EARNINGS RELEASE 2Q19

June
2019

AUGUST 26, 2019

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

SMU reported **revenue for the first half of 2019** (1H19) of CLP 1,127,685 million, an increase of 0.6% with respect to the CLP 1,121,441 million reported for the first half of 2018 (1H18). This increase was driven by the cash & carry and convenience formats, as well as the Company's operations in Peru. Likewise, for the second quarter of 2019 (2Q19), revenue totaled CLP 558,968 million, an increase of 0.6% with respect to CLP 555,370 million reported for the second quarter of 2018 (2Q18).

Gross profit amounted to CLP 329,965 million for 1H19, an increase of 3.4% with respect to CLP 319,265 million for 1H18. Measured as a percentage of revenue, gross margin increased by 80 basis points ("bps"), reaching 29.3% for 1H19, compared to 28.5% for 1H18, reflecting improved commercial efficiency. With respect to the second quarter, gross profit totaled CLP 163,749 million (29.3% of revenue) in 2Q19, an increase of 3.6% (84 bps) with respect to CLP 158,005 million (28.5% of revenue) for 2Q18.

Operating expenses, defined as distribution costs plus administrative expenses (excluding depreciation and amortization), as a percentage of revenue amounted to 22.3% in 1H18 and 21.3% in 1H19. However, excluding the effects of IFRS 16 in 1H19 (a decrease of CLP 18,625 million in lease expenses), operating expenses as a percentage of revenue amounted to 23.0% (an increase of approximately 70 bps with respect to 1H18), essentially due to higher personnel expenses (primarily due to a higher minimum wage) and higher distribution costs. Similarly, operating expenses excluding the effects of IFRS 16 in 2Q19 would have amounted to 23.4% of revenue, compared to 22.5% in 2Q18 (an increase of 82 bps).

EBITDA[1] totaled CLP 89,648 million (EBITDA margin 7.9%) in 1H19 and CLP 69,450 million (EBITDA margin 6.2%) in 1H18. Excluding the effects of IFRS 16 in 1H19, EBITDA would have amounted to CLP 71,023 million, **an increase of 2.3%** with respect to 1H18, and an EBITDA margin of 6.3%, **an expansion of 10 bps** with respect to 1H18. With respect to the second quarter, excluding the effects of IFRS 16, EBITDA for 2Q19 would have amounted to CLP 33,192 million (EBITDA margin 5.9%), an increase of 1.0% with respect to CLP 32,863 million (EBITDA margin 5.9%) for 2Q18.

Operating income amounted to CLP 46,873 million in 1H19 and CLP 44,219 million in 1H18. Excluding the effects of IFRS 16 (decrease of CLP 18,625 million in lease expenses and increase of CLP 17,885 million in depreciation and amortization), operating income for 1H19 would have amounted to CLP 46,133 million, an **increase of 4.3%** with respect to 1H18. Likewise, operating income for 2Q19, excluding the effects of IFRS 16, would have amounted to CLP 20,457 million, 5.3% higher than CLP 19,423 million recorded for 2Q18.

The Company reported a **non-operating loss** of CLP -32,077 million for 1H19 (CLP -19,328 million for 2Q18) and CLP -51,061 million for 1H18 (CLP -21,147 million for 2Q18). In both 2018 and 2019, there are a number of non-recurring items—such as the application of IFRS 16 in 2019 and the prepayment of the international bond in 2018—that affect the comparability between periods. However, it is worth highlighting the decrease in recurring financial expenses: savings of CLP 3,369 million (14.1%) in 1H19 and CLP 869 million (7.7%) in 2Q19, reflecting the reduction in levels of indebtedness and interest rates in recent years.

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

Net income totaled CLP 13,846 million for 1H19 and CLP 14,777 million for 1H18. Excluding the effects of IFRS 16, net income would have totaled CLP 14,965 million in 1H19, an increase of 1.3% with respect to 1H18. Net income for 2Q19 amounted to CLP 6,106 million and CLP 14,312 million in 2Q18. Excluding the effects of IFRS, net income would have totaled CLP 5,711 million in 2Q19, a decrease of 60.1% with respect to 2Q18. It is important to note that, in addition to the non-recurring effects mentioned above, net income for 1H18 and 2Q18 was significantly affected by an income tax benefit (CLP 21,799 million in 1H18 and CLP 16,605 million in 2Q18), primarily due to the tax effects of the sale of Construmart during the second quarter of 2018.

With respect to **operating indicators**, in the **Food Retail segment**, for the first half of 2019 the Company reported an increase in **same-store sales ("SSS")** of 0.7%, and **sales per square meter**[2] amounted to CLP 323,508, an increase of 5.4% with respect to 1H18. With respect to **operating efficiency**, within the Food Retail Chile operations, **productivity** (measured as monthly sales per full-time equivalent) in 1H19 increased 1.6% with respect to 1H18, totaling CLP 8.1 million. In addition, the Company's rate of **centralized distribution** amounted to 46.3% in 1H19, below the 47.5% reported for 1H19, due to a change in the mix of products purchased during the period. However, measured by volume, centralized distribution increased. 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.

[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 second quarter of 2019, SMU's CEO, Marcelo Gálvez, stated, "This quarter's results were impacted by a number of one-time effects that make year-on-year comparisons difficult, especially within non-operating results, where we had both the prepayment of the international bond and the sale of Construmart last year. In addition, the change in accounting rules affects the comparability of both operating and non-operating results. I would like to emphasize the fact that the decrease in the bottom line with respect to the second quarter of 2018 is a result of these one-time effects, and if we exclude them, net income would have increased year over year."

Mr. Gálvez went on to say, "Revenue for the quarter increased 0-6%, similar to the first quarter of this year, and once again the strongest performers were our operations in Peru, where same-store sales grew 11.7%, and our cash and carry and OK Market formats in Chile, which had same-store sales growth of 2.6% and 4.7%, respectively."

"With respect to our strategic initiatives, we have been moving forward with our new store openings, including four OK Market stores during the first six months of this year, and we have five more set to open in the coming months. In addition, we have a new Unimarc opening next week, and two more between now and year-end. At the same time, we continue to make progress on our Unimarc store upgrades. The reinaugurations of those stores should be concentrated towards the end of the year. Through these initiatives, we strive to improve the shopping experience of our customers, with convenient store locations that satisfy their needs and make their lives easier. We are also continuing to develop our loyalty programs, in order to better understand our customers and provide them with promotions according to each of their unique set of preferences and needs. An example of this is our second "Gran Cuponazo" campaign that we carried out between March and April, with personalized discounts for approximately 6 million customers."

"We have also made progress in terms of optimization and expansion of our supply chain. We have been operating a new distribution center for imported products since May of this year, and in July, we started operations at our new distribution center in Coquimbo, in the north of Chile. In addition, we have added cold storage capacity to our Alvi distribution center, and that has been operational since the beginning of this month. Our distribution network is a key part of ensuring in-store product availability, and these expansions will allow us to increase centralized distribution and improve the efficiency of our inventory management."

"Another highlight from recent months was the upgrade of our credit rating by ICR, from BBB+ to A-, in June. During that same month, as part of our ongoing efforts to strengthen our financial position and generate savings in interest expense, we carried out a bond placement in the local market for UF 1 million, at a placement rate of 2.06%, in order to refinance financial liabilities," concluded Mr. Gálvez.

Highlights

Credit Rating Upgrade

During the second quarter of 2019, all three of SMU's local credit rating agencies upgraded the Company's rating. On April 30, 2019, Feller Rate upgraded SMU's rating from BBB (positive outlook) to A- (stable outlook). On June 19, 2019, Humphreys upgraded SMU's rating from BBB (stable outlook) to BBB+ (stable outlook). On June 24, 2019, ICR upgraded SMU's rating from BBB+ (stable outlook) to A- (positive outlook).

Series W Bond Placement

On June 20, 2019, SMU carried out a placement of series W bonds, for UF 1 million (approximately CLP 28 billion or USD 40 million) at an annual interest rate of 2.06%, representing a spread of 119 basis points over the reference rate. Demand for the transaction was more than two times the placement amount. This new series of bonds has an annual coupon rate of 2.50% and a bullet structure, maturing in 21 years. The proceeds from this bond placement were used primarily to refinance financial liabilities, primarily a portion of the syndicated loan that matured at the end of June, in line with the Company's strategy to continue strengthening its financial position, through savings on interest expense and optimization of its debt maturity schedule.

Conference Call

SMU will host a conference call and webcast for investors on Tuesday, August 27, 2019 at 11:00 am Santiago/ 11:00 am ET to discuss its first half and second 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/smu20190827.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 the first half and second quarter of 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 (June 30, 2019 and December 31, 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 June 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 six months ended June 30, 2019:

- Decrease of lease expenses in the amount of CLP 18,625 million, causing EBITDA to improve by the same amount.
- Increase in financial expenses in the amount of CLP 4,107 million.
- Increase of CLP 17,885 million in depreciation.
- Decrease in loss on indexed assets and liabilities in the amount of CLP 2,248 million.
- The total impact on net income for the period is a loss of CLP 1,119 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 six months ended June 30, 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)	2Q19 (IFRS 16)	2Q18 (IAS 17)	△%	1H19 (IFRS 16)	1H18 (IAS 17)	△%
Revenues	558.968	555.370	0,6%	1.127.685	1.121.441	0,6%
Cost of Sales	(395.219)	(397.365)	(0,5%)	(797.720)	(802.176)	(0,6%)
Gross Profit	**163.749**	**158.005**	**3,6%**	**329.965**	**319.265**	**3,4%**
Gross Margin (%)	*29,3%*	*28,5%*		*29,3%*	*28,5%*	
Distribution Costs	(7.265)	(6.697)	8,5%	(14.903)	(13.583)	9,7%
Contribution Margin	**156.484**	**151.308**	**3,4%**	**315.062**	**305.682**	**3,1%**
Contribution Margin (%)	*28,0%*	*27,2%*		*27,9%*	*27,3%*	
Administrative Expenses (Excluding Depreciation)	(113.971)	(118.446)	(3,8%)	(225.414)	(236.232)	(4,6%)
EBITDA	**42.513**	**32.863**	**29,4%**	**89.648**	**69.450**	**29,1%**
EBITDA Margin (%)	*7,6%*	*5,9%*		*7,9%*	*6,2%*	
Depreciation and Amortization	(21.737)	(13.439)	61,7%	(42.775)	(25.232)	69,5%
Operating Income	**20.776**	**19.423**	**7,0%**	**46.873**	**44.219**	**6,0%**
Other Gains (Losses)	(193)	201	n.a.	(415)	(7.837)	(94,7%)
Financial Income	163	347	(52,9%)	463	796	(41,8%)
Financial Expenses	(12.545)	(18.125)	(30,8%)	(24.555)	(35.721)	(31,3%)
Share of Profit (Loss) of Associates	(1.112)	(393)	182,6%	(2.067)	(1.108)	86,6%
Foreign Exchange Differences	(18)	1.411	n.a.	119	1.044	(88,6%)
Income (Loss) for Indexed Assets and Liabilities	(5.623)	(4.588)	22,6%	(5.622)	(8.235)	(31,7%)
Non-operating Income	**(19.328)**	**(21.147)**	**(8,6%)**	**(32.077)**	**(51.061)**	**(37,2%)**
Net Income (Loss) Before Taxes	**1.448**	**(1.724)**	**n.a.**	**14.796**	**(6.842)**	**n.a.**
Income Tax Expense	4.658	16.605	(71,9%)	(950)	21.799	n.a.
Net Income (Loss) from Continued Operations	**6.106**	**14.881**	**(59,0%)**	**13.846**	**14.956**	**(7,4%)**
Net Income (Loss) from Discontinued Operations	**0**	**(569)**	**(100,0%)**	**0**	**(179)**	**(100,0%)**
Net Income (Loss) of the Period	**6.106**	**14.312**	**(57,3%)**	**13.846**	**14.777**	**(6,3%)**

*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)	1Q19 (IAS 17 *Pro Forma*)	1Q18 (IAS 17)	△%	1Q19 (IAS 17 *Pro Forma*)	1Q18 (IAS 17)	△%
Revenues	558.968	555.370	0,6%	1.127.685	1.121.441	0,6%
Cost of Sales	(395.219)	(397.365)	(0,5%)	(797.720)	(802.176)	(0,6%)
Gross Profit	**163.749**	**158.005**	**3,6%**	**329.965**	**319.265**	**3,4%**
Gross Margin (%)	*29,3%*	*28,5%*	*0,0%*	*29,3%*	*28,5%*	*0,0%*
Distribution Costs	(7.265)	(6.697)	8,5%	(14.903)	(13.583)	9,7%
Contribution Margin	**156.484**	**151.308**	**3,4%**	**315.062**	**305.682**	**3,1%**
Contribution Margin (%)	*28,0%*	*27,2%*	*0,0%*	*27,9%*	*27,3%*	*0,0%*
Administrative Expenses (Excluding Depreciation) [2]	(123.292)	(118.446)	4,1%	(244.040)	(236.232)	3,3%
EBITDA	**33.192**	**32.863**	**1,0%**	**71.023**	**69.450**	**2,3%**
EBITDA Margin (%)	*5,9%*	*5,9%*	-	*6,3%*	*6,2%*	-
Depreciation and Amortization [3]	(12.735)	(13.439)	(5,2%)	(24.890)	(25.232)	(1,4%)
Operating Income	**20.457**	**19.423**	**5,3%**	**46.133**	**44.219**	**4,3%**
Other Gains (Losses)	(193)	201	n.a.	(415)	(7.837)	(94,7%)
Financial Income	163	347	(52,9%)	463	796	(41,8%)
Financial Expenses [4]	(10.371)	(18.125)	(42,8%)	(20.448)	(35.721)	(42,8%)
Share of Profit (Loss) of Associates	(1.112)	(393)	182,6%	(2.067)	(1.108)	86,6%
Foreign Exchange Differences	(18)	1.411	n.a.	119	1.044	(88,6%)
Income (Loss) for Indexed Assets and Liabilities [5]	(7.872)	(4.588)	71,6%	(7.870)	(8.235)	(4,4%)
Non-operating Income	**(19.403)**	**(21.147)**	**(8,2%)**	**(30.218)**	**(51.061)**	**(40,8%)**
Net Income (Loss) Before Taxes	**1.054**	**(1.724)**	**n.a.**	**15.915**	**(6.842)**	**n.a.**
Income Tax Expense	4.658	16.605	(71,9%)	(950)	21.799	n.a.
Net Income (Loss) from Continued Operations	**5.711**	**14.881**	**(61,6%)**	**14.965**	**14.956**	**0,1%**
Net Income (Loss) from Discontinued Operations	**0**	**(569)**	**(100,0%)**	**0**	**(179)**	**(100,0%)**
Net Income (Loss) of the Period	**5.711**	**14.312**	**(60,1%)**	**14.965**	**14.777**	**1,3%**

*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 1H19 and 2Q19 is provided, eliminating the effects of the application of IFRS 16, so that figures are comparable with 1Q18 (applying the previous standard, IAS 17).
(2) Administrative expenses: increase by CLP 9,321 million in 2Q19 and CLP 18,625 million in 1H19 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 9,002 million in 2Q19 and CLP 17,885 million in 1H19, associated with lease contracts that under the previous standard qualified as operating leases and, therefore, were not depreciated.
(4) Financial expenses: decrease by CLP 2,174 million in 2Q19 and CLP 4,107 million in 1H19, 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 2,249 million in 2Q19 and CLP 2,248 million in 1H19, 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 the Food Retail segment increased 0.6% in the first half of 2019 with respect to the first half of 2018, from CLP 1,121,441 million to CLP 1,127,685 million. With respect to the second quarter of 2019, revenue totaled CLP 558,968 million, an increase of 0.6% with respect to CLP 555,370 million for 2Q18.

Table 2: Food Retail Segment Revenue (CLP MMM)

REVENUE (CLP MMM)	2Q19	2Q18	△%	1H19	1H18	△%
UNIMARC	382	383	-0,5%	780	785	-0,6%
CASH & CARRY	149	144	3,0%	291	284	2,5%
OK MARKET	13,2	12,5	5,0%	26,3	24,9	5,7%
TELEMERCADOS	1,6	2,7	-41,8%	3,4	5,1	-34,4%
OTHERS(*)	1,5	1,9	-24,6%	2,9	2,9	0,9%
FOOD RETAIL CHILE	546	545	0,3%	1.103	1.101	0,2%
FOOD RETAIL PERU	12,5	10,4	20,5%	24,4	20,3	20,1%
CONSOLIDATED	559	555	0,6%	1.128	1.121	0,6%

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

Food Retail Chile revenue remained stable in 1H19 with respect to 1H18, and also in 2Q19 with respect to 2Q18. By format, Unimarc—the traditional supermarket that accounts for approximately 70% of SMU's revenue—decreased 0.6% in 1H19 with respect to 1H18 and decreased 0.5% in 2Q19 with respect to 2Q18. Revenue for the cash & carry format increased 2.5% in 1H19 (+3.0% in 2Q19). Revenue for the e-grocery format (Telemercados) decreased 34.4% in 1H19 (-41.8% in 2Q19), while revenue for the convenience store format (OK Market) grew 5.7% in 1H19 (+5.0% in 2Q19).

In Food Retail Peru, revenue (measured in Chilean pesos) increased 20.1% in the first half of 2019 with respect to the first half of 2018 (+20.5% in 2Q18). Measured in Peruvian Soles, revenue increased 11.2% in 1H19 and 11.5% in 2Q19.

Same-store sales (SSS) growth for the Food Retail segment amounted to 0.7% for the first half of 2019.

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

SSS (△%)	2Q18	3Q18	4Q18	2018	1Q19	2Q19
UNIMARC	1,7%	1,2%	0,0%	1,7%	-0,5%	-0,4%
CASH & CARRY	5,5%	2,8%	1,4%	3,4%	2,4%	2,6%
OK MARKET	3,1%	2,1%	5,3%	2,4%	6,1%	4,7%
FOOD RETAIL CHILE	2,7%	1,6%	0,4%	2,1%	0,2%	0,3%
FOOD RETAIL PERU	10,9%	10,3%	10,6%	8,1%	11,8%	11,7%
CONSOLIDATED	2,7%	1,8%	0,6%	2,1%	0,6%	0,7%

SSS for Unimarc decreased 0.4% in 2Q19. Cash & carry increased 2.6%, and OK Market convenience stores increased 4.7%. Overall, Food Retail Chile recorded SSS growth of 0.7% for the second quarter of 2019.

Food Retail Peru—which accounts for around 2% of total revenue for the Food Retail segment—recorded an increase in SSS of 11.7% in the second quarter of 2019. 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 323,508 for the first half of 2019, 5.4% higher than 1H18.

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

SALES PER SQM (CLP Thousands/sqm)	2Q19	2Q18	△%	1H19	1H18	△%
FOOD RETAIL CHILE	325,2	308,9	5,3%	327,0	311,0	5,2%
FOOD RETAIL PERU	223,7	185,4	20,7%	218,1	180,6	20,7%
CONSOLIDATED	321,9	305,1	5,5%	323,5	307,0	5,4%

Food Retail Chile sales per square meter grew 5.2% in 1H19 compared to 1H18 and 5.3% in the second quarter of 2019 with respect to 2Q18. For its part, Food Retail Peru (measured in Chilean pesos) recorded an increase of 20.7% in sales per square meter in both 1H19 vs. 1H18 and 2Q19 vs. 2Q18.

By format, sales per square meter for Unimarc increased 3.1% in 1H19 (+3.0% in 2Q19); the cash & carry segment increased 10.7% in 1H19 (+11.3% in 2Q19); and OK Market increased 4.9% in 1H19 (+4.1% in 2Q19).

As of the end of the first half of 2019, SMU's food retail operations included **508 stores in Chile**, distributed from Arica to Punta Arenas—slightly more than the 502 stores in operation at the end of the first half of 2018—and a total of **549,990 square meters**.

During the first half of 2019, the Company opened four OK Market stores and closed one. 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 June 30, 2019, the Company had 24 stores, with 20,398 square meters, for a total selling space for the Food Retail segment of 570,387 square meters at period end.

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

NUMBER OF STORES	2Q19	2Q18
UNIMARC	289	288
CASH & CARRY	99	99
OK MARKET	120	115
FOOD RETAIL CHILE	508	502
FOOD RETAIL PERU	24	24
CONSOLIDATED	532	526

SALES AREA (THOUSANDS OF SQM)	2Q19	2Q18
UNIMARC	384	398
CASH & CARRY	151	166
OK MARKET	15	15
FOOD RETAIL CHILE	550	579
FOOD RETAIL PERU	20	20
CONSOLIDATED	570	599

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

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

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

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 22.3% in 1H18 and 21.3% in 1H19. However, excluding the effects of IFRS 16 in 1H19, operating expenses as a percentage of revenue would have amounted to 23.0% (an increase of approximately 70 bps with respect to 1H18). Likewise, in the second quarter of 2019, operating expenses amounted to 21.7% of revenue (22.5% in 2Q18), and excluding the effects of IFRS 16, they would have amounted to 23.4% of revenue.

Distribution costs for the first half of 2019 totaled CLP 14,903 million, an increase of 9.7% with respect to the same period of 2018. Distribution costs as a percentage of revenue increased from 1.2% in 1H18 to 1.3% in 1H19.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. 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 second quarter of 2019, distribution costs amounted to CLP 7,265 million, an increase of 8.5% with respect to 2Q18.

Administrative expenses (excluding depreciation and amortization) totaled CLP 225,414 million (20.0% of revenue) in 1H19 and CLP 236,232 million (21.1% of revenue) in 1H18. However, excluding the effects of IFRS 16 (decrease of CLP 18,625 million in lease expenses in 1H19), administrative expenses would have totaled CLP 244,040 million (21.6% of revenue) in 1H19, an increase of 3.3% (50 bps) with respect to 1H18. With respect to the second quarter, administrative expenses totaled CLP 113,971 million (20.4% of revenue) in 2Q19 and CLP 188,446 million (21.3% of revenue) in 2Q18. Excluding the effects of IFRS 16, administrative expenses would have totaled CLP 123,292 million (22.1% of revenue) in 2Q19, an increase of 4.1% (80 bps) with respect to 2Q18.

The main increase in administrative expenses in 1H19 was the increase of CLP 7,246 million (+6.5% YoY) in personnel expenses, primarily due to inflation adjustments and the increase in minimum wage. Average headcount was similar in 1H19 and 1H18. During the period there were also increases in external services (CLP 843 million; +20.3% YoY) and insurance (CLP 747 million; + 36.4% YoY), partially offset by decreases in materials (CLP 1,987 million; -23.8% YoY) and advertising (CLP 579 million; -5.7% YoY).

In addition, lease expenses decreased CLP 17,504 million (-57.1% YoY) with respect to 1H18, but excluding the effects of IFRS 16, lease expenses would have increased CLP 1,121 million (+3.7% YoY).

The main increase in administrative expenses in 2Q19 was the increase of CLP 4,656 million (+8.2% YoY) in personnel expenses, primarily due to inflation adjustments and the increase in minimum wage. Average headcount was similar in 2Q19 and 2Q18. During the quarter there were also increases in external services (CLP 647 million; +29.6% YoY) and municipal licenses (CLP 400 million; + 964.2% YoY), partially offset by decreases in materials (CLP 1,070 million; -25.6% YoY) and advertising (CLP 768 million; -14.1% YoY).

In addition, lease expenses decreased CLP 8,741 million (-57.2% YoY) with respect to 2Q18, but excluding the effects of IFRS 16, lease expenses would have increased CLP 581 million (+3.8% YoY).

Table 7: Average Headcount in the Food Retail Segment

AVERAGE HEADCOUNT	2Q19	2Q18	△%	1H19	1H18	△%
STORES CHILE	27.667	27.643	0,1%	27.899	27.898	0,0%
HEADQUARTERS CHILE	1.682	1.565	7,5%	1.662	1.573	5,7%
FOOD RETAIL CHILE	29.349	29.208	0,5%	29.561	29.471	0,3%
STORES PERU	509	521	-2,4%	528	525	0,4%
HEADQUARTERS PERU	135	135	-0,2%	137	137	0,0%
FOOD RETAIL PERU	643	656	-2,0%	664	662	0,3%
CONSOLIDATED	29.992	29.865	0,4%	30.225	30.133	0,3%

1.1.3. Gross Margin, Contribution Margin, and EBITDA

Gross profit for the first half of 2019 totaled CLP 329,965 million, an increase of 3.4% with respect to the first half of 2018, which is equivalent to 29.3% of revenue, 80 bps higher with respect to 28.5% in 1H18. The increase reflects improved commercial efficiency in 1H19. In the second quarter of 2019, gross profit amounted to CLP 163,749 million (29.3% of revenue), an increase of 3.6% with respect to CLP 158,005 million (28.5% of revenue) for 2Q18.

Contribution margin grew 3.1% in the first half of 2019, totaling CLP 315,062 million, compared to CLP 305,682 million for 1H18, amounting to 27.9% of revenue in 1H19 vs. 27.3% in 1H18. With respect to the second quarter, contribution margin totaled CLP 156,484 million (28.0% of revenue), an increase of 3.4% with respect to CLP 151,308 million (27.2% of revenue) for 2Q18.

EBITDA totaled CLP 89,648 million (EBITDA margin 7.9%) in 1H19 and CLP 69,450 million (EBITDA margin 6.2%) in 1S18. Excluding the effects of IFRS 16 in 1H19, EBITDA would have amounted to CLP 71,023 million, an increase of 2.3% with respect to 1H18, and EBITDA margin would have been 6.3%, an increase of 10 bps compared to 1H18. In the second quarter of 2019, EBITDA totaled CLP 42,513 million (EBITDA margin 7.6%). Excluding the effects of IFRS 16 in 2Q19, EBITDA would have amounted to CLP 33,192 million (EBITDA margin 5.9%), an increase of 1.0% with respect to CLP 32,863 million (EBITDA margin 5.9%) for 2Q18.

EBITDAR (EBITDA less lease expenses) amounted to CLP 102,785 million (EBITDAR margin 9.1%) for 1H19, 2.7% higher than the CLP 100,091 million (EBITDAR margin 8.9%) obtained in 1H18. With respect to the second quarter, EBITDAR for 2Q19 totaled CLP 49,051 million (EBITDAR margin 8.8%), 1.9% higher than CLP 48,141 million (EBITDAR margin 8.7%) for 2Q18.

Operating income amounted to CLP 46,873 million in 1H19 and CLP 44,219 million in 1H18. Excluding the effects of IFRS 16 (decrease of CLP 18,625 million in lease expenses and increase of CLP 17,885 million in depreciation and amortization), operating income for 1H19 would have amounted to CLP 46,133 million, an increase of 4.3% with respect to 1H18. Likewise, operating income for 2Q19, excluding the effects of IFRS 16, would have amounted to CLP 20,457 million, 5.3% higher than CLP 19,423 million recorded for 2Q18.

1.2. Non-operating Income[3] and Income Tax Expense

The **consolidated non-operating loss** for SMU totaled CLP -32,077 million in 1H19 and CLP -51,061 million in 1H18. Excluding the effects of IFRS 16, the non-operating loss for 1H19 would have amounted to CLP -30,218 million, an improvement of CLP 20,843 million with respect to 1H18.

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

a. **Financial expenses improved by CLP 11,166 million** (CLP 15,273 million excluding the effects of IFRS 16)**:** In 1H19, SMU reported financial expenses of CLP -24,555 million, including CLP -4,107 million associated with the application of IFRS 16. In 1H18, the Company reported financial expenses of CLP -35,721 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 1H18 financial expenses totaled CLP -23,817, whereas in 1H19 they amounted to CLP -20,448 million, a decrease of CLP 3,369 million (14.1%), reflecting the Company's efforts to reduce its level of indebtedness and strengthen its capital structure during the last two years.

b. **Other gains (losses) improved by CLP 7,423 million:** The difference is explained by (i) a lower expense of CLP 4,370 million, associated with the organizational restructuring plan implemented by the Company; (ii) insurance claims recovered in 1H19 for CLP 2,448 million; and (iii) a higher gain of CLP 1,096 million in 1H19 for changes in lease contracts.

With respect to the second quarter, the non-operating loss amounted to CLP -19,328 million in 2Q19 and CLP -21,147 million in 2Q18. Excluding the effects of IFRS 16, the non-operating loss for 2Q19 would have amounted to CLP -19,403 million, an improvement of CLP 1,744 million with respect to 2Q18. The difference is mainly explained by:

a. **Financial expenses improved by CLP 5,580 million** (CLP 7,753 million excluding the effects of IFRS 16)**:** In 2Q19, SMU reported financial expenses of CLP -12,545 million, including CLP -2,173 million associated with the application of IFRS 16. In 2Q18, the Company reported financial expenses of CLP -18,125 million, including a non-recurring expense of CLP -6,884 million related to the partial prepayments of the international bond during the period. Considering recurring financial expenses and excluding the effects of IFRS 16, in 2Q18 financial expenses totaled CLP -11,241, whereas in 2Q19 they amounted to CLP -10,371 million, a decrease of CLP 869 million (7.7%).

b. **Loss on indexed assets and liabilities increased by CLP 1,035 million** (CLP 3,284 million excluding the effects of IFRS 16)**:** In 2Q18, the Company reported a loss on indexed assets and liabilities of CLP -4,588 million, reflecting the increase in the value of its inflation-indexed financial liabilities due to inflation during the period. In 2Q19, excluding the effects of IFRS 16,

[3] 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 Company would have recorded a loss on indexed assets and liabilities of CLP -7,872 million, a difference of CLP 3,284, reflecting the fact that inflation in 2Q19 was nearly twice as high as inflation in 2Q18. It should be noted that considering the effects of IFRS 16, the loss on indexed assets and liabilities amounted to CLP -5,623 million. Under the new standard, the gain (loss) on indexed assets and liabilities reflects the impact of inflation on the following financial liabilities: bank lows, obligations with the public, and obligations for rights of use with a purchase option, whereas for obligations for rights of use, changes in the value of the liability caused by inflation are recognized as rights of use and depreciated over the remainder of the contract.

c. **Gain (loss) on foreign currency translation**: negative variation of CLP 1,430 million. In 2Q18, the Company recorded a gain of CLP 1,411 million, primarily due to a one-time gain associated with exposure to exchange rate fluctuations from the international bond during that period. In 2Q19, the Company reported a loss of CLP -18 million, as the exposure to exchange rate fluctuations is practically zero and is mainly related to letters of credit.

The **income tax expense** for 1H19 amounted to CLP -980 million, a difference of CLP -22,749 million with respect to the income tax benefit of CLP 21,799 million for 1H18, mainly explained by deferred tax income recorded in April 2018, associated with the sale of Construmart. In addition, pre-tax income was CLP 21.638 million higher in 1H19 than in 1H18 (pre-tax income of CLP 14,796 million in 1H19 vs. pre-tax loss of CLP -6,842 million in 1H18). Likewise, in the second quarter, there is a negative variation of CLP -11,947 million in the income tax benefit for 2Q19 compared to 2Q18, reflecting the effect of the sale of Construmart in 2Q18 and the better pre-tax income in 2Q19.

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 the first half of 2018, but not in 1H19.

1.4. Net Income

SMU reported **net income** for the first half of 2019 of CLP 13,846 million, a decrease of CLP 931 million (6.3%) with respect to CLP 14,777 million for 1H18. **Profit from continuing operations** totaled CLP 13,846 million, compared to CLP 14,956 million for 1H19. The **loss from discontinued operations** for 1H18 amounted to CLP -179 million, and in 1H19 the Company no longer has discontinued operations, as the sale of Construmart was completed in April 2018.

Excluding the effects of IFRS 16, net income for 1H19 would have totaled CLP 14,965 million, an increase of CLP 188 million (1.3%) with respect to 1H18.

For the second quarter of 2019, net income amounted to CLP 6,106 million, a decrease of CLP 8,775 million with respect to CLP 14,312 million for 2Q18. The comparison year-over-year is largely affected by the significant tax impact of the sale of Construmart in 2018, affecting the income tax benefit. It should be noted that pre-tax income improved by CLP 3,172 million in 2Q19 with respect to 2Q18. **Profit from continuing operations** for 2Q19 totaled CLP 6,160 million, compared to CLP 14,881 million for 2Q18. The **loss from discontinued operations** for 2Q18 amounted to CLP -569 million, and in 2Q19 the Company no longer has discontinued operations, as the sale of Construmart was completed in April 2018.

Excluding the effects of IFRS 16, net income for 2Q19 would have totaled CLP 5,711 million, a decrease of CLP 8,600 million (60.1%) with respect to 2Q18.

2. Analysis of Statement of Financial Position

Table 8.1: Statement of Financial Position as of June 30, 2019 and December 31, 2018

(CLP Million)	June 2019 (IFRS 16)	December 2018 (IAS 17)	△$	△%
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	101.348	82.644	18.704	22,6%
Other Current Financial Assets	18	18	- 0	(1,3%)
Other Current Non-Financial Assets	15.626	20.245	(4.620)	(22,8%)
Trade Accounts Receivable and Other Receivables, Net	40.592	57.597	(17.005)	(29,5%)
Accounts Receivable from Related Companies	8.982	8.739	242	2,8%
Inventories	188.777	194.938	(6.162)	(3,2%)
Current Tax Assets	3.474	8.059	(4.585)	(56,9%)
Non-Current Assets Classified as Held for Sale	-	-	-	-
Total Current Assets	**358.815**	**372.241**	**(13.425)**	**(3,6%)**
NON-CURRENT ASSETS				
Other Non-Current Financial Assets	247	245	2	1,0%
Other Non-Current Non-Financial Assets	2.128	17.635	(15.508)	(87,9%)
Non-Current Accounts Receivable	1.711	2.738	(1.027)	(37,5%)
Investments Accounted for Using the Equity Method	3.722	2.838,9	883	31,1%
Intangible Assets Other Than Goodwill	69.074	73.320	(4.246)	(5,8%)
Goodwill	475.166	474.867	299	0,1%
Property, Plant, and equipment, net	732.165	439.409	292.756	66,6%
Deferred tax assets	429.427	429.106	322	0,1%
Total Non-Current Assets	**1.713.639**	**1.440.158**	**273.481**	**19,0%**
TOTAL ASSETS	**2.072.454**	**1.812.399**	**260.056**	**14,3%**
LIABILITIES				
CURRENT LIABILITIES				
Other Current Financial Libialities	180.597	96.600	83.998	87,0%
Trade and Other Current Payables	360.987	418.291	(57.303)	(13,7%)
Accounts Payable to Related Companies	2.675	3.976	(1.301)	(32,7%)
Other Current Provisions	3.441	3.319	122	3,7%
Current Tax Liabilities	797,9	0	798	-
Current Provisions for Employee Benefits	17.926	16.695	1.232	7,4%
Other Current Non-Financial Liabilities	3.397	3.108	290	9,3%
Non-Current Liabilities Classified as Held for Sale	-	-	-	-
Total Current Liabilities	**569.822**	**541.987**	**27.835**	**5,1%**
NON-CURRENT LIABILITIES				
Other Non-Current Financial Liabilities	786.722	567.504	219.219	38,6%
Non-Current Payables	89	121	(32)	(26,8%)
Trade Payables due to Related Entities, Non-Current	-	-	-	-
Deferred Tax Liabilities	81	81	0	0,1%
Non-Current Provisions for Employee Benefits	698	977	(279)	(28,6%)
Other Non-Current Non-Financial Liabilities	5.575	6.450	(875)	(13,6%)
Total Non-Current Liabilities	**793.164**	**575.132**	**218.032**	**37,9%**
TOTAL LIABILITIES	**1.362.986**	**1.117.119**	**245.867**	**22,0%**
EQUITY				
Issued Capital	523.742	523.742	0	0,0%
Retained Earnings	36.938	23.092	13.846	60,0%
Other Reserves	148.788	148.446	343	0,2%
Equity Attributable to the Owners of the Parent Company	709.468	695.279	14.189	2,0%
Non-Controlling Interest	-	-	-	-
Total Equity	**709.468**	**695.279**	**14.189**	**2,0%**
TOTAL LIABILITIES AND EQUITY	**2.072.454**	**1.812.399**	**260.056**	**14,3%**

Table 8.2: Statement of Financial Position as of June 30, 2019 and December 31, 2018 Pro Forma [1]

(CLP Million)	June 2019 (IAS 17 *Pro Forma*)	December 2018 (IAS 17)	△$	△%
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	101.348	82.644	18.704	22,6%
Other Current Financial Assets	18	18	(0)	(1,3%)
→ Other Current Non-Financial Assets [2]	16.865	20.245	(3.381)	(16,7%)
Trade Accounts Receivable and Other Receivables, Net	40.592	57.597	(17.005)	(29,5%)
Accounts Receivable from Related Companies	8.982	8.739	242	2,8%
Inventories	188.777	194.938	(6.162)	(3,2%)
Current Tax Assets	3.474	8.059	(4.585)	(56,9%)
Non-Current Assets Classified as Held for Sale	-	-	0	-
Total Current Assets	**360.054**	**372.241**	**(12.186)**	**(3,3%)**
NON-CURRENT ASSETS				
Other Non-Current Financial Assets	247	245	2	1,0%
→ Other Non-Current Non-Financial Assets [2]	16.912	17.635	(723)	(4,1%)
Non-Current Accounts Receivable	1.711	2.738	(1.027)	(37,5%)
Investments Accounted for Using the Equity Method	3.722	2.839	883	31,1%
Intangible Assets Other Than Goodwill	69.074	73.320	(4.246)	(5,8%)
Goodwill	475.166	474.867	299	0,1%
→ Property, Plant, and equipment, net [3]	472.720	439.409	33.311	7,6%
Deferred tax assets	429.427	429.106	322	0,1%
Total Non-Current Assets	**1.468.978**	**1.440.158**	**28.820**	**2,0%**
TOTAL ASSETS	**1.829.032**	**1.812.399**	**16.634**	**0,9%**
LIABILITIES				
CURRENT LIABILITIES				
→ Other Current Financial Libialities [4]	153.042	96.600	56.443	58,4%
Trade and Other Current Payables	360.987	418.291	(57.303)	(13,7%)
Accounts Payable to Related Companies	2.675	3.976	(1.301)	(32,7%)
Other Current Provisions	3.441	3.319	122	3,7%
Current Tax Liabilities	798	-	798	-
Current Provisions for Employee Benefits	17.926	16.695	1.232	7,4%
Other Current Non-Financial Liabilities	3.397	3.108	290	9,3%
Non-Current Liabilities Classified as Held for Sale	-	-	-	-
Total Current Liabilities	**542.267**	**541.987**	**280**	**0,1%**
NON-CURRENT LIABILITIES				
→ Other Non-Current Financial Liabilities [4]	570.059	567.504	2.556	0,5%
Non-Current Payables	89	121	(32)	(26,8%)
Trade Payables due to Related Entities, Non-Current	-	-	-	-
Deferred Tax Liabilities	81	81	0	0,1%
Non-Current Provisions for Employee Benefits	698	977	(279)	(28,6%)
Other Non-Current Non-Financial Liabilities	5.575	6.450	(875)	(13,6%)
Total Non-Current Liabilities	**576.501**	**575.132**	**1.369**	**0,2%**
TOTAL LIABILITIES	**1.118.768**	**1.117.119**	**1.649**	**0,1%**
EQUITY				
Issued Capital	523.742	523.742	0	0,0%
→ Retained Earnings [5]	38.057	23.092	14.965	n.a.
Other Reserves	148.465	148.446	20	0,0%
Equity Attributable to the Owners of the Parent Company	710.264	695.279	14.985	2,2%
Non-Controlling Interest	-	-	-	-
Total Equity	**710.264**	**695.279**	**14.985**	**2,2%**
TOTAL LIABILITIES AND EQUITY	**1.829.032**	**1.812.399**	**16.634**	**0,9%**

(1) *Pro Forma*: For illustrative purposes only, June 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 16,023 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 609 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 259,445 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 5,453 million, reflecting the reversal of the effect of inflation adjustments to rights of use; partially offset by (iv) increase of CLP 17,885 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 244,218 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 11,027 million, due to the amortization of the lease contracts that qualify as finance leases.

(5) Retained earnings: increase of CLP 1,119 million. See Table 2.2: Consolidated Income Statement *Pro Forma*.

2.1. Assets

As of June 30, 2019, SMU's **total assets** increased by CLP 260,056 million (14.3%) with respect to December 31, 2018, totaling CLP 2,072,454 million. Excluding the effects of IFRS 16, total assets would have increased by CLP 16,634 million (0.9%).

Current assets as of June 30, 2019 decreased CLP 13,425 million (3.6%) with respect to December 31, 2018, totaling CLP 358,815 million. Excluding the effects of IFRS 16, current assets would have decreased by approximately CLP 12,186 million (3.3%). The primary variations during the period were:

a. A decrease in current trade and other accounts receivable (↓CLP 17,005 million), primarily explained by the business cycle, related to year-end sales with credit and debit cards.
b. A decrease in inventory (↓CLP 6,162 million).
c. A decrease in other current non-financial assets (↓CLP 4,620 million), primarily explained by decreases in prepaid insurance (↓CLP 2,204 million) and advanced payments to foreign suppliers (↓CLP 950 million) and the reclassification of prepaid leases to property, plant and equipment (↓CLP 1,239 million), as a result of the application of IFRS 16.
d. A decrease in current tax assets (↓CLP 4,585 million), primarily explained by the decreases in recoverable taxes from previous years, due to the recovery of taxes during the period.

These decreases were partly offset by an increase of CLP 18,704 million in cash and cash equivalents, explained by the variations that are described in section 3. Analysis of Statement of Cash Flows.

Non-current assets as of June 30, 2019 increased by CLP 273,481 million (19.0%) with respect to December 2018, totaling CLP 1,713,639 million. Excluding the effects of IFRS 16, non-current liabilities would have decreased by CLP 28,820 million (2.0%). The primary variations during the period were:

a. An increase in property, plant and equipment (↑CLP 292,756 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 57,908 million and depreciation of CLP 36,304 million.
b. A decrease in other non-current non-financial assets (↓CLP 15,508 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.
c. A decrease in intangible assets other than goodwill (↓CLP 4,246 million) due to amortization (↓CLP 6,472 million), partially offset by additions during the period (↑CLP 2,225 million).

2.2. Liabilities

As of June 30, 2019, the Company's **total liabilities** increased by CLP 245,867 million (22.0%) with respect to December 31, 2018, totaling CLP 1,362,986 million. Excluding the effects of IFRS 16, total liabilities would have increased by CLP 1,649 million (0.1%).

Current liabilities as of June 30, 2019 increased by CLP 27,835 million (5.1% with respect to December 2018, totaling CLP 569,822 million. Excluding the effects of IFRS 16, current liabilities would have increased by CLP 280 million (0.1%). The primary variations during the period were:

a. An increase in current other financial liabilities (↑CLP 83,998 million), primarily due to (i) the transfer from non current to current of the portion of the syndicated loan that matures in June 2020 (CLP 55,149 million), combined with the fact that the portion of the syndicated loan that matured on June 30, 2019 (a Sunday) was paid on July 1, 2019. Therefore, the amount of that payment (CLP 45.957 million) is still included in SMU's balance sheet as of June 30, 2019, along with the cash to be used for that payment, so net debt is not affected; and (ii) the application of IFRS 16 (recognition of CLP 27,477 million on January 1, 2019 for contracts that as of December 31, 2018 qualified as operating leases).
b. A decrease in current trade and other accounts payable (↓CLP 57,303 million), associated with the seasonality of the business and the cut-off date for payments.

Non-current liabilities as of June 30, 2019 increased by CLP 218,032 million (37.9%) with respect to December 2018, amounting to CLP 793,164 million. The main variation in the period was the result of IFRS 16 (recognition of CLP 227,768 million on January 1, 2019 for contracts that as of December 31, 2018 qualified as operating leases). Excluding this effect, non-current liabilities would have increased by CLP 1,369 million (0.2%). Other non-current financial liabilities, excluding the effects of IFRS 16, increased by CLP 2,556 million, explained by the placement of the series P 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 matures in June 2020.

2.3. Shareholders' Equity

Shareholders' equity increased by CLP 14,189 million (+2.0%), primarily due to earnings for the period (↑CLP 13,846 million). Excluding the effects of IFRS 16, net income for the period would have amounted to CLP 14,965 million, and consequently, shareholders' equity would have amounted to CLP 710,264 million, an increase of CLP 14,985 million with respect to December 2018.

3. Analysis of Statement of Cash Flows

Table 9: Statement of Cash Flows for the six months ended June 30, 2019 and 2018

(CLP Million)	June 2019 (IFRS 16)	June 2018 (IAS 17)	△$
Net Cash Flows From (Used in) Operating Activities	66.153	32.504	33.648
Net Cash Flows From (Used in) Investing Activities	(25.790)	22.146	(47.936)
Net Cash Flows From (Used in) Financing Activities	(21.658)	(65.790)	44.132
Net Increase (Decrease) in Cash and Cash Equivalents Before Effect of Exchange Rates	**18.704**	**(11.140)**	**29.844**
Net Increase (Decrease) in Cash and Cash Equivalents	**18.704**	**(11.140)**	**29.844**
Cash and Cash Equivalents at Beginning of Period	82.644	110.540	(27.896)
Cash and Cash Equivalents at End of Period	**101.348**	**99.400**	**1.948**

During the first half of 2019, cash provided by **operating activities** totaled CLP 66,153 million, whereas in 1H18, cash provided by operating activities amounted to CLP 32,504 million. However, these figures are not comparable, due to the application of IFRS 16 in 1H19. 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 the first half of 2019 totaled a net outflow of CLP -25,790 million, compared to a net inflow of CLP 22,146 million for 2018, a difference of CLP -47,936 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 22,840 million in 1H19 and CLP 15,605 million in 1H18. The primary inflow of cash in 2018 is associated with the sale of Construmart.

Cash from **financing activities** for the first half of 2019 totaled a net outflow of CLP -21,658 million, mainly explained by: (i) interest payments of CLP 24,595 million; (ii) payment of financial leases of CLP 20,314 million; and (iii) loan repayments of CLP 8,129 million, mainly pertaining to letters of credit; partially offset by the placement of the series W bond in June 2019 (UF 1 million). In 1H18, the Company had a net outflow of CLP -65,790 million in cash from financing activities, mainly explained by: (i) the prepayment of the international bond (USD 300 million); (ii) interest payments of CLP 35,436 million; and (iii) payment of financial leases for CLP 8,415 million, partially offset by (i) the placement of the series T bonds in April and June of 2018 (UF 3.5 million) and the capital increase carried out in January 2018 for a total of CLP 74,000 million.

4. Financial Indicators

Table 10: Financial Indicators [(1)]

			Jun. 2019	Dec. 2018
LIQUIDITY				
Liquidity Ratio	times	*Current assets/current liabilities*	0,63	0,69
Acid Ratio	times	*(Current assets - inventories)/current liabilities*	0,30	0,33
LEVERAGE				
Total Liabilities / Total Assets	times	*Total liabilities / Total assets*	0,66	0,62
Total Liabilities / Equity	times	*Total liabilities / Equity*	1,92	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*	41,81	48,52
INDEBTEDNESS				
Days of Inventory	days	*Average inventory for the period / Daily cost of goods sold for the period*	43,29	42,66
Accounts Receivable Days	days	*Average current trade and other accounts receivable for the period / (Daily revenue for the period * 1.19)*	6,59	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)*	73,88	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)*	3,93	2,78
Gross Margin (Last 12 months)	%		28,87	28,48
EBITDA (Last 12 months)	CLP MM		172.701	152.502
EBITDA Margin (Last 12 months)	%		7,50	6,64
PROFITABILITY (12 months)				
Return on Assets	%	*Net income last 12 months / Total assets*	1,55	1,82
Return on Assets (excluding goodwill)	%	*Net income last 12 months / (Total assets - goodwill)*	2,01	2,47
Return on Equity	%	*Net income last 12 months / Shareholders' Equity*	4,52	4,75
Return on Invested Capital (including goodwill)	%	*Operating income last 12 months / (Accounts receivable + inventories + intangible assets + goodwill + property, plant and equipment)*	6,99	8,27
Return on Invested Capital (excluding goodwill)	%	*Operating income last 12 months / (Accounts receivable + inventories + intangible assets + property, plant and equipment)*	10,21	13,40

(1) Indicators as of June 30, 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 June 30, 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:

   (1) Approve annual report and financial statements for the 2018 period.
   (2) Approve the report of independent auditors.
   (3) 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.
   (4) Approve remunerations of the Directors' Committee for the 2019 period and inform activities and expenses of such committee during 2018.
   (5) Approve the report of operations referred to under Title XVI of Law No. 18,046 (related-party operations).
   (6) Designate KPMG Auditores Consultores Limitada as the independent audit firm; and designate Humphreys, Feller, and ICR as local credit rating agencies.
   (7) Designate the El Pulso section of La Tercera as the newspaper in which legally required notifications will be published.

(8) 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).

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, 2018. 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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