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

SMU reported **revenue for the first half of 2018** (1H18) of CLP 1,121,441 million, an increase of 2.5% with respect to the CLP 1,093,830 million reported for the first half of 2017 (1H17). With respect to the second quarter of 2018 (2Q18), revenue totaled CLP 555,370 million, an increase of 2.3% with respect to CLP 542,641 million reported for the second quarter of 2017 (2Q17).

Gross profit amounted to CLP 319,265 million for 1H18, an increase of 2.9% with respect to CLP 310,212 million for 1H17. Measured as a percentage of revenue, gross margin increased by 10 basis points ("bps"), reaching 28.5% for the first half of 2018, compared to 28.4% for the first half of 2017. With respect to the second quarter, gross profit totaled CLP 158,005 million (28.5% of revenue) for 2Q18, an increase of 2.3% with respect to CLP 154,493 million (28.5% of revenue) for 2Q17.

Operating expenses, defined as distribution costs plus administrative expenses (excluding depreciation), as a percentage of revenue decreased 20 bps in the first half, from 22.5% in 1H17 to 22.3% in 1H18. In the second quarter they decreased 30 bps, from 22.8% in 2Q17 to 22.5% in 2Q18, reflecting the initiatives to improve operating efficiency that form an integral part of the Company's strategic plan.

EBITDA[1] for the first half of 2018 totaled CLP 69,450 million, an **increase of 7.8%** with respect to CLP 64,443 million for 1H17. **EBITDA margin for 1H18 reached 6.2%**, an improvement of 30 bps compared to 5.9% for 1H17. In the second quarter of 2018, EBITDA amounted to CLP 32,863 million (EBITDA margin 5.9%), compared to CLP 30,658 million (EBITDA margin 5.6%) for 2Q17.

Operating income for the first half of 2018 amounted to CLP 44,219 million, 10.9% higher than the first half of 2017. Operating income for the second quarter of 2018 totaled CLP 19,423 million, an increase of 4.2% with respect to 2Q17.

The Company reported a **non-operating loss** of CLP -51,061 million for the first half of 2018, compared to a loss of CLP -39,243 million for 1H17. The greater non-operating loss in 1H18 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, which was carried out through three partial redemptions: in February 2018, April 2018, and May 2018. Of the total extraordinary financial expenses (CLP 11,094 million), CLP 5,020 million was recognized during the first quarter of 2018, and CLP 6,884 million was recognized during the second quarter of 2018; and (ii) an expense of CLP 7,877 million recorded during the first quarter of 2018, related to the organizational restructuring program carried out by the Company in January 2018 as part of its operating efficiency initiatives. This restructuring program will generate savings in personnel expenses that will allow the Company to more than make up for this non-recurring expense over the course of the full year 2018.

As a result of these non-recurring effects, the non-operating loss for the first half of 2018 outweighed the operating income generated in the period, resulting in a pre-tax loss of CLP -6,842 million. However, excluding the extraordinary effects, pre-tax income for 1H18 would have totaled CLP 12,939 million, more than 20 times the pre-tax income for the same period of 2017.

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

Net income for the first half of 2018, after taxes, totaled CLP 14,777 million, an increase of CLP 9,178 million with respect to CLP 5,599 million for 1H17, due to the fact that the Company reported an income tax benefit of CLP 21,799 million in 1H18, primarily explained by the tax effects of the sale of Construmart during the second quarter of 2018. Net income for 2Q18 amounted to CLP 14,312 million, compared to CLP 598 million for 2Q17.

With respect to **capital structure**, during the second quarter of 2018, SMU completed the prepayment of 100% of its international bond. The prepayment was financed using proceeds from the capital increases carried out in November 2017 and January 2018, as well as the proceeds from the series T local bond placed in April 2018. Consequently, there is a significant improvement in the Company's level of indebtedness and maturity profile, as well as savings in interest expense going forward. Furthermore, exchange rate risk has been eliminated from SMU's financial debt. In addition to the bond placed in April, for UF 2.5 million at an interest rate of 3.04%, in June the Company placed a local bond for a total of UF 1 million at an interest rate of 2.67%, in line with its strategy to continue strengthening its financial position. The proceeds were primarily used to pay the portion of the syndicated loan that matured at the end of June. The Company also amortized approximately CLP 17 billion corresponding to 100% of Tranche III of its syndicated loan, as a result of the sale of Construmart.

With respect to **operating indicators**, in the **Food Retail segment**, **sales per square meter**[2] for the first half of 2018 amounted to CLP 306,960, an increase of 3.7% with respect to the same period of 2017. In this segment the Company had an increase in **same-store sales ("SSS")** of 3.1% for 1H18. With respect to **operating efficiency**, within the Food Retail Chile operations during the first half of 2018, the Company achieved a rate of **centralized distribution** of 47.5%, higher than the 45.1% recorded for the year 2017. The increase in centralization is one of the initiatives the Company has implemented, taking advantage of its distribution centers located throughout Chile, in order to improve its operating efficiency, inventory management, and in-store product availability.

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

Management Commentary

With respect to the release of earnings for the first half and second quarter of 2018, SMU's CEO, Marcelo Gálvez, stated, "These results reflect the progress we have made so far this year in terms of both operating and non-operating initiatives. With respect to our operations, I would like to highlight our discipline regarding expenses: selling and administrative expenses only increased 1.0% in the first half, and in the second quarter they only increased 0.4%, whereas revenue growth was 2.5% and 2.3%, respectively. Our commitment to operating efficiency has enabled us to continue expanding our EBITDA margin, reporting growth of 30 basis points over 2017 for both the first half and the second quarter."

Mr. Gálvez went on to say, "One of the most important initiatives within our strategic plan is to upgrade a group of our Unimarc stores in order to improve our customers' shopping experience. To date we have reinaugurated 20 upgraded stores, and we continue making progress towards our goal for this year. I would also like to highlight the opening of a new Unimarc, in Talagante, during the month of July, and three new OK Markets in the year to date. With respect to our Cash & Carry segment, we continue to see strong performance from Mayorista 10, with revenue growth exceeding 5% for the first half of this year."

"With respect to non-operating initiatives, during the second quarter we completed the prepayment of the full amount of our international bond and we placed local bonds for a total of UF 3.5 million, which will generate significant savings in interest expense going forward. In addition, in April we completed the sale of our Construmart subsidiary, which will allow us to focus exclusively on our core food retail business. We have had to recognize some one-time expenses during this first half, related to the bond redemption and to a structural reorganization that we carried out in January, and as a result there was a negative impact to our pre-tax income, but it is important to keep in mind that these initiatives will improve SMU's results in future periods," concluded Mr. Gálvez.

Highlights

Placement of Series T Local Bond

On April 5, 2018, SMU successfully placed bonds in the local Chilean market for a total of UF 2.5 million (approximately CLP 67.5 billion or USD 110 million). The new series of bonds, series T (ticker BCSMU-T), was placed at an interest rate of 3.04% with an annual coupon rate of 3.00%, maturing in seven years, with a four year grace period on principal. The proceeds from this bond placement were used primarily to prepay the total outstanding amount of SMU's international bond, for a principal amount of USD 100 million.

Subsequently, on June 14, 2018, SMU carried out a second placement of series T bonds, for UF 1 million (approximately CLP 27 billion or USD 43 million) at an annual interest rate of 2.67% (with the same coupon rate of 3.00%). The proceeds from this bond placement were used primarily to refinance the portion of the syndicated loan that matured at the end of June, in line with the Company's strategy to continue strengthening its financial position, through savings on interest expense and optimization of its debt maturity schedule

Sale of Construmart

On April 27, 2018, SMU completed the sale of its subsidiary 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.

The sale of Construmart, which had been available for sale since 2013, is in line with SMU's strategy to focus on its core business, food retail. The proceeds from the sale were used primarily to reduce debt—including the payment of Tranche III of the Company's syndicated loan, for CLP 16,756 million, which was made on the same day as the closing of the transaction—and towards the implementation of the Company's business plan.

Conference Call

SMU will host a conference call and webcast for investors on Wednesday, August 29, 2018 at 12:00 pm Santiago/11:00 am ET to discuss its first half and second 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/smu20180829.html

Note Regarding Presentation and Comparison of Information

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

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

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

Analysis of Financial Statements

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

Table 1: Consolidated Income Statement

(CLP Million)	2Q18	2Q17 Restated	△%	1H18	1H17 Restated	△%
Revenues	555.370	542.641	2,3%	1.121.441	1.093.830	2,5%
Cost of Sales	(397.365)	(388.148)	2,4%	(802.176)	(783.618)	2,4%
Gross Profit	**158.005**	**154.493**	**2,3%**	**319.265**	**310.212**	**2,9%**
Gross Margin (%)	*28,5%*	*28,5%*		*28,5%*	*28,4%*	
Distribution Costs	(6.697)	(5.845)	14,6%	(13.583)	(11.836)	14,8%
Contribution Margin	**151.308**	**148.648**	**1,8%**	**305.682**	**298.377**	**2,4%**
Contribution Margin (%)	*27,2%*	*27,4%*		*27,3%*	*27,3%*	
Administrative Expenses (Excluding Depreciation)	(118.446)	(117.990)	0,4%	(236.232)	(233.934)	1,0%
EBITDA	**32.863**	**30.658**	**7,2%**	**69.450**	**64.443**	**7,8%**
EBITDA Margin (%)	*5,9%*	*5,6%*		*6,2%*	*5,9%*	
Depreciation and Amortization	(13.439)	(12.023)	11,8%	(25.232)	(24.583)	2,6%
Operating Income	**19.423**	**18.636**	**4,2%**	**44.219**	**39.860**	**10,9%**
Other Gains (Losses)	201	(119)	n.a.	(7.837)	324	n.a.
Financial Income	347	228	52,4%	796	535	48,7%
Financial Expenses	(18.125)	(17.205)	5,3%	(35.721)	(33.813)	5,6%
Share of Profit (Loss) of Associates	(393)	(470)	(16,3%)	(1.108)	(804)	37,8%
Foreign Exchange Differences	1.411	(432)	n.a.	1.044	1.675	(37,7%)
Income (Loss) for Indexed Assets and Liabilities	(4.588)	(4.417)	3,9%	(8.235)	(7.161)	15,0%
Non-operating Income	**(21.147)**	**(22.415)**	**(5,7%)**	**(51.061)**	**(39.243)**	**30,1%**
Net Income (Loss) Before Taxes	**(1.724)**	**(3.780)**	**(54,4%)**	**(6.842)**	**617**	**n.a.**
Income Tax Expense	16.605	4.498	269,2%	21.799	4.599	373,9%
Net Income (Loss) from Continued Operations	**14.881**	**718**	**1.972,0%**	**14.956**	**5.216**	**186,7%**
Net Income (Loss) from Discontinued Operations	**(569)**	**(120)**	**372,4%**	**(179)**	**383**	**n.a.**
Net Income (Loss) of the Period	**14.312**	**598**	**2.294,5%**	**14.777**	**5.599**	**163,9%**

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

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

1. Analysis of Income Statement

1.1. Results of Operations: Food Retail Segment

1.1.1. Revenue

Revenue for the Food Retail segment increased 2.5% in the first half of 2018 with respect to the first half of 2017, from CLP 1,093,830 million to CLP 1,121,441 million. With respect to the second quarter of 2018, revenue amounted to CLP 555,370 million, an increase of 2.3% with respect to CLP 542,641 million for 2Q17.

Table 2: Food Retail Segment Revenue (CLP MMM)

REVENUE (CLP MMM)	2Q18	2Q17	△%	1H18	1H17	△%
UNIMARC	383	377	*1,6%*	785	767	*2,3%*
CASH & CARRY	144	139	*3,6%*	284	274	*3,3%*
OK MARKET	13	12	*4,6%*	25	25	*1,7%*
TELEMERCADOS	3	3	*-8,8%*	5	6	*-8,9%*
OTHERS(*)	2	1	*97,5%*	3	2	*62,3%*
FOOD RETAIL CHILE	545	533	*2,3%*	1.101	1.073	*2,6%*
FOOD RETAIL PERU	10,4	10,0	*3,7%*	20,3	20,5	*-1,1%*
CONSOLIDATED	555	543	*2,3%*	1.121	1.094	*2,5%*

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

Food Retail Chile revenue grew 2.6% in the first half of 2018 and 2.3% in the second quarter of 2018, with respect to the same periods of 2017. Within the Food Retail Chile operations, Unimarc, the traditional supermarket, increased 2.3% in 1H18 and 1.6% in 2Q18. Unimarc accounts for approximately 70% of SMU's revenue. Revenue for the cash & carry format increased 3.3% in 1H18 and 3.6% in 2Q18, driven by growth in Mayorista 10 (+5.7% in 1H18 and +6.6% in 2Q18), where the new value proposition has been showing positive results in recent quarters. Revenue for the convenience store format (OK Market) grew 1.7% in 1H18 and 4.6% in 2Q18, while revenue for the e-grocery format (Telemercados) decreased 8.9% in 1H18 and 8.8% in 2Q18.

In Food Retail Peru, revenue (measured in Chilean pesos) decreased 1.1% in the first half of 2018 with respect to the same period of 2017, and increased 3.7% in the second quarter of 2018. However, the decrease is explained by the appreciation of the Chilean peso with respect to the Peruvian Sol. Measured in Peruvian Soles, revenue increased 5.8% in the half and 10.8% in the quarter.

Same-store sales (SSS) growth for the Food Retail segment amounted to 3.1% for the first half of 2018.

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

SSS (△%)	2Q17	3Q17	4Q17	2017	1Q18	2Q18
UNIMARC	3,3%	1,5%	0,3%	2,3%	3,4%	1,7%
CASH & CARRY	-1,2%	0,3%	0,5%	-0,7%	4,1%	5,5%
OK MARKET	4,8%	2,5%	1,4%	3,7%	-1,2%	3,1%
FOOD RETAIL CHILE	2,1%	1,2%	0,4%	1,5%	3,4%	2,7%
FOOD RETAIL PERU	11,5%	11,1%	4,7%	11,6%	0,3%	10,9%
CONSOLIDATED	2,2%	1,3%	0,4%	1,7%	3,2%	2,7%

SSS for Unimarc grew 1.7% in the second quarter of 2018. Cash & carry increased 5.5%, driven by 6.6% growth in Mayorista 10, reflecting the effect of the changing value proposition for this format. Same-store sales for the OK Market convenience stores increased 3.1% in 2Q18, in line with revenue performance. Overall, Food Retail Chile recorded SSS growth of 2.7% for the first quarter of 2018.

Food Retail Peru—which accounts for around 2% of total revenue for the Food Retail segment—recorded an increase in SSS of 10.9%. 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 306,960 for the first half of 2018, 3.7% higher than the first half of 2017.

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

SALES PER SQM (CLP Thousands/sqm)	2Q18	2Q17	△%	1H18	1H17	△%
FOOD RETAIL CHILE	308,9	297,6	3,8%	311,0	299,6	3,8%
FOOD RETAIL PERU	185,4	178,6	3,8%	180,6	183,3	-1,4%
CONSOLIDATED	305,1	294,0	3,8%	307,0	296,1	3,7%

Food Retail Chile sales per square meter grew 3.8% in 1H18 compared to 1H17, and also 3.8% for 2Q18 compared to 2Q17. For its part, Food Retail Peru (measured in Chilean pesos) recorded a decrease of 1.4% in sales per square meter in the first half of 2018. However, as explained above, the decrease is due to the exchange rate. Sales per square meter measured in Peruvian Soles increased 5.5%, in line with SSS growth. In the second quarter, sales per square meter in Peru, measured in Chilean pesos, grew 3.8%, and measured in Peruvian Soles, grew 10.9%.

By format, sales per square meter for Unimarc increased 3.7% in 1H18 (3.4% in 2Q18). For the cash & carry segment they increased 4.5% in 1H18 and 5.2% in 2Q18, and OK Market had an increase of 0.6% in 1H18 and 2.8% in 2Q18.

As of the end of the second quarter of 2018, SMU's food retail operations included **503 stores in Chile**, distributed from Arica to Punta Arenas—the same number of stores in operation as at the end of the second quarter of 2017—and a total of **578,719 square meters**.

During the first half of 2018, the Company opened two OK Market stores, in line with its plan for new openings for the year, and closed one Unimarc store, due to a fire. In addition, the Company closed one Alvi store that had operated primarily as a distribution center for delivery sales, transferring the operation to another Alvi location.

In Peru, as of June 30, 2018, the Company had 24 stores, with 20,398 square meters, for a total selling space for the Food Retail segment of 599,116 square meters at period-end.

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

NUMBER OF STORES	2Q18	2Q17	SALES AREA (THOUSANDS OF SQM)	2Q18	2Q17
UNIMARC	289	291	UNIMARC	398	403
CASH & CARRY	99	100	CASH & CARRY	166	169
OK MARKET	115	112	OK MARKET	15	14
FOOD RETAIL CHILE	503	503	FOOD RETAIL CHILE	579	587
FOOD RETAIL PERU	24	24	FOOD RETAIL PERU	20	20
CONSOLIDATED	527	527	CONSOLIDATED	599	607

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

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

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

1.1.2. Distribution Costs and Administrative Expenses

In the first half of 2018, **distribution costs plus administrative expenses (excluding depreciation)** for the Food Retail segment, as a percentage of revenue, decreased by approximately 20 bps, from 22.5% in 1H17 to 22.3% in 1H18. Similarly, in the second quarter they decreased by approximately 30 bps, from 22.8% in 2Q17 to 22.5% in 2Q18.

Distribution costs for the first half of 2018 totaled CLP 13,583 million, an increase of 14.8% with respect to the same period of 2017. In the second quarter of 2018 distribution costs amounted to CLP 6,697 million, an increase of 14.6% with respect to the second quarter of 2017. The increase was primarily due to the increase in sales and the increase in centralized distribution across formats. However, higher levels of centralization have a positive impact on gross profit, as suppliers pay the Company in exchange for the logistics services it provides. By increasing the rate of centralized distribution, SMU seeks to improve its in-store product availability and optimize its inventory management. Distribution costs as a percentage of revenue remained relatively stable, at approximately 1.2% for both 1H18 and 2T18, compared to 1.1% for 1H17 and 2Q17.

Administrative expenses (excluding depreciation) for the Food Retail segment increased 1.0% in the first half of 2018, totaling CLP 236,232 million (21.1% of revenue), versus CLP 233,934 million (21.4% of revenue) for 1H17. With respect to the second quarter of 2018, administrative expenses amounted to CLP 118,446 million (21.3% of revenue), an increase of 0.4% compared to the CLP 117,990 million (21.7% of revenue) for 2Q17.

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

a. CLP 2,380 million (+8.4% 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 2,311 million (+5.9% YoY) in services, primarily due to increases in security expenses and retroactive increases in electricity charges due to a tariff increase;
c. CLP 1,054 million (+17.0% YoY) in IT services, related to the implementation of projects associated with Plan CIMA[3]; and
d. CLP 671 million (12.2% YoY) in credit card commissions, associated with an increase in the use of this form of payment.

These increases were partially offset by a decrease of CLP 3,357 million (-2.9% YoY) in personnel expenses, primarily due to the lower headcount (-7.3% in 1H18 with respect to 1H17), which outweighs the increases due to the higher minimum wage and inflation adjustments to salaries.

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

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

a. CLP 1,117 million (+7.9% 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 536 million (+2.7% YoY) in services, primarily due to increases in security expenses and retroactive increases in electricity charges due to a tariff increase;
c. CLP 489 million (17.4% YoY) in credit card commissions, associated with an increase in the use of this form of payment; and
d. CLP 395 million (+12.6% YoY) in IT services, related to the implementation of projects associated with Plan CIMA[4].

These increases were partially offset by a decrease of CLP 1,828 million (-3.1% YoY) in personnel expenses, primarily due to the lower headcount (-7.3% in 2Q18 with respect to 2Q17), which outweighs the increases due to the higher minimum wage and inflation adjustments to salaries.

Table 7: Average Headcount in the Food Retail Segment

AVERAGE HEADCOUNT	2Q18	2Q17	△%	1H18	1H17	△%
STORES CHILE	27.643	29.803	-7,2%	27.898	30.120	-7,4%
HEADQUARTERS CHILE	1.565	1.643	-4,7%	1.573	1.641	-4,2%
FOOD RETAIL CHILE	29.208	31.446	-7,1%	29.471	31.762	-7,2%
STORES PERU	521	633	-17,6%	525	619	-15,2%
HEADQUARTERS PERU	135	133	1,8%	137	130	5,3%
FOOD RETAIL PERU	656	765	-14,2%	662	749	-11,6%
CONSOLIDATED	29.865	32.211	-7,3%	30.133	32.511	-7,3%

[4] 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.

1.1.3. Gross Margin, Contribution Margin, and EBITDA

Gross profit for the Food Retail segment totaled CLP 319,265 million for the first half of 2018, an increase of 2.9% with respect to the first half of 2017, which is equivalent to 28.5% of revenue, 10 bps higher with respect to 28.4% in 1H17. Gross profit for the second quarter of 2018 amounted to CLP 158,005 million (28.5% of revenue), an increase of 2.3% with respect to 2Q17, when gross profit totaled CLP 154,493 million (28.5% of revenue).

Contribution margin grew 2.4% in 1H18, totaling CLP 305,682 million, compared to CLP 298,377 million for 1H17, amounting to 27.3% of revenue in both periods. The 10 bps improvement in gross margin in 1H18 was offset by an increase of 10 bps in distribution costs as a percentage of revenue. Distribution costs increased 14.8% in the first half of 2018 with respect to the same period of 2017, as a result of higher sales and the increase in centralized distribution. In the second quarter, contribution margin grew 1.8%, amounting to CLP 151,308 million, decreasing 20 bps as a percentage of revenue, from 27.4% in 2Q17 to 27.2% in 2Q18. The decrease is due to the higher distribution costs.

EBITDA for the Food Retail segment increased 7.8% in the first half of 2018, amounting to CLP 69,450 million, compared to CLP 64,443 million for 1H17. **EBITDA margin** increased from 5.9% in 1H17 to 6.2% in 1H18. In the second quarter of 2018, EBITDA increased 7.2%, to CLP 32,863 million (EBITDA margin 5.9%), from CLP 30,368 million (EBITDA margin 5.6%) for 2Q17.

EBITDAR (EBITDA less lease expenses) amounted to CLP 100,091 million (EBITDAR margin 8.9%) for the first half of 2018, 8.0% higher than the CLP 92,703 million (EBITDAR margin 8.5%) obtained in 1H17. Similarly, EBITDAR for the second quarter of 2018 increased 7.4%, to CLP 48,141 million (EBITDAR margin 8.7%), compared to CLP 44,820 million (EBITDAR margin 8.3%) for 2Q17.

1.2. Non-operating Income[5] and Income Tax Expense

The **consolidated non-operating loss** for SMU for the first half of 2018 totaled CLP -51,061 million, compared to the non-operating loss of CLP -39,243 million for the first half of 2017.

The variation in non-operating loss in 1H18 is primarily explained by **non-recurring effects**:

a. **Financial expenses:** Financial expenses increased by CLP 1,908 million (+5.6%) in 1H18 with respect to 1H17, despite the significant reduction in the Company's level of indebtedness, due to extraordinary expenses of CLP 11,904 million (CLP 5,020 million in 1Q18 and CLP 6,884 million in 2Q18) associated with the prepayment of 100% of the international bond. The CLP 11,904 million include prepayment costs, the unwind of the cross-currency swap, and the recognition of issuance expenses. Excluding these extraordinary expenses, financial expenses for the first half of 2018 would have amounted to approximately CLP 23,817 million, a decrease of approximately 30% with respect to 1H17.

   The redemption of the international bond was carried out in three partial prepayments: USD 120 million in February 2018, financed with the proceeds of the capital increase carried out in November 2017; USD 80 million in April, financed with the proceeds of the capital increase carried out in January 2018; and USD 100 million in May 2018, financed with proceeds of the local bond placement carried out in April 2018. The prepayment of the international bond, as well as the other refinancing initiatives completed by the Company in recent periods, will generate savings in interest expense going forward.

b. **Other gains (losses):** In 1H18, the Company recorded a loss of CLP -7,837 million, compared to a gain of CLP 324 million in 1H17 (a difference of CLP 8,162 million). This difference is primarily explained by the loss of CLP 7,877 million recorded in 1Q18 due to the organizational restructuring program that was carried out in January 2018, as part of the Company's operating efficiency initiatives. This restructuring program will generate savings in personnel expenses that will allow the Company to more than make up for this non-recurring expense over the course of the full year 2018.

With respect to the second quarter of 2018, the Company reported a non-operating loss of CLP -21,147 million, compared to a loss of CLP -22,415 million for 2Q17, an improvement of CLP 1,268 million. The improvement is mainly explained by lower recurring financial expenses. Although total financial expenses increased in the quarter (+CLP 920 million), the increase is due to the non-recurring expenses described above (CLP 6,884 million). The savings in interest expense generated by the debt refinancing and amortizations carried out in recent periods offset a significant portion of the non-recurring expenses. In addition, the Company reported a variation of CLP 1,844 million in **foreign currency translation differences**, due to a one-time gain in 2Q18 associated with the prepayment of the international bond.

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

The **income tax benefit** for the first half of 2018 amounted to CLP 21,799 million, an increase of CLP 17,199 million with respect to the income tax benefit of CLP 4,599 million for 1H17. 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), is primarily explained by deferred tax income, which increased CLP 11,436 million. During the second quarter of 2018, the main changes to deferred taxes relate to tax losses, and specifically: (i) adjustments for variation of tax result, associated with the sale of Construmart; and (ii) inflation adjustments to tax losses.

1.3. Operations Held for Sale: Construction Materials Segment

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

1.4. Net Income

SMU reported **net income** for the first half of 2018 of CLP 14,777 million, more than double the net income for the same period of 2017, CLP 5,599 million. **Profit from continuing operations** totaled CLP 14,956 million, compared to CLP 5,217 million for 1H17. The **loss from discontinued operations** amounted to CLP -179 million, compared to a profit of CLP 383 million for 1H17.

With respect to the second quarter, net income totaled CLP 14,312 million, an increase of CLP 13,714 million with respect to CLP 598 million reported for 2Q17. Profit from continuing operations amounted to CLP 14, 881 million, compared to CLP 718 million for 2Q17. The loss from discontinued operations amounted to CLP -569 million for 2Q18, compared to a loss of CLP -120 million for 2Q17.

2. Analysis of Statement of Financial Position

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

(CLP Million)	June 2018	December 2017	△$	△%
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	99.400	110.540	(11.140)	(10,1%)
Other Current Financial Assets	17	15	1	8,6%
Other Current Non-Financial Assets	17.522	22.640	(5.118)	(22,6%)
Trade Accounts Receivable and Other Receivables, Net	36.463	47.073	(10.610)	(22,5%)
Accounts Receivable from Related Companies	8.738	14.363	(5.624)	(39,2%)
Inventories	193.973	194.157	(183)	(0,1%)
Current Tax Assets	7.968	5.323	2.645	49,7%
Non-Current Assets Classified as Held for Sale	0	101.311,1	(101.311)	(100,0%)
Total Current Assets	**364.081**	**495.421**	**(131.340)**	**(26,5%)**
NON-CURRENT ASSETS				
Other Non-Current Financial Assets	243	241	2	0,7%
Other Non-Current Non-Financial Assets	17.509	24.648	(7.140)	(29,0%)
Non-Current Accounts Receivable	3.789	2.369	1.421	60,0%
Investments Accounted for Using the Equity Method	1.777	3.075,9	(1.299)	(42,2%)
Intangible Assets Other Than Goodwill	74.683	78.284	(3.601)	(4,6%)
Goodwill	474.633	474.253	380	0,1%
Property, Plant, and equipment, net	432.879	409.971	22.908	5,6%
Deferred tax assets	434.344	413.330	21.014	5,1%
Total Non-Current Assets	**1.439.857**	**1.406.173**	**33.684**	**2,4%**
TOTAL ASSETS	**1.803.939**	**1.901.595**	**(97.656)**	**(5,1%)**
LIABILITIES				
CURRENT LIABILITIES				
Other Current Financial Libialities	108.771	70.342	38.429	54,6%
Trade and Other Current Payables	378.767	414.360	(35.593)	(8,6%)
Accounts Payable to Related Companies	2.544	3.357	(813)	(24,2%)
Other Current Provisions	1.281	1.227	53	4,3%
Current Tax Liabilities	-	0	0	-
Current Provisions for Employee Benefits	14.774	17.059	(2.284)	(13,4%)
Other Current Non-Financial Liabilities	4.803	3.436	1.367	39,8%
Non-Current Liabilities Classified as Held for Sale	0	60.929,3	(60.929)	(100,0%)
Total Current Liabilities	**510.940**	**570.711**	**(59.771)**	**(10,5%)**
NON-CURRENT LIABILITIES				
Other Non-Current Financial Liabilities	595.989	727.071	(131.081)	(18,0%)
Non-Current Payables	148	175	(27)	(15,4%)
Trade Payables due to Related Entities, Non-Current	-	0	0	-
Deferred Tax Liabilities	76	70	6	8,5%
Non-Current Provisions for Employee Benefits	3.258	2.699	559	20,7%
Other Non-Current Non-Financial Liabilities	7.276	8.094	(818)	(10,1%)
Total Non-Current Liabilities	**606.748**	**738.109**	**(131.362)**	**(17,8%)**
TOTAL LIABILITIES	**1.117.688**	**1.308.820**	**(191.132)**	**(14,6%)**
EQUITY				
Issued Capital	523.742	1.195.165	(671.423)	(56,2%)
Accumulated Losses	14.745	(740.068)	754.813	(102,0%)
Other Reserves	147.763	137.678	10.086	7,3%
Equity Attributable to the Owners of the Parent Company	686.251	592.775	93.476	15,8%
Non-Controlling Interest	0	(0)	0,0	(100,0%)
Total Equity	**686.251**	**592.775**	**93.476**	**15,8%**
TOTAL LIABILITIES AND EQUITY	**1.803.939**	**1.901.595**	**(97.656)**	**(5,1%)**

2.1. Assets

As of June 30, 2018, SMU's **total assets** decreased 5.1% with respect to December 31, 2017, totaling CLP 1,803,939 million.

Current assets as of June 30, 2018 decreased CLP 131,340 million (26.5%) with respect to December 31, 2017, totaling CLP 364,081 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 11,140 million), explained by the variations that are described in section 3. Analysis of Statement of Cash Flows.
c. A decrease in trade and other receivables (↓CLP 10,610 million), primarily explained by the business cycle and year-end sales with credit and debit cards.
d. A decrease in accounts receivable from related parties (↓CLP 5,624 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 27, 2018, SMU acquired 99.9999% of Inmobiliaria SMU, and as a result, this company is consolidated in SMU's financial statements beginning on such date.
e. A decrease in other current non-financial assets (↓CLP 5,118 million), primarily due to decreases in advanced payments to foreign suppliers and prepaid insurance, partly offset by an increase in value-added tax fiscal credit.

Non-current assets as of June 30, 2018 totaled CLP 1,439,857 million, an increase of CLP 33,684 million (2.4%) with respect to year-end 2017, primarily due to:

a. An increase in property, plant and equipment (↑CLP 22,908 million) due to additions from business combinations, associated with the addition of Inmobiliaria SMU's assets (↑CLP 19,361 million), additions during the period (↑CLP 16,714 million), and other increases (↑CLP 6,424 million), partially offset by depreciation (↓CLP 19,275 million).
b. An increase in deferred tax assets (↑CLP 21,014 million), primarily due to the increase in accumulated tax losses (CLP 22,209 million), partially offset by lower balances of deferred intangible tax assets (CLP 1,235 million) and provisions (CLP 801 million).

These increases were partly offset by:

a. A decrease in other non-current non-financial assets (↓CLP 7,140 million), due to a decrease in prepaid leases, as a result of the consolidation of Inmobiliaria SMU.
b. A decrease in intangible assets other than goodwill (↓CLP 3,601 million) due to amortization (↓CLP 5,956 million), partially offset by additions during the period (↑CLP 2,363 million).
c. A decrease in investments accounted for using the equity method (↓CLP 1,299 million), primarily due to the recognition of losses of affiliate companies during the period.

2.2. Liabilities

As of June 30, 2018, the Company's **total liabilities** amounted to CLP 1,117,168 million, a decrease of 14.6% with respect to December 31, 2017.

Current liabilities decreased by CLP 59,771 million (-10.5%), primarily due to:

a. A decrease in non-current assets or asset groups classified as held-for-sale (↓CLP 60,929 million), due to the sale of Construmart during the second quarter of 2018.
b. A decrease in current trade and other accounts payable (↓CLP 35,593 million), associated with the business and payment cycles.
c. A decrease in current provisions for employee benefits (↓CLP 2,284 million), primarily due to the payment of the annual performance bonus, a lower provision for vacations, following the peak summer period in the southern hemisphere, and the organizational restructuring program carried out in January 2018.

These decreases were partially offset by an increase in current other financial liabilities (↑CLP 38,429 million), primarily due to the transfer from non-current to current of the portion of the syndicated loan that matures in June 2019.

Non-current liabilities decreased by CLP 131,362 million (-17.8%), primarily due to the decrease of CLP 131,081 million in other non-current financial liabilities. This decrease is primarily explained by: (i) the transfer from non-current to current of the portion of the syndicated loan that matures in June 2019, and (ii) the prepayment of the total outstanding amount of the international bond, partially offset by: (i) the placement of local bonds for a total of UF 3.5 million during the first half of 2018, and (ii) an increase in obligations under financial lease arrangements related to the consolidation of Inmobiliaria SMU.

2.3. Shareholders' Equity

Shareholders' equity increased by CLP 93,476 million (+15.8%), primarily due to the capital increase carried out in January 2018 (↑CLP 74,000 million) and earnings for the period (↑CLP 14,777 million). However, it should be noted that there are a number of movements within the shareholders' equity accounts during the first half of 2018. On April 26, 2018, the Company held an Extraordinary Shareholders' Meeting, 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 retailed earnings (accumulated losses).

3. Analysis of Statement of Cash Flows

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

(CLP Million)	June 2018	June 2017 Restated	△$
Net Cash Flows From (Used in) Operating Activities	32.504	12.288	20.216
Net Cash Flows From (Used in) Investing Activities	22.146	(10.206)	32.352
Net Cash Flows From (Used in) Financing Activities	(65.790)	(8.535)	(57.255)
Net Increase (Decrease) in Cash and Cash Equivalents Before Effect of Exchange Rates	**(11.140)**	**(6.453)**	**(4.687)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(11.140)**	**(6.453)**	**(4.687)**
Cash and Cash Equivalents at Beginning of Period	110.540	48.497	62.043
Cash and Cash Equivalents at End of Period	**99.400**	**42.044**	**57.357**

Cash provided by **operating activities** for the first half of 2018 totaled CLP 32,504 million, compared to CLP 12,288 million for 1H17, an increase of CLP 20,216 million.

Cash from **investing activities** for the first half of 2018 totaled a net inflow of CLP 22,146 million, compared to a net outflow of CLP -10,206 million for 1H17, a difference of CLP 34,828 million. The main inflow of cash during 1H18 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 15,605 million in 1H18 and CLP 9,999 million in 1H17.

Cash from **financing activities** for the first half of 2018 totaled a net outflow of CLP -65,790 million, mainly explained by: (i) the prepayment of 100% of the international bond (USD 300 million); (ii) the prepayment of Tranche III of the syndicated loan (approximately CLP 17 billion), associated with the sale of Construmart; and (iii) interest payments of CLP 35,436 million; partially offset by: (i) proceeds from borrowings for CLP 105,791 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 1H17, the Company had a net outflow of CLP -8,535 million in cash from financing activities, mainly explained by: (i) payments of loans from related and non-related parties for a total of CLP 193,859 million, and (ii) interest payments for a total of 32,125 million: partially offset by: (i) the capital increase carried out in January 2017 for a total of CLP 129,950 million; and (ii)proceeds from borrowings of CLP 93,721 million, related to the placement of series G and series L bonds in April 2017.

4. Financial Indicators

Table 12: Financial Indicators

			Jun. 2018	Dec. 2017
LIQUIDITY				
Liquidity Ratio	times	*Current assets/current liabilities*	0,71	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*	1,63	2,21
Net Financial Liabilities / Equity	times	*(Other current financial liabilities + other non-current financial liabilities - cash and cash equivalents)/Shareholders' equity*	0,88	1,16
Currents Liabilities / Total Liabilities	%	*Total current liabilities/Total liabilities*	45,71	43,60
INDEBTEDNESS				
Days of Inventory	days	*Average inventory for the period / Daily cost of goods sold for the period*	43,55	40,90
Accounts Receivable Days	days	*Average current trade and other accounts receivable for the period / (Daily revenue for the period * 1.19)*	5,63	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)*	74,78	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)*	2,20	2,18
Gross Margin (Last 12 months)	%		28,29	28,24
EBITDA (Last 12 months)	CLP MM		147.043	142.036
EBITDA Margin (Last 12 months)	%		6,43	6,29
PROFITABILITY (12 months)				
Return on Assets	%	*Net income last 12 months / Total assets*	2,04	1,45
Return on Assets (excluding goodwill)	%	*Net income last 12 months / (Total assets - goodwill)*	2,77	1,94
Return on Equity	%	*Net income last 12 months / Shareholders' Equity*	5,36	4,66
Return on Invested Capital (including goodwill)	%	*Operating income last 12 months / (Accounts receivable + inventories + intangible assets + goodwill + property, plant and equipment)*	6,07	7,81
Return on Invested Capital (excluding goodwill)	%	*Operating income last 12 months / (Accounts receivable + inventories + intangible assets + property, plant and equipment)*	9,97	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 June 30, 2018.

6. Main Events During the Period

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

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

a further 575,000,000 were placed in a follow-on capital increase on November 16, 2017. As of January 17, 2018, a total of 761,486,486 shares remained available for placement in the market.

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

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

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

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

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

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

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

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

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

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

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

7. Credit Ratings:

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

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

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

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

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

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

    (1) Approve annual report and financial statements for the 2017 period.
    (2) Approve the report of independent auditors.
    (3) Elect Board of Directors.
    (4) Approve remunerations of Board of Directors and other corporate committees for the 2018 period. Inform Board of Directors expenses incurred during 2017 period.
    (5) Inform activities and expenses of Directors' Committee and determine remunerations for 2018 period.

(6) Inform operations referred to under Title XVI of Law No. 18,046 (related-party operations).
(7) Designate independent audit firm and credit rating agencies for the 2018 period.
(8) Designate newspaper in which legally required notifications will be published.
(9) Use net profit for the 2017 period to absorb accumulated losses.
(10) Review any other matter that is of interest to shareholders and pertains to the Annual Ordinary Shareholders' Meeting.

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

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

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

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

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

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

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

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

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

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

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

13. On April 27, the rating agency Feller Rate upgraded the Company's credit rating from BBB- (positive outlook) to BBB (positive outlook).

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

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

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

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

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

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

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

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

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