	3.976	(2.097)	(52,7%)
Other Current Provisions	3.796	3.319	478	14,4%
Current Tax Liabilities	797,9	-	798	-
Current Provisions for Employee Benefits	21.533	16.695	4.838	29,0%
Other Current Non-Financial Liabilities	10.617	3.108	7.509	241,6%
Total Current Liabilities	**560.808**	**541.987**	**18.821**	**3,5%**
NON-CURRENT LIABILITIES				
Other Non-Current Financial Liabilities	790.225	567.504	222.721	39,2%
Non-Current Payables	56	121	(65)	(53,8%)
Trade Payables due to Related Entities, Non-Current	-	-	-	-
Deferred Tax Liabilities	76	81	(5)	(5,8%)
Non-Current Provisions for Employee Benefits	1.927	977	950	97,3%
Other Non-Current Non-Financial Liabilities	3.323	6.450	(3.126)	(48,5%)
Total Non-Current Liabilities	**795.608**	**575.132**	**220.476**	**38,3%**
TOTAL LIABILITIES	**1.356.416**	**1.117.119**	**239.297**	**21,4%**
EQUITY				
Issued Capital	523.742	523.742	0	0,0%
Retained Earnings	47.300	23.092	24.209	104,8%
Other Reserves	150.373	148.446	1.928	1,3%
Equity Attributable to the Owners of the Parent Company	721.416	695.279	26.136	3,8%
Non-Controlling Interest	-	-	-	-
Total Equity	**721.416**	**695.279**	**26.136**	**3,8%**
TOTAL LIABILITIES AND EQUITY	**2.077.832**	**1.812.399**	**265.433**	**14,6%**

Table 8.2: Statement of Financial Position as of December 31, 2019 and 2018 Pro Forma [1]

(CLP Million)	December 2019 (IAS 17 *Pro Forma*)	December 2018 (IAS 17)	△$	△%
ASSETS				
CURRENT ASSETS				-28.000
Cash and Cash Equivalents	50.810	82.644	(31.834)	(38,5%)
Other Current Financial Assets	21	18	3	14,9%
→ Other Current Non-Financial Assets [2]	19.194	20.245	(1.051)	(5,2%)
Trade Accounts Receivable and Other Receivables, Net	91.813	57.597	34.216	59,4%
Accounts Receivable from Related Companies	1.525	8.739	(7.214)	(82,5%)
Inventories	195.744	194.938	806	0,4%
Current Tax Assets	4.263	8.059	(3.796)	(47,1%)
Total Current Assets	**363.371**	**372.241**	**(8.870)**	**(2,4%)**
NON-CURRENT ASSETS				
Other Non-Current Financial Assets	250	245	5	2,2%
→ Other Non-Current Non-Financial Assets [2]	16.342	17.635	(1.293)	(7,3%)
Non-Current Accounts Receivable	1.525	2.738	(1.213)	(44,3%)
Non-Current Accounts Receivable from Related Parties	7.000	-	7.000	-
Investments Accounted for Using the Equity Method	14.276	2.839	11.437	402,9%
Intangible Assets Other Than Goodwill	65.745	73.320	(7.575)	(10,3%)
Goodwill	475.717	474.867	850	0,2%
→ Property, Plant, and equipment, net [3]	475.063	439.409	35.654	8,1%
Deferred tax assets	425.722	429.106	(3.384)	(0,8%)
Total Non-Current Assets	**1.481.641**	**1.440.158**	**41.483**	**2,9%**
TOTAL ASSETS	**1.845.012**	**1.812.399**	**32.613**	**1,8%**
LIABILITIES				
CURRENT LIABILITIES				
→ Other Current Financial Libialities [4]	111.551	96.600	14.951	15,5%
Trade and Other Current Payables	382.858	418.291	(35.432)	(8,5%)
Accounts Payable to Related Companies	1.879	3.976	(2.097)	(52,7%)
Other Current Provisions	3.796	3.319	478	14,4%
Current Tax Liabilities	798	-	798	-
Current Provisions for Employee Benefits	21.533	16.695	4.838	29,0%
Other Current Non-Financial Liabilities	10.617	3.108	7.509	241,6%
Non-Current Liabilities Classified as Held for Sale	-	-	-	-
Total Current Liabilities	**533.032**	**541.987**	**(8.955)**	**(1,7%)**
NON-CURRENT LIABILITIES				
→ Other Non-Current Financial Liabilities [4]	583.519	567.504	16.015	2,8%
Non-Current Payables	56	121	(65)	(53,8%)
Trade Payables due to Related Entities, Non-Current	-	-	-	-
Deferred Tax Liabilities	76	81	(5)	(5,8%)
Non-Current Provisions for Employee Benefits	1.927	977	950	97,3%
Other Non-Current Non-Financial Liabilities	3.323	6.450	(3.126)	(48,5%)
Total Non-Current Liabilities	**588.902**	**575.132**	**13.770**	**2,4%**
TOTAL LIABILITIES	**1.121.934**	**1.117.119**	**4.815**	**0,4%**
EQUITY				
Issued Capital	523.742	523.742	0	0,0%
→ Retained Earnings [5]	49.078	23.092	25.986	112,5%
Other Reserves	150.258	148.446	1.813	1,2%
Equity Attributable to the Owners of the Parent Company	723.078	695.279	27.799	4,0%
Non-Controlling Interest	-	-	-	-
Total Equity	**723.078**	**695.279**	**27.799**	**4,0%**
TOTAL LIABILITIES AND EQUITY	**1.845.012**	**1.812.399**	**32.613**	**1,8%**

(1) *Pro Forma*: For illustrative purposes only, December 2019 figures are presented *pro forma*, eliminating the effects of the application of IFRS 16 so that the figures are comparable to the December 2018 figures (applying the previous standard, IAS 17).

(2) Other non-financial assets, current and non-current: Increase of CLP 15,403 million: (i) increase of CLP 16,632 million in prepaid leases (under the new standard, they are recognized as rights of use, under property, plant and equipment), partially offset by (ii) decrease of CLP 1,229 million due to the amortization of the asset that would have applied under the previous standard.

(3) Property, plant and equipment (rights of use): decrease of CLP 248,223 million: (i) decrease of CLP 255,245 million associated with lease contracts that were classified as operating leases under the previous standard and, therefore, were not recognized as an asset; (ii) decrease of CLP 16,632 million related to prepaid leases that, under the previous standard, were recognized as other non-financial assets; and (iii) decrease of CLP 12,085 million, reflecting the reversal of the effect of inflation adjustments to rights of use; partially offset by (iv) increase of CLP 35,739 million, reflecting the reversal of depreciation associated with the right-of-use asset recognized as of January 1, 2019.

(4) Other financial liabilities, current and non-current (lease liabilities qualifying as finance leases): decrease of CLP 234,482 million: (i) decrease of CLP 255,245 million, associated with lease contracts that were classified as operating leases under the previous standard and, therefore, were not recognized as a liability; partially offset by (ii) increase of CLP 16,292 million, due to the amortization of the lease contracts that qualify as finance leases.

(5) Retained earnings: increase of CLP 1,777 million. See Table 2.2: Consolidated Income Statement *Pro Forma*.

2.1. Assets

As of December 31, 2019, SMU's **total assets** increased by CLP 265,433 million (14.6%) with respect to December 31, 2018, totaling CLP 2,077,832 million. Excluding the effects of IFRS 16, total assets would have increased by CLP 32,613 million (1.8%).

Current assets as of December 31, 2019 decreased CLP 10,109 million (2.7%) with respect to December 31, 2018, totaling CLP 362,132 million. Excluding the effects of IFRS 16, current assets would have decreased by approximately CLP 8,870 million (2.4%). The primary variations during the period were:

a. A decrease in cash and cash equivalents (↓CLP 31,834 million), explained by the variations that are described in section 3. Analysis of Statement of Cash Flows. It should be noted that the level of cash at year end is similar to that of previous years and depends in large part of supplier payment cut-off dates.

b. A decrease in accounts receivable from related parties (↓CLP 7,214 million), primarily explained by the capitalization of the account receivable from the associate company Unired.

c. A decrease in current tax assets (↓CLP 3,796 million), primarily explained by the decreases in recoverable taxes from previous years, due to the recovery of taxes during the period.

d. A decrease in other current non-financial assets (↓CLP 2,290 million), primarily explained by decreases in prepaid insurance (↓CLP 4,905 million), the reclassification of prepaid leases to property, plant and equipment as a result of the application of IFRS 16 (↓CLP 1,239 million), and decreases in advanced payments to foreign suppliers (↓CLP 2,032 million); partially offset by an increase in a decrease in the VAT credit (↑CLP 4,855 million).

e. A decrease in current trade and other accounts receivable (□CLP 17,687 million), primarily explained by the business cycle, related to year-end sales with credit and debit cards.

These decreases were partly offset by an increase of CLP 34,216 million in current trade and other accounts receivable, primarily due to (i) an increase of CLP 30,570 million associated with the estimated insurance indemnity receivable from the losses in the third quarter, and (ii) and increase of CLP 5,176 million in the account receivable from Transbank, mainly due to year-end cut-off dates.

Non-current assets as of December 31, 2019 increased by CLP 275,542 million (19.1%) with respect to December 2018, totaling CLP 1,715,700 million. Excluding the effects of IFRS 16, non-current assets would have increased by CLP 41,483 million (2.9%). The primary variations during the period were:

a. An increase in property, plant and equipment (↑CLP 283,877 million), primarily due to the application of IFRS 16 (recognition of CLP 255,245 million on January 1, 2019 for lease contracts that as of December 31, 2018 qualified as operating leases and reclassification of CLP 16,632 million for prepaid leases that under that previous standard were classified as other non-financial assets). In addition, during the period, the Company recorded additions of CLP 90,584 million, depreciation of CLP 73,185 million, and disposals of CLP 5,638 million.

b. An increase in investments accounted for using the equity method (↑CLP 11,437 million), primarily explained by capital contributions of CLP 14,769 million to the associate companies Unicard, Unired, Administradora de Tecnologías y Servicios Unicard, and Inversiones RF, partially offset by the recognition of losses for the period of CLP 3,332 million.

c. An increase in non-current accounts receivable from related parties (↑CLP 7,000 million), due to loans to the associate company Unicard to finance its operations.

These increases were partially offset by:

a. A decrease in other non-current non-financial assets (↓CLP 15,487 million), primarily due to the reclassification of prepaid leases (↓CLP 15,393 million) to property, plant and equipment, as a result of the application of IFRS 16.

b. A decrease in intangible assets other than goodwill (↓CLP 7,575 million) due to amortization (↓CLP 13,043 million), partially offset by additions during the period (↑CLP 5,485 million).

c. A decrease in deferred tax assets (↓CLP 3,384 million), primarily due to the decrease in intangible assets subject to amortization for tax purposes (↓CLP 22,858 million) and an increase in other deferred tax liabilities (↑CLP 8,772 million) related to the provision for the insurance indemnity, partly offset by an increase in the tax loss carryforward (↑CLP 25,023 million).

2.2. Liabilities

As of December 31, 2019, the Company's **total liabilities** increased by CLP 239,297 million (21.4%) with respect to December 31, 2018, totaling CLP 1,356,416 million. Excluding the effects of IFRS 16, total liabilities would have increased by CLP 4,815 million (0.4%).

Current liabilities as of December 31, 2019 increased by CLP 18,821 million (3.5%) with respect to December 2018, totaling CLP 560,808 million. Excluding the effects of IFRS 16, current liabilities would have decreased by CLP 8,955 million (1.7%). The primary variations during the period were:

a. An increase in current other financial liabilities (↑CLP 42,727million), primarily due:

    (i) Current bank loans (↑CLP 37,571 million), due to the loan contracted in September 2019 (↑CLP 55,000 million) to refinance the portion of the syndicated loan that was going to mature in June 2020 but instead was prepaid on September 30, 2019; other short-term loans contracted during the fourth quarter (↑CLP 31,000 million); partially offset by the payment of the syndicated loan that matured on June 30, 2019 (↓CLP 46,034 million).

    (ii) Obligations for rights of use (↑CLP 31,642 million), due to the application of IFRS 16 (recognition of rental contracts that as of December 31, 2018 qualified as operating leases.

    (iii) Obligations with the public (↓CLP 27,617 million), due to the payment of the series P bond on September 25, 2019.

b. An increase in other current non-financial liabilities (↑CLP 7,509 million), primarily due to an increase in the VAT debit.

c. An increase in current provisions for employee benefits (↑CLP 4,838 million), due to the accrual of variable performance incentives.

These increases were partially offset by:

d. A decrease in current trade and other accounts payable (↓CLP 35,432 million), associated with the cut-off date for payments.

e. A decrease in accounts payable to related parties (↓CLP 2,092 million), mainly due to the associate company Unired and the lower collections at in-store POS.

Non-current liabilities as of December 31, 2019 increased by CLP 220,476 million (38.3%) with respect to December 2018, amounting to CLP 795,608 million. The main variation in the period was the result of IFRS 16 (recognition of CLP 206,706 million for contracts that as of December 31, 2018 qualified as operating leases). Excluding this effect, non-current liabilities would have increased by CLP 13,770 million (2.4%).

Other non-current financial liabilities, excluding the effects of IFRS 16, increased by CLP 16,016 million, explained by the placement of the series W bonds (UF 1 million) in June 2019 and the addition of new lease contracts, partially offset by the transfer from non-current to current of the portion of the syndicated loan that was going to mature in June 2020.

In addition, other non-current non-financial liabilities decreased by CLP 3,126 million, primarily due to the transfer from non-current to current of pre-paid leases.

2.3. Shareholders' Equity

Shareholders' equity increased by CLP 26,136 million (+3.8%), primarily due to earnings for the period (↑CLP 34,584 million), less the provision for dividends (↓CLP 10,375 million).. Excluding the effects of IFRS 16, net income for the period would have amounted to CLP 36,361 million, and consequently, shareholders' equity would have amounted to CLP 723,078 million, an increase of CLP 27,799 million with respect to December 2018.

3. Analysis of Statement of Cash Flows

Table 9: Statement of Cash Flows for the Years Ended December 31, 2019 and 2018

(CLP Million)	December 2019 (IFRS 16)	December 2018 (IAS 17)	△$
Net Cash Flows From (Used in) Operating Activities	145.020	124.144	20.876
Net Cash Flows From (Used in) Investing Activities	(54.742)	(10.885)	(43.857)
Net Cash Flows From (Used in) Financing Activities	(122.111)	(141.155)	19.044
Net Increase (Decrease) in Cash and Cash Equivalents Before Effect of Exchange Rates	**(31.834)**	**(27.896)**	**(3.937)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(31.834)**	**(27.896)**	**(3.937)**
Cash and Cash Equivalents at Beginning of Period	82.644	110.540	(27.896)
Cash and Cash Equivalents at End of Period	**50.810**	**82.644**	**(31.834)**

During the full year 2019, cash provided by **operating activities** totaled CLP 145,020 million, whereas in 2018, cash provided by operating activities amounted to CLP 124,144 million. However, these figures are not comparable, due to the application of IFRS 16 in 2019. Under the new standard, certain lease payments are reclassified from cash from operating activities (payments to suppliers for goods and services) to cash from financing activities (cash payments for liabilities under finance lease agreements and interest paid). The net impact of this reclassification on the closing balance of cash and cash equivalents is zero.

Cash used in **investing activities** for 2019 totaled a net outflow of CLP -54,742 million, compared to a net outflow of CLP -10,885 million for 2018, a difference of CLP -43,857 million. The main outflow of cash is for **CAPEX**, which includes purchases of property, plant and equipment and purchases of intangible assets and amounted to CLP 41,054 million in 2019 and CLP 45,773 million in 2018. Other cash outflows in 2019 relate to purchases of non-controlling interests in the associate companies Unicard, Administradora de Tarjeta Unicard, and Inversiones RF, for CLP 6,899 million, and a loan of CLP 7,000 to the associate Unired. The primary inflow of cash in 2018 is associated with the sale of Construmart, for an amount of CLP 38,743 million.

Cash from **financing activities** for 2019 totaled a net outflow of CLP -122,111 million, mainly explained by: (i) the payment of the portion of the syndicated loan that matured on June 30, 2019, for CLP 45,930 million; (ii) the payment of the series P bond on September 25, 2019, for CLP 28,039 million; (iii) the prepayment, on September 30, 2019, of the portion of the syndicated loan that was going to mature in June 2020, for CLP 55,414 million; (iv) payment of letters of credit for approximately CLP 8 billion; (v) interest payments of CLP 51,279 million; and (vi) payments of financial leases for CLP 48,096 million, partially offset by: (i) the placement of the series W bond in June 2019 (UF 1 million); (ii) the bank debt assumed in September 2019 (CLP 55 billion) to finance the prepayment of the syndicated loan during that same month; (iii) other short-term loans contracted during the period (approximately CLP 31,500 million); and (iv) other long-term loans contracted during the period (approximately CLP 7,000 million).

In 2018, cash from financing activities totaled a net outflow of CLP -141,155 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 (approximately CLP 36 billion); (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 51,816 million; and (v) payment of financial leases (CLP 22,698 million), which includes the one-time cost of exercising the option relating to the rental contracts of the group of Alvi stores described in section 2.1 Assets; partially offset by: (i) proceeds from borrowings for CLP 101,636 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 2017, the Company had a net inflow of CLP 11,215 million in cash from financing activities, mainly explained by: (i) the capital increase carried out in January 2017 for a total of CLP 129,950 million; (ii) the capital increase carried out in November 2017 for a total of CLP 94,875 million; and (iii) proceeds from borrowings of CLP 130,205 million, related to the placement of series G and series K bonds in April 2017 and series P bonds in September 2017; partially offset by: (i) payments of loans from related and non-related parties for a total of CLP 255,477 million; and (ii) interest payments for a total of 76,106 million, which includes the one-time cost of unwinding the Company's cross-currency swap, as a result of its decision to prepay its international bond, which was the liability underlying the swap.

4. Financial Indicators

Table 10: Financial Indicators [(1)]

			Dec. 2019	Dec. 2018
LIQUIDITY				
Liquidity Ratio	times	*Current assets/current liabilities*	0,65	0,69
Acid Ratio	times	*(Current assets - inventories)/current liabilities*	0,30	0,33
LEVERAGE				
Total Liabilities / Total Assets	times	*Total liabilities / Total assets*	0,65	0,62
Total Liabilities / Equity	times	*Total liabilities / Equity*	1,88	1,61
Net Financial Liabilities / Equity	times	*(Other current financial liabilities + other non-current financial liabilities - cash and cash equivalents)/Shareholders' equity*	1,22	0,84
Currents Liabilities / Total Liabilities	%	*Total current liabilities/Total liabilities*	41,34	48,52
INDEBTEDNESS				
Days of Inventory	days	*Average inventory for the period / Daily cost of goods sold for the period*	43,54	42,66
Accounts Receivable Days	days	*Average current trade and other accounts receivable for the period / (Daily revenue for the period * 1.19)*	9,84	6,90
Accounts Payable Days	days	*Average current trade and other accounts payable for the period / (Daily cost of goods sold for the period * 1.19)*	75,03	76,72
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)*	4,02	2,78
Gross Margin (Last 12 months)	%		29,68	28,48
EBITDA (Last 12 months)	CLP MM		198.015	152.502
EBITDA Margin (Last 12 months)	%		8,62	6,64
PROFITABILITY (12 months)				
Return on Assets	%	*Net income last 12 months / Total assets*	1,66	1,82
Return on Assets (excluding goodwill)	%	*Net income last 12 months / (Total assets - goodwill)*	2,16	2,47
Return on Equity	%	*Net income last 12 months / Shareholders' Equity*	4,79	4,75
Return on Invested Capital (including goodwill)	%	*Operating income last 12 months / (Accounts receivable + inventories + intangible assets + goodwill + property, plant and equipment)*	7,20	8,27
Return on Invested Capital (excluding goodwill)	%	*Operating income last 12 months / (Accounts receivable + inventories + intangible assets + property, plant and equipment)*	10,38	13,40

(1) Indicators as of December 31, 2019 are not comparable to indicators as of December 31, 2018, due to the effects of IFRS 16 in 2019. See Note Regarding Presentation and Comparison of Information.

5. Risk Management

The main risks faced by SMU, as well as certain measures taken by the Company to mitigate such risks, are described in note 4 to SMU's consolidated financial statements as of December 31, 2019.

6. Relevant Events During the Period

1. On March 1, 2019, SMU was notified of the ruling by the Chilean Antitrust Court (*Tribunal de Defensa de la Libre Competencia* or "TDLC"), with respect to a complaint filed by the Chilean antitrust authority (*Fiscalía Nacional Económica* or "FNE") in 2016, ordering the Company to pay a fine of 3,438 Annual Tax Units (approximately US$3.1 million) and to adopt a compliance program with respect to free competition—complementary to the Company's existing program—including at least the requirements established in the ruling. The Company remains absolutely convinced that it acted properly, and it will appeal the ruling before the Chilean Supreme Court in order to prove its innocence.

2. On March 26, 2019, the Company filed an Essential Fact, informing that the previous day, the Board of Directors agreed the following:

   (1) To call an Annual Ordinary Shareholders' Meeting to be held on April 25, 2019, 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:

      a. Approve annual report and financial statements for the 2018 period.
      b. Approve the report of independent auditors.
      c. Approve remunerations of Board of Directors and other corporate committees for the 2018 period. Inform Board of Directors expenses incurred during 2017 period.
      d. Inform activities and expenses of Directors' Committee and determine remunerations and budget for 2019 period.
      e. Inform operations referred to under Title XVI of Law No. 18,046 (related-party operations).
      f. Designate independent audit firm for the 2019 period.
      g. Designate credit rating agencies for the 2019 period.
      h. Dividend payment and distribution of net income for the 2018 period.
      i. Designate newspaper in which legally required notifications will be published.
      j. Review any other matter that is of interest to shareholders and pertains to the Annual Ordinary Shareholders' Meeting.

   (2) To submit for shareholder approval at such Annual Shareholders' Meeting a proposal for the payment of a final dividend in the amount of CLP 1.71673 per share, for a total amount of CLP 9,909,955,866, to be charged to net income for the year 2018. Such dividend would

be paid on May 8, 2019 to shareholders of record as of the fifth business day prior to such date.

3. On April 25, 2019, the Company filed an essential fact, informing that announced that at the Annual Ordinary Shareholders' Meeting held on that date, shareholders approved the following resolutions:

   (3) Approve annual report and financial statements for the 2018 period.

   (4) Approve the report of independent auditors.

   (5) Approve remunerations of Board of Directors and other corporate committees for the 2019 period. In addition, shareholders were informed of Board of Directors expenses incurred during 2018 period.

   (6) Approve remunerations of the Directors' Committee for the 2019 period and inform activities and expenses of such committee during 2018.

   (7) Approve the report of 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; and designate Humphreys, Feller, and ICR as local credit rating agencies.

   (9) Designate the El Pulso section of La Tercera as the newspaper in which legally required notifications will be published.

   (10) Distribute to shareholders a final dividend of CLP 1.71673 per share, for a total amount of CLP 9,909,955,866, to be charged to net income for the year 2018. Such dividend will be paid beginning on May 8, 2019 to shareholders of record as of the fifth business day prior to such date.

4. On April 30, 2019, the credit rating agency Feller-Rate upgraded SMU's credit rating from BBB (positive outlook) to A- (stable outlook).

5. On May 17 and 24, 2019, SMU and its bondholders' representatives Banco de Chile and BICE, respectively, signed the modification of the covenant "Net Financial Liabilities/Shareholders' Equity". This change was made following the application of IFRS 16, in accordance with the provisions of the bond issuance contracts that allow for changes in covenants when there is a change in accounting rules, in order to maintain the same spirit of the restriction. Following the change, the maximum ratio of net financial liabilities to shareholders' equity has increased from 1.3 times to 1.66 times.

6. On June 19, 2019, the credit rating agency Humphreys upgraded SMU's credit rating from BBB (stable outlook) to BBB+ (stable outlook).

7. On June 20, 2019, the Company filed an Essential Fact, informing of the placement of the series W local bond (ticker BCSMU-W) for a total of UF 1 million at a placement rate of 2.06% and a nominal interest rate of 2.50%, maturing on June 1, 2040. The Company intends to use the total amount of the net proceeds from the placement to refinance financial liabilities.

8. On June 24, 2019, the credit rating agency ICR upgraded SMU's credit rating from BBB+ (stable outlook) to A- (positive outlook).

9. On September 2, 2019, the credit rating agency Humphreys changed the outlook on SMU's credit rating from stable to positive, maintaining the BBB+ rating.

10. On September 30, 2019, the Company prepaid 100% of the outstanding balance of its debt pursuant to the renegotiated debt contracts (*contratos de reprogramación y fianza solidaria y codeudora solidaria* or the "Renegotiated Debt") executed by SMU and certain local banks in 2014.

    The prepayment was for the full outstanding amount of the Renegotiated Debt, CLP 55 billion of principal, and was refinanced with a bank loan for the same amount, at a nominal annual interest rate of 3.44%. Considering inflation for the last 12 months, this rate would be equivalent to an inflation-indexed annual interest rate of UF + 1.14%, whereas the debt that the Company prepaid had an inflation-indexed annual interest rate of UF + 4.81%.

11. As a consequence of the social unrest that has affected Chile since October 18, 2019, certain of SMU's stores in Chile have been looted or affected by varying degrees of physical damage, including some stores that have been completely burned down. The Company has remained focused on returning its operations to normal, while closely monitoring conditions in and around the stores and ensuring that the safety of its employees and customers is always the number one priority.

    The Company is evaluating the damages to its assets and facilities, the loss of inventory in its stores, and the economic losses that have been sustained by the business. SMU has an insurance policy that covers acts of vandalism, looting, and fires, including losses related to physical damage and loss of merchandise and cash, as well as business interruption losses.

    The stores operating as of November 25, 2019 account for 90% of the Company's sales and are detailed as follows:

    - Unimarc: of the 292 total stores, 271 are operating.
    - Mayorista 10: of the 66 total stores, 54 are operating.
    - Alvi: of the 33 total stores, 21 are operating.
    - OK Market: of the 121 total stores, 114 are operating.

    According to the current plan established by the Company, in the coming weeks 39 stores should be reopened, increasing the total sales coverage to 98% of operating stores. Only the 13 stores that burned down will require more time to reopen, partly due to the permits that must be obtained as part of the reconstruction process.

12. On November 26, 2019, SMU announced the details of its strategic plan for the 2020-2022 period. This new plan is largely the continuation of the previous plan, CIMA, with many of the same strategic pillars—customer experience, operating efficiency, organizational excellence, and sustainability—and organic growth has been added as a new pillar, with over 50 new store openings planned in Chile and Peru for the next three years. Within this new plan, technological development, financial strengthening, and development of logistics are considered areas that provide the necessary support in order to successfully implement the five key pillars.

7. Subsequent Events

1. On January 17, 2020, SMU restructured its outstanding loan with Banco BICE, originally signed on September 30, 2019 for a total of CLP 55,000 million and maturing on January 17, 2020.

   The new conditions include the following payment structure; (i) six equal monthly installments of CLP 850 million in principal, beginning on January 21, 2020; (ii) 17 equal monthly installments of CLP 2,800 million in principal, beginning on July 21, 2020; and (iii) a final payment of CLP 2,300 million on December 21, 2021. Interest payments are made on a monthly basis at a variable rate (TAB 30 days in CLP plus a spread of 120 bps).

2. As of March 16, 2020, the status of the Company's stores in Chile is as follows:

   - Unimarc: of the 292 total stores, 280 are operating.
   - Mayorista 10: of the 66 total stores, 61 are operating.
   - Alvi: of the 33 total stores, 28 are operating.
   - OK Market: of the 127 total stores, 120 are operating.

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, 2019. 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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