

Welcome



Letter from the Chairman

Letter from the CEO



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Carlo Solari Donaggio
Chairman S.A.C.I. Falabella

“ We celebrated our 125th anniversary. At Falabella we must always maintain the culture of austerity and humility that characterized the company's founders, always remaining open to new ideas and new ways of doing things; we make mistakes, but we learn and we implement corrections. We must continue to grow with the commercial creativity that characterizes us, but, at the same time, with financial prudence.”

Dear Shareholders:

I would like to begin my first letter as Chairman of SACI Falabella by extending a special recognition to Mr. Juan Cúneo Solari, who presided as Chairman of Falabella until April, 2014, and who has worked at the company for over 40 years. The Board and Falabella's thousands of employees are grateful for his invaluable contribution to our company. His drive, vision and example have left a profound impression on all of us who have had the privilege of working with him. The customer was always at the center of his decisions, and that principal, today, continues to be an essential trademark of our company.

This was a special year for Falabella: we celebrated our 125th anniversary! During these past 125 years, we have become one of the leading retail companies in Latin America. During our history we have served millions of customers, satisfying their diverse needs, helping them realize their dreams and accompanying them through the different moments of their lives. We have been consistent with our customer-centric vocation. This drive to serve our customer has led us to innovate: we have developed new formats, new brands, new services, and new channels. We own some of the most highly valued brands in the markets in which we participate. Our proposal to the customer is characterized by convenience, quality and transparency, with the long-term relationship always in mind. At Falabella we must always maintain the culture of austerity and humility that characterized the company's founders, always remaining open to new ideas

and new ways of doing things; we make mistakes, but we learn and we implement corrections. We are proud of these achievements, but beyond that, we appreciate and value the team of people who have demonstrated their dedication to excellence, meritocracy, industry acumen, dependability and drive to continue growing. In an environment that is ever more complex, we strive to create teams that complement each other and that seek the best solutions for our customers.

We have had to intensify our efforts this year, as our region has been affected by the falling prices of oil and natural resources, which have resulted in a slowdown in consumption and have depreciated its currencies. As a counterpoint to these developments, we have seen signs of recovery in developed economies, which we hope that, along with the need for more retail and financial solutions in Latin America, will provide us with greater opportunities in the future.

During 2014 we continued to deliver healthy growth. We expanded into segments and cities where we were not present before, developed new formats, incorporated new brands, improved the proposals of our own brands, increased our efficiency and our productivity. We worked on logistics, expanded our customer base in financial services and perfected the corporate governance of the Falabella Group. We strive to achieve a balance, in which each of our operations, across the region, has a high level of commercial flexibility, while ensuring common standards of excellence and sustainability, under shared protocols and support from our headquarters.



Chile continues to be our company's main market, and we see many opportunities for growth and greater efficiency there. Nonetheless, our international businesses expanded significantly in 2014, and now represent 40% of our revenues. That percentage will grow over time as we continue to export our business model and invest in the region. In 2014, we acquired Maestro Homecenter in Peru, which will give us the scale to carry out important investments in our operation. The acquisition consolidates our leading position in the home improvement market, which continues to present huge growth opportunities given its low level of formal retail penetration.

During the last decade, the Internet has revolutionized retail: sales, operations, and distribution. This phenomenon, although in different stages of development, is gaining momentum across all of the businesses and countries in which we operate. Falabella's companies will continue to invest in this channel in order to adjust our service to our customers' needs. We will continue working arduously to improve our omnichannel commercial proposal by offering more products, better services, greater convenience and different options for delivery.

In terms of corporate responsibility, we have undertaken many events and activities. The Hacienda Escuela program began forty five years ago when we sponsored the program's first school. Today we support more than 81,000 students in 91 educational establishments across the region. We also develop training programs for our suppliers, financial education programs for our

clients, we have a "network of specialists" which provides training to construction workers, and we work on environment conservation, among other initiatives. We want to grow, but in a manner that is sustainable over time.

I wish to thank all of our employees for the work accomplished during 2014, and I thank the Board of SACI Falabella and its subsidiaries for its support and wise advice in guiding our company. I also wish to thank our clients, suppliers, advisors, and shareholders for accompanying us, providing support and for believing in our company. We have faced significant challenges, with important internal changes, but with the valuable and constructive help of everyone we have had a good year.

Each year presents greater challenges and more competition. We must continue to strive, every day, to do our work well, better than the day before, and thus offer the customer the best possible experience, which is the basis for permanent and long term relationships. We must continue to grow with the commercial creativity that characterizes us, but with financial prudence. I am confident that if we maintain an innovative spirit, this will be the beginning of Falabella's next 125 years.

Yours sincerely,
Carlo Solari Donaggio
Chairman S.A.C.I. Falabella

Letter from the CEO



Sandro Solari Donaggio
CEO S.A.C.I. Falabella

“The consumers of the 21st century are more technologically literate, knowledgeable and multichannel than ever before, which demands from us a greater capacity for innovation.”

In the letter that I directed to you in last year's annual report, I presented our SERVING TO GROW strategy, and I anticipated that we were prepared to face a leaner and more demanding year. Throughout all of 2014 we worked intensely on aligning our organization to these concepts, maintaining the discipline to continuing growing with responsibility.

RESPONSIBLE GROWTH

In a year marked by lower economic growth, depreciation of the local exchange rates and greater inflation, we continued expanding our operations, focusing on increasing our efficiency and controlling expenses. This strategy allowed us to reach revenues of US\$ 12,464 million, 13.6% greater than in 2013, with an increase in earnings of 4.7%. It is worth noting how much our operations outside of Chile have grown, as they now account for 40% of our total revenues, and reflect our multinational identity.

During 2014 we invested US\$ 896 million in organic growth. We fulfilled the plan we had announced at the beginning of the year, opening 31 stores and two shopping centers, which were complemented by the acquisition of the Maestro home improvement chain, which has 30 stores in Peru. Another great accomplishment was the opening of our first two Precio Uno stores in that same country, which allow us to reach a new customer segment in the grocery market, with huge growth potential. In order to support this growth, we inaugurated a new distribution center in Peru, which will also allow us to achieve greater operational efficiencies.

Falabella in 2014 opened its 50th store outside of Chile, included five new international brands into its sales mix and opened 21 specialist stores. Additionally, as part of our efforts to differentiate and position our private brands, this year we signed model Gisele Bündchen as the new face of Falabella. However, without a doubt, our greatest efforts revolved around our omnichannel strategy. Improving the online shopping experience is crucial to the future of our business.

The year 2014 was one of consolidation for our Plaza subsidiary. With more than 280 million visits, its shopping malls have become veritable urban centers with varied offerings in entertainment, culture, services and products, significantly contributing to the quality of life of those who reside in their vicinity.

In the financial business we made important achievements. Consumer loans increased by 14.5%, exceeding US\$6,000 million. This growth was accompanied by a 6% increase in the number of clients, leading us to end the year with 4.6 million CMR accounts with a balance. These results are supported by the CMR Points loyalty program, in which customers exchanged their points, for products or services, over one million times last year. At Banco Falabella, we have reached 1.4 million checking and deposit accounts, a network of 207 branches, 580 ATMs and more than 800 digital service centers. It was also the first year of operations for Falabella Móvil, which closed the period with over 200 thousand clients. Internally, we have worked diligently on implementing state-of-the-art software that will allow us to better adapt our financial business to the digital world.



DOING MORE WITH LESS

At Falabella, we have the imperative of doing more with less. This demands a culture of continuous improvement, the development of synergies between our businesses and dedication to professional training and education. In 2014, we implemented LEAN in order to simplify and standardize processes, focusing our energy and resources on satisfying our customers' needs. To varying degrees, we are seeing improvements across our subsidiaries, both on the sales floor and in the logistics areas. We will continue to build on this progress, as we focus on productivity and excellence.

THE FUTURE IS DIGITAL

Our 125th anniversary was an opportunity to reflect on the future of Falabella. The consumers of the 21st century are more technologically literate, knowledgeable and multichannel than ever before, which demands from us a greater capacity for innovation, more technology and better levels of coordination to provide them with a unique and efficient experience.

Along these lines, we have deepened our omnichannel strategy across all business divisions with new investments and projects that will allow clients to access our products and services from any place at any time. Creating positive consumer experiences are critical for growth and profitability.

PEOPLE AND SUSTAINABILITY

In order to continue growing responsibly, we must align our work with the expectations of

our customers. Fostering a transversal culture of service is one of the most important tasks that we have taken upon ourselves. Developing the people who form part of our company is one of the tenants of our future growth. We are investing to empower and enable them, we want to be the best workplace for them, where they can grow and develop professionally.

One can only grow with sustainability. These efforts resulted, in 2014, in a series of actions involving the environment, labor relations, corporate governance and corporate ethics, commitments with the community, responsible commerce and marketing, and responsible sourcing. We communicate our shortcomings, our advances and the detail of these initiatives through our sustainability reports.

I cannot possibly finish this letter without thanking the more than 100 thousand people that form part of the Falabella Group. Without their commitment and their effort we would not have achieved these results. I also thank all of our suppliers that accompany us in this path of growth. True to our origins, in 2015 we will intensify our efforts to continue to improve our level of service. We have the resources, the team and the strategic vision to make the most of these opportunities.

Sincerely,
Sandro Solari Donaggio
Corporate CEO
S.A.C.I. Falabella