

**ALMACENES EXITO, S.A.**

**Moderator: Maria Fernanda Moreno**  
**June 1, 2016**  
**10:00 a.m. ET**

Operator: This is conference # 11711968.

Operator: Good morning, my name is Lourdes and I will be your conference operator today. At this time, I would like to welcome everyone to the Grupo Exito First Quarter 2016 Conference call. At this time 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. Mrs. Maria Fernanda Moreno will begin the conference today. Mrs. Moreno, you may begin your conference.

Maria Fernanda Moreno: Thank you, Lourdes; and good morning, everyone. Thank you for joining us today. At this time, I'm pleased to present Grupo Exito's Chief Executive Officer, Mr. Carlos Mario Giraldo; Chief Financial Officer, Mr. Jairo Medina; and Mr. Jose Loaiza, VP of International Businesses. Today's agenda is shown on the slide number 2. We'll be covering Grupo Exito's operating highlights followed by a review of the Company's international strategy and the consolidated financial results for the first quarter 2016. The call will conclude with a Q&A session.

The Company presentation is available on our corporate website. A link to this presentation has been provided on the invitation that was distributed via e-mail. Please note that the first quarter financial information submitted to the regulator, and through the Investor Relations page last Friday, May 27 at 7:05 PM local time. Other inconsistencies related to the (May 24) information of operational segment, changes related to reallocation of accounts. Consolidated SG&A, recurring operating income, non-recurring expenses and EBITDA.

We sincerely apologize for the mistake and for any inconvenience this may cause and kindly ask you to consider the information submitted last night

through the Investor Relations page, at 11:07 PM local time, as well as the one submitted to the regulator today at 8:56 AM local time as a definitive one.

Thank you for your attention. At this point, I would turn the call over to Mr. Carlos Mario Giraldo for his comments.

Carlos Mario Giraldo: Thank you, Maria Fernanda. And I want to give -- to welcome you all to this call. I will start with slide number 3, that you all have. Well, we have the highlights for the first quarter of the results of Grupo Exito. Here, it's important to begin saying that we had a very strong same-store sales growth in Colombia, Uruguay, in Argentina, in almost all segments, and/or around or above inflation. And we had a resilient food sales increase in Brazil of 10.9 percent, which compares favorably with the 7 percent that we had for last year in the same country, of which there was a clear leading by the Cash & Carry format Assai, with a 36 percent increase. With respect to CapEx, the CapEx was COP413,000.

It is important to see that going forward, we maintain our guidance of CapEx that is Brazil with BRL1.2 billion, with a focus in the winning formats of Assai and proximity. And in Colombia, something around between \$100 million and \$120 million with focus in the Exito brand mid-sized hypermarkets to intermediate cities, and proximity formats. In Uruguay, we will be around \$35 million, all dedicated to the proximity Devoto Express. We are getting in this first quarter to a store base of 2,554 stores which puts Grupo Exito consolidated as the first player in South America in an omni-channel proposition that clearly above everybody puts together the best of the physical and of the ecommerce. And in the physical arriving near to 4 million square meters of retail space. There were important advance also in corporate governance as adopting to the Board of Directors and the general assembly different measures of corporate governance guidance accepted by the OECD, and that are recorded in Colombia through (Quincenazo) which Exito accepted in almost all of its lines.

Independent Board members were chosen as chairpersons to all the committees of the Board and also as the President of the Board is helped by an independent Board members. And in an important advance also, the Audit Committee is exclusively composed today by independent board members and

it is in-charge of taking very important decisions related to results to audit, and also two inter-related parties transactions. There is a big important advance in the real State of Colombia going through with a creation of a vehicle of around 360,000 square meters of GLA which is deemed to raise near to \$200 million, which are going to be fully dedicated to the development of the real estate within the vehicle. This would be probably done in the second half of this year between the third quarter and beginning of the fourth quarter.

Going to slide number 4, we can see what's happening with synergies and with integration. It has been six months since we put together this platform and a lot of work has been done. We can see first in the commercial side how powerful commercial strategies are being implemented at the same time in all the regions. We took the very winning Compra del Mes in Argentina and implemented it in the same way with the different name, adapted obviously to the local market in Colombia through El Quincenazo and in Brazil through 1,2,3 Passos Da Economia. As you can see, this is a very interesting commercial proposition because it is going to those consumers who are very price-sensitive in food items and it works with the rational in which Cash & Carry formats are working in the region, but coming from the hypermarket formats.

Then, we have been working a lot in joint negotiation with suppliers, both in food and in non-food. And we held the first business round with our purchasers and suppliers of Brazil and Colombia; in Colombia, in March; and in Brazil, in May. Results will come further, but this is the first time that a serious effort is made to put together the markets of Colombia and of Brazil, and it is done of course, because we have the commercial power of the network created by Exito in both countries.

If we go to the next slide, slide number 5, we can see how the Exito proven textile model for hypermarkets has been now implemented in some pilot stores in Sao Paulo in Brazil. You can see in the pictures how the hypermarket was exhibited before and how it's now being exhibited, and this is a pilot which is very important given the importance that textile has not only for traffic and for quality perception, but also for the margin in hypermarket

formats. And you can see how we opened the first Fresh Market in Punta del Este, in Uruguay. This puts together all the know-how that the Group has in the different premium formats, especially formats like (inaudible).

Moving to slide number 6, we see a summary of what's going. We come back to say as we did last year that we will be aiming for a synergy target between \$150 million and \$160 million, that is 50 basis points of the whole perimeter of the Grupo Exito to be captured in the next four years. We believe that this year, we will be capturing something between \$15 million and \$25 million as we did \$5 million in the last month of last year. There are 15 initiatives which are running at full speed at this moment and are in-charge of an implementation team formed by executives of the four companies.

I would make a big summary of them. The first one is new formats. In new format, we just launched in May, Cash & Carry in Colombia. It has been now working with a lot of success for 15 days in our country and it is at Bogota, and if you get the best of all the know-how that we have recollected through Assai in Brazil. Our Aliados scheme to team with small retailers is being now applied in Brazil the first pilot to be able to foster proximity in Brazil through Pao de Acucar. And also, we are now extending at full speed proximity formats in Uruguay under the know-how recorded under Exito Express, and today under the brand of Devoto Express.

Negotiation is a very important part of synergies and we already started in different plants. The first one is a joint commodity purchasing things, which are joints and the same type of products that are bought in international markets, like olive oil, like apples, grapes, mozzarella, salmon et cetera. They are being jointly bought by all the countries. We are in the third round of negotiation with 22 global consumer goods suppliers. These are the common suppliers, most of them, the multinational companies that you all know. And here, we are going for on top conditions of negotiation that are on top of the current conditions that each company has in its country.

And finally, we started. We started later than the previous one, but it already is going to the second round of negotiations, non-food negotiations that is for appliances, for electronics, and for furniture, and this is leaded by the big

leader in South America of this type of appliances, which is Via Varejo, that is leading this team with the theme of the hypermarkets of the rest of the region.

Finally, there are some closed deals in data suppliers, like Dunnhumby are in the sea-freight negotiation because all of us pay sea freights for imports in the extended warranty contracts for Colombia, Uruguay, and Argentina, not still Brazil, because it has a pending contract for two more years, but then it will be unified, and in the (IT) services.

Going to slide number 7, we can see the pictures of the first Cash & Carry opened in Colombia. It's impressive because even our Brazilian colleagues told us that it was very, very similar to what you would see in Brazil, and it captures that type of insight of the consumer. As you know, this type of format sells to end consumer, but it sells also to professional Mom & Pop Restaurants, hotels, transformers, etcetera. We opened it under the name of Surtimayorista. With mayorista, it identifies the type of format; and with Surti, it takes a good profit of Surtimax brand which has the best price perception in Colombia.

Going to slide number 8, we began to make a follow-up of the results of the different business units of Grupo Exito. The first one is, of course, to look at the consolidated sales. In the consolidated sales, the big, big message is our sales are 60 percent food, a gain 40 basis points of share against non-food. If we discount the importance of Via Varejo and CNova, the food sales of the rest of the formats will be up to 75 percent, that is to say the Grupo Exito really today is the clear specialist in food in South America.

It is the clear specialist that is prepared even to support this way the most difficult economic conditions as we have them in Brazil and to profit of relatively good economic conditions as we have in the other three countries. It is important that when we put our food together, the growth during the first Q was above 11 percent and that even in non-food, we had a very positive trend coming from a very negative sales of Via Varejo last year of double digits. As you remember and you can see it there in the second Q of 2015, the sales of Via Varejo were minus 23. Now in this last quarter, it continues gradually improving and it was a minus 11.8 and what we think for the second quarter is

that there will be another improvement for Via Varejo in its sales in Brazil, thanks to the competitiveness of Via Varejo and the rich gaining market share.

Let's go to Colombia, slide number 9. Really Columbia had an outstanding quarter. I would say, it's the best quarter in the last two years, not only in sales but also in profits. We had sales at plus 7.4 percent and same-store sales above 5 percent. It is very important to note that the Exito brand which has the hypermarket, which we're lagging last year, had a very interesting increase in sales of 6.4 percent total sales and 6.1 percent same-store sales. The Carulla, our premium format when you discount non-comparable sales of last year, had an increasing sales of 11.2 percent and our Discount format 11.3 percent. It is interesting to see that Exito's like-for-like sales, the format Exito with the hypermarkets had a 6.1 percent same-store sales, which compares against a negative 1.3 percent for the full year of 2015. Carulla sales increasing more than 10 percent and 11 percent. They also contribute to the profit of the company, given the highest percentage of EBITDA that it has over all the other formats.

And in the Discount format, I would say that this ongoing growth, which is consistent with what we saw last year, has to do with the emphasis in Fresh products, the synergies coming from Super Inter and Fresh products, from the SKU optimization also for optimization of working capital, and also it was done in-line at the same time with profitable growth. It is not only important to grow and to grow double-digits, but to grow earning money and here Surtimax and Super Inter today have a very interesting positive EBITDA margin, which is very different from what you can see in other business scenarios in Colombia.

Going to slide number 10, I would make a lot of emphasis in this slide, because it speaks all about Exito brand and Exito brand is very important for Exito in Colombia, being the most important brand in top of mind and in market share. Here, the message is that when we look at the increase in sales in Exito, it is not for free. It is a result of consistency in the commercial strategy. It is a result of having four strategies jointly building traffic at the hypermarket.

The first one is Quincenazo, which is the same that we are applying in Brazil and in Argentina, and it is focused on consumer goods. The second one is Insuperables, that is more than 50 items, the most important like rice, sugar, oil, et cetera, which are private label. Private label, most of them and this is very important for the price perception of the brand. And finally, we have two more, one in textiles, being such an important part of the DNA of Exito, and it is an EDLP strategy for textiles, that is now being rolled to all the country and which have given a double-digit increase in units for the textile business. And finally, Fresh product model brought from Super Inter for foods, vegetables and meat, which has been also rolled to all the country.

Operational results in Colombia, solid performance in the business, solid position not only in market share, but in operational profit. We have sales increasing 7.8 percent, that is net revenues with margin gaining 100 basis points, which is the result of a good mix in products, given the good results of textiles, and also the very good results of Carulla, and also complementary businesses given the contribution of real estate, credit insurance, travel and financial transferences.

Finally, we are seeing that expenses are -- there is a big productivity initiative, which is very important because at the same time, we have had the pressure of energy costs and our integration costs, which have no cost in the base. And finally, it is important to note that in these results of Exito, complementary businesses are responsible for one-third of the ROI of the company.

Going to Brazil, in Brazil, we see that, as you know, the economic and political scenario is very complex. One of the most complex in the history of Brazil. Nevertheless, we have positive food sales with (another) evolution near to 11 percent for the quarter, that is four points better than the average that we had last year. It is important to say that food gained 40 basis points in the share of the sales of Grupo Pao de Acucar. And that's mainly because of the importance and the evolution of Assai with 36 percent increase in sales and 16.6 percent increase in same-store sales.

As you can see, Assai now for the first time, becomes the number one brand in Grupo Pao de Acucar, in Brazil in food with a 32 percent share in food, and

extra has a 31 percent share in food. It is very good, and in a moment in which consumer is trading down, we have one of the two most important brands in the Cash & Carry in Brazil, and it is gaining market share within all formats and all brands in Brazil.

Non-food has a consistent recovery coming from very low last year. Via Varejo, through its new management is doing a great job. It has brought sales to a better point, but also increased its productivity initiatives. E-Commerce, as you know, has been struggling in Brazil not only as a format, but also our E-Commerce site. Nevertheless, we continue with a very important best-in-marketplace. And our marketplace almost duplicates as a share of total sales going to 15.6 percent. As you know, marketplace is key for future profitability of our E-Commerce site, and mobile devices which are the modern devices to connect young consumers with the e-commerce, were responsible to 44 percent of total traffic. In our E-Commerce in Brazil, we had a change of management and we had a new manager coming from Walmart from in Brazil and this is also very important for the future.

If you go to operational results in Brazil, they were taken to the market some weeks ago, so you already know them, transferred to Colombian pesos, they mean COP14.7 billion consolidated in Exito net revenues and they mean our recurrent EBITDA of COP363,000 million that is 2.5 percent. It is important to see in this margin that this margin is the combined result of our difficult margin in non-food, given the circumstances in Brazil and especially in E-Commerce of 1 percent between (few) and 1 percent EBITDA margin. And much more resilient margin in food above 4 percent.

If you go to slide number 14, then we go to Uruguay. In Uruguay, sales are very positive, near to 16 percent growth for the first quarter. Even though we have a 10.6 percent inflation in the country, our sales are much better than inflation given market share gains and the expansion coming from Devoto Express, which are the key points in Uruguay.

If we go to slide number 15, what we can see in the results, are very good results with all the lines going up except expenses, which are very well controlled. I would say that even though Uruguay has performed very well in



all the last quarters, this first quarter is exceptionally good, and it has some stationery effect given that we had a great summer in both the real estate and Montevideo with a lot of tourism coming from Argentina and with very good weather conditions. This is something that we do not repeat in the other quarters, but anyway, we see a stable operation with the market share gain with expansion that nobody else is having coming from the formal market, which is a very, very good news for all the consolidated figures of the Group.

When we go to Argentina, Argentina, even though it's a small operation nationwide, it's a much more relevant operation near 16 percent of market share to the north of Argentina. It performs better than the market, and it performs better than the market mainly because the 15 hypermarkets that Libertad has are increasing its sales above the other -- rest of the hypermarkets in Argentina. And the sales that are up near to 31 percent, they are around the inflation of Argentina, whatever the inflation is, because if there is no very clear data of what inflation is, there are some people that say that it's 32 percent, 33 percent, others that say that it's around 24 percent, 25 percent; but anyway, what we can see is very interesting dynamics in sales, even though proximity format is small yet, it is having a very good increase in sales of near to 72 percent.

When you go to the operational results of Argentina, you see a recurrent EBITDA of 4.2 percent, which is much better than what it was last year. We don't have that historic figures because of the accounting system that we consolidate with no base, but clearly there is an improvement in Argentina. And the good thing is that the operation has done a great job in offsetting costs. There is cost in Argentina, as you know, that are going up, not only later, but especially energy because of the measures that are being taken and fortunately the contribution of our real estate business in Argentina, which now accounts to 50 percent around of the ROI of the operation, helps us to go through this transition times.

But good times are coming, we're seeing consistency, nothing is taken for granted, but so long, so good in what Argentina is doing, and it goes on with its real estate project. This year, we will be opening something like 21,000 square meters of GLA, of which we already opened 8,000.

Then we go to slide number 18. This is the consolidated operating performance of all Grupo Exito, as you know, it's non-comparable, because you don't have a history here for Brazil and for Argentina. So, it's very difficult to compare the figures. The good news is that starting September of this year, we are going to have (now the field) in Argentina in the base. And we are going to be able to compare the results of Exito. We're working very hard, so that a recuperation of Brazil will help us to give a booster to results when we begin to compare results against historical results.

For the moment, it's important to note here that we have COP18.5 billion of sales for consolidated for Grupo Exito that we have an EBITDA near to COP600,000 million with a margin of 3.2 percent, and that we have a net income of COP947 million.

That takes me to the next page to explain a little bit how we get to that net income result. The net income result in this Q is affected mainly by three things, which are different and don't have a base. The first one, the most important is financial expenses. We have COP100,000 million in financial expenses when last year, we had a financial income. Number two, we have the wealth tax. The wealth tax is something that we have had in Colombia now for two years, and it is accounted entirely in the first quarter.

So, we are not going to have some local taxes, and the wealth tax in the rest of the quarters, because according with IFRS, we have to account them all in the first quarter. So, of course, that impacts the net income of the Company. And finally, we have the result that we get from Brazil. In Brazil, as you know, we get 18.9 percent of the net result of the Company, and that implied for Exito, a negative net result contribution of COP15,000 million.

Putting all that together, we still ended slightly in black figures. This is very important to say that the operation of the Company was so strong, especially in Colombia, Uruguay, and in Argentina that regardless that we had some implementation costs that we had at the wealth tax and that we had important financial expenses that we didn't have last year. We even ended in positive figures in the quarter which stationary is the weakest quarter of all (inaudible),

but also where we have taxes that we won't have in the next quarters of the year.

When we look in slide number 19, the right part of the slide, we speak a little bit about the debt of Grupo Exito at the holding level. It is important to understand that we have two different ways of looking debt. When we looked it at the consolidated level, it is very low. As an index, given that we have, especially by the end of the year, positive cash positions in Uruguay and Argentina, and we are also giving a guideline of positive cash position for Brazil at the end of the year. So, it is almost negligible and last year, it was 0.3 times net debt-EBITDA.

But of course, we like and we have to look it at a holding level that is the cash (swaps) that Exito is receiving in a regular form and in this way, we ended last year at 3.8 times net debt-EBITDA. The good news is that as we are seeing things and given that we are also taking very strong measures to reduce the debt level of Exito through some non-strategic asset sales, through working capital improvement and through some dividends that we are going to bring not only from Uruguay, but also from Argentina, which is good news that we didn't count with before.

We think that we will end the year with something between 3.5 times and 3.0 times net debt over EBITDA, which is good news. Only to remember, our current debt is composed of Colombian pesos near to COP3.1 billion and \$450. That takes us to something between COP4.4 billion and COP4.4 billion as total debt. The cost is in the Colombian pesos IVR plus 3.5 percent and in the international part in the US dollars LIBOR plus 1.75 percent.

Going to slide number 20, I'm going now to -- like through the big conclusions. When you look at the quarter, when you look at the broad picture, when we look at the (first), it has been six months since Exito integration. It has been six months since Exito is managing four countries, four very strategic and important countries, the three most important economies of the region, plus the country with the highest per capita income in the region. In these four months, we are seeing a very solid, positive trend

in sales and in operational performance in three out of the four countries, Colombia, Argentina and Uruguay.

In Brazil, we are seeing resilient sales in food, mostly driven by the Assai format. And we are seeing very, very clear measures taken by management towards having a very strong Company once the country comes through the positive grounds, which will eventually happen, being Brazil the most important economy in our South America.

As you know, Brazil has been volatile in the past and this is not the exception, but when it comes back, it comes back very strong. And the good news, it's going to receive a very strong company with strong fundamentals. That is the reason why we are working productivity in all countries, but with special emphasis in Brazil, while we are reducing FTEs in Brazil, it's not easy to do, but we have done near 20,000 FTEs of reduction between Via Varejo and in the Extra format. And while we are investing in the market and especially in Extra.

Extra is a very valuable brand in Brazil, one of the best recognized and it's not performing at the level of the market. So, we have taken the decision through the local management of doing a big, big investment in a long-term commercial strategy, as we call the (inaudible) Passos Da Economia, which we are very optimistic in the medium term will give the good results.

In the net income of the Grupo Exito, as you know, is affected by the wealth tax, by the debt service, by the non-performing net income of Brazil. But it is resisting, given the very strong operational result of the Company.

And finally, debt ratios are under control and are projected by the end of the year to get to be below the levels that we had at the end of the last year. Looking forward, what can we say? What we can say is that in our expansion, we're being selective. We are being selective to go for the formats, which are most friendly and performers in the complete region, that is Cash & Carry and Proximity with one exception, which is in Colombia, we are going through medium-sized Exito formats, and that is given the fact that in Colombia, you have more than 100 cities, with more than 50,000 inhabitants with no retail,

formal retail where you have a very interesting space for formats like a medium-size hypermarket, which become like the place to go, once that you open them in one of these six.

Real estate is going forward with the vehicle and Exito is at this moment working with the different offers that have been received. We have 13 projects, which are between galleries and commercial centers, which are going to be put into the vehicle. Six other projects are going to be part of the vehicle, the biggest projects of the Company within them Envigado and Barranquilla, for a total of 360,000 square meters of GLA.

If you put Barranquilla, as an open shopping mall, because it's going to be open in September when we have the vehicle executed around that same time. Then the vehicle is going to be very interested because it's going to have half of its GLA is going provide rents and half of it will be ongoing projects. So, it's a good balance of profitability and security for investors. We are having a second tranche that we are looking forward for 2018 with something like 170,000 GLA. A very important shopping malls that we have today, but that we cannot put inside the vehicle today because they form part of legal stability tax regulation in Colombia.

If we look the big picture of real estate Exito becomes one of the big players in real estate in the region with near to 800,000 square meters of GLA and also contributes with something which is unique to this Company, which are the complementary businesses of such importance in Colombia. If you look at Colombia, while the market has very low profit and you can see it, when you look at the results of most retailers last year, Exito has been at levels between 7 percent and 8 percent EBITDA and that, thank not only to the strength of the brands and to the strength of leadership, but also to the contribution of complementary businesses.

Brazil. In Brazil, we are performing key strategies to lead the market and to profit from the future recovery. This business cannot be looked in quarters, we have to look at the long-term. And in the long-term, this platform and Brazil is preparing itself for the good times of Brazil, by taking the tough decisions and by privileging the things that estimate to be the good decisions of the moment.

And I will speak of some of them. First, by expansion in the winning format of Assai between 10 stores and 12 stores this year, and we move to Pao de Acucar around 15 stores this year. Key conversions from Extra brand into Assai, two stores to be done this year, the first time that we do it, and we look forward to the success of this type of strategy.

The powerful commercial strategy that has been launched since April in the Extra format, which we are looking to give out results in the medium and long-term. The productivity and cost optimization in all the operation, but especially in the companies like Via Varejo where it is gaining market share, having good price perception, and at the same time reducing costs. And finally something which is new and which is the announced integration of Via Varejo and Cnova.

This is very important, because it puts together the physical and the virtual in Brazil. It puts together, the most important omni-channel player in Brazil, the clear leader in non-food and it's going to make possible that we profit from the distribution centers, from the joint purchasing and that synergies can be profited from in a very rapid way without having to do all kinds of negotiations, and on arm's length considerations. So, this is very good news for the fundamentals of the non-food business of our Brazil operation, and of course for Grupo Exito.

Grupo Exito has been leading an omni-channel strategy. As you know, we believe that in the future omni-channel is the name of the thing, that E-Commerce will become profitable in Brazil, eventually Exito is becoming now profitable in Colombia that many retailers in the world are today betting their life for an E-Commerce business. And we already had it and we already have it in a very sizable way. So, this is an advantage that when you look back in time in the future to Exito, you're going to see, that it's really is going to make the difference in the competitive scenario. Nobody knows how much share of the food and non-food E-Commerce is going to take, nobody knows for real.

But, we do know that the world is not going to be the same and that those players that can have the best of those worlds and to put it together in a productive way, are going to have a competitive and a comparative advantage.

And finally synergies. Synergies are for real. They are working, you could see the pictures. We are now having a complete store which as we speak with customers inside. We are having three commercial strategies, which are the same commercial strategies applied in three countries at the same time with the same rational with a different name adapted to consumers. We are having the textile hypermarkets. It's kind of an upgrade process of Exito, now piloted in Brazil, and we are having all the purchasing teams working together to get the best conditions for this business within other things.

This is our presentation. What I would say to end is that we feel that a lot has happened in six months that synergies are a reality on the move, that of course, we don't get all the benefits in the first moment, but that we are seeing things now in the source, now in the countries and all the teams working together, that we have an implementation team, which is doing the things with seriousness, and that we are having very strong three operations, Colombia, Uruguay and Argentina, even though each country has its different competitive challenges. And that in Brazil, we are having a good food increase in sales, and we're doing the job in productivity, in cost cutting, in having the right format, in making the right conversions, in making the expansion even in difficult times to assure the GPA will be the clear leader, the strong leader for Brazil of the future.

Thank you and we will open this session to the Q&A.

Operator: At this if you wish to ask a question you may do so by pressing star one on your telephone keypad. If you wish to withdraw your question you may do so by pressing the pound key. Your first question come from Andrea Teixeira with JPMorgan.

Andrea Teixeira: Get an update and I know Carlos Mario, you spoke about the campaigns and Assai becoming even more representative than Extra, but going back, I mean obviously Extra is still the challenge here and I understand that this campaign,

the 1,2,3 campaign, will basically be a challenge is to and if you're not getting the suppliers to help you. So, what is going to be your impact you believe on your margins in the second quarter for CBD? And if you can also update us on the -- you mentioned that you have a hiring on the nova.com in Brazil, how the management team will be set, and how you expect to get the control of this business through Via Varejo, but no longer at CBD, how are you going to be assessing that? Thank you.

Carlos Mario Giraldo: Yes, thank you very much, Andrea. I'm going to the first one. 1,2,3, Passos Da Economia in Brazil, is taken from what we did in Argentina in the last three years. It will take some time to get the positioning of the consumer, as it did in Argentina, but today, it's getting great results and as it is doing in Colombia. But it is very clear, because if you look at the photograph, what it does is that, when you buy one product, you get a 20 percent discount; you buy two products of the same, you get a 25 percent discount; you buy three products of the same, you get up 33 percent discount.

The goal is to finance at least 80 percent of all the margin investment from suppliers. And of course, it does not happen from point one, so the impact in margins for Extra will depend on what percentage of these investments it can get from suppliers in the second quarter. It is our progressive thing. I cannot give you for the moment a guideline of what's going to be the impact for Q3, that will be announced by GPA in its moment, but you can be sure. A first that it's implemented now in all the stores. Number two that there is a big, big concentration and focus, our management not only on this one, but in another initiative around Fresh products, which is very important for traffic building and also that there is also a complete concentration in the negotiation with the current suppliers.

And the second one, which is important to see is the Nova. In the Nova, we think that there's going to be a very positive impact. First, when we look at Nova today, Nova has been suffering from a lot of stockouts and a lot of logistic problems. So, the most important message today is that it is going to be supported when it is concluded, of course, which we think will be in the fourth quarter of this year that it will be supported on the logistic system and on the purchasing capacity of Via Varejo, which is one of the best in the world



and clearly the best in non-food in South America. Today, there are synergies between both companies, but not easy because you have a different set of shareholders and everything has to be negotiated and done arm's length. So, this would be one non-food under one roof, under one management, probably with two business units because of two channel units, but with united CD for logistics, which I am sure it's going to be very, very positive for the performance of that business.

Andrea Teixeira: And you're no longer -- I think you guys might -- you are not going to consolidating starting then in the fourth quarter. So, this is going to be part of equity income if the transaction is approved and done starting in the fourth quarter. So, there would be an impact on your balance sheet because I understand in (obvious) CBD used to consolidate it and now control is going to be passed to Casino, right? So, it's no longer going to be consolidated inside CBD?

Carlos Mario Giraldo: Yes, it's important to distinguish. Today, CNova has two big businesses. The first one is Nova Brazil and the second one is Cdiscount France. So, what we would probably not consolidate would be Cdiscount France, but we will be continuing consolidating Nova Brazil as we consolidate Via Varejo through GPA, but this is a contribution to simplicity. I've heard many of you make a call for simplicity and this is a very interesting set for simplicity because you have now one non-food business, you have now wanting to great Brazil operation and you have now -- you would have now only one public company below GPA.

Andrea Teixeira: But then Nova will be under Via Varejo, so you no longer -- CBD is not going to consolidate the Brazilian operation?.

Carlos Mario Giraldo: Andrea, I'm not sure that that's the case. What I'm sure is the case is that it would not consolidate the assets which would -- the French assets, but that it would consolidate the Brazilian assets.

Andrea Teixeira: OK. Thank you very much.

Carlos Mario Giraldo: OK. Thanks for that.

Operator: Thank you, your next question comes from the line of Richard Dolhun with Westwood Holdings.

Richard Dolhun: Hello, thank you for taking my call. I'm looking at cash flow from operations and I see that you had your EBITDA of COP500 billion and recurring EBITDA of just under COP600 billion. Yet, the cash used in operations was -- it was a net use, so that negative COP7.1 million, COP7.1 billion, COP7.1 trillion. So, what's the big gap between the positive EBITDA number of roughly COP500 billion and the cash flow from operations of minus COP7 trillion. What's driving that gap?

Carlos Mario Giraldo: Excuse me, Richard, could you tell me where you are getting that second data from, only to understand the question?

Richard Dolhun: This is from the consolidated financial results for the first quarter that was released yesterday, on page 9. Your summary consolidated cash flow statement piece on the bottom of page 9. Cash used in operating activities. In brackets, it's a negative number of COP7.057 trillion.

Carlos Mario Giraldo: Yes. What I would tell you is that a cash flow within a retailer has a normal cycle and that cycle has its weakest quarter in the first quarter and its stronger quarter in the last quarter. And that's the same when you look at the ratios. You're going to see that the net ratio over EBITDA for first quarter is much higher than in the last quarter, as you'd see CBD in the first quarter, it has a net debt. In the last quarter, it has net cash because, it is where the big sales are done and that important negotiations with the suppliers. So, it has to be with a normal cycle, but not with a fundamental change in the fundamentals of the business.

Richard Dolhun: OK. And the second question. If this recurring EBITDA and the EBITDA number here of COP501 billion or COP599 billion. This is a -- I guess you'd say a collective -- a consolidated EBITDA, that includes the operations of CBD, all of the Brazilian operations. But thinking from a cash flow perspective for Exito, would it be better to think of -- I'm thinking of the actual cash that Exito has to operate with. Would I be better to think of the EBITDA from your core operations in Chile and add to that the dividend from

the Brazilian operations to get a clear idea of cash flow to the parent company?

Carlos Mario Giraldo: I think that it's fair to say, and it's what I was explaining when I spoke about the net debt ratio. I said that there are two ways to look at it. One, in a consolidated way, in which it is very low. And one, in a cash flow way, which is, it is much higher and it ended at 3.8 times net debt EBITDA last year. And as you say, that one accounts. First, for the 100 percent of the cash flow you received from the Colombian operation, we are presuming that we received 50 percent of dividend distribution from Uruguay. We are presuming that we received nothing from Argentina. There can be a positive surprise from that, but we are taking zero for our accounts. And we were taking also 50 percent of distribution from Brazil. But now, we're bringing that down because as you know, there's not a net profit for the moment. So, that's the way in which we are making the calculations. So, you can be sure that when we count on our cash flows, we are counting on the cash flows which are directly accessible to Exito at this moment.

Richard Dolhun: OK. Thank you for that clarification. So, if I may ask one further question then, just looking at cash flow from an Exito perspective, how long -- and I know this requires an assumption on the macro in Brazil, but how long do you think it will be before the net dividend received from Brazil is large enough to cover the interest expense related to that acquisition, because in my mind, that is where on a cash flow basis that the Brazilian operations being purchased is starting to pay for itself, in essence.

Carlos Mario Giraldo: Yes, it's an answer I cannot give at this moment. I think if somebody would be able to say how rapid Brazil is going to recover -- I would say that it's a magician. I believe that it's going to recover. It's going to recover in probably 2017-2018, and then we're going to get full benefits from that recovery. For the moment, what I tend to think and do as a manager is that you work on the things that you can control. And we can control how we manage productivity, how we manage commercial strategy, how we reduce cost and how we take the right CapEx decisions and we optimize working capital, and how we maintain our positive cash position in Brazil. And that's what we're real focusing on all our efforts.

Richard Dolhun: Understood. Thank you very much.

Carlos Mario Giraldo: Thank you for your questions.

Operator: Thank you, your next question comes from the line of Juan Serrato with Porvenir.

Juan Serrato: Hi, thank you for taking my question. I have three questions. The first one is about results of 2015. I wanted to know if you -- should we expect to continue seeing this strength at net income or do you expect some kind of improvement through the year? And the second question is about which is the value of net -- of the income from the re-evaluation of the investment on Uruguay that taken place on the first quarter of 2015. And the last question is, I want to understand how it's going to take place, the integration between Via Varejo and CNova. What implies this process of integration and I want to understand better why Discount business at CNova will be no longer consolidated at the Pao de Acucar level? Thank you very much.

Carlos Mario Giraldo: I'm going to answer two of the questions and then I pass it to Maria Fernanda Moreno for the Uruguayan one. First, about net income. What I can tell you is that projections that we have are that the strength of the Colombian, Uruguayan and Argentinean operations are going to grant us, regardless of the financial expenses in Colombia, a positive net income at the end of the year. I want to be cautious about the exact number, but even though it's going to be lower than last year, it's going to be positive and it's going to respond to part, I would say at least of the expectations of dividends of our shareholders. Here, you also have to bear in mind that the dividend ratio distribution in Colombia has been normally between 50 percent and 55 percent, but that error has been a big concern on Exito to be able to respond to that dividends to our shareholders.

Number two is that in this, when you look at the quarter after quarter, you have to see that the most difficult quarter is the first one, because you have the equity tax, because you have impuestos provinciales, which are also accounted for in the first trimester in Colombia, which you don't have to in the rest of the year, that's one thing. And the second one is that stationary for

Exito are very important percentage of the net income is done in the second half of the year as for most retailers, so that you will have in the second half of the year a different picture. So, the first quarter does not reflect the net income result that we are expecting for the complete year.

And then, excuse me, for your second question about CNova and Via Varejo - - through that decision making process of both companies in the general assemblies. This is a slow process because it has to be taken to independent (technical difficulty) that it will be taken in a fair way. The textiles, (technical difficulty) probalby the fourth quarter of the year, if the things go as they have been planned. The important thing to understand is that when you put together CNova with Via Varejo, your putting is the Brazilian assets, Via Varejo is going to receive the Brazilian assets that really undervalue (technical difficulty) a potential with Via Varejo.

Maria Fernanda Moreno: With the question you have about the devaluation of the investment in Uruguay, in the first quarter of 2016, we posted an income of COP50,000 million, that's why the date of 2016 differs from the one in 2015.

Juan Serrato: OK. Thank you very much.

Operator: Thank you, your next question come from the line of Ron Dadina with MUFG.

Ron Dadina: Yes, hello everyone. Thank you. I have two questions. The first was related to the net debt to EBITDA ratio. You earlier mentioned that the net debt to EBITDA ratio was 3.8 times as of December, so was that just on a non-consolidated Exito net debt to EBITDA, because the consolidated net debt to EBITDA as of December was very low, 0.3 times, right? And also, what is the expected consolidated net debt to EBITDA ratio by the end of the year? So, that is my first question. And my second question is related to dividends, both dividends expected from Brazil and dividends expected to be paid out by Exito to the parent. So, do you expect any dividends from Brazil in 2016? And with regard to the payment of dividends to the parent, that would be based on net income -- or consolidated net income. So, if the consolidated net income

this year is low, the dividend payout, the actual payout would also be low. Is that right? I would appreciate your help with these questions, thank you.

Carlos Mario Giraldo: The first one, net debt to EBITDA ratio of 3.8 times December last year and projected this year between 3 times and 3.5 times, is at a non-consolidated base, that is at the holding base or also at cash flow base for Exito. And at a consolidated base, you're right, it is much lower. It is 0.3 times last year and we are projecting it to be very similar for the end of this year that is very similar of something around 0.3 times net debt over EBITDA consolidated level. As of dividends, dividends will depend on the net profit.

We are doing different scenarios, taking Brazil at different dividend payout ratio. But we believe that we also have to (clarify) our cash flow even having difficult scenarios for the (seamless account). Really, it is very difficult to know what's going to happen in Brazil as the economic and political situation is changing day by day. So, what we do is, we do stress projections and we count as if we could even count for our projections with no dividends coming. Of course, we expect positive dividends coming, but we want to refer to have it as an upside and not as something that we are expecting in our cash flow. So my answer would be, we feel very comfortable with our cash flow regardless of the dividends that we will be receiving from Brazil, given the strength that we are seeing in the rest of the operations. So, and the payout ratio, the payout ratio historically in Exito has fluctuated between 50 percent and 56 percent. Of course, it's a decision of the shareholders I cannot speak of. But I can only give you the historical figures, so that, that can give you some kind of expectation or of (inaudible).

Juan Serrato: OK. Thank you.

Carlos Mario Giraldo: Thank you very much.

Operator: Your next question comes from Alberto Sanchez with BBVA Colombia.

Guillermo Villate: Good morning, this is (Guillermo Villate), I have two questions. The first one is in regards to your deleverage plan and the disposal of non-strategic assets, how much cash are you expecting from the disposal and can you tell us in which countries will the disposal will take place? And the second one is about

the growth in Colombia. Can you tell us how much of that growth come from price increases and how much from balance?

Carlos Mario Giraldo: First, the deleverage. I don't want to get into the detail of how much is going to come from each of the elements that I have described. But what I would tell you is that if you put together sale of non-strategic assets. Number two, additional non-expected dividends, for example from Argentina, and number three, optimization of working capital, especially of inventories where we are targeting to reduce between four and five days of total inventories, especially in Colombia, that would mean it's something between 0.5 and 0.8 times net debt EBITDA. That is what would take us from between 3.0 and 3.5. Not in the assets, it is not certain of what you will sell, you know what you want to sell, but not if you get the adequate prices, so we want to be cautious about that and that's why we give a range.

Guillermo Villate: And for the second question.

Carlos Mario Giraldo: Excuse me, I got your second question. Your second question, the answer is that most of the increase in sales is a product of price increases. We are having a price index, which is below our cost index. We have had our compression of one or two points of productivity in the insight, because we want to be very, very price conscious to the market. What we're seeing is that, in the market, anyway, you are having a reduction of units from the consumers and so to be direct with you, most of it's coming from price increases, regardless, that our cost Index is higher than that.

Guillermo Villate: OK. Thank you very much.

Operator: Thank you, your next question comes from the line of Jairo Julian Agudelo with BanColombia.

Jairo Julian Agudelo: Yes. Hello to everyone and thank you for taking my question. I just had one in relation to the real estate division. Can you give us just maybe a little bit more color on the stages you have right now on the real estate? You said you had some proposal from different participants. Can you tell us something about your international, local or how many, what -- any type of additional information you can get from that side?

Carlos Mario Giraldo: OK, you have to understand that I have to be cautious because it's an ongoing process and we have commitments with the people who are participating. But what I can tell you is, first, there has been a high interest in the real estate portfolio, that we have received nonbinding offers, both from Colombian participants and international participants. And that we are currently going into the binding part of the process that includes the due diligence, especially of the different assets, which are involved in that negotiation.

That's what I can tell you in this very moment. And looking the timetable going forward is what takes us to believe that a conclusion will be something between September, October and November of this year. That is in the second half.

Jairo Julian Agudelo: Thank you, Carlos Mario. I appreciate.

Carlos Mario Giraldo: Thanks a lot.

Operator: Thank you. Your next question comes from the line of Esteban Gaviria with BanColombia.

Esteban Gaviria: Good morning everyone and thank you for taking the question. I have two questions, the first one is in the presentation, in the details you provide for each country, there is a sales performance slide where you post total sales figure. And then you have operational results where you also post our net revenues, what explains the difference between those two figures? And my second question is, if you could please comment on the divergence of margins -- of EBITDA margins between Colombia, Uruguay and Argentina which have similar sales mix and especially in the low margin posted for Argentina. Thanks.

Maria Fernanda Moreno: Hi, (Sebastian), regarding your first question, total net revenues we got to the total you have from sales, that sales from the retail business. And then, you have oil operating revenues, which are sales as you have from complementary businesses that includes real estate, financial services, travel, insurance and so on.



Esteban Gaviria: OK.

Carlos Mario Giraldo: And the second one about EBITDA levels, EBITDA levels for Uruguay are historically high, and they are stationary high in Uruguay, while our most important seasonal time in Colombia, Argentina and Brazil is the last quarter and because we have Black Friday, and because we have Christmas. For Uruguay, the most important season is the first quarter, because it has all the tourism coming into the country. So, that's what explains such a different EBITDA level for these operations. What I can say is that, both Columbia and Argentina are improving against its historical base, and that's what gives us a comfort looking forward.

Esteban Gaviria: OK. Carlos Mario. Thanks a lot.

Carlos Mario Giraldo: Thanks a lot.

Operator: There are no further questions at this time, Mr. Giraldo, do you have any closing remarks?

Carlos Mario Giraldo: Yes. I would like to remember some basics. Today, Grupo Exito is a Latin American player, probably one of the two biggest in the region. Almost approaching the market much below what the other peers of comparable size and (comparability) we have. And so, I believe that there is an upside for investors not only coming from that, but also from the exchange rates in Colombia. To get that outside, of course, it's all about performance and that's a big commitment of all the management of the Company, performing in sales, performing in expansion, getting the right decisions in the right format. That is why we are privileged in those formats, which are trendy and which are showing that they are the best formats for Latin America. We have something that makes us different from the rest. And I would say at least four things. The first one we have a strong E-Commerce. Of course, it's suffering in the short run, but it's taking the right decision (anyways) its integration with Via Varej, but in the future, it's going to be a differentiator. If you look at in the short-term, quarter or that second quarter or the first quarter, it is a minus. But if you look at in the long run, it is going to be a (clues), a

competitive (clues), especially with the trend that consumption is having in the world.

Second big differentiator is that we have real estate. And that we have shown that we are able to extract value out of our real estate. Today's price for the margins of the operations as we do in Argentina and in Colombia, but with the vehicle that we are doing now, it is now that valuation that is being given to these assets -- this part of the assets of the Company.

The third differentiator is complementary businesses. This company especially in Colombia has proven that through alliances, it is able to extract value out of a credit out of insurance and out of other complementary businesses. And this is a business model which I believe adds a lot of value while looking in the future and looking to integration.

And the fourth one is synergies. Synergies are theory, if you don't make them happy, and I think that part of my message and the reason which I went through three or four slides about synergy is that you see that things are happening. Of course, results come gradually, but things are being executed in the region. We believe that this is a strong business and that regardless that Brazil is going through one of the most important and difficult historical times in its time, in its history, it's going to recover, and we're going -- that's going to give a huge upside to Exito.

Because today, we assure our cash flow and we assure our net profit that even if it's lower, it's going to be there without counting with Brazil. But when it comes back, it is going to be a huge upside for this Company. For the moment, what I can tell you is that we have been doing the job, that synergies are there, that integration is there, and that Exito has a track record in the past for being able to integrate, to consolidate, to extract synergies, and we are sure this is not going to be the exception.

I want to thank you all for being here for your questions, which helped us to give full color on what's been the present and the future of this organization.

Operator: This concludes today's conference call. You may now disconnect.

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