EARNINGS RELEASE 4Q18

MARCH 11, 2019

Dec 2018

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

SMU reported **revenue for the full year 2018** of CLP 2,295,415 million, an increase of 1.7% with respect to the CLP 2,257,558 million reported for full year 2017. With respect to the fourth quarter of 2018 (4Q18), revenue totaled CLP 596,884 million, an increase of 0.3% with respect to CLP 595,031 million reported for the fourth quarter of 2017 (4Q17).

Gross profit amounted to CLP 653,792 million for 2018, an increase of 2.6% with respect to CLP 637,458 million for 2017. Measured as a percentage of revenue, gross margin increased by 30 basis points ("bps"), reaching 28.5% for the full-year 2018, compared to 28.2% for 2017. With respect to the fourth quarter, gross profit totaled CLP 169,421 million (28.4% of revenue) for 4Q18, similar to CLP 169,182 million (28.4% of revenue) for 4Q17.

Operating expenses, defined as distribution costs plus administrative expenses (excluding depreciation), as a percentage of revenue decreased approximately 10 bps in the full year 2018, from 21.9% in 2017 to 21.8% in 2018, and in the fourth quarter they decreased from 21.3% in 4Q17 to 21.2% in 4Q18. In both the full year and the fourth quarter of 2018, administrative expenses as a percentage of sales decreased, reflecting the initiatives to improve operating efficiency that form an integral part of the Company's strategic plan. At the same time, distribution costs have increased during the year, as a result of the increase in centralized distribution. However, higher levels of centralization have a positive impact on gross profit, as suppliers pay the Company in exchange for the logistics services it provides.

EBITDA[1] for the full year 2018 totaled CLP 152,502 million, an **increase of 7.4%** with respect to CLP 142,036 million for 2017. **EBITDA margin for 2018 reached 6.6%**, an improvement of 30 bps compared to 6.3% for 2017. In the fourth quarter of 2018, EBITDA increased 0.9%, to CLP 43,016 million (EBITDA margin 7.2%), compared to CLP 42,620 million (EBITDA margin 7.2%) for 4Q17.

Operating income for 2018 amounted to CLP 102,554 million, 9.1% higher than in full year 2017. Operating income for the fourth quarter of 2018 totaled CLP 30,566 million, a decrease of 1.4% with respect to 4Q17.

The Company reported a **non-operating loss** of CLP -85,678 million for full year 2018, compared to a loss of CLP -65,626 million for 2017. The greater non-operating loss in 2018 is primarily due to **two non-recurring effects**: (i) extraordinary financial expenses of CLP 11,094 million, related to the prepayment of the entire outstanding amount of the Company's international bond during the first half of 2018; and (ii) an expense of CLP 8,346 million related to the organizational restructuring program carried out by the Company in January 2018 as part of its operating efficiency initiatives. The savings in personnel expenses generated by this program allowed the Company to more than make up for this non-recurring expense over the course of the full year 2018. Other relevant factors affecting non-operating results included: (i) the loss on indexed assets and liabilities, which increased by CLP -7,918 million between 2017 and 2018, as a result of higher inflation and a higher base of inflation-indexed liabilities during 2018, and (ii) a lower gain on foreign currency translation in 2018 (CLP 7.440 less than in 2017), due to the fact that the Company reduced its exposition to exchange rate risk after prepaying its international bond in full.

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

It should be noted that despite recognizing extraordinary financial expenses of CLP 11,904 million this year, the Company's total interest expense decreased CLP 10,098 million (-15.3%) in 2018 with respect to 2017, and in the fourth quarter—when there are no extraordinary expenses—interest expense decreased CLP 5,021 million (-33.1%) with respect to 4T17. The **significant reduction in financial expenses** reflects the Company's efforts to reduce its level of indebtedness and strengthen its capital structure during the last two years.

Net income for the full year 2018 totaled CLP 33,033 million, an increase of CLP 5,396 (19.5%) million with respect to CLP 27,637 million for 2017. Net income for 4Q18 amounted to CLP 10,855 million, compared to CLP 18,340 million for 4Q17. The decrease is primarily due to non-recurring non-operating effects.

With respect to **operating indicators**, in the **Food Retail segment**, for the full year 2018 the Company reported an increase in **same-store sales ("SSS")** of 2.1%, and **sales per square meter**[2] amounted to CLP 318,556, an increase of 4.1% with respect to 2017. With respect to **operating efficiency**, within the Food Retail Chile operations during 2018, **productivity** (measured as monthly sales per full-time equivalent) increased 10.2% with respect to 2017, totaling CLP 8.2 million. In addition, the Company achieved a rate of **centralized distribution** of 46.6%, higher than the 45.1% recorded for the year 2017. The increase in centralization is one of the initiatives the Company has implemented, taking advantage of its distribution centers located throughout Chile, in order to improve its operating efficiency, inventory management, and in-store product availability.

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

Management Commentary

With respect to the release of earnings for the full year and fourth quarter of 2018, SMU's CEO, Marcelo Gálvez, stated, "Looking back at 2018, we are pleased with the progress that we have made in both the implementation of our strategic plan, Plan CIMA, and with respect to the financial results we have achieved. During the year, top-line growth was lower than expected, and yet we were still able to report another year of EBITDA growth—7.4% higher than 2017—and expansion in EBITDA margin—30 basis points higher than 2017, reaching 6.6% for 2018. These increases were the result of an increase in gross margin, due to improved commercial efficiency, and a reduction in operating expenses as a percentage of revenue."

Mr. Gálvez went on to say, "For 2019, we are implementing a series of initiatives focused on generating revenue growth. The Unimarc stores we remodeled in 2017 and in the first half of 2018 have been outperforming the rest of the format in recent months, and in 2019 we hope to have a positive impact on sales from all 40 of the store remodels we had completed by the end of 2018. We have an additional 30 remodels in the pipeline for 2019, and we also plan to expand our network of stores with new openings, in order to be closer to our customers. At the same time, we plan to remodel 10 of our Alvi stores, in order to improve the in-store experience of our mom-and-pop customers. In 2018, Mayorista 10 had the strongest sales performance out of all of our Chilean formats—growing 4.2% with respect to 2017—and in this format we plan to continue our efforts to improve operating efficiency and better serve our end consumers. In OK Market, we plan to continue opening new stores, adding to the five locations we opened during 2018. With respect to Telemercados, we launched a new technological platform in September, and we continue working to improve the shopping experience of our online customers. Finally, our operations in Peru had another year of very solid performance in sales, growing 6.2% with respect to 2017."

"With respect to our non-operating results, I would like to highlight the reduction of 15.3% in interest expense in the full year 2018, and of 33.1% in the fourth quarter, as a result of the transformation of our capital structure during the last two years. The savings in interest expense, along with the improvement in EBITDA, contributed to the 19.5% growth in net income in 2018 compared to 2017. This year, for the first time, we will pay dividends for 30% of our net income," concluded Mr. Gálvez.

Relevant Events

Credit Rating Upgrade

On December 7, 2018, the local credit rating agency ICR upgraded SMU's rating from BBB (positive outlook) to BBB+ (stable outlook).

CAPEX

During 2018, SMU's capital expenditures totaled CLP 45,773 million and were mainly related to Unimarc store upgrades, new openings of Unimarc and OK Market stores, renewing technological equipment, maintenance of operations and stores, improvements to processes, and purchases of logistics equipment, among others. The Company's capex plan for 2019, for an amount of approximately CLP 65 billion, includes investments in store upgrades, store openings, supply chain optimizations, maintenance of operations and stores, and improvements to processes, among others.

Expiration of Share Placement Periods

On October 2, 2018, the placement period for 93,527,611 shares expired. None of these shares were placed. The issuance of such shares was approved at the Extraordinary Shareholders' Meeting held on October 2, 2013, where shareholders approved a capital increase of CLP 16,732,666,667, through the issuance of 93,527,611 ordinary shares to be used for employee compensation plans, with a share placement period of five years, expiring October 2, 2018.

On December 30, 2018, the placement period for the remaining 361,486,486 shares, of the total of 2,486,486,486 shares that were issued at the Extraordinary Shareholders' Meeting held on December 30, 2015, expired. At such Shareholders' Meeting, shareholders agreed to a capital increase of CLP 230 billion through the issuance of 2,486,486,486 ordinary shares, to be issued and placed by December 30, 2018. The remaining 2,125,000,000 shares were placed through three capital increases carried out on January 24, 2017; November 16, 2017; and January 22, 2018.

Antitrust Court Ruling

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.

Conference Call

SMU will host a conference call and webcast for investors on Tuesday, March 12, 2019 at 12:00 pm Santiago/11:00 am ET to discuss its full year and fourth quarter 2018 results.

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

Webcast:
http://services.choruscall.ca/links/smu20190312.html

Note Regarding Presentation and Comparison of Information

On April 27, 2018, SMU completed the sale of its subsidiary Construmart S.A. and its subsidiaries. Such companies comprised the "Construction Materials" operating segment. In accordance with the provisions of IFRS 5, in SMU's Consolidated Financial Statements, this segment has been presented as available for sale since December 31, 2017.

As such, in SMU's December 2018 financial statements, in both periods presented (for the year ended December 31, 2018 and for the year ended December 31, 2017), Construmart's results are consolidated in a single line of SMU's statements of comprehensive income, under "Profit (loss) from discontinued operations". Consequently, the figures for both periods are comparable.

Likewise, in the statements of financial position as of December 31, 2018 and as of December 31, 2017, the figures are comparable between periods. Construmart's assets are consolidated in a single line of SMU's statements of financial position, under "Non-current assets or asset groups classified as held-for-sale", and Construmart's liabilities are consolidated in a single line under "Non-current liabilities or liability groups classified as held-for-sale".

The statements of cash flow are also comparable in both periods. In 2017, cash flow from operating activities includes an adjustment under "other receipts (payments) classified as operating activities" in order to eliminate Construmart's balance of cash and cash equivalents as of the beginning of 2017.

Given that the sale of Construmart was completed during the second quarter of 2018, as of December 31, 2018, the total amount of assets and liabilities classified as held-for-sale is zero, and during the third and fourth quarters of 2018, there is no profit or loss from discontinued operations. However, it is necessary to continue to present these line-items for comparison purposes with the previous year.

Analysis of Financial Statements

SMU's consolidated results for the periods of three and twelve months ended December 31, 2018 and 2017 are presented in the table below. All figures are expressed in Chilean pesos (CLP) and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Table 1: Consolidated Income Statement

(CLP Million)	4Q18	4Q17	△%	2018	2017	△%
Revenues	596,884	595,031	0.3%	2,295,415	2,257,558	1.7%
Cost of Sales	(427,463)	(425,850)	0.4%	(1,641,623)	(1,620,100)	1.3%
Gross Profit	**169,421**	**169,182**	**0.1%**	**653,792**	**637,458**	**2.6%**
Gross Margin (%)	*28.4%*	*28.4%*		*28.5%*	*28.2%*	
Distribution Costs	(7,825)	(6,620)	18.2%	(28,388)	(24,678)	15.0%
Contribution Margin	**161,597**	**162,562**	**(0.6%)**	**625,404**	**612,780**	**2.1%**
Contribution Margin (%)	*27.1%*	*27.3%*		*27.2%*	*27.1%*	
Administrative Expenses (Excluding Depreciation)	(118,580)	(119,942)	(1.1%)	(472,902)	(470,744)	0.5%
EBITDA	**43,016**	**42,620**	**0.9%**	**152,502**	**142,036**	**7.4%**
EBITDA Margin (%)	*7.2%*	*7.2%*		*6.6%*	*6.3%*	
Depreciation and Amortization	(12,451)	(11,628)	7.1%	(49,948)	(48,027)	4.0%
Operating Income	**30,566**	**30,992**	**(1.4%)**	**102,554**	**94,009**	**9.1%**
Other Gains (Losses)	(1,510)	2,397	n.a.	(10,652)	3,375	n.a.
Financial Income	226	324	(30.2%)	1,268	1,016	24.8%
Financial Expenses	(10,131)	(15,152)	(33.1%)	(56,051)	(66,149)	(15.3%)
Share of Profit (Loss) of Associates	(808)	(657)	23.0%	(2,981)	(1,964)	51.7%
Foreign Exchange Differences	(90)	6,012	n.a.	660	8,099	(91.9%)
Income (Loss) for Indexed Assets and Liabilities	(4,942)	(3,084)	60.3%	(17,921)	(10,003)	79.2%
Non-operating Income	**(17,255)**	**(10,161)**	**69.8%**	**(85,678)**	**(65,626)**	**30.6%**
Net Income (Loss) Before Taxes	**13,311**	**20,831**	**(36.1%)**	**16,876**	**28,383**	**(40.5%)**
Income Tax Expense	(2,456)	(3,286)	(25.3%)	16,336	(2,084)	n.a.
Net Income (Loss) from Continued Operations	**10,855**	**17,545**	**(38.1%)**	**33,213**	**26,299**	**26.3%**
Net Income (Loss) from Discontinued Operations	**0**	**796**	**(100.0%)**	**(179)**	**1,338**	**n.a.**
Net Income (Loss) of the Period	**10,855**	**18,340**	**(40.8%)**	**33,033**	**27,637**	**19.5%**

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

1. Analysis of Income Statement

1.1. Results of Operations: Food Retail Segment

1.1.1. Revenue

Revenue for the Food Retail segment increased 1.7% in 2018 with respect to 2017, from CLP 2,257,558 million to CLP 2,295,415 million. With respect to the fourth quarter of 2018, revenue amounted to CLP 596,884 million, an increase of 0.3% with respect to CLP 595,031 million for 4Q17.

Table 2: Food Retail Segment Revenue (CLP MMM)

REVENUE (CLP MMM)	4Q18	4Q17	△%	2018	2017	△%
UNIMARC	412	414	-0.4%	1,597	1,577	1.2%
CASH & CARRY	152	151	0.6%	583	571	2.1%
OK MARKET	14	13	7.1%	51	49	3.7%
TELEMERCADOS	3.6	4.1	-12.8%	11.9	13.2	-9.6%
OTHERS(*)	2	1	28.0%	6	4	78.6%
FOOD RETAIL CHILE	583	583	0.0%	2,249	2,214	1.6%
FOOD RETAIL PERU	14	12	13.4%	46	43	6.2%
CONSOLIDATED	597	595	0.3%	2,295	2,258	1.7%

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

Food Retail Chile revenue grew 1.6% in the full year 2018 and remained stable in the fourth quarter of 2018, with respect to the same periods of 2017. Within the Food Retail Chile operations, Unimarc—the traditional supermarket that accounts for approximately 70% of SMU's revenue—increased 1.2% in 2018 and decreased 0.4% in 4Q18. Revenue for the cash & carry format increased 2.1% in 2018 and 0.6% in 4Q18, driven by growth in Mayorista 10 (+4.2% in 2018 and +2.3% in 4Q18), where the strategy of focusing more on end customers has been showing positive results in recent quarters. Revenue for the convenience store format (OK Market) grew 3.7% in 2018 and 7.1% in 3Q18, while revenue for the e-grocery format (Telemercados) decreased 9.6% in 2018 and 12.8% in 4Q18.

In Food Retail Peru, revenue (measured in Chilean pesos) increased 6.2% in the full year 2018 with respect to 2017, and increased 13.4% in the fourth quarter of 2018. Measured in Peruvian Soles, revenue increased 7.9% in 2018 and 9.5% in 4Q18.

Same-store sales (SSS) growth for the Food Retail segment amounted to 2.1% for 2018 and 0.6% for the fourth quarter of 2018.

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

SSS (△%)	4Q17	2017	1Q18	2Q18	3Q18	4Q18	2018
UNIMARC	0.3%	2.3%	3.4%	1.7%	1.2%	0.0%	1.7%
CASH & CARRY	0.5%	-0.7%	4.1%	5.5%	2.8%	1.4%	3.4%
OK MARKET	1.4%	3.7%	-1.2%	3.1%	2.1%	5.3%	2.4%
FOOD RETAIL CHILE	0.4%	1.5%	3.4%	2.7%	1.6%	0.4%	2.1%
FOOD RETAIL PERU	4.7%	11.6%	0.3%	10.9%	10.3%	10.6%	8.1%
CONSOLIDATED	0.4%	1.7%	3.2%	2.7%	1.8%	0.6%	2.1%

SSS for Unimarc grew 1.7% in the full year 2018 and remained stable in the fourth quarter of 2018 with respect to 4Q17. Cash & carry increased 3.4% in the year and 1.4% in 4Q18, driven by growth in Mayorista 10. Same-store sales for the OK Market convenience stores increased 2.4% in the year and 5.3% in the quarter. Overall, Food Retail Chile recorded SSS growth of 2.1% for the full year 2018 and 0.4% in the fourth quarter.

Food Retail Peru—which accounts for around 2% of total revenue for the Food Retail segment—recorded an increase in SSS of 8.1% in 2018 and 10.6% in the fourth quarter. 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 318,556 for the full year 2018, 4.1% higher than 2017.

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

SALES PER SQM (CLP Thousands/sqm)	4Q18	4Q17	△%	2018	2017	△%
FOOD RETAIL CHILE	341.8	326.3	4.8%	322.3	309.7	4.1%
FOOD RETAIL PERU	248.6	216.9	14.6%	203.0	191.0	6.3%
CONSOLIDATED	338.8	322.9	4.9%	318.6	306.1	4.1%

Food Retail Chile sales per square meter grew 4.1% in 2018 compared to 2017, and 4.8% for 4Q18 compared to 4Q17. For its part, Food Retail Peru (measured in Chilean pesos) recorded an increase of 6.3% in sales per square meter in 2018 and 14.6% in 4Q18.

By format, sales per square meter for Unimarc increased 3.4% in 2018 (3.0% in 4Q18). For the cash & carry segment they increased 5.8% in 2018 and 9.2% in 4Q18, and OK Market had an increase of 2.2% in 2018 and 5.4% in 4Q18.

As of the end of 2018, SMU's food retail operations included **505 stores in Chile**, distributed from Arica to Punta Arenas—slightly more than the 502 stores in operation at the end of 2017—and a total of **558,384 square meters**.

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

In Peru, as of December 31, 2018, the Company had 24 stores, with 20,398 square meters, for a total selling space for the Food Retail segment of 578,781 square meters at year end.

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

NUMBER OF STORES	4Q18	4Q17
UNIMARC	289	289
CASH & CARRY	99	100
OK MARKET	117	113
FOOD RETAIL CHILE	505	502
FOOD RETAIL PERU	24	24
CONSOLIDATED	529	526

SALES AREA (THOUSANDS OF SQM)	4Q18	4Q17
UNIMARC	388	402
CASH & CARRY	156	169
OK MARKET	15	15
FOOD RETAIL CHILE	558	586
FOOD RETAIL PERU	20	20
CONSOLIDATED	579	607

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

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

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

1.1.2. Distribution Costs and Administrative Expenses

In the full year 2018, **distribution costs plus administrative expenses (excluding depreciation)** for the Food Retail segment, as a percentage of revenue, decreased by approximately 10 bps, from 21.9% in 2017 to 21.8% in 2018. In the fourth quarter they decreased from 21.3% in 4Q17 to 21.2% in 4Q18.

Distribution costs for the full year 2018 totaled CLP 28,388 million, an increase of 15.0% with respect to 2017. In the fourth quarter of 2018 distribution costs amounted to CLP 7,825 million, an increase of 18.2% with respect to the fourth quarter of 2017. The increase was primarily due to the increase in sales and the increase in centralized distribution across formats, as well as higher fuel costs in the period. However, higher levels of centralization have a positive impact on gross profit, as suppliers pay the Company in exchange for the logistics services it provides. By increasing the rate of centralized distribution, SMU seeks to improve its in-store product availability and optimize its inventory management. Distribution costs as a percentage of revenue increased from 1.1% in 2017 to 1.2% in 2018, and from 1.1% in 4Q17 to 1.3% in 4Q18.

Administrative expenses (excluding depreciation) for the Food Retail segment increased 0.5% in the full year 2018, totaling CLP 472,902 million (20.6% of revenue), versus CLP 470,744 million (20.9% of revenue) for 2017. With respect to the fourth quarter of 2018, administrative expenses amounted to CLP 118,580 million (19.9% of revenue), a decrease of 1.1% compared to the CLP 119,942 million (20.2% of revenue) for 4Q17.

The main increases in administrative expenses in the full year 2018 were:

a. CLP 3,364 million (+5.8% YoY) in lease expenses, related to inflation adjustments and the variable component of these expenses, which increased as a result of higher sales;
b. CLP 3,319 million (+4.2% YoY) in services, primarily due to increases in security expenses and retroactive increases in electricity charges due to a tariff increase;
c. CLP 1,543 million (13.1% YoY) in credit card commissions, associated with an increase in the use of this form of payment;
d. CLP 622 million (+4.9% YoY) in IT services, related to the implementation of projects associated with Plan CIMA[3]; and
e. CLP 621 million (+15.2% YoY) in insurance expenses, due to increases in claims.

These increases were partially offset by decreases of: (i) CLP 7,073 million (-3.1% YoY) in personnel expenses, primarily due to the lower headcount (-6.1% in 2018 with respect to 2017), which outweighs the increases due to the higher minimum wage and inflation adjustments to salaries; (ii) CLP 1,399 million (-7.7% YoY) in materials; and (iii) CLP 1,142 million (-11.4% YoY) in external services.

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

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

a. CLP 515 million (16.5% YoY) in credit card commissions, associated with an increase in the use of this form of payment;
b. CLP 491 million (+3.3% YoY) in lease expenses, related to inflation adjustments and the variable component of these expenses, which increased as a result of higher sales;
c. CLP 421 million (+8.3% YoY) in advertising expenses, primarily due to increases in promotional activity; and
d. CLP 370 million (+36.3% YoY) in insurance, due to increases in claims.

These increases were partially offset by decreases of: (i) CLP 3,324 million (-5.6% YoY) in personnel expenses, primarily due to the lower headcount (-4.0% in 4Q18 with respect to 4Q17), which outweighs the increases due to the higher minimum wage and inflation adjustments to salaries; (ii) CLP 556 million (-16.4% YoY) in IT services and (iii) CLP 414 million (-8.9% YoY) in materials.

Table 7: Average Headcount in the Food Retail Segment

AVERAGE HEADCOUNT	4Q18	4Q17	△%	2018	2017	△%
STORES CHILE	27,757	28,972	*-4.2%*	27,758	29,576	*-6.1%*
HEADQUARTERS CHILE	1,619	1,633	*-0.9%*	1,591	1,640	*-3.0%*
FOOD RETAIL CHILE	29,376	30,605	*-4.0%*	29,349	31,216	*-6.0%*
STORES PERU	569	613	*-7.1%*	538	617	*-12.8%*
HEADQUARTERS PERU	149	134	*11.2%*	140	132	*5.9%*
FOOD RETAIL PERU	718	746	*-3.8%*	678	749	*-9.5%*
CONSOLIDATED	30,094	31,352	*-4.0%*	30,026	31,964	*-6.1%*

1.1.3. Gross Margin, Contribution Margin, and EBITDA

Gross profit for the Food Retail segment totaled CLP 653,792 million for the full year 2018, an increase of 2.6% with respect to 2017, which is equivalent to 28.5% of revenue, 30 bps higher with respect to 28.2% in 2017. Gross profit for the fourth quarter of 2018 amounted to CLP 169,421 million (28.4% of revenue), similar to 4Q17, when gross profit totaled CLP 169,182 million (28.4% of revenue).

Contribution margin grew 2.1% in 2018, totaling CLP 625,404 million, compared to CLP 612,780 million for 2017, amounting to 27.2% of revenue in 2018 vs. 27.1% in 2017. Contribution margin for the fourth quarter of 2018 amounted to CLP 161,597 million (27.1% of revenue), a decrease of 0.6% with respect to CLP 162,562 million (27.3% of revenue) for 4Q17.

EBITDA increased 7.4% in 2018, amounting to CLP 152,502 million, compared to CLP 142,036 million for 2017. **EBITDA margin** increased from 6.3% in 2017 to 6.6% in 2018. In the fourth quarter of 2018, EBITDA increased 0.9%, to CLP 43,016 million (EBITDA margin 7.2%), from CLP 42,620 million (EBITDA margin 7.2%) for 4Q17.

EBITDAR (EBITDA less lease expenses) amounted to CLP 213,858 million (EBITDAR margin 9.3%) for the full year 2018, 6.9% higher than the CLP 200,028 million (EBITDAR margin 8.9%) obtained in 2017. EBITDAR for the fourth quarter of 2018 increased 1.2%, to CLP 58,569 million (EBITDAR margin 9.8%), compared to CLP 57,682 million (EBITDAR margin 9.7%) for 4Q17.

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

The **consolidated non-operating loss** for SMU for the full year 2018 totaled CLP -85,678 million, compared to the non-operating loss of CLP -65,626 million for 2017.

The variation in non-operating loss in 2018 is primarily explained by **non-recurring effects**:

a. **Financial expenses:** SMU's financial expenses for the full year 2018 include **extraordinary expenses of CLP 11,904 million** associated with the prepayment of 100% of the Company's international bond during the first half of the year. This amount includes prepayment costs, the unwind of the cross-currency swap, and the recognition of issuance expenses. Despite these extraordinary expenses, total financial expenses 2018 decreased by CLP 10,098 million (-15.3%) with respect to 2017, reflecting the significant reduction in the Company's level of indebtedness.

b. **Other gains (losses):** In 2018, the Company recorded a loss of CLP -10,652 million, compared to a gain of CLP 3,375 million in 2017 (a difference of CLP 14,027 million). This difference includes two non-recurring effects: (i) a **one-time loss of CLP -8,346 million** due to the organizational restructuring program that was carried out in January 2018, as part of the Company's operating efficiency initiatives. The savings in personnel expenses generated by this program allowed the Company to more than make up for this non-recurring expense over the course of the full year 2018; and (ii) a **one-time provision** for a fine of CLP -1,995 million related to the ruling by the Chilean Antitrust Court. On the other hand, the gain in 2017 was primarily explained by changes/terminations of lease contracts that qualify as financial leases (CLP 3,082 million) and insurance reimbursements (CLP 2,071 million) related to claims from 2016.

In addition, in 2018 the Company recorded: (i) a **greater loss on indexed assets and liabilities** (CLP -17,921 million in 2018 vs. CLP -10,003 million in 2017), as a result of the higher inflation in 2018 compared to 2017 and the higher base of inflation-indexed liabilities and (ii) a lower **gain on foreign currency translation differences** (CLP 660 million in 2018 vs. CLP 8,099 million in 2017), due to the fact that the Company reduced its exposition to exchange rate risk after prepaying its international bond in full during the first half of 2018.

With respect to the fourth quarter of 2018, the Company reported a non-operating loss of CLP -17,255 million, compared to a loss of CLP -10,161 million for 4Q17, a difference of CLP -7,094 million, primarily explained by:

a. A lower **gain on foreign currency translation** (CLP -6,102 million), due to the reduced exposure to exchange rate risk in 2018, following the prepayment of 100% of the Company's international bond in the first half of 2018;
b. A negative variation in **other gains (losses)** (CLP -3,901 million), primarily due to the provision of a fine of CLP -1,995 million in 4Q18 and a gain of CLP 2,358 million in 4Q17 from changes/terminations of lease contracts that qualify as financial leases; and

[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)

c. A greater loss on **indexed assets and liabilities** (CLP -1,858 million), due to higher inflation in and higher base of inflation-indexed liabilities in 4Q18 vs. 4Q17.

However, these negative variations were partially offset by a decrease of CLP 5,021 million (-33.1%) in financial expenses in 4Q18 compared to 4Q17. Financial expenses for the fourth quarter of 2018 totaled CLP 10,131 million. This amount is not affect by any non-recurring expenses, making it more representative of the level of interest expense the Company should have on an ongoing basis, following the significant improvements to its capital structure during the last two years.

The **income tax benefit** for the full year 2018 amounted to CLP 16,336 million, an increase of CLP 18,420 million with respect to the income tax expense of CLP -2,084 million for 2017. The majority of this difference was generated in the second quarter, when the income tax benefit totaled CLP 16,605 million (+CLP 12,107 million vs 2Q17), primarily explained by deferred taxes associated with the sale of Construmart during that quarter. In the fourth quarter of 2018, the Company reported an income tax expense of CLP -2,456 million, lower than the expense of CLP -3,286 million for 4Q17, reflecting the lower pre-tax income for the quarter.

1.3. Operations Held for Sale: Construction Materials Segment

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

1.4. Net Income

SMU reported **net income** for the full year 2018 of CLP 33,033 million, an increase of 19.5% with respect to CLP 27,637 million for 2017. **Profit from continuing operations** totaled CLP 33,213 million, compared to CLP 26,299 million for 2017. The **loss from discontinued operations** amounted to CLP -179 million in 2018, compared to a profit of CLP 1,338 million for 2017.

With respect to the fourth quarter, net income totaled CLP 10,855 million, a decrease of 40.8% compared to CLP 18,340 million reported for 4Q17. Profit from continuing operations amounted to CLP 10,855 million, compared to CLP 17,545 million for 4Q17. The profit from discontinued operations for 4Q17 amounted to CLP 796 million, and in 4Q18 the Company no longer has discontinued operations, as the sale of Construmart was completed in April 2018.

2. Analysis of Statement of Financial Position

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

(CLP Million)	December 2018	December 2017	△$	△%
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	82,644	110,540	(27,896)	(25.2%)
Other Current Financial Assets	18	15	2	16.0%
Other Current Non-Financial Assets	20,245	22,640	(2,394)	(10.6%)
Trade Accounts Receivable and Other Receivables, Net	57,597	47,073	10,524	22.4%
Accounts Receivable from Related Companies	8,739	14,363	(5,623)	(39.2%)
Inventories	194,938	194,157	782	0.4%
Current Tax Assets	8,059	5,323	2,736	51.4%
Non-Current Assets Classified as Held for Sale	0	101,311.1	(101,311)	(100.0%)
Total Current Assets	**372,241**	**495,421**	**(123,181)**	**(24.9%)**
NON-CURRENT ASSETS				
Other Non-Current Financial Assets	245	241	3	1.4%
Other Non-Current Non-Financial Assets	17,635	24,648	(7,013)	(28.5%)
Non-Current Accounts Receivable	2,738	2,369	369	15.6%
Investments Accounted for Using the Equity Method	2,839	3,075.9	(237)	(7.7%)
Intangible Assets Other Than Goodwill	73,320	78,284	(4,964)	(6.3%)
Goodwill	474,867	474,253	613	0.1%
Property, Plant, and equipment, net	439,409	409,971	29,437	7.2%
Deferred tax assets	429,106	413,330	15,775	3.8%
Total Non-Current Assets	**1,440,158**	**1,406,173**	**33,985**	**2.4%**
TOTAL ASSETS	**1,812,399**	**1,901,595**	**(89,196)**	**(4.7%)**
LIABILITIES				
CURRENT LIABILITIES				
Other Current Financial Libialities	96,600	70,342	26,257	37.3%
Trade and Other Current Payables	418,291	414,360	3,931	0.9%
Accounts Payable to Related Companies	3,976	3,357	619	18.4%
Other Current Provisions	3,319	1,227	2,091	170.4%
Current Tax Liabilities	-	0	0	-
Current Provisions for Employee Benefits	16,695	17,059	(364)	(2.1%)
Other Current Non-Financial Liabilities	3,108	3,436	(329)	(9.6%)
Non-Current Liabilities Classified as Held for Sale	0	60,929.3	(60,929)	(100.0%)
Total Current Liabilities	**541,987**	**570,711**	**(28,724)**	**(5.0%)**
NON-CURRENT LIABILITIES				
Other Non-Current Financial Liabilities	567,504	727,071	(159,567)	(21.9%)
Non-Current Payables	121	175	(54)	(31.0%)
Trade Payables due to Related Entities, Non-Current	-	0	0	-
Deferred Tax Liabilities	81	70	11	16.1%
Non-Current Provisions for Employee Benefits	977	2,699	(1,722)	(63.8%)
Other Non-Current Non-Financial Liabilities	6,450	8,094	(1,645)	(20.3%)
Total Non-Current Liabilities	**575,132**	**738,109**	**(162,977)**	**(22.1%)**
TOTAL LIABILITIES	**1,117,119**	**1,308,820**	**(191,701)**	**(14.6%)**
EQUITY				
Issued Capital	523,742	1,195,165	(671,423)	(56.2%)
Accumulated Losses	23,092	(740,068)	763,159	(103.1%)
Other Reserves	148,446	137,678	10,768	7.8%
Equity Attributable to the Owners of the Parent Company	695,279	592,775	102,505	17.3%
Non-Controlling Interest	0	(0)	0.0	(100.0%)
Total Equity	**695,279**	**592,775**	**102,505**	**17.3%**
TOTAL LIABILITIES AND EQUITY	**1,812,399**	**1,901,595**	**(89,196)**	**(4.7%)**

2.1. Assets

As of December 31, 2018, SMU's **total assets** decreased 4.7% with respect to December 31, 2017, totaling CLP 1,812,399 million.

Current assets as of December 31, 2018 decreased CLP 123,181 million (24.9%) with respect to December 31, 2017, totaling CLP 372,241 million, primarily due to:

a. A decrease in non-current assets or asset groups classified as held-for-sale (↓CLP 101,311 million), due to the completion of the sale of Construmart during the second quarter of 2018.
b. A decrease in cash and cash equivalents (↓CLP 27,896 million), explained by the variations that are described in section 3. Analysis of Statement of Cash Flows.
c. A decrease in accounts receivable from related parties (↓CLP 5,623 million), primarily explained by the elimination of the account receivable from the company Inmobiliaria SMU S.A., the administrator of SMU's Lo Aguirre distribution center. On June 29, 2018, SMU acquired 99.9999% of Inmobiliaria SMU, and as a result, this company is consolidated in SMU's financial statements beginning on such date.
d. A decrease in other current non-financial assets (↓CLP 2,394 million), primarily explained by decreases in advanced payments to foreign suppliers and value-added tax fiscal credit, partially offset by an increase in prepaid insurance.

These decreases were partly offset by:

a. An increase in current trade and other accounts receivable (↑CLP 10,524 million), primarily explained by the business cycle, related to year-end sales with credit and debit cards.
b. An increase in current tax assets (↑CLP 2,736 million), primarily explained by increases in monthly provisional income tax payments and in recoverable taxes from prior years.

Non-current assets as of December 31, 2018 totaled CLP 1,440,158 million, an increase of CLP 33,985 million (2.4%) with respect to year-end 2017, primarily due to:

a. An increase in property, plant and equipment (↑CLP 29,437 million) due to additions during the period (↑CLP 67,484 million), additions from transactions under common control, associated with the addition of Inmobiliaria SMU's assets (↑CLP 19,361 million), and other increases (↑CLP 6,673 million), partially offset by depreciation (↓CLP 37,394 million) and disposals and derecognition during the period (↓CLP 26,181 million). Prior to the fourth quarter of 2018, the Company rented a group of 18 Alvi stores through a third-party intermediary. During the fourth quarter of 2018, the Company exercised an option to terminate the rental agreements, eliminating the intermediary and taking on the financial lease contracts directly. The disposals and derecognitions during the period reflect the elimination of the rental agreements, and additions include the incorporation of the financing contracts.
b. An increase in deferred tax assets (↑CLP 15,775 million), primarily due to the increase in accumulated tax losses (CLP 25,423 million), essentially due to the sale of Construmart, partially offset by lower balances of deferred intangible tax assets (↓CLP 5,093 million) and

higher balances of deferred tax liabilities for property, plant and equipment (↑CLP 5,153 million).

These increases were partly offset by:

a. A decrease in other non-current non-financial assets (↓CLP 7,013 million), due to a decrease in prepaid leases (↓CLP 7,537 million), as a result of the consolidation of Inmobiliaria SMU, partly offset by an increase in prepaid insurance (↑CLP 446 million).
b. A decrease in intangible assets other than goodwill (↓CLP 4,964 million) due to amortization (↓CLP 12,555 million), partially offset by additions during the period (↑CLP 7,606 million).

2.2. Liabilities

As of December 31, 2018, the Company's **total liabilities** amounted to CLP 1,117,119 million, a decrease of 14.6% with respect to December 31, 2017.

Current liabilities decreased by CLP 28,724 million (-5.0%), primarily due to the decrease in non-current assets or asset groups classified as held-for-sale (↓CLP 60,929 million), due to the sale of Construmart during the second quarter of 2018.

This decrease was partially offset by:

a. An increase in current other financial liabilities (↑CLP 26,257 million), primarily due to the transfer from non-current to current of the series P bond, which matures in September 2019, and the portion of the syndicated loan that matures in June 2019.
b. An increase in current trade and other accounts payable (↑CLP 3,931 million), associated with the business cycle.
c. An increase in other current provisions (↑CLP 2,091 million), primarily due to the provision of a fine related to the ruling by the Chilean Antitrust Court.

Non-current liabilities decreased by CLP 162,977 million (-22.1%), primarily due to the decrease of CLP 159,567 million in other non-current financial liabilities. This decrease is primarily explained by: (i) the transfer from non-current to current of the portion of the syndicated loan that matures in June 2019; (ii) the transfer from non-current to current of the series P bond, which matures in September 2019; and (iii) the prepayment of the total outstanding amount of the international bond, partially offset by: (i) the placement of local bonds for a total of UF 3.5 million during the first half of 2018.

2.3. Shareholders' Equity

Shareholders' equity increased by CLP 102,505 million (+17.3%), primarily due to the capital increase carried out in January 2018 (↑CLP 74,000 million) and earnings for the period (↑CLP 33,033 million), net of the provision for the minimum dividend payment (↓CLP 9,910 million, equivalent to 30% of net income). However, it should be noted that there are a number of movements within the shareholders' equity accounts related to the Extraordinary Shareholders' Meeting held on April 26, 2018, at which shareholders agreed to capitalize the Company's accumulated losses (CLP 740,068 million) and share issuance and placement expenses (CLP 5,355 million), resulting in a decrease in paid-in capital and an increase in retained earnings (accumulated losses).

3. Analysis of Statement of Cash Flows

Table 11: Statement of Cash Flows for the twelve months ended December 31, 2018 and 2017

(CLP Million)	December 2018	December 2017	△$
Net Cash Flows From (Used in) Operating Activities	124,144	87,211	36,933
Net Cash Flows From (Used in) Investing Activities	(10,885)	(36,383)	25,498
Net Cash Flows From (Used in) Financing Activities	(141,155)	11,215	(152,370)
Net Increase (Decrease) in Cash and Cash Equivalents Before Effect of Exchange Rates	**(27,896)**	**62,043**	**(89,940)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(27,896)**	**62,043**	**(89,940)**
Cash and Cash Equivalents at Beginning of Period	110,540	48,497	62,043
Cash and Cash Equivalents at End of Period	**82,644**	**110,540**	**(27,896)**

Cash provided by **operating activities** for the year 2018 totaled CLP 124,144 million, compared to CLP 87,211 million for 2017, an increase of CLP 36,933 million. The increase is primarily explained by an increase in cash receipts from sales of goods and services (+CLP 65,764 million), partially offset by an increase in payments to suppliers (+CLP 19,638 million) and an increase in payments to and on behalf of employees (+CLP 9,149 million).

Cash used in **investing activities** for 2018 totaled a net outflow of CLP -10,885 million, compared to a net outflow of CLP -36,383 million for 2017, a difference of CLP 25,498 million. The main inflow of cash during 2018 was from the sale of Construmart (CLP 38,743 million). In both periods, the greatest outflow of cash is for **CAPEX**, which includes purchases of property, plant and equipment and purchases of intangible assets and amounted to CLP 45,773 million in 2018 and CLP 27,914 million in 2017.

Cash from **financing activities** for the year 2018 totaled a net outflow of CLP -141,155 million, mainly explained by: (i) the prepayment of 100% of the international bond (USD 300 million); (ii) payment of the syndicated loan payment due in June 2018 (approximately CLP 36 billion); (iii) the prepayment of Tranche III of the syndicated loan (approximately CLP 17 billion), associated with the sale of Construmart; (iv) interest payments of CLP 51,816 million; and (v) payment of financial leases (CLP 22,698 million), which includes the one-time cost of exercising the option relating to the rental contracts of the group of Alvi stores described in section 2.1 Assets; partially offset by: (i) proceeds from borrowings for CLP 101,636 million, mainly due to the placement of series T bonds in April and June; and (ii) the capital increase in January 2018 for a total of CLP 74 billion. In 2017, the Company had a net inflow of CLP 11,215 million in cash from financing activities, mainly explained by: (i) the capital increase carried out in January 2017 for a total of CLP 129,950 million; (ii) the capital increase carried out in November 2017 for a total of CLP 94,875 million; and (iii) proceeds from borrowings of CLP 130,205 million, related to the placement of series G and series K bonds in April 2017 and series P bonds in September 2017; partially offset by: (i) payments of loans from related and non-related parties for a total of CLP 255,477 million; and (ii) interest payments for a total of 76,106 million, which includes the one-time cost of unwinding the Company's cross-currency swap, as a result of its decision to prepay its international bond, which was the liability underlying the swap.

4. Financial Indicators

Table 12: Financial Indicators

			Dec. 2018	Dec. 2017
LIQUIDITY				
Liquidity Ratio	times	*Current assets/current liabilities*	0.69	0.87
Acid Ratio	times	*(Current assets - inventories)/current liabilities*	0.33	0.53
LEVERAGE				
Total Liabilities / Total Assets	times	*Total liabilities / Total assets*	0.62	0.69
Total Liabilities / Equity	times	*Total liabilities / Equity*	1.61	2.21
Net Financial Liabilities / Equity	times	*(Other current financial liabilities + other non-current financial liabilities - cash and cash equivalents)/Shareholders' equity*	0.84	1.16
Currents Liabilities / Total Liabilities	%	*Total current liabilities/Total liabilities*	48.52	43.60
INDEBTEDNESS				
Days of Inventory	days	*Average inventory for the period / Daily cost of goods sold for the period*	42.66	40.90
Accounts Receivable Days	days	*Average current trade and other accounts receivable for the period / (Daily revenue for the period * 1.19)*	6.90	6.44
Accounts Payable Days	days	*Average current trade and other accounts payable for the period / (Daily cost of goods sold for the period * 1.19)*	76.72	77.78
EFFICIENCY (12 months)				
Interest Coverage (Last 12 months)	times	*EBITDA for the last 12 months / (financial expenses for the last 12 months - financial income for the last 12 months)*	2.78	2.18
Gross Margin (Last 12 months)	%		28.48	28.24
EBITDA (Last 12 months)	CLP MM		152,502	142,036
EBITDA Margin (Last 12 months)	%		6.64	6.29
PROFITABILITY (12 months)				
Return on Assets	%	*Net income last 12 months / Total assets*	1.82	1.45
Return on Assets (excluding goodwill)	%	*Net income last 12 months / (Total assets - goodwill)*	2.47	1.94
Return on Equity	%	*Net income last 12 months / Shareholders' Equity*	4.75	4.66
Return on Invested Capital (including goodwill)	%	*Operating income last 12 months / (Accounts receivable + inventories + intangible assets + goodwill + property, plant and equipment)*	8.27	7.81
Return on Invested Capital (excluding goodwill)	%	*Operating income last 12 months / (Accounts receivable + inventories + intangible assets + property, plant and equipment)*	13.40	12.89

5. Risk Management

The main risks faced by SMU, as well as certain measures taken by the Company to mitigate such risks, are described in note 4 to SMU's consolidated financial statements as of December 31, 2018.

6. Main Events During the Period

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

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

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

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

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

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

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

   (3) Considering the above, the Company informed that Larraín Vial, acting on behalf of a group

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

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

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

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

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

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

7. Credit Ratings:

   a. On January 24, 2018, the rating agency ICR upgraded the Company's credit rating from BB+ (positive outlook) to BBB- (positive outlook), which is an investment grade rating. Subsequently, ICR made the following changes to SMU's rating: (i) March 29, 2018: upgrade to BBB (stable outlook); (ii) June 29, 2018: changed outlook to positive; and (iii), upgrade to BBB+ (stable outlook).

   b. On January 26, 2018, the rating agency Feller Rate upgraded the Company's credit rating from BB+ (positive outlook) to BBB- (positive outlook), which is an investment grade rating. Subsequently, on April 27, 2018, Feller upgraded the rating to BBB (positive outlook).

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

   Consequently, SMU has an investment grade credit rating with all three of its local rating agencies (Feller Rate, Humphreys and ICR).

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

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

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

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

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

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

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

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

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

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

- Raúl Sotomayor Valenzuela

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

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

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

13. On April 30, 2018, the Company filed an Essential Fact, informing:

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

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

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

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

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

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

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

18. On October 2, 2018, the placement period for 93,527,611 shares expired. None of these shares were placed. The issuance of such shares was approved at the Extraordinary Shareholders' Meeting held on October 2, 2013, where shareholders approved a capital increase of CLP 16,732,666,667, through the issuance of 93,527,611 ordinary shares to be used for employee compensation plans, with a share placement period of five years, expiring October 2, 2018.

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

20. On December 30, 2018, the placement period for the remaining 361,486,486 shares, of the total of 2,486,486,486 shares that were issued at the Extraordinary Shareholders' Meeting held on

December 30, 2015, expired. At such Shareholders' Meeting, shareholders agreed to a capital increase of CLP 230 billion through the issuance of 2,486,486,486 ordinary shares, to be issued and placed by December 30, 2018. The remaining 2,125,000,000 shares were placed through three capital increases carried out on January 24, 2017, November 16, 2017, and January 22, 2018.

7. Subsequent Events

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.

About SMU

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

Caution Regarding Forward-Looking Statements

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

Contact Information

For investor inquiries, please contact:

Carolyn McKenzie: +562 2818 8351 / cmckenzie@smu.cl

For media inquiries, please contact:

Gloria Salgado: +562 2818 8684 / gsalgador@smu.cl
Andrés Parodi: +562 2512 7288 / aparodi@smu.cl