

Santiago, August 1, 2018

**MATERIAL EVENT 07/18**

**S.A.C.I. FALABELLA**

**SECURITIES REGISTRY No. 582**

Pursuant to the provisions of article 9 and the second paragraph of article 10 of Law No. 18,045 on the Securities Market and General Regulation No. 30 of the Financial Market Commission (the “**CMF**”), and being duly authorized to this effect, I hereby advise the following to the market generally and to the CMF as a **MATERIAL EVENT** in relation to S.A.C.I. Falabella (the “**Company**”), in order to make truthful, sufficient and timely disclosure of material events and information in relation to the Company, its businesses and publicly-offered securities issued by the same, at such time as said event occurs or upon the Company becoming cognizant thereof:

At a meeting of the Board of Directors of the Company held on August 1, 2018, the following action was taken:

Call a special shareholders’ meeting of the Company (the “Meeting”), to be held on August 20, 2018, at 3:00 p.m., in the Álamo AB Meeting Room of the Courtyard Hotel, located on Av. Kennedy 5601, Level 7, Las Condes, Santiago, in order to be informed of and issue a determination on the following matters:

1. *Capital Increase*: as the first item on the agenda, approve the following interdependent matters related to a prospective capital increase in the Company:
  - a. Conducting an increase of capital in the Company by issuing 84,330,000 new cash shares without par value, all of the same and only series in existence, which, valued as indicated in articles 23 and 132 of the Stock Companies Regulations in relation to withdrawal rights at the date of the Meeting called hereby, would yield a total amount for the capital increase in the sum of \$505,188,141,300, which capital increase, if approved, will have to be paid up in pesos, lawful Chilean currency (in cash, check, cashier’s check, electronic transfer of same-day funds or any other instrument or paper representing money and payable on sight), within a maximum of three years as from the date of the Meeting, at the placement price and on such other conditions as agreed at the Meeting. In order to reflect the capital increase in the bylaws, it was proposed to amend the text of the current article five and interim article of the bylaws of the Company.
  - b. Authorize the Board of Directors of the Company to request the registration of the shares that represent the capital increase in the Securities Registry kept by the Financial Market Commission and in the Santiago Stock Exchange, and commence the process conducive to the placement of the cash shares such as are agreed at the Meeting to be issued;
  - c. Agree that, concurrently with and in addition to the offering of the new cash shares to be conducted in Chile under Chilean law, a private offering thereof be made to qualified investors in the United States of America, without proceeding with the registration of such shares in said country, under Rule 144 A and Regulation S of the 1933 United States Securities Act.
2. *Delegation of Authority to the Board of Directors to Establish the Final Price of the Shares*: as the second item on the agenda, authorize that the Board of Directors be delegated the authority to establish the final placement price for the new cash shares, provided that the placement commence within 180 days following the date of the special shareholders’ meeting whereby the capital increase shall be approved.
3. *Authorization for the Simultaneous and Synchronized OTC Sale of Shares*: as the third item on the agenda, grant approval in order that, upon fulfilling certain requirements, and concurrently with the placement of the new cash shares, that the sale of shares presently

outstanding be admitted in a process simultaneous and synchronized with said placement.

4. *Operations with Related Parties*: as the fourth item on the agenda, take note of the approval given by the Board of Directors to a related-party operation denominated "Cooperation Agreement" between the Company and Inversiones Los Olivos S.A.
5. *General Authority of the Board of Directors*: as the fifth item on the agenda, and notwithstanding the authority conferred upon it by law, grant wide-ranging authority to the Board of Directors of the Company to engage in the requisite acts to consummate the capital increase and placement of shares.

In relation to the *Authorization for the Simultaneous and Synchronized OTC Sale of the Shares*, a motion shall be raised at the Meeting to authorize that, in such manner as is approved at the Meeting and upon fulfillment of the following requirements, together with the placement of the new cash shares, authorization be given for shareholders to conduct, during the sales process, a simultaneous and synchronized OTC sale of the shares of the Company which they hold, on the stock exchanges, provided that:

- a. They be shareholders individually considered, either entities or individuals, who hold shares which they either own or such are under their control, but not two or more mutually-independent shareholders who intend to add or combine their shares in the Company in order to conduct a simultaneous and synchronized OTC sale;
- b. Each such shareholder shall offer, in a simultaneous and synchronized OTC sale, a quantity equal to or greater than 18 million shares in the Company, which quantity is equivalent to approximately a historical volume of 10 days' worth of daily trading of the shares of the Company in the market;
- c. Said shareholders shall undertake not to engage in any trading in the shares of the Company from such time as they express their firm interest in conducting the simultaneous and synchronized OTC sale of the shares and until 90 days shall have elapsed from the end of said sales process;
- d. They state in writing, to the Company, their intention to conduct a simultaneous and synchronized OTC sale of their shares in the Company, in the manner described above, by means of a certified letter sent to the general manager of the Company, which must be received at least three business days in advance of the date of the special shareholders' meeting, at the corporate offices located on Manuel Rodriguez Norte 730, city and district of Santiago. Said statement of interest, including the number of shares committed for the simultaneous and synchronized OTC sale, shall be confirmed no later than the fifth calendar day following the date of the special shareholders' meeting, by executing a cooperation agreement with the Company on terms substantially identical to those which shall be duly advised to the shareholders prior to the special shareholders' meeting. If said agreement is not executed within the aforementioned term, the shareholder shall be deemed to have retracted from its intention to conduct a simultaneous and synchronized OTC sale as part of the sales process;
- e. Any shareholders who wish to make use of this possibility shall sell their shares through the same placement agents who sell the new cash shares in the sales process, as described in the cooperation agreement indicated in the preceding paragraph; and
- f. Said shareholders shall bear the expenses in which they incur in connection with the sale of their shares.

In relation to the "Cooperation Agreement" between the Company and Inversiones Los Olivos S.A., shareholder member of the controlling group of the Company, it is informed that by virtue of such agreement it will be admitted that Inversiones Los Olivos S.A. sell in the stock exchange up to 21,000,000 shares of Falabella owned by it and outstanding, together

with the new shares of the proposed capital increase in a simultaneous and synchronized OTC sale.

In relation to the *General Authority of the Board of Directors*, a motion shall be raised at the Meeting in order to grant wide-ranging authority to the Board of Directors of the Company so that it:

- a. Proceed to issue the new cash shares on a single occasion and for all such shares, or else on a partial basis, as decided by the Board of Directors;
- b. Register the new cash shares in the Securities Registry kept by the Financial Market;
- c. Grant a preemptive subscription right to the shareholders;
- d. Place, among the shareholders or third parties, the new cash shares in relation to which said preemptive subscription right shall have been either waived or not exercised, being able to resolve all situations, modalities, supplementations, modifications and details as may arise or be required in relation to the capital increase and the amendment to the bylaws as agreed at the Meeting; and
- e. Take any action deemed necessary or advisable to supplement or perform the decisions made at the Meeting or to fulfill any legal, regulatory or administrative requirement or any demands made by the Financial Market Commission, the Internal Revenue Service, the Santiago Stock Exchange, the Central Securities Deposit or any other public authority or self-regulated entities, domestic or foreign, as may arise in connection with the capital increase and the amendment to the bylaws of the Company.

The capital increase proposed by the Board of Directors is intended to finance the acquisition of Linio and the contributions to leverage its market place, accelerate investments in logistics and technology, develop the operations of IKEA in Chile, Peru and Colombia, and the increase in participation in Construdecor.

The holders of shares registered in the Shareholders' Registry Book of the Company as of midnight of the fifth business day prior to the day scheduled for holding the Meeting shall be eligible to participate therein. If any shareholders are unable to attend, they may be represented at the Meeting by another person who need not be a shareholder. The qualification of proxies for the Meeting, if applicable, shall be conducted on even date therewith, and at the same location where the shareholders' meeting shall be held, at such time as it is scheduled to begin. For greater convenience, the shareholders are asked to submit their proxies on the date and at the place of the Meeting starting at 2:00 p.m.

The first call to Meeting shall be published in the El Mercurio de Santiago newspaper on August 3, 2018. The shareholders may obtain a copy of the documents that provide an explanation for, the basis of and details on the various different matters referred to the consideration and approval of the shareholders at the Meeting, at the corporate offices located on Manuel Rodríguez Norte 730, city and district of Santiago, starting on the date of publication of the first call to meeting. Likewise, said documents shall be made available to the shareholders, starting on that same date, in the Falabella website at [www.falabella.com](http://www.falabella.com) in the "Investors" section.

Sincerely yours,

Gaston Bottazzini  
General Manager  
S.A.C.I. Falabella

pgs./  
c.c.: Stock Exchange

Chilean Electronic Exchange  
Brokers' Exchange  
Banco de Chile/ Noteholders' Representatives  
Banco Santander / Noteholders' Representatives