ALMACENES EXITO, S.A.

Moderator: Maria Fernanda Moreno
March 1, 2016
9:00 a .m. ET

Operator: This is conference #44962866.

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 fourth-quarter 2015 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. 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 Financial Officer (sic) Carlos Mario Giraldo; Chief Financial Officer Mr. Filipe Da Silva; and Mr. Jose Loaiza, VP of International Businesses.

We have the agenda for today's conference call on slide number 3 and we will cover the following topics. Exito's highlights, (technical difficulty) financial result of the fourth quarter and full-year 2015. At that point we will comment on reported strategy outcome 2015 and our business strategy for 2016 (inaudible) Q&A session. Presentation will be available on our Web site complementing the information that we will be covering. We have also provided (inaudible). At this time I will turn the call over to Mr. Carlos Mario Giraldo for his comments.

Carlos Mario Giraldo: Thank you very much to all of you for being here present. I'm going to speak about the fourth-quarter results of Grupo Exito and the full-year results. At this time I'm speaking of a new perimeter of Exito which includes four countries, Colombia, Uruguay, Argentina, and Brazil. We're going to open for the first time the results of the four countries after making an important effort of consolidation starting September 1st for Argentina and Brazil.

It's important to notice that Colombia and Uruguay will have a full year that the Disco operation which is around 60 percent of the Uruguayan operation is consolidated for the first time, and that Brazil and Argentina will be consolidated for four months. Starting September of this year, every result will be completely comparable when we have one full year of Brazil and Argentina.

Going to slide number 4, and we are going to go through the slides. 2015 was really a historical year for Exito. It became Latin America, multi Latina as we call in Colombia this kind of Company with a global presence in all the countries, the biggest retail in consolidated figure in all South America and the second biggest in non-Latin America after (inaudible) by entering the Brazil and Argentinean markets.

Only with sales from September to December, Brazil and Argentina contributed with COP19.3 billion. We began since September to redefine the corporate structure in Grupo Exito to be able to face these new challenges which meant to keep a focused -- a very important focus in Colombia while addressing the challenges of synergies consolidation and integration in the rest of the territory.

New high-level managers have been placed in the operations under Ronaldo Iabrudi in Brazil who is the CEO and keeps as such. Luis Moreno was named as Vice President of Multivarejo; Marcos Samaha was named and brought as COO at Multivarejo, both of them to give a lot of force to which is a very important food operation for the future of GPA.

Jean Christophe Tijeras was named at the Head of Libertad which was previously occupied by Luis Moreno and (inaudible) as the Head of (Bogota). Carlos Mario Diez at the same time was named as COO of Exito so that there will be a complete focus in the Exito Colombian operation and Jose Loaiza as

Vice President for International Businesses to take care of the integration and synergies in the region, while (Camino Gatiago) as Vice President of Services bearing in mind the important operation that we have and important service, shared services that we have for the region.

The synergies committee has already been put in function and we can say that as of December 31 we captured benefits worth $5 million spread within the different operations and that we have now in execution 18 joint projects across the different countries. We keep our goal of capturing 50 basis points on the whole perimeter during the following four years.

In retail expansion in Colombia, we had one of the highest organic expansion, not only with the integration of Super Inter, which brought a little over 50,000 square meters of new food retail, but also with the organic expansion of 36,000 square meters that is an expansion of 4.3 percent and 47 new stores.

The emphasis was done in Carulla which had its most important historic expansion with 10 stores and also in Exito which got a 23 stores expansion. Super Inter was successfully integrated into the system and it was so successful that when it was completely integrated starting November, it began to gain same-store sales increase which is not frequent when there is a retail integration.

Speaking about Brazil, in Brazil the emphasis in expansion was done around Assai store which is the winning format in Brazil with 11 store openings and the proximity where GPA is the leader of the country and there's a huge opportunity. The cash & carry trend is very clear in Brazil and that gave Assai the opportunity to increase its food sales by 25 percent.

In Uruguay, our expansion was one of the most important with 10 new stores Devoto Express which is a synergy that has been captured out of the know-how translated by Exito with its Exito Express format.

Real estate became important -- increasingly important and in real estate we strengthened Argentina real estate portfolio by the opening of the Lugones shopping mall in Cordova with 35,000 additional GLA. Grupo Exito announced that it intends to create a real estate vehicle in Colombia starting only with Colombian assets controlled by Exito and majority controlled by Exito. The intention is to raise something near to $200 million in cash which will be fully dedicated to develop the real estate business unit within the vehicle.

In the first stage, approximately 13 shopping malls or commercial galleries and six projects within them, very important big projects (inaudible) will be contributed. This will be finalized by mid-2016 or at most by the third quarter of 2016.

Going to slide number 5, we have the consolidated sales of Grupo Exito. It's important to say that the mix of sales predominantly is related to food and offers a balanced and resilient structure in the middle of some economic difficulties in some countries and especially in Brazil. In the fourth quarter, we had sales of consolidated sales of COP18.9 billion. In the full year of 2015 with a consolidation of four months of Brazil and Argentina, and the full year for Uruguay and Colombia, we had sales consolidated of COP31.8 billion increasing to 113 percent and where food had a participation of 64 percent.

Going to slide number 6, we see the sales performance in Colombia. I'm very happy to say that the fourth quarter saw a change of trend for Exito, which we see that has continued during the first two months of this year. Excluding the calendar effect because we had a difference in our traditional promotion of the last part of the year that is excluding the calendar effect, we had a same-store sales increase of 2.2 percent, being the best quarter of all the year and capturing a very dynamic Christmas season.

Strong same-store sales were especially present in the Exito brand with a plus 2.4 percent comparable same-store sales increase, if we take in consideration the calendar effect. In the fourth quarter of 2015, total sales increased by 3.7 percent, Carulla same-store sales increased by 2.6 percent, and the discount sales, that is Surtimax, plus the first comparable sales of Super Inter showed a very interesting increase in same-store sales of 8.1 percent, the best in all our brands.

This is especially important because in Colombia today there is a trend of high competition in the discount segment and capturing the market leadership with our 210 stores in the discount with Super Inter and Surtimax is absolutely important under a strategic standard point for Exito.

Full-year 2015 saw an increase in sales of 8.1 percent and same-store sales slightly negative of 0.2 percent that is within the guidelines that we clearly gave the market by the middle of the year. It's interesting to say that the food category, which is the most important lever of growth and of sales of Exito, saw an increase in sales, in same-store sales in the mid-teens that in the fourth quarter the food category represented 70 percent of sales in Colombia and that the new launch food, which had been negative during the third three quarters saw an important recuperation in the last quarter.

It's important also to say that the synergies coming from Super Inter were captured, especially in negotiation with suppliers, and also that the fresh synergy that is the know-how that Super Inter has in meat, fruit, and vegetable has been translated not only to Surtimax, but it is being translated gradually to some of the most popular Exito stores with very interesting initial results.

Finally, I will make a mention to the Exito brand and the Exito format. We are starting with a pilot, which we call the EDLP Textile Pilot, which is being done in the coffee region with very good results and is going to be translated by the end of the year to all the Exito stores with a lot of focus in what is one of our most important categories, historically important in Exito, which is textiles.

Exito arrived to 262 stores, maintained the top of mind in brand in Colombia and opened key stores, which are umbrellas of the brand like Chia Fontanar in Bogota, (Majorca) in (inaudible), and in intermediate cities, which are highly successful like (Leowatcha) jointly with our commercial gallery from (inaudible) and in Sabanalarga in Atlantico.

Going to slide number 7, we are now seeing the financial results of Exito in Colombia. The 4Q saw a strong performance and took all the figures of 2015 to positive growth both in recurrent operating income and in recurrent EBITDA. As you can see, this was the best quarter with a gross profit improving 120 bps, kept coming from an improvement in the profitability of discount format, from the important sales of textiles that we had during the quarter, and from the strength coming from real estate and the financial income.

As you can see in the numbers, in the fourth quarter recurrent operating income increased by near to 11 percent with a high margin of 8.4 percent. Recurring EBITDA increased by 13 percent and arrived to a historical high margin 10.2 percent for the quarter. If we look at the full year, for the first time Exito in Colombia got to COP2.6 billion, which puts it within the top companies in sales in Colombia, increasing 8.2 percent. Gross margin increased by 10 basis points.

SG&A increased by 40 basis points, explained by the increasing rental cost, energy inflation, and some expenses related with new businesses and real estate business, which at the same time will give us return in the future as they will contribute with higher margins to the Company.

Finally, what we saw is that the recurring EBITDA got to COP804,000 million increasing 4.4 percent and with a margin of 7.6 percent. That is to say that regardless of the high competition in the Colombian market, of the speculations about difficulties in the Colombian economy, Exito got the highest margin among its peers in Colombia and also conserved, preserved the important EBITDA margin of 7.6 percent.

Going to slide number 8, we come to Brazil and we see the sales performance of Brazil during the period of consolidation with Exito. We have to say that the food business was resilient to the economic crisis, especially the Assai cash and carry brand, which increased 25 percent its sales during this period. We can also say that the extra hypermarkets and supermarkets are being intervened with renovation in 62 of this stores during the year and that's very important because it means that almost 25 percent of the sales area of this stores were renovated.

Via Varejo suffered the most because its sales non-food, especially furniture and technological products, and obviously when there's a reduction in consumption they are the first to suffer as they will be the first to jump when a new economic moment will come. It's even impressive that Via Varejo had a fourth quarter which was better than the other quarters which saw an improvement. It's having a very strong leadership under Peter Paul Estermann, a great leader in Brazil, and we are seeing that impact in the numbers. We can say also that it's having an important negotiation of conditions with its suppliers because of the logistic cost in Brazil.

Cnova did not have a good year. It suffered from sales especially because non-food is the most important part of Cnova sales. It also had an internal investigation of fraud amongst some of its employees. This investigation has been concluded in a very hard way with external investigations plus the audit committee of Cnova, Via Varejo, and GPA. And most of the impact that has been found has been booked in Q4 or all the impact that we have found which is believed to be most of the impact that can be found.

What I see is that there is a high potential of increase in profitability for next year when we will compare results of Cnova against the year of 2015. And that strategically Cnova is key for the Company because it's the number two e-commerce player in the region.

Our big task is going to be, as we have already done with Exito.com, is to take Cnova to profitability. If you see the figures, full-year 2015 in Brazil see an increase of sales up 3.2 percent, negative 0.9 percent at same-store sales and then food is resilient with a total in sales of 7 percent and same-store sales of 2.3 percent while non-food has a decrease of 15.6 percent where the Q number three saw a decrease that was inferior to the full-year decrease.

It's important to say that we are fortunate to be present in the cash and carry format. There are only two big players in the cash and carry, (inaudible) and ourselves with Assai. It's taking market share and that's why we are going to focus a lot of big expansion in the Assai format.

Brazil has a huge strength and it is that regardless of the big size of the Company, it has a very strong cash position. Another time this year it ended cash positive by the end of the year and this was highly recognized by Standard & Poor's and Fitch when they ratified the AA+ rating to Grupo Pao de Acucar, to GPA.

When we go to the financial results of Brazil in slide number 9 for the consolidation period, we see sales which are consolidated in Exito of near to COP20 billion. We see finally a recurring EBITDA of near to COP1 billion, that is COP996,000 million and with a margin of 5 percent.

5 percent is not the margin that GPA used to have, it was near to 8 percent, but I think it's a very decent margin when you go through the difficulties that Brazil is going and when you have a fall in non-food sales of 15 percent, that is to say that the potential of improvement of profitability in the future and a benefit to Exito is huge and we're going to work in that direction.

The Uruguayan story which starts in slide number 10, as you saw is very positive. Same-store sales with a strong growth both in the quarter, in the full year, market share gains, we came from 43 percent market share to 44 percent market share in a very interesting country as it's Uruguay. As a whole, we have sales up COP2.1 billion including now Devoto, Disco, and Geant with a variation with an increase of 11.9 percent in total sales and 10.6 percent in same-store sales. That's very positive when you have an inflation around 9 percent, that comparable figures are very positive for Uruguay. We also, as I said, had an important advance in our proximity format with Devoto Express.

The financial results of Uruguay in slide number 11 show high profitability levels with a very interesting format balance which is mostly concentrated in food. In the fourth quarter, we see a recurring EBITDA of 9 percent as a margin which is very high and for the full year we see COP169,000 million in recurring EBITDA, that is a margin of 7.8 percent and an improvement of 130 bps against the margin that was posted one year before.

So Uruguay continues well and we think that it's going to continue in the right trend given the high income that people have and the benefit that it's getting from the increasing optimism coming from Argentina and visitors coming from Argentina and investment coming from Argentina.

And that takes us to Argentina, slide number 12. And in Argentina, what we can see is a very interesting story, much better than what we expected when we made the acquisition. As you know, the country risk has diminished in a very important way and even though there are still lots of problems under the different scenarios we have, the best scenario is being followed for the moment. You can see that sales are increasing above inflation at a high level of 27.9 percent in the accumulated for the year and 26.7 percent in same-store sales.

Contribution is done by the proximity format with high increase in sales and by the commercial strategy, the commercial strategy which was put in place very successfully by Luis Moreno in Argentina is giving us consecutive gains in market share to Argentina and that made us think that we were the right guys to go and do something similar at Multivarejo at Brazil.

Argentina shows in slide number 13 sales consolidated to Exito up COP637,000 million, a recurring EBITDA, one of the highest in its history, for the quarter of 8.3 percent and for the full year of 7.9 percent. It is important to say that both retail and real estate had a very good performance and that real estate has a contribution of near to 45 percent of the total recurring operating income of the Argentinean division.

That takes us to slide number 14, where we see the consolidated income statement under IFRS for Grupo Exito for the first time. As you know, this is not completely comparable and that's the reason why you see huge increases in most of the lines.

However, it is very comparable at the net income level. So let me go through the most important points. First, net revenues come to COP33.4 billion. This includes sales coming from retail, income coming from new businesses, income coming from other origins and real estate income. Number two, the recurring EBITDA, it goes to a little above COP2 billion for a margin of 6.1 percent that compares against the margin 7.8 percent previous year.

The difference is that margin came only from Colombia and Uruguay while this margin includes the impact of both Argentina and Brazil. It is interesting to say that when you look at this 6.1 percent, it is the combination of an EBITDA margin of 7.6 percent in Colombia, of 7.8 percent in Uruguay, of 7.9 percent in Argentina, and of 5 percent in Brazil. I think that when you look at the retail panorama in food in the region, this is within the highest margin that you can find and the potential for improvement in Brazil you know will come when the economy will come back sometime in the future.

That takes me to the dividend proposal. The dividend proposal is (origins) in the fact that we have a very interesting net income attributable to Grupo Exito of COP573,000 million, which increases a 14.8 percent. This increase has taken the Board of Directors of Exito to propose the general assembly to increase the dividend per share in 16.3 percent, which is almost 2.5 times the inflation in Colombia accumulated to that last year and we take it to a yield around 5 percent from a yield around 2 percent.

The payout ratio would be around 52.7 percent which is reasonable and is cautious bearing in mind also the important challenges that the Group has going forward and the importance that we have to continue investing in our retail business and in our real estate business and in the consolidation.

I'm going to ask Filipe to go through the following four slides and then I come back to give you the final conclusions.

Filipe Da Silva: So on page 16, you can see the evolution of the consolidated cash flow for Grupo Exito. As you can see from COP3 billion cash position at the beginning of 2015, we are going to and up to COP10 billion at end of 2016 and basically thanks to Brazil and stronger balance sheet that Brazil is having and here we can make emphasis on the working capital generation at Brazil level.

On page 17, I would say the most interesting one, is holding cash flow and the evolution of the holding cash flows. So at Colombian level basically, here we can see that the cash flow is going -- the cash is going from COP2.8 billion starting 2015 down to COP800 million, COP1,000 million end of 2015. Basically here we have also the effect of the acquisition of the operation in Brazil and Argentina that we have financed basically by the operational cash flow and the loan that we had get during the year.

Something important to notice is regarding the financial result of Colombia that has been positive despite the fact that we had since September the cost of the interest due to the loan rate. We ended the financial year on a positive ground thanks to the cautious hedging strategy that we had during the acquisition which allows us to reach an important action rate income in 2015.

On page 18, here basically we can see I would say two important ratios or two important items. The first one is the ratio of DFN over EBITDA. At consolidated level, we are at end of 2015 at 0.35, once again thanks to the strong balance sheet at the Brazil level and at holding level we are at 3.8 times EBITDA which remains adequate for a Company like Exito.

On the right part of the slide, we can see the debt maturity. At the end of the year, we have operated (inaudible) of our debt going through a good maturity of 3.4 years to 4.3 years. Basically here now we have two blocks of loans. The first part is read in Colombian pesos, almost COP2.7 billion, COP1.85 billion at 10 years and COP838,000 million at five years. The average cost of these loans are below IBR plus 350 basis points.

On the other side, we have raised $450 million at three years maturity and the cost of this loan is below LIBOR plus 175 basis points.

On page 19, the CapEx. So at Grupo Exito level, we've -- in consolidate level, we have spent almost COP1 billion during the year; COP350 million in Brazil, COP480 million in Colombia and COP78,000 million in Uruguay and COP30,000 million in Argentina. This COP1 billion on organic is excluding all the M&A part has allowed us to open 140,000 -- more than 140,000 square meter of retail, almost 4 percent additional square meter in the year basically with 35,000 square meters in Colombia and more than 100,000 square meters in Brazil.

Overall in terms of CapEx, so we have spent COP5.6 billion -- COP5.2 billion, sorry, during the year including some of the M&A transaction that we have done in (inaudible).

Carlos Mario Giraldo: Going to slide number 20, we have some additional achievements for 2015. First in Omni-channel activities that as you know is a very important part of Grupo Exito strategy and is one of the most important challenges of any retailer, modern retailer in the world. Here we got over 1,000 Surtimax alliance. This alliance scheme is so important that now it represents more than 15 percent of the total sales of Surtimax with a very important return on investment because investment is negligible and the alliance scheme is now being started as an alternative for proximity in Brazil.

A 110 virtual catalogues in stores in Colombia. These are catalogues, electronic catalogues which carry products that the store does not carry and with a very low CapEx also give us an impact especially in non-food sales. Marketplace being developed in Colombia at a very dynamic way and 258 click and collect sites in Colombia for that year.

We launched in Uruguay geant.com and upgraded devoto.com to take most of these learnings to the other countries. In the Complementary businesses, financial services in Tuya had a very positive year. Here we formalized the joint venture with Bancolombia with a 50-50 equity participation for both and insurance by the hand of Suramericana. Travel services by the hand of Avianca had a very positive year and we came to 700,000 customers for our

Exito Mobile which is one of the only private brands of mobile in all Latin America.

Speaking about real estate business, in the real estate business we opened two shopping malls, one in the Wajiira in Riohacha and one in near to (Meridin) going to the airport. Within the two, it added 35,000 square meters of GLA for a total 310,000 GLA for Exito in Colombia.

Brazil increased also the revenues of real estate by 21 percent and arrive to 343,000 square meters of GLA, and as I said Argentina added 35,000 square meters of GLA to its current arrived 145 square meters of GLA. As a total that takes us to near to 800,000 square meters of GLA and makes Grupo Exito at a consolidated level as one of the main 10 players in commercial real estate in the region and of course gives a huge opportunity of value creation for the Company and its shareholders.

In slide number 21, we speak of synergies. We are taking synergies very seriously. We have worked then with Accenture and with management teams in other countries business, but especially leaded by the CEO of Brazil and by myself to commit all the teams. Jose Loaiza, the Vice President of our International Business, is in a permanent basis imposing these synergies from Colombia.

We created an integration office to closely follow up the evolution. The initial benefits as I said got to $5 million especially in purchasing condition and service providers condition and we have 18 joint projects, within them loyalty projects taking profit of the know-how existing in Colombia, purchasing conditions, especially profiting from conditions that come from Brazil and new formats to be launched within then the cash and carry.

In best commercial practices we are going -- we took proximity to Uruguay. We are promoting that dual model of retail and real estate in other countries. The only one that does not have an active real estate activity is Uruguay and currently the teams are under the ramification of what will be done in such important places as (inaudible). And textile business which is a clear know-how of Exito is being taken as a know-how to Brazil and Argentina.

In this meeting, normally we speak about the perspectives, what we are seeing for 2016. As you know, we are normally cautious and we try to be cautious because we don't want to give the wrong indication. What can we say today from what we are doing -- from what we are seeing in the market? In Colombia, a high single-digit growth of the top line, same-store sales growing between 2 percent to 3 percent and a stability in the EBITDA margin as we have it around the 7.6 percent level. Store expansion going between 20,000 to 25,000 square meters. New CapEx going between COP300,000 million and COP350,000 million and real estate expansion at a high level of 17,000 square meters of GLA will be opening up Barranquilla and also of Viva La Ceja.

In Brazil, we are expecting sales growth around low single-digit mostly obviously promoted by food sales, retail expansion of 10 Assai stores, and also with a focus in proximity stores. Expected CapEx around COP850,000 million, a lot of emphasis from management in cost reduction at all the levels. This is an opportunity during the economic difficulties of Brazil for the Company to get fit and to get slim and our management in Brazil with the great leadership of Ronaldo is doing a great job in this direction.

Extra hypermarket looking for a repositioning in price per section, and that's one of the big emphasis this year. Renovations continuing to be done at the extra stores and also the Pao de Acucar stores and to maintain the level of debt in Brazil which has been a huge strength and will be continue to be so.

Uruguay increasing market share continuing with convenience format with a CapEx between a COP100,000 million and a COP150,000 million, Argentina with focus in the real estate business and with a plan to increasing 50,000 square meters of GLA in the following three years and with CapEx this year between COP40,000 and COP60,000 million.

Finally, what I would say is we feel that the last four months have been intense for everybody in the Company and in other countries. Consolidating was a great job and I want to thank especially our financial team and our accounting team for such a huge task that has been done. I believe that my international team is working very hard in synergies and I'm seeing the first result with a lot of optimism and I really think that this numbers that we are performing with three very strong countries and one country which is resilient to the prices and is acting to construct our railway into the future is what we wanted to see and that's what we talked this year and is what is going to deliver value to you, the shareholders of the Company.

So this is the end of this part of the conference and we can go now to the Q&A session.

Operator: At this time, I would like to remind everyone in order to ask a question simply press star and 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 Andres Soto, Santander.

Andres Soto: Thanks for your presentation and also for the additional disclosure that you are providing today, it is greatly appreciated. My question is regarding leverage. Based on your dividend proposal and considering your CapEx forecast and the expected spin-off of the Colombian real estate assets this year, what do you expect Exito's net debt to EBITDA ratio at the holding level to stand by year-end and in line with that what is your assumption for dividend distributions from CBD?

Filipe Da Silva: So regarding our forecast in terms of net debt over EBITDA for end of the year, as we mentioned previously we believe that we will be below 3 times, OK, at holding level. It's what we –

Andres Soto: So less than the 3 times at the holding level?

Filipe Da Silva: Yes.

Andres Soto: And that assumes the spin-off of the real estate assets?

Filipe Da Silva: No, not yet. Not yet.

Andres Soto: Not yet.

Filipe Da Silva: As we speak, no. So since we do not have the final number and so on, Andres, no. At the moment that we will have the full visibility on this, we will let you know.

Andres Soto: OK. And just to make it clear, the assumption of CapEx for Colombia reflects -- is what you are applying to spend outside what is going to be spend by this vehicle or it's --?

Filipe Da Silva: Yes, Andres, it's -- there's the COP300,000 millio-COP350,000 million guidance that Carlos Mario provided is fully for retail, OK. So regarding real estate, it would be full year financed by the vehicle.

Andres Soto: OK. It is clear now. And finally on the CBD dividends, what is your assumption?

Carlos Mario Giraldo: Our assumption is that we are making a dividend ratio distribution of 50 percent and of course it will all depend on the result of CBD this year. But a decision that was taken and this was part of the government's moves that were adapted was that dividend distribution was taken from 25 percent to 50 percent.

Andres Soto: OK, perfect. Thank you very much.

Operator: Your next question comes from the line of Andrea Teixeira, J.P. Morgan.

Andrea Teixeira: I just want to go back to this question on the cash flow. I mean, If I understand it correctly, I mean, you've been and since I cover CBD and (inaudible) and all the Latin American operations, I mean to me it sounds that you are cutting CapEx throughout the region, you are increasing dividends. I mean, how should we -- and obviously you are trying to do this in a real estate venture. I mean, how we should look at this in the long run?

I mean -- and you also obviously are facing much more competition and all of that, so can you help us reconcile the short term with the long term strategic movement that the Company is making because I understand that to do so you are going to have to cut CapEx and also be less -- I mean, you have to be very practical in 2016 in order to make them not to break the covenants because I'm assuming and the net debt EBITDA at the Exito level will otherwise break the covenant.

So can you help us reconcile those covenants and how we should look in 2016 and what is your timeline for this COP200 million real estate operation. So is that predicated with your real estate launch and you said private investment, can you also explain how this real estate venture will unfold?

Carlos Mario Giraldo: OK. Andrea, thank you very much for your question and I will go by part. First of all, the CapEx in the different divisions is being very reasonable and it is being inferior to last year. As you see in Colombia, CapEx was near to COP500,000 for retail last year. It's going down to something between COP300 million and COP350 million. We are going from 36,000 to something between 20,000 and 25,000 where one of the stores is completely financed now because of insurance that we're getting for it, so that's for Colombia.

In Brazil the same thing, the CapEx last year was something like BRL2 billion and it's coming down to something of BRL1 billion, so -- and there is a lot of focus, focus is being done on Assai and on proximity and not another format. So it's being invested for really market is going.

If you like the minor investment on sustainability of the operation and also on proximity stores, which are like in CapEx and in Argentina it is mostly going to real estate which is a high return on investment and it's only between COP40,000 million and COP60,000 million.

In real estate what we are assuming is that the real estate vehicle will make the financing of big project like Barranquilla, like (Empigalo), like Copacabana going forward, and so it will be the real estate investors and the new cash coming in which will create this value and Exito will be taking a lot of the profits by being a majority shareholder in this vehicle, but of course sharing it with our incoming investors.

So we believe -- and dividends, let me speak about dividends. Dividends respond to an important increase in the net profit of the Company and the ratio is around 52 percent, which is even below ratios that we have had in the past between 54 percent and 56 percent. So I believe that this is also -- everything is done under a very reasonable way. And of course and we cannot say this for Colombia and for the other countries, we are looking for alternatives to expand in retail with very low CapEx investments and the (Aliados) is one of the things that has shown to be very, very successful in doing so.

So you asked about the real estate vehicle. We are working intensively in that one. We are in the process of making the research in the market for the potential investors, both in Colombia and in other countries, foreign investors. And so long we're seeing a huge interest because the assets within Exito are very, very interesting assets with a high brand. And clearly today we are the first operator of commercial rented property in Colombia.

Andrea Teixeira: But just to reconcile, and I appreciate the explanation, but you had deprecation in the order of COP515 billion. Your CapEx plan is actually below that, right, converted in for the whole Group, converted in pesos, right? I just want to reconcile that you're going to be investing less than depreciation in 2016.

Carlos Mario Giraldo: Andrea, I think that in life we cannot always do everything. I mean, you have to make choices. And we made our CapEx investment last year above COP5 billion. You cannot be doing that every year. You do have to organize the house to make consolidation, to capture value before going forward.

Having said that, you also have to protect some key markets. In Uruguay and Argentina we'll see no problem with the markets where we're focusing. And in Colombia I think that we got a very important move forward with Super Inter. If you look at last year, we did between Super Inter and Exito, we did 90,000 square meters of expansion, more than anybody else. So you cannot do that every day, every year. This is a year to continue consolidating Super Inter, to continue with Aliados and with 20,000 square meters focused on Exito brand in intermediate cities and on Carulla opportunities.

Andrea Teixeira: No, I understand that. I mean, don't get me wrong. I mean I think Brazil was the one where you need to invest because you are the only one -- on the other hand you're saying you're going to renovate the stores in Brazil. When accelerate the renovation you reached the extra (inaudible) extra. You've got 25 percent of the sales renewed, now you have to continue that.

If you cut the CapEx, in Brazil you're going to be invest less than depreciation and even for the whole Group, I'm not saying expansion CapEx, I'm saying the -- I mean maintenance CapEx, so I mean, that's what I'm saying. I understand obviously your leverage ratios are very high, so I want to say -- I want to just double-check that this is true. I'm making math here that you're going to be investing less the depreciation on a consolidated level is correct, right?

Carlos Mario Giraldo: Yes, it's important to understand also that when you invest in proximity and that's one of the focus of Brazil, it is CapEx-light. And number two, that the rest of the investment is going to be focused in Assai, which has -- is being having very interesting return on investment. When you're going through a situation, the Colombia situation like the one in Brazil, you cannot go in the free game of investing whatsoever opportunity you have. You have to be cautious, and in GPA has had a great strength with its cash position and we want it to remain that way. And of course we will be showing when the opportunities are there and where the market times are better than today.

Andrea Teixeira: OK. Thank you very much Carlos.

Operator: Your next question comes from the line of Joaquin Ley, from Itau.

Joaquin Ley: Thank you for the call. I have several questions. First one is given the recent macro developments in Brazil, and the goodwill that you have in your balance sheet, how comfortable do you feel about the environment tests that I assume you're performing?

Filipe Da Silva: Regarding impairment, actually we are still today performing EBITDA. So the evaluation of the final goodwill and that it will take until September of 2016, OK. So we will only perform impairment, the full (inaudible), OK. So far I would tell you that we do not foresee any weak on that taking into account that we have taken assumptions quite good during the investment that we have done for the evaluation of this transaction. But today it's too early to give you more insight because we are still evaluating the goodwill value.

Joaquin Ley: OK. So if I understood you correctly for the time being you're feeling OK about what we're seeing in the balance sheet, right?

Filipe Da Silva: Yes.

Joaquin Ley: OK. Thank you. The second question is regarding your guidance for same-store sales in Colombia for 2016. I mean, you mentioned 2 percent to 3 percent growth versus kind of flattish performance in 2015. So I was wondering what is making you more optimistic about 2016 relative to 2015 when it doesn't seem that macrodynamics are going to improve at all in Colombia this year as compared to the last one.

Carlos Mario Giraldo: Yes, I'm going to answer that one. A lot of people are being pessimistic in Colombia because of devaluation, inflation, consumer confidence, state deficit, oil income fall, tax reform, et cetera. I think that all of this is right, but at the same time we're seeing economic growth is still between 2.5 percent and 3 percent and it has not fallen.

Number two, we're seeing industrial production coming up for seven consecutive periods, which we have not seen before, and that's a secondary impact coming from devaluation. So we're going to see a lot more industrial production in Colombia. And industrial employees are our customers.

Number three, we're seeing a very interesting income into Colombia of tourism. Last tourist season was unbelievable. There was barely one room in a hotel to be taken care or space in the plains and that's very important also for our business. The four generation infrastructure is taking off and that's important. And we are seeing something which is very interesting and it is looking region by region. The North Caribbean Coast continues very well as it has been in the last years.

Cali is recuperating in a way in which we have never seen in the past years. And I believe a lot that the new optimism in Bogota coming from a very serious measure like (inaudible) is also going to help in investment. And of course when we speak about this, we're speaking about what we are seeing up-to-date and for the moment we only have two months, but they are not bad at all.

Joaquin Ley: OK. Thank you. And last one is, if I may, could you remind us where do the covenants of the debt of the holding Company stand today?

Filipe Da Silva: Thank you for the question, Joaquin, because I wanted to make some precision on that. Regarding covenants, we have a covenant for the loan raiser (inaudible) and at consolidated level, OK. And so we need to compare this covenant to the 0.35 times debt over the year. So this convenient is for 2015 was 4.5 times. OK?

Joaquin Ley: 4.5 consolidated?

Filipe Da Silva: Sorry, 3.5 times. 3.5 times, OK, compared to, yes, 3.5 times compared to 0.35 times, OK. So it means that covenant we are, I would say, totally out of risk, OK.

Joaquin Ley: OK. And of course I assume that in that 0.35 times consolidated leverage ratio, you are not considering the receivable discounts from CBD, right?

Filipe Da Silva: Yes. Yes.

Joaquin Ley: You are not considering? Or you do consider that?

Filipe Da Silva: Exactly. No, no, no, we are not.

Joaquin Ley: OK. All right. Thank you very much.

Operator: Your next question comes from the line of (Juan Serrano), (inaudible).

(Juan Serrano): I have three questions. The first one is about EBITDA margin in Colombia. I want to understand in this quarter the growth in the margin, how much comes from the business of real estate? And about net income performance, we have seen a flat performance in this quarter, so I want to understand what do you expect for the next quarters taking into account now you are consolidating several operations and we don't see the growth in these indicator.

And about margin EBITDA in Brazil, we have seen decreases in this Company in the margin. So I want to understand what do you expect for the next quarters and when do you see an improvement in the margin for this Company? Thank you very much.

Filipe Da Silva: So regarding disclosure of real estate, we do not do it so far. What I can tell you is what is the participation of the complementary businesses in the total recurring operating income of the Company in Colombia and here we are roughly at 20 percent -- around 20 percent-25 percent participation. OK?

Carlos Mario Giraldo: And about adjusted EBITDA margin in Brazil, I'm going to repeat what GPA said for 2016, that is in Multivarejo to maintain the same level of 2015, around 7 percent or there or above, Assai to maintain the marginal gain and the levels that it has of 4.2 or above and Via Varejo to maintain the same level of 2015.

Juan Serrano: OK. Thank you very much. And about net income performance, so can we expect -- see growings in this in the next quarter or should it be flat performance like this quarter?

Carlos Mario Giraldo: In net income, we think we are going to have a slight decrease for the full year and in the first quarter of course we have also the equity tax and other extraordinary things to say. So I won't give you a number for the first quarter, but we also have some positives and for the moment what we're seeing is a strong performance in the operational part for the first quarter, and we think for the last quarter and throughout the year a slight decrease in net income.

Juan Serrano: OK. Thank you.

Operator: Your next question comes from Miguel Moreno, from Larrain Vial.

Miguel Moreno: Congratulations on the result, and thank you for taking my question. I have two questions. The first one is regarding the gross margin in Colombia. You showed a positive improvement of 120 basis points despite the fact that you have lower non-food sales. So I was wondering, can you give -- as far as I know the non-food sales have higher margins, apparel mainly.

So even though you have a less favorable business mix, you improved your gross margin. Can you please give us more color on that and if it is correct, so you did improve your gross margins in your food business and how did you do this? It was -- it's a bit different trend compared to what we have seen before, so is this going to be possible to do the next quarters, what did you do?

The second question is regarding the real estate business and the announcement that it's going to be a private investment and you're going to raise $200 million. Can you give us more timing on that and the percentage of dilution that you are expecting this $200 million to be compared to the society that they're going to these investors led to go into? Thank you.

Carlos Mario Giraldo: Yes. First of all, it's important to see that the 120 basis points improvement in gross margin is done in the last quarter, and the last quarter was very positive for non-food. And in non-food, textile has the highest margin for the Company. So it was the combination of textiles, number 1; number 2 of real estate and financial income and insurance income.

And finally of the fact that the Christmas season had very, very dynamic sale of fresh products, especially those fresh products which are used for celebrations. As a whole when we go to the gross margin, the improvement is of 10 basis points. What we see is that the negative mix impact that we had from the consolidation of Super Inter was counterbalanced very well by income coming from other businesses, especially real estate.

When you think about this and when you think what might be happening to the rest of the market which is exposed highly to these counters, you see really the strength of the business model of Exito which permit it to be highly competitive in the market, highly aggressive in the discount, being the leader in the discount segment and at the same time keep margins that the rest of the market does not have.

As you can believe also, the strength of the market position of Exito permitted to have a very positive negotiating condition with suppliers. And in real estate what I can tell you, I cannot give you a number on how much we will be diluting, what I can tell you is that we will keep at least 50 plus 1 of the vehicle and the decision about what percentage that will be will come according with the market conditions that we see.

Miguel Moreno: OK. Thank you. That was very useful.

Operator: Your next question comes from the line of (Herman Sunia), with Bancolombia.

(Herman Sunia): First of all I want to ask about -- if you can give us a little bit of color of what do you believe were the reasons of Ripley leaving Colombia? Are you -- they are leaving six stores, maybe are you planning to do something there or what's your view in relation of that decision by one of your biggest competitors in the non-food segment in Colombia?

And my second question is in relation to Colombian operation, let's say that inflation is quite high at this time and your same-store sales during the fourth quarter improved in comparison to the first three quarters of 2015. Now that we have seen the first two months of 2016, what can you tell us about the same-store sales performance for this year? Are you expecting to be, I don't know, below inflation or what -- if you can give us a little bit of color of what's your expectation in Colombia?

Carlos Mario Giraldo: When I think about Ripley departing the Colombian market after being -- after having made such a high investment and such an important commercial effort, I feel very bad. I think it's not good news, not only for the company, but for the country, and I think the same thing when it happened to La Polar, and the news coming from Mango et cetera, that's not good news. And of course the reasons, I cannot get into that because it belongs to each company to keep that answer. But I really think that you have to think about the importance of market leader positions and that the Colombian market is not easy to enter and that it's not easy to get control in a profitable way of the Colombian market.

There's a lot of people making a lot of expansion, but losing money, but making expansion and getting an EBITDA margin of 7.3 percent has some merit. And the leadership position of a Company like Exito has a lot to do with that. About inflation, yes, I think that there is inflation of course, especially in the food products, and especially in the fresh products.

What we are saying is that we are expecting same-store sales between 2 percent and 3 percent at least for this year and we want to be cautious, but because we don't know what will come forward, I don't think that it's easy to get same-store sales to the level of inflation because of the expansion that the market is having and because at the same time the retailers, we are being a contention of that inflation.

Our cost index is higher than the price translation that we do to the consumer. And what we have to do is work on productivity and work also on negotiating conditions, and that's what Exito is doing today. Clear in the answer, I don't think that same-store sales will be at the level of inflation, but I do think that they will be at least between 2 percent-3 percent as of what we are seeing today.

(Herman Sunia): Thank you. And if I may have a last question, you talk about a pilot program in the textile division on the coffee region in Colombia. During the fourth quarter you saw on the presentation that one of the reasons of the expansion of the gross margin was the improvement of the textile divisions and maybe can you give us a little bit of -- little bit more color on this pilot program, what could be the impact on margins or something additional in that?

Carlos Mario Giraldo: Yes, what we are seeing is that when we go from a high and low, an aggressive high and low in the textile market as we have done normally and that's the normal scheme, not only for Exito in Colombia forward, but for the whole market including the specialists in textiles to an everyday low price, the conclusions at least that we got from the pilot is that you reduce somehow your margin, but you increase very much your sales and that at the end the pesos that you get in margin are at least the same or better and you get a lot of more traffic into the stores. So that's the name of the game.

(Herman Sunia): Perfect, Carlos Mario. Thank you for your answers, very clear.

Operator: Your next question comes from (Anacio Choa), with Credit Suisse.

(Anacio Choa): I have two questions. First, could you give us a sense of without getting into specifics on which store or which format will drive the 2 percent to 3 percent increase in Colombia and same-store results that you are forecasting, do you expect the discount format to continue to outperform, do you expect a recovery given this pilot program that you are implementing in (inaudible) format? Carulla, I guess because Bogota will improve, will obviously get better results, but I don't know if you can give us a sense of how do you expect this format to perform during 2016? And I'll have a quick follow-up.

Carlos Mario Giraldo: It's not easy to say, but as what we are seeing, we see that discount will increase some point above the rest of the format, but the good news is that we are seeing recovery in the Exito brand and that drives all the Company. Carulla keeping stable and also a lot of dynamism continues to come from that e-commerce site and we are getting very interesting growth in marketplace and as you know marketplace is highly profitable for the e-commerce.

(Anacio Choa): OK, perfect. Also what (X-rate) do you expect in Colombia and if possible on a consolidated basis in Exito for 2016?

Filipe Da Silva: Difficult to say, but today it will be very necessary view we are working with Colombian peso at 3,400 for $1 is what we are thinking.

Carlos Mario Giraldo: I want to be -- I want to say something about devaluation. What's the impact of devaluation for Exito? I would say we have different impacts. First in the debt, very small because of the $450 million, we have approximately 92 percent-93 percent currently covered, number one. Number two, in our sales I think that it creates inflation, and of course it can hit our units, but it helps the pesos sales.

The third thing which is important is the dependence that Exito has from imported goods. It imports only between 6 percent and 8 percent of total textiles and home products, and in homecare products, we buy products which are important by suppliers like Proctor & Gamble, or Unilever, and obviously the translation of national prices to our cost would be the impact. But direct exposition to exchange rate is very low in Exito, I would say lower than almost any retailer in Colombia.

(Anacio Choa): OK. Thank you very much.

Operator: Your next question comes from Mauricio Restrepo, with BTG Pactual.

Mauricio Restrepo: Two follow-up questions, the first one on EBITDA growth. If you can maybe elaborate more on the break-down of the 15 percent growth, which part comes from real estate? And the second on the real estate vehicle, if you can comment on the steps that you need to follow to close a deal? As you mentioned that you expect to close it at least on the third quarter, I was wondering how fast you have to run to do that?

Carlos Mario Giraldo: For the moment the outcome of the vehicle is going to have an impact in its EBITDA because as we keep the control, it's going to be consolidated, fully consolidated in the Company. But I would not give a guidelines about that. We will do it in the future as we see what will happen with the vehicle. So I want to be cautious about that. As of the timing, we believe that as we are seeing the process, it will be concluded by the end of the first semester or during the third quarter.

Mauricio Restrepo: But can you elaborate more on the process like when do you expect to have like an investment bank in the process, or do you have create an new company, like which are the steps that you will have to follow to complete the process?

Carlos Mario Giraldo: What I can say is that we already have bankers working since four or five months ago, that we are highly active in execution mode, but frankly it's not easy to give a final timing because there is a lot of paperwork to be done. What I can say is that our assets do not pose a problem because they are mature, they are legally viable, they already have the correct valuations, they are attractive for the investors. So it will have to do more a normal process like this in the market, which it takes time to be well-done.

Mauricio Restrepo: OK. Thank you very much.

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 say that this is the first time that we speak with a different perimeter for Exito. I believe that the historical step that we have taken is a game-changer for the Company as it was in 2000 when the Company bought Cadenalco and became for a long time and today still clear leader in the Colombian market, which is something similar in scale to what was done at this moment, only that now at the South American level.

What we believe also is that today the consolidation effort is ongoing in a very serious way that we have (began) to capture synergies and that the projects are now running, and that the most important thing also, and for me one of the most important synergies, is having managers going around our different divisions and as you have seen all the right managerial decisions are being taken. We remain now in a consolidated way as a very strong retailer in the region, 3.8 million square meters of retail; 2,606 stores in the four countries.

We have a huge opportunity for real estate value creation, and we are starting small with a medium part of the assets of Exito in Colombia, but we -- for the future we have other steps to take with the rest of the assets of real estate, shopping malls and galleries in Colombia, plus other countries where things can be done in the same direction. We believe that we have to continue strengthening our only channel in Latin American leadership and that means working with the profitability of the sites, especially for e-commerce in Brazil, which is one of the big priorities throughout the organization.

We can say today that three out of the four countries have EBITDAs proven margins for this year consolidation above 7 percent which is in the high level for all Latin America, and the one that is suffering the most difficult economy has one in the consolidated figure of Exito of 5 percent, which is reasonable given the considerations of Brazil and comes out of the position of leadership that it has in Brazil.

And finally you have to look at the track record of Exito, when Exito did Cadenalco or did Carulla or (inaudible) or Super Inter or any other acquisition, it has always delivered value. Of course it will take some time because there is a lot of work to do, but we're working in that and I think that you can expect that we will be giving further news on the results out of this work.

I want to thank you all for being here, for your questions, and of course myself and the IR Department are open to your questions and commentaries. Thank you very much.

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

END