3rd Quarter 2019

EARNINGS RELEASE

SMU S.A.

NOVEMBER 25, 2019

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

SMU reported **revenue for the first nine months of 2019** (9M19) of CLP 1,709,484 million, an increase of 0.6% with respect to the CLP 1,698,531 million reported for the first nine months of 2018 (9M18). This increase was driven by the cash & carry and convenience formats, as well as the Company's operations in Peru. Likewise, for the third quarter of 2019 (3Q19), revenue totaled CLP 581,799 million, an increase of 0.8% with respect to CLP 577,090 million reported for the third quarter of 2018 (3Q18).

Gross profit amounted to CLP 502,426 million for 9M19, an increase of 3.7% with respect to CLP 484,371 million for 9M18. Measured as a percentage of revenue, gross margin increased by 90 basis points ("bps"), reaching 29.4% for 9M19, compared to 28.5% for 9M18, reflecting improved commercial efficiency. With respect to the third quarter, gross profit totaled CLP 172,461 million (29.6% of revenue) in 3Q19, an increase of 4.5% (100 bps) with respect to CLP 165,106 million (28.6% of revenue) for 3Q18.

Operating expenses, defined as distribution costs plus administrative expenses (excluding depreciation and amortization), as a percentage of revenue amounted to 22.1% in 9M18 and 21.1% in 9M19. However, excluding the effects of IFRS 16 in 9M19 (a decrease of CLP 28,021 million in lease expenses), operating expenses as a percentage of revenue amounted to 22.7% (an increase of approximately 60 bps with respect to 9M18), 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 3Q19 would have amounted to 22.2% of revenue, compared to 21.7% in 3Q18 (an increase of 50 bps).

EBITDA[1] totaled CLP 142,119 million (EBITDA margin 8.3%) in 9M19 and CLP 109,486 million (EBITDA margin 6.4%) in 9M18. Excluding the effects of IFRS 16 in 9M19, EBITDA would have amounted to CLP 114,098 million, **an increase of 4.2%** with respect to 9M18, and an EBITDA margin of 6.7%, **an expansion of 30 bps** with respect to 9M18. With respect to the third quarter, excluding the effects of IFRS 16, EBITDA for 3Q19 would have amounted to CLP 43,075 million (EBITDA margin 7.4%), an increase of 7.6% with respect to CLP 40,036 million (EBITDA margin 6.9%) for 3Q18.

Operating income amounted to CLP 77,763 million in 9M19 and CLP 71,988 million in 9M18. Excluding the effects of IFRS 16 (decrease of CLP 28,021 million in lease expenses and increase of CLP 26,766 million in depreciation and amortization), operating income for 9M19 would have amounted to CLP 76,508 million, an **increase of 6.3%** with respect to 9M18. Likewise, operating income for 3Q19, excluding the effects of IFRS 16, would have amounted to CLP 30,375 million, 9.4% higher than CLP 27,769 million recorded for 3Q18.

The Company reported a **non-operating loss** of CLP -49,205 million for 9M19 (CLP -17,128 million for 3Q19) and CLP -68,423 million for 9M18 (CLP -17,362 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 3,881 million (11.4%) in 9M19 and CLP 511 million (5.0%) in 3Q19, 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 24,144 million for 9M19 and CLP 22,179 million for 9M18. Excluding the effects of IFRS 16, net income would have totaled CLP 26,001 million in 9M19, an increase of 17.2% with respect to 9M18. It is important to note that, in addition to the non-recurring effects mentioned above, net income for 9M18 was significantly affected by an income tax benefit (CLP 18,793 million in 9H18), 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 9M19 would have been greater. Net income for 3Q19 amounted to CLP 10,298 million and CLP 7,402 million in 3Q18. Excluding the effects of IFRS, net income would have totaled CLP 11,036 million in 3Q19, an increase of 49.1% with respect to 3Q18.

With respect to **operating indicators**, in the **Food Retail segment**, for the third quarter of 2019 the Company reported an increase in **same-store sales ("SSS")** of 0.7%, and **sales per square meter**[2] amounted to CLP 336,422, an increase of 5.7% with respect to 3Q18. With respect to **operating efficiency**, within the Food Retail Chile operations, **productivity** (measured as monthly sales per full-time equivalent) in 3Q19 increased 1.9% with respect to 3Q18, totaling CLP 8.5 million. In addition, the Company's rate of **centralized distribution** amounted to 49.5% in 3Q19, an increase with respect to the 46.1% reported for 3Q18. 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 third quarter of 2019, SMU's CEO, Marcelo Gálvez, stated, "This quarter we achieved significant growth in our EBITDA margin, which increased 50 basis points, to 7.4%, excluding the impact of the change in accounting rules that went into effect in January of this year (IFRS 16). Similarly, EBITDA for the quarter increased 7.6%. These results bring our accumulated EBITDA margin for the first nine months of the year to 6.7%, an improvement of 30 basis points the 6.4% we reported for the same period of 2018."

Mr. Gálvez went on to say, "Revenue for the first nine months of the year grew 0.6%, and in the third quarter, we had an increase of 0.8%. It is important to note that during the third quarter, sales in Chile grew 0.7%, more than double the growth we saw in the first and second quarters of this year. This improvement was driven by growth of 3.1% in the cash & carry formats and 6.6% in OK Market. In addition, Unimarc performed better than in the previous quarters. On the other hand, in Peru revenue grew less in the third quarter, due to the implementation of reforms related to food labeling regulations and the elimination of plastic bags. We believe that this effect be temporary, just as it was in Chile when similar reforms were implemented."

"In recent months, we have made progress with some of our strategic initiatives that focus on customer experience, opening three new Unimarc stores between September and November: one in the Valparaíso Region, one in the Metropolitan Region, and one in the Biobío Region. In addition, in October we launched a new digital application for our Club Ahorro loyalty program, making it easier for our customers to access their personalized discounts."

"In terms of operating efficiency, our centralized distribution reached a rate of 47.4% for the first nine months of this year, and 49.5% in the third quarter, contributing towards improved inventory management and product availability in our stores."

Mr. Gálvez concluded by saying, "With respect to the situation in Chile, as we have reported previously, more than 160 of our stores have been affected by looting and other acts of vandalism, but it is important to be clear about the fact that the stores we have operating today accounting of 90% of our sales, and according to our current plan, in the coming weeks we expect to reopen 39 stores, for a total of 98% of our sales. At the same time, we continue working with the insurance adjusters to carry out the inspections and provide all the information necessary in order to receive payment for the losses. Finally, I would like to highlight the fact that our strategy for the next three years, which we will launch tomorrow, has not been changed in light of these recent events. We intend to move forward with our plans and continue to seek growth with profitability."

Highlights

Prepayment of Renegotiated Debt

On September 30, 2019, SMU 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%[3]. As a result, SMU was able to refinance one of its most expensive debts with a bank loan in more favorable conditions, in line with its strategy to continue strengthening its financial position.

Conference Call

SMU will host a conference call and webcast for investors on Tuesday, November 26, 2019 at 12:00 pm Santiago/ 10:00 am ET to discuss its third quarter 2019 results. During the call, the Company will also discuss the main initiative of its new strategic plan for the 2020-2022 period.

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/smu20191126.html

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

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

[3] The UF, or *Unidad de Fomento*, is a Chilean currency unit indexed to inflation.

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 nine months 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 (September 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 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 nine months ended September 30, 2019:

- Decrease of lease expenses in the amount of CLP 28,021 million, causing EBITDA to improve by the same amount.
- Increase in financial expenses in the amount of CLP 6,317 million.
- Increase of CLP 26,766 million in depreciation.
- Decrease in loss on indexed assets and liabilities in the amount of CLP 3,204 million.
- The total impact on net income for the period is a loss of CLP 1,857 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 nine months ended September 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)	3Q19 (IFRS 16)	3Q18 (IAS 17)	△%	9M19 (IFRS 16)	9M18 (IAS 17)	△%
Revenue	581,799	577,090	0.8%	1,709,484	1,698,531	0.6%
Cost of Sales	(409,338)	(411,984)	(0.6%)	(1,207,058)	(1,214,160)	(0.6%)
Gross Profit	**172,461**	**165,106**	**4.5%**	**502,426**	**484,371**	**3.7%**
Gross Margin (%)	*29.6%*	*28.6%*		*29.4%*	*28.5%*	
Distribution Costs	(8,283)	(6,981)	18.6%	(23,186)	(20,564)	12.8%
Contribution Margin	**164,178**	**158,125**	**3.8%**	**479,241**	**463,807**	**3.3%**
Contribution Margin (%)	*28.2%*	*27.4%*		*28.0%*	*27.3%*	
Administrative Expenses (Excluding Depreciation)	(111,708)	(118,089)	(5.4%)	(337,122)	(354,321)	(4.9%)
EBITDA	**52,471**	**40,036**	**31.1%**	**142,119**	**109,486**	**29.8%**
EBITDA Margin (%)	*9.0%*	*6.9%*		*8.3%*	*6.4%*	
Depreciation and Amortization	(21,580)	(12,266)	75.9%	(64,356)	(37,498)	71.6%
Operating Income	**30,890**	**27,769**	**11.2%**	**77,763**	**71,988**	**8.0%**
Other Gains (Losses)	(620)	(1,305)	(52.5%)	(1,035)	(9,142)	(88.7%)
Financial Income	198	246	(19.6%)	661	1,042	(36.6%)
Financial Expenses	(13,274)	(10,199)	30.1%	(37,829)	(45,920)	(17.6%)
Share of Profit (Loss) of Associates	(921)	(1,065)	(13.5%)	(2,988)	(2,173)	37.5%
Foreign Exchange Differences	(207)	(294)	(29.6%)	(88)	750	n.a.
Income (Loss) for Indexed Assets and Liabilities	(2,304)	(4,745)	(51.4%)	(7,926)	(12,979)	(38.9%)
Non-operating Income	**(17,128)**	**(17,362)**	**(1.3%)**	**(49,205)**	**(68,423)**	**(28.1%)**
Net Income (Loss) Before Taxes	**13,762**	**10,407**	**32.2%**	**28,558**	**3,565**	**701.0%**
Income Tax Expense	(3,464)	(3,006)	15.3%	(4,414)	18,793	n.a.
Net Income (Loss) from Continued Operations	**10,298**	**7,402**	**39.1%**	**24,144**	**22,358**	**8.0%**
Net Income (Loss) from Discontinued Operations	**0**	**0**	**n.a.**	**0**	**(179)**	**(100.0%)**
Net Income (Loss) of the Period	**10,298**	**7,402**	**39.1%**	**24,144**	**22,179**	**8.9%**

*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)	3Q19 (IAS 17 *Pro Forma*)	3Q18 (IAS 17)	△%	9M19 (IAS 17 *Pro Forma*)	9M18 (IAS 17)	△%
Revenue	581,799	577,090	0.8%	1,709,484	1,698,531	0.6%
Cost of Sales	(409,338)	(411,984)	(0.6%)	(1,207,058)	(1,214,160)	(0.6%)
Gross Profit	**172,461**	**165,106**	**4.5%**	**502,426**	**484,371**	**3.7%**
Gross Margin (%)	*29.6%*	*28.6%*	*0.0%*	*29.4%*	*28.5%*	*0.0%*
Distribution Costs	(8,283)	(6,981)	18.6%	(23,186)	(20,564)	12.8%
Contribution Margin	**164,178**	**158,125**	**3.8%**	**479,241**	**463,807**	**3.3%**
Contribution Margin (%)	*28.2%*	*27.4%*		*28.0%*	*27.3%*	
→ Administrative Expenses (Excluding Depreciation) [2]	(121,104)	(118,089)	2.6%	(365,143)	(354,321)	3.1%
EBITDA	**43,075**	**40,036**	**7.6%**	**114,098**	**109,486**	**4.2%**
EBITDA Margin (%)	*7.4%*	*6.9%*		*6.7%*	*6.4%*	
→ Depreciation and Amortization [3]	(12,700)	(12,266)	3.5%	(37,590)	(37,498)	0.2%
Operating Income	**30,375**	**27,769**	**9.4%**	**76,508**	**71,988**	**6.3%**
Other Gains (Losses)	(620)	(1,305)	(52.5%)	(1,035)	(9,142)	(88.7%)
Financial Income	198	246	(19.6%)	661	1,042	(36.6%)
→ Financial Expenses [4]	(11,065)	(10,199)	8.5%	(31,512)	(45,920)	(31.4%)
Share of Profit (Loss) of Associates	(921)	(1,065)	(13.5%)	(2,988)	(2,173)	37.5%
Foreign Exchange Differences	(207)	(294)	(29.6%)	(88)	750	n.a.
→ Income (Loss) for Indexed Assets and Liabilities [5]	(3,260)	(4,745)	(31.3%)	(11,130)	(12,979)	(14.2%)
Non-operating Income	**(15,875)**	**(17,362)**	**(8.6%)**	**(46,093)**	**(68,423)**	**(32.6%)**
Net Income (Loss) Before Taxes	**14,500**	**10,407**	**39.3%**	**30,415**	**3,565**	**753.1%**
Income Tax Expense	(3,464)	(3,006)	15.3%	(4,414)	18,793	n.a.
Net Income (Loss) from Continued Operations	**11,036**	**7,402**	**49.1%**	**26,001**	**22,358**	**16.3%**
Net Income (Loss) from Discontinued Operations	**0**	**0**	**n.a.**	**0**	**(179)**	**(100.0%)**
Net Income (Loss) of the Period	**11,036**	**7,402**	**49.1%**	**26,001**	**22,179**	**17.2%**

*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 9M19 and 3Q19 is provided, eliminating the effects of the application of IFRS 16, so that figures are comparable with 9M18 and 3Q18 (applying the previous standard, IAS 17).
(2) Administrative expenses: increase by CLP 9,396 million in 3Q19 and CLP 28,021 million in 9M19 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 8,881 million in 3Q19 and CLP 26,766 million in 9M19, associated with lease contracts that under the previous standard qualified as operating leases and, therefore, were not depreciated.
(4) Financial expenses: decrease by CLP 2,209 million in 3Q19 and CLP 6,317 million in 9M19, 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 956 million in 3Q19 and CLP 3,204 million in 9M19, 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 nine months of 2019 with respect to the same period of 2018, from CLP 1,698,531 million to CLP 1,709,484 million. With respect to the third quarter of 2019, revenue totaled CLP 581,799 million, an increase of 0.8% with respect to CLP 577,090 million for 3Q18.

Table 2: Food Retail Segment Revenue (CLP MMM)

REVENUE (CLP MMM)	3Q19	3Q18	△%	9M19	9M18	△%
UNIMARC	400	400	-0.1%	1,180	1,185	-0.4%
CASH & CARRY	153	148	3.1%	443	432	2.7%
OK MARKET	13.3	12.5	6.6%	39.6	37.4	6.0%
TELEMERCADOS	2.1	3.2	-34.3%	5.5	8.3	-34.4%
OTHERS(*)	1.7	1.7	-2.3%	4.6	4.6	-0.3%
FOOD RETAIL CHILE	570	566	0.7%	1,673	1,667	0.4%
FOOD RETAIL PERU	12.2	11.3	7.5%	36.6	31.7	15.6%
CONSOLIDATED	582	577	0.8%	1,709	1,699	0.6%

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

Food Retail Chile revenue grew 0.4% in 9M19 with respect to 9M18, and in 3Q19 vs 3Q18, the increase was 0.7%. By format, Unimarc—the traditional supermarket that accounts for approximately 70% of SMU's revenue—decreased 0.4% in 9M19 with respect to 9M18 and remained relatively flat in 3Q19 with respect to 3Q18. Revenue for the cash & carry format increased 2.7% in 9M19 (+3.1% in 3Q19). Revenue for the e-grocery format (Telemercados) decreased 34.4% in 9M19 (-34.3% in 3Q19), while revenue for the convenience store format (OK Market) grew 6.0% in 9M19 (+6.6% in 3Q19).

In Food Retail Peru, revenue (measured in Chilean pesos) increased 15.6% in the first nine months of 2019 with respect to the same period of 2018 (+7.5% in 3Q18). Measured in Peruvian Soles, revenue increased 8.3% in 9M19 and 2.6% in 3Q19.

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

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

SSS (△%)	3Q18	4Q18	2018	1Q19	2Q19	3Q19
UNIMARC	1.2%	0.0%	1.7%	-0.5%	-0.4%	-0.1%
CASH & CARRY	2.8%	1.4%	3.4%	2.4%	2.6%	3.0%
OK MARKET	2.1%	5.3%	2.4%	6.1%	4.7%	5.5%
FOOD RETAIL CHILE	1.6%	0.4%	2.1%	0.2%	0.3%	0.7%
FOOD RETAIL PERU	10.3%	10.6%	8.1%	11.8%	11.7%	0.8%
CONSOLIDATED	1.8%	0.6%	2.1%	0.6%	0.7%	0.7%

SSS for Unimarc were similar in 3Q19 vs 3Q18, whereas cash & carry increased 3.0%, and OK Market convenience stores increased 5.5%. Overall, Food Retail Chile recorded SSS growth of 0.7% for the third 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 0.8% in the third quarter of 2019.

Sales per square meter for the Food Retail segment reached CLP 327,788 for the first nine months of 2019, 5.1% higher than 9M18.

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

SALES PER SQM (CLP Thousands/sqm)	3Q19	3Q18	△%	9M19	9M18	△%
FOOD RETAIL CHILE	340.6	322.0	5.8%	331.5	316.0	4.9%
FOOD RETAIL PERU	213.6	202.2	5.7%	216.6	187.8	15.3%
CONSOLIDATED	336.4	318.2	5.7%	327.8	312.0	5.1%

Food Retail Chile sales per square meter grew 4.9% in 9M19 compared to 9M18 and 5.8% in the third quarter of 2019 with respect to 3Q18. For its part, Food Retail Peru (measured in Chilean pesos) recorded an increase of 15.3% in sales per square meter in 9M19 vs. 9M18 and 5.7% in 3Q19 vs. 3Q18.

By format, sales per square meter for Unimarc increased 2.7% in 9M19 (+2.0% in 3Q19); the cash & carry segment increased 10.9% in 9M19 (+11.4% in 3Q19); and OK Market increased 4.9% in 9M19 (+4.9% in 3Q19).

As of the end of the third quarter of 2019, SMU's food retail operations included **510 stores in Chile**, distributed from Arica to Punta Arenas—slightly more than the 503 stores in operation at the end of the third quarter of 2018—and a total of **551,144 square meters**.

During the first nine months of 2019, the Company opened one Unimarc store and five 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 September 30, 2019, the Company had 24 stores, with 20,398 square meters, for a total selling space for the Food Retail segment of 571,541 square meters at period end.

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

NUMBER OF STORES	3Q19	3Q18
UNIMARC	290	289
CASH & CARRY	99	99
OK MARKET	121	115
FOOD RETAIL CHILE	510	503
FOOD RETAIL PERU	24	24
CONSOLIDATED	534	527

SALES AREA (THOUSANDS OF SQM)	3Q19	3Q18
UNIMARC	386	391
CASH & CARRY	151	156
OK MARKET	15	15
FOOD RETAIL CHILE	551	562
FOOD RETAIL PERU	20	20
CONSOLIDATED	572	582

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

OPENINGS AND CLOSURES	3Q18		4Q18		1Q19		2Q19		3Q19	
	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.	OPEN.	CLOS.
UNIMARC	1	0	0	0	0	0	0	0	1	0
CASH & CARRY	0	0	0	0	0	0	0	0	0	0
OK MARKET	1	1	2	0	2	1	2	0	1	0
FOOD RETAIL CHILE	2	1	2	0	2	1	2	0	2	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 21.1% in 9M18 and 20.6% in 9M19. However, excluding the effects of IFRS 16 in 1H19, operating expenses as a percentage of revenue would have amounted to 22.7% (an increase of approximately 60 bps with respect to 9M18). Likewise, in the third quarter of 2019, operating expenses excluding the effects of IFRS 16, they would have amounted to 20.8% of revenue (20.5% in 3Q18).

Distribution costs for the first nine months of 2019 totaled CLP 23,186 million, an increase of 12.8% with respect to the same period of 2018. Distribution costs as a percentage of revenue increased from 1.2% in 9M18 to 1.4% in 9M19.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 third quarter of 2019, distribution costs amounted to CLP 8,283 million, an increase of 18.6% with respect to 3Q18.

Administrative expenses (excluding depreciation and amortization) totaled CLP 337,122 million (19.7% of revenue) in 9M19 and CLP 354,321 million (20.9% of revenue) in 9M18. However, excluding the effects of IFRS 16 (decrease of CLP 28,021 million in lease expenses in 9M19), administrative expenses would have totaled CLP 365,143 million (21.4% of revenue) in 9M19, an increase of 3.1% (50 bps) with respect to 9M18. With respect to the third quarter, administrative expenses totaled CLP 111,708 million (19.2% of revenue) in 3Q19 and CLP 118,089 million (20.5% of revenue) in 3Q18. Excluding the effects of IFRS 16, administrative expenses would have totaled CLP 121,104 million (20.8% of revenue) in 3Q19, an increase of 2.6% (30 bps) with respect to 3Q18.

The main increase in administrative expenses in 1H19 was the increase of CLP 10,716 million (+6.3% YoY) in personnel expenses, primarily due to inflation adjustments and the increase in minimum wage. Average headcount was similar in 9M19 and 9M18. During the period there were also increases in external services (CLP 1,090 million; +17.1% YoY); insurance (CLP 891 million; + 26.8% YoY); and credit card fees (CLP 644 million; +6.6 YoY); partially offset by decreases in materials (CLP 2,877 million; -23.1% YoY) and advertising (CLP 1,663 million; -11.0% YoY).

In addition, lease expenses decreased CLP 26,157 million (-57.1% YoY) with respect to 9M18, but excluding the effects of IFRS 16, lease expenses would have increased CLP 1,864 million (+4.1% YoY).

The main increase in administrative expenses in 3Q19 was the increase of CLP 3,470 million (+6.1% YoY) in personnel expenses, primarily due to inflation adjustments and the increase in minimum wage. Although the average headcount was similar in 3Q19 and 3Q18, the number of full-time equivalents decreases slightly in 3Q19. During the quarter there were decreases in materials expenses (CLP 890 million; -22.5% YoY) and advertising (CLP 890 million; -21.7% YoY).

In addition, lease expenses decreased CLP 8,653 million (-57.1% YoY) with respect to 3Q18, but excluding the effects of IFRS 16, lease expenses would have increased CLP 743 million (+4.9% YoY).

Table 7: Average Headcount in the Food Retail Segment

AVERAGE HEADCOUNT	3Q19	3Q18	△%	9M19	9M18	△%
STORES CHILE	27,915	27,478	1.6%	27,796	27,758	0.1%
HEADQUARTERS CHILE	1,649	1,600	3.1%	1,700	1,582	7.5%
FOOD RETAIL CHILE	29,564	29,078	1.7%	29,496	29,340	0.5%
STORES PERU	538	531	1.4%	515	527	-2.3%
HEADQUARTERS PERU	136	137	-0.7%	138	137	0.6%
FOOD RETAIL PERU	674	668	1.0%	652	664	-1.7%
CONSOLIDATED	30,238	29,746	1.7%	30,148	30,004	0.5%

1.1.3. Gross Margin, Contribution Margin, and EBITDA

Gross profit for the first nine months of 2019 totaled CLP 502,426 million, an increase of 3.7% with respect to the same period of 2018, which is equivalent to 29.4% of revenue, 90 bps higher with respect to 28.5% in 9M18. The increase reflects improved commercial efficiency in 9M19. In the third quarter of 2019, gross profit amounted to CLP 172,461 million (29.6% of revenue), an increase of 4.5% with respect to CLP 165,106 million (28.6% of revenue) for 3Q18.

Contribution margin grew 3.3% in the first nine months of 2019, totaling CLP 479,241 million, compared to CLP 463,807 million for 9M18, amounting to 28.0% of revenue in 9M19 vs. 27.3% in 9M18. With respect to the third quarter, contribution margin totaled CLP 164,178 million (28.2% of revenue), an increase of 3.8% with respect to CLP 158,125 million (27.4% of revenue) for 3Q18.

EBITDA totaled CLP 142,119 million (EBITDA margin 8.3%) in 9M19 and CLP 109,486 million (EBITDA margin 6.4%) in 9M18. Excluding the effects of IFRS 16 in 9M19, EBITDA would have amounted to CLP 114,098 million, an increase of 4.2% with respect to 9M18, and EBITDA margin would have been 6.7%, an increase of 30 bps compared to 9M18. In the third quarter of 2019, EBITDA totaled CLP 52,471 million (EBITDA margin 9.0%). Excluding the effects of IFRS 16 in 3Q19, EBITDA would have amounted to CLP 43,075 million (EBITDA margin 7.4%), an increase of 7.6% with respect to CLP 40,036 million (EBITDA margin 6.9%) for 3Q18.

EBITDAR (EBITDA less lease expenses) amounted to CLP 161,765 million (EBITDAR margin 9.5%) for 9M19, 4.2% higher than the CLP 155,289 million (EBITDAR margin 9.1%) obtained in 9M18. With respect to the third quarter, EBITDAR for 3Q19 totaled CLP 58,980 million (EBITDAR margin 10.1%), 6.9% higher than CLP 55,198 million (EBITDAR margin 9.6%) for 2Q18.

Operating income amounted to CLP 77,763 million in 9M19 and CLP 71,988 million in 9M18. Excluding the effects of IFRS 16 (decrease of CLP 28,021 million in lease expenses and increase of CLP 26,766 million in depreciation and amortization), operating income for 9M19 would have amounted to CLP 76,508 million, an increase of 6.3% with respect to 9M18. Likewise, operating income for 3Q19, excluding the effects of IFRS 16, would have amounted to CLP 30,375 million, 9.4% higher than CLP 27,769 million recorded for 3Q18.

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

The **consolidated non-operating loss** for SMU totaled CLP -49,205 million in 9M19 and CLP -68,423 million in 9M18. Excluding the effects of IFRS 16, the non-operating loss for 9M19 would have amounted to CLP -46,093 million, an improvement of CLP 22,330 million with respect to 9M18.

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

a. **Financial expenses improved by CLP 8,091 million** (CLP 14,408 million excluding the effects of IFRS 16)**:** In 9M19, SMU reported financial expenses of CLP -37,829 million, including CLP -6,317 million associated with the application of IFRS 16 and CLP -1,377 million associated with the prepayment of renegotiated debt made on September 30, 2019. In 9M18, the Company reported financial expenses of CLP -45,920 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 9M18 financial expenses totaled CLP -34,016, whereas in 9M19 they amounted to CLP -30,135 million, a decrease of CLP 3,881 million (11,4%), 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 8,107 million:** The difference is explained by (i) a lower expense of CLP 4,857 million, associated with the organizational restructuring plan implemented by the Company; (ii) insurance claims recovered in 9M19 for CLP 2,139 million; and (iii) a lower loss from fires or floods of CLP 1,307 million in 9M19.

With respect to the third quarter, the non-operating loss amounted to CLP -17,128 million in 3Q19 and CLP -17,362 million in 3Q18. Excluding the effects of IFRS 16, the non-operating loss for 3Q19 would have amounted to CLP -15,875 million, an improvement of CLP 1,487 million with respect to 3Q18. The difference is mainly explained by:

a. **Loss on indexed assets and liabilities decreased by CLP 2,441 million** (CLP 1,484 million excluding the effects of IFRS 16)**:** In 3Q18, the Company reported a loss on indexed assets and liabilities of CLP -4,745 million, reflecting the increase in the value of its inflation-indexed financial liabilities due to inflation during the period. In 3Q19, excluding the effects of IFRS 16, the Company would have recorded a loss on indexed assets and liabilities of CLP -3,260 million, a difference of CLP 1,484, reflecting the fact that inflation in 3Q19 was lower than in 3Q18, and also that the stock of debt (excluding IFRS 16) was lower in 3Q19. It should be noted that considering the effects of IFRS 16, the loss on indexed assets and liabilities amounted to CLP -2,304 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.

[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)

b. **Financial expenses increased by CLP 3,075 million** (CLP 865 million excluding the effects of IFRS 16)**:** In 3Q19, SMU reported financial expenses of CLP -13,274 million, including CLP -2,209 million associated with the application of IFRS 16 and CLP -1,377 million associated with the prepayment of renegotiated debt on September 30, 2019. Excluding these extraordinary effects, financial expenses for 3Q19 would have amounted to CLP 9,688 million, a decrease of CLP 511 million (5.0%) with respect to the CLP 10,199 million reported for 3Q18.

The **income tax expense** for 9M19 amounted to CLP -4,414 million, a difference of CLP -23,207 million with respect to the income tax benefit of CLP 18,793 million for 9M18, mainly explained by deferred tax income recorded in April 2018, associated with the sale of Construmart. In addition, pre-tax income was CLP 24,993 million higher in 9M19 than in 9M18. In the third quarter of 2019, income tax expense amounted to CLP -3,464 million, a difference of 458 million with respect to CLP -3,006 million for 3Q18. The difference is primarily due to the higher pre-tax income in 3Q19.

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 nine months of 2018, but not in 9M19.

1.4. Net Income

SMU reported **net income** for the first nine months of 2019 of CLP 24,144 million, an increase of CLP 1,965 million (8.9%) with respect to CLP 22,179 million for 9M18.

Excluding the effects of IFRS 16, net income for 9M19 would have totaled CLP 26,001 million, an increase of CLP 3,822 million (17.2%) with respect to 9M18.

For the third quarter of 2019, net income amounted to CLP 10,298 million, an increase of CLP 2,896 million (39.1%) with respect to CLP 7,402 million for 2Q18.

Excluding the effects of IFRS 16, net income for 3Q19 would have totaled CLP 11,036 million, an increase of CLP 3,634 million (49.1%) with respect to 3Q18.

2. Analysis of Statement of Financial Position

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

(CLP Million)	September 2019 (IFRS 16)	December 2018 (IAS 17)	△$	△%
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	47,421	82,644	(35,223)	(42.6%)
Other Current Financial Assets	17	18	(1)	(5.0%)
Other Current Non-Financial Assets	16,828	20,245	(3,417)	(16.9%)
Trade Accounts Receivable and Other Receivables, Net	39,910	57,597	(17,687)	(30.7%)
Accounts Receivable from Related Companies	1,484	8,739	(7,256)	(83.0%)
Inventories	200,332	194,938	5,394	2.8%
Current Tax Assets	3,556	8,059	(4,502)	(55.9%)
Total Current Assets	**309,548**	**372,241**	**(62,692)**	**(16.8%)**
NON-CURRENT ASSETS				
Other Non-Current Financial Assets	249	245	4	1.7%
Other Non-Current Non-Financial Assets	2,148	17,635	(15,487)	(87.8%)
Non-Current Accounts Receivable	1,487	2,738	(1,251)	(45.7%)
Non-Current Accounts Receivable from Related Parties	4,000	-	4,000	-
Investments Accounted for Using the Equity Method	13,377	2,838.9	10,538	371.2%
Intangible Assets Other Than Goodwill	66,932	73,320.1	(6,388)	(8.7%)
Goodwill	475,430	474,866.9	563	0.1%
Property, Plant, and equipment, net	729,182	439,408.7	289,773	65.9%
Deferred tax assets	426,232	429,105.6	(2,873)	(0.7%)
Total Non-Current Assets	**1,719,037**	**1,440,158**	**278,879**	**19.4%**
TOTAL ASSETS	**2,028,585**	**1,812,399**	**216,187**	**11.9%**
LIABILITIES				
CURRENT LIABILITIES				
Other Current Financial Libialities	109,359	96,600	12,760	13.2%
Trade and Other Current Payables	374,620	418,291	(43,671)	(10.4%)
Accounts Payable to Related Companies	1,579	3,976	(2,397)	(60.3%)
Other Current Provisions	3,662	3,319	343	10.3%
Current Tax Liabilities	797.9	-	798	-
Current Provisions for Employee Benefits	18,986	16,695	2,292	13.7%
Other Current Non-Financial Liabilities	5,800	3,108	2,692	86.6%
Total Current Liabilities	**514,804**	**541,987**	**(27,183)**	**(5.0%)**
NON-CURRENT LIABILITIES				
Other Non-Current Financial Liabilities	788,256	567,504	220,752	38.9%
Non-Current Payables	73	121	(48)	(39.7%)
Trade Payables due to Related Entities, Non-Current	-	-	-	-
Deferred Tax Liabilities	78	81	(2)	(2.9%)
Non-Current Provisions for Employee Benefits	1,458	977	480	49.2%
Other Non-Current Non-Financial Liabilities	3,379	6,450	(3,070)	(47.6%)
Total Non-Current Liabilities	**793,244**	**575,132**	**218,112**	**37.9%**
TOTAL LIABILITIES	**1,308,048**	**1,117,119**	**190,929**	**17.1%**
EQUITY				
Issued Capital	523,742	523,742	0	0.0%
Retained Earnings	47,235	23,092	24,144	104.6%
Other Reserves	149,560	148,446	1,114	0.8%
Equity Attributable to the Owners of the Parent Company	720,537	695,279	25,258	3.6%
Non-Controlling Interest	-	-	-	-
Total Equity	**720,537**	**695,279**	**25,258**	**3.6%**
TOTAL LIABILITIES AND EQUITY	**2,028,585**	**1,812,399**	**216,187**	**11.9%**

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

(CLP Million)	**September 2019 (IAS 17 *Pro Forma*)**	**December 2018 (IAS 17)**	**△$**	**△%**
ASSETS				
CURRENT ASSETS				-28,000
Cash and Cash Equivalents	47,421	82,644	(35,223)	(42.6%)
Other Current Financial Assets	17	18	(1)	(5.0%)
→ Other Current Non-Financial Assets [2]	18,067	20,245	(2,178)	(10.8%)
Trade Accounts Receivable and Other Receivables, Net	39,910	57,597	(17,687)	(30.7%)
Accounts Receivable from Related Companies	1,484	8,739	(7,256)	(83.0%)
Inventories	200,332	194,938	5,394	2.8%
Current Tax Assets	3,556	8,059	(4,502)	(55.9%)
Total Current Assets	**310,787**	**372,241**	**(61,453)**	**(16.5%)**
NON-CURRENT ASSETS				
Other Non-Current Financial Assets	249	245	4	1.7%
→ Other Non-Current Non-Financial Assets [2]	16,622	17,635	(1,013)	(5.7%)
Non-Current Accounts Receivable	1,487	2,738	(1,251)	(45.7%)
Non-Current Accounts Receivable from Related Parties	4,000	-	4,000	-
Investments Accounted for Using the Equity Method	13,377	2,839	10,538	371.2%
Intangible Assets Other Than Goodwill	66,932	73,320	(6,388)	(8.7%)
Goodwill	475,430	474,867	563	0.1%
→ Property, Plant, and equipment, net [3]	476,170	439,409	36,761	8.4%
Deferred tax assets	426,232	429,106	(2,873)	(0.7%)
Total Non-Current Assets	**1,480,499**	**1,440,158**	**40,341**	**2.8%**
TOTAL ASSETS	**1,791,286**	**1,812,399**	**(21,112)**	**(1.2%)**
LIABILITIES				
CURRENT LIABILITIES				
→ Other Current Financial Libialities [4]	81,672	96,600	(14,927)	(15.5%)
Trade and Other Current Payables	374,620	418,291	(43,671)	(10.4%)
Accounts Payable to Related Companies	1,579	3,976	(2,397)	(60.3%)
Other Current Provisions	3,662	3,319	343	10.3%
Current Tax Liabilities	798	-	798	-
Current Provisions for Employee Benefits	18,986	16,695	2,292	13.7%
Other Current Non-Financial Liabilities	5,800	3,108	2,692	86.6%
Non-Current Liabilities Classified as Held for Sale	-	-	-	-
Total Current Liabilities	**487,117**	**541,987**	**(54,870)**	**(10.1%)**
NON-CURRENT LIABILITIES				
→ Other Non-Current Financial Liabilities [4]	576,990	567,504	9,486	1.7%
Non-Current Payables	73	121	(48)	(39.7%)
Trade Payables due to Related Entities, Non-Current	-	-	-	-
Deferred Tax Liabilities	78	81	(2)	(2.9%)
Non-Current Provisions for Employee Benefits	1,458	977	480	49.2%
Other Non-Current Non-Financial Liabilities	3,379	6,450	(3,070)	(47.6%)
Total Non-Current Liabilities	**581,978**	**575,132**	**6,846**	**1.2%**
TOTAL LIABILITIES	**1,069,095**	**1,117,119**	**(48,024)**	**(4.3%)**
EQUITY				
Issued Capital	523,742	523,742	0	0.0%
→ Retained Earnings [5]	49,092	23,092	26,001	112.6%
Other Reserves	149,357	148,446	911	0.6%
Equity Attributable to the Owners of the Parent Company	722,191	695,279	26,912	3.9%
Non-Controlling Interest	-	-	-	-
Total Equity	**722,191**	**695,279**	**26,912**	**3.9%**
TOTAL LIABILITIES AND EQUITY	**1,791,286**	**1,812,399**	**(21,113)**	**(1.2%)**

(1) *Pro Forma*: For illustrative purposes only, September 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 15,713 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 919 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 253,012 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 7,901 million, reflecting the reversal of the effect of inflation adjustments to rights of use; partially offset by (iv) increase of CLP 26,766 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 238,953 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 1,857 million. See Table 2.2: Consolidated Income Statement *Pro Forma*.

2.1. Assets

As of September 30, 2019, SMU's **total assets** increased by CLP 216,187 million (11.9%) with respect to December 31, 2018, totaling CLP 2,028,585 million. Excluding the effects of IFRS 16, total assets would have decreased by CLP 21,112 million (1.2%).

Current assets as of September 30, 2019 decreased CLP 62,692 million (16.8%) with respect to December 31, 2018, totaling CLP 309,548 million. Excluding the effects of IFRS 16, current assets would have decreased by approximately CLP 61,453 million (16.5%). The primary variations during the period were:

a. A decrease in cash and cash equivalents (↓CLP 35,223 million), explained by the variations that are described in section 3. Analysis of Statement of Cash Flows. It should be noted that due to the seasonality of the business, sales—and therefore cash levels—are higher in the last month of the year, affecting the comparison. In any case, the level of cash at the end of the third quarter was similar to the Company's historical cash levels.
b. 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.
c. A decrease in accounts receivable from related parties (↓CLP 7,256 million), primarily explained by the capitalization of the account receivable from the associate company Unired.
d. A decrease in current tax assets (↓CLP 4,502 million), primarily explained by the decreases in recoverable taxes from previous years, due to the recovery of taxes during the period.
e. A decrease in other current non-financial assets (↓CLP 3,417 million), primarily explained by decreases in prepaid insurance (↓CLP 3,560 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 a decrease in the VAT credit (↓CLP 1,123 million); partially offset by an increase in advanced payments to foreign suppliers (↑CLP 1,978 million).

These decreases were partly offset by an increase of CLP 5,394 million in inventory, primarily associated with imports in transit.

Non-current assets as of September 30, 2019 increased by CLP 278,879 million (19.4%) with respect to December 2018, totaling CLP 1,719,037 million. Excluding the effects of IFRS 16, non-current liabilities would have increased by CLP 40,341 million (2.8%). The primary variations during the period were:

a. An increase in property, plant and equipment (↑CLP 289,773 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 73,190 million and depreciation of CLP 54,602 million.
b. An increase in investments accounted for using the equity method (↑CLP 10,538 million), primarily explained by capital contributions of CLP 13,526 million to the associate companies Unicard, Unired, Administradora de Tarjetas Unicard, and Inversiones RF, partially offset by the recognition of losses for the period of CLP 2,988 million.

c. An increase in non-current accounts receivable from related parties (↑CLP 4,000 million), due to loans to the associate Company Unicard to finance its operations.
d. 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.
e. A decrease in intangible assets other than goodwill (↓CLP 6,388 million) due to amortization (↓CLP 9,754 million), partially offset by additions during the period (↑CLP 3,375 million).

2.2. Liabilities

As of September 30, 2019, the Company's **total liabilities** increased by CLP 190,929 million (17.1%) with respect to December 31, 2018, totaling CLP 1,308,048 million. Excluding the effects of IFRS 16, total liabilities would have decreased by CLP 48,024 million (4.3%).

Current liabilities as of September 30, 2019 decreased by CLP 27,183 million (5.0%) with respect to December 2018, totaling CLP 514,804 million. Excluding the effects of IFRS 16, current liabilities would have decreased by CLP 54,870 million (10.1%). The primary variations during the period were:

a. 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.
b. A decrease in accounts payable to related parties (↓CLP 2,692 million), mainly due to the associate company Unired and the seasonality of its business.
c. An increase in current other financial liabilities (↑CLP 12,760 million), primarily due to (i) the transfer from non-current to current of the portion of the syndicated loan that was going to mature in June 2020 (CLP 55,414 million) but instead was prepaid on September 30, 2019 and refinanced with a bank loan for CLP 55 billion; 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); partly offset by (i) the payment of the portion of the syndicated loan that matured on June 30, 2019, and (ii) the payment of the series P bond (UF 1 million; approximately CLP 28 billion) on September 25, 2019.
d. An increase in other current non-financial liabilities (↑CLP 2,692 million), primarily due to the transfer from non-current to current of pre-paid leases.
e. An increase in current provisions for employee benefits (↑CLP 2,292 million), due to the accrual of variable performance incentives.

Non-current liabilities as of September 30, 2019 increased by CLP 218,112 million (37.9%) with respect to December 2018, amounting to CLP 793,244 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 9,486 million (1.7%).

Other non-current financial liabilities, excluding the effects of IFRS 16, increased by CLP 2,556 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 3,070 million, primarily due to the transfer from non-current to current of pre-paid leases.

2.3. Shareholders' Equity

Shareholders' equity increased by CLP 25,258 million (+3.6%), primarily due to earnings for the period (↑CLP 24,144 million). Excluding the effects of IFRS 16, net income for the period would have amounted to CLP 26,001 million, and consequently, shareholders' equity would have amounted to CLP 722,191 million, an increase of CLP 26,912 million with respect to December 2018.

3. Analysis of Statement of Cash Flows

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

(CLP Million)	September 2019 (IFRS 16)	September 2018 (IAS 17)	△$
Net Cash Flows From (Used in) Operating Activities	122,807	94,485	28,323
Net Cash Flows From (Used in) Investing Activities	(41,118)	6,532	(47,650)
Net Cash Flows From (Used in) Financing Activities	(116,912)	(115,616)	(1,296)
Net Increase (Decrease) in Cash and Cash Equivalents Before Effect of Exchange Rates	**(35,223)**	**(14,599)**	**(20,624)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(35,223)**	**(14,599)**	**(20,624)**
Cash and Cash Equivalents at Beginning of Period	82,644	110,540	(27,896)
Cash and Cash Equivalents at End of Period	**47,421**	**95,941**	**(48,520)**

During the first nine months of 2019, cash provided by **operating activities** totaled CLP 122,807 million, whereas in 9M18, cash provided by operating activities amounted to CLP 94,485 million. However, these figures are not comparable, due to the application of IFRS 16 in 9M19. 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 nine months of 2019 totaled a net outflow of CLP -41,118 million, compared to a net inflow of CLP 6,532 million for 2018, a difference of CLP -47,650 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 31,515 million in 9M19 and CLP 29,898 million in 9M18. Other cash outflows in 9M19 relate to purchases of non-controlling interests in the associate companies Unicard, Administradora de Tarjeta Unicard, and Inversiones RF, for CLP 5,656 million, and a loan of CLP 4,000 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 the first nine months of 2019 totaled a net outflow of CLP -116,912 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 expire in June 2020, for CLP 55,414 million; (iv) payment of letters of credit for approximately CLP 8 billion; (v) interest payments of CLP 38,386 million; and(vi) payments of financial leases for CLP 30,848 million, partially offset by the placement of the series W bond in June 2019 (UF 1 million) and by the bank debt assumed in September 2019 (CLP 55 billion) to finance the prepayment of the syndicated loan during that same month. (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 9M18, the Company had a net outflow of CLP -115,916 million in cash from financing activities, mainly explained by: (i) the prepayment of 100% of the international bond (USD 300 million); (ii) payment of the syndicated loan payment due in June 2018 (CLP 35,944 million); (iii) the prepayment of Tranche III of the syndicated loan (approximately CLP 17 billion), associated with the sale of Construmart; (iv) interest payments of CLP 46,630 million; and (v) payment of financial leases (CLP 12,416 million); partially offset by: (i) proceeds from borrowings for CLP 108,953 million, mainly due to the placement of series T bonds in April and June; and (ii) the capital increase in January 2018 for a total of CLP 74 billion.

4. Financial Indicators

Table 10: Financial Indicators (1)

			Sept. 2019	Dec. 2018
LIQUIDITY				
Liquidity Ratio	times	*Current assets/current liabilities*	0.60	0.69
Acid Ratio	times	*(Current assets - inventories)/current liabilities*	0.21	0.33
LEVERAGE				
Total Liabilities / Total Assets	times	*Total liabilities / Total assets*	0.64	0.62
Total Liabilities / Equity	times	*Total liabilities / Equity*	1.82	1.61
Net Financial Liabilities / Equity	times	*(Other current financial liabilities + other non-current financial liabilities - cash and cash equivalents)/Shareholders' equity*	1.18	0.84
Currents Liabilities / Total Liabilities	%	*Total current liabilities/Total liabilities*	39.36	48.52
INDEBTEDNESS				
Days of Inventory	days	*Average inventory for the period / Daily cost of goods sold for the period*	44.21	42.66
Accounts Receivable Days	days	*Average current trade and other accounts receivable for the period / (Daily revenue for the period * 1.19)*	6.47	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)*	74.52	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)	%		29.13	28.48
EBITDA (Last 12 months)	CLP MM		185,135	152,502
EBITDA Margin (Last 12 months)	%		8.03	6.64
PROFITABILITY (12 months)				
Return on Assets	%	*Net income last 12 months / Total assets*	1.73	1.82
Return on Assets (excluding goodwill)	%	*Net income last 12 months / (Total assets - goodwill)*	2.25	2.47
Return on Equity	%	*Net income last 12 months / Shareholders' Equity*	4.86	4.75
Return on Invested Capital (including goodwill)	%	*Operating income last 12 months / (Accounts receivable + inventories + intangible assets + goodwill + property, plant and equipment)*	7.17	8.27
Return on Invested Capital (excluding goodwill)	%	*Operating income last 12 months / (Accounts receivable + inventories + intangible assets + property, plant and equipment)*	10.45	13.40

(1) Indicators as of September 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 September 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).

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%.

7. Subsequent Events

1. 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.

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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