

Highlights of 2014



Strategic Pillars

- Growth
 - Profitability
 - Sustainability
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Strategic Pillars

The Falabella Group aims to grow with discipline and responsibility in each one of its businesses, generating value, strengthening its leadership role in the region and concentrating its efforts in order to achieve continued improvement in the Company's three strategic pillars.

Growth

To responsibly grow in the region, organic and inorganically, consolidating our position and our ability to serve the customer, entering new markets and innovating with formats and channels.



Profitability

Increase profitability in each of the Group's divisions, by improving operating efficiency and identifying synergies among the businesses.



Sustainability

To be a Company that is respected, valued and preferred by all stakeholders: clients, employees, suppliers, communities and shareholders.



Growth

Since it began operations, the Falabella Group has always been characterized by its responsible growth strategy, and 2014 was no exception. Although the year presented a challenging environment, with slower economic growth in several of the markets in which it operates, the Group nonetheless reported US\$12,464 million in revenues, a 13.6% increase year over year, thanks to the balance achieved between organic and inorganic growth.

The Company's most important milestone in the year took place in the home improvement division, with the acquisition of the Maestro chain in Peru, which added 30 stores, significantly expanding the Company's presence in that country and contributing to the market's development. With this step, Sodimac continued to strengthen its regional leadership.

In 2014, the Group opened 31 stores in the region, thus slightly exceeding the growth plan presented at the beginning of the year. Falabella opened eight department stores in the region, marking a milestone in its international expansion now that it has 50 stores outside of Chile. In 2014, three stores were opened in Colombia, in the cities of Ibagué, Cali and Bucaramanga. Three stores were opened in Peru, in the city of Iquitos with the Expo format, in the Real Plaza Salaverry shopping center in Lima and in the city of Huánuco. Lastly, two stores were opened in Chile, one in San Fernando, which replaced the expo that operated in that same city, and another in Mall Plaza Copiapo, in the northern part of the country.

The Group opened nine home improvement stores, in different formats, across the region. In Chile, the Company opened a new Homecenter in Quillota and a Homy in Mall Plaza Egaña. In Peru, the Group opened a Homecenter in the Villa El

Salvador district in Lima and another in the Open Plaza shopping center in Cajamarca. In Colombia, the first Sodimac Constructor in the country was opened in Bogotá and a Homecenter was opened in the Tintal neighborhood in Bogotá. In Argentina, Sodimac inaugurated a store in the city of La Plata that, in a few months, became one of the chain's top stores in terms of revenues in the country. Lastly, two Dicico stores were opened in Brazil, in the cities of Sumaré and São Paulo.

On the supermarket front, the Group opened 14 new stores in the region in 2014. In Chile, four supermarkets were opened in Concon, Santiago, Reñaca and the Chamisero neighborhood in the city of Colina, and one hypermarket in Mall Plaza Copiapo. In Peru, five supermarkets were opened in the districts of San Luis and Miraflores in Lima, and in the cities of Ica, Chepén and Huanuco. There were also two hypermarkets opened in Peru, one in the Open Plaza Cajamara shopping center and another in the San Hilarión district in Lima. Additionally, the new Hiperbodega Precio Uno format began operations in 2014, with two store openings in Lima, in the districts of Puente Piedra and Huaycan. This new format will help accelerate the Company's growth in Peru, as this supermarket format is well suited to emerging



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middle-class consumer neighborhoods where formal retail penetration is low. The new format also helps position the Group's Precio Uno brand.

While the Group works to incorporate new stores and formats, it is equally important to continue to develop the online channel in order to adapt to new consumer habits. In 2014, the Group launched the e-commerce sites for Sodimac and Tottus in Peru. In addition, Falabella stores in Chile implemented a new delivery system for online sales, in which customers can retrieve their purchases from lockers. The locker system expands the coverage of online delivery and provides the customer with greater convenience.

The specialty stores allow the Group to continue diversifying the way it reaches its customers. During 2014, the Group opened 21 specialty stores in Chile, Peru and Colombia. These stores represented the following exclusive brands: Call it Spring, Mango, MAC Cosmetics, La Martina, Aldo, Americanino, Mossimo, Clarks, Desigual and HE by Mango. This last brand is one of the international brands represented exclusively by Falabella, which the Group added to its portfolio in 2014, together with Etam, Mango Kids and Aristocrazy.



Falabella Financiero continued demonstrating sustained growth across its different business areas. The division reported an important increase in revenues, especially in financial products associated to the CMR card, which grew 15% year over year, and in the use of the CMR card for third-party purchases, which increased by 12% compared to 2013. Meanwhile, consumer loans exceeded US\$ 6 billion in 2014, a 14.5% annual increase. This achievement was partially due to the growth in new customers, which increased 6% during the year, further supporting CMR's leadership in the region in credit cards, as its card with a balance reached 4.6 million. The CMR Points loyalty program should also be recognized, as customers realized over one million point exchanges in the year.

Banco Falabella's passive products also exhibited sustained growth. Checking and deposit account openings increased by 23% and 38%, respectively, reaching a total of 1.4 million passive accounts. Sales associated to the debit card, meanwhile, grew by 69% in comparison to the previous year, once again leading the region in growth. Additionally, new points of service were established with customers, responding to their interest for improvements in the level of service, focusing on transparency, convenience and simplicity. The Group's client service network increased, to include over 580 ATMs in the countries where Banco Falabella is present, 270 bank branches across the region and 800 electronic customer service centers.

Regarding Viajes Falabella, more than 400 thousand passengers in the region booked their travel plans through the agency and revenues increased by 6% year over year. Contributing to the comprehensive offering of Financial Services, this was the first year of operations for Móvil Falabella, which was preferred by more than 225,000 customers through its Prepaid and Controlled Charging services.

Regarding the Real Estate division, Mall Plaza Copiapo was inaugurated in Chile, becoming the first shopping center in the Atacama Region, which allowed the Group to introduce new stores and brands to the residents of that region. Additionally, Open Plaza opened a new shopping center in Puente Alto. These openings are in addition to the inauguration of new *Aires* and *Laguna* spaces in Mall Plaza Oeste, which revitalized this important shopping center in Santiago, creating a new social and entertainment center for the families in that neighborhood. These projects widen the mix of brands available in these areas, thanks to the arrival of new fashion and international culinary trends. Another novelty was the expansion of the Food Court of Mall Plaza Trébol in Concepcion, which increased its leasable square meters by 21%. Finally, Mall Plaza Egaña consolidated its presence this year with a wide range of products and services, including the new area dedicated to sports called Pro Sport, the Casa Maroto culinary and cultural center and a diverse offering of specialty stores.



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In Peru, Mall Aventura Plaza Bellavista and Mall Aventura Plaza Trujillo also underwent expansions, which increased leasable square meters by 14% and 21%, respectively. Additionally, Mediocentro-Clínica Internacional medical attention centers were incorporated in all Aventura Plaza shopping centers, thus taking a significant step in transforming them into genuine urban centers, with services and new entertainment options that improve the customer experience. Important steps were also taken in consolidating the Open Plaza brand, which defined a single logo for Chile and Peru this year.

Profitability



For the Falabella Group, it is not enough to simply grow. Growth must go hand in hand with the continual improvement of the Company's operations in each of its business divisions. In 2014, the Company reported US\$4,394 million in gross profits, a 13.7% year over year increase, while EBITDA reached US\$1,674 million.

The Group is implementing a series of initiatives that aim to provide its customers with a consistent level of service, no matter the time or place, through its various sales channels. These initiatives will be rolled out across the region. For example, in 2014, Falabella, provided sales people in Chilean stores with tablets connected to the internet, allowing in-store access to the full range of products available on the Company's websites, complementing the product mix available on the sales floor. Additionally, the Click & Connect service is available at every department store in Chile, Colombia, Argentina, and Peru, which allows the customer to make purchases online and retrieve those products from the store of his or her choice. This service was also implemented in some Sodimac and Tottus stores in Chile. The Click & Collect service not only improves the customer's shopping experience and reduces delivery times, but it also simplifies the logistics of ecommerce since products are dispatched to the store from

the distribution center or, when possible, the order is simply fulfilled using in-store inventory.

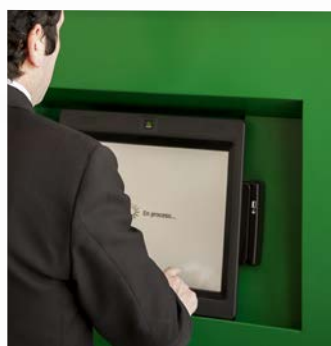
Regarding productivity, the Group continues implementing the LEAN management model. Throughout the business, focus is placed on increasing production efficiency, reducing operational tasks, reducing processing times in distribution centers and increasing efficiency in in-store reception and restocking tasks, as well as in optimizing the distribution of the Company's staff. Several department stores were remodeled in order to optimize the use of space, centralize check-out counters and renovate the look of different departments. In Sodimac self-service check-outs are being implemented, with the roll out complete already in several stores. In Tottus, in the production center of confectionary and prepared foods, processes were standardized in order to reduce production times. Additionally, 11 stores in Chile and two in Peru were remodeled in order to optimize the sales floor, in order to introduce new categories and improve the existing product mix.

Given the growth that the Group has experienced over the past years, the Company is developing several infrastructure projects that will allow it to leverage its future growth in the region. In 2014,

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Special attention is being placed on the systematic technological advances that are revolutionizing the consumer habits of the region's population. In this context, Falabella Financiero began in 2014 a series of technological projects that seek to innovate payment methods, develop omnichannel customer service, optimize risk engines and adapt centralized systems for credit cards and other banking products. The implementation of these projects should generate operational efficiencies and improve the customer's satisfaction and experience through better service. Additionally, special emphasis has been placed on capturing new customers in order to reduce funding costs, by promoting the direct salary deposit program. Accounts with direct salary deposits increased by 58% in the region, thanks to this initiative. Meanwhile, the Group continued to incentivize customers to migrate to remote service options. As a result, in 2014, 82% of all customer services were handled through self-service channels and 47% of all customers received their account statements by e-mail. For its part, Banco Falabella Colombia began installing its own network of ATMs, with 46 points of service operational by year end.

The development of private label brands is crucial, both because this strategy enables the Group to offer customers product options with a better price/quality balance and because it increases profitability. During 2014, the Group launched two new private label brands. Wurden, a small home appliances brand, characterized by its high level of efficiency, performance and technology, with a wide range of products suited for today's lifestyle, with innovative and quality designs. This brand will be available across the Group's three retail formats, optimizing its production and distribution. In the same year, Sodimac launched the Ozom brand, a new home automation technology. Ozom's product line is comprised of twelve products that allow customers to remotely control their homes through a mobile app. Functions include turning lights on and off, as well as operating cameras, locks and sensors, among others.

In the real estate business, the concern for achieving greater profitability was reflected in a greater efficiency in the use and maintenance of equipment, a greater centralization of the services shared among shopping centers across three countries and in the optimization of marketing expenses.



Sustainability

For the Group, economic growth must go hand in hand with the creation of social and environmental value, and with a profound commitment to the community. In 2014, the Falabella Group received several acknowledgements with regards to this commitment, both at the consolidated level and at each one of its companies. In addition, each business unit participates in programs and projects that benefit the communities located near its stores and shopping centers, with the goal of contributing to their development and quality of life.

During 2014, the PROhumana Corporate Sustainability Ranking commended several of the Group's companies in Chile on this matter. Falabella Retail attained the ranking's highest distinction, the Platinum seal, which was granted for the first time and which was only granted to four companies in the country. Mall Plaza and Sodimac were also acknowledged, ranking sixth – improving by two positions since 2013 – and tenth, respectively.

As the Group continues to grow in the region, special consideration needs to be taken in order for the construction, design, maintenance and operation of its stores and shopping centers to be ecologically friendly. In 2014, the US Green Building Council acknowledged the new Tottus in Miraflores, in Peru, with a LEED certification. Falabella also received its second LEED certification for the volume of its commercial interiors. Sodimac, meanwhile, obtained the Platinum LEED certification for its Homecenter Tintal store in Colombia – the first certification of this kind for a store in Latin America, and only the seventh worldwide. Furthermore, Mall Plaza Copiapo was inaugurated in Chile and is in the LEED certification process; this shopping center is considered a pioneer in

sustainable construction in the north of Chile, as the project adopted specific measures for the efficient use of water. This year, all of Mall Plaza's shopping centers in Chile obtained the ISO 50001 Energy Efficiency Certification and the ISO 14001 Environmental Management Recertification. Open Plaza built in Pucallpa the first emissions-neutral shopping center in Peru, through the acquisition of carbon credits to neutralize the impact on the environment of the emissions produced during construction.

With regards to the Company's waste management, Sodimac Chile implemented a National Network of *Puntos Limpios*, which consists in 15 centers where clients can drop off waste for recycling.

In order to maintain a close and trustworthy relationship with customers, the Group must listen and respond to their needs. In 2014 the Group implemented, across all of its companies, a new customer loyalty management system, which is

based on recommendations and called Net Promoting Score (NPS). The objective of this tool is to improve customer satisfaction, prioritizing the implementation of the changes and improvements that our customers themselves request.

As part of its 125th anniversary, Falabella Retail celebrated through a series of events with its customers, employees and suppliers, as well as government authorities, trade guilds, business leaders and local communities. Among the most notable events, the Group held a music competition in which all of the schools participating in the *Haciendo Escuela* program were invited to participate. The finale of this music contest took place in Santiago's historic Municipal Theater. The events also included an opera and a ballet in the same theater and a Ricky Martin concert held at the National Stadium. Finally, the Group held a special event to honor the suppliers of the department store division and to acknowledge their contribution to Falabella's growth and development.





Within Sodimac's community programs, the Sodimac Specialist Network (CES) is an emblematic project which brings together 354 thousand specialized handymen and contractors. One of the more notable events of 2014 was the realization of the second CES Training Fair. This event took place in the Mapocho Station in Santiago. Over 20,000 handymen and contractors attended the event, which offered 210 free courses and had 120 participating companies.

During 2014, Tottus initiated its Healthy Eating Educational Program, with the support of the 5 al Día Corporation and the backing of the Food Nutrition and Technology Institute (INTA) of the University of Chile. The first pilot program project took place in two schools in the municipality of Melipilla. The initiative included various workshops and lectures promoting the development of healthy eating habits, in addition to athletic activities such as trekking and running. The school children's families are a fundamental part of the program, participating in theoretical, practical and cooking workshops, and encouraged to participate in all additional events.

The Falabella Financiero division continued developing its financial education program during 2014. Further progress was made promoting the *Juntos Aprendemos* website at the regional level,

incorporating financial educational advice in its products and client channels. The second version of the e-learning program was also launched, which provided training for 800 employees throughout the region, and the second financial education tournament was launched in the *Hacienda Escuela* program, with the participation of 400 students in Chile and 3,000 in Argentina. A pilot program for digital classes on financial education was implemented in the curricula of the schools participating in the *Hacienda Escuela* Program. The alliance with America Solidaria also made important strides in 2014, given that employee volunteer efforts and a communications campaign helped increase the number of partners to 27,509 from 1,600 the year before.

Lastly, the real estate division worked on various development initiatives in its shopping centers, receiving eight distinctions in the Energy Efficiency Seal from Chile's Ministry of Energy. Additionally, ANDA Sustainable Brands Awards acknowledged Mall Plaza in the category "Communication that creates conscientiousness regarding sustainability" with regards to its "I am 0% Plastic" campaign, which promoted the use of reusable cloth bags. On the cultural front, Aventura Plaza premiered the musical *Snow White* in Peru, open to the public free of charge in four shopping centers in the country.



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