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SPEAKERS

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PRESENTATION

Operator: Good morning. My name is Richard and I'll be your Conference Operator for today. At this time, I would like to welcome everyone to the Grupo Éxito First Quarter 2018 Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. Thank you for your attention.

Maria Fernanda Moreno will begin the conference today. Ms. Moreno, you may begin your conference.

Maria Fernanda Moreno: Thank you, Richard, and good morning, everyone. We appreciate you joining us today for Grupo Éxito's call. At this time I'm pleased to present our Chief Executive Officer, Mr. Carlos Mario Giraldo; Chief Financial Officer, Mr. Manfred Gartz; and Mr. José Loaiza, VP of International Business. As for today's agenda, Slide number 2, we will cover Grupo Éxito's financial and operating highlights, followed by a review of the performance of the Company and the consolidated financial results for the second quarter of 2018. The call concludes with a Q&A session. Thank you for your attention.

I will now turn the call over to Mr. Carlos Mario Giraldo.

Carlos Mario Giraldo Moreno: I want to welcome you all to the conference today, and I will start on Slide number 3 with the financial, operating and expansion highlights of the Company. First, I would say that in the second quarter of 2018 we had a margin growth from very good operating performance at all of the four business units, taken as business units of the countries.

The financial highlights show a consolidated net revenue rising 8.7% when we take into consideration a foreign exchange impact of 10.7%, with sales growth at all countries in local currency, and a very strong revenue growth of Other Revenues, complementary revenues of near to 43%. The recurring EBITDA margin gained 70 basis points and arrived to 5.6% without the tax credit impact of Brazil. It would have been higher margin, as you can see, with Brazil tax credit, but for comparative reasons we are excluding tax credits from Brazil, not only this trimester but also in the base. Net group share rose 71.8% and reached a program of COP$119,000 million pesos.

Going to operating highlights, what we can say is that the top line growth in local currency and operational efficiencies drove the solid margin performance of all operations. As a novelty we can (inaudible) the launch of Puntos Colombia pilot in Pereira, that is the coffee region where we do a pilot in a major initiative to be able to correct things before going nationally, and we started full operation on August 1, 2018. The synergy and integration plan is on track and we will be arriving at a objective of a run rate impact on operational profit at the consolidated level of USD$120 million. Of course, distributed in the different countries where Brazil makes the most important part given the critical mass of sales in Brazil.

In the debt structure, in the Q we saw a credit facility received at Segisor level, at the holding of Brazil, and a reduction of the indebtedness at the holding level at Grupo Éxito's holding level.

Sustainability is always a priority for the Company, and we are very glad to have received the recognition as an Active Anticorruption Company by the Transparency Office of the
Presidency, and also to have been recognized by ANDESCO as the Best Company in Sustainability Overall Strategy, in the category of the Best Large Companies.

Going forward, to Slide number 4, in expansion activities, our consolidated cap ex arrived in the quarter to COP$873,000 million, having Colombia cap ex of COP$143,000 million; half of it dedicated to real estate to the major products projects of the Company. In real estate expansion, in the quarter, we had 13 openings. In Colombia, one Éxito hypermarket; two Super Internet stores and four Surtimayorista Cash and Carry coming from conversions. In Brazil, three Cash and Carry Assaís, one of them from conversions. In Uruguay, we continue with the expansion of our Devoto Express convenience format with three stores.

It's very interesting to see the two pictures below. In the first one with the pit (phon), the last Surtimayorista, it is Autopista Sur in Suracha (phon). It is very interesting because it's a smaller size Surtimayorista of around 500 square meters, which is performing great, which gives us a possibility of many more conversions out of smaller size stores. So we continue in a very consistent way with this expansion.

To the right, you can see the current state of our shopping mall at Envigado. It will be opening in October, and it will be the largest commercial and business complex mall in Colombia, with 138,000 GLA. This is going to be a major development for this group as a whole and to its strategy of monetizing its most important asset.

Going to Slide number 5, we see the sales performance in Colombia. In a nutshell, we can say that we are seeing a sequential improvement in say net sales and in same-store sales. In Colombia, we sold near to Ps.2.5 billion, increasing 0.8% sales and 0.2% same-store sales. If we adjust by calendar effect, our same-store sales were negative 1.3%; however, that is 180 basis points better than what we saw in the quarter number one.

Éxito and Carulla had the best performance, thanks to the differentiation that they have been working in. If you go to the graphic, to the bottom part, to the left bottom, what you can see is that we are coming in sales from the lows in the second half of 2017, where we were around minus 6% for two continues quarters to near flat sales in this quarter, and which is added to a very good profit performance at all levels.

Going to Slide number 6, we get in some detail where we see the graphic with the performance of the different formats and brands of the Company. Clearly, Éxito sales show a trend of improvement in the last two quarters, that is a constant in all regions of the country, and in this case, we had a very important growth of non-food categories. But it was not only electrodigital, but we're seeing a very good, steady, long-term performance of our textile business that has been working with top models, with top designers, with basic products and with a very interesting private brand proposition.

In Carulla, sales trend improvement has been seen over the last three quarters, with a very important impact in the Cali and Coffee region, and with a strong improvement in Bogotá, its most important market, driven by the Fresh Market model. Making a focus on Fresh Market stores, they grew sales in June by 10.2%, that is more than double-digit difference against the total growth in Carulla.

It's interesting to see that now the Fresh Market stores are material. The three stores today account for 8% total sales of Carulla. By the end of the year when we complete six stores of Carulla Fresh Market, they will represent around 12% of total Carulla sales.

Surtimax and Super Inter had the most difficult sales results. Top line affected by strong deflation in key categories of commodities, like oil, sugar and rice, and also impacted by the strong non-profitable expansion of other players in the same discount and popular segment. However, there's a difference. It is that as a whole, Surtimax and Super Inter remain profitable with a positive EBITDA margin.

We are executing a plan to improve sales in Super Inter and Surtimax, which is based on a pricing focused strategy, loyalty activities at the popular level, an improvement in our product assortment to make it more relevant to the changing trends in popular consumers, and making a lot of emphasis in fresh product categories where we are clearly differentiated from the other popular players, especially from discounters.

In the B2B segment, this business to business, we include here our Cash and Carry and our aliados partnership with around 1,300 mom and pops, medium and big size stores. Here, it's interesting to see that now the B2B, which some years ago did not exist, now had a contribution in this quarter to sales of 120 basis points, arriving to 4.5% representation of total retail sales of the Company, which clearly now makes it highly visible, especially if we are planning to make from eight to ten additional openings per year.

Same-store sales grew 48%. Surtimayorista Cash and Carry had a growth of 62.5%. There were four stores opened in the second quarter of 2018, to complete 12 stores in the last 12 months and 18 stores that we will be arriving to by the end of this year positive EBITDA margins and solid returns, given the investment, which is quite lower per square meter against other formats of the Company, and in the conversions we continue to see a multiple of two times of sales per square meter against the previous format.

If we go to Slide number 7, what we can see is the growth leverage activities in Colombia. The first one being the Fresh Market. Here you see some pictures of our last Fresh Market, which is Carulla Pepe Sierra, the most important store in sales in Bogotá, with innovation in categories, like coffee, with a complete coffee experience depicting the different origins and the process of coffee; chocolate where you can make your own chocolate bar at your choice; cheese with cheeses of all origins; of the best and most important selection of organic products in Colombia; aged meat to be able to offer different types of meat in different ages of maturity; whiskey with a very important new segmentation; and beers of all the world; and ending with a very interesting cosmetic high-value offer.

What I would say is that following the good success of Carulla Fresh Market, our next moves are to open some more Fresh Markets, at least three this year; second, to expand to the most important Carulla stores the best performing concepts, like for example, the beer concept or the whiskey concept, or the imported grains of the world concept, and that we are now going to perform similar innovation at Éxito hypermarkets, which as you know represent around two thirds of the sales of the Company.

Our new format is a new generation of hypermarket. It has at least 25 value propositions which are innovative in non-food, in food, and in all nationality to give a seamless experience to customers and facilitate their purchases. We are going to open the first model in Envigado at the same time of the opening of the shopping mall, which is going to be denominated with the last name which is going to be Éxito Guau, and we call it Guau because this is going to be the sensation that it's going to cause in the customers. Then we will be opening in November the reformed country store that is the most important Éxito store in Bogotá in 134 Street, and it's interesting because even though it's only two stores where we are going obviously to see which are the most impactful value propositions, these two stores are the most important Éxito stores, one in Bogotá, one in Medellín and they account to around 10% of total sales of Éxito.

Going to Slide number 8, we come I will say to the most important initiative that we are launching this year its clear monetization of our customer base initiative and it has been jointly launched in a 50/50 alliance by the leading bank in Colombia, Bancolombia and by the leading retailer Grupo Éxito. It is named as Puntos Colombia. Together, we are coming to more than 14 million customers enrolled. That's very, very important because it's around one third of the Colombian total population, it is the largest ecosystem of point issuances and points retention in Colombia. The first true coalition formed by a retailer and a bank, not only in Colombia, but in Latin America by market leaders. It is a high potential data and traffic monetization alliance. The most important differentiation with other alliances is that it is present in all segments of the population, in popular middle and premium parts, economic segments of the population.

Number two is that it is a high frequency issuance and redemption alliance that bringing other alliances from other commercial and industrial sectors it will give access to our customer base, to supermarkets in food, also to non-food propositions in shopping, to fast food, to restaurants, to entertainment, like cinema or gymnasiums, to fuel and to credit cards. It is clearly a huge potential for the partners of the coalition and also the allies that they are not shareholders but they are going to get the benefit of belonging to this very important alliance.

As in this alliance, a travel solution for customers is very important. We're launching a very important, broad solution with broad alternatives to our customers - the 300 airlines in all the world, more than 300,000 hotels worldwide, 50,000 rental car offices, and even cruise lines solutions for our customers.

Finally, in this Puntos Colombia, the customers will be able to make point payment options where they can combine paying with their points, or paying with cash, or paying with both in a different percentage.

Going to Slide number 9, as a growth leverage, we continue to be consistent as we started some years ago with our omnichannel strategy. We really believe that the name of the game in the future, not only Colombia but in all the world, is who performs better - the omnichinality - that is putting together the best of physical and virtual. Our omnichannel strategy increased sales in this first semester by 30%,arriving to COP$159,000 million. Now it accounts to 3.1% of total sales of the organization. Some years ago, it was below 1%. So it's becoming very material. In this quarter it increased near to 70 basis points its share of sales of the Company as compared with previous quarters.

The best retailers in cash (phon), like for example, the leader in the U.S. market has a share of near to 2.8%, the leader in the U.K. has a larger share, clearly showing the potential because they initiated this process many, many years ago. To give you a sign of the importance that it has for different brands, to date for Carulla it accounts to more than 5% of total sales, and in Bogotá to 6.1% of total sales of Carulla. In home delivery, which is an important part of direct-to-consumer strategies, we completed near to 1.2

million deliveries, increasing by 300%. Our alliance with Rappi is an important part of this proposition. The digital catalogs within the stores today opened—or offer a limited portfolio especially of big ticket products in the stores, and they are present in 146 stores and they have portfolio that is not present in all stores. They increased sales by 7%. But we are now doing a pilot in different stores, for the moment in two stores, where we include 100,000 SKUs of food and non-food—especially on non-food products, and they are having a very good performance. Marketplace has a near to 1,000 sellers and increased 63%,and Cash and Carry is now present in 300 stores.

Finally, I would go to Slide number 10 before giving it to Manfred. Our net sales performance in Brazil is very positive. If we adjust by calendar effect, the total growth was 11.9% in reals, and same-store sales 5.4%. Clearly the best performance in all of Brazil of international players, gaining market share both in Assai 200 basis points, and in Multivarejo same-store sales gaining 100 basis points. Assai was the top performer, with an increase in sales of 23.5% and 4.7% in same-store sales.

Looking at maturity of the 20 stores opened in the last running year and it now represents near to 44% of total food business in Brazil. In the Multivarejo what we can say is that in hypermarkets and supermarkets it is the top performing today in Brazil of international players, and I would say that other than loyalty activities where it's especially important for the format Pão de Açúcar we can see a very important digital transformation that is also going to inspire us in Colombia through synergies and this digital transformation is clearly shown in Meu Desconto, where six customers have downloaded the application for Meu Desconto, and they have many more things different to Meu Desconto and two thirds of them use them monthly.

I hand it now to Manfred to go through the financial results.

Manfred Heinrich Gartz: Thank you, Carlos Mario, and good morning, everyone. Please let's move to Slide 11.

I'll start saying that the operational results in Colombia shows the early steps of the coming trend and the early stages of maturity of the strategy to pursue profitable growth in a challenging competitive environment. Sales growth now is positive and EBITDA's getting back on track. At the net revenues, they reached COP$2.5 billion in the second quarter, increasing 1.3% versus the previous year and maintained improvement—improved trend since the beginning of this year. Gross margin of the quarter closed at 24.6%, 30 basis points above the same quarter last year and in line with the historical performance. This is explained by volume effects, lowered shrinkage levels and good performance at the complementary business.

Also important to highlight that this quarter shows SG&A reduced by 3%, as all the optimization strategies and cost control initiatives continued to moderate throughout the year, and since the launch of the program at the beginning of 2017, decreasing 100 basis points as percentage of revenues. Main activities include obviously a process and FTE optimizations, occupancy cost reductions, amongst others.

Finally, recurring EBITDA for the quarter was COP$155,000 million, with a margin of 5.8%, increasing almost 26% and improving 110 basis points versus the same quarter last year, showing the profit recovery of the Colombian operation.

Please move forward to the next slide to start the discussion on our international subsidiaries. First, numbers from our Brazilian business units show stronger operation, thanks to a better commercial proposal and constant innovation at Multivarejo and the consistency of Assai results and systematic efforts to control expenses.

I think for several quarters now we see an operation expanding its profitability in a consistent manner. Net revenues grew 10.4% in local terms in the quarter, and in COP they reached COP$9.3 billion, decreasing 3.8% after a negative FX effect of 12.89%. Gross margin excluding tax credits reached 22.8% of sales, decreasing 50 basis points. This is mainly driven by the accelerated maturity of the Assai stores that were open in the last two years, as well as the positive impact from store conversions.

In terms of SG&A, expenses dilute at 110 basis points, as productivity initiatives were implemented at Multivarejo, and Assai gained traction from store maturity that could offset the expansion expenses.

Bottom line, recurring EBITDA, excluding tax credits, was COP$516,000 million, growing 8.3%, even after the FX effect, resulting in a 5.5% margin, 60 basis points higher than the year before.

Please move now to the next slide. With the second quarter results Uruguay reaffirms its position of one of the most profitable retailers in LatAm, with EBITDA margins above its year's average, with consistent expansion even in a complex macro context.

Net sales in local currency grew 5.7%, and sales results were driven mainly by the World Cup non-food category sales at Geant, the performance of the Discontinue banner, and the opening of 10 convenience stores in the last 12 months.

Net revenues reached COP$687,000 million in the quarter, decreasing 3.7%, due to a negative FX of 9%.

Gross margin grew 60 basis points. SG&A increased 30 basis points as a percentage of net revenues as the effects of the increases of wages that hit during the quarter. However, year-to-date expenses maintained under control, gaining 10 basis points as a percentage of net revenues.

Recurring EBITDA reached COP$40,000 million in the quarter, and a margin of 6.8%, gaining 30 basis points versus last year, and growing 1.7% in comp even after the negative FX.

Please move forward to the next slide on Argentina. Here, I would say that our significant real estate activity, two, the constant commercial innovation in the country, and three, our positioning in regions with lower economic deceleration allowed us to maintain a good performance in top line and achieve margin expansion, clearly outperforming competition.

Net sales grew 34.7% in local terms, both in total and same-store sales, outperforming local inflation of almost 30%, and also despite the steep interest rate climbs during the quarter. Net sales in COP closed at COP$282,000 million, and an 11.8% decrease, due to a negative FX of almost 34%.

Net revenues reached COP$300,000. In local currency, they grew 33.6%.

Gross margin gained 70 basis points. SG&A rose slightly above inflation in local currency, increasing 30 basis points. I think here it's important to highlight that this happens even when expense is controlled has offset most expenditures that were pressured by higher than inflation adjustments.

Recurring EBITDA reached COP$9,000 million, with a 3% margin in the quarter, increasing 40 basis points versus last year.

Real estate business continues to contribute and protect the results in Argentina, offsetting most of the inflationary pressure that we have so far.

Please look at Slide 15 to have a look at the Group's consolidated financial results.

Consolidated net revenues reached COP$12.9 million, decreasing 2.9%. However, if we exclude the aggregate negative FX effect of 10.7%, net revenue grew 8.7% year-over-year.

Gross profit, excluding tax credits, dilute at 20 basis points, because of the change of the sales mix in Brazil due to Assai's accelerated expansion, while it gained profitability in all other geographies.

SG&A, one of the key (inaudible) that the Company has in its footprint, dilute at 100 basis points across all countries, but especially in Colombia and Brazil.

The recurring EBITDA, excluding tax credits in the quarter, ended at COP$720,000 million, resulting in a 5.6% margin, 70 basis points above last year, and growing strong at 11.1%, even after a negative FX effect of 11.4%.

Finally, bottom line, net income finished in the quarter at COP$119,000 million, versus COP$69,000 million of last year, growing 72%. I will further explain the results in the next slide. But I think it's important to highlight that in the accumulated level for the first half net income closed at COP$128,000 million, two times the result of last year.

Please move forward to the next slide for the income bridge. At the operational level, the main difference between the two quarters could be explained by first, the recovery of the EBITDA performance in Colombia, and two, a strong negative FX effect of Brazil, Uruguay and Argentina.

On the non-operational levels, the two main aspects to highlight would be first, strong reduction of non-recurring expenses driven mainly by the Brazilian operation and the elimination of the wealth tax in Colombia, and two, better financial results as a consequence of lower interest rates both in Brazil and Colombia, and obviously, the execution of deleveraging (phon) process.

Now, on Slide 17, net financial debt at holding level closed at approximately COP$2.9 billion, decreasing 19% versus last year, after the debt balancing initiative that was announced a few weeks ago to the market. Gross debt ended at COP$4.4 billion, reducing 2.4% versus the same period last year. Cash and equivalents closed at COP$1.5 billion.

At this point, I will turn the call over to Mr. José Loaiza for a follow-up on the Company's international strategy and synergies process.

José Gabriel Loaiza Herrera: Thank you, Manfred. As far as the integration process is concerned, we can say that we are on track to meet the year target, which is USD$120 million. This thanks to the 28 initiatives under execution and the commitment of more than 200 executives in the region. To give some color about how we are doing this, we can say, in Slide 18, the implementation of Cash and Carry in Colombia already addressed by Carlos Mario, a clear synergy reality from Brazil to Colombia profitable since year one.

On Slide 19, we may see the implementation of our Fresh Market premium value format in the region, which is already happening in the four countries. We can say that no other retailer in LatAm has this value format deployment. We are by far the leader of this segment in the region with an ongoing process of research and innovation (inaudible) with a cross-cultural and a cross-regional team with the four countries. On the left, on the map, you may see the performance gap that the stores with this new concept has compared to those not implemented yet.

On Slide 20, you may see the consolidation of our textile implementation in the region. This has become a clear differentiator for the value proposition especially in our hypermarkets in the four countries. To our positive surprise, you may see in the chart how Uruguay and Argentina are gaining a share with our brands Arkitect and Bronzini, close to that in Colombia, and you may see also how Brazil is picking up fast, being the fastest-growing market for these two brands.

On the next slide, you may see also a process already consolidated, joint purchases. We are managing after three years to still grow the volumes this year at 30% compared to the year before. To give some practical example, you may see at the bottom how together we are buying mozzarella cheese, where Brazil is the leading country in the order of close to $4 million, gained in savings close to 17%. Again, this is just an example of many others that we are doing at this moment.

On Slide 22, a word on operational excellent. We have taken the expertise from Colombia, Argentina and Brazil to Uruguay to implement the model to somehow offset the inflation pressures that we are having in the country with very good results, productivity at the store level increasing close to 9%.

To wrap it up about the international integration process, we can say that we are at full speed. We are on track to meet the annual target. After three years the four countries have learned to work together and we are ready to look for new opportunities.

Now, I turn it over to Carlos Mario for the final remarks.

Carlos Mario Giraldo Moreno: As conclusions for the second quarter of 2018, we can say that we had a top line growth in local currency, and recurring EBITDA margin growth in all countries, that our operational margin had an improvement of 40 basis points, and recurring EBITDA margin of 70 basis points at the consolidated level. Our control expenditure and cost plans are looking—are showing their results, with an improved productivity at all business units, with a special focus in Colombia and Brazil. A higher performance of international operations, plus the recovery in Colombia, at the end gives an improved result at the Group net income result of Grupo Éxito.

There's a consistent value proposal development at all segments, and of the segment that we started working some years ago and that we have consistently been expanding, like the Fresh Market model, not only in Colombia but in the different countries; the Cash and Carry low-cost proposition, very big in Brazil and (inaudible) materiality in Colombia and the only channel strategy; a debt rebalance to reduce indebtedness at the holding level; and a synergy plan development on track with the objective of arriving to a run rate result of $120 million by 2018.

Finally, an ongoing traffic monetization, not only of assets through real estate, but also of our traffic of our customers through credit, insurance, travel, business, cellular phone and business, financial transactions, and later this year with the launch of Puntos Colombia near to be a big success in the monetization of traffic, and the conclusion of our important real estate projects of Viva Envigado and Viva Tunja, which will be done in the fourth quarter of this year.

This would be the initial part of the presentation, and now we open it to questions and answers.

Operator:

At this time, I would like to remind everyone, in order to ask a question, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of Antonio González from Credit Suisse. Please go ahead.

Antonio González: Hi. Good morning Carlos Mario and Manfred. I wanted to ask on the debt restructuring that you announced. I know that you issued a press release a couple of weeks ago with some details, but I wanted to make sure that I grasped the rationale behind the strategy. So first of all, I wanted to understand can you do more and put more debt at the Segisor level in order to reduce the debt at the holding company level in Colombia? Secondly, again, please correct me if I'm wrong, but is the rationale here that you are basically synthesizing a way of lowering the leverage today in Colombia in exchange for future dividends that you will receive from Brazil? Is that the basic structure that you're putting together?

Manfred Heinrich Gartz: Hi Antonio. I will be on your two questions. The first one is that I think part of the day-to-day activities at Éxito level is to manage the indebtedness through the leverage initiative from the operational side and also from restructuring the debt and rebalancing that throughout the Éxito (inaudible). What I would say is that as of now there's no other plan to increase this current transaction, this current amount. That's first. That doesn't mean that we are not—we don't continue to see other ways to structure and to manage the indebtedness of Éxito. That's one. The second one that you brought up, as we announced to the market what we are using the proceeds in order to repay, to pay down that Segisor debt comes from the dividends, the ordinary dividends that would come from GPA.

Antonio González: Okay, I see. Just make sure I understand this fully. You are basically receiving €400 million but Éxito gets half of that amount and I presume Casino as the owner of the other 50% of Segisor would receive the other half. Is that the correct structure?

Manfred Heinrich Gartz: Segisor as a company, as a corporation, is 50% owned by Éxito and 50% owned by Casino, (inaudible) controlling holding of almost all the voting rights of GPA level that controls Éxito—that controls with Casino, and that holds around 18% of the economic rights of—18% from Éxito side and the same from Casino side of the economic rights of GPA. What happens is that, as you know, as a banker, is banks try to be as close to the operational cash flows that they can and Segisor was the right corporation to hold that debt, to hold that strategy of the rebalancing, and as it is a 50% owned company any proceeds that go to Segisor should be accordingly distributed.

Antonio González: That's very clear. Last thing, if I may. Is it possible to disclose who is funding the vehicle? Who is providing the funds to Segisor? Is it a bank syndicate? Apologies, I'm not sure whether you disclosed these on the original press release.

Manfred Heinrich Gartz: Antonio, I really do think that that's not a relevant issue so far so I think it's—I think what's important is that this is a normal procedure as part of a rebalancing of the debt structure in, I'll say, in a multinational company. So that's what I would say.

Antonio González: That's fair. Thank you so much Manfred.

Operator: Thank you. Our next question comes from Nicholas Laraine (phon) from J.P. Morgan Securities Inc. Please go ahead.

Nicolas Laraine: Hi. Good morning everyone. Thanks for the call and thanks for taking my question. I wanted to touch on a couple of subjects. First of all, in Colombia, if you could comment a bit on the outlook you guys have for the second half of the year given this positive, I would say, second quarter. How has competition evolved? Also in the case of efficiencies, do you think there's still some room to go in terms of SG&A savings? Do you think that in second half we should see SG&A more in line with inflation or do you think you can still beat it and maybe grow below inflation over there? Also, if you could touch a bit on the conversions. I wanted to understand better which formats are that you are converting into Surtimayoristas and if you have a guidance or a ball park number on how relevant Surtimayorista should be by the end of the year in terms of sales? Thank you very much.

Carlos Mario Giraldo Moreno: Nicholas, I'll take your questions. The first one is in Colombia we see a gradual improvement as a whole in retail sales. You saw the figure yesterday published by DANI (phon). In the Nielsen basket they continue to be negative in the 32 baskets at minus 0.4% in the last figure we got until May, but they are much more positive than one year before and we think that they will be in positive grounds in the following months.

The consumer is improving its feeling about the economy and it has at least 15 points difference from what it had last year. In line with this, we believe that our sales will be continuing in a gradual improvement. We do not see a big jump but we see a gradual improvement as you have seen in the last quarters.

As for efficiency, I think that quarter number two saw very important efficiencies. It is important to consider that it had a base effect that was favorable for efficiencies below inflation. We will continue with this strategy and we are very strong on efficiencies in Colombia but of course it is not easy to obtain efficiencies way below inflation, especially if we consider that in the second half of last year we had already achieved important efficiencies. But you can count on a very important productivity program going in a consistent way in the Company.

As for format, which are converted into Cash and Carry, what I can say is that most of the stores that are being converted into Cash and Carry are Surtimax big stores, a couple of Éxito popular stores, non-performing Éxito popular stores have already been converted. We see that for the future we will be doing at least 10 of these per year but we will look at opportunities to further accelerate and we believe that we have at least a total portfolio between 30 or 40 stores that have a potential of conversion into Cash and Carry. By the end of this year, the total Cash and Carry initiative will have sales which will very probably exceed $100 million, which already shows the real materiality that it has acquired.

Nicolas Laraine: Perfect. Thank you very much Carlos Mario.

Operator: Thank you. Our next question online comes from Federico Pérez from Bancolombia. Please go ahead.

Federico Pérez: Hi Carlos Mario and Manfred. Thanks for the presentation. I would like to make a follow-on question regarding the indebtedness level at the holding company. After the (inaudible) transaction and taking into account the recovery in the Colombian EBITDA, do you guys feel confident enough to comply with the covenant of 3.5 times net debt to EBITDA at the end of the year or shall we expect any extra negotiation or deals or divestment in order to decrease the holding—the indebtedness at the holding level? My second question is regarding Surtimax and Super Inter. We see once again these stores are the worst performance in the quarter mainly affected by the deflation you guys expressed in the presentation. Can you give me a little bit more color on the outlook for the second half, and are you guys expecting to open any extra stores in this segment? Thank you.

Carlos Mario Giraldo Moreno: Federico, I will take the answer. We are in line with the covenant—or with the objective and with the target of being at 3.5 times net financial debt over EBITDA and can even be better than that. That's the first one. Second, we have a plan as you know to further make contributions of assets, of mall assets into Viva malls but obviously it impacts the debt structure but that's not the main purpose. It is more a strategic purpose of having very strong Viva malls, as the main shopping mall, commercial operator in Colombia and giving it a higher visibility together with our partner FIC.

As of Surtimax and Super Inter, as I told, we're going through a very important intervention plan that includes a pricing focus, the proposition that includes an expansion of private brand and assortment revision and also increasing the participation in Surtimax towards a fresh product category and giving a lot of focus in Super Inter to its DNA which are the meat and fruits and vegetable sales.

About the openings, new openings, we are, for the moment, concentrating new openings in the Éxito brand, one opening for the Carulla brand in a very important part in Bogotá, and also the openings of the Cash and Carry, as we have said before.

Federico Pérez: Perfect. Thank you.

Operator: Thank you. Our next question online comes from David Santos from Compass Group. Please go ahead.

David Santos: Yes. Given that you're—and congratulations on the results—but given that you are ramping up the Puntos Colombia JV with Bancolombia, how can we better start to analyze that given the metrics, the numbers? How can you actually incorporate that into the price of the company given that as of today it was just something that you were mentioning but now you're starting to give a little bit more numbers and perhaps you could give in the future more numbers to actually incorporate this into the model. How can we do that?

Carlos Mario Giraldo Moreno: I would begin to say that as all these initiatives these initiatives take some time to mature. The first part is that we have to convert all the points of Bancolombia in its credit cards and all the points of Éxito and Carulla into Puntos Colombia. That's the first phase that we have done. The second phase is that we have to obtain the AVIA data from our customers that, with their permission, to fully trade with the information of the customers. We are in that phase of the coalition. The third part is that we have to increase the level of issuance and redemption of points and to bring allies into the coalition. We already have some allies, with (inaudible), for example, people like Cine Colombia or Frisby, only to give you a couple of examples. So that's a very important objective for this second quarter.

Looking forward, what I would say is that you have to look at different things. First, the cost for Éxito is the same that we had because we already have a cost of points Éxito which will not increase. Number two, the benefit comes from additional sales as we get more customers which were not Éxito customers, redeeming points on Éxito products, and as we have our customers being attracted to be able to make more purchases of their food and non-food products within Éxito because they have the benefit of obtaining points that they can redeem in many more other needs for them. The third part, which we of course are not in the point to give for the moment a forecast, is that there's a very important point of the business is the margin that we create between the issuance and the redemption in points because there's a shrinkage of points in the first place, but also because in dealing with our partners and allies there is a margin between the cost of issuance and the cost of redeeming the points.

Operator: Thank you. Our next question online comes from Julian Felipe Amaya from Davivienda Corredores. Please go ahead.

Julian Felipe Amaya: Good morning. Thank you for your presentation. I have one question and it's related with the sales in Colombia. I would like to know if you think or expect that this good performance presented during the quarter will maintain in the future or it was just explained by the effect of the workup.

Carlos Mario Giraldo Moreno: We do expect to continue in a gradual improvement. Probably the mix will be a little different. We see that the electrodigital categories and big appliances continue in positive grounds. Probably not with the big increase that they had given the World Cup. But we are also seeing a gradual improvement of sales in the food categories and a very stable increase in textiles. As I said before, we are not seeing big jumps. We want to be cautious about what we say, what we see and we want to be very consistent with our strategy, and that is promoting of (inaudible), which has a material increase; promoting Fresh Markets, which has shown until the moment double-digit increase in sales; innovating in Éxito with the launch of Éxito Guau format; (inaudible) Super Inter and Surtimax; and nurturing our income with other income coming from the complementary businesses which for the moment are having a very positive performance.

Julian Felipe Amaya: Okay. Thank you very much.

Operator: Thank you. Our next question online comes from Alonso Aramburo from BTG Pactual. Please go ahead.

Alonso Aramburo: Hi, good morning, and thank you for the call. I have a couple of questions. First, regarding the Viva Envigado and Viva Tunja, which you're expecting to open in the fourth quarter, can you give us a sense of the occupancy you expect when these shopping centers open? My second question, a follow-up on this credit facility of Segisor. Can you give us information on what's the interest rate or the coupon rate on this facility and what's the maturity of the loan? Also if it is a hedge, if it's hedged given that this is in euros and it's going to be covered by (inaudible)? Thank you.

Carlos Mario Giraldo Moreno: I will take the first question, Envigado and Tunja. They will be opening with an occupancy near to 90% of total shopping mall. In Envigado we have to consider that a very important tenant that we're going to have will only be opening in one year, which is H&M, because of its plan of entering Colombia. But we believe it's such an important tenant for the shopping mall that we will be looking for temporary solutions of occupation in the meanwhile. In both shopping malls we have a home center as an anchor. In the Envigado we have Decathlon as an anchor also, and we are going to have something very important, and that is, we will have probably the most important area of entertainment for children in Colombia, with more than 6,000 square meters of entertainment area, and the most important area of sports and the most modern cinema from Cine Colombia in all the country.

So we're very positive on these shopping malls. Additionally to that, in Envigado, we could achieve something which was very important, and it is to connect the shopping mall to the metropolitan train of Medellín, which means that it's going to be not only a shopping mall for the surroundings of Envigado but for the complete city.

I'll hand it to Manfred for the second ask.

Manfred Heinrich Gartz: Okay. Alonso, regarding your question is that what I can say is that first, this new facility has better terms, that the facility that they're replacing. That's first. Then it's variable rate (inaudible) midterm facility. Finally, regarding the hedging, what I'd say is that the exchange rate risk will be hedged according to Éxito's hedging policies.

Alonso Aramburo: Okay. Thank you.

Operator: Thank you. Our final question comes from Carlos Rodriguez (phon) from (inaudible). Please go ahead.

Carlos Rodriguez: Good morning gentlemen. Thank you for the conference call. Just a follow-up regarding Puntos Colombia now that it formally has started. What are your expectations in terms of share that it will be contributing revenues? I think it's more important in EBITDA or net income but do you have some detail that you can give us and should we expect the same margins and the same operations (inaudible)? Thank you.

Carlos Mario Giraldo Moreno: I would say that it's very difficult to say at this moment. It's a starting point of a big business. What I can tell you is that there's a full support from both partners that we have high expectations and that probably when we have better visibility we will give you some objectives of economics for the business. What I can tell you is that when we look at total complementary businesses and monetization strategies of Éxito, they now account to near 30% of the total operational profit of the Company, and that's very positive, and we think that a clear profitable defense for the future of this organization.

Carlos Rodriguez: Thank you.

Operator: Thank you. We have no further questions at this time. I'd like to turn the call over to Mr. Moreno for closing remarks.

Carlos Mario Giraldo Moreno: Okay, thank you. I would say that the second quarter was a very positive quarter, with an evolution in LatAm Éxito business. The Colombian operation, with gradual improvement in sales and strong profitability progression at all levels, that is operational and net profit. Brazil as a clear market winner, with a growth of above 10% in reals, and Cash and Carry as the most dynamic player with margin expansion. With leading digital transformation, which is a very important modern way to lead the market, and leading premium format with the Pao de Açúcar improved stores. Stable business in Argentina, above other comparable businesses, with a clear real estate business as a start that permits us to face very well the challenges that Argentina poses. Uruguay is steady in its strong performance. Productivity and synergies in all operations delivering results.

Some final comments about Colombia. I think that there's one word which is present today in the strategy of Éxito, which is innovation. Innovation driving (inaudible) and becoming material. Innovation in Fresh Market. Innovation in Cash and Carry as a new format, a new market for Éxito. Innovation in omnichannel key leadership, in last mile focus and in the upcoming hypermarket new generation. That's the recipe for Éxito to face other competitors and their expansion and to remain profitable and to repeat (phon) on profitable ways of increasing our sales.

The second thing I would say is that our model of monetization, of assets and of customer traffic is very important. First, with complementary businesses, which are performing in a very good way, our Credit Tuja (phon) business, our insurance in alliance with Suraméricana, and our travel business. Second, our real estate commercial world leadership continues to grow. We will be doing some additional growth at Viva malls level, and Envigado and Tunja are going to support the future growth with a contribution of near to 170,000 GLA, which is very important for the growth of Viva malls, and the launch of Puntos Colombia as a modern vehicle for loyalty and data, which I would say is one of the most important initiatives for this group and with high visibility in all the markets given its influence in more than 14 million customers.

As a summary, I would say consistency in Colombia, clear and visible integration and synergy process at Latin American level, and a modern strategy to compete in a multichannel world scenario with monetization of key assets and customer data and loyalty in the middle of our strategies.

I want to thank you for your presence in the conference, and we will see you soon some months from now.

Operator: Thank you. Ladies and gentlemen, this concludes today's conference call. You may now disconnect.