Offering Memorandum **Strictly Confidential**

Almacenes Exito S.A.

50,000,000 Global Depositary Shares, each representing One Common Share

We are offering a total of 50,000,000 Global Depositary Shares, or GDSs. Each GDS represents one common share and will be evidenced by Global Depositary Receipts, or GDRs. The offering price is COP 15,000 or US$7.8415 per GDS based on the exchange rate of COP 1,912.9 to US$1.00 using the Representative Market Rate published by the Colombian Financial Superintendency as of the close of market on July 23, 2007.

Our common shares are listed on the Bolsa de Valores de Colombia (the Colombian Stock Exchange) where they trade under the symbol "EXITO."

See "Risk factors" beginning on page 16 for a discussion of certain significant risks that you should consider in connection with an investment in the GDSs.

The GDSs have not been registered under the Securities Act of 1933 or the securities laws of any other place. We are offering the GDSs only to qualified institutional buyers under Rule 144A and to persons outside the United States under Regulation S. See "Transfer restrictions" on page 161 for additional information and transfer restrictions. None of the United States Securities and Exchange Commission, the Colombian Financial Superintendency or any other securities commission has approved or disapproved these securities or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

The GDSs will not be listed on any securities exchange. GDSs that are sold to qualified institutional buyers will be eligible for trading in the PORTAL market.

We expect that delivery of the GDSs will be made to investors in book-entry form through The Depository Trust Company on or about July 27, 2007.

JPMorgan

Citigroup **Merrill Lynch & Co.**

July 23, 2007


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Notice to investors

Notwithstanding anything set forth herein or in any other document related to the GDSs, you and each of your employees, representatives or other agents may disclose to any and all persons, without limitation of any kind, the tax treatment and the tax structure of the transaction described herein and all materials of any kind, including any tax analyses that we have provided to you relating to such tax treatment and tax structure. However, the foregoing does not constitute an authorization to disclose our identity, the identity of the initial purchasers or their respective affiliates, agents or advisers or, except to the extent relating to such tax structure or tax treatment, any specific pricing terms or commercial or financial information.

This offering memorandum is highly confidential, and we have prepared it for use solely in connection with the proposed offering of our GDSs. This offering memorandum is personal to the offeree to whom it has been delivered by the initial purchasers and does not constitute an offer to any other person or to the public in general to subscribe for our GDSs. Distribution of this offering memorandum to any person other than the offeree and those persons, if any, retained to advise that offeree with respect thereto is unauthorized and any disclosure of any of its contents without our prior written consent is prohibited. Each offeree, by accepting delivery of this offering memorandum, agrees to the foregoing and agrees to make no photocopies of this offering memorandum, in whole or in part.

In connection with this offering, JPMorgan or its affiliates may effect transactions with a view to supporting the market price of our GDSs at a level higher than that which might otherwise prevail for a limited period after the issue date. However, JPMorgan is not obligated to do this. Such stabilizing activities, if commenced, may be discontinued at any time and must be brought to an end after a limited period. See “Plan of distribution.”

Our GDSs offered through this offering memorandum are subject to restrictions on transferability and resale, and may not be transferred or resold in the United States except as permitted under the Securities Act and applicable U.S. state securities laws pursuant to registration or exemption from them. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved.

You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell our GDSs or possess or distribute this offering memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of our GDSs under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither we nor the initial purchasers will have any responsibility therefor.

We and the initial purchasers reserve the right to reject any offer to purchase, in whole or in part, and for any reason, our GDSs offered hereby. We and the initial purchasers also reserve the right to sell or place less than all of GDSs offered hereby.

No representation or warranty, express or implied, is made by the initial purchasers as to the accuracy or completeness of any of the information set out in this offering memorandum, and nothing contained herein is or shall be relied upon as a promise or representation by the initial purchasers, whether as to the past or the future.

The terms "Exito," "our company", "the Company", "our," "we" and "us" used in this offering memorandum refer to Almacenes Exito S.A., the issuer of GDSs, together with its consolidated subsidiaries including Carulla Vivero S.A. ("Carulla"), except where the context otherwise requires. The term "JPMorgan" refers to J.P. Morgan Securities Inc. or its affiliates.

Notice to New Hampshire residents

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-B of the New Hampshire Uniform Securities Act ("RSA 421-B"), with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the state of New Hampshire constitutes a finding by the Secretary of State that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security, or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

Notice to Colombian pension funds

In compliance of Resolution 1155 of 2007 issued by the Colombian Financial Superintendence, we are required to inform you about the following risks and effects of purchasing our GDSs, in addition to the information disclosed in our Preliminary Offering Memorandum dated July 4, 2007 ("OM"): (a) the GDSs will not be listed on any securities exchange and therefore each Colombian pension fund purchasing GDSs in this offering should consult with its legal and accounting advisors regarding the generally accepted accounting principles, including the Technical Bulletins issued by the Colombian Financial Superintendency, or Colombian GAAP, applicable to the recording of its investment in GDSs; (b) according to the Colombian Financial Superintendence, Colombian pension funds are required to register their investment in GDSs under the "investments in shares of Colombian Issuers" account in order to determine compliance with investment global limits set forth by Regulation 7 of 1996; (c) as provided by Decree 2177 of 2007, securities, other than shares, which were offered under an exclusive single offer abroad, that is, outside the Colombian territory, may not at any point, be negotiated in Colombia. Thus, Colombian pension funds that purchase GDSs will be able to (i) offer the GDSs in the international markets subject to the restrictions included in the OM, or (ii) surrender the GDSs and withdraw shares of common stock of our Company, which will be fully negotiable within the Colombian secondary market.

Presentation of financial and other information

Financial statements

We have prepared our consolidated financial statements appearing in this offering memorandum in accordance with Colombian generally accepted accounting principles, including the Technical Bulletins issued by the Colombian Financial Superintendency, or Colombian GAAP. References in this offering memorandum to "COP," "Colombian pesos" and "pesos" are to the lawful currency of the Republic of Colombia, and references in this offering memorandum to "US$," "$" and "US dollars" refer to the lawful currency of the United States of America. We have made rounding adjustments to reach some of the figures included in this offering memorandum. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them.

Our consolidated financial statements as of December 31, 2005 and 2006 and for the years ended December 31, 2004, 2005 and 2006 have been audited by PricewaterhouseCoopers Ltda (PricewaterhouseCoopers) and are included elsewhere in this offering memorandum. The unaudited consolidated financial statements as of and for the three-month periods ended March 31, 2006 and 2007 are also included elsewhere in this offering memorandum.

The consolidated financial statements of Carulla, our newly-acquired subsidiary, as of December 31, 2005 and 2006 and for the years ended December 31, 2004, 2005 and 2006 have been audited by Deloitte & Touche Ltda. and are included elsewhere in this offering memorandum.

The financial information included in this offering memorandum has been presented in *nominal* Colombian pesos, except for the non-monetary accounts included in the balance sheet, which are presented in constant pesos as of each year end. The effect resulting from inflation adjustments made on the non-monetary accounts has not been eliminated. The inflation adjustment in Colombia, according to the National Administrative Department of Statistics (*Departamento Administrativo Nacional de Estadisticas—DANE*), was approximately 5.5%, 4.9% and 4.5% per annum during 2004, 2005 and 2006, respectively. As per Decree 1536 of 2007, effective January 1, 2007, the application of inflation adjustments on financial statements presented under Colombian GAAP has been discontinued.

References to "pro forma" and "on a pro forma basis" are to information derived from our unaudited pro forma condensed consolidated balance sheets and statements of income included in this offering memorandum. As described in detail under "Unaudited pro forma condensed consolidated financial information", the pro forma information gives effect to our acquisition of Carulla and the related issuance of debt and equity as if the acquisition had been completed and such debt and equity had been incurred as of January 1, 2006. The pro forma financial statements are presented in Colombian GAAP. Our pro forma financial statements do not reflect changes to our financial condition resulting from this offering.

We maintain our books and records in Colombian pesos. Solely for the convenience of the reader, and except as otherwise stated, this offering memorandum contains translations of some Colombian peso amounts into U.S. dollars (see "Exchange rates" for further information on the Representative Market Rate and for more detailed information regarding the exchange rate between pesos and U.S. dollars). No representation is made that the Colombian peso or U.S. dollar amounts referred to herein could have been or could be converted into Colombian pesos or U.S. dollars, as the case may be, at this rate, at any other particular rate or at all.

Adjusted EBITDA

We calculate Adjusted EBITDA by adding depreciation, amortization and the inflation adjustment included in the cost of sales to operating income. Adjusted EBITDA is a non-GAAP measure that does not have a standardized meaning and may not be comparable to similarly-titled measures provided by other companies. In addition, we have not calculated Adjusted EBITDA in accordance with SEC guidelines regarding the use of non-GAAP financial measures. We disclose Adjusted EBITDA because we use it as a key performance indicator. In addition, we understand that certain investors use them as indicators of a company's ability to meet debt service and capital expenditure requirements. Adjusted EBITDA should not be considered in isolation or as a substitute for net income or operating income as indicators of operating performance or cash flow as a measure of liquidity or our ability to service debt obligations.

Market and industry information

We obtained the market and certain other data used in this offering memorandum from our own research, surveys or studies conducted by third parties, such as AC Nielsen de Colombia Ltda. ("Nielsen"), and industry or general publications and other publicly available sources. Industry and general publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. Although we believe that each of these studies and publications is reliable, neither we nor the initial purchasers have independently verified such data, and neither we nor the initial purchasers make any representations as to the accuracy of such information. Certain data is based on published information made available by the Colombian government and its agencies, such as DANE and the Colombian Central Bank (the "Central Bank"). Although we believe these sources to be reliable, neither we nor the initial purchasers make any representation as to the accuracy of such information.

Summary

This summary highlights information contained elsewhere in this offering memorandum. It is not complete and may not contain all the information that may be important to you, and is qualified in its entirety by, and is subject to, the detailed information and financial statements contained elsewhere in this offering memorandum. You should read the entire offering memorandum, including the financial data and notes related thereto, before making an investment decision. You should pay special attention to the "Risk Factors" section beginning on page 16 of this offering memorandum to determine whether an investment in our GDSs is appropriate for you.

Overview

We are Colombia's leading retailer in terms of sales and number of stores. During the twelve-month period ended June 30, 2006, our combined sales with Carulla represented approximately 42% of the sales in the Colombian formal retail market and more than three times the sales of the second largest retailer in the country, in each case based on Nielsen's most recently released data for such period. In addition, we believe that in 2006, we were the largest company in the private sector in Colombia in terms of sales. With nearly 60 years of retail experience, we operate under a multi-format strategy including supermarkets, hypermarkets and discount stores with a portfolio of well-recognized brands, which together allow us to target customer bases of various income levels. We believe our multi-format strategy has allowed us to benefit from the growing Colombian economy and the rising purchasing power of the Colombian consumer across all income levels in recent years.

We serve several markets through our network of 266 stores nationwide under two principal formats: hypermarkets under the *Exito* and *Vivero* brands and supermarkets under the *Carulla, Ley* and *Pomona* brands. We also have discount stores under the *Merquefacil* and *Surtimax* brands. Our other retail businesses include home furnishing stores under the *Home Mart* brand and our recently-launched convenience/discount stores under the *Q-Precios* and *Próximo* brands. We offer a broad variety of products through our stores including consumer products, fresh products, apparel, home products and entertainment items. We also serve large consumers, including restaurants and corporate commissaries. We own an apparel manufacturing business through which we design and manufacture clothing and a food processing plant where we process and package our own food products, including meat, baked goods, prepared foods and bottled water, which we sell in our stores. We are also a significant provider of consumer credit in Colombia through our Exito card.

Since 2002, we have pursued an aggressive expansion plan increasing our total number of stores in Colombia from 88 as of December 31, 2002 to 266 as of March 31, 2007, and our total selling space from approximately 307,000 square meters as of December 31, 2002 to approximately 612,000 square meters as of March 31, 2007. We have been expanding our operations through a combination of organic growth and acquisitions, including our recent acquisition in early 2007 of Carulla, Colombia's largest supermarket operator and, at the time of the acquisition, the country's second largest retailer in terms of sales. We have also implemented an extensive renovation plan to remodel and expand many of our existing stores, including the conversion of some of our Ley and Vivero stores into Exito stores. Our expansion and renovation program currently contemplates the opening of approximately 6 new stores and the conversion of approximately 13 existing Ley and Vivero stores into Exito stores by the end of 2007.

The following table reflects our growth since 2004, including the effect of the Carulla acquisition:

	Actual				Pro forma	
	Year ended December 31,			Three months ended March 31,	Year ended December 31,	Three months ended March 31,
	2004	2005	2006	2007	2006	2007
	(millions of Colombian pesos, except operating data)					
Net revenues	3,337,389	3,532,791	4,262,522	1,483,357	6,546,578	1,664,676
Adjusted EBITDA	273,552	290,964	348,611	97,865	506,816	104,846
Net income	63,061	67,848	123,176	23,184	150,032	19,894
Number of stores	97	99	111	266	275	266
Selling space (square meters)	335,643	345,236	383,954	612,353	616,135	612,353

We are controlled by Casino Guichard Perrachon & Cie S.A. (together with its subsidiaries, "Casino" or "Casino Group"), a leading global retailer with sales of approximately € 23 billion (US $31 billion) in 2006, presence in 11 countries and approximately 9,200 stores worldwide. Casino has been a shareholder of our company since 1999 and currently owns 65.5% of our common shares. In addition, the Casino Group has indicated that it will participate in this offering by acquiring approximately one-third of the GDSs offered hereby.

We are listed on the Colombian Stock Exchange under the ticker symbol "EXITO."

Our strengths

- ***Strong market position in an attractive market.*** We are the largest retailer in terms of sales and number of stores in the third most populous country in Latin America with combined sales with Carulla during the twelve-month period ended June 30, 2006 representing approximately 42% of the Colombian formal retail market, based on Nielsen's most recently released data for such period. Colombia has a population of approximately 46 million, approximately 49% of which is 25 years old or younger, and approximately 30% of which live in Colombia's four main cities (Bogotá, Medellín, Barranquilla and Cali). Colombia has experienced strong GDP growth of 4.9% in 2004, 4.7% in 2005, and 6.8% in 2006. We believe we have the most extensive retail footprint in Colombia with 266 stores throughout 45 cities, including the most densely populated urban areas as well as growing mid-sized cities, and hold strong market positions in Colombia's four largest urban areas. We believe our strong market presence positions us to benefit from consumption expansion in the Colombian economy, driven by future increases in disposable income and availability of consumer credit. We believe our critical mass also positions us to capture growth opportunities, achieve savings in logistics and other centralized functions, maintain strong supplier relationships and drive nationwide market penetration.
- ***Extensive multi-format coverage.*** Our multi-format business model allows us to provide attractive retail options to diverse demographic groups by offering combinations of price, convenience, quality and service. It helps us cater to different segments of the population and provides us with flexibility to grow in existing markets as well as penetrate new markets by tailoring our stores to the characteristics of each specific location. For example, our

hypermarket format targets middle and upper income segments, typically in large urban areas, and offers a large selection of products, while our supermarket format offers convenience in more confined markets. Our discount format, which is comprised primarily of small stores with spaces ranging from 200 to 1,800 square meters, allows us to target the middle to lower income segments by providing a more limited selection of products at affordable prices and, like our supermarkets, is more suited to smaller urban centers.

- ***A portfolio of well-recognized brands.*** We believe our *Exito* and *Carulla* brands are among the most widely recognized and long-standing hypermarket and supermarket brands in Colombia, a result of approximately 60 years of operating history in the case of Exito and over a century in the case of Carulla. We believe our strong brand identity promotes customer loyalty and enhances our ability to gain rapid recognition from customers when opening or renovating our stores.

- ***Extensive and efficient distribution network and storage capacity.*** Our distribution network serves 45 cities throughout Colombia and includes 15 distribution centers with a total area of approximately 200,000 square meters as of March 31, 2007. Over the 12 months ended December 31, 2006, approximately 80% of Exito's products were centrally handled via this logistics network, and we seek to bring Carulla to a similar level of centralization over time. Our substantial distribution network and storage capacity allows us to provide customers with a broad selection of products, and we believe it enhances our relationship with our suppliers by making product handling and delivery more efficient for them. We believe that as a result of our extensive and efficient distribution network we are able to distribute our products effectively across Colombia's mountainous topography and respond quickly to fluctuating demands to re-stock our locations. We believe this network decreases storage costs and shrinkage, increases sales volumes and provides us with the scale to implement our nationwide penetration strategy. In addition, we believe that our distribution and logistics network and expertise position us to capitalize on growth opportunities in smaller cities that are under-penetrated.

- ***A strong real estate portfolio.*** We currently own approximately 66% of our selling space, including premium locations in several key markets across the country. We believe this real estate portfolio is a valuable asset due to the increasing scarcity of desirable properties in Colombia's main cities. We believe our real estate portfolio provides us with ample opportunities to further add value to some of our sites through the commercial development of adjacent areas into mini-malls and other related activities.

- ***Experienced controlling shareholder and management team.*** The Casino Group is a leading French retailer with presence in 11 countries and extensive experience in operating a multi-format strategy. We believe Casino's global expertise complements our management's local know-how and benefits us in a number of areas such as new stores development, management of our real estate portfolio, purchasing, marketing and promotional activities, and ultimately in better meeting consumer demands. We believe we have a strong and committed senior management team with an average tenure at the Company of 11 years, strong track record as evidenced by our operating results, and extensive experience in the industry. Our management team is led by Mr. Gonzalo Restrepo Lopez, our Chief Executive Officer, who has been with us for 17 years and in 2006 was recognized as the leading executive in Colombia according to *La República,* a leading financial periodical in Colombia.

Our strategy

Our goal is to enhance our profitability while strengthening our leading position in the Colombian retail industry by implementing the following strategies:

- ***Expanding, remodeling and converting selling space.*** We believe the Colombian retail market provides attractive prospects for growth and that opportunities exist to strengthen our current presence in several cities and penetrate new urban centers through opening new stores, remodeling existing stores or optimizing our current store network by converting certain stores to more suitable brands for their specific markets. In 2006, we opened 13 new stores and converted nine Ley supermarkets into Exito hypermarkets and one Ley supermarket into a Pomona supermarket. We target areas that we believe have significant growth potential and favorable demographics. More specifically, our expansion strategy entails (i) strengthening existing markets by expanding our store presence, and (ii) penetrating new markets, particularly medium to small sized cities, by opening new stores in strategic locations. In addition, we have designed a conversion strategy to simplify our brands into two categories, hypermarkets under the *Exito* brand and supermarkets under the *Carulla* and *Pomona* brands, in order to increase sales, reduce costs and maximize our overall profitability.
- ***Integration of Carulla and maximization of synergies.*** Our recent acquisition of Carulla provides us with increased critical mass and valuable access to key markets in the country, including central Colombia and the Atlantic coastal region, while it also strengthens our supermarket platform to pursue our expansion and penetration strategy. We are in the process of integrating Carulla with our existing operations, and through the integration of Exito and Carulla we seek to capitalize on a number of complementary characteristics and competencies of each of the two businesses to increase sales, reduce costs and improve operating margins. Our integration strategy entails integrating and optimizing our store base, integrating our manufacturing capacities (apparel and food), reducing administrative costs, improving distribution logistics and our relationships with our suppliers, and integrating consumer loyalty programs.
- ***Expansion of our consumer finance operations.*** We introduced the Exito card in November 2005, making us the first retailer in Colombia to offer a card to middle and lower income customers who previously had limited access to this form of credit. The Exito card was launched through a joint-venture with Compañía de Financiamiento Comercial—Sufinanciamiento (a subsidiary of Bancolombia, Colombia's largest financial institution). Our Exito card can be used at most of our stores and at an increasing number of third party commercial establishments. With more than 700,000 cards issued, we believe we are the third largest issuer of consumer cards in Colombia. We believe this business offers strong growth opportunities, and we intend to continue expanding our customer and vendor base as a source of value creation going forward. Our consumer credit operations have enhanced our ability to increase sales, particularly in the non-food category such as electronics and appliances, build consumer loyalty, gather additional information regarding consumer habits and preferences, and reach segments of the Colombian population which in the past have had limited access to credit. We also seek to develop additional business opportunities by expanding the scope of the financial products we offer to our customers. Additionally, we believe our financial products business complements our penetration strategy by enhancing our access to areas of the country where formal credit is less available, helping us develop and strengthen customer loyalty in these new markets.

- ***Enhancing customer loyalty.*** We seek to increase our share of customers' total retail spending by offering a combination of competitive prices, quality products, broad assortment, outstanding service and an attractive "one-stop" shopping environment. We seek to locate our stores in convenient locations and provide a shopping environment which appeals to the entire family. We also have loyalty programs which provide our customers with special promotions and discounts. Our loyalty programs provide us with valuable consumer behavior information which in turn allows us to better develop effective marketing strategies and tailor our product and service offerings to our customers' needs. We intend to increase our customer loyalty programs by adding rewards and discounts and capitalizing on the customer knowledge recently acquired from Carulla's well-established supermarket's loyalty programs.

- ***Reducing costs and optimizing process control.*** We intend to continue to focus on reducing our expenses to enhance our operating margins. Initiatives to reduce expenses include implementing an inventory rationalization and distribution system, improving operational processes at our stores and distribution centers and optimizing store personnel expense through the use of technology. For example, we recently implemented a modern warehouse management system which allows us to reduce costs and improve inventory management efficiencies. We are deploying a personnel expense management system that we expect to improve work shift scheduling. In addition, we are implementing improvements to our point of sales systems, unit inventory control systems and electronic communications systems to improve speed and accuracy in transmitting purchase orders to suppliers.

- ***Developing our real estate base.*** Utilizing our property base, we are currently exploring new lines of business such as the development of shopping centers to enhance our customers' shopping experience and maximize the value of our owned sites. We currently own three shopping centers in which we operate the anchor store, and we believe there is strong growth potential in Colombia for the development of this line of business. We seek to grow our land bank by acquiring additional plots in strategic locations to facilitate the expansion of our operations and the construction of additional hypermarkets, supermarkets and shopping centers.

- ***Expanding our private label sales.*** A key aspect of our strategy is the continued growth of our private label offerings. We seek to expand this business with a particular emphasis on apparel, a traditional strength of Exito through its Didetexco subsidiary, and fresh products produced at Carulla's food processing facilities, for which Carulla is widely recognized. In addition, we intend to continue complementing our private label strategy by obtaining official distribution arrangements with certain brands, such as our current arrangements with Budweiser and Apple pursuant to which we are their official distributor in Colombia.

Our executive offices are located at Carrera 48 No. 32B Sur – 139, Envigado, Antioquia, Colombia. Tel. (57) 4 339 6500.

The offering

Issuer	Almacenes Exito S.A.
Offering	We are offering 50,000,000 GDSs through the initial purchasers.
Offering price	COP 15,000 or US$7.8415 per GDS based on the exchange rate of COP 1,912.9 to US$1.00 using the Representative Market Rate published by the Colombian Financial Superintendency as of the close of market on July 23, 2007.
Use of proceeds	We estimate that our net proceeds from the offering will be approximately COP 731,250 million (after deducting underwriting discounts and commissions and estimated transaction expenses payable by us). We intend to use such proceeds for the expansion of our business (through the acquisition of land, the opening, remodeling and conversion of stores) and the remaining funds for general corporate purposes.
Shares outstanding after the offering	Immediately following the offering the number of our common shares expected to be outstanding is shown below:

Public	113,949,299	shares
Casino	169,677,869	shares
Total	283,627,168	shares

Global Depositary Shares (GDSs)	Each GDS will represent one common share and will be evidenced by GDRs. The depositary for the GDSs is JP Morgan Chase Bank, N.A. The GDSs offered pursuant to Rule 144A will be evidenced by 144A GDRs issued by the depositary pursuant to a Rule 144A deposit agreement. The GDSs offered pursuant to Regulation S will be evidenced by Regulation S GDRs issued by the depositary pursuant to a Regulation S deposit agreement. The shares represented by the GDSs will be or have been deposited with Fiduciaria Bancolombia S.A. Fiducolombia as custodian for the depositary in Colombia. Rule 144A GDSs and Regulation S GDSs have been accepted to DTC's book-entry settlement system. The Rule 144A GDSs will be evidenced by a separate single master GDR and the Regulation S GDSs will be evidenced by a separate single master GDR. Payment for the GDSs may be made only in US dollars.
Voting rights	Holders of our common stock are entitled to one vote per share. Subject to Colombian law and the terms of the deposit agreements, the owners of GDSs will have the right to instruct the depositary as to the exercise of voting rights with respect to the underlying shares of common stock. See "Description of our capital stock" and "Description of Global Depositary Shares—Voting rights."

Controlling shareholder . . . . Immediately following this offering, Casino is expected to continue to beneficially own approximately 60% of our common shares. As long as Casino continues to directly or indirectly own a majority of our common shares, it, together with certain other shareholders with whom it has entered into a Shareholders Agreement (as defined in "Principal shareholders"), will be able to elect a majority of our board of directors and to determine the outcome of substantially all actions that require shareholder approval. See "Risk factors—Risks relating to the Colombian retail industry and our business—Casino, our largest shareholder, together with the other shareholders that are parties to the Shareholders Agreement, have the ability to direct our business and their interests could conflict with yours" and "Principal shareholders—Shareholders Agreement."

Lock-up agreement . . . . We, our directors and executive officers and Casino together with the parties to the existing Shareholder Agreement have agreed with the initial purchasers, subject to certain exceptions, not to issue or transfer, until 90 days after the date of this offering memorandum, any shares of our capital stock, any options or warrants to purchase shares of our capital stock or any securities convertible into or exchangeable for shares of our capital stock without the prior written consent of J.P. Morgan Securities Inc.

Listing of our common shares . . . . Our common shares are traded on the Colombian Stock Exchange under the name "Exito". Additionally, application will be made for the trading of Rule 144A GDSs in the PORTAL Market, a subsidiary of Nasdaq Stock Market, Inc.

Depositary . . . . JP Morgan Chase Bank, N.A.

Risk factors . . . . See "Risk factors" beginning on page 16 and the other information included in this offering memorandum for a discussion of certain important risks you should carefully consider before deciding to invest in the GDSs.

Corporate governance . . . . Under Colombian law, a listed company's board of directors must consist of a minimum of five and a maximum of ten board members, of which 25% must be "independent," within the meaning of Law 964 of 2005. Our board of directors currently has nine members, three of which are independent.

Offering timetable:

Commencement of marketing of the offering	Week of July 2, 2007
Announcement of offer price and allocation of GDSs	Week of July 23, 2007
Settlement and delivery of GDSs	Week of July 23, 2007

Summary consolidated financial and other information

Exito

The following summary financial data has been derived from our financial statements. The financial data as of December 31, 2005 and 2006 and for the years ended December 31, 2004, 2005 and 2006 has been derived from our audited consolidated financial statements included elsewhere in this offering memorandum which were audited by PricewaterhouseCoopers, as stated in its report appearing therein. The financial data as of December 31, 2004 has been derived from our audited consolidated financial statements not included in this offering memorandum. The summary financial data as of and for the three months ended March 31, 2006 and 2007 has been derived from our unaudited consolidated interim financial statements included elsewhere in this offering memorandum. The summary financial data as of and for the three months ended March 31, 2007 includes the financial data of Carulla.

Our financial statements are prepared in accordance with Colombian GAAP which differ significantly from U.S. GAAP. See Annex B for a discussion of certain significant differences between Colombian GAAP and U.S. GAAP.

Our results for the periods indicated are not necessarily indicative of our results for any future period. This financial information should be read in conjunction with "Selected consolidated financial and other information," "Management's discussion and analysis of financial condition and results of operations" and our consolidated financial statements included elsewhere in this offering memorandum.

The financial information included in this offering memorandum has been presented in *nominal* Colombian pesos, with the exception of those non-monetary accounts included in the balance sheet, which are presented in constant pesos as of each year end. The effect resulting from inflation adjustments made on the non-monetary accounts has not been eliminated. The inflation adjustment in Colombia, according to the National Administrative Department of Statistics (*Departamento Administrativo Nacional de Estadisticas—DANE*), was approximately 5.5%, 4.9% and 4.5% per annum during 2004, 2005 and 2006, respectively. As per Decree 1536 of 2007, effective January 1, 2007, the application of inflation adjustment on financial statements presented under Colombian GAAP has been discontinued.

EXITO	Year ended December 31,						Three months ended March 31,				
	2004	2005	2006	2006	Pro forma 2006	Pro forma 2006	2006	2007	2007	Pro forma 2007	Pro forma 2007
	(millions of Colombian pesos, except operating data and per share data)			(millions of U.S. dollars)(1)	(millions of Colombian pesos)	(millions of U.S. dollars)(1)	(millions of Colombian pesos, except operating data and per share data)		(millions of U.S. dollars)(2)	(millions of Colombian pesos)	(millions of U.S. dollars)(2)
Income statement data											
Sales	3,246,635	3,425,799	4,126,593	1,749	6,342,282	2,689	858,207	1,438,458	648	1,616,721	728
Other income from operations	90,754	106,992	135,929	57	204,296	87	29,360	44,899	20	47,955	22
Net revenues	3,337,389	3,532,791	4,262,522	1,806	6,546,578	2,776	887,567	1,483,357	668	1,664,676	750
Cost of sales	2,525,058	2,663,715	3,206,763	1,359	4,954,278	2,100	672,267	1,149,567	517	1,292,510	582
Gross profit	812,331	869,076	1,055,759	447	1,592,300	676	215,300	333,790	151	372,166	168
Selling and administrative expense	702,573	747,519	885,817	375	1,368,299	580	187,745	303,607	137	343,394	154
Operating income	109,758	121,557	169,942	72	224,001	96	27,555	30,183	14	28,772	14
Financial income	10,196	12,431	46,685	20	48,798	21	4,048	13,459	6	14,020	6
Other non-operating income	232	31	24	0	10,094	4	8	6	0	6	0
Total non-operating income	10,428	12,462	46,709	20	58,892	25	4,056	13,465	6	14,026	6
Financial expense	39,966	33,690	72,631	31	108,526	46	8,966	27,269	12	30,518	14
Other non-operating expense	18,801	19,955	21,487	9	43,360	18	3,965	6,939	3	7,507	3
Total non-operating expense	58,767	53,645	94,118	40	151,886	64	12,931	34,208	15	38,025	17
Monetary correction	36,561	31,274	29,475	12	86,639	37	8,715	21,109	9	21,705	10
Minority interest	18	50	49	0	8,072	3	47	(1,477)	(1)	(2,545)	(1)
Income taxes	34,901	43,750	28,783	12	59,542	25	14,151	8,842	4	9,129	4
Net income	63,061	67,848	123,176	52	150,032	66	13,197	23,184	11	19,894	10
Balance sheet data											
Current assets:											
Cash	68,676	81,600	126,317	56	172,398	77	39,381	188,551	86	116,801	53
Cash equivalents	13,245	52,107	106,961	48	115,227	51	20,679	310,456	142	310,456	142
Total current assets	636,816	695,281	906,962	405	1,344,672	600	688,308	1,575,320	719	1,503,570	686
Non-current assets:											
Property, plant and equipment	1,265,994	1,377,829	1,640,086	733	2,121,604	947	1,399,403	2,117,935	967	2,117,935	967
Total non-current assets	2,151,894	2,347,793	2,701,720	1,207	4,041,217	1,805	2,368,203	3,902,146	1,781	3,973,896	1,814

EXITO	Year ended December 31,						Three months ended March 31,				
	2004	2005	2006	2006	Pro forma 2006	Pro forma 2006	2006	2007	2007	Pro forma 2007	Pro forma 2007
	(millions of Colombian pesos, except operating data and per share data)			(millions of U.S. dollars)(1)	(millions of Colombian pesos)	(millions of U.S. dollars)(1)	(millions of Colombian pesos, except operating data and per share data)		(millions of U.S. dollars)(2)	(millions of Colombian pesos)	(millions of U.S. dollars)(2)
Current liabilities:											
Short-term debt	340,583	317,699	171,941	77	300,459	134	370,342	330,139	151	330,139	151
Total current liabilities	908,336	952,031	978,778	437	1,538,107	687	993,210	1,582,525	722	1,582,525	722
Non-current liabilities:											
Long-term debt	3,750	53,365	359,364	161	1,251,001	559	53,365	1,233,205	563	1,233,205	563
Total non-current liabilities	37,030	85,702	406,496	182	1,304,963	582	85,608	1,271,144	580	1,271,144	580
Minority interest	1,252	1,367	1,479	1	102,790	46	1,435	241,252	110	242,438	111
Shareholders' equity	1,842,092	2,003,974	2,221,929	992	2,440,029	1,090	1,976,258	2,382,545	1,088	2,381,359	1,087
Cash flow data											
Net cash provided by (used in):											
Operating activities	219,181	298,727	328,844	139			(61,634)	(54,779)	(25)		
Investing activities	(92,317)	(200,486)	(306,700)	(130)			(8,406)	(894,807)	(403)		
Financing activities	(94,436)	(58,504)	61,285	26			30,827	946,736	426		
Other activities	(20,727)	(26,813)	(38,712)	(16)			(3,007)	(16,492)	(7)		
Other financial information											
Adjusted EBITDA(3)	273,552	290,964	348,611	148	506,816	215	71,191	97,865	44	104,846	47
Adjusted EBITDA margin	8.2%	8.2%	8.2%		7.7%		8.0%	6.6%		6.3%	
Gross margin(4)	24.3%	24.6%	24.8%		24.3%		24.3%	22.5%		22.4%	
Operating margin(5)	3.3%	3.4%	4.0%		3.4%		3.1%	2.0%		1.7%	
Net margin(6)	1.9%	1.9%	2.9%		2.3%		1.5%	1.6%		1.2%	
Weighted average shares outstanding	207,018,306	209,000,626	208,994,975				209,000,626	212,637,372			
Net income per share	304.61	324.63	589.37				63.14	109.03			
Net income per GDS(7)	304.61	324.63	589.37				63.14	109.03			
Dividends declared	60,767	62,701	62,701				62,701	70,088			
Dividends per share(8)	300	300	300				75	75			
Dividends per GDS(7)	300	300	300				75	75			

EXIT0	Year ended December 31,						Three months ended March 31,				
	2004	2005	2006	2006	Pro forma 2006	Pro forma 2006	2006	2007	2007	Pro forma 2007	Pro forma 2007
	(millions of Colombian pesos, except operating data and per share data)			(millions of U.S. dollars)(1)	(millions of Colombian pesos)	(millions of U.S. dollars)(1)	(millions of Colombian pesos, except operating data and per share data)		(millions of U.S. dollars)(2)	(millions of Colombian pesos)	(millions of U.S. dollars)(2)
Operating data											
Stores operating at end of period:											
Hypermarket	25	29	47				29	47			
Supermarket	71	67	58				65	58			
Opened during the period	4	8	13								
Closed during the period	1	6	1								
Remodeled during period	0	0	0				0	0			
Average selling space per store (square meters)(9):											
Hypermarket	7,853	7,305	6,027				7,265	6,030			
Supermarket	1,959	1,980	1,712				2,056	1,712			
Weighted net sales per retail square meter (thousands)(9):											
Hypermarket	11,747	11,944	13,281	6			12,396	13,382	6		
Supermarket	7,176	7,629	8,161	4			7,703	8,418	4		
Increase (decrease) in same store revenues(9)(10):	0.3%	2.8%	13.6%				11.1%	14.4%			
Total full-time equivalent employees at end of period(9):	26,854	30,557	35,413				30,013	34,934			

(1) Balance sheet line items translated using the Representative Market Rate of COP 2,238.79=US$1.00 as of December 31, 2006 and income statement line items translated using average Representative Market Rate of COP 2,358.96=US$1.00 for the year ended December 31, 2006.

(2) Balance sheet line items translated using the Representative Market Rate of COP 2,190.30=US$1.00 as of March 31, 2007 and income statement line items translated using average Representative Market Rate of COP 2,222.03=US$1.00 for the three months ended March 31, 2007.

(3) Adjusted EBITDA represents operating income plus depreciation, amortization and the inflation adjustment included in the cost of sales. We believe Adjusted EBITDA provides investors with meaningful information with respect to our operating performance and facilitates comparisons to our historical operating results. Our Adjusted EBITDA measure has limitations as an analytical tool, however, and you should not consider it in isolation, as an alternative to net income or as an indicator of our operating performance or as a substitute for analysis of our results as reported under Colombian GAAP or U.S. GAAP. Some of these limitations include:

- it does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, our working capital needs;
- it does not reflect the interest expense, or the cash requirements to service the interest or principal payments of our debt;
- it does not reflect any cash income taxes or employees' profit sharing we may be required to pay;
- it reflects the effect of non-recurring expenses, as well as investing gains and losses;
- it is not adjusted for all non-cash income or expense items that are reflected in the statements of changes in financial position; and
- other companies in our industry may calculate this measure differently than we do which may limit its usefulness as a comparative measure.

Because of these limitations, our Adjusted EBITDA measure should not be considered a measure of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. Adjusted EBITDA is not a recognized financial measure under Colombian GAAP or U.S. GAAP. You should compensate for these limitations by relying primarily on our Colombian GAAP results and using our Adjusted EBITDA measurement supplementally.

The following table shows the reconciliation of our operating income to Adjusted EBITDA:

	Year ended December 31,				Three months ended March 31,		
	2004	2005	2006	2006 pro forma	2006	2007	2007 Pro forma
	(millions of Colombian pesos)						
Operating income	109,758	121,557	169,942	224,001	27,555	30,183	28,772
Depreciation and amortization	138,577	147,166	158,650	252,464	37,538	54,761	63,153
Inflation adjustment included in the cost of sales.	25,217	22,241	20,019	30,351	6,098	12,921	12,921
Total Adjusted EBITDA	273,552	290,964	348,611	506,816	71,191	97,865	104,846

(4) Gross profit divided by net revenues.

(5) Operating income divided by net revenues.

(6) Net income divided by net revenues.

(7) Determined by multiplying per share amounts by 1 (one GDS = one share).

(8) Expressed in Colombian Pesos.

(9) Data for the three months ended March 31, 2007 reflect Exito's stand-alone operations.

(10) The term "same store revenues" reflects the sales of our stores operating throughout the same months of both financial periods being compared. If a store did not operate for a full month of either of the financial periods being compared, we exclude its sales for such month from both financial periods. If a store is converted from one format to another (e.g., a Ley supermarket converted to an Exito hypermarket), the store with the discontinued format is deemed to have been closed, and the same store having a new format is deemed to be a new store. For example, if a new store was opened (or deemed opened after conversion from another format) on July 1, 2005 and operated throughout the last six months of 2005, (i) "same store revenues" would include the sales of that store for the last six months of 2005 and the last six months of 2006 and (ii) we would consider the sales of the new store during the first six months of 2006 as sales from a newly opened store. You should be aware that our method of calculating same store revenues data may differ significantly from the method used by other retailers to calculate same store revenues data.

Carulla

The following summary financial data have been derived from the financial statements of Carulla, our newly-acquired subsidiary. The financial data as of December 31, 2005 and 2006 and for the years ended December 31, 2004, 2005 and 2006 has been derived from Carulla's consolidated financial statements included elsewhere in this offering memorandum which were audited by Deloitte & Touche Ltda., as stated in its report appearing therein. The financial data as of and for the three months ended March 31, 2006 has been derived from Carulla's unaudited consolidated interim financial statements included elsewhere in this offering memorandum. The financial data as of December 31, 2004 and as of and for the three months ended March 31, 2007 has been derived from Carulla's audited and unaudited consolidated financial statements not included in this offering memorandum.

	Year ended December 31,				Three months ended March 31,		
	2004	2005	2006	2006	2006	2007	2007
	(millions of Colombian pesos, except operating data and per share data)			(millions of U.S. dollars)(1)	(millions of Colombian pesos, except operating data and per share data)		(millions of U.S. dollars)(2)
Income statement data							
Sales	1,637,855	2,037,136	2,215,689	939	484,558	537,501	242
Other income from operations	47,524	57,588	68,367	29	11,966	14,236	6
Net revenues	1,685,379	2,094,724	2,284,056	968	496,524	551,737	248
Cost of sales	1,269,784	1,614,355	1,747,515	740	386,828	434,130	195
Gross profit	415,595	480,369	536,541	228	109,696	117,607	53
Selling and administrative expense	375,846	429,740	469,189	198	107,571	117,641	53
Operating income	39,749	50,629	67,352	29	2,125	(34)	0
Financial income	4,548	1,730	2,113	1	440	844	0
Other non-operating income	2,295	2,749	10,070	4	489	0	0
Total non-operating income	6,843	4,479	12,183	5	929	844	0
Financial expense	23,522	33,664	35,895	15	7,931	9,663	4
Other non-operating expense	11,471	9,397	21,873	9	1,133	6,092	3
Total non-operating expense	34,993	43,061	57,768	24	9,064	15,755	7
Monetary correction	23,788	25,833	23,607	10	7,128	11,637	5
Income taxes	13,362	13,837	16,356	7	431	1,613	0
Net income	22,025	24,043	29,018	12	687	(4,921)	(2)
Balance sheet data							
Current assets:							
Cash and cash equivalents	68,283	60,972	89,842	40	33,379	42,926	20
Total current assets	380,521	362,806	461,185	206	326,732	409,376	187
Non-current assets:							
Property, plant and equipment	433,124	467,291	471,101	210	461,941	474,124	216
Total non-current assets	668,163	701,004	831,498	371	701,518	814,532	372
Current liabilities:							
Short-term debt	199,279	59,613	128,518	57	77,800	132,410	60
Total current liabilities	605,550	446,788	563,946	252	416,460	490,741	224
Non-current liabilities:							
Long-term debt	70,000	220,000	220,000	98	220,000	220,000	100
Total non-current liabilities	80,427	228,268	226,830	101	228,299	226,883	104
Shareholders' equity	362,707	388,754	501,907	224	383,491	506,284	231

	Year ended December 31,				Three months ended March 31,		
	2004	2005	2006	2006	2006	2007	2007
	(millions of Colombian pesos, except operating data and per share data)			(millions of U.S. dollars)(1)	(millions of Colombian pesos, except operating data and per share data)		(millions of U.S. dollars)(2)
Cash flow data							
Net cash provided by (used in):							
Operating activities	20,783	64,870	10,484	4	(25,592)	(43,450)	(20)
Investing activities	(65,270)	(61,744)	(34,388)	(15)	(4,057)	(6,267)	(3)
Financing activities	75,231	(10,437)	52,774	24	2,056	11,067	5
Other financial information							
Adjusted EBITDA(3)	140,591	151,539	173,190		28,001	28,239	
Adjusted EBITDA margin	8.3%	7.2%	7.6%		5.7%	5.1%	
Gross margin(4)	24.7%	22.9%	23.5%		22.1%	21.3%	
Operating margin(5)	2.4%	2.4%	2.9%		0.4%	—	
Net margin(6)	1.3%	1.2%	1.3%		0.1%	—	
Shares outstanding	34,616,510	34,616,510	34,616,510		34,616,510	35,419,510	
Net income (loss) per share	636.26	694.56	838.28		19.85	(142.01)	
Dividends paid	20,768	20,771	16,131		16,131	0	
Dividends per share(7)	600	600	466		466	0	
Operating data							
Stores operating at end of period:							
Hypermarket	14	15	18		15	18	
Supermarket	83	82	83		82	83	
Other	57	59	63		58	54	
Opened during the period	1	3	9		0	0	
Closed during the period	5	1	1		0	9	
Remodeled during period	0	0	0		0	0	
Average selling space per store (square meters):							
Hypermarket	5,300	5,284	5,395		5,284	5,395	
Supermarket	925	929	924		929	924	
Other	813	828	923		828	1,012	
Weighted net sales per retail square meter (thousands):							
Hypermarket	7,633	7,909	8,935	4	7,909	9,169	4
Supermarket	11,714	12,542	13,243	6	12,525	13,243	6
Other	3,403	8,925	7,359	3	8,952	7,832	4
Increase (decrease) in same store revenues:(8)	1.6%	4.6%	2.9%		3.0%	4.1%	
Total full-time equivalent employees at end of period	8,816	10,088	9,489		9,096	9,249	

(1) Balance sheet line items translated using the Representative Market Rate of COP 2,238.79 = US$1.00 as of December 31, 2006 and income statement line items translated using average Representative Market Rate of COP 2,358.96 = US$1.00 for the year ended December 31, 2006.

(2) Balance sheet line items translated using the Representative Market Rate of COP 2,190.30 = US$1.00 as of March 31, 2007 and income statement line items translated using average Representative Market Rate of COP 2,222.03 = US$1.00 for the three months ended March 31, 2007.

(3) Adjusted EBITDA represents operating income plus depreciation, amortization and the inflation adjustment included in the cost of sales. We believe Adjusted EBITDA provides investors with meaningful information with respect to our operating performance and facilitates comparisons to our historical operating results. Our Adjusted EBITDA measure has limitations as an analytical tool, however, and you should not consider it in isolation, as an alternative to net income or as an indicator of our operating performance or as a substitute for analysis of our results as reported under Colombian GAAP or U.S. GAAP. Some of these limitations include:

- it does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, our working capital needs;
- it does not reflect the interest expense, or the cash requirements to service the interest or principal payments of our debt;
- it does not reflect any cash income taxes or employees' profit sharing we may be required to pay;

- it reflects the effect of non-recurring expenses, as well as investing gains and losses;
- it is not adjusted for all non-cash income or expense items that are reflected in the statements of changes in financial position; and
- other companies in our industry may calculate this measure differently than we do which may limit its usefulness as a comparative measure.

Because of these limitations, our Adjusted EBITDA measure should not be considered a measure of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. Adjusted EBITDA is not a recognized financial measure under Colombian GAAP or U.S. GAAP. You should compensate for these limitations by relying primarily on our Colombian GAAP results and using our Adjusted EBITDA measurement supplementally. The following table shows the reconciliation of our operating income to Adjusted EBITDA:

	Year ended December 31,			Three months ended March 31,	
	2004	2005	2006	2006	2007
	(millions of Colombian pesos)				
Operating income	39,749	50,629	67,352	2,125	(34)
Depreciation and amortization	91,945	90,256	95,506	22,287	21,433
Inflation adjustment included in the cost of sales	8,895	10,654	10,332	3,589	6,840
Total Adjusted EBITDA	140,589	151,539	173,190	28,001	28,239

(4) Gross profit divided by net revenues.

(5) Operating income divided by net revenues.

(6) Net income divided by net revenues.

(7) Expressed in Colombian Pesos.

(8) The term "same store revenues" reflects the sales of our stores operating throughout the same months of both financial periods being compared. If a store did not operate for a full month of either of the financial periods being compared, we exclude its sales for such month from both financial periods. If a store is converted from one format to another (e.g., a Ley supermarket converted to an Exito hypermarket), the store with the discontinued format is deemed to have been closed, and the same store having a new format is deemed to be a new store. For example, if a new store was opened (or deemed opened after conversion from another format) on July 1, 2005 and operated throughout the last six months of 2005, (i) "same store revenues" would include the sales of that store for the last six months of 2005 and the last six months of 2006 and (ii) we would consider the sales of the new store during the first six months of 2006 as sales from a newly opened store. You should be aware that our method of calculating same store revenues data may differ significantly from the method used by other retailers to calculate same store revenues data.

Risk factors

Prospective purchasers of our GDSs should carefully consider the risks described below, as well as the other information in this offering memorandum before deciding to purchase any GDSs. Our business, results of operations, financial condition or prospects could be adversely affected if any of these risks occurs, and as a result, the market price of our GDSs could decline and you could lose all or part of your investment. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, results of operations, financial condition or prospects.

Risks relating to Colombia and our region

Risks relating to Colombia's political and regional environment

Colombia has experienced several periods of violence and instability and such instability could affect the economy and us.

Colombia has experienced several periods of criminal violence over the past four decades, primarily due to the activities of guerrilla, paramilitary groups and drug cartels. In response, the Colombian government has implemented various security measures and has strengthened its military and police forces, including the creation of specialized units. Despite these efforts, drug-related crime, guerrilla and paramilitary activity continue to exist in Colombia. These activities, their possible escalation and the violence associated with them, may have a negative impact on the Colombian economy or on us in the future. We cannot assure that our customers, employees or assets will not be affected by these future circumstances. In the context of the political instability, allegations have been made against members of the Colombian government for possible ties with paramilitaries. This situation may have a negative impact on the Colombian government's credibility, which could in turn have a negative impact on the Colombian economy or on us in the future.

Developments and the perception of risk in other countries, especially emerging market countries, may adversely affect the market price of Colombian securities, including our GDSs.

Securities issued by Colombian companies may be affected by economic and market conditions in other countries, including other Latin American and emerging market countries. Securities issued by Colombian issuers are also likely to be affected by economic and political conditions in each of Venezuela, Ecuador, Peru, Brazil and Bolivia. Although economic conditions in such Latin American and other emerging market countries may differ significantly from economic conditions in Colombia, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of Colombian issuers.

As a result of financial crises in several emerging market countries in recent years (such as the Asian financial crisis of 1997, the Russian financial crisis of 1998 and the Argentine financial crisis in 2001), investors may view investments in emerging markets with heightened caution. Crises in other emerging market countries may hamper investor enthusiasm for securities of Colombian issuers, including our GDSs, which could adversely affect the market price of our GDSs. This could also make it more difficult for us and our subsidiaries to access the capital markets and finance our operations in the future on acceptable reasonable terms.

Risks relating to Colombia's economic environment

Despite Colombia's current growth and stabilization, other factors such as its growing public debt and fluctuating exchange rates could adversely affect the economy.

Colombia's fiscal deficit and growing public debt could adversely affect the economy. The 2006 Colombian fiscal deficit was 0.8% of GDP, reaching a total amount of COP 2.7 trillion (approximately US$1.3 billion). The dollar/peso exchange rate has shown some instability in the last four years, particularly with the peso experiencing significant revaluation with respect to the dollar during the last 12 months. There is no assurance that measures recently taken by the Colombian government and the Central Bank will suffice to control this instability. In spite of the recovery of Colombia's economy over the past four years, there is no certainty as to whether current growth and relative stability will be sustained.

High rates of inflation may have an adverse impact on our business, results of operations, financial condition and prospects, and the market price of our GDSs.

Rates of inflation in Colombia have been historically high and we cannot assure you inflation will not return to high levels. Inflation rates were 5.5%, 4.9%, 4.5% as of December 31, 2004, 2005, 2006 and 5.8% as of March 31, 2007. Inflationary pressures may adversely affect our ability to access foreign financial markets, leading to adverse effects on our capital expenditure plans. In addition, inflationary pressures may, among other things, reduce consumers' purchasing power or lead *to certain* anti-*inflationary* policies instituted by the Central Bank, such as *an increase in the intervention interest rates*. Recently, inflation has increased, and there is no assurance that measures taken by the Colombian government and Central Bank will suffice to curb inflation. Inflationary pressures may harm our business, results of operations, financial conditions and prospects, or adversely affect the price of our GDSs.

Variations in interest rates may have adverse effects on our business, financial condition, results of operations and prospects and the market price of our GDSs.

We are exposed to the risk of interest rate variations. Peso denominated debt is mainly exposed to variations in long term interest rates and the 90-day deposit rate (DTF Rate) which is calculated by the Central Bank. Foreign currency debt is exposed to variations in the London Interbank Offer Rate (or LIBOR). Any increase in inflation or other macroeconomic pressures may increase these rates.

Increases in the above mentioned rates may result in higher repayments under our loans and we may not be able to adjust the prices we charge to offset the impact of these increases. If we are unable to adequately adjust our prices, our revenues would not be sufficient to offset the increased expenses pursuant to these loans and this would adversely affect our results of operations. Accordingly, such increases may adversely affect our business, financial condition, results of operations and prospects and the stock market price of our GDSs.

Risks relating to Colombia's legal environment

Instability of Colombian legislation, particularly in the area of tax, could adversely affect our consolidated results.

Colombian legislation is unstable, particularly regarding taxes. In recent years, Colombian Congress has imposed new taxes or extended the term of enforceability for existing taxes. For example, Colombian Congress enacted Law 863 of 2003 that imposed an extraordinary and temporary net equity tax ("*Impuesto al Patrimonio*") for fiscal years 2004, 2005 *and* 2006. However, with Law 1111 of 2006, Colombian Congress extended the term of enforceability for this net equity tax until 2010. We cannot assure you that further taxes which may adversely affect our financial condition will not be imposed.

In the event we are audited, Colombian tax authorities may challenge our interpretation of certain tax laws and initiate administrative proceedings which may ultimately result in us being subject to penalties.

Unfavorable changes in laws or government regulation could harm our business.

Our business is subject to laws, regulations and administrative requirements that impact several areas of our daily operations. We cannot predict the nature of future laws and regulations, or their interpretation and application by national or local authorities, to determine the effect they would have on our business. This could impair or delay our ability to manage existing stores or to open new ones, particularly because of difficulties or failures obtaining or maintaining required approvals or licenses. There have been attempts to restrict through zoning regulations, the location of stores. We cannot guarantee that these types of regulations will not be adopted in the future, which may affect our growth and expansion plan. Changes in regulation may require new standards for or the recall or discontinuance of certain products, as well as additional record keeping, expanded information or labeling and/or scientific substantiation, which we may not be able to comply with. These requirements could have an adverse effect on our results of operations and financial condition.

Changes in Colombian governmental policies could adversely affect our business, results of operations, financial conditions and prospects.

The Colombian government and the Central Bank have exercised, and continue to exercise, substantial influence over the Colombian economy, as they occasionally make significant changes in monetary, fiscal and exchange policies. The President of Colombia and the Central Bank have considerable power to determine governmental policies and actions that relate to the Colombian economy and, consequently, we cannot assure you that future developments in government policies will not impair our business or financial condition or the market value of our stock.

It may be difficult or impossible to enforce judgments of courts of the United States and other jurisdictions against us, our directors, officers and controlling persons.

We are organized under the laws of Colombia, and most of our directors, officers and assets reside or are located in Colombia. Although we have appointed CT Corporations Systems as our agent for service of process in the State of New York, it may be difficult or impossible for you to effect service of process on us, or to enforce judgments of U.S. courts against us, our directors or officers, based on the civil liability provisions of the U.S. federal securities laws. We have been advised by Brigard & Urrutia Abogados S.A., our Colombian counsel, that Colombian courts will enforce U.S. judgments based on the U.S. securities laws, through a Colombian legal procedure known as *exequatur,* which provides that a foreign judgment will be enforced if:

- a treaty between Colombia and the country where the judgment was granted exists or if there is reciprocity in the recognition of foreign judgments between the courts of the relevant jurisdiction and the courts of Colombia;

- the foreign judgment does not relate to "*in rem*" rights vested in assets that were located in Colombia at the time the suit was filed and does not contravene or conflict with Colombian laws relating to public order other than those governing judicial procedures;
- the foreign judgment, in accordance with the laws of the country in which it was rendered, is final and not subject to appeal and a duly certified and authenticated copy of the judgment has been presented to a competent court in Colombia;
- the foreign judgment does not refer to any matter upon which Colombian courts have exclusive jurisdiction;
- no proceeding is pending in Colombia with respect to the same cause of action, and no final judgment has been awarded in any proceeding in Colombia on the same subject matter and between the same parties; and
- in the proceeding commenced in the foreign court that issued the judgment, the defendant was served in accordance with the law of such jurisdiction and in a manner reasonably designed to give the defendant an opportunity to defend against the action, which is presumed from the fact that the judgment is final.

The United States and Colombia have not entered into a bilateral treaty providing for automatic reciprocal recognition and enforcement of judgments in civil and commercial matters. Nevertheless, the Colombian Supreme Court has generally accepted that the principle of reciprocity exists when it has been proven that either a U.S. court has enforced a Colombian judgment or that a U.S. court would enforce a foreign judgment, including a judgment issued by a Colombian court. However, such enforceability decisions are considered by Colombian courts on a case-by-case basis.

Risks relating to the Colombian retail industry and our business

We participate in an intensely competitive market and increased competition may adversely affect our business.

The retail industry in Colombia is characterized by substantial competition and increasing pressure on profit margins. The number and type of competitors and the degree of competition experienced by each of our stores varies by location. Competition occurs principally on the basis of price, location, selection of merchandise, quality of merchandise (in particular for perishables such as produce), service, store conditions and promotions. We face strong competition from international and domestic operators of supermarket and retail stores, including Carrefour and Olimpica, and it is possible that additional international retailers may enter the market in Colombia in the future, either through joint ventures or directly. We also compete with numerous local and regional supermarket and retail store chains, as well as with small, family-owned neighborhood stores, informal markets, and street vendors. In Colombia, as of June 2006 approximately 57% of the retail market was operated through informal markets and street vendors according to Nielsen. We compete with retailers operating discount, department, drug, variety and specialty stores, supermarkets, supercenter-type stores and hypermarkets, wholesalers and distributors as well as internet-based retailers and catalog businesses.

We compete for customers, employees, store sites, products and services with our competitors. In order to compete effectively with competitors who price their merchandise lower than ours, we may have to lower our prices. In addition, some of our competitors have announced plans for expansion and modernization, which is likely to cause us to respond in some cases by lowering prices at affected stores. As other retailers expand their operations in Colombia, and as other U.S. and international retailers enter the Colombian retail market, competition will continue to intensify and may adversely impact our performance or cause us to lose market share. Our inability to respond effectively to competitive pressures and changes in the retail markets could adversely affect our financial performance.

Our markets are undergoing rapid consolidation, which may be detrimental to our market position.

Over the last several years, the retail sector in Colombia has been undergoing consolidation as large retail chains have gained market share at the expense of small, independently owned and operated stores. We believe that further consolidation will likely occur as competition intensifies and economies of scale become increasingly important. Future consolidation will materially alter the current competitive situation in Colombia, which could adversely affect our competitive position in the market and our results of operations.

If we fail to integrate successfully Carulla's operations, our consolidated results of operations may be adversely affected.

Between February and May, 2007, we acquired approximately 77% of Carulla's outstanding stock, the second largest nationwide supermarket retailer in Colombia. This acquisition significantly increased the size, geographic scope and breadth of our overall operations. Our ability to obtain the desired benefits of this significant acquisition will depend in part on our ability to manage and integrate differing and geographically disparate operations. The integration of Carulla into our existing operations presents numerous challenges and risks, including the following:

- Carulla has a management structure which differs from ours. We are likely to need to rationalize our respective human resources and differing management structures to retain highly qualified personnel. If we are unable to rationalize successfully our and Carulla's management, our operating margins will be impaired, and if we are unable to identify and retain key members of Carulla's management, our ability to execute our business strategy will be adversely affected.
- We may have difficulties integrating our and Carulla's differing distribution systems. If we cannot successfully integrate our respective distribution systems, we will not be able to achieve the operating synergies we seek, and our consolidated operating results would be adversely affected.
- Carulla uses different operating, accounting and logistic systems from our systems. There will be significant costs related to the integration of information technology, accounting and management services and the rationalization of personnel. If we fail to integrate our operating, accounting and logistic systems, our consolidated results of operations will be adversely affected.

The Carulla acquisition, which totaled COP 922,779 million, is the largest acquisition in our history so far and would make our consolidated financial results highly sensitive to Carulla's performance. If we fail to achieve the desired benefits of this acquisition, it would likely have a material and adverse effect on our consolidated financial condition, results of operations, cash flows and the value of your investment in the GDSs.

We face risks associated with acquisitions.

In recent years we have made a number of acquisitions, and our growth strategy relies in part on selective acquisitions in the industries in which we operate. Risks we could face with respect to any recent and future acquisitions include:

- difficulties in the integration of operations, technologies, products and personnel of the acquired entity;
- diversion of management's attention away from other business concerns; and
- expenses of any undisclosed or unknown potential liabilities of the acquired entity.

Future acquisitions also could result in the incurrence of debt and the assumption of liabilities, including contingent liabilities which may impose restrictions on our operations. Any of the foregoing could have a significant negative impact on our business, financial condition and results of operations. In addition, we may be acquired at a price or on terms unfavorable to our shareholders and holders of our GDSs.

The effectiveness and quality of our competitors' advertising and promotional programs could have a material adverse effect on our results of operations and financial condition.

The success of our business depends on effective advertising and marketing campaigns. Our marketing strategy is directed primarily at increasing net sales. We run promotions on a weekly, monthly and seasonal basis, differentiated by format. We have also focused our marketing efforts on loyalty programs, catalogues, and mass media, especially television. If our competitors increase their spending on advertising and promotion, or if our advertising and promotion are less effective than those of our competitors, we could be forced to increase our advertising spending and our sales could decrease, which could have a material adverse effect on our results of operations and financial condition.

The Colombian retail and supermarket industries may become saturated and prevent us from carrying out our plans for expansion or achieving further growth.

Our sales growth is achieved through increases in sales in existing stores and the addition of new stores. If the Colombian retail and supermarket industries continue to expand and become saturated relative to the current purchasing power of Colombian consumers, our ability to increase sales in our existing stores or expand through new store openings may be limited.

We face risks related to current and possible future operations outside Colombia.

We currently have a 28.6% stake in the Venezuelan company, CATIVEN S.A., or "Cativen," which, as of December 31, 2006, had 65 stores in Venezuela. We license the *Exito* brand to Cativen, which uses the brand in six of its stores. We cannot assure you that our investment in Cativen, or the operations of Cativen will not result in losses which would have a materially adverse effect on our financial performance. Our investments in Cativen may be adversely affected by economic and political developments in Venezuela. The current Venezuelan administration exercises significant influence over many aspects of the economy of that country. In particular, the current administration has imposed severe foreign exchange restrictions, which together with existing import tariffs, are likely to affect Cativen's ability to import merchandise from outside of Venezuela. In addition, price controls are imposed by the Venezuelan government on selected staple food items and the Venezuelan government has intervened, taken over the operation of, and expropriated various businesses. We cannot assure you that such actions and restrictions and similar actions will not materially adversely affect Cativen, including restrictions on dividend remittances to us.

In the future, we may decide to further expand our operations outside of Colombia. The results of any expansion will depend to a significant degree on our ability to adapt to non-Colombian markets where we have comparatively less experience, and we do not know if expansion into these markets will be successful. There can be no assurance that we will successfully manage expansion outside of Colombia, which could have a material adverse effect in our business, financial condition and results of operations.

Our inability to anticipate changing fashion trends and consumer preferences could adversely affect our operating results and profit margins.

A portion of our operating income (3% in 2006) and cash flow is derived from our apparel company, Didetexco, which manufactures clothing that we sell under our own labels. Sales of our private label apparel generate our highest profit margins. Our success in the apparel business is largely dependent upon our ability to gauge the fashion tastes of our customers and to provide merchandise that satisfies customer demand in a timely manner at competitive prices. Changes in consumer preferences are dictated, in part, by fashion and season. To the extent we misjudge the market for our merchandise or the products suitable for our markets, our sales will be adversely affected and the price markdowns required to sell our excess inventory will adversely affect our operating results and, especially, our profit margins.

We may face barriers to expansion in Colombia, including conversions of some of our stores, which may adversely affect our financial performance.

Our successful expansion depends upon our ability to execute our retail business in new markets in Colombia and increase the number of our stores in markets where we currently have operations. Our ability to open new stores, and to convert some of our existing stores into other formats, depends largely upon our ability to locate, hire and retain qualified personnel and to acquire new store sites on acceptable terms. Local land use regulations and other restrictions on the construction of buildings that accommodate our stores, local laws restricting our operations, and local community action opposed to the location of specific stores may affect our ability to open new stores, to convert some of our existing stores into other formats, or to relocate or expand existing units in certain cities and states. Increased real estate, construction and development costs could also limit our growth opportunities and our ability to convert some of our existing stores. If we are unable to open new hypermarkets, supermarkets, discount stores or other formats, or continue to convert some of our existing stores into other formats, our financial performance, such as net sales and operating income growth, could be adversely affected. In addition, if consumers in the markets into which we expand are not receptive to our business, our financial performance could be adversely affected. Additional risks associated with development, renovation and construction activities include:

- capital costs of our expansion program are high and we may be unable to raise sufficient financing on a timely basis or on commercially acceptable terms;

- construction costs of a project may exceed original estimates, making a project uneconomical;
- lack of desirable building sites at a commercially reasonable cost;
- occupancy rates and rents at a newly completed project where we intend to lease space to other businesses may not be sufficient to make the project profitable;
- construction may not be completed on schedule, resulting in increased debt service expense and construction costs; and
- inability to obtain or delays in obtaining all necessary zoning, land use, building, occupancy and other required governmental permits and authorizations.

Any difficulty or delay in successfully completing these or other future construction or renovation projects may have a material adverse effect on our financial condition and results of operations.

Colombian antitrust laws may limit our ability to expand, including expansions through acquisitions or joint ventures.

Colombia's national antitrust laws and regulations may affect some of our activities, including our ability to enter into new or complementary businesses or joint ventures and to complete acquisitions. Approval of the *Superintendencia de Industria y Comercio,* Colombia's antitrust authority, is required for us to acquire or sell significant businesses or to enter into significant joint ventures. The *Superintendencia de Industria y Comercio* may refuse to approve or impose conditions on future acquisitions or joint ventures that we may want to pursue. For instance, antitrust authorities in Colombia have set forth certain conditions on our acquisition of Carulla. See "Business—Colombian anti-trust conditions for the Carulla acquisition."

In addition, the Colombian national antitrust laws and regulations may adversely affect our ability to determine the rates we charge for our services and products. Further, a change in antitrust law, regulation or regulatory oversight in Colombia could require that we take certain compliance measures including the incurrence of significant incremental expenses which could adversely impact our ability to expand our business.

Our operating income is sensitive to conditions that cause price fluctuations.

Our business is characterized by relatively high inventory turnover with relatively low profit margins. We make a significant portion of our sales at prices that are based on the cost of products we sell plus a percentage markup. As a result, our profit levels may be negatively affected during periods of price deflation. In addition, our business could be adversely affected by other factors, including inventory control, competitive price pressures, severe weather conditions and unexpected increases in fuel or other transportation related costs which increase the cost of our products. If we are unable to pass along these cost increases to our customers, our profit margin will decrease.

Changes in suppliers' allowances and promotional incentives could impact profitability.

We derive a portion of our net revenues from allowances and promotional incentives granted by our suppliers. Our net revenues include fees from suppliers for the sale of their products in our stores, supplier rebates and bonuses, supplier promotional allowances and fees, and fees from publicity activities carried out for third parties using our proprietary customer information. In

2006, these and similar fees contributed COP 204,296 million to our pro forma net revenues. We cannot assure you that we will be able to obtain a similar level of such fees in the future. Should any of our key suppliers reduce or otherwise eliminate these arrangements, our profit margin for the affected products could be impacted, adversely affecting our business, financial condition and results of operations.

Risks associated with the suppliers from whom we source our products could adversely affect our financial performance.

The products we sell are sourced from a wide variety of domestic and international suppliers. Our ability to find qualified suppliers who meet our standards and to access products in a timely and efficient manner is a significant challenge. Political and economic instability in Colombia and in the countries where foreign suppliers are located, the financial instability of suppliers, suppliers' failure to meet our supplier standards, labor problems experienced by our suppliers, the availability of raw materials to suppliers, merchandise quality issues, currency exchange rates, transport availability and cost, inflation, and other factors relating to the suppliers and the countries where they are located are beyond our control. In addition, Colombia's foreign trade policies, tariffs and other impositions and requirements on imported goods, which may depend on the product's place of origin or on the product's nature and specifications, as well as other factors relating to foreign trade are beyond our control. These and other factors affecting our suppliers and our access to products could adversely affect our financial performance.

Our past results of operations are not indicative of future results.

Our periodic operating results could fluctuate for many reasons, including losses from new stores, variations in the mix of product sales, price changes in response to competitive factors, increases in store operating costs, supply shortages, earthquakes, extreme weather-related disruptions, and potential uninsured casualty losses or other losses. In addition, our quarterly operating results may fluctuate significantly as the result of the timing of new store openings, the timing of acquisitions, the range of operating results generated from newly opened stores and changes in estimates associated with the disposal of discontinued operations. Therefore, our past results of operations are not indicative of our results of operation in the future.

The shift of consumers to purchase goods through the Internet may negatively affect sales in our stores and shopping centers.

In the last few years, retail sales through the Internet have grown considerably in Colombia, although the market share of Internet sales out of total retail sales in Colombia is still not considered significant. The Internet enables manufacturers and retailers to sell directly to consumers, diminishing the importance of traditional distribution channels such as retail stores and shopping centers. We believe that our target consumers are increasingly using the Internet to shop electronically for retail goods and that this trend is likely to continue. If e-commerce and retail sales through the Internet continue to grow, consumers' reliance on traditional distribution channels such as our stores and shopping centers could be significantly diminished, causing a material adverse effect on our financial condition, results of operations and business prospects. While we have established the "VirtualExito" web site, which sells convenience goods, perishables, apparel, entertainment and home items comparable to those carried in our stores, we cannot assure you that it will entirely compensate for potential lost sales attributable to competition from other Internet sales channels.

We are subject to operating risks relating to our existing and future shopping centers that may affect our profitability.

We own three shopping centers and plan to develop additional shopping centers in the future. Shopping centers are subject to several factors that could affect their administration and profitability, including:

- the accessibility and attractiveness of the area where the shopping center is located;
- the intrinsic attractiveness of the shopping center;
- the flow of people to and the level of sales of each shopping center rental unit;
- the amount of rent collected from each shopping center rental unit; and
- the fluctuations in occupancy levels in the shopping centers.

The profitability of our shopping centers, all of which are located in Colombia, is closely related to consumer spending, and, therefore, to the local economies in which our shopping centers operate. Unemployment, political instability and inflation could reduce consumer spending in Colombia, with the possible effect of lowering our tenants' sales and forcing them to leave our shopping centers, which could adversely affect our revenues.

Casino, our largest shareholder, together with the other shareholders that are part of the Shareholders Agreement, have the ability to direct our business and their interests could conflict with yours.

As of June 30, 2007, the French retail company Casino directly or through their subsidiaries or affiliates, owned in the aggregate approximately 65.5% of our capital stock, and the GEA group owned in the aggregate approximately 10.7%. Upon completion of this global offering, Casino will have approximately 60% of the total voting power of our company.

Subject to voting agreements contained in the Shareholders Agreement, Casino will have power to, among other things, elect the majority of the members of our board of directors and determine the result of any resolution that requires shareholders' approval, including related party transactions, corporate reorganizations, acquisitions and/or dispositions, future issuance of debt securities not convertible into stock and the determination of the amount of dividends we distribute. Pursuant to Colombian law, we are generally required to distribute a minimum dividend amounting to 50% of net profits (or 70% if the legal reserve exceeds the amount of subscribed capital), however, pursuant to a shareholder vote of 78% or more of the shares represented at a general shareholders meeting, such dividend may be decreased. See "Principal shareholders—Shareholders Agreement" and "Dividends and dividend policy."

The interests of our controlling shareholder may differ from, and could conflict with, those of our other shareholders' interests. Actions taken by the controlling shareholder may limit our flexibility to respond to market developments, to engage in certain transactions or to otherwise make changes to our business and operations, all of which may affect our business, results of operations, financial condition and our ability to pay dividends or make other distributions. The Casino Group is a leading French retailer with operations outside Colombia, and as a result its interests may conflict with your interests as a holder of our GDSs, and it may take actions that might be desirable for them but not for other shareholders.

We may in the future engage in significant transactions with companies controlled by our largest shareholders or other related parties which may result in conflicts of interests.

We may in the future engage in related party transactions. Transactions with related parties may be on terms that are less favorable to us than other transactions that we may have pursued, or if on favorable terms, may be transactions that we would not have entered into in the absence of the influence of our related parties. Such transactions create conflicts of interest that could adversely affect us or your interests as holders of our GDSs. See "Related party transactions."

We depend on key personnel for our current and future performance.

Our current and future performance depends to a significant degree on the continued contributions of our senior management team and other key personnel, in particular our chief executive officer. Our performance could be significantly harmed if we lose the services of our key personnel. Our future success also depends in part upon our ability to attract and retain other highly qualified personnel. We cannot assure you that we will be successful in hiring or retaining qualified personnel, or that any of our personnel will remain employed by us.

Legal proceedings could materially impact our results.

From time to time we are involved in various lawsuits, regulatory proceedings and similar matters incidental to the ordinary operations of our business. These legal proceedings could result in unfavorable verdicts, fines or other sanctions that could have an adverse effect on our business operations, liquidity, financial condition and results of operations. For further details on our legal proceedings, see "Business—Legal proceedings."

Labor disruptions could affect our results of operations.

As of December 31, 2006, approximately 5.6% of our employees were covered by collective bargaining agreements with a labor union. We negotiate separate agreements with each union, and we renegotiate these agreements each year with respect to salary, and every two years with respect to benefits. Although our employees have never gone on strike, there can be no assurance that a work slowdown, or a work stoppage or strike, will not occur prior to or upon the expiration of our labor agreements, and we are unable to estimate the adverse effect of any such work slowdown, stoppage or strike on our sales. Work slowdowns, stoppages or other labor-related developments affecting us could have a material adverse effect on our business, financial condition, results of operations or prospects.

Our success significantly depends on our information technology systems.

Our success depends, to a significant extent, on our ability to source and distribute our products efficiently. Information technology is an important factor since accurate and real-time information and decision-making enable us to ensure that stores are always stocked according to demand. In order to avoid "stock-outs" and to identify better positioned, faster selling brands and products, we have invested in various integrated technology systems. During 2004, we implemented three leading technology platforms: SAP R3 for the financing area, E3 for logistic and inventory management and Teradata for sales and customer information. Even advanced technology systems, however, are subject to defects, interruptions and breakdowns, therefore we cannot assure you that these new systems will not suffer such problems, which could result in serious disruptions to our business.

The growth of our Exito card operations may expose us to increased credit and financial risks which may adversely affect our financial condition and results of operations.

Our Exito card business is a growing segment of our operations since its inception in late 2005. The Colombian market has a total of approximately 4.5 million traditional card holders and as of March 31, 2007 we had issued more than 700,000 Exito cards to our customers. The Exito card is issued through Sufinanciamiento pursuant to a 50/50 joint venture agreement. As a result, we are exposed to increased credit and financial risk, which may adversely affect our financial condition and results of operation. These risks include:

- *Economic downturns*—Our Exito card business is affected by general economic conditions beyond our control, including employment levels, consumer confidence and interest rates. A downturn in the Colombian economy may lead to a decrease in credit sales;
- *Increased delinquencies and charge-offs*—Subject to our credit standards, we seek to increase the in-store credit available to our customers, particularly to permit the purchase of more expensive, higher-margin durable goods. As a result, our Exito card operations accept a significant portion of applicants otherwise rejected by credit card operations administered by local Colombian banks. These customers generally have higher rates of charge-offs and delinquencies and are more adversely affected by downturns in the Colombian economy than customers with better credit profiles;
- *Inability to predict future charge-offs*—The approaches we use to select our customers may not be as effective at predicting future charge-offs due to changes in the economy, which may result in higher incidence of delinquencies among our customers; and
- *Changes in Exito card use*—A variety of social factors may cause changes in Exito card use, including changes in consumer confidence levels, the public's perception of the use of consumer credit, and changing attitudes toward debt incurrence.

We do not have sole control over our joint venture with Sufinanciamiento.

We do not have sole control of the joint venture with Sufinanciamiento. Accordingly, our ability to affect the performance of the joint venture is limited and we may not have timely knowledge of factors affecting its business. In addition, the interests of our joint venture partner may not always align with our interests. These risks may have a material adverse effect on our financial condition, results of operations and liquidity.

Our sales and inventory levels are affected by seasonality and any circumstance that may negatively impact our business during an otherwise busy season may adversely affect us.

Our revenues from sales are usually considerably higher during the last quarter of any given calendar year, due to an increase in sales during the holiday season. We expect that this seasonality will continue in the future. Any economic slowdown, interruption to our business or to the business of our suppliers, or the occurrence of any other circumstance that may impact our business during the last quarter of any fiscal year may therefore adversely affect our financial condition and results of operations.

If any of our products is found to be contaminated, we may be subject to product recalls or other liabilities which could cause us to incur significant additional costs.

Product contamination may lead to business interruption, product recalls or liabilities, each of which could have an adverse effect on our financial condition and results of operations. We may not be able to enforce our rights in respect of our insurance policies and, in the event contamination occurs, any amounts that we do recover may not be sufficient to offset any damages we may suffer.

If we do not maintain the security of customer-related information, we could damage our reputation with customers, incur substantial additional costs and become subject to litigation.

We receive and keep certain personal information about our customers. In addition, our online operations at Virtual Exito depend upon the secure transmission of confidential information over public networks, including information permitting cashless payments. Any lapse in our security systems that results in customer personal information being obtained by unauthorized persons could adversely affect our reputation with our customers and others, as well as our operations, results of operations, financial condition and liquidity, and could result in litigation against us or the imposition of penalties. In addition, a security lapse could require that we expend significant additional resources related to our information security systems and could result in a disruption of our operations, particularly our online sales operations.

If we are unable to access capital markets in the future, our financial condition and results of operations may be adversely affected.

We expect to continue to have substantial liquidity and capital resource requirements to finance our business. As of March 31, 2007, our consolidated financial debt amounted to COP 1,563,344 million (not including accrued and unpaid interests and deferred financing costs). We may not be able to generate sufficient cash flows from our operations or obtain sufficient funds from external sources to fund our capital expenditure requirements. Our ability to access financial markets in sufficient amounts and on acceptable terms to finance our operations and fund our future capital expenditures will depend to some degree on prevailing capital and financial market conditions over which we have no control. Our failure to generate sufficient cash flows from operations or to obtain such financing could cause us to delay or abandon some or all of our planned capital expenditures, which, in turn, could adversely affect our competitive position, financial condition, results of operations, cash flows and prospects.

Our indebtedness could adversely affect our financial condition and impair our ability to fulfill our obligations.

As of March 31, 2007, we had consolidated total indebtedness with financial institutions of COP 1,563,344 million. Our ability to meet our debt service requirements will depend on our future performance, which is subject to a number of factors, many of which are outside our control. We cannot assure you that we will generate sufficient cash flow from operating activities to meet our debt service and working capital requirements. Our level of indebtedness may have important negative effects on our future operations, including:

- impairing our ability to obtain additional financing in the future (or to obtain such financing on acceptable terms) for working capital, capital expenditures, acquisitions or other general corporate purposes;

- making it difficult for us to obtain financing to service or repay or to refinance or restructure our indebtedness (or to refinance or restructure such indebtedness on acceptable terms);
- requiring us to dedicate a substantial portion of our cash flow to the payment of principal and interest on our indebtedness, which reduces the availability of our cash flow to fund working capital, capital expenditures (including improvements to our stores), acquisitions and for other general corporate purposes;
- increasing the possibility of an event of default under the financial and operating covenants contained in our debt instruments; and
- limiting our ability to adjust to rapidly changing market conditions, reducing our ability to withstand competitive pressures and making us more vulnerable to a downturn in general economic conditions or our business than our competitors with less debt.

If we are unable to generate sufficient cash flow from operations in the future to service our debt, we may be required to refinance all or a portion of our existing debt, or to obtain additional financing. We cannot assure you that any such refinancing would be possible or that any additional financing could be obtained or obtained on acceptable terms. Our inability to obtain such refinancing or financing may have a material adverse effect on our business, financial condition and results of operations.

We are subject to environmental regulations and risks associated thereto.

Environmental control has increased in Colombia over the last few years. Activities which may potentially affect the environment are subject to regulation by the government. Through a class action or a constitutional rights protection action *(tutela)* Colombian citizens may seek and obtain environmental protection.

Prior to the commencement of activities considered to be potentially harmful to the environment, private entities or individuals must apply for licenses, permits or authorizations before the environmental authorities.

The environmental regulations may be modified in the future, which may have a material adverse effect on our business, financial condition and results of operations.

We are subject to labor laws and risks associated thereto.

Labor laws in Colombia are generally understood to be pro-employee, and often are inconsistently applied by the courts and regularly amended and modified. Applicable Colombian labor law imposes on the employer strict obligations regarding the employment agreements' performance, such as payment of social security contributions, payroll fees, fringe benefits and vacations. Failure on the abovementioned obligations may result in the recognition of default indemnities equivalent to one day of salary for each day of delay.

Additionally, Colombian labor law allows companies to execute agreements with independent contractors, associated labor cooperatives and temporary employment agencies. Without absolute compliance of all the legal requirements set forth by law, the contracting parties may be deemed to be the "real employer" of the personnel provided and consequently may be responsible for all labor payments associated thereto.

Colombian labor law allows employers to grant contractual benefits to their employees, by means of the employment contract, collective bargaining or any other agreement entered into between the parties. These benefits may be excluded from the salary if their legal nature allows the employer to do so. If the contractual benefits are granted without being excluded from the salary, such benefits are deemed to be salary and therefore must be taken into account to calculate all labor payments.

The Colombian Constitution and labor law allow the creation of unions and therefore slowdowns, stoppages or other labor-related developments may affect our businesses, financial conditions and results of operations or prospects.

Despite the fact that after Exito´s acquisition of Carulla several measures aimed at maintaining the two companies legally independent were adopted, the fact that the employee compensation structures are different in each company poses several labor related challenges under Colombian Labor Law.

Price controls on foodstuffs imposed by the Colombian government may adversely affect our results of operations and financial condition.

The Colombian government may impose and in the past has imposed price controls on selected items, mainly foodstuffs and pharmaceuticals. In addition, municipalities may increase prices to account for transport costs. We cannot assure you that price controls will not be imposed in the future and that they will not restrict our ability to increase prices on certain items at a rate commensurate with inflation.

We could incur significant costs or experience disruptions at our sites in the event of natural disasters.

Natural disasters in Colombia may damage our distribution network including damage to the highways which connect Colombia's port cities to Bogotá, Medellin and other important cities. A sizeable natural disaster could adversely impact us. In certain disaster scenarios our insurance might not be sufficient to fully offset our losses, which could adversely affect our results of operations and financial condition.

Our activities are concentrated in several regions of Colombia and an economic slowdown in any of these regions may adversely affect us.

As indicated elsewhere in this offering memorandum, our activities are concentrated in several regions of Colombia. Our revenues and operations will remain highly dependent on these regions, and we cannot assure you that the economic conditions in them will be favorable in the future. An economic slowdown in one or more of these regions could negatively impact our sales and adversely affect our financial condition and results of operations.

We may become a passive foreign investment company, or PFIC, which could result in adverse United States tax consequences to United States investors.

Based on the projected composition of our income and valuation of our assets, including goodwill, we do not expect to be a passive foreign investment company (a "PFIC") for 2007, and we do not expect to become one in the future, although there can be no assurance in this regard. If, however, we were a passive foreign investment company, such characterization could result in adverse United States tax consequences to you if you are a United States investor. For example, if we are a PFIC, our United States investors will become subject to increased tax liabilities under United States tax laws and regulations and will become subject to burdensome reporting requirements. The determination of whether or not we are a PFIC is made on an annual basis and will depend on the composition of our income and assets from time to time. Specifically, we will be classified as a PFIC for United States tax purposes if either: (i) 75% or more of our gross income in a taxable year is passive income, or (ii) the average percentage of our assets by value in a taxable year which produce or are held for the production of passive income (which includes cash) is at least 50%. The calculation of the value of our assets will be based, in part, on the then market value of our GDSs, which is subject to change. In addition, the composition of our income and assets will be affected by how, and how quickly, we spend the cash we raise in an offering. We cannot assure you that we will not be a PFIC for 2007 or any future taxable year. For more information on PFICs, see "Taxation—Certain United States federal income tax consequences."

Risks relating to the offering and the GDSs

There has been no prior market for our GDSs. An active and liquid public market for our GDSs may not develop.

Prior to this offering, our GDSs were not negotiated on any market. Our GDSs will not be listed on any exchange. Accordingly, an active and liquid public market for our GDSs may not develop or be sustained after this offering. Illiquid or inactive trading markets generally result in higher price volatility and lower efficiency in the execution of sale and purchase orders in the securities markets. The market price of the GDSs may fluctuate significantly in response to a number of factors, some of which may be beyond our control. In the event that the trading price of our GDSs declines, you may lose all or part of your investment in our GDSs. In addition, holders of GDSs may choose to cancel them and receive instead common shares in an amount equivalent to that of the GDSs previously held. Cancellation of a considerable number of GDSs may significantly influence the development of an actively liquid market for our GDSs, which may have a material adverse effect on the price of our GDSs.

Holders of our GDSs may encounter difficulties in exercising their voting rights.

Holders of our common shares are entitled to vote on shareholder matters. However, holders of our GDSs may encounter difficulties in exercising some of the rights of shareholders if they hold our GDSs rather than the underlying common shares. For example, holders of our GDSs are not entitled to attend shareholders' meetings, and they can only vote by giving timely instructions to the depositary in advance of a shareholders' meeting. In addition, holders of GDSs are only entitled to exercise inspection rights through a representative designated to that effect and such right can only be exercised 15 business days prior to an ordinary shareholders' meeting. In addition, holders of our GDSs may not be entitled to exercise their preemptive rights under the deposit agreement. See "Description of the Global Depositary Shares."

Although we believe that the holders of the GDSs should be able to direct the depositary to vote the common shares separately in accordance with their individual instructions, particularly as this is the most current interpretation of the Superintendence of Companies, this issue has been the subject of differing regulatory interpretations in the past and may be subject to differing interpretations in the future. According to previous regulatory interpretations, the depositary could be required to vote the underlying common shares in a single block (presumably reflecting the majority vote of the GDS holders). As a result, we cannot assure you that in the future the Colombian regulatory authorities will not change their interpretation as to how voting rights should be exercised by GDSs holders, and if this were to occur any such limitation or loss could adversely affect the value of such common shares and your GDSs.

If holders of GDSs surrender their GDSs and withdraw common shares they may incur expenses and/or suffer delays in remitting foreign currency abroad and may face adverse Colombian tax consequences.

Holders of GDSs will benefit from the registration to be obtained by the custodian for our common shares underlying the GDSs in Colombia, which permits the custodian to convert dividends and other distributions with respect to the common shares into foreign currency and remit the proceeds abroad. The Central Bank has indicated informally that it is currently in the process of issuing a regulation on the conversion of GDSs into local shares, which will establish the procedures to be followed and the type of foreign investment registration to be made by the investor, reflecting prevailing current market practices. In obtaining its own foreign investment registration, an investor who surrendered its GDSs and withdrew common shares may incur expenses and/or suffer delays in the application process. Investors would only be allowed to transfer dividends abroad or transfer funds received as distributions relating to our common shares after their foreign investment registration procedure with the Central Bank has been completed. In addition, the depositary's foreign investment registration may also be adversely affected by future legislative changes, but its rights to transfer abroad dividends or profits arising from distributions relating to our common shares must be maintained, according to Colombian law and foreign investment treaties entered into by the Republic of Colombia, except when the Colombian international reserves fall below an amount equivalent to three months worth of imports as further explained in this offering memorandum.

An investor who surrendered its GDSs and withdrew common shares will not be deemed to be investing through a foreign Institutional Capital Investment Fund; thus it will be subject to income taxes on the gain associated with the sale of common shares representing more than 10% of the common shares of a listed company.

We are restricted from paying dividends on our capital stock through 2011 and may determine subject to applicable Colombian law not to pay dividends thereafter.

Pursuant to the US$300 million syndicated credit agreement we entered into to finance our recent acquisition of Carulla, we are prohibited from paying dividends and making other restricted payments (including repurchases and redemptions in respect of our capital stock) in an aggregate annual amount exceeding US$35 million. The loans made pursuant to this syndicated credit agreement are scheduled to mature in December 2011, and as a result this restriction may remain in effect until such time. See "Dividends and dividend policy" and "Description of capital stock".

The protections afforded to minority shareholders in Colombia are different from those in the United States, and may be difficult to enforce.

Under Colombian law, the protections afforded to minority shareholders are different from those in the United States. In particular, the legal framework with respect to shareholder disputes is less developed under Colombian law than U.S. law and there are different procedural requirements for commencing shareholder lawsuits, such as shareholder derivative suits. As a result, it may be more difficult for our minority shareholders to enforce their rights against us or our directors or controlling shareholders than it would be for shareholders of a U.S. company.

The relative volatility and illiquidity of the Colombian securities markets may substantially limit our investors' ability to sell our GDSs at the price and time they desire.

Investing in securities that are traded in emerging markets, such as Colombia, often involves greater risk when compared to other world markets, and these investments are generally considered to be more speculative in nature. The Colombian securities market is substantially smaller, less liquid, more concentrated and can be more volatile than other securities markets. For example, the Colombian Stock Market had a market capitalization of approximately COP125,884 billion (US$56 billion) as of December 31, 2006, and an average daily trading volume of approximately COP145 billion (US$61 million) in 2006. In contrast, the New York Stock Exchange had a market capitalization of US$15,421 billion as of December 31, 2006, and a daily trading volume of approximately US$87 billion in 2006. Concentration is also significantly higher in the Colombian securities market than in the major securities markets in the United States. Accordingly, we cannot assure you that a liquid trading market for our GDSs will develop or, if developed, will be maintained following this offering, which could substantially limit the ability of investors in our GDSs to sell them at the price and time you desire.

Holders of the GDSs are subject to dilution in their interest in our capital stock.

To finance our growth initiatives, we may need to raise additional capital through public or private issuances of shares or debt securities convertible into shares. Pursuant to Colombian law and our by-laws, these issuances of equity securities may be conducted without giving preemptive rights to our shareholders, including the investors in the GDSs offered in this offering, if such issuance without preemptive rights is approved at a shareholders' meeting by the affirmative vote of at least 70% of the common shares present at such meeting. If our shareholders' meeting were to approve the issuance of new shares without giving preemptive rights to our current shareholders, then the interest of such shareholders may be diluted.

Substantial sales of our GDSs after this offering, or the perception that these sales could occur, may cause the trading price of our GDSs to decrease.

Sales of a substantial number of our GDSs in the public market following this offering, or the perception that these sales could occur, may cause the trading price of our GDSs to fall. After the offering, our controlling shareholder is expected to continue to own approximately 60% of our capital stock.

U.S. securities laws impose certain restrictions on the resale of GDSs.

The GDSs are being offered in reliance upon an exemption from registration under the Securities Act of 1933, as amended and applicable state securities laws. Thus, the GDSs have not been registered under the Securities Act or any state securities laws and, unless so registered, may not be offered, sold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. See "Transfer restrictions."

We are not required to disclose as much information to investors as a U.S. issuer is required to disclose.

We are subject to the reporting requirements of the Financial Superintendency and the Colombian Stock Exchange. The corporate disclosure requirements that apply to us may not be equivalent to the disclosure requirements that apply to a U.S. company and, as a result, you may receive less information about us than you would receive from a comparable U.S. company.

Forward-looking statements

This offering memorandum includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "intends," "may," "will," or "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this offering memorandum and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this offering memorandum. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this offering memorandum, those results or developments may not be indicative of results or developments in subsequent periods.

We urge you to read the sections of this offering memorandum entitled "Risk factors," "Management's discussion and analysis of financial condition and results of operations" and "Business" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this offering memorandum may not occur.

We undertake no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this offering memorandum.

Use of proceeds

We estimate that we will receive net proceeds from this offering of our GDSs in the amount of approximately COP 731,250 million, after deducting underwriting discounts and commissions and estimated transaction expenses relating to this offering and payable by us. We intend to use such proceeds for the expansion of our business (through the acquisition of land and the opening, remodeling and conversion of stores) and the remaining funds for general corporate purposes.

Market information

Market price of our shares

Prior to this offering, there has been a limited public market for our common shares in Colombia, and there has been no market for our GDSs. Each GDS will represent one common share. Our common shares are listed on the Colombian Stock Exchange and are traded under the symbol "EXITO." The GDSs will not be registered with the SEC or any other governmental agency and will not be listed on any exchange.

General

The Colombian stock market is regulated by Congress and by the Colombian government through the Ministry of Finance and the Colombian Financial Superintendency. Pursuant to Law 964 of 2005, the Colombian Congress has authorized the Colombian government to set forth regulations relating to the Colombian capital markets. The Ministry of Finance and the Colombian Financial Superintendency have been in charge of setting forth specific rules to govern stockbrokers and their activities, registration of securities and issuers with the Colombian Financial Superintendency, continuing disclosure requirements, public offers, tender offers, restrictions on insider trading and price manipulation, protection of minority shareholders, securities and investment funds, settlement and clearance of securities, and corporate governance standards of issuers of securities.

In addition, trading on the Colombian Stock Exchange is subject to specific private regulations issued by the Colombian Stock Exchange, particularly the General Rules of the Colombian Stock Exchange and Regulation Letter of June 29 of 2001 (*Circular Única de la Bolsa de Valores de Colombia).* These rules mainly govern listing and trading activities on the Colombian Stock Exchange. In particular, they include: (i) listing requirements, (ii) suspension and/or cancellation of the securities listing registration with the Colombian Stock Exchange and (iii) admission requirements for stockbrokers.

History and description

Prior to 2001 there were three stock exchanges in Colombia. The Stock Exchange of Bogotá created in 1928, the Stock Exchange of Medellín (1950) and the Stock Exchange of Occidente (1970).

Despite the limited economic growth during the 1980s, the economic expansion in the 1990s resulted in the Colombian capital markets growing at rates without precedent, as indicated or measured by listed company's market capitalization, the total value traded in the stock markets and the total amount of outstanding domestic public and private bonds.

Such rapid growth has resulted in the increased regulation of the Colombian capital markets. In addition, such growth precipitated the merger of the Stock Exchanges of Bogotá, Medellín and Occidente into the Colombian Stock Exchange in 2001.

Currently, the Colombian Stock Exchange manages stock, foreign exchange, derivatives and fixed income markets, and encompasses all brokerage firms registered with the former stock exchanges.

The share price index of equity traded on the Colombian Stock Exchange is the IGBC (*"Índice General de la Bolsa de Valores de Colombia"*), also known as the General Index, which is a capitalization-weighted index of the liquid and highest capitalized stocks traded on the Colombian Stock Exchange.

The table below summarizes recent value and performance indicators of the Colombian Stock Exchange and of Exito:

	Year ended December 31,				Three months ended March 31,
	2003	2004	2005	2006	2007
Market capitalization (in billions of COP)	39,634.3	59,336.8	115,471.6	125,883.6	127,595.3
Average daily trading value (in billions of COP)	9.5	22.1	88.8	144.5	156.2
IGBC	2,333.7	4,345.8	9,513.3	11,161.1	10,686.4
Market capitalization of Exito common shares (in billions of COP)	587.0	860.8	1,532.0	3,294.3	3,990.2
Average daily trading value of Exito common shares (in billions of COP)	0.1	0.2	0.7	3.2	5.4(1)

Source: Colombian Stock Exchange (*Bolsa de Valores de Colombia*), World Federation of Exchanges and Bloomberg.

(1) Adjusted to reflect the freeze period of the Exito shares in the Colombian Stock Exchange.

Volatility and liquidity

The Colombian Stock Exchange is relatively volatile. The IGBC, for instance, decreased at a rate of 4.3% from December 31, 2006 to March 31, 2007.

Nevertheless, as of December 31, 2006, the total volume of shares traded on the Colombian Stock Exchange increased 62.9%, compared to December 31, 2005. In 2006, the total volume of shares traded amounted to COP 144.5 billion, whereas the total volume of shares traded in 2005 amounted to COP 88.8 billion.

Furthermore, market capitalization of listed companies as of December 31, 2006 was COP 125,883.6 billion, whereas market capitalization in 2005 was COP 115,471.6 billion. This entails an increase of 9.0%.

Foreign ownership

Foreign investment in Colombia is governed by Decree 2080 of 2000 and Resolution 8 of 2000. Pursuant to Article 7 of Resolution 8 of 2000, issued by the Central Bank, foreign investments in Colombia are deemed an exchange operation and thus must be made through an authorized intermediary of the exchange market (i.e. an authorized financial institution or a brokerage firm).

Additionally, such foreign investment must be registered with the Central Bank. Registration may be automatic under certain circumstances; in other cases it can be achieved by delivering the documentation evidencing the investment and the relevant form as previously defined by the Central Bank to the relevant exchange intermediary. Failure to timely register the investment triggers the imposition of fines and may impair the ability of the relevant investor to remit dividends and other proceeds from its investment abroad.

Capitalization

The following table sets forth our cash and cash equivalents and our capitalization as of March 31, 2007 on an actual basis and as adjusted to reflect the application of use of net proceeds from the offering estimated at COP 731,250 million, based on an offering price of COP 15,000 per common share.

Our capitalization set forth below was calculated in accordance with Colombian GAAP. This table should be read in conjunction with, and is qualified in its entirety by reference to, the information under the section entitled "Use of proceeds" and "Management's discussion and analysis of financial condition and results of operations" and our consolidated financial statements and the notes related thereto included elsewhere in this offering memorandum.

As of March 31, 2007 (in millions)	Actual COP	Actual(1) US$	As adjusted COP	As adjusted(1) US$
Cash	188,551	86.0	919,801	420.0
Cash equivalents	310,456	141.8	310,456	141.8
Current financial liabilities	(322,709)	(147.3)	(322,709)	(147.3)
Letters of credit obligations	(5,901)	(2.7)	(5,901)	(2.7)
Credit card obligations	(1,529)	(0.7)	(1,529)	(0.7)
Total short term liabilities	(330,139)	(150.7)	(330,139)	(150.7)
Non-current financial liabilities	(104,365)	(47.6)	(104,365)	(47.6)
Liabilities with foreign banks	(803,840)	(367.0)	(803,840)	(367.0)
Bonds	(325,000)	(148.3)	(325,000)	(148.3)
Total long term liabilities	(1,233,205)	(563.2)	(1,233,205)	(563.2)
Shareholders' equity				
Share capital	2,343	1.1	2,844	1.3
Surplus from capital	856,733	391.1	1,587,482	724.9
Reserves	214,387	97.9	214,387	97.9
Unappropriated earnings	(33,957)	(15.5)	(33,957)	(15.5)
Retained earnings	23,184	10.6	23,184	10.6
Surplus from reappraisal	666,473	304.3	666,473	304.3
Revaluation of shareholders' equity	653,382	298.3	653,382	298.3
Total shareholders' equity	2,382,545	1,087.8	3,113,795	1,421.8
Total capitalization(2)	3,945,889	1,801.8	4,677,139	2,135.7

(1) Based on the exchange rate of COP 2,190.30 to US$1.00 as of March 31, 2007.
(2) Total capitalization represents total short term and long term liabilities plus total shareholders' equity.

Dilution

As of March 31, 2007, our stockholders' equity book value was COP 2,382,545 million and our equity book value per common share was COP 10,198 per common share outstanding. Such stockholders' net equity book value per common share represents the total book value of our assets less the total book value of our liabilities, divided by the total number of common shares issued and outstanding on March 31, 2007.

After giving effect to the sale of 50,000,000 GDSs offered by us in this offering, and after deducting the initial purchasers' discounts and commissions and estimated offering expenses payable by us, and based on an offering price of COP 15,000 per common share, our net book value per share at March 31, 2007 would have been approximately COP 10,978, representing US$5.01 per GDS, translated at the commercial selling rate as reported by the Central Bank at March 31, 2007 for Colombian pesos into U.S. dollars of COP 2,190=US$1.00. At the offering price of US$6.85 per GDS translated at the commercial selling rate as reported by the Central Bank at March 31, 2007 for Colombian pesos into U.S. dollars of COP 2,190=US$1.00, this represents an immediate increase in net book value of US$0.36 per GDS, to existing shareholders and an immediate dilution in net book value of US$1.84 per GDS, to new investors purchasing GDSs in this offering. Dilution for this purpose represents the difference between the price per GDS paid by these purchasers and net book value GDS immediately after the completion of the offering.

The following table illustrates this dilution:

As of March 31, 2007	Common Shares	GDS (1)
Assumed public offering price per common share or GDS	COP 15,000	US$6.85
Net book value per common share or GDS	10,198	4.66
Increase in net book value per common share or GDS attributable to new investors	780	0.36
Pro forma net book value per common share or GDS after this offering	10,978	5.01
Dilution per common share or GDS to new investors	4,022	1.84
Percentage dilution of new investors(2)	(26.8)%	(26.8)%

(1) Translated for convenience only using the commercial selling rate as reported by the Central Bank at March 31, 2007 for Colombian pesos into U.S. dollars of COP 2,190.30 = US$1.00.

(2) The percentage dilution of new investors is calculated by dividing the dilution per common share to the new investors by the offering price per common share.

Exchange rates

Exchange market

In September 1999, the Central Bank significantly liberalized the Colombian exchange market. Since then, the Central Bank has allowed the peso to float freely, intervening only when there are steep variations in the peso's value relative to the U.S. dollar. This intervention mechanism is only used to control the international reserves of Colombia or in case the average of a specified rate (referred to as the Representative Market Rate) for the preceding twenty days exceeds 2% of that day's Representative Market Rate. Upon the occurrence of such an event, the Central Bank sells call options, whereby the purchaser is entitled to buy from the Central Bank, on a future date, a specified amount of dollars at a pre-established exchange rate, thus reducing the volatility of the exchange rate.

During 2004, 2005 and 2006, the peso appreciated against the U.S. dollar by 14%, 4% and 2%, respectively. A future depreciation of the peso would have a negative impact on the U.S. dollar value of dividends paid to holders of GDSs. Conversely, appreciation of the peso would have a positive effect on such U.S. dollar value. Although the foreign exchange market is allowed to float freely, there are no guarantees that the Central Bank or the Colombian government will not intervene in the exchange market in the future.

Representative market rate

The Federal Reserve Bank of New York does not report a rate for pesos. The Financial Superintendency calculates the Representative Market Rate based on the weighted averages of the buy/sell foreign exchange rates quoted daily by certain financial institutions for the purchase and sale of foreign currency.

The following table sets forth the average peso / U.S. dollar Representative Market Rate for each of the five most recent financial years, calculated by using the average of the exchange rates on the last day of each month during the period.

Representative Market Rates
(COP per US$)

Year ended December 31,	High	Low	Average	Period-end
2002	2,888.23	2,231.98	2,506.55	2,864.79
2003	2,968.88	2,778.21	2,875.91	2,778.21
2004	2,778.92	2,316.12	2,628.47	2,389.75
2005	2,397.25	2,272.95	2,321.49	2,284.22
2006	2,634.06	2,225.44	2,358.96	2,238.79
Monthly				
January 2007	2,261.22	2,218.05	2,236.20	2,259.72
February 2007	2,255.17	2,211.46	2,227.57	2,224.12
March 2007	2,246.88	2,155.06	2,202.84	2,190.30
Three months ended March 31, 2007	2,261.22	2,155.06	2,222.03	2,190.30

Source: Banco de la Republica.

Exchange rates and foreign exchange regime

In 1990, the Colombian Government adopted a policy of gradual currency liberalization. In a series of decrees, control on the exchange rate was shifted from the Central Bank to the commercial foreign exchange market (*mercado cambiario*). Most of the trade and financial transactions are made through the foreign exchange market, such as payments for imports and exports, foreign investments into or from Colombia, international loans, debt capital market transactions, international guarantees and cross-border derivative transactions. Foreign currency used on any such transaction must be mandatorily made either through authorized intermediaries or through the so-called compensation accounts as explained below. Other transactions not specifically required to be made through the commercial foreign exchange market, such as the payment of services may be made through the free market (*mercado libre*).

Foreign currency payments made or received under the GDS program must be done through the commercial foreign exchange market. Transactions conducted through this foreign exchange market are made at market rates freely negotiated with authorized intermediaries (banks, financial corporations and others) or the relevant counterparty if using a compensation account.

Colombian residents, such as ourselves, are entitled to maintain foreign currency accounts abroad which can be used for making and receiving payments in foreign currency transactions. Such accounts can either be (i) compensation accounts (*cuentas de compensación*) used to conduct transactions to be mandatorily made through the commercial foreign exchange market and any other transactions which must comply with reporting requirements of the Central Bank, or (ii) free market accounts, used to undertake any transaction other than those required to be made through the exchange market.

Colombian law provides that the Central Bank may intervene in the foreign exchange market in case the value of the Colombian peso experiences significant volatility. The Central Bank may also limit, on a temporary basis, the remittance of dividends and/or investments of foreign currency received by Colombian residents whenever the Colombian international reserves fall below an amount equivalent to three months worth of imports. Since the creation of the current foreign exchange regime in 1991, except for a brief restriction by the national government in 2004, the Central Bank has not limited the remittance of funds abroad.

From 1995 to 1996, the Colombian peso appreciated against the U.S. Dollar in real terms partially as a result of inflows of foreign investments. The Colombian peso began to weaken in 1999 due to concerns about the economic crises in Russia and Asia and their effects on Latin America, together with continued violence in the country, a widening fiscal deficit, a domestic recession and the downgrading of Colombia by international rating agencies. The exchange rate set by the Central Bank suffered a nominal devaluation of 20.2% between August 31, 1998 and June 30, 1999, and the Central Bank shifted the exchange rate band in response. Finally, in September 1999, the Central Bank allowed the Colombian peso to float freely based on the supply and demand of foreign currency. Average nominal appreciation against the U.S. dollar was 2.03% in 2006, 4.62% in 2005 and 16.26% in 2004. For the three-month period ended in March 2007, nominal appreciation was 4.86%.

We cannot assure you that the Colombian peso will not appreciate or depreciate relative to other currencies in the future. See "Risk factors—Risks relating to Colombia and our region". On March 31, 2007, the commercial rate for the purchase of U.S. Dollars was COP 2,155.06 to US$1.00.

Restrictions regarding foreign investment in Colombia

The following is a brief summary of certain restrictions on foreign investment in Colombia and thus it does not purport to be complete. You should consult with your financial and legal advisors regarding the specific restrictions of foreign investment in Colombia.

Colombia's International Investment Statute, Decree 2080 of 2000 as amended (the "International Investment Statute") governs the manner in which non-resident entities and individuals can invest in the Colombian securities markets directly or through foreign institutional capital investment funds (*Fondos Institucionales de Inversión de Capital Extranjero*). Among other things, the statute requires registration of certain foreign exchange transactions with the Central Bank and specifies procedures to authorize and administer certain types of foreign investments. International investments are further regulated by the Central Bank by means of Resolution 8 of 2000 and Regulation DCIN-83, setting forth in detail certain procedures pertaining to the registration of foreign investments in Colombia.

Failure of a non-resident investor to timely report or register with the Central Bank foreign exchange transactions relating to investments in Colombia, may prevent the investor from having remittance rights, which could result in an exchange control infraction and/or in fines of up to 200% of the amount invested.

Direct holding of common shares

Direct holding of common shares by a foreign investor constitutes a foreign investment that must be registered with the Central Bank. Thus, the transfer of the shares by any foreign investor to another foreign investor will require the filing of a substitution of foreign investor request with the Central Bank, as well as the filing of certain exhibits that support such request, including tax returns.

Registration with the Colombian Financial Superintendency

Pursuant to the International Investment Statute, registration has been obtained with the Colombian Financial Superintendency for the depositary facility established for the GDSs pursuant to the deposit agreements (and the agreement between the Depositary and the custodian referenced therein) as a foreign institutional capital investment fund. Under such statute, the custodian will act as the local administrator of such fund and thus has certain reporting obligations to comply with the Central Bank and the Colombian Financial Superintendency.

Non-resident purchasers of GDSs will not be responsible individually for any registrations under the International Investment Statute relating to their investment in GDSs. On the contrary, a Colombian resident purchaser of GDSs will be required to register its investment in GDSs with the Central Bank. Any holder of GDSs who withdraws common shares will be required to comply directly with certain registrations and other requirements under the International Investment Statute.

Transfers of GDSs

The transfer of GDSs will not have any foreign exchange effect under Colombian foreign exchange regulations with respect to the program. The local administrator of the institutional fund does not have to report such transfer to the Central Bank, since there are no changes in Exito's stock ledger as the Depository will remain as the foreign investor of record.

There are no specific regulations or guidelines applicable to the conversion of GDSs to common shares by non-residents. Nonetheless, if non-residents wish to convert their GDSs into common shares, the foreign institutional capital investment fund may be required to cancel the foreign investment registration while non-residents may be required to apply for a new registration, either as portfolio investment or foreign direct investment. In the case of direct foreign investment, the non-residents will be subject to income taxes on the gain associated with the sale of common shares to the extent the shares sold represent more than 10% of our common shares. In case of portfolio investments, no income tax will apply to the sale of common shares.

Colombian residents holding GDSs who wish to convert their GDSs into common shares may be required to cancel their investment registration with the Central Bank. Furthermore, the institutional capital investment fund may be required to cancel the foreign investment registration.

Holders of GDSs should consult with their investment and legal advisers prior to any withdrawal of common shares.

Other monetary controls

One of the key principles related to foreign investments is the stability principle which entails that investment reimbursements and profits remittance conditions in force on the date on which investments are registered may not be modified in any way that may be detrimental to the investor, except on a temporary basis when Colombia's international reserves fall below the equivalent of three months' worth of imports.

However, such situation has not arisen during the past 25 years, except for a brief restriction by the national government in 2004, and at the end of 2006, Colombia's reserves covered approximately 10 months' worth of imports.

Selected consolidated financial and other information

Exito

The following selected financial data has been derived from our financial statements. The financial data as of December 31, 2005 and 2006 and for the years ended December 31, 2004, 2005 and 2006 has been derived from our audited consolidated financial statements included elsewhere in this offering memorandum which were audited by PricewaterhouseCoopers, as stated in its report appearing therein. The financial data as of December 31, 2004 has been derived from our audited consolidated financial statements not included in this offering memorandum. The summary financial data as of and for the three months ended March 31, 2006 and 2007 has been derived from our unaudited consolidated interim financial statements included elsewhere in this offering memorandum. The selected financial data as of and for the three months ended March 31, 2007 includes the financial data of Carulla.

Our financial statements are prepared in accordance with Colombian GAAP which differ significantly from U.S. GAAP. See Annex B for a discussion of certain significant differences between Colombian GAAP and U.S. GAAP.

Our results for the periods indicated are not necessarily indicative of our results for any future period. This financial information should be read in conjunction with "Selected Consolidated Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included elsewhere in this offering memorandum.

The financial information included in this offering memorandum has been presented in *nominal* Colombian pesos, with the exception of those non-monetary accounts included in the balance sheet, which are presented in constant pesos as of each year end. The effect resulting from inflation adjustments made on the non-monetary accounts has not been eliminated. The inflation adjustment in Colombia, according to the National Administrative Department of Statistics (*Departamento Administrativo Nacional de Estadisticas—DANE*), was approximately 5.5%, 4.9% and 4.5% per annum during 2004, 2005 and 2006, respectively. As per Decree 1536 of 2007, effective January 1, 2007, the application of inflation adjustment on financial statements presented under Colombian GAAP has been discontinued.

EXITO	Year ended December 31,				Three months ended March 31,		
	2004	2005	2006	2006	2006	2007	2007
	(millions of Colombian pesos, except operating data and per share data)			(millions of U.S. dollars)(1)	(millions of Colombian pesos, except operating data and per share data)		(millions of U.S. dollars)(2)
Income statement data							
Sales	3,246,635	3,425,799	4,126,593	1,749	858,207	1,438,458	648
Other income from operations	90,754	106,992	135,929	57	29,360	44,899	20
Net revenues	3,337,389	3,532,791	4,262,522	1,806	887,567	1,483,357	668
Cost of sales	2,525,058	2,663,715	3,206,763	1,359	672,267	1,149,567	517
Gross profit	812,331	869,076	1,055,759	447	215,300	333,790	151
Selling and administrative expense	702,573	747,519	885,817	375	187,745	303,607	137
Operating income	109,758	121,557	169,942	72	27,555	30,183	14
Financial income	10,196	12,431	46,685	20	4,048	13,459	6
Other non-operating income	232	31	24	0	8	6	0
Total non-operating income	10,428	12,462	46,709	20	4,056	13,465	6
Financial expense	39,966	33,690	72,631	31	8,966	27,269	12
Other non-operating expense	18,801	19,955	21,487	9	3,965	6,939	3
Total non-operating expense	58,767	53,645	94,118	40	12,931	34,208	15
Monetary correction	36,561	31,274	29,475	12	8,715	21,109	9
Minority interest	18	50	49	0	47	(1,477)	(1)
Income taxes	34,901	43,750	28,783	12	14,151	8,842	4
Net income	63,061	67,848	123,176	52	13,197	23,184	11
Balance sheet data							
Current assets:							
Cash	68,676	81,600	126,317	56	39,381	188,551	86
Cash equivalents	13,245	52,107	106,961	48	20,679	310,456	142
Total current assets	636,816	695,281	906,962	405	688,308	1,575,320	719
Non-current assets:							
Property, plant and equipment	1,265,994	1,377,829	1,640,086	733	1,399,403	2,117,935	967
Total non-current assets	2,151,894	2,347,793	2,701,720	1,207	2,368,203	3,902,146	1,781
Current liabilities:							
Short-term debt	340,583	317,699	171,941	77	370,342	330,139	151
Total current liabilities	908,336	952,031	978,778	437	993,210	1,582,525	722
Non-current liabilities:							
Long-term debt	3,750	53,365	359,364	161	53,365	1,233,205	563
Total non-current liabilities	37,030	85,702	406,496	182	85,608	1,271,144	580
Minority interest	1,252	1,367	1,479	1	1,435	241,252	110
Shareholders' equity	1,842,092	2,003,974	2,221,929	992	1,976,258	2,382,545	1,088
Cash flow data							
Net cash provided by (used in):							
Operating activities	219,181	298,727	328,844	139	(61,634)	(54,779)	(25)
Investing activities	(92,317)	(200,486)	(306,700)	(130)	(8,406)	(894,807)	(403)
Financing activities	(94,436)	(58,504)	61,285	26	30,827	946,736	426
Other activities	(20,727)	(26,813)	(38,712)	(16)	(3,007)	(16,492)	(7)

EXITO	Year ended December 31,				Three months ended March 31,		
	2004	2005	2006	2006	2006	2007	2007
	(millions of Colombian pesos, except operating data and per share data)			(millions of U.S. dollars)(1)	(millions of Colombian pesos, except operating data and per share data)		(millions of U.S. dollars)(2)
Other financial information							
Adjusted EBITDA(3)	273,552	290,964	348,611	148	71,191	97,865	44
Adjusted EBITDA margin	8.2%	8.2%	8.2%		8.0%	6.6%	
Gross margin(4)	24.3%	24.6%	24.8%		24.3%	22.5%	
Operating margin(5)	3.3%	3.4%	4.0%		3.1%	2.0%	
Net margin(6)	1.9%	1.9%	2.9%		1.5%	1.6%	
Weighted average shares outstanding	207,018,306	209,000,626	208,994,975		209,000,626	212,637,372	
Net income per share	304.61	324.63	589.37		63.14	109.03	
Net income per GDS(7)	304.61	324.63	589.37		63.14	109.03	
Dividends declared	60,767	62,701	62,701		62,701	70,088	
Dividends per share(8)	300	300	300		75	75	
Dividends per GDS(7)	300	300	300		75	75	
Operating data							
Stores operating at end of period:							
Hypermarket	25	29	47		29	47	
Supermarket	71	67	58		65	58	
Opened during the period	4	8	13				
Closed during the period	1	6	1				
Remodeled during period	0	0	0		0	0	
Average selling space per store (square meters)(9):							
Hypermarket	7,853	7,305	6,027		7,265	6,030	
Supermarket	1,959	1,980	1,712		2,056	1,712	
Weighted net sales per retail square meter (thousands)(9):							
Hypermarket	11,747	11,944	13,281	6	12,396	13,382	6
Supermarket	7,176	7,629	8,161	4	7,703	8,418	4
Increase (decrease) in same store revenues(9)(10):	0.3%	2.8%	13.6%		11.1%	14.4%	
Total full-time equivalent employees at end of period(9):	26,854	30,557	35,413		30,013	34,934	

(1) Balance sheet line items translated using the Representative Market Rate of COP 2,238.79 = US$1.00 as of December 31, 2006 and income statement line items translated using average Representative Market Rate COP 2,358.96 = US$1.00 for the year ended December 31, 2006.

(2) Balance sheet line items translated using the Representative Market Rate of COP 2,190.30 = US$1.00 as of March 31, 2007 and income statement line items translated using average Representative Market Rate of COP 2,222.03 = US$1.00 for the three months ended March 31, 2007.

(3) Adjusted EBITDA represents operating income plus depreciation, amortization and the inflation adjustment included in the cost of sales. We believe Adjusted EBITDA provides investors with meaningful information with respect to our operating performance and facilitates comparisons to our historical operating results. Our Adjusted EBITDA measure has limitations as an analytical tool, however, and you should not consider it in isolation, as an alternative to net income or as an indicator of our operating performance or as a substitute for analysis of our results as reported under Colombian GAAP or U.S. GAAP. Some of these limitations include:

- it does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, our working capital needs;

- it does not reflect the interest expense, or the cash requirements to service the interest or principal payments of our debt;
- it does not reflect any cash income taxes or employees' profit sharing we may be required to pay;
- it reflects the effect of non-recurring expenses, as well as investing gains and losses;
- it is not adjusted for all non-cash income or expense items that are reflected in the statements of changes in financial position; and
- other companies in our industry may calculate this measure differently than we do which may limit its usefulness as a comparative measure.

Because of these limitations, our Adjusted EBITDA measure should not be considered a measure of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. Adjusted EBITDA is not a recognized financial measure under Colombian GAAP or U.S. GAAP. You should compensate for these limitations by relying primarily on our Colombian GAAP results and using our Adjusted EBITDA measurement supplementally.

The following table shows the reconciliation of our operating income to Adjusted EBITDA:

	Year ended December 31,			Three months ended March 31,	Three months ended March 31,
	2004	**2005**	**2006**	**2006**	**2007**
	(millions of Colombian pesos)				
Operating income	109,758	121,557	169,942	27,555	30,183
Depreciations and amortizations	138,577	147,166	158,650	37,538	54,761
Inflation adjustment included in the cost of sales	25,217	22,241	20,019	6,098	12,921
Total Adjusted EBITDA	273,552	290,964	348,611	71,191	97,865

(4) Gross profit divided by net revenues.

(5) Operating income divided by net revenues.

(6) Net income divided by net revenues.

(7) Determined by multiplying per share amounts by 1 (one GDS = one share).

(8) Expressed in Colombian Pesos.

(9) Data for the three months ended March 31, 2007 reflect Exito's stand-alone operations.

(10) The term "same store revenues" reflects the sales of our stores operating throughout the same months of both financial periods being compared. If a store did not operate for a full month of either of the financial periods being compared, we exclude its sales for such month from both financial periods. If a store is converted from one format to another (e.g., a Ley supermarket converted to an Exito hypermarket), the store with the discontinued format is deemed to have been closed, and the same store having a new format is deemed to be a new store. For example, if a new store was opened (or deemed opened after conversion from another format) on July 1, 2005 and operated throughout the last six months of 2005, (i) "same store revenues" would include the sales of that store for the last six months of 2005 and the last six months of 2006 and (ii) we would consider the sales of the new store during the first six months of 2006 as sales from a newly opened store. You should be aware that our method of calculating same store revenues data may differ significantly from the method used by other retailers to calculate same store revenues data.

Carulla

The following selected financial data have been derived from the financial statements of Carulla, our newly-acquired subsidiary. The financial data as of December 31, 2005 and 2006 and for the years ended December 31, 2004, 2005 and 2006 has been derived from Carulla's consolidated financial statements included elsewhere in this offering memorandum, which were audited by Deloitte & Touche Ltda., as stated in its report appearing therein. The selected financial data as of and for the three months ended March 31, 2006 has been derived from Carulla's unaudited consolidated interim financial statements included elsewhere in this offering memorandum. The financial data as of December 31, 2004 and as of and for the three months ended March 31, 2007 has been derived from Carulla's audited and unaudited consolidated financial statements not included in this offering memorandum.

	Year ended December 31,				Three months ended March 31,		
	2004	2005	2006	2006	2006	2007	2007
	(millions of Colombian pesos, except operating data and per share data)			(millions of U.S. dollars)(1)	(millions of Colombian pesos, except operating data and per share data)		(millions of U.S. dollars)(2)
Income statement data							
Sales	1,637,855	2,037,136	2,215,689	939	484,558	537,501	242
Other income from operations	47,524	57,588	68,367	29	11,966	14,236	6
Net revenues	1,685,379	2,094,724	2,284,056	968	496,524	551,737	248
Cost of sales	1,269,784	1,614,355	1,747,515	740	386,828	434,130	195
Gross profit	415,595	480,369	536,541	228	109,696	117,607	53
Selling and administrative expense	375,846	429,740	469,189	198	107,571	117,641	53
Operating income	39,749	50,629	67,352	29	2,125	(34)	0
Financial income	4,548	1,730	2,113	1	440	844	0
Other non-operating income	2,295	2,749	10,070	4	489	0	0
Total non-operating income	6,843	4,479	12,183	5	929	844	0
Financial expense	23,522	33,664	35,895	15	7,931	9,663	4
Other non-operating expense	11,471	9,397	21,873	9	1,133	6,092	3
Total non-operating expense	34,993	43,061	57,768	24	9,064	15,755	7
Monetary correction	23,788	25,833	23,607	10	7,128	11,637	5
Income taxes	13,362	13,837	16,356	7	431	1,613	0
Net income	22,025	24,043	29,018	12	687	(4,921)	(2)
Balance sheet data							
Current assets:							
Cash and cash equivalents	68,283	60,972	89,842	40	33,379	42,926	20
Total current assets	380,521	362,806	461,185	206	326,732	409,376	187
Non-current assets:							
Property, plant and equipment	433,124	467,291	471,101	210	461,941	474,124	216
Total non-current assets	668,163	701,004	831,498	371	701,518	814,532	372
Current liabilities:							
Short-term debt	199,279	59,613	128,518	57	77,800	132,410	60
Total current liabilities	605,550	446,788	563,946	252	416,460	490,741	224
Non-current liabilities:							
Long-term debt	70,000	220,000	220,000	98	220,000	220,000	100
Total non-current liabilities	80,427	228,268	226,830	101	228,299	226,883	104
Shareholders' equity	362,707	388,754	501,907	224	383,491	506,284	231

	Year ended December 31,				Three months ended March 31,		
	2004	2005	2006	2006	2006	2007	2007
	(millions of Colombian pesos, except operating data and per share data)			(millions of U.S. dollars)(1)	(millions of Colombian pesos, except operating data and per share data)		(millions of U.S. dollars)(2)
Cash flow data							
Net cash provided by (used in):							
Operating activities	20,783	64,870	10,484	4	(25,592)	(43,450)	(20)
Investing activities	(65,270)	(61,744)	(34,388)	(15)	(4,057)	(6,267)	(3)
Financing activities	75,231	(10,437)	52,774	24	2,056	11,067	5
Other financial information							
Adjusted EBITDA(3)	140,591	151,539	173,190		28,001	28,239	
Adjusted EBITDA margin	8.3%	7.2%	7.6%		5.7%	5.1%	
Gross margin(4)	24.7%	22.9%	23.5%		22.1%	21.3%	
Operating margin(5)	2.4%	2.4%	2.9%		0.4%	—	
Net margin(6)	1.3%	1.2%	1.3%		0.1%	—	
Shares outstanding	34,616,510	34,616,510	34,616,510		34,616,510	35,419,510	
Net income (loss) per share	636.26	694.56	838.28		19.85	(142.01)	
Dividends paid	20,768	20,771	16,131		16,131	0	
Dividends per share(7)	600	600	466		466	0	
Operating data							
Stores operating at end of period:							
Hypermarket	14	15	18		15	18	
Supermarket	83	82	83		82	83	
Other	57	59	63		58	54	
Opened during the period	1	3	9		0	0	
Closed during the period	5	1	1		0	9	
Remodeled during period	0	0	0		0	0	
Average selling space per store (square meters):							
Hypermarket	5,300	5,284	5,395		5,284	5,395	
Supermarket	925	929	924		929	924	
Other	813	828	923		828	1,012	
Weighted net sales per retail square meter (thousands):							
Hypermarket	7,633	7,909	8,935	4	7,909	9,169	4
Supermarket	11,714	12,542	13,243	6	12,525	13,243	6
Other	3,403	8,925	7,359	3	8,952	7,832	4
Increase (decrease) in same store revenues:(8)	1.6%	4.6%	2.9%		3.0%	4.1%	
Total full-time equivalent employees at end of period	8,816	10,088	9,489		9,096	9,249	

(1) Balance sheet line items translated using the Representative Market Rate of COP 2,238.79 = US$1.00 as of December 31, 2006 and income statement line items translated using average Representative Market Rate of COP 2,358.96 = US$1.00 for the year ended December 31, 2006.

(2) Balance sheet line items translated using the Representative Market Rate of COP 2,190.30 = US$1.00 as of March 31, 2007 and income statement line items translated using average Representative Market Rate of COP 2,222.03 = US$1.00 for the three months ended March 31, 2007.

(3) Adjusted EBITDA represents operating income plus depreciation, amortization and the inflation adjustment included in the cost of sales. We believe Adjusted EBITDA provides investors with meaningful information with respect to our operating performance and facilitates comparisons to our historical operating results. Our Adjusted EBITDA measure has limitations as an analytical tool, however, and you should not consider it in isolation, as an alternative to net income or as an indicator of our operating performance or as a substitute for analysis of our results as reported under Colombian GAAP or U.S. GAAP. Some of these limitations include:

- it does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, our working capital needs;

- it does not reflect the interest expense, or the cash requirements to service the interest or principal payments of our debt;
- it does not reflect any cash income taxes or employees' profit sharing we may be required to pay;
- it reflects the effect of non-recurring expenses, as well as investing gains and losses;
- it is not adjusted for all non-cash income or expense items that are reflected in the statements of changes in financial position; and
- other companies in our industry may calculate this measure differently than we do which may limit its usefulness as a comparative measure.

Because of these limitations, our Adjusted EBITDA measure should not be considered a measure of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. Adjusted EBITDA is not a recognized financial measure under Colombian GAAP or U.S. GAAP. You should compensate for these limitations by relying primarily on our Colombian GAAP results and using our Adjusted EBITDA measurement supplementally. The following table shows the reconciliation of our operating income to Adjusted EBITDA.

	Year ended December 31,			Three months ended March 31,	
	2004	2005	2006	2006	2007
	(millions of Colombian pesos)				
Operating income	39,749	50,629	67,352	2,125	(34)
Depreciation and amortization	91,945	90,256	95,506	22,287	21,433
Inflation adjustment included in the cost of sales	8,895	10,654	10,332	3,589	6,840
Total Adjusted EBITDA	140,589	151,539	173,190	28,001	28,239

(4) Gross profit divided by net revenues.

(5) Operating income divided by net revenues.

(6) Net income divided by net revenues.

(7) Expressed in Colombian Pesos.

(8) The term "same store revenues" reflects the sales of our stores operating throughout the same months of both financial periods being compared. If a store did not operate for a full month of either of the financial periods being compared, we exclude its sales for such month from both financial periods. If a store is converted from one format to another (e.g., a Ley supermarket converted to an Exito hypermarket), the store with the discontinued format is deemed to have been closed, and the same store having a new format is deemed to be a new store. For example, if a new store was opened (or deemed opened after conversion from another format) on July 1, 2005 and operated throughout the last six months of 2005, (i) "same store revenues" would include the sales of that store for the last six months of 2005 and the last six months of 2006 and (ii) we would consider the sales of the new store during the first six months of 2006 as sales from a newly opened store. You should be aware that our method of calculating same store revenues data may differ significantly from the method used by other retailers to calculate same store revenues data.

Unaudited pro forma condensed consolidated financial information

The following unaudited pro forma financial information of Exito gives effect to the acquisition of Carulla financed through cash and the issuance of shares of Exito.

The pro forma presentation is intended to reflect the hypothetical impact on historical financial statements if the acquisition of Carulla occurred, with respect to the balance sheet as of the end of the pro forma period, March 31, 2007, and with respect to the income statement as of January 1, 2006, the beginning of the pro forma period. This pro forma presentation does not give effect to anticipated changes to be implemented by management to achieve consolidated cost savings nor other changes that may result from implementation of operational or strategic changes.

Exito acquired 77% of the voting interest of the total outstanding capital stock of Carulla, through a series of transactions from February 5, 2007 through May 31, 2007. The aggregate purchase price for all voting shares acquired by Exito was COP 922,779 million of which 72.78% was financed with a long-term loan at LIBOR plus 1.5% to 1.7% interest.

Colombian GAAP accounting treatment

Under Colombian GAAP, the acquisition was accounted for under the purchase method of accounting in accordance with Colombian GAAP. As such, goodwill is determined as the difference between the cost of an acquisition and the book value of the acquired company at the acquisition date. Colombian GAAP requires the amortization of goodwill over a maximum of 20 years.

The acquisition of Carulla is reflected in the unaudited consolidated balance sheet of Exito at March 31, 2007. The operations of Carulla have been consolidated and included in the income statement of Exito from February 2007 when Exito owned 77% of Carulla's capital stock.

We have prepared and presented the pro forma financial information in accordance with Colombian GAAP, which differs in some respects from US GAAP. See "Notes to the unaudited pro forma financial information" and "Appendix B" of this offering Memorandum for a description of the material differences between Colombian GAAP and US GAAP.

The pro forma financial information of Exito is for informational purposes only and does not represent Exito's financial position or results of operations as of any date or for any period, nor does it project Exito's financial position or results of operations as of any future date or for any future period. You should read this unaudited pro forma financial information in conjunction with our and Carulla's audited consolidated financial statements and the notes thereto included elsewhere in this offering memorandum.

Unaudited pro forma balance sheet

at March 31, 2007

(Expressed in millions of Colombian pesos)

	Exito	Pro forma Adjustments	Notes	Pro forma under Col GAAP
Assets				
Current assets				
Cash	188,551	(71,750)	(1)	116,801
Marketable securities	310,456			310,456
Accounts receivable—Trade	68,934			68,934
Accounts receivable—Other	113,289			113,289
Inventories, net	831,695			831,695
Deferred charges and other assets, net	62,395	—		62,395
Total current assets	**1,575,320**	**(71,750)**		**1,503,570**
Non-current assets				
Accounts receivable	63,514			63,514
Long term investments	202,202			202,202
Property, plant and equipment, net	2,117,935			2,117,935
Intangible, net	537,568	71,750	(1)	609,318
Deferred charges	161,499			161,499
Other assets	249			249
Reappraisals	819,179	—		819,179
Total non-current assets	**3,902,146**	**71,750**		**3,973,896**
Total assets	**5,477,466**	**—**		**5,477,466**
Liabilities and Shareholders' Equity				
Current liabilities				
Financial obligations	330,139			330,139
Suppliers	694,852			694,852
Accounts payable	349,282			349,282
Taxes, liens and encumbrances	64,566			64,566
Labor liabilities	51,780			51,780
Accrued liabilities and provisions	80,628			80,628
Others liabilities	11,278			11,278
Total current liabilities	**1,582,525**			**1,582,525**
Non-current liabilities				
Financial obligation	908,205			908,205
Labor liabilities	527			527
Accounts payable	1,960			1,960
Bonds	325,000			325,000
Accrued liabilities	14,804			14,804
Deferred charges, net	20,648			20,648
Total non current liabilities	**1,271,144**			**1,271,144**
Total liabilities	**2,853,669**			**2,853,669**
Minority interest	241,252	1,186	(5)	242,438
Shareholders' equity	**2,382,545**	**(1,186)**	**(5)**	**2,381,359**
Total liabilities and shareholders' equity	**5,477,466**	**—**		**5,477,466**

See notes to unaudited pro forma financial information

Unaudited pro forma balance sheet
at December 31, 2006
(Expressed in millions of Colombian pesos)

	Exito	Carulla	Adjustments to conform to Exito's accounting policies	Pro forma Adjustments	Notes	Pro forma under Col GAAP
Assets						
Current assets						
Cash and cash equivalents	126,317	81,576		(35,495)	(1)(2)	172,398
Marketable securities	106,961	8,266				115,227
Accounts receivable – Trade	49,727	—				49,727
Accounts receivable – Other	49,707	89,748	(9,819)			129,636
Inventories, net	543,743	281,595				825,338
Deferred charges and other assets, net	30,507	—	21,839			52,346
Total current assets	**906,962**	**461,185**	**12,020**	**(35,495)**		**1,344,672**
Non-current assets						
Accounts receivable	49,110	—	4,984			54,094
Long term investments	198,371	5,590				203,961
Property, plant and equipment, net	1,640,086	471,101	10,417			2,121,604
Intangible, net	5,809	37,739	(32,333)	564,683	(1)	575,898
Deferred charges	91,489	116,533	2,481			210,503
Other assets	242	42,233	(42,233)			242
Reappraisal of assets	716,613	158,302		—		874,915
Total non-current assets	**2,701,720**	**831,498**	**(56,684)**	**564,683**		**4,041,217**
Total assets	**3,608,682**	**1,292,683**	**(44,664)**	**529,188**		**5,385,889**
Liabilities and Shareholders' Equity						
Current liabilities						
Financial obligations	171,941	128,518				300,459
Suppliers	486,091	285,389	(4,835)			766,645
Accounts payable	187,595	95,700	7,085			290,380
Taxes, liens and encumbrances	42,336	17,604	218			60,158
Labor liabilities	38,340	24,112	—			62,452
Accrued liabilities and provisions	39,953	4,996	—			44,949
Deferred liabilities	—	2,516	(2,516)			—
Others liabilities	12,522	5,111	(4,569)			13,064
Total current liabilities	**978,778**	**563,946**	**(4,617)**			**1,538,107**
Non-current liabilities						
Financial obligation	254,364	—		671,637	(2)	926,001
Labor liabilities	527	—				527
Accounts payable	16,281	1,960				18,241
Bonds	105,000	220,000				325,000
Accrued liabilities	10,593	4,175				14,768
Deferred charges, net	19,731	695		—		20,426
Total non current liabilities	**406,496**	**226,830**		**671,637**		**1,304,963**
Total liabilities	**1,385,274**	**790,776**	**(4,617)**	**671,637**		**2,843,070**
Minority interest	1,479	—		101,311	(4)	102,790
Shareholders' equity	**2,221,929**	**501,907**	**(40,047)**	**(243,760)**	**(3)**	**2,440,029**
Total liabilities and shareholders' equity	**3,608,682**	**1,292,683**	**(44,664)**	**529,188**		**5,385,889**

See notes to unaudited pro forma financial information

Unaudited pro forma statement of income

for the year ended December 31, 2006

(In millions of Colombian pesos and millions of US dollars)

	Exito	Carulla	Adjustments to conform to Exito's accounting policies	Pro forma Adjustments	Notes	Pro forma Unaudited	Pro forma Unaudited (US dollars)
Sales	4,126,593	2,215,689	—	—		6,342,282	2,689
Other income from operations	135,929	68,367				204,296	87
Revenues	4,262,522	2,284,056	—	—		6,546,578	2,776
Cost of sales	3,206,763	1,747,515				4,954,278	2,100
Gross profit	1,055,759	536,541	—	—		1,592,300	676
Selling and administrative expenses	885,817	469,189	(3,580)	16,873	(1)	1,368,299	580
Operating income	169,942	67,352	3,580	(16,873)		224,001	96
Non-operating income	46,709	12,183	—	—		58,892	25
Non-operating expense	94,118	57,768	—			151,886	64
Monetary correction	29,475	23,607	(3,014)	36,571	(2)	86,639	37
Minority interest	49		80	7,943	(4)	8,072	(3)
Income before tax	151,959	45,374	486	11,755		209,574	91
Income taxes	28,783	16,356	218	14,185	(3)	59,542	25
Net income	123,176	29,018	268	(2,430)		150,032	66

See notes to the unaudited pro forma financial information

Unaudited pro forma statement of income

for the three month period ended March 31, 2007

(In millions of Colombian pesos and millions of US dollars)

	Exito	Carulla	Carulla February and March	Pro forma Adjustments	Notes	Pro forma	U.S. dollars
Sales	1,438,458	537,501	(359,238)			1,616,721	728
Other income from operations	44,899	10,291	(7,235)	—		47,955	22
Revenues	1,483,357	547,792	(366,473)	—		1,664,676	750
Cost of sales	1,149,567	434,025	(291,082)			1,292,510	582
Gross profit	333,790	113,767	(75,391)	—		372,166	168
Selling and administrative expenses	303,607	111,432	(74,818)	3,173	(1)	343,394	154
Operating income	30,183	2,335	(573)	(3,173)		28,772	14
Non-operating income	13,465	2,235	(1,674)	—		14,026	6
Non-operating expense	34,207	15,579	(11,761)	—		38,025	17
Monetary correction	21,109	10,153	(9,557)	—		21,705	10
Minority interest	(1,476)	—	—	(1,069)	(4)	(2,545)	(1)
Income before income tax	32,026	(856)	(43)	(2,104)		29,023	14
Income taxes	8,842	2,445	(2,158)			9,129	4
Net income	23,184	(3,301)	2,115	(2,104)		19,894	10

See notes to the unaudited pro forma financial information

Notes to unaudited pro forma financial information

Basis of presentation

We have prepared the unaudited pro forma financial information of Exito based on the historical audited financial statements of Exito and Carulla as of and for the year ended December 31, 2006 and as of March 31, 2007 and for the three-month period ended March 31, 2007.

The following adjustments have been made to the unaudited pro forma financial information as of and for the year ended December 31, 2006 and as of March 31, 2007 and for the three-month period ended March 31, 2007:

A. Adjustments to the unaudited pro forma balance sheet

1. Determination of pro forma goodwill:

The following table sets forth the Colombian GAAP purchase accounting adjustments as of December 31, 2006 and as of March 31, 2007 relating to the purchase of the 77% interest of Carulla Vivero S.A.:

	(in millions of Colombian pesos)
Purchase price (i)	965,279
77% of net equity of Carulla at the acquisition date	(400,596)
Goodwill from the acquisition (ii)	564,683

(i) Corresponds to the aggregate purchase price for 77% of the voting shares of Carulla acquired by Exito plus acquisition costs of COP 42,500.

(ii) Under Colombian GAAP goodwill is amortized over a period of twenty years using the exponential method. Pro forma amortization for the year ended December 31, 2006 and for three month period ended March 31, 2007 amounted to COP 16,873 and COP 3,173, respectively.

2. To record the acquired long-term loan from foreign financial entities for US$300 million at December 31, 2006.

3. To reflect the increase in capital and paid-in capital as a result of the issuance of 24,700,000 shares of Exito which were placed in the local market obtaining COP 259,350 million.

4. To record the minority effects associated with 23% of Carulla not acquired by Exito at December 31, 2006.

5. To reverse minority interest balance associated with Carulla at March 31, 2007

B. Adjustments to the unaudited pro forma statement of income

1. To record amortization of goodwill of COP 16,873 and COP 3,173 for the year ended December 31, 2006 and for the three-month period ended March 31, 2007, respectively.

2. To record the effects of monetary correction on goodwill, investment and paid in capital for the issuance of new shares for the year ended December 31, 2006.

3. To record the effects of income taxes of the above-mentioned adjustments for the year ended December 31, 2006.

4. To record the effects on minority interests as a result of the acquisition of 77% interest in Carulla.

Management's discussion and analysis of financial condition and results of operations

The following discussion should be read in conjunction with our audited consolidated financial statements, unaudited consolidated interim financial statements and the related notes thereto included elsewhere in this offering memorandum. The data as of and for the years ended December 31, 2004, 2005 and 2006 have been derived from our audited consolidated financial statements, prepared in accordance with Colombian GAAP and the data as of and for the three months ended March 31, 2006 and 2007 have been derived from our unaudited unconsolidated interim financial statements, prepared in accordance with Colombian GAAP, which differs in certain important aspects from U.S. GAAP. The financial information included in this offering memorandum has been presented in nominal *Colombian pesos, with the exception of those non-monetary accounts included in the balance sheet, which are presented in constant pesos as of each year end. The effect resulting from inflation adjustments made on the non-monetary accounts has not been eliminated. The inflation adjustment in Colombia, according to DANE, was approximately 5.5%, 4.9% and 4.5% per annum during 2004, 2005 and 2006, respectively. As per Decree 1536 of 2007, effective January 1, 2007, the application of inflation adjustment on financial statements presented under Colombian GAAP has been discontinued.*

The following discussion includes certain forward-looking statements. See "Forward-looking statements." For a discussion of important factors, including the continuing development of our business, actions of regulatory authorities and competitors and other factors which could cause actual results to differ materially from the results referred to in the forward-looking statements, see "Risk factors."

Overview and outlook

We are Colombia's leading retailer in terms of sales and number of stores. During the twelve-month period ended June 30, 2006, our combined sales with Carulla represented approximately 42% of the sales in the Colombian formal retail market and more than three times the sales of the second largest retailer in the country, in each case based on Nielsen's most recently released data for such period. In addition, we believe that in 2006 we were the largest company in the private sector in Colombia in terms of sales. With nearly 60 years of retail experience, we operate under a multi-format strategy including supermarkets, hypermarkets and discount stores with a portfolio of well-recognized brands, which together allow us to target customer bases of various income levels. We believe our multi-format strategy has allowed us to benefit from the growing Colombian economy and the rising purchasing power of the Colombian consumer across all income levels in recent years.

Our results of operations have been and may continue to be materially affected by the timing and number of new store openings and store conversions. We opened 4, 8 and 13 new stores during 2004, 2005 and 2006 respectively and in 2006 converted 10 Ley stores, 9 to the *Exito* brand and 1 to the *Pomona* brand.

Our Exito card business has been growing since its inception in late 2005. The Colombian market has a total of approximately 4.5 million traditional card holders according to data from Mastercard, and as of March 31, 2007 we had issued more than 700,000 Exito cards to our customers.

Colombian economy. Our historical financial results have been, and we expect our future financial results to continue to be, significantly affected by the general level of economic activity and growth in Colombia. The Colombian economy has experienced significant growth since emerging from recession in 2000, which has contributed to increased levels of demand for our products and services. Our results of operations since 2000 have been affected by the government's fiscal adjustment measures, balance of payments equilibrium and monetary and exchange rate policies. According to DANE, real GDP growth in 2004, 2005 and 2006 was 4.9%, 4.7%, and 6.8% respectively, while unemployment decreased from 13.5% in 2004 to 11.7% in 2005, but increased to 11.9% in 2006 and 12.7% as of March 2007, and inflation decreased from 5.5% in 2004 to 4.9% in 2005 and 4.5% in 2006. During the three and twelve months ended March 31, 2007 inflation increased 3.2% and 5.8%, respectively. The general positive macroeconomic environment has resulted in an expansion in domestic consumption. Consumption growth increased from 4.8% in 2004 to 4.9% in 2005 and 5.6% in 2006. With household consumption accounting for more than 60% of GDP, this increase in consumption has benefited the Colombian retail market, with hypermarkets and other formal retailers' sales increasing 17.4% from 2005 to 2006 and 13.3% from 2004 to 2005. For the three months ended March 31, 2007, hypermarkets and other formal retailers' sales increased 20.4% compared to the three months ended March 31, 2006, and 14.6% for the three months ended March 31, 2006 compared to the three months ended March 31, 2005.

Evolving Colombian retail market. Over the last several years, the retail sector has been undergoing consolidation. As of December 2005, five companies controlled approximately 66.5% of the formal market according to Colombian weekly magazine, *Semana*, and Nielsen. With more than fifteen mergers and acquisitions transactions formal retail companies have consolidated significantly since 2000. Large retail chains have gained market share at the expense of small, independent stores and international supermarket chains, such as Carrefour. Chilean department store Falabella and Ripley, have also entered, or have expressed an interest in entering, the Colombian market. At the same time, according to Nielsen, the informal market has continued to grow at an average of 8.9% from 2003 to 2005, due to a significant portion of the population remaining unaccustomed to shopping through formal channels.

We believe the formal market offers attractive prospects for growth, both because of the relatively small size of the formal market compared to the informal market and relatively low level of supermarket penetration in the country. We believe our strategy of ongoing store expansion will allow us to take advantage of the growth in the retail sector, while our multi-format strategy will enhance our ability to achieve greater market penetration across all segments. In particular, we believe that our strategy of converting Ley stores into Exito stores, with a smaller store area, and the recent acquisition of the *Carulla* brand will allow us to expand our client base and penetrate into smaller cities.

We also seek to benefit from the ongoing concentration of Colombia's population in urban centers. In 2006, approximately 30% of the country's population lived in five main cities. Our principal geographic areas of focus cover these main cities, including Bogotá (6.8 million residents), Cali (2.1 million residents), Medellín (2.2 million residents), Barranquilla (1.1 million residents) and Cartagena (0.9 million residents). We believe that Colombia's urban population is becoming more sophisticated in their taste and more demanding in the quality and selection of retail products. We believe that our multi-format strategy and our approach to offer our customers a wide variety of products emphasizing quality, price and presentation, will respond well to Colombia's demographic changes and current competition. In 2006, we began developing shopping centers, a strategy within our real estate business that seeks to obtain profitability from our own and third parties' real estate properties currently used by us.

Factors affecting comparability of historical and future results of operations and financial condition

Carulla acquisition

Between February and May 2007 we purchased approximately 77% of Carulla's shares, for an aggregate purchase price of COP 922,779 million. To finance our acquisition of Carulla, in December 2006 we borrowed US$300 million under a syndicated credit agreement arranged by JPMorgan and in March 2007 we sold 24.7 million shares in the Colombian market raising net proceeds of approximately US$115 million. We financed the remaining purchase price through the selling of assets and other resources.

Carulla operates 155 multi-format stores throughout Colombia and represented 58% of our total stores as of March 31, 2007. Our consolidated pro forma net revenues for the three months ended March 31, 2007 was COP 1,664,676 million of which Carulla contributed 32.9%.

Store openings, closings and conversions of Exito and Carulla

During the year ended December 31, 2006, we had the following store openings and closings:

Store		Opened during period	Closed during period	Total open at period end	Net increase (decrease) during period
Hypermarkets	*Exito*	9	0	47	9
	Vivero	3	0	18	3
Supermarkets	*Carulla*	1	0	83	1
	Ley	0	11(1)	46	(11)
	Pomona	1	0	12	1
Discount	*Merquefácil*	0	1	32	(1)
	Surtimax	0	0	26	0
Others	*Home Mart*	5(2)	0	5	5
	Proximo and Q-Precios	3	0	6	3
Total		22	12	275	10

(1) 9 Ley stores were converted into Exito stores and 1 Ley store into Pomona store during this period.
(2) 5 Home Mart stores resulted from an acquisition.

During the year ended December 31, 2005, we had the following store openings and closings:

Store		Opened during period	Closed during period	Total open at period end	Net increase (decrease) during period
Hypermarkets	*Exito*	4	0	29	4
	Vivero	1	0	15	1
Supermarkets	*Carulla*	0	1	82	(1)
	Ley	1	6	57	(5)
	Pomona	1	0	10	1
Discount	*Merquefácil*	0	3(1)	33	(3)
	Surtimax	2	0	26	2
Others	*Home Mart*	0	0	0	0
	Proximo and Q-Precios	2	0	3	2
Total		11	10	255	1

(1) 3 Merquefacil stores were converted into Surtimax stores.

During the year ended December 31, 2004, we had the following store openings and closings:

Store		Opened during period	Closed during period	Total open at period end	Net increase (decrease) during period
Hypermarkets	*Exito*	2	0	25	2
	Vivero	1	0	14	1
Supermarkets	*Carulla*	0	1	83	(1)
	Ley	1	1	62	0
	Pomona	0	0	9	0
Discount	*Merquefácil*	0	4	36	(4)
	Surtimax	0	0	21	0
Others	*Home Mart*	0	0	0	0
	Proximo and Q-Precios	1	0	1	1
Total		5	6	251	(1)

As a general matter, newly opened stores take time to mature and achieve their full potential to generate sales. As a result, the increasing maturation of a newly opened store may need to be taken into account when comparing period-to-period store sales.

Critical accounting estimates and policies

For our accounting records and for the preparation of our financial statements, we observe, as required by Colombian law, Colombian GAAP, which include regulations and instructions issued by the Colombian Financial and Corporations Superintendencies.

Our most significant policies are described in Note 3 to our financial statements included elsewhere in this offering memorandum. While all significant accounting policies are important to our financial statements, some of these policies may be viewed as being critical. Such policies are those that are both most important to the portrayal of our financial condition and require our most difficult, subjective and complex estimates and assumptions that affect the reported amount of assets, liabilities, revenues, expenses and related disclosure of contingent assets and liabilities. These estimates are based on our historical experience and on various other assumptions that we believe to be reasonable at the time and under the circumstances in which they were made. Our actual results may differ from these. We believe our most critical accounting policies are those described below.

Accounting for long-lived assets

Accounting for long-lived assets involves the use of estimates for determining: (a) the appraised value of property, plant and equipment, and (b) the useful lives of the assets that will be used to determine the future amortization to be charged to the income statement. Property, plant and equipment are subject to appraisals conducted by independent appraisers every three years as required under Colombian GAAP.

A long-lived asset is recorded to the extent that the appraised values exceed the carrying amount of the assets. An allowance for the write down of property, plant and equipment is recorded to the extent that the carrying amounts exceed appraised values. When impairment in the value of assets occurs, nonscheduled write downs are made. We assess the impairment of identifiable long-lived assets whenever there is reason to believe that the carrying value may exceed the fair value and where a permanent impairment in value is anticipated. The determination if impairment is necessary is based on a number of factors. Among other things, we typically consider technological obsolescence, discontinuance of services and other changes in circumstances that indicate impairment.

We believe that the accounting estimate related to the establishment of asset depreciable lives is a "critical accounting estimate" because: (1) it requires our management to make assumptions about in evolution in technology and competitive uses of assets, and (2) the impact of changes in these assumptions could be material to our financial position, as well as our results of operations. Management's assumptions about technology and its future development require a significant degree of speculation because the timing and impact of technological advances are difficult to predict.

Deferred income taxes

Income tax is based on estimates of taxable profits or losses. The tax effects of revenue, cost and expense items that are reported for tax purposes in years other than those in which they are recorded for accounting purposes are accounted for as deferred income taxes in accordance with legislation in the relevant country. In making the estimates of taxable income, we consider both positive and negative evidence and make certain assumptions. Changes in these assumptions may have a material impact on results.

Contingencies and memorandum accounts

We are party to a significant number of claims and legal proceedings arising in the normal course of business. Although we cannot accurately predict the amount of any liabilities that may ultimately arise with respect to any of these matters, we record provisions when we consider the liability probable and reasonably estimable. These provisions are based on historical experience, legal advice and certain assumptions.

These provisions are reviewed periodically and are adjusted according to the development in the underlying claims. Changes in the amount of the provisions affect our consolidated statement of income. In order to quantify certain commitments, contingent rights and liabilities, such as the amount of assets delivered as collateral for debts, goods received in custody, promissory notes, purchase options, bank guarantees and lawsuits the resolution of which is uncertain, amounts are recorded in memorandum accounts. Amounts recorded in memorandum accounts are not treated as liabilities or provisions for purposes of determining the amounts of our liabilities or our net income. Additionally, we use tax memorandum accounts to record differences between accounting, for income and for tax purposes.

Foreign currency translation

Transactions in foreign currency are accounted for at the applicable rates of exchange in force on the relevant dates. At the end of each year, balances of assets and liabilities are adjusted to current exchange rates (See Note 3 to our audited consolidated financial statements). Exchange differences resulting from asset balances are included in the statement of income as financial income. For liability accounts, only exchange differences that are not attributable to the cost of acquiring assets are transferred to financial expenses. Exchange differences are attributable to the acquisition cost of assets while such assets are under construction or installation and until they are in a condition to be used.

Cash equivalents

For the purposes of presentation of the statements of cash flows, temporary investments redeemable within the next 90 days are considered to be cash equivalents.

Investments

Investments are recognized at historical cost and are updated in accordance with our intention to realize or hold them, the availability of information in the market with respect to or effecting such investments and the control exercised over the entity that issued such instruments by applying methodologies that reflect the economic reality of such transaction. Among methods used to update its value, there is the stock exchange, current net value to determine the market's price or the security's internal profitability, the equity method and cost method.

Temporary investments

Fixed investments are initially recorded at cost and are monthly adjusted at the internal return rate (Tasa Interna de Retorno—TIR), charged to the statement of income.

Long-term investments

Long-term investments in subsidiaries in which we hold directly or indirectly 50% or more of the capital are recorded under the equity method. Subsidiary investments under the equity method are recorded at cost and are annually adjusted with:

- A charge or credit to the investment for our share of net income or loss in the subsidiary, with a matching entry to the statement of income.
- A charge or credit to the cost of the investment for our share in the variation in the equity of our subsidiary, with a matching entry, where there is an increase to equity as a surplus participation and, where there is a decrease, to equity as a charge to surplus, until exhausted, and then to the statement of income.
- A credit to the cost of the investment for the amount of dividends received from the subsidiary, which corresponds to periods in which we applied the equity method.
- If the market value, with respect to the book value of the investment recorded on equity basis is:
- Excess: reappraisal of assets is increased and the revaluation surplus included in the equity accounts is credited.
- Shortage: reappraisal of assets is reduced, by a charge to the revaluation surplus up to the amount available and any excess is recorded as a charge to equity surplus, until it is exhausted. If there is a further deficit, a charge is made to the statement of income.

For purposes of applying the equity method, we apply External Circular 006 of 2005 issued by the Colombian Financial Superintendency excluding from the statement of income, profit or loss originated from operations not made between us and our subsidiary.

From 1998 until 2005, pursuant to Regulatory Letter 011 of the Financial Superintendency of Colombia, our investment in Cativén S.A. in Venezuela, was valued using the intrinsic value reflected in our financial statements at December 31 of each year, presented in accordance with FASB 52, and the difference recorded as a devaluation in shareholders' equity. In 2006, a business appraisal study was performed taking into consideration Cativen S.A.'s financial situation, and the resulting impairment was recorded with charge to income based upon the prudence accounting principle.

The remaining long-term investments of various companies where there is no control and that are not listed on the Colombian Stock Exchange, are recorded at cost plus dividends received from shares. If at year-end the investment's intrinsic value is superior or inferior to carrying value, credits are recorded to reappraisals with a counterpart to the surplus of reappraisals in the equity statement, or create an allowance charged to the statement of income, respectively.

Financial derivative instruments

We purchase, during the normal course of business, financial derivative instruments such as swaps, for the purpose of covering our exposure to market fluctuations as a result of our loans and interest rates. Although Colombian accounting principles do not indicate specific accounting rules for these transactions, we record the rights and obligations that result from such contracts on the balance sheet. The right relates to the foreign currency received by us that compensates the financial liability of the exchange rate in effect and the obligation is our commitment in local currency, for the hedging operations.

During the valuation, we have adopted the following policies in accordance with international accounting standards, by which derivative contracts obtained to hedge assets, liabilities or future commitments are adjusted to their market value and the result is taken to income in such a way that it adequately compensates income, costs or expenses generated from exchange rates variations.

At year-end if the net value is negative, the accounting caption of covered obligations is reclassified into an independent sub-account.

In 2007, the Company capitalized the hedging costs as part of the goodwill that are directly related with the Carulla acquisition.

Properties, plant and equipment

Our property, plant and equipment and those of our Colombian subsidiaries are recorded at cost and may include all the necessary costs and expenses incurred until the assets are in a condition to be used. Once the asset is operational, all costs and expenses related to the asset are recorded as incurred.

Sale and disposal of these assets are charged against their net adjusted cost and the differences between the sales' price and net adjusted cost is charged or credited to the statement of income.

Depreciation is charged on a straight-line method based on the asset's cost and its estimated useful life. For the purpose of depreciation calculations, the following is the estimated useful life for assets:

- 5% for constructions and buildings.

- 10% for machinery and equipment, transport equipment, and office equipment.
- 20% for transport equipment (vehicles), IT equipment and post-scanner.

The acquisition of exhibition furniture, security tags, self-service cars and signaling, among others, are depreciated by using the straight-line method with an acceleration percentage between 25% and 50% per additional shift.

Repairs and maintenance of these assets are charged to income, while improvements and additions are added to their costs.

Deferred charges and other assets

Deferred charges and other assets include prepaid expenses, deferred charges and other assets.

Prepaid expenses include mainly monetary items such as insurance premiums and interest, which are amortized over the term of the policy or the loan.

Deferred charges and other assets include costs of acquisition of software, improvement to third parties' properties, organization and pre-operative expenses, among others.

Improvements to leasehold properties are amortized in the period between the effectiveness of the respective contract (without considering extensions) and its probable useful life, when the cost is not recoverable.

Organization and pre-operating expenses correspond to new store expenses up to year 2003; they are amortized in a five year period at 20% annual rate. During year 2006 the we accelerated the amortization of these expenses. Organization and pre-operating expense incurred since 2004 in new stores are expensed as incurred.

Until 2003, supplies for projects, facilities and metal fittings were amortized using the straight-line method at 33% annual rate for supply equipment and 20% annual rate for exhibition furniture. Since 2004, those costs are expensed as incurred.

Software is amortized at 33% annual rate, except for financial and commercial software acquired during 2004, which is amortized at 20% annual rate.

Expenses for the purchase of shares of Carulla comprise the expenses paid by us during year 2006 for the acquisition of Carulla shares.

Reappraisals

Reappraisals that comprise equity include:

- The excess of net book cost over the valuation of property, plant and equipment, as valued by independent appraisers for real property and transport equipment. These valuations are made at least every three years, except for real estate that are made when market conditions indicate that such amounts have materially changed. See Note 13 to our audited consolidated financial statements.
- The excess of equity value of permanent investments over net cost.

Income tax and deferred tax

The provision for income tax is determined by making the necessary clearings to compute taxable income.

Labor liabilities

Labor liabilities are adjusted at the end of each period on the basis of the law and current collective bargaining agreements. An actuarial study is made each year to establish pension liability and future benefits for health, education and contributions for the elderly. Pension payments are charged directly to the statement of income.

Net income per share

Net income per share is calculated on the basis of the weighted-average number of shares outstanding during the year.

Recognition of income, costs and expenses

Income, costs and expenses are recorded on an accrual basis. Income resulting from sales is recognized when transaction takes place, income from rentals is recognized in the month they are accrued and income from services during the contractual period or when services are rendered. The costs and expenses are recorded by using the accrual method.

Use of estimates

For the preparation of our financial statements and, in accordance with Colombian GAAP, certain estimates must be made which affect assets, liabilities, income, expenses and costs reported for the period. The final result may be different from these estimates.

Operating and administrative type of limitations or deficiencies

During 2006 and 2005 no operating or administrative limitations or defaults were found that would affect usual accounting proceedings or the consistency and reliability of accounting figures.

Contingencies

In accordance with Colombian GAAP, contingencies are recorded as liabilities when they are considered estimable and probable. The timing as well as the amount of the liability recorded as a contingency is subject to factors such as historical experience, legal counsel advice and various assumptions. Should the factors leading to our decisions about the necessity of recording a contingency and the estimate of their amounts change, the contingencies recorded could vary considerably.

Recent accounting pronouncements

Elimination of inflation adjustments

According to recent Colombian regulations, inflation adjustment calculations and recognition for accounting purposes were eliminated on May 7, 2007, and apply retroactively from January 1, 2007.

Financial statements as of December 31, 2006 included integral inflation adjustments calculated for non-monetary accounts from January 1, 1992. The elimination of these adjustments according to Decree 1536, dated May 7, 2007, has to be retroactive from January 1, 2007, reflecting the full effect of the elimination on the May 2007 financial statements.

We accounted for the allowance to eliminate the effect of monetary correction as of March 31, 2007.

The overall effect of eliminating these adjustments is a lower income due to the non-monetary asset net position of the company.

Results of operations

Introduction

The following is a brief description of the revenues and expenses that are included in the line items of our consolidated financial statements.

Sales. Sales consist of retail and wholesale sales in our stores and on our website of food products, other consumer goods, apparel, home improvement products and entertainment products.

Other income from operations. Other income from operations consists primarily of income from suppliers for display advertisements, concession operators, and commercial events.

Net revenues. Net revenues consist of net sales derived from retail and wholesale sale of food products, other consumer goods, apparel, entertainment products and home improvement products. Net revenues also include other operational income, including income from suppliers for display advertisements, concession operators, and commercial events.

Cost of sales. Our cost of sales consists principally of the cost of goods sold.

Operating Expenses. Our operating expenses include sales and marketing expenses and administrative costs, including labor, depreciation of fixed assets, public utilities, amortization of acquired goodwill, store rental fees, regional and municipal taxes, insurance, travel expenses and fees, among others.

Non-operating income. Our non-operating income primarily reflects income from the sale of properties and equipment, investments, and gains from changes in foreign exchange rates.

Non-operating expenses. Non-operating expenses reflects primarily fees relating to taxes on certain financial transactions (such as debits), tax on equity, expenses due to changes in exchange rate, provision for investments and other extraordinary expenses.

Financial income (expense). Our interest income is principally derived from interest earned on our cash surplus. Our interest expenses consist principally of interest payable on our debt.

Income tax. Law 788 of 2002 increased the corporate income tax rate from 35.0% to 38.5%. Pursuant to Law 863 of 2003, this increased rate was effective until 2006. Until 2006, the base to determine the income tax could not be lower than 6% of the liquid equity as of the last day of the immediate preceding taxable period, and beginning in 2007, this base may not be lower than 3%. According to Law 1111 of 2006, the income tax rate for 2007 is 34% and 33% for 2008 and thereafter.

Monetary correction. Since 1992, Colombian GAAP has required the adjustment of specified non-monetary accounts in order to take account of the effects of inflation. This line item reflects those adjustments to the income statement. Law 1111 has eliminated inflationary adjustment for tax and Decree No. 1536 of May 2007 for accounting purposes.

The following table sets forth, for the periods indicated, changes in net revenues and same store revenues together with certain macroeconomic indicators. The term “same store revenues” reflects the sales of our stores operating throughout the same months of both financial periods being compared. If a store did not operate for a full month of either of the financial periods being compared, we exclude its sales for such month from both financial periods. If a store is converted from one format to another (e.g., a Ley supermarket converted to an Exito hypermarket), the store with the discontinued format is deemed to have been closed, and the same store having a new format is deemed to be a new store. In addition if a new store was opened (or deemed opened after conversion from another format) on July 1, 2005 and operated throughout the last six months of 2005, (i) “same store revenues” would include the sales of that store for the last six months of 2005 and the last six months of 2006 and (ii) we would consider the sales of the new store during the first six months of 2006 as sales from a newly opened store. You should be aware that our method of calculating same store revenues data may differ significantly from the method used by other retailers to calculate same store revenues data.

	Year ended December 31,		Three-month period ended March 31,
	2005	**2006**	**2007(2)**
Increase in net revenues during period			
Exito	5.9%	20.7%	25.8%
Carulla	24.3%	9.0%	11.1%
Increase (decrease) in same store sales			
Exito	2.8%	13.6%	14.4%
Carulla	4.6%	2.9%	4.1%
Increase in selling space(1)			
Exito	2.9%	11.2%	11.2%
Carulla	3.6%	13.5%	11.8%
Increase (decrease) in sales per square meter			
Exito	4.1%	13.2%	12.7%
Carulla	20.1%	(4.2%)	(2.8%)
Increase in Colombian GDP	4.7%	6.8%	8.0%*

(1) In square meters.

(2) Exito’s and Carulla’s stand-alone operations.

(*) Preliminary estimates.

Exito

The following table presents, for the periods indicated, certain income statement items expressed as percentages of net revenues:

	Year ended December 31,			Three-month period ended March 31,
	2004	2005	2006	2007
Net revenues	100.0%	100.0%	100.0%	100.0%
Cost of sales	75.7	75.4	75.2	77.5
Gross profit	24.3	24.6	24.8	22.5
Selling and administrative expenses	21.1	21.2	20.8	20.5
Operating income	3.3	3.4	4.0	2.0
Non-operating income	0.3	0.4	1.1	0.9
Non-operating expenses	1.8	1.5	2.2	2.3
Monetary correction	1.1	0.9	0.7	1.4
Income taxes	1.0	1.2	0.7	0.6
Net income	1.9	1.9	2.9	1.6

Carulla

The following table presents, for the periods indicated, certain income statement items expressed as percentages of net revenues:

	Year ended December 31,		
	2004	2005	2006
Net revenues	100.0%	100.0%	100.0%
Cost of sales	75.3	77.1	76.5
Gross profit	24.7	22.9	23.5
Selling and administrative expenses	22.3	20.5	20.5
Operating income	2.4	2.4	2.9
Non-operating income	0.4	0.2	0.5
Non-operating expenses	2.1	2.1	2.5
Monetary correction	1.4	1.2	1.0
Income taxes	0.8	0.7	0.7
Net income	1.3	1.1	1.3

Three months ended March 31, 2007 compared to three months ended March 31, 2006

Overview

At March 31, 2007, after taking into account our acquisition of Carulla in February 2007, we had a total of 65 hypermarkets, 141 supermarkets, 55 discount stores, and 5 home improvement stores for a total of 266 stores. At March 31, 2007, we had approximately 612,353 square meters of retail selling space, representing a 77.5% increase over our 345,035 square meters at March 31, 2006, primarily as a result of our acquisition of Carulla in February 2007.

Net revenues

Our net revenues increased 67.1% from COP 887,567 million for the three months ended March 31, 2006 to COP 1,483,357 million for the three months ended March 31, 2007. This reflected a 41.3% increase in revenues due to the Carulla´s acquisition, a 14.4% increase in same-store revenues and 11.4% increase in revenues from new stores opened in the twelve-month period ended March 31, 2007.

Exito´s hypermarkets. Our net sales derived from our hypermarkets increased 42.7% from COP 621,162 million for the three months ended March 31, 2006 to COP 886,164 million for the three months ended March 31, 2007 primarily as a result of:

- The scheduling of our semi-annual Exito store-wide sale in March 2007 (which in 2006 took place in April and not during the first quarter as in 2007), which shifted the increased revenues from such sale from our second quarter to our first quarter.
- The continuing increases in non-food sales, and to a lesser extent food sales, derived from, among other things, increasing sales using our Exito card which we launched in November 2005.

Carulla´s hypermarkets. Net revenues derived from Carulla's hypermarkets increased 25.5% from COP 145,516 million in the three months ended March 31, 2006 to COP 182,688 million in the three months ended March 31, 2007 primarily as a result of:

- The addition during the twelve-month period ended March 31, 2007 of 19,039 square meters of selling space due to the opening of three new hypermarkets, representing an increase of 24.4% over our total Vivero hypermarket selling space compared to March 31, 2006.
- The continuing trend of strong growth in non-food sales due to improved macroeconomic conditions.
- To a lesser extent, the scheduling of Carulla's Vivero hypermarkets promotion in March 2007 (which during 2006 took place in April and not during the first quarter as in 2007), which shifted the increased revenues from such sale from Carulla's second quarter to its first quarter.

Exito´s supermarkets. Our net sales derived from our supermarkets decreased 19.3% from COP 235,731 million in the three months ended March 31, 2006 to COP 190,263 million in the three months ended March 31, 2007 primarily as a result of the conversion of nine Ley supermarkets into Exito hypermarkets during the twelve-month period ended March 31, 2007, resulting in a 37.3% decrease in our total supermarket selling space at March 31, 2007.

Carulla´s supermarkets. Net revenues derived from Carulla's supermarkets increased 9.5% from COP 234,385 million in the three months ended March 31, 2006 to COP 256,539 million in the three months ended March 31, 2007 primarily as a result of:

- Increased sales as a result of promotional campaigns during the first three months of 2007, including "Saludables," "Frutos del Mar," and "Festival Fruver."
- Increased sales during the three months ended March 31, 2007 from the opening of a new Carulla supermarket in September 2006 which added approximately 1,700 square meters of new selling space, representing a 2.3% increase over our total Carulla supermarket selling space at March 31, 2006.

Carulla´s other. Carulla's net revenues derived from other formats decreased 6.1% from COP 104,656 million in the three months ended March 31, 2006 to COP 98,273 million in the three months ended March 31, 2007 primarily as a result of the closing of 9 Merquefacil discount stores during the twelve month-period ended March 31, 2007 which represented a selling area of 3,512 square meters, and resulted in a decrease of 25.4% in total selling space for discount stores.

Cost of sales

Our cost of sales increased 71.0% from COP 672,267 million for the three months ended March 31, 2006 to COP 1,149,567 million for the three months ended March 31, 2007 primarily as a result of our 67.1% increase in net revenues and, to a lesser extent, unexpected higher prices for food items reflecting higher inflation which reached an annual rate of approximately 5.8% during the first three months of 2007 compared to 4.1% during the same period in 2006. Our cost of sales as percentage of our net revenues was 75.7% in the three month ended March 31, 2006 compared to 77.5% in the three month ended March 31, 2007.

Gross margin

Our gross margin decreased from 24.3% for the three months ended March 31, 2006 to 22.5% for the three months ended March 31, 2007 primarily as a result of:

- Scheduling our semi-annual Exito and Vivero hypermarkets store-wide sale in March 2007 (which during 2006 took place in April). We offer discounted prices on a broad category of products at this sale which has the effect of narrowing our gross margin.
- The decision of not passing on to our customers all of the increased costs of food items, exacerbating the adverse effect of such increase on our gross margin.

Selling and administrative expenses

Our selling and administrative expenses increased 61.7% from COP 187,745 million for the three months ended March 31, 2006 to COP 303,607 million for the three months ended March 31, 2007 primarily as a result of:

- COP 75,070 million of new selling and administrative expenses attributable to the Carulla acquisition.
- Regular adjustments that occur at the beginning of each year including increases in wages, utilities, distribution costs and others.

As a percentage of our net revenues, our administrative and selling expenses decreased from 21.1% in the three months ended March 31, 2006 to 20.5% in the three months ended March 31, 2007 primarily as a result of the increase in sales due to the scheduling of our semi-annual Exito and Vivero hypermarkets store-wide sale in March 2007, shifting as a result the increased revenues from such sale from our second quarter to our first quarter.

Operating income

Our operating income increased 9.5% from COP 27,555 million in the three months ended March 31, 2006 to COP 30,183 million in the three months ended March 31, 2007, and our operating margin during the first three months of 2007 decreased from 3.1% to 2.0% primarily as a result of:

- The reduction in our gross margin discussed above.
- Selling and administrative expenses incurred in connection with our semi-annual Exito and Vivero hypermarkets store-wide sale in March 2007.

Non-operating income

Our non-operating income increased 232% from COP 4,056 million for the three months ended March 31, 2006 to COP 13,465 million for the three months ended March 31, 2007 primarily as a result of profits made from the funds obtained to pay for the acquisition of Carulla before such funds were used to pay the purchase price of Carulla.

Non-operating expense

Our non-operating expense increased 164.5% from COP 12,931 million for the three months ended March 31, 2006 to COP 34,208 million for the three months ended March 31, 2007, primarily as a result of a 204.1% increase in financial expenses due to an increase of outstanding debt by Exito from COP 423,707 million in March 2006 to COP 1,563 billion in March 2007, mainly in connection with the financing of the Carulla acquisition and due also to an increase of outstanding debt by Carulla from COP 297,800 million on March 31, 2006 to COP 352,410 million on March 31, 2007.

Monetary correction

Our monetary correction increased 142.2% from COP 8,715 million for the three months ended March 31, 2006 to COP 21,109 million for the three months ended March 31, 2007 primarily as a result of:

- COP 11,637 million from monetary correction by Carulla that are new to our consolidated statements due to the acquisition.
- An increase in the Porcentaje de Ajuste Año Gravable (PAAG), the permitted inflation adjustment applicable to non-monetary assets, from 1.5% in the three months ended March 31, 2006 to 2.3% in the three months ended March 31, 2007, resulting in a correspondingly higher monetary correction.
- The increase was also due to our expansion plan which resulted in an increase in our non-monetary assets during the three months ended March 31, 2007.

Income taxes

Our income taxes decreased 37.5% from COP 14,151 million for the three months ended March 31, 2006 to COP 8,842 million for the three months ended March 31, 2007 primarily as a result of a reduction in the statutory tax rate in Colombia from 38.5% to 34.0% in the first three months of 2007 and the effect of the elimination as of January 1, 2007, of the monetary correction adjustment which had the effect of eliminating in the three months ended March 31, 2007 any taxable income from such adjustment.

Net income

For the reasons described above, our net income increased 75.7% from COP 13,197 million for the three months ended March 31, 2006 to COP 23,184 million for the three months ended March 31, 2007.

Year ended December 31, 2006 compared to year ended December 31, 2005

Overview

At December 31, 2006, we had a total of 47 hypermarkets and 58 supermarkets. In addition, we had approximately 383,954 square meters of retail selling space at December 31, 2006, representing a 11.2% increase over our 345,236 square meters at December 31, 2005.

At December 31, 2006, Carulla had a total of 18 hypermarkets, 83 supermarkets, 58 discount stores and 5 home improvement stores. In addition, Carulla had approximately 231,910 square meters of retail selling space at December 31, 2006, representing a 13.5% increase over its 204,446 square meters at December 31, 2005.

Net revenues

Exito

Our net revenues increased 20.7% from COP 3,532,791 million in 2005 to COP 4,262,522 million in 2006. This increase reflected a 13.6% increase in same-store revenues and a 7.1% increase in revenues from 9 new stores opened and 9 stores converted to Exito stores in 2006. In addition, in 2006 our food sales and non-food sales increased 15.2% and 29.7%, respectively, compared to 2005.

Hypermarkets. Our net revenues derived from our hypermarkets increased 31.5% from COP 2,402,608 million in 2005 to COP 3,159,193 million in 2006 primarily as a result of:

- The addition in 2006 of 34,286 square meters of selling space (9 new Exito hypermarkets), an increase of 9.8% over our total Exito hypermarket selling space at December 31, 2005.
- Increased revenues derived from 9 stores which were converted from Ley supermarkets to Exito hypermarkets during 2006. These converted stores did not increase our aggregate selling space even though they increased our hypermarkets selling space.
- An increase in non-food sales reflecting an increase in purchases with our Exito card, which was launched in November 2005 and contributed to increased sales of durable consumer goods throughout 2006.

Supermarkets. Our net revenues derived from our supermarkets decreased 5.8% from COP 1,018,817 million in 2005 to COP 960,174 million in 2006 primarily as a result of our conversion of 9 Ley supermarkets to Exito hypermarkets during 2006, resulting in a 27.5% decrease in our total supermarket selling space at December 31, 2006 compared to December 31, 2005.

Carulla

Carulla's net revenues increased 9.0% from COP 2,094,724 million for 2005 to COP 2,284,056 million for 2006. This increase reflected a 2.9% increase in same-store revenues and a 6.1%

increase in revenues from 4 new stores. In addition, in the year 2006, Carulla's food sales and non-food sales increased 5.4% and 25.8%, respectively, compared to 2005.

Supermarkets. Carulla's net revenues derived from Carulla's supermarkets increased 6.4% from COP 954,478 million in 2005 to COP 1,015,210 million in 2006 primarily as a result of the addition in September of 2006 of 1,700 square meters of selling space (one new Carulla supermarket), representing a 2.3% increase over Carulla's total supermarket selling space at December 31, 2005.

Hypermarkets. Our net revenues derived from our hypermarkets increased 19.6% from COP 626,803 million in 2005 to COP 749,749 million in 2006 primarily as a result of:

- An additional 19,039 square meters of selling space due to the opening of 3 new Vivero hypermarkets, representing an increase of 24.4% over our hypermarket selling space at December 31, 2005.
- The continuing trend of strong increases in non-food sales.

Other. Our net revenues derived from our other formats decreased 1.1% from COP 455,854 million in 2005 to COP 450,730 million in 2006 primarily as a result of the change in the target market for our Surtimax discount stores, which previously targeted mom and pop stores, but are now targeting a more retail audience.

Cost of sales

Exito

Our cost of sales increased 20.4% from COP 2,663,715 million in 2005 to COP 3,206,763 million in 2006 primarily as a result of our 20.7% increase in net revenues in 2006. Our cost of sales as a percentage of our net revenues remained flat at 75.2% in 2006 compared to 75.4% in 2005.

Carulla

Carulla's cost of sales increased 8.2% from COP 1,614,355 million in 2005 to COP 1,747,515 million in 2006 primarily as a result of our 9.0% increase in net revenues in 2006. Our cost of sales as percentage of our net revenues was 76.5% in 2006 compared to 77.1% in 2005.

Gross margin

Exito

Our gross margin increased from 24.6% in 2005 to 24.8% in 2006 primarily as a result of increased revenues in 2006 which were derived from concession stores which did not incur related costs.

Carulla

Carulla's gross margin increased from 22.9% in 2005 to 23.5% in 2006 primarily as a result of the fact that our cost of sales increased at a 0.8% lower rate than our increase in net revenues due to improved macroeconomic conditions.

Selling and administrative expenses

Exito

Our selling and administrative expenses increased 18.5% from COP 747,519 million in 2005 to COP 885,817 million in 2006 due to:

- Increased expenses in connection with the conversion of Ley supermarkets to Exito hypermarkets and our opening of new Exito hypermarkets.
- Increased expenses incurred in connection with the growth and development of our Exito card.

As a percentage of net revenues, selling and administrative expenses decreased from 21.2% in 2005 to 20.8% in 2006 primarily as a result of the fact that our personnel expenses increased at a lower rate of 11.6% in 2006 compared to the 20.7% increase in sales during such year.

Carulla

Our selling and administrative expenses increased 9.2% from COP 429,742 million in 2005 to COP 469,189 million in 2006 primarily as a result of:

- Increased personnel and other expenses incurred in connection with the opening of 3 new Vivero hypermarkets and 1 Carulla supermarket.

As a percentage of net revenues, administrative and selling expenses remained flat at 20.5% in 2005 and 2006 primarily as a result of similar rates of growth in sales and expenses.

Operating income

Exito

Our operating income increased 39.8% from COP 121,557 million in 2005 to COP 169,942 million in 2006, and our operating margin increased from 3.4% in 2005 to 4.0% in 2006 primarily as a result of:

- A 21.5 % increase in our gross profit in 2006 compared to 2005.
- A decrease in our selling and administrative expenses in 2006, as a percentage of our net revenues, compared to 2005.

Carulla

Our operating margin during 2006 increased from 2.4% in 2005 to 2.9% in 2006 primarily as a result of an 11.7 % increase in our gross margin in 2006 compared to 2005.

Non-operating income

Exito

Our non-operating income increased 274.8% from COP 12,462 million in 2005 to COP 46,709 million in 2006. This increase reflects COP 75,458 million of income arising from our sale in the fourth quarter of 2006 of the land and buildings (i) currently occupied by Didetexco, which now rents such building from a third-party and (ii) of an Exito hypermarket, and such amounts were used to finance a portion of the purchase price of Carulla.

Carulla

Carulla's non-operating income increased 171.9% from COP 4,480 million in 2005 to COP 12,183 million in 2006 primarily as a result of its sale in 2006 of two parcels of undeveloped land which resulted in a gain of COP 7,150 million.

Non-operating expense

Exito

Our non-operating expense increased 75.4% from COP 53,645 million in 2005 to COP 94,118 million in 2006 due to a 115.6% increase in financial expense reflecting an increase in our average outstanding debt from COP 371,064 million in 2005 to COP 531,305 million in 2006 as a result of additional debt we incurred to finance our expansion plan.

Carulla

Carulla's non-operating expense increased 34.2% from COP 43,060 million in 2005 to COP 57,768 million in 2006. This increase was primarily due to legal fees of COP 5,981 million which Carulla incurred in 2006 in connection with its search for a strategic partner which resulted in our February 2007 transaction, COP 2,412 million in connection with Carulla's proposed launch of a private label card and COP 1,654 million in connection Carulla's proposed offering of shares which was not consummated as a result of our February 2007 transaction.

Monetary correction

Exito

Our monetary correction decreased 5.8% from COP 31,274 million in 2005 to COP 29,475 million in 2006 primarily as a result of a decrease in the *Porcentaje de Ajuste Año Gravable*, the permitted inflation adjustment applicable to non-monetary accounts, from 5.2% in 2005 to 4.6% in 2006, resulting in a correspondingly lower monetary correction.

Carulla

Carulla's monetary correction decreased 8.6% from COP 25,833 million in 2005 to COP 23,607 million in 2006 as a result of a decrease in the *Porcentaje de Ajuste Año Gravable*, from 5.2% in 2005 to 4.6% in 2006 resulting in a correspondingly lower monetary correction.

Income taxes

Exito

Our income taxes decreased 34.2% from COP 43,750 million in 2005 to COP 28,783 million in 2006, primarily as a result of an increased investment in operating fixed assets, which pursuant to Law 863 of 2003, allows us a reduction of 30% of the investment value of such assets from our taxable income.

Carulla

Carulla's income taxes increased 18.2% from COP 13,837 million in 2005 to COP 16,356 million in 2006, primarily as a result of a 19.8% increase in earnings before taxes.

Net income

Exito

For the reasons described above, our net income increased 81.5% from COP 67,848 million in 2005 to COP 123,176 million in 2006.

Carulla

For the reasons described above, Carulla's net income increased 20.7% from COP 24,043 million in 2005 to COP 29,018 million in 2006.

Year ended December 31, 2005 compared to year ended December 31, 2004

Overview

At December 31, 2005, we had a total of 29 hypermarkets, 67 supermarkets and 3 discount stores. In addition, we had approximately 345,236 square meters of retail selling space at December 31, 2005, representing a 2.86% increase over our 335,643 square meters at December 31, 2004.

Net revenues

Our net revenues increased 5.9% from COP 3,337,389 million in 2004 to COP 3,532,791 million in 2005. This increase reflected a 2.7% increase in same-store revenues and a 3.1% increase in revenues from new stores opened in 2005. In addition, in 2005 our food sales and non-food sales increased 2.8% and 10.6%, respectively, compared to 2004.

Hypermarkets. Our net revenues derived from our hypermarkets increased 7.4% from COP 2,237,741 million in 2004 to COP 2,402,608 million in 2005 primarily as a result of:

- The addition in 2005 of 16,437 square meters of selling space (4 new Exito hypermarkets), a 8.4% increase over our total Exito hypermarket selling space at December 31, 2004.
- Increased consumer purchasing power as a result of a 4.72% growth in GDP in 2005.
- An increase in sales in non-food categories due to greater credit availability and lower interest rates during 2005.

Supermarkets. Our net revenues derived from our supermarkets increased 1.3% from COP 1,005,863 million in 2004 to COP 1,018,817 million in 2005. Our sales remained flat from 2004 to 2005 due to generally positive sales volume which was offset by the closing of 6 *Ley* supermarkets resulting in a 6.6% decrease of our total supermarket selling space at December 31, 2005 compared to December 31, 2004.

Cost of sales

Our cost of sales increased 5.5% from COP 2,525,058 million in 2004 to COP 2,663,715 million in 2005. This increase was driven primarily by sales increase. Our cost of sales as a percentage of our net revenues was 75.4% in 2005 compared to 75.7% in 2004.

Gross margin

Our gross profit increased 7.0% from COP 812,331 million in 2004 to COP 869,076 million in 2005. Our gross margin increased from 24.3% in 2004 to 24.6% in 2005 primarily as a result of increased revenue derived from concessions which do not incur related costs.

Selling and administrative expenses

Our selling and administrative expenses increased 6.4% from COP 702,573 million in 2004 to COP 747,519 million in 2005, primarily as a result of:

- Expenses incurred in connection with implementation of our expansion plan, in particular, the opening of 4 Exito Hypermarkets.
- Ordinary increases in our selling and administrative expenses.

As a percentage of net revenues, administrative and selling expenses remained stable in 2004 at 21.1% compared to 21.2% in 2005.

Operating income

Our operating income increased 10.8% from COP 109,758 million in 2004 to COP 121,557 million in 2005, and our operating margin during 2005 increased from 3.3% to 3.4%, in each case as a result of a 7.0% increase in our gross profit in 2005 compared to 2004.

Non-operating income

Our non-operating income increased 19.5% from COP 10,428 million in 2004 to COP 12,462 million in 2005 primarily as a result of a COP 12,777 million gain relating to securities that we sold during 2005.

Non-operating expense

Our non-operating expense decreased 8.7% from COP 58,767 million in 2004 to COP 53,645 million in 2005 primarily as a result of a debt restructuring from current to non-current facilities, which allowed us to lower the cost of debt. (See note 14 to our audited consolidated financial statements included elsewhere in this offering memorandum)

Monetary correction

Our monetary correction decreased 14.5% from COP 36,561 million in 2004 to COP 31,274 million in 2005 primarily as a result of a decrease in the *Porcentaje de Ajuste Año Gravable*, the permitted inflation adjustment applicable to non-monetary assets, from 5.9% in 2004 to 5.2% in 2005, resulting in a correspondingly lower monetary correction.

Income taxes

Our income taxes increased 25.4% from COP 34,901 million in 2004 to COP 43,750 million in 2005 due to a 13.9% increase in our taxable income in 2005.

Net income

For the reasons described above, our net income increased 7.6% from COP 63,061 million in 2004 to COP 67,848 million in 2005.

Liquidity and capital resources

Liquidity

Our principal sources of liquidity have historically been:

- cash generated by operations; and
- cash from borrowings and financing arrangements.

Our principal cash requirements or uses (other than in connection with our operating activities) have historically been:

- capital expenditures for property, plant and equipment;
- interest payments and repayments of short-term and long-term debt;
- payments of dividends; and
- acquisitions of, or investments in, companies engaged in the retail business.

At December 31, 2004, 2005 and 2006, and at March 31, 2007, we had negative working capital (defined as total current assets minus total short-term liabilities) of COP (271,520) million, COP (256,750) million, COP (71,816) million and COP (7,205) million respectively. This reflects a common liquidity position within the retail business where the periodic turnover of merchandise results in a decrease of inventories and an increase of trade payables, resulting in negative working capital.

The following table sets forth the maturities of our consolidated indebtedness as of March 31, 2007:

	Payments due by year-end					
(in millions of Colombian pesos)	**2007**	**2008**	**2009**	**2010**	**2011**	**after 2011**
Debt maturities(1)	345,575	92,281	433,967	179,983	286,888	224,650

(1) Does not include rental and lease payments that vary annually depending on sales.

The amounts shown in the table above represent existing contractual obligations only. Our actual expenditures for certain of the items and periods are likely to substantially exceed the amounts shown above.

The following discussion is qualified by reference to our consolidated statement of cash flows set forth in our consolidated financial statements included elsewhere in this offering memorandum.

Consolidated debt

At March 31, 2007, our total consolidated short-term debt was COP 330,139 million, and our total consolidated long-term debt was COP 1,233,205 million.

Our total consolidated debt includes both fixed-rate and variable-rate debt. At March 31, 2007, approximately 20% of our consolidated debt was variable-rate linked to the DTF (Colombian term deposit rate) or inflation rate, and the remainder was fixed-rate. At March 31, 2007, approximately 52% of our consolidated debt was denominated in U.S. dollars and approximately 48% in Colombian pesos. As part of our financial management policies, from time to time we enter into swaps and other derivative transactions to hedge our interest rate and exchange rate risk. See "—Qualitative and quantitative disclosure about market risk."

In the period from February to May 2007, we purchased approximately 77% of the shares of Carulla for an aggregate purchase price of COP 922,779 million. To finance this acquisition, on December 4, 2006, we entered into a US$300 million international syndicated loan agreement with JPMorgan, as administrative agent for a syndicate of lenders, and used the net proceeds of the borrowing thereunder to finance our tender offer to acquire the shares of Carulla.

At March 31, 2007, our long term bank credit facilities and outstanding bonds consisted of the following:

	Maturity or Amortization Schedule								
	Currency	2007	2008	2009	2010	2011	After 2011	Total	Average Annual Interest Rate
	(in millions of Colombian pesos)								
Banks:									
JPMorgan syndicated loan	COP			341,686	157,702	157,702		657,090	LIBOR + 1.5% and LIBOR + 1.75%
Bancolombia	COP					91,992		91,992	9.7%
Citibank	COP	15,436	22,281	22,281	22,281	6,844		89,123	IPC + 3.9% and 8.95% and 9.95%
BBVA				70,000				70,000	DTF + 2.5%
Bank subtotal	COP	15,436	22,281	433,967	179,983	256,538		908,205	
Bonds:									
Bond series 1 Exito	COP					30,350		30,350	IPC+4.98%
Bond series 2 Exito	COP						74,650	74,650	IPC+5.45%
Bond Carulla			70,000				150,000	220,000	DTF + 3.3% and IPC + 7.5%
Bond subtotal	COP		70,000			30,350	224,650	325,000	
Total debt	COP	15,436	92,281	433,967	179,983	286,888	224,650	1,233,205	

Our loan agreements and outstanding bonds contain a number of covenants requiring us to comply with limitations on our indebtedness, liens, investments, dividends and other restricted payments, capital expenditures as well as certain financial ratios and other tests. The most restrictive financial covenants under these loan agreements and bonds require us to maintain:

- a ratio of consolidated Adjusted EBITDA for the most recent four consecutive fiscal quarters to consolidated interest expense for such period of at least 3.0 to 1 in 2007, 3.25 to 1 in 2008 and 3.5 to 1 in 2009 and thereafter;
- a ratio of consolidated debt to Adjusted EBITDA as for December 31 of the most recent fiscal year not exceeding 3.5 to 1 in 2007, 3.0 to 1 in 2008 and 2.75 to 1 in 2009 and thereafter; and
- minimum unrestricted cash, liquid investments and/or available liquidity facilities of at least US$20 million at June 30, 2007.

Rent payable to third parties

We have significant rent obligations. Our store rental terms typically range from 5 to 10 years and may provide for monthly, fixed and variable payments. Our aggregate annual rental expense is set forth below for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2004	**2005**	**2006**	**2007**
		(in millions of COP)		
Fixed payments	16,691	17,379	17,347	4,440
Variable payments	16,726	17,973	20,057	7,347
Total lease payments	33,417	35,352	37,404	11,787

Cash flow analysis

Three months ended March 31, 2007 compared to three months ended March 31, 2006

Taking into account our cash flows from operations, cash from financing activities and cash used in investing activities, we had a net cash outflow of COP (19,342) million in the first quarter of 2007 and a net cash outflow of COP (42,220) million in the first quarter of 2006, in each case increasing or decreasing our holdings of cash and cash equivalents by such respective amounts.

Operating activities

Our net cash flows from operations increased 11% in the first quarter of 2007 to COP (54,779) million from COP (61,634) million for the first quarter of 2006. This change was primarily due to a higher level of sales.

Financing other activities

Our net cash flows from financing activities increased significantly in the first quarter of 2007 to COP 946,736 million from COP 30,827 million for the first quarter of 2006. This increase was primarily due to (i) a COP 1,139,637 million net increase in bank and bond debt in the first quarter of 2007 compared to debt in the first quarter of 2006 and (ii) COP 259,350 million of inflows from our sale of 24.7 millions of shares in February 2007.

Our net increase in debt in the first quarter of 2007 reflected our incurrence of a US$300 million syndicate loan arranged by JPMorgan to finance the acquisition of Carulla.

Investing activities

During the first quarter of 2007 we used COP 894,807 million in investing activities, compared to COP 8,406 million in the first quarter of 2006. Our outflows during the first quarter of 2007 primarily reflect our COP 922,779 million acquisition of Carulla between February and May, 2007.

Three years ended December 31, 2006

In 2006, our cash increased COP 44,717 million, from COP 81,600 million in cash and equivalents at December 31, 2005 to COP 126,317 million in cash and equivalents at December 31, 2006. This increase was primarily driven by the additional cash generated by our operating activities.

In 2005, our cash increased COP 12,924 million from COP 68,676 million in cash and equivalents at December 31, 2004 to COP 81,600 million in cash and equivalents at December 31, 2005. This increase was primarily driven by the increase in sales.

Operating activities

Net funds provided by operating activities increased by COP 30,117 million from COP 298,727 million in 2005 to COP 328,844 million in 2006. The increase resulted primarily from a COP 830,421 million increase in cash flow provided by sale of goods, services and others, from COP 3,963,928 million in 2005 to COP 4,794,349 million in 2006, driven mainly by 2006 improved sales performance, and new stores opened. Total cash paid to suppliers showed an increase of COP 677,503 million in 2006, from COP 2,922,952 million in 2005 to COP 3,600,455 million in 2006 due to a higher sales volume. Other accounts related with the operating activities (excluding goods, services and others and payments to suppliers) increased by 122,801 million from COP 742,249 million in 2005 to COP 865,050 million in 2006, reflecting higher payments in sales expenses and wages, salaries and fringe benefits.

Net funds provided by operating activities increased from COP 219,181 million in 2004 to COP 298,727 million in 2005. This increase resulted primarily from the cash flow provided by sale of goods, services and others.

Investing activities

Cash used in investing activities increased from COP 200,486 million in 2005 to COP 306,700 million in 2006. This increase reflects an additional COP 161,240 million used for the acquisition of property, plant and equipment in 2006, as a result of our aggressive expansion plan.

Cash used in investing activities increased from COP 92,317 million in 2004 to COP 200,486 million in 2005. This increase reflects COP 41,861 million used for the acquisition of property, plant and equipment than in 2005.

Financing activities

In 2005, our financing activities resulted in a use of funds of COP 58,504 million, while in 2006, we incurred COP 61,285 million of debt from our financing activities. This increase was a consequence of an increase in new loans incurred in 2006 to finance our expansion plans.

In 2004 and 2005, we used COP 94,436 million and COP 58,504 million for our financing activities, respectively. This decrease principally reflects lower levels of debt incurred during this period and an increased repayment of principal.

Capital expenditures

The following table presents our capital expenditures, for the periods indicated:

(in millions of Colombian pesos)	Year ended December 31, 2004(1)	2005	2006(1)	Three months ended March 31, 2007
Acquisition of property, plant and equipment	(120,174)	(162,035)	(323,275)	(55,070)
Acquisition of deferred charges	(14,104)	(14,612)	(28,471)	(1,279)
Acquisition of intangibles			(329)	(409,423)
Income from sale of property, plant and equipment	10,921	5,454	95,288	69,642
Acquisition of investments		(5,030)	(20,000)	(267,879)
Total capital expenditures	(123,357)	(176,223)	(276,787)	(664,009)

(1) Does not include our acquisition of, or investments in, other companies.

In each of these periods, our capital expenditures were made primarily to develop and expand our stores and shopping centers. In addition to these capital expenditures, we invested approximately COP 922,779 million in the Carulla acquisition in 2007.

Off-balance sheet arrangements

At March 31, 2007, we did not have any off-balance sheet transactions, arrangements or obligations with unconsolidated entities or others that are reasonably likely to have a material effect on our financial condition, results of operations or liquidity.

Dividends

The table below sets forth the dividends declared on the outstanding common shares for the years indicated. The dividends set forth for each of the years below were paid in the immediately following year.

	Outstanding shares	Dividends per share (COP)	Total dividends (COP millions)
2004	202,558,086	300	60,767
2005	209,000,626	300	62,701
2006	209,000,626	300	62,701

Qualitative and quantitative disclosure about market risk

We are exposed to a number of different market risks arising from our normal business activities. Market risk is the possibility that changes in currency exchange rates, interest rates or commodity prices will adversely affect the value of our financial assets, liabilities or cash flows. We have developed policies aimed at managing the volatility inherent in certain of these fluctuations to which we are exposed. Market risk generally represents the risk that losses may occur in the values of financial instruments as a result of movements in interest rates, foreign currency exchange rates or commodity prices. We are exposed to changes in financial market conditions in the normal course of business due to our use of certain financial instruments as well as transactions incurred in various foreign currencies.

Interest rate risk

Since approximately 20% of our debt bears interest at variable rates, we are sensitive to changes in interest rates. Interest rate changes would result in gains or losses in the market value of our debt portfolio due to differences in market interest rates and the rates in the debt agreements. We frequently monitor our exposure to interest rate fluctuations and manage our exposure by entering into interest rate swaps. At March 31, 2007, we had outstanding interest rate swap agreements with notional amounts of US$120 million (COP 286,370 million) and US$180 million (COP 429,556 million) and with maturity dates in December 6, 2009 and November 27, 2011, respectively. A hypothetical 1% adverse change in interest rates would have an unfavorable impact of COP 7,159 million on our financial expense per year.

Foreign currency risk

At March 31, 2007, a portion of our long-term interest-bearing debt was exposed to exchange rate fluctuations between the Colombian peso and the U.S. dollar. From time to time we enter into physical and cash settled foreign exchange contracts to cover the foreign exchange risk inherent in the actual cash disbursements related to amortizations of foreign currency denominated debt. At March 31, 2007, we had outstanding foreign exchange contracts with notional amounts of US$300 million dollars to hedge fluctuations in firm and anticipated debt payments denominated in U.S. dollars.

At March 31, 2007, approximately 52% of our consolidated financial liabilities were denominated in U.S. dollars and the remainder in Colombian pesos. Our U.S. dollar debt is hedged to protect against exchange rate fluctuations.

Industry overview

The Colombian retail market

The Colombian retail market is driven principally by the general level of economic activity and the growth of per capita available income in Colombia. Since emerging from recession in the early 2000s, the Colombian economy has experienced significant growth, reflecting primarily the government's fiscal and monetary policies, as well as improved security conditions. According to the DANE, real GDP growth amounted to 2.9%, 1.5%, 1.9%, 3.9%, 4.9%, 4.7% and 6.8%, in each of the years from 2000 through 2006, respectively. Colombia's inflation rate decreased from 8.8% in 2000 to 4.5% in 2006, while unemployment decreased from 16.8% as of December 31, 2000 to 11.4% as of December 31, 2006, in each case according to DANE. This positive macroeconomic environment has resulted in an expansion in domestic consumption, which has benefited the Colombian retail market. According to Nielsen's annual report, total retail sales including formal and informal trade and other channels such as on-premise food outlets and drugstores increased by 10.5% to COP 48,357,950 million in 2005 from COP 43,775,116 million in 2004, and by 6.6% in 2004 from COP 41,066,658 in 2003. We believe future growth in the retail sector will be driven by among other things economic expansion and increasing credit availability to consumers in Colombia. See "Republic of Colombia—Foreign trade."

The Colombian retail food sector comprises various types of stores, including privately-owned supermarkets, limited assortment stores and convenience stores, government-subsidized merchandising cooperatives known as *cajas de compensación,* specialty stores (such as butcher shops and bakeries) and delivery operations (such as milk delivery operations). A large number of Colombians also shop through informal channels, such as neighborhood grocery stores and outdoor food markets. According to Nielsen, the informal market accounted for approximately 56.9% of total retail market sales in Colombía as of June 2006. Patronage of the informal market consists largely of lower income customers and people in smaller urban areas, towns and rural areas.

The positive macroeconomic environment in recent years has contributed to the growth of both the formal and informal markets, with formal market sales increasing from COP 9,583,313 million in 2000 to COP 14,760,607 million in 2005 and informal market sales increasing from COP 12,410,562 million to COP 16,093,000 million during the same period. In the past couple of years, the formal market has grown at a faster pace than the informal market driven mainly by increased purchasing power, aggressive penetration strategies by well-capitalized formal retailers which has reduced the proximity advantage of informal outlets, greater packaging options in the formal channels including better presentations at competitive prices, and growing credit product offerings by large retailers. The formal retail market is expected to continue growing in the medium term due to strong macroeconomic outlook, increasing market consolidation and relatively low penetration when compared with other countries. We believe the growth of the formal market will also be driven by the increasing concentration of Colombia's population in urban centers. Colombia has a population of approximately 46 million, 49% of which is 25 years old or younger, and 30% of which lives in Colombia's four main cities (Bogotá, Medellín, Barranquilla and Cali).

Competition

The food and merchandise retail business in Colombia is highly competitive and is characterized by increasing pressure on profit margins. The number and type of competitors and the degree of competition experienced by each of our stores vary by location. Competition occurs principally on the basis of price, location, selection of merchandise, quality of merchandise (in particular for perishables such as produce), service, store conditions and promotions.

As of June 2006, there were approximately 5,144 stores in the formal market in Colombia. The three main store formats are: conventional supermarkets, with spaces starting at 100 square meters and at least one cashier, superstores, with sizes up to approximately 10,000 square meters, and combination stores, which are supermarkets that also sell general merchandise. The key factors impacting consumers' shopping decision are convenience, price, proximity and assortment.

Over the last several years, the retail sector in Colombia has been undergoing consolidation. Large retail chains like Exito have gained market share at the expense of small, independent stores, and international supermarket chains have entered the Colombian market, including Carrefour (which operates under its own brand). The acquisition of Carulla further consolidated our position in the retail market in Colombia with a combined 42% share of the total formal market based on data from Nielsen as of June 2006.

Carrefour, our closest competitor, with approximately 13.8% of the retail market share, has a market share of approximately one-third the size of ours. Olimpica is the third largest player in the Colombian retail market with a formal retail market share of approximately 10.7% based on Nielsen data as of June, 2006.

We believe consolidation and international participation in the market will likely continue, as Chile's Falabella has entered the Colombian market and Ripley has announced its intention to enter the Colombian market. In addition, Cencosud and Casino have announced that they intend to form a joint venture to develop the DIY ("Do it yourself") concept in Colombia.

Our principal competitive strategy focuses on value and a multi-format stores portfolio. We face strong competition from international and domestic retailers, including Carrefour and Olimpica, and it is possible that additional international retailers may enter the market in Colombia in the future, either through joint ventures or directly. We also compete with numerous local and regional supermarket and retail store chains, as well as with smaller, family-owned neighborhood stores, informal markets, and street vendors. As of June 2006, based on information provided by Nielsen, approximately 56.9% of the retail market is operated through informal markets and street vendors. We compete with retailers operating discount, department, drug, variety and specialty stores, supermarkets, supercenter-type stores and hypermarkets, wholesalers and distributors as well as internet-based retailers and catalog businesses.

Business

Overview

We are Colombia's leading retailer in terms of sales and number of stores. During the twelve-month period ended June 30, 2006, our combined sales with Carulla represented approximately 42% of the sales in the Colombian formal retail market and more than three times the sales of the second largest retailer in the country, in each case based on Nielsen's most recently released data for such period. In addition, we believe that in 2006 we were the largest company in the private sector in Colombia in terms of sales. With nearly 60 years of retail experience, we operate under a multi-format strategy including supermarkets, hypermarkets and discount stores with a portfolio of well-recognized brands, which together allow us to target customer bases of various income levels. We believe our multi-format strategy has allowed us to benefit from the growing Colombian economy and the rising purchasing power of the Colombian consumer across all income levels in recent years.

We serve several markets through our network of 266 stores nationwide under two principal formats: hypermarkets under the *Exito* and *Vivero* brands and supermarkets under the *Carulla, Ley* and *Pomona* brands. We also have discount stores under the *Merquefacil* and *Surtimax* brands. Our other retail businesses include home furnishing stores under the *Home Mart* brand and our recently-launched convenience/discount stores under the *Q-Precios* and *Próximo* brands. We offer a broad variety of products through our stores including consumer products, fresh products, apparel, home products and entertainment items. We also serve large consumers, including restaurants and corporate commissaries. We own an apparel manufacturing business through which we design and manufacture clothing and a food processing plant where we process and package our own food products, including meat, baked goods, prepared foods and bottled water, which we sell in our stores. We are also a significant provider of consumer credit in Colombia through our Exito card.

Since 2002, we have pursued an aggressive expansion plan increasing our total number of stores in Colombia from 88 as of December 31, 2002 to 266 as of March 31, 2007, and our total selling space from approximately 307,000 square meters as of December 31, 2002 to approximately 612,000 square meters as of March 31, 2007. We have been expanding our operations through a combination of organic growth and acquisitions, including our recent acquisition in early 2007 of Carulla, Colombia's largest supermarket operator and, at the time of the acquisition, the country's second largest retailer in terms of sales. We have also implemented an extensive renovation plan to remodel and expand many of our existing stores, including the conversion of some of our Ley and Vivero stores into Exito stores. Our expansion and renovation program currently contemplates the opening of approximately 6 new stores and the conversion of approximately 13 existing Ley and Vivero stores into Exito stores by the end of 2007.

The following table reflects our growth since 2004, including the effect of the Carulla acquisition:

	Actual				Pro Forma	
	Year ended December 31,			Three months ended March 31,	Year ended December 31,	Three months ended March 31,
	2004	2005	2006	2007	2006	2007
	(millions of Colombian pesos, except operating data)					
Net revenues	3,337,389	3,532,791	4,262,522	1,483,357	6,546,578	1,664,676
Adjusted EBITDA	273,552	290,964	348,611	97,865	506,816	104,846
Net income	63,061	67,848	123,176	23,184	150,032	19,894
Number of stores	97	99	111	266	275	266
Selling space (square meters)	335,643	345,236	383,954	612,353	616,135	612,353

- We are controlled by Casino, a leading global retailer with sales of approximately € 23 billion (US $31 billion) in 2006, presence in 11 countries and approximately 9,200 stores worldwide. Casino has been a shareholder of our company since 1999 and currently owns 65.5% of our common shares. In addition, the Casino Group has indicated that it will participate in this offering by acquiring approximately one-third of the GDSs offered hereby.

- We are listed on the Colombian Stock Exchange under the ticker symbol "EXITO."

Our strengths

- ***Strong market position in an attractive market.*** We are the largest retailer in terms of sales and number of stores in the third most populous country in Latin America with combined sales with Carulla during the twelve-month period ended June 30, 2006 representing approximately 42% of the Colombian formal retail market, based on Nielsen's most recently released data for such period. Colombia has a population of approximately 46 million, approximately 49% of which is 25 years old or younger, and approximately 30% of which live in Colombia's four main cities (Bogotá, Medellín, Barranquilla and Cali). Colombia has experienced strong GDP growth of 4.9% in 2004, 4.7% in 2005, and 6.8% in 2006. We believe we have the most extensive retail footprint in Colombia with 266 stores throughout 45 cities, including the most densely populated urban areas as well as growing mid-sized cities, and hold strong market positions in Colombia's four largest urban areas. We believe our strong market presence positions us to benefit from consumption expansion in the Colombian economy, driven by future increases in disposable income and availability of consumer credit. We believe our critical mass also positions us to capture growth opportunities, achieve savings in logistics and other centralized functions, maintain strong supplier relationships and drive nationwide market penetration.

- ***Extensive multi-format coverage.*** Our multi-format business model allows us to provide attractive retail options to diverse demographic groups by offering combinations of price, convenience, quality and service. It helps us cater to different segments of the population and provides us with flexibility to grow in existing markets as well as penetrate new markets by tailoring our stores to the characteristics of each specific location. For example, our hypermarket format targets middle and upper income segments, typically in large urban areas, and offers a large selection of products, while our supermarket format offers convenience in more confined markets. Our discount format, which is comprised primarily of small stores with spaces ranging from 200 to 1,800 square meters, allows us to target the middle to lower income segments by providing a more limited selection of products at affordable prices and, like our supermarkets, is more suited to smaller urban centers.

- ***A portfolio of well-recognized brands.*** We believe our *Exito* and *Carulla* brands are among the most widely recognized and long-standing hypermarket and supermarket brands in Colombia, a result of approximately 60 years of operating history in the case of Exito and over a century in the case of Carulla. We believe our strong brand identity promotes customer loyalty and enhances our ability to gain rapid recognition from customers when opening or renovating our stores.

- ***Extensive and efficient distribution network and storage capacity.*** Our distribution network serves 45 cities throughout Colombia and includes 15 distribution centers with a total area of approximately 200,000 square meters as of March 31, 2007. Over the 12 months ended December 31, 2006, approximately 80% of Exito's products were centrally handled via this logistics network, and we seek to bring Carulla to a similar level of centralization over time. Our substantial distribution network and storage capacity allows us to provide customers with a broad selection of products, and we believe it enhances our relationship with our suppliers by making product handling and delivery more efficient for them. We believe that as a result of our extensive and efficient distribution network we are able to distribute our products effectively across Colombia's mountainous topography and respond quickly to fluctuating demands to re-stock our locations. We believe this network decreases storage costs and shrinkage, increases sales volumes and provides us with the scale to implement our nationwide penetration strategy. In addition, we believe that our distribution and logistics network and expertise position us to capitalize on growth opportunities in smaller cities that are under-penetrated.

- ***A strong real estate portfolio.*** We currently own approximately 66% of our selling space, including premium locations in several key markets across the country. We believe this real estate portfolio is a valuable asset due to the increasing scarcity of desirable properties in Colombia's main cities. We believe our real estate portfolio provides us with ample opportunities to further add value to some of our sites through the commercial development of adjacent areas into mini-malls and other related activities.

- ***Experienced controlling shareholder and management team.*** The Casino Group is a leading French retailer with presence in 11 countries and extensive experience in operating a multi-format strategy. We believe Casino's global expertise complements our management's local know-how and benefits us in a number of areas such as new stores development, management of our real estate portfolio, purchasing, marketing and promotional activities, and ultimately in better meeting consumer demands. We believe we have a strong and committed senior management team with an average tenure at the Company of 11 years, strong track record as evidenced by our operating results, and extensive experience in the industry. Our management team is led by Mr. Gonzalo Restrepo Lopez, our Chief Executive Officer, who has been with us for 17 years and in 2006 was recognized as the leading executive in Colombia according to *La República,* a leading financial periodical in Colombia.

Our strategy

Our goal is to enhance our profitability while strengthening our leading position in the Colombian retail industry by implementing the following strategies:

- ***Expanding, remodeling and converting selling space.*** We believe the Colombian retail market provides attractive prospects for growth and that opportunities exist to strengthen our current presence in several cities and penetrate new urban centers through opening new stores, remodeling existing stores or optimizing our current store network by converting certain stores to more suitable brands for their specific markets. In 2006, we opened 13 new stores and converted nine Ley supermarkets into Exito hypermarkets and one Ley supermarket into Pomona supermarket. We target areas that we believe have significant growth potential and favorable demographics. More specifically, our expansion strategy entails (i) strengthening existing markets by expanding our store presence, and (ii) penetrating new markets, particularly medium to small sized cities, by opening new stores in strategic locations. In addition, we have designed a conversion strategy to simplify our brands into two categories, hypermarkets under the *Exito* brand and supermarkets under the *Carulla* and *Pomona* brands, in order to increase sales, reduce costs and maximize our overall profitability.
- ***Integration of Carulla and maximization of synergies.*** Our recent acquisition of Carulla provides us with increased critical mass and valuable access to key markets in the country, including central Colombia and the Atlantic coastal region, while it also strengthens our supermarket platform to pursue our expansion and penetration strategy. We are in the process of integrating Carulla with our existing operations, and through the integration of Exito and Carulla we seek to capitalize on a number of complementary characteristics and competencies of each of the two businesses to increase sales, reduce costs and improve operating margins. Our integration strategy entails integrating and optimizing our store base, integrating our manufacturing capacities (apparel and food), reducing administrative costs, improving distribution logistics and our relationships with our suppliers, and integrating consumer loyalty programs.
- ***Expansion of our consumer finance operations.*** We introduced the Exito card in November 2005, making us the first retailer in Colombia to offer a card to middle and lower income customers who previously had limited access to this form of credit. The Exito card was launched through a joint-venture with Compañía de Financiamiento Comercial—Sufinanciamiento (a subsidiary of Bancolombia, Colombia's largest financial institution). Our Exito card can be used at most of our stores and at an increasing number of third party commercial establishments. With more than 700,000 cards issued, we believe we are the third largest issuer of consumer cards in Colombia. We believe this business offers strong growth opportunities, and we intend to continue expanding our customer and vendor base as a source of value creation going forward. Our consumer credit operations have enhanced our ability to increase sales, particularly in the non-food category such as electronics and appliances, build consumer loyalty, gather additional information regarding consumer habits and preferences, and reach segments of the Colombian population which in the past have had limited access to credit. We also seek to develop additional business opportunities by expanding the scope of the financial products we offer to our customers. Additionally, we believe our financial products business complements our penetration strategy by enhancing our access to areas of the country where formal credit is less available, helping us develop and strengthen customer loyalty in these new markets.

- ***Enhancing customer loyalty.*** We seek to increase our share of customers' total retail spending by offering a combination of competitive prices, quality products, broad assortment, outstanding service and an attractive "one-stop" shopping environment. We seek to locate our stores in convenient locations and provide a shopping environment which appeals to the entire family. We also have loyalty programs which provide our customers with special promotions and discounts. Our loyalty programs provide us with valuable consumer behavior information which in turn allows us to better develop effective marketing strategies and tailor our product and service offerings to our customers' needs. We intend to increase our customer loyalty programs by adding rewards and discounts and capitalizing on the customer knowledge recently acquired from Carulla's well-established supermarket's loyalty programs.

- ***Reducing costs and optimizing process control.*** We intend to continue to focus on reducing our expenses to enhance our operating margins. Initiatives to reduce expenses include implementing an inventory rationalization and distribution system, improving operational processes at our stores and distribution centers and optimizing store personnel expense through the use of technology. For example, we recently implemented a modern warehouse management system which allows us to reduce costs and improve inventory management efficiencies. We are deploying a personnel expense management system that we expect to improve work shift scheduling. In addition, we are implementing improvements to our point of sales systems, unit inventory control systems and electronic communications systems to improve speed and accuracy in transmitting purchase orders to suppliers.

- ***Developing our real estate base.*** Utilizing our property base, we are currently exploring new lines of business such as the development of shopping centers to enhance our customers' shopping experience and maximize the value of our owned sites. We currently own three shopping centers in which we operate the anchor store, and we believe there is strong growth potential in Colombia for the development of this line of business. We seek to grow our land bank by acquiring additional plots in strategic locations to facilitate the expansion of our business and the construction of additional hypermarkets, supermarkets and shopping centers.

- ***Expanding our private label sales.*** A key aspect of our strategy is the continued growth of our private label offerings. We seek to expand this business with a particular emphasis on apparel, a traditional strength of Exito through its Didetexco subsidiary, and fresh products produced at Carulla's food processing facilities, for which Carulla is widely recognized. In addition, we intend to continue complementing our private label strategy by obtaining official distribution arrangements with certain brands, such as our current arrangements with Budweiser and Apple pursuant to which we are their official distributor in Colombia.

History

Our company, Exito, was established in 1949 when its founder, Gustavo Toro-Quintero, opened a 16 square meters store in downtown Medellín which sold fabrics and bedding materials. In 1970, we opened the first Exito commercial store with 8,556 square meters of selling space. In 1972, we integrated our apparel and fabric sales with supermarket products. We were the first company in Colombia to offer these three types of products under the same roof and to adopt the hypermarket format. In 1975, our company established itself as a corporation and changed its name to *Almacenes Exito S.A.* In 1989, we had three stores in Medellín and opened our first store in Bogotá. In 1994, our stock was listed on the Colombian Stock Exchange.

In 1999, Casino acquired 25% of our shares. Casino currently owns approximately 65.5% of our company. In 2001, we merged with *Gran Cadena de Almacenes Colombianos S.A.'s* (Cadenalco), which owned the Ley and Pomona supermarket chains. Ley supermarkets have been in operation since 1922.

In November 2005 we entered into a 50/50 alliance with Sufinanciamiento, a subsidiary of Bancolombia (the largest financial institution in the country) to develop the consumer finance business.

Between February and May 2007, we acquired approximately 77% of the stock of Carulla, the largest supermarket operator and at the time of the acquisition the second largest retailer in Colombia. Carulla was formed in April 2000 when two of Colombia's then-leading retailers, *Carulla y Cía S.A.* and *Almacenes Vivero S.A.* merged. *Carulla y Cía. S.A*. was founded in Barranquilla in 1905, and it began as an importer and exporter, selling Colombian products such as coffee, leather and rubber to European countries and selling imported goods locally. *Carulla y Cía* opened its first store in Bogotá in 1906, and in 1953, *Carulla y Cía* opened the first self-service supermarket in Colombia. *Almacenes Vivero* began operations in Barranquilla in 1969. In 1970, it opened stores in the neighboring cities of Cartagena and Santa Marta and added clothing lines for women and children. In 1980, Vivero became the first self-service discount store on Colombia's North Coast.

As part of the Carulla transaction, we entered into agreements with remaining shareholders holding 22.5% of Carulla. The agreements contained the following features:

- the conversion, upon cancellation of Carulla's shares registered with the Colombian Stock Exchange on May 9, 2007 and the National Securities Registry (RNVE) on May 16, 2007, of all Carulla's common shares into newly issued Carulla privileged shares which have a right to receive a dividend equivalent to the dividend received per Exito share considering an exchange ratio of 3.6011 Exito shares per Carulla share (the "Exchange Ratio");
- a put right in favor of the Carulla remaining shareholders with respect to their privileged shares to be exercised between March 2010 and March 2014 at an exit value to be determined based on the higher of (1) $133 million plus 2% per annum, (b) a value determined based on a multiple (8 if exercised before 2012, 8.5 if before 2013; and 8.75 if after 2013) applied over the immediately preceding twelve month consolidated Adjusted EBITDA of our Company, and (c) the average market value of Exito's common shares over the preceding 6-month period;
- an exchange right in favor of the Carulla remaining shareholders to convert their privileged shares into Exito shares based on the Exchange Ratio during the same period described above, with a corresponding option in favor of Exito to settle such obligation either by issuing shares or paying the equivalent amount in cash at the market value of Exito's common shares at such time; and
- a call option in favor of Exito with respect to all of Carulla's privileged shares at the end of the above-mentioned term. The call option value shall be determined following the same procedure established for the put option.

Multiple store formats

Our operations are organized in two principal formats: hypermarkets under the *Exito* and *Vivero* brands and supermarkets under the *Carulla, Ley* and *Pomona* brands. We also operate discount stores under the *Merquefacil* and *Surtimax* brands, home furnishings under the *Home Mart* brand and we have two convenience/discount stores under the *Próximo* (self-service convenience stores) and *Q-Precios* (discount stores) brands. As of March 31, 2007, the total selling space of our stores was 612,353 square meters (approximately 6.6 million square feet). Our store formats differentiate on product mix and variety, size of sales area, target customers, the level of customer service and geographic footprint. We establish our stores through new construction, remodeling or conversion of existing stores and acquisition of third-party operated stores. We determine which format is best suited to penetrate a specific market segment based on our marketing studies of geographic location, competitive conditions, market segments, average income of the population, consumption habits and current and expected future population density. We believe that these studies allow our new stores to provide better services to our customers and improve the success rate of our new stores. We are in the process of converting some of our Ley supermarkets to Exito hypermarkets considering both offer similar product lines, which will allow us to reduce marketing and advertising expenses and to take advantage of the strong reputation of the *Exito* brand. To execute this strategy, we reduced the number of Ley stores from 62 in 2004 to 46 in 2006, and in 2007 we expect to convert 13 existing Ley and Vivero stores into Exito stores. See "Business—Our strategy."

The following table sets forth data by store format for Exito and Carulla combined as of March 31, 2007.

	Number of stores	Total selling area(1)	Average selling area per store(1)
Hypermarkets	65	380,402	5,852
Supermarkets	141	175,961	1,248
Discount	49	46,384	947
Others(2)	11	9,605	873
Total	266	612,353	—

(1) In square meters. Each square meter is equivalent to 10,764 square feet.

(2) Includes Proximo, Q-Precios and Home Mart.

The following table sets forth, for the periods indicated, the sales from retail operations by major category and the respective percentage of our total combined sales that each category represents.

Sales by store format and percentage of Exito and Carulla total combined sales

	Year ended December 31,						Three months ended March 31,			
	2004		2005		2006		2006		2007	
	Sales	% of total Sales	Sales	% of total Sales	Sales	% of total Sales	Sales	% of total Sales	Sales	% of total Sales
	(billions of Colombia pesos, except percentages)									
Hypermarkets	2,804	57.4%	3,029	55.5%	3,909	61.6%	767	57.1%	1,069	66.1%
Supermarkets	1,919	39.3%	1,972	36.1%	1,976	31.2%	469	34.9%	446	27.6%
Discount	158	3.2%	437	8.0%	402	6.3%	100	7.4%	86	5.3%
Other formats	0.4	0.0%	2	0.0%	31	0.5%	0.9	0.1%	8.3	0.5%
Other sales	4	0.1%	23	0.4%	24	0.4%	6	0.5%	8	0.5%
Total	4,885	100.0%	5,463	100.0%	6,342	100.0%	1,343	100.0%	1,617	100.0%

Hypermarkets

We are the leading hypermarket retailer in Colombia operating under the *Exito* and *Vivero* brands. We have 65 stores in 25 cities throughout Colombia. Our hypermarket stores target consumers of all income levels and offer a wide selection of quality products with a high level of customer service. We classify the products offered by our hypermarkets into five product lines: (i) consumer products (such as groceries and home cleaning products); (ii) fresh products (including fruits, vegetables, bread, prepared food, meat and seafood); (iii) apparel (such as clothes, footwear and swimwear); (iv) home products (such as home appliances and furniture); and (v) entertainment items (such as televisions, stereos and sporting goods).

Exito

Our Exito hypermarket chain consists of 47 stores in 22 cities throughout Colombia. Exito stores offer a wide selection of products at low prices. Exito stores have an average selling area of approximately 6,000 square meters each. Exito stores have ample parking spaces and through concession arrangements, generally offer a wide selection of complementary stores, such as fast food franchises, optical services, photography equipment shops, florists, footwear shops and jewelers. In some of our Exito stores, we also have moderately priced cafes and restaurants. Exito stores are typically located in prime residential and commercial sectors of large and medium size cities. Exito stores are generally open from 8:30 a.m. to 9:00 p.m., seven days a week

Vivero

Our Vivero hypermarket chain consists of 18 stores in 8 cities, located mainly in the northern region of Colombia. Vivero stores are full-service hypermarkets offering food, apparel, consumer electronics and home products. Vivero stores have an average selling area of approximately 5,400 square meters. Vivero stores offer a wide selection of products at competitive prices and include concessions and cafeteria-style restaurants. Vivero stores are generally open from 8:00 a.m. to 9:00 p.m., seven days a week.

Supermarkets

We are the leading supermarket retailer in Colombia operating under the *Carulla, Pomona* and *Ley* brands. We have 141 supermarkets in 36 cities throughout Colombia. Our supermarkets typically offer groceries, fruits, vegetables, meat, baked goods and delicatessen products. We own a food processing plant where we process and package our own food products, including meat, baked goods, prepared foods and bottled water, for sale in our stores.

Carulla

Our Carulla supermarket chain consists of 83 stores in 19 cities, located mainly in the central region of Colombia. Carulla stores are full-service supermarkets that target high- and middle-income customers with a strategic focus on high quality products and services. Accordingly, Carulla stores compete principally on the basis of store location and appearance, product presentation, product freshness and quality of service, and not on price. Carulla stores have an average selling area of approximately 900 square meters.

In addition to a full selection of food items, Carulla supermarkets provide cafeteria-style restaurants offering breakfast pastries, hot luncheons, sandwiches, snacks, baked goods, desserts, coffee and juices. Carulla stores are generally open from 7:00 a.m. to 10:00 p.m., seven days a week. A few stores are open 24 hours a day.

Pomona

Our Pomona supermarket chain consists of 12 stores in 4 major cities. Like Carulla, Pomona stores are full-service supermarkets that target upper income customers with a strategic focus on high-quality products and services. Pomona stores have an average selling area of approximately 1,100 square meters each. We classify the products offered by our Pomona stores into two categories: (i) convenience goods (mainly groceries, prepared food and wine and other liquors) and (ii) perishables. In addition, through concession arrangements, Pomona stores offer special types of pasta, meat and bread. Our Pomona chain differentiates itself by offering specialized services of on-site sales experts and a wide selection of products. Pomona also offers other services, such as banking, laundromats and nurseries, as well as activities and publications catered toward gourmet preferences of our customers. Pomona stores are generally open from 8:00 a.m. to 10:00 p.m., seven days a week.

Ley

Our Ley supermarket chain consists of 46 stores in 28 cities throughout Colombia. Our Ley supermarkets are traditional style grocery stores that target primarily middle and lower-income customers and offer a more limited selection of products than Carulla and Pomona, at lower prices and in a simpler and more traditional grocery store environment. Ley stores have an average selling area of approximately 1,900 square meters each. We classify the products offered by our Ley stores into five product lines, among which fresh products generate a higher volume of sales: (i) consumer products (such as groceries and home cleaning products); (ii) fresh products (including, fruits, vegetables, bread, prepared food, meat and seafood); (iii) apparel (such as clothes, footwear and swimwear); (iv) home products (such as home appliances and furniture); and (v) entertainment items (such as televisions, stereos and sporting goods). The level of product selection varies depending on the location of the store, with those located in more affluent neighborhoods having the widest selection. Ley stores are generally open from 8:00 a.m. to 9:00 p.m., seven days a week.

Discount stores

Merquefácil

Our Merquefácil stores are a neighborhood mini-market format with an average selling area of approximately 450 square meters. The format targets low-income customers with a strategic focus on convenience and low prices. There are currently 23 Merquefácil stores, located primarily in the southern section of Bogotá.

Surtimax

Our Surtimax stores are a discount store format with an average selling area of approximately 1,300 square meters. This format targets vendors who use Surtimax as a one-stop wholesaler for their small neighborhood stores and kiosks, with a strategic focus on low prices and high volumes. There are currently 26 Surtimax stores, mainly concentrated in the central region of Colombia.

Others

Homemart

Homemart is a specialty retailer format focused on home furnishings, with an average selling area of approximately 1,650 square meters. The format targets high- and medium-income customers, offering items for kitchen, bathroom, bedroom, dining room and patio, such as light fixtures, curtains and blinds, paints, fans and air conditioners. We believe these stores complement our existing home product offerings and will offer growth opportunities. There are currently five Homemart stores, located mainly in the northern region of Colombia.

Próximo and Q-Precios

We opened our first Q-Precios stores (discount stores) in 2004 and we now operate three Q-Precios stores in Medellín. These stores compete with the informal commercial market and street vendors, which currently account for approximately 56.9% of the Colombian retail market. We sell a limited number of products in these stores, including convenience goods and perishables, and in a smaller selling area, with an average selling area of approximately 220 square meters. Our Q-Precios stores target middle and lower-income consumers.

Próximo is a pilot program of high-end convenience stores that opened its doors to the public during the second quarter of 2006. There are currently three Próximo stores operating in Medellín that target mid-high to high income consumers. These are small stores with approximately 200 square meters in size and provide customers with a convenient shopping location.

Store conversion program

We have an ongoing store conversion program pursuant to which we are converting some Ley and Vivero stores into Exito stores to benefit from the strong Exito brand in order to increase sales and profitability. We undergo these store conversions when the demographics served by the Ley or Vivero stores are more suitably served by the Exito format, such as when neighborhoods grow in size and/or improve economically. We converted 9 Ley stores into Exito stores in 2006 and expect to convert approximately 11 Ley and Vivero stores in 2007 and continue to convert Ley and Vivero stores through 2008.

Merchandising and products

In 2004, we made a significant change in our internal organizational structure to respond to the strong competition in our market and improve our efficiency and profitability. This change entailed aligning our management with each line of products we offer to address the characteristics of each of them. We organized our product lines into five strategic business units: consumer products, fresh products, apparel, home products and entertainment items, with each business unit managed by a specialized department.

Our merchandising strategy focuses on supplying our stores, depending on their format, with products from one or more of our product lines. Below is a description of each of our business units:

- *Consumer products.* Consumer products include all products associated with food and personal consumption, such as personal and household cleaning products, as well as pharmaceutical, industrial-fresh and grain products. The main suppliers of these products are local suppliers with strong brand recognition.

- *Fresh products*. Fresh products include all meat, fruits, vegetables and prepared food products. The main suppliers in this business are regional suppliers that can guarantee the freshness of the products as the crops are cultivated near the area where they are sold. We produce certain private label products in this product line in Carulla's facilities, which gives us a competitive advantage in terms of quality control, price, brand recognition and distribution.

- *Apparel*. Our textile products are designed to provide customers of all ages with a variety of types and styles of high-quality clothing at affordable prices. We have developed our own clothing brands that have been well received by its customer base. Most of our private labels in this product line are manufactured by our subsidiary Didetexco. This vertical integration allows us to have a competitive advantage in terms of quality control and prices. Our marketing strategies and the layout of our apparel department aim to create strong brand recognition according to the lifestyles of our target customers. Exito's first line of business was textiles, and this experience helps us differentiate ourselves from our competitors.

- *Home products*. This product line contains all products related to decoration, home improvement, home textiles, appliances, linens and stationary products that are catered for home use. We source our supplies from local and international suppliers for these home products.

- *Entertainment items*. Our entertainment line is one of the fastest growing businesses in our company. Our entertainment line offers sporting goods, toys, hardware supplies, party supplies, digital products, seasonal products, books and magazines. It also offers products aimed at family-oriented, leisure activities. Our entertainment products are supplied by well-known manufacturers, as well as a growing number of private labels and brands for which we are the primary distributor.

Imported goods play an important role in our product selection. All of our five product lines use imported goods to different degrees. Our purchase of imported goods has grown considerably in the past few years, reflecting the strengthening of the Colombian economy and the increasing sophistication of our customer base. In 2006, we imported approximately COP 211,707 million of goods, which represented approximately 6% of our total purchases.

Our product mix provides a balanced combination of food items, which represent over 66% of our combined sales and tend to be less sensitive to economic cycles, and non-food products (such as home products and entertainment items), which provide a more dynamic growth component to our sales, allowing for greater cross-selling opportunities and help us capture new market trends and opportunities.

Private label products

We have a private label program that offers products within our product lines under a variety of brand names. Our company's private labels are segmented into three major groups (economical, standard, and premium), enabling us to reach a wide consumer base. We typically generate greater margins with the sale of our private label products than our other products. Private labels allow us to establish price differentiation, control quality, ensure product credibility, and develop consistency within the variety of products we provide. We offer quality products that customers can only find at our stores, which help to increase brand awareness and customer loyalty. One of Carulla's greatest strengths is the broad array of its private label products, particularly in the fresh products line, while Exito has historically been a leader in the apparel category. Our goal is to increase the percentage that private labels contribute to our overall sales as well as expand the portfolio of private label products we produce. We believe this could improve our margins over the next several years.

Geographic markets

For sales purposes, we divide our stores into four geographical regions: Central Region, Antioquia Region, West Region and Coastal Region. With this division we seek to obtain segmented sales information to analyze the different factors affecting sales including climate, consumer preferences and population concentration. This information also allows us to complete statistical evaluations on sales volumes, price behavior, inventories, margins and management indicators. The Central Region consists of Bogotá and Santanderes; the Antioquia Region consists of Medellín and *Eje Cafetero;* the West Region consists of Cali, Popayan, and Pasto; and the Costal Region consists of Barranquilla, Santa Marta, and Cartagena. The most populated areas such as Bogotá, Medellín, Cali and Barranquilla represent the majority of our sales.

Marketing

Our marketing operations are centralized and managed by our principal executive offices in Medellín. With a profound knowledge of market behavior and consumer trends, our marketing division mainly focuses on generating consumer demand that leverages our pricing strategy and private label development.

- *Pricing strategy*. We are a company focused on value at competitive prices. We rely on an information gathering system that analyzes prices of other product offerings within our industry to facilitate our pricing strategy. Our commercial calendar includes four large promotions during the year to best position brands according to our customers' demand and sensitivity to prices. We are in the process of implementing a pricing system that will further our ability to incorporate customers' price sensitivity into our pricing and product selection decisions within each product category in order to enhance our pricing strategy.

- *Marketing strategy*. Our marketing strategy is directed primarily at increasing net sales by (i) enhancing customer loyalty and attracting new customers, (ii) strengthening the recognition of our brand name and (iii) projecting our image as a retail store chain which offers a variety of high-quality products at competitive prices and a distinctive array of services. We have loyalty programs that are designed to attract and retain customers through targeted activities and bonus point redemption programs. These programs provide us with valuable information on demographics and customers' purchasing habits. We use this information to adjust our product pricing, services, and product mix and to organize promotions that cater to our customers' taste, and to provide a shopping experience that meets the customers' expectations. Each of our *Exito*, *Vivero*, *Carulla*, and *Pomona* brands has these programs.

- *Marketing research*. Our marketing division conducts marketing research to track general consumer habits. Our marketing division's budget for 2007 provides for marketing studies of purchasing habits, product pricing, customer perception and profile, as well as ratings of television and radio commercials. We also solicit customer opinions through the use of in-store comment cards. These studies and comment cards help us improve our services by enabling us to quickly respond to changing customer needs, to tailor our advertising to specific customer perceptions and to evaluate store product and service offerings.

- *Advertising*. We use a broad range of print and broadcast advertising in the markets we serve. Because each store format has a different product mix and target customer base, we employ a different advertising approach tailored to each chain. We focus part of our marketing efforts on mass media, especially television and radio. We periodically distribute printed materials such as flyers in our stores and on public bulletins. Printed materials are used to promote sales events such as "Back to School," Mother's Day, Father's Day, and Christmas. These sales campaigns are evenly distributed throughout our product lines.

- *Customer service*. To attract customers, we emphasize customer service by (i) offering a product and service mix that we believe customers find most appealing, (ii) maintaining clean, well-lit stores with attractive, modern decor, (iii) training employees to be professional and knowledgeable, (iv) adjusting the mix of products to track consumer trends, and (v) anticipating the needs and exceeding the expectations of our customers. This entails having an array of concessions inside and outside our stores that are aimed at making complementary services available for customers.

- *Trademarks*. Our trademarks are duly registered with the Colombian authorities. *Exito, Ley, Pomona, Carulla, De mi Tierra, Ekono, Arkitekt, People, Bronzini, Weekend, Coquí, Notes Collection, Carrel, Finlandek*, and *Custer* are our leading trademarks. Additionally, we are the official distributor in Colombia for several well-recognized international brands such as Budweiser and Apple.

Distribution systems

We use a centralized distribution system to distribute our products. We ship our products from a central warehouse to the stores to satisfy the daily inventory requirements of a particular store. The objective of centralization is to concentrate deliveries in a location. Our strategy is to reduce inventory with more frequent deliveries, decongest the stores' operations and reduce the costs in the supply chain from the supplier to the store shelf. We also use direct deliveries to our stores from suppliers, particularly for perishable products. Under the direct delivery system, a product can be ordered either directly by the store or through a central purchasing office. In 2006, Exito distributed approximately 80% of its products to the stores from its distribution centers, and 20% from suppliers directly. We intend to bring Carulla to similar levels over time.

We have decreased our reliance on deliveries by suppliers directly to stores because we believe it is more efficient to have our suppliers deliver to our distribution centers as it allows us to consolidate shipments to stores, have a stricter control of our inventory and ensure more uniform quality of our products. We seek to control product flow and information throughout the chain by shipping products only when prompted by actual demand, thus minimizing the response time, decreasing our inventory investments and total processing costs and reducing "stock-outs." We believe our distribution system effectively matches the products we offer with consumer needs.

We have 15 distribution centers located in the metropolitan areas of Colombia's three major cities, Bogotá, Medellín and Cali. These distribution centers have an approximate total area of 200,000 square meters as of March 31, 2007. In 2006, we completed our CEDI Vegas distribution center in Envigado with a total area of 125,675 square meters and a storage capacity of approximately 55,000 square meters, making it one of the most modern distribution centers in Latin America. GS1 recognized the CEDI Vegas distribution center with the 2006 LOGYCA award in integral logistics. This distribution center covers four of our five strategic business units and enhances our relationship with suppliers, who can deliver their products to one centralized location rather than to several different locations.

We have historically been at the forefront in employing technology such as bar codes, the implementation of information systems to manage the supply chain, and the electronic synchronization of databases in Colombia. As with the management of our stores, by making technological improvements we have been able to reduce costs and become more efficient in our distribution logistics. In 2003 we implemented a system to trace our shipments by GPS, leading to improvements in rotations of goods. In 2003 and 2004, we remodeled our central warehouse in Bogotá to improve storage areas and installed forklifts to facilitate the loading and unloading of products.

The following table sets forth the regions where our distribution centers are located and the number of distribution centers in each region as of March 31, 2007:

City	Number of distribution centers
Medellín	4
Bogotá	4
Cali	3
Bucaramanga	1
Pereira	1
Barranquilla	2
Total	15

We outsource the transportation of our products to third parties and base our payments on the distance and/or the volume of products delivered.

We believe our distribution network provides us with a competitive advantage as it provides us with a nationwide handling and delivery system critical for the development of our market penetration strategy.

Manufacturing

We manufacture and/or process selected products to ensure consistent quality and lower cost of sales whenever it is logistically and financially beneficial. In the apparel line, our subsidiary Didetexco manufactures, sells and distributes local and imported textiles, as well as apparel bearing various *Exito* brand names. In the convenience goods and home product lines, we select, package and sell a number of products under the *Exito* name, using our own grain packaging plant in Medellín. We also produce bread and other baked products in our baking center in Medellin. In addition, we purchase live cattle directly from ranchers and contract out the slaughterhouse work in accordance with our quality control specifications.

We produce a significant number of beverages, meat, delicacies, “tamales,” and bakery products at our central facility in Bogotá where we have 6 Carulla plants, and a bakery in Cartagena. We sell these products under our private labels. We are able to assure consistent quality of our own processed products by managing the production process from beginning to end. Having control of our own production facilities also enables us to maximize our flexibility and to respond rapidly to changing customer tastes.

Purchasing and suppliers

We have a centralized purchasing department that makes purchases for our stores largely along product lines. Management believes that maintaining a centralized purchasing operation allows us to assure more uniform quality across different chains. We plan, develop and manage our supply chain in close collaboration with suppliers which enhances our inventory rotation, profitability and allows us to carry out our expansion strategies.

We seek to take advantage of our large purchasing volume to obtain an advantageous mix of price and payment terms. We do not typically enter into long-term agreements with suppliers. The average days of inventory for our Exito stores and distribution facilities were 60 for 2005 and 53 for 2006. In order to improve the efficiency of our purchasing operation we have implemented various changes in our supply chain. These changes include the implementation of computerized inventory replenishment programs including JDA's E3 and WMS. See "—Information systems." Our 10 largest suppliers collectively accounted for 16.3% of our purchases in 2006, and no single supplier accounted for more than 2.1% of total goods purchase. We have not experienced any difficulty in obtaining the types and quantities of the merchandise we require on a timely basis and believe that, if any of our current sources of supply were to become unavailable, alternative sources could be obtained without any material disruption to our business. We also believe that we conduct our business with our suppliers on terms which are at least as favorable as those generally available to the industry based on agreed-upon practices within the industry.

In 2006, approximately 6.1% of Exito products were imported from outside Colombia. Domestic suppliers are paid in Colombian pesos and foreign suppliers are paid in foreign currencies, primarily U.S. dollars. Our accounts payable turnover (defined as costs of sales divided by average accounts payable over the last 12-month period) as of December 31, 2006 was 7.13 times.

Information systems

We have acquired and/or developed centralized application systems that help us to support and control our operations, including sales and inventory management. Based on information transmitted by our stores and distribution centers to our corporate offices, these systems process and store data, and generate reports that assist management in making decisions. Over the last three years, we have invested an average of COP 15,000 million per year, or approximately 0.5% of net sales and over 5.3% of our capital expenditures in hardware and other information technology. Over the past three years, Carulla has invested an average of COP 6,000 million annually in information technology. These investments have helped to increase efficiencies in customer check-outs, purchasing, distribution, inventory management and the provision and transmission of information in a timely manner.

In 2004, the company adopted three leading technology platforms: (i) SAP-R3 for financial administration, (ii) E3 for efficient logistic and inventory management, and (iii) Teradata to organize sales and customer information. These systems have reduced certain procedural costs and have improved supply chain efficiencies.

Store Systems. All of our stores are equipped with point-of-sale scanners. Transactions recorded by laser scanners located at the check-out aisle permit the recording of real time information regarding product sales. Each laser scanner reads bar codes imprinted on the labels of our products, enabling us to accurately record all transactions. The computers in our stores are connected to the central mainframe at our headquarters, permitting both senior managers and store managers to receive near real time information by store, SKU and product category, including sales volume and margins, thus enhancing inventory management, cost control and sales tracking. We also use radio frequency inventory devices for our stores, which allow inventories to be taken in a faster and more accurate manner. The store systems are supplemented by point of sale technology at our distribution centers and at store locations, thereby permitting strict control over incoming as well as outgoing merchandise.

Management Information Systems. We have invested in modern computer hardware and software in order to improve the efficiency of our accounting and control systems. Although some of our software was developed in-house, we primarily rely on outside vendors to provide software platforms which we then modify to our unique specifications. We use the EDI system to integrate our suppliers within our systems, thereby reducing delays in communications with our suppliers. We are currently implementing greater integration with our suppliers, including electronic invoicing, as well as developing a business continuity plan and taking steps to enhance our system redundancy.

The servers which support our business are administered by a security official who controls access to our information technology system in order to minimize the risk that an unauthorized party could modify, delete or insert data or otherwise affect our applications or financial information. In addition, we have developed a contingency plan to respond to unexpected equipment damage or loss of data and we test this plan on a regular basis.

Inventory Management. A principal objective of our investments in distribution and information management technology is inventory control. Our goal is to have a supply chain system that provides timely availability of merchandise in our stores while at the same time reducing the level of inventory in our stores and warehouse facilities. We use WMS to manage our inventory.

Exito card

As we increase our sales of bigger ticket items such as durable goods, apparel, housewares and electronics, we have made available an Exito card as a means of financing consumer purchases. In November 2005, we launched the Exito card through a 50/50 joint-venture with Compañia de Financiamiento Comercial—Sufinanciamiento (a subsidiary of Bancolombia, Colombia's largest financial institution).

Our Exito card can be used at most of our stores and at an increasing number of third party commercial establishments. With more than 700,000 cards issued, we believe we are the third-largest issuer of consumer cards in Colombia. We believe this business offers strong growth opportunities and we intend to continue expanding our customer and vendor base as a source of value creation going forward. Among the more immediate benefits, our consumer credit operations have enhanced our ability to increase sales, particularly in the non-food category such as electronics and appliances, build consumer loyalty, and reach segments of the Colombian population which in the past have had limited access to credit. We believe these trends will continue and will allow us to develop additional business opportunities by expanding the scope of the financial products we offer. As we implement our penetration strategy and access areas of the country where formal credit availability is more limited, this business will increasingly be an important tool to develop customer loyalty in these new markets and a major beneficiary of this strategy through the expansion of its customer base.

We are in the process of rolling out this business in the stores we added due to the Carulla acquisition.

The Exito card is in its early stage and our management believes that the use of the Exito card will continue increase and enable us to broaden our market and increase customer loyalty, thereby increasing sales.

Government regulation

Generally, the food products industry and retail food services in Colombia are subject to national and local regulations. We believe that we are in compliance with all material regulatory requirements applicable to our business. Currently we have no material pending litigation or administrative requirements pursuant to any failure to comply with applicable national and local regulations on food handling and/or retail food services.

Health and environmental regulation

Production and sale of food products are generally regulated at the municipal governmental level in Colombia. We are required to obtain sanitary licenses from the *Ministerio de la Protección Social* (Ministry of Social Welfare) and *Secretaría de Salud* (Secretary of Health) of the relevant municipality regarding our commercial establishments and the manufacturing and selling of food products. Furthermore, in Bogotá, we are required to obtain licenses, issued by the Mayor's office authorizing the operation of our stores.

In addition, we are required to file a product registration with the INVIMA (*Instituto Nacional de Vigilancia de Medicamentos y Alimentos*) for the food products we sell.

We have been recognized for environmental excellence for the past three years by Colombia's Administrative Department for the Environment, and by the Environmental Ministry. We have implemented recycling processes and sales of used materials in order to reduce the amount of waste we produce.

Price controls

In Colombia, manufacturers, distributors and retailers are free to independently set prices on their products and services and thus are only subject to the supply and demand of the market place.

Nevertheless, the Colombian government is empowered to, and may, under rare circumstances, set price controls on selected food products.

Despite the fact that the Colombian government applies virtually no nation-wide direct price controls on food products, in certain municipalities price controls are imposed.

We are also aware of the existence of direct price controls on selected medical products, particularly those having therapeutic purposes.

Human resources and labor relations

We are devoted to enhancing employee welfare at our company. In 2006, the *Great Place to Work Institute* published a study which recognized us as the third best company to work for in Colombia and one of the top 100 companies to work for in Latin America.

At December 31, 2006, Exito had a total of 44,963 employees and contracted workers. Of these, 36.3% were direct Exito employees. At December 31, 2006, Carulla had a total of 12,084 employees and contracted workers. Of these, 84.4% were Carulla employees.

At December 31, 2006, the SintraCadenalco union represented approximately 5.6% of our employees. We believe we have a good working relationship with SintraCadenalco and that we are in compliance with the negotiated collective bargaining agreement, which came into effective in 2006 and which will expire in 2010. Our employees receive a variety of benefits, including those provided in accordance with collective bargaining agreements, and those provided by law such as disability insurance. We also provide additional benefits to our employees, including scholarships for children of employees and assistance in financing home purchases. We have a merit-based bonus program for our employees. Bonuses are determined according to certain criteria, such as our overall performance, the performance of the employee's store and his or her performance relative to specific targets established at the beginning of the year.

In order to train and motivate our employees, we have developed a distinctive corporate culture that explicitly affirms the value of the individual employee and encourages the development of the individual's skills. Employees are regularly briefed on the performance of their store and our company as a whole and are expected to attend ongoing training programs. In 2006, 68,731 attendants were trained in five courses, totaling 859,989 hours of training.

Insurance

We maintain insurance policies covering various risks we may face in our operations, including fires, earthquakes, floods, general business, third-party liability and business interruption risks, with an insurance value of up to approximately COP 4,600 billion for Exito and COP 1,300 billion for Carulla (calculated on the basis of the maximum foreseeable loss). Our management believes that our insurance coverage is adequate for our business.

Properties, plant and equipment

We currently own or rent the premises where we operate our stores. The total net book value of the properties, plant and equipment owned by Exito as of March 31, 2007 was approximately COP 2.1 billion.

The following table provides an overview of our real estate holdings on a pro forma basis as of March 31, 2007:

Total store area	Number of distribution centers
Owned real estate	
Number of stores	118
Area	404,890 square meters

In 2006, we expanded our stores by completing construction of and opening nine new Exito stores, three new Vivero stores, one Carulla store, one Pomona store and three Q-Precios stores. We also converted 10 stores in 2006. In 2007, we plan to expand our operations by opening additional stores and converting some Ley and Vivero stores into Exito stores.

We regularly remodel our stores and purchase new decorations and fixtures, updated signage and technology. We believe our centralized distribution system will reduce the required stocking area for inventory and will permit an expansion of selling spaces in some of our stores.

Real estate development

Utilizing our property base, we are currently exploring new lines of business such as the development of shopping centers to enhance our customers' shopping experience and maximize the value of our sites. We currently own stakes in three shopping centers in which we own and operate the anchor store and we believe there is ample room in Colombia for the development of these type of initiatives. We seek to grow our land bank by acquiring additional plots in strategic locations, to facilitate the further expansion of our business and the construction of additional hypermarkets, supermarkets and shopping centers.

Legal proceedings

From time to time, we are involved in various claims, lawsuits and government proceedings incidental to the ordinary operations of our business. We currently are not involved in any legal, regulatory or arbitration proceedings that are likely to have a material adverse effect on our financial position or results of operation.

Currently the total amount of claims, lawsuits and governmental proceedings we face equal approximately COP 18,500 million. Most of these claims are tax related or civil liability related claims. We have established a reserve as of March 31, 2007 of COP 4,306 million in case of adverse judgments. The most significant claims we currently face are administrative proceedings initiated by the local Tax Administration of Neiva, in connection with the Industry and Commerce Tax. The total amount of these proceedings is approximately COP 5,000 million.

A claim filed by minority shareholders of Cadenalco in relation to the exchange ratio applied in the merger with Cadenalco was decided favorably for Exito on May 14, 2007. Claimants are entitled to request the annulment, on procedural grounds, of the decision until 2008. In our view, such a request, if actually filed, would have no legal merits.

Subsidiaries

The following table includes all our subsidiaries as of March 31, 2007, their principal activity, place of incorporation and our direct and indirect ownership percentage in such entity.

Name	Main activity	Jurisdiction of incorporation	Percent owned
Subsidiaries			
Distribuidora de Textiles y Confecciones S.A. — Didetexco S.A.	Textile manufacturing	Colombia	94.00%
Carulla	Retail	Colombia	76.96%

Colombian anti-trust conditions for the Carulla acquisition

Authorization by the Colombian anti-trust authorities of Carulla's acquisition was granted subject to certain conditions which may be divided into two types, divestitures and restrictions on contractual arrangements, which are summarized below.

Divestitures. The Colombian anti-trust authorities required, within one year from December 25, 2006, that Exito:

- Sell 11 of the 256 stores owned on December 2006 by the two companies including: four Merquefacil stores, five Carulla stores, one Pomona store, and one Ley store, located in different cities throughout the country;

- Offer for sale the *Frescampo*, *Surtimax*, *Cadenalco* and *Merquefacil* trademarks;

- Establish an irrevocable trust arrangement with an independent trustee for the above-mentioned sales; and

- Hire an independent auditor to oversee the compliance of these commitments.

Exito reached an agreement regarding this matter in June 2007, which was approved by the anti-trust authorities.

Restrictions on contractual arrangements. The Colombian anti-trust authorities required that Exito:

- Comply with the rules of the Unified Agreement on Sound Industrial, Commercial and Consumer Protection Practices (Aplicación y cumplimiento de las normas señaladas en el Acuerdo Unificado sobre Buenas practicas Industriales, Comerciales y de Defensa del Consumidor), entered into by and among ACOPI, FENALCO, ANDI, FENAVI, ASOCAJAS, ACIBA, INDUARROZ, ACOP LASTICOS, ANDIGRAF and the Ministry of Trade, Commerce and Tourism on December 23, 2003;

- During the course of the commercial relations with the suppliers of fresh products and basic consumer goods, (a) avoid clauses or agreements that grant exclusivity, priority or preferential treatment and (b) abstain from (1) suggesting or imposing on its suppliers prices, terms or discounts on which such suppliers should sell to their buyers, (2) placing their suppliers in disadvantageous positions through discriminatory actions, (3) obtaining from their suppliers through imposition commercial information of their competitors, (4) imposing commercial negotiation conditions such as prices, discounts, products, spaces, amounts, frequency of orders, or (5) imposing on or agreeing with its suppliers to increase prices charged by such suppliers on their competitors;

- Hire an independent auditor to oversee the compliance of these commitments; and

- Post a performance bond or a bank guaranty for an amount of at least two thousand minimum monthly salaries (approximately US$396,019 based on the exchange rate of COP 2,190.30 to US$1.00, which was the Representative Market Rate on March 31, 2007).

Management

We are managed by our board of directors and our executive officers. The board of directors has nine principal members with no alternate members. Of the nine principal members three are independent members. Our by-laws require that the board of directors meets at least every two months. A five directors' quorum is required for a meeting to be held and decisions can only be taken with the favorable vote of at least five of the directors. Exito's chief executive officer, the secretary-general and vice presidents are appointed by the board of directors and hold offices at its discretion. Our board of directors provides overall strategic direction for us and is responsible for establishing our general business policies and for appointing our executive officers and supervising their management. Members of our board of directors may be reelected. Our charter does not have a mandatory retirement age for our directors nor any private dispositions regarding the designation of the board of directors.

According to Colombian law, directors must be elected in accordance with a prescribed system of proportional representation called electoral quotient (*cuociente electoral*) and may be removed without cause at any moment by a vote of the holders of a majority of the shares present at a shareholders' general meeting. The electoral quotient is the result of dividing the total number of votes in the election by the number of seats to be elected. Starting with the slate with more votes, the number of directors elected for each slate is equivalent to the number of times that the electoral quotient fits into the number of votes for that particular slate. If after this procedure is applied to each slate there are still seats to be assigned, then they shall be assigned to the slate with the highest remainder votes.

Under the proportional electoral quotient system, each holder of a share is entitled to propose a slate of one or more directors to be elected. Each slate with more than one director provides an order of preference in which the directors are supposed to be elected. After all slates have been proposed, a vote is held. Each share is entitled to one vote, and only shareholders are entitled to vote. Shareholders cannot vote for individual members of the slate, but only for a particular slate.

Our chief executive officer has general powers to make all decisions and take all actions in the ordinary course of our business. However, the following decisions and actions require the authorization of the board of directors: (i) any operation concerning real property of more than approximately US$5,250,000; (ii) pledges of goods; (iii) investments in fixed assets (*bienes de capital*) of more than approximately US$5,250,000 and (iv) any financial operation of more than US$5,250,000.

We have one mandatory external auditor elected for a one-year term by our shareholders. The shareholders elect an accounting firm as our external auditor, which, in turn, designates one principal and an alternate as acting external auditors. Under Colombian law, the duties of the statutory auditor include, among other things, the examination of the operations, books, records and any other documents of ours, as well as the presentation of a report of such examination at the annual general shareholders' meeting.

Executive officers

We are managed by a board of directors and our executive officers. Our chief executive officer and the other executive officers listed below are selected and appointed by our board of directors. The table below sets forth our executive officers as of June 2007:

Name	Age	Position
Gonzalo Restrepo Lopez	56	Chief Executive Officer
Edith Maria Hoyos Cardona	50	Chief Financial Officer
Dario Jaramillo Velazquez	55	General Manager of Carulla Vivero
Jean Jacques Thiriez Lopez	34	Commercial Vice-President
Carlos Mario Diez	47	Operations Vice-President
Alejandro Calle	48	Marketing Vice-President

Gonzalo Restrepo Lopez has been our Chief Executive Officer since 1990. Mr. Restrepo holds a B.S. in Management from Syracuse University, and a MBA from the University of Georgia. Prior to joining us, Mr. Restrepo held several management positions such as General Manager of Marquillas S.A., Internaciones S.A. and President of Caribe Motor S.A. and Caribu Internacional S.A. Mr. Restrepo has also been President of the Coca-Cola Retailing Research Council—Latin America, and Professor at EAFIT University. He has also been a board member of companies such as Fundación Exito, Proantioquia, Almacenes Flamingo S.A., CIES—The Food Business Forum (France), Inversiones Mundial S.A., DIDETEXCO S.A., Cativen (Venezuela), Cementos Argos S.A., French-Colombian Chamber, and Medellín Metro, among others. Mr. Restrepo was chosen in 2006 as the leading executive in Colombia by *La Republica*, a respected Colombia financial periodical.

Edith Maria Hoyos Cardona has been our Chief Financial Officer since 2004. Prior to the merger between Almacenes Exito and Cadenalco S.A., Ms. Hoyos held several positions in the finance department of Cadenalco S.A. She holds a BS in accounting from Antioquia University.

Dario Jaramillo Velazquez has been recently appointed General Manager of Carulla Vivero after 7 years at Exito where he worked as Commercial Vice President of the supermarket format. Prior to that he was President of Cadenalco. Overall, he has spent 15 years with the Company. He holds an economics degree from the University of Antioquia and a post-graduate degree in Finance from EAFIT and in Retailing from the Babson Institute.

Jean Jacques Thiriez Lopez has been our Commercial Vice-President since 2007 and with Exito since 2004. After studying production engineering at EAFIT, Mr. Thiriez completed his MBA at MIT's Sloan School of Management. Mr. Thiriez was previously employed as the director of sales for Leonisa (one of Colombia's largest producers of underwear) and a senior consultant with AT Kearney, a global consulting company, at its Paris office. He has also participated in multiple projects for various other companies including Casino Group France, Nestlé, Cadbury Adams, Société General and Societé du Louvre. Before he assumed his current position as Commercial Vice President, Mr. Thiriez was the national manager for Exito's apparel business line.

Carlos Mario Diez has been our Operations Vice-President since 1999, and has a management degree from EAFIT. Prior to joining us, Mr. Diez worked as a Manager at Colcosmeticos S.A. of the L'Oreal Group Colombia.

Alejandro Calle has been our Marketing Vice-President since 2005 and has a business degree from Universidad EAFIT and a post-graduate degree in marketing from the same institution. Mr. Calle has led our marketing efforts for almost 15 years. He has launched and developed projects such as alternative channels, the *Exito* Card, the repositioning of the *Ley* and *Pomona* brands, and the growth of the *Exito* brand.

The business address for all of our senior management is Carrera 48 No. 32b sur—139 Envigado—Antióquia—Colombia Suramérica.

Board of directors

Name	Age	Position
Hakim Aouani	42	Director
David Bojanini García	51	Director
Nicanor Restrepo Santamaría	65	Director
Francis Mauger	57	Director
Jan Hiljo Ozinga	41	Director
Armando Montenegro Trujillo	54	Director
Samuel Azout Papu (independent member)	44	Director
Guillermo Valencia Jaramillo (independent member)	65	Director
Luis Carlos Uribe Jaramillo (independent member)	62	Director

Hakim Laurent Aouani is Director of Corporate Development and Holdings at Casino Group. Mr. Aouani received a degree from SUPELEC Engineering School with a telecommunications major and holds a degree in business administration from HEC Business School.

David Bojanini García is the President of SURAMERICANA DE INVERSIONES S.A. He graduated as an Industrial Engineer from Universidad de los Andes and holds an MBA from the University of Michigan. He was the president of PROTECCIÓN S.A. pension fund and the general manager of Suramericana de Seguros.

Nicanor Restrepo Santamaría graduated from the Escuela de Ingeniería y Minas de la Universidad Nacional. Mr. Restrepo was an executive of Caja Agraria, Encoper, Celanese, Empresa Cadena de Frío, Coltejer and Corporación Financiera Nacional. For 16 years he was the president of Suramericana de Seguros and the head of the Grupo Empresarial Antioqueño (GEA), one of Colombia's leading business groups.

Francis André Mauger is a Director of Latin America Operations at Casino Group. Mr. Mauger attended the Ecole Hôteliere de Lausanne in Switzerland.

Jan Hiljo Ozinga is the international development and expansion director of Casino. He was also the director of international development and expansion director at the ACCOR Group in France.

Armando Montenegro Trujillo is an industrial engineer from Javeriana University with a master in economics from Ohio University and a PhD in economics from New York University.

Mr. Montenegro is an executive of AGORA CORPORATE CONSULTANTS LTDA. Prior to that, he was a Managing Director at RC CORPORATE CONSULTANTS (member of the Rothschild Group). He was also the president of ANIF and an alternate member of the discussion board of the World Bank in New York.

Samuel Azout Papu has a B.S. in economics from Cornell University and an MBA from Georgetown University. From 1995 to 2006 he was the President of Carulla.

Guillermo Valencia Jaramillo is the President of *Industrias El CID*, one of Colombia's largest producers of apparel. Mr. Valencia also serves as the council president for Inexmoda.

Luis Carlos Uribe Jaramillo is the former president for Productos Familia Sancela S.A., a Colombian company with Swedish investments. His company is a leader in the design, innovation, production, and distribution of personal hygiene products in Colombia.

The business address for all of our board of directors is Carrera 48 No. 32b sur—139 Envigado—Antióquia—Colombia.

Corporate governance

Statements below referring to Colombian governance standards reflect the legal requirements regarding corporate governance for local issuers and listed companies set forth by law, the Colombian Financial Superintendency (*Superintendencia Financiera de Colombia*) and the Ministry of Finance and Public Credit (*Ministerio de Hacienda y Crédito Público*). Our common shares are registered in the National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) and with the Colombian Stock Exchange (*Bolsa de Valores de Colombia*).

Because our common shares are registered in the National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) and with the Colombian Stock Exchange, we are required to comply with the Colombian Financial Superintendency's disclosure and other legal and administrative requirements as well as with the requirements set forth by the Colombian Stock Exchange. Thus far, we have fully complied with such requirements.

Board of directors and independent members

Colombian corporate governance standards require listed company's board of directors to be composed of a minimum of five and a maximum of ten board members, of which 25% must be independent.

Our board of directors currently has nine members, three of which are independent under Colombian law.

Under Colombian law, in order to be recognized as an independent member of a board of directors the proposed member cannot be:

- A current or former (one year prior to the election) employee or director of the Company or of any of its affiliates;
- A shareholder that directly or through the execution of shareholders agreements, controls the majority of the Company's voting rights, or may elect the majority of the management members of the Company;
- A shareholder or employee of an entity advising the Company or its affiliates, if the income received by such entity from the Company represents more than 20% of its operational income;

- An employee or director of an entity recipient of donations or gifts from the Company that represents at least 20% of the total donations or gifts received by the entity;
- An administrator of an entity in which the Company's legal representative acts as a board member; or
- Any person that receives any kind of fee or remuneration from the Company, other than the fees received as a board member, audit committee member or member of any other committee created by the board of directors.

Executive sessions and audit committee

There are no mandatory requirements under Colombian law that a company should hold executive sessions, and we currently do not hold such sessions.

Nonetheless, public issuers must have an audit committee composed of at least three board members, provided however that all independent board members shall also be members of the committee. Such committee must verify the Company's compliance with the internal auditing program, and oversees the preparation of financial information in accordance with the law. The audit committee must hold sessions at least every quarter.

Compensation, evaluation and surveillance committee

The board of directors appoints a Compensation, Evaluation and Surveillance Committee which consists of three members. Its main functions are the following:

- Determine general policies for the election of directors and for the individual and collective evaluation of directors, senior executives and administrators, and monitoring the duties and responsibilities assigned to them;
- Set the parameters to determine the compensation of directors;
- Set the rules for the transfer of shares to employees as compensation or an incentive measure;
- Set the parameters for the monitoring of senior executives' duties and responsibilities by the internal auditor; and
- Resolve disputes that arise in relation with the compliance of the corporate governance code.

Shareholders agreements

Under Colombian law, listed companies must register any and all shareholders agreements before the *Registro Nacional de Valores y Emisores*. Failure to do so will result in the agreement having no legal effects on the subscribing parties and/or on any third party.

Code of ethics

Colombian corporate governance standards do not require the adoption of specific guidelines, except for companies wishing to be targeted by Colombian Pension Funds.

Pursuant to Resolution 275 of 2001 of the Colombian Financial Superintendency, Colombian Pension Funds may only invest in companies which have adopted the following corporate governance standards:

- Specific mechanisms to evaluate and control the activities of the company's management;

- Specific mechanisms that enhance the prevention, management and disclosure of any conflict of interest that the company may face with its shareholders and/or management or between them;
- Specific mechanism that identify and disclose major risk factors to the company's shareholders, investors or their representatives;
- Specific mechanisms which guarantee that election of the fiscal auditor by the general shareholders' meeting will be made based on an objective and public evaluation and having considered alternatives;
- Specific mechanisms that guarantee that any critical findings made by the fiscal auditor will be informed to all shareholders and investors or their representatives;
- Specific mechanisms that allow shareholders and other investors or their representatives to request and perform at their own expense specialized auditing of the company;
- Specific mechanisms to implement adequate internal control systems that allow shareholders and investors or their representatives to follow up with internal control activities and thus be informed of any relevant findings;
- Specific mechanisms to allow minority shareholders or their representatives to require management to summon a shareholders' meeting whenever there are reasonable reasons to do so;
- Specific mechanisms that ensure equal treatment for every shareholder and investor; and
- Specific mechanisms that allow shareholders and other investors to demand compliance by the company with its corporate governance code.

As of 2003, we adopted a code of corporate governance which incorporates, among other rights, all terms legally required, including those required by the Colombian Financial Superintendency pursuant to Resolution 275 of 2001.

Committees of the board of directors

Audit committee

Our Audit Committee is responsible for the coordination of the internal audit process, appointment of the independent auditors and for presenting to the board of directors its opinion with respect to the financial statements and the areas that are subject to an audit process. Messrs. Hakim Aouani, Armando Montenegro, Samuel Azout, Luis Carlos Uribe and Guillermo Valencia are the current members of our Audit Committee. The main functions of the Committee are:

- Review financial statements before they are delivered to the board of directors and the general shareholders' meeting;
- Evaluate if the Company's administration is implementing existing internal controls. This entails communicating to all of the Company's employees the scope of their responsibilities;
- Understand the areas which may represent a financial risk to the Company and how management is dealing with them; and

- Review legal and non legal matters that relate to accounting and system reports, including the developments that are made in accounting in order to understand the consequences they may have on the Company's financial statements.

Board members' compensation

In 2006, we paid an aggregate of approximately COP 66 million in cash compensation to the members of our board of directors. We have not set aside any funds for future payments to members of the board of directors.

In 2007, we intend to compensate the members of our board of directors who are not Exito officers COP 6 million per meeting. In addition, members of committees of the board of directors would receive COP 3 million per committee meeting attended.

Principal shareholders

Major shareholders

The following table sets forth certain information concerning the actual direct and indirect ownership of our common stock as of June 30, 2007 with respect to each shareholder known to us to own more than 5% of our outstanding shares:

Shareholder	Number of shares	Percentage beneficial ownership
Casino Group	153,011,202	65.49%
Grupo Empresarial Antioqueño	24,985,734	10.69%
Grupo Colombiana de Comercio	14,536,568	6.22%
Other	41,093,664	17.60%
Total	233,627,168	100.00%

Casino group. Founded in 1898, Casino is one of the French food retail leaders. The Casino Group is a multiformat retailer with, at December 31, 2006, a total of some 9,200 outlets including 344 hypermarkets, 2,076 supermarkets, 726 discount stores, 5,656 convenience stores and more than 190,000 employees worldwide. Other successful businesses of the Casino Group include restaurants, e-commerce, financial services and property management and development.

Casino has operations in 11 countries with Latin America and Southeast Asia representing 83% of its consolidated sales outside of France. The international focus of the Casino Group is on leadership positions in fast-growing regions, offering high organic growth potential and enabling the development of synergies.

In 2006, total sales of products under the Casino brands, excluding tax, amounted to €35.1 billion, including 63% generated in France and 37% internationally. Consolidated sales, excluding tax, amounted to €22.5 billion, with France accounting for 78% and international operations 22%. Net profit attributable to equity holders amounted to €436 million.

The Casino Group has been a financial and strategic partner of Exito since 1999. Since then, it has provided Exito with financial means to support its organic growth in Colombia, key competences to develop the skills of the organization, and best practices from other Casino companies worldwide. Exito can share and benefit from the experiences of Casino Group in all formats of traditional retail as well as in many other businesses, such as property development and management. Belonging to a global firm, Exito also has access to opportunities in sourcing products worldwide and to global negotiations with multinational suppliers.

Grupo Empresarial Antioqueño—GEA. GEA is a term commonly used to identify a number of second level holdings and other subordinated companies controlled by three Colombian publicly traded companies. As of 2006, GEA had sales of over US$7 billion and over 150,000 direct employees. GEA actively participates in the governance of Exito according to the exercise of shareholder rights pursuant to the Shareholders Agreement.

GEA's commercial activities are divided into three main industries. Through one of its subordinated companies, Suramericana de Inversiones, GEA has presence in the banking, insurance and social health care industry. Through its wholly owned subsidiary, Compañía de Cementos Argos, GEA operates in the construction sector. Through Inversiones Nacional de Chocolates, a company which produces food products through several subsidiaries such as Compañía Nacional de Chocolates, Galletas Noel, Dulces de Colombia, Zenú, Colcafé, Café La Bastilla y Pastas Doria, GEA also operates in the food production sector.

Grupo Colombiana de Comercio—GCC. Notwithstanding the fact the Group is not registered before the Colombian Commercial Registry as a business group, GCC acts as a group and actively participates in the governance of Exito pursuant to the exercise of shareholder rights under the Shareholders Agreement. The GCC members that hold an equity interest in Exito are: Alianza Fiduciaria S.A.-Fideicomiso Adm-Sonnenblum, Inversiones Pinamar S.A., Alianza Fiduciaria S.A.-Fideicomiso Adm-Veilchen and Alianza Fiduciaria S.A.-Fideicomiso Birne.

Shareholders Agreement

On October 7, 2005, a shareholders agreement (the "Shareholders Agreement") was executed by and among Casino Group and certain affiliates on the one hand and a group of sixty eight shareholders of Almacenes Éxito S.A. (referred to in the Shareholders Agreement as the "Colombian Shareholders"), representing in the aggregate approximately 69.5% of the issued and outstanding shares of the Company at the time of execution, with the idea of regulating certain aspects of the company's governance and the relationship among stockholders.

The Shareholders Agreement was deposited with our secretary and disclosed to the Superintendence of Finance and to the securities market immediately after its execution, on October 10, 2005.

The most significant provisions of the Shareholders Agreement are as follows:

Election of directors

The parties will vote their shares to guarantee that: (i) the board of directors of Exito consists of seven members; (ii) Casino and the Colombian Shareholders shall each be entitled to nominate the number of directors and alternate directors that they would be entitled to select under Colombian law, assuming that together they constitute 100% of the outstanding shares. This number excludes the independent members required by law. The parties will present their nominees in a single slate. We are unaware of any amendment to the Shareholders Agreement in connection with the bylaw amendment which changed the composition of the Board expanding it from 7 members to 9 members and eliminating the alternate director structure. Such change however was approved by all parties present at the shareholders' meeting approving such change.

As long as (a) Casino owns 10% or (b) any of the other parties to the Shareholders Agreement together own at least 10% and such 10% owner is able to elect two or more members of the Board, the other party shall be entitled to designate one individual (the "Casino Designee" or the "Colombian Shareholders' Designee," as applicable) and his respective alternates.

The Board shall at least meet once every quarter and its decisions shall be approved by the majority of all our directors. The following acts require approval by the Board:

- The approval of any single capital project, investment or expenditure, or series of related capital projects, investments and/or expenditures having an individual or aggregate value in excess of approximately US$5,000,000;

- The incurrence of any debt by us (other than asset securitizations which will be considered as a sale of assets subject to the limitations described below) which causes the Company to have a total consolidated net debt such that the ratio of our consolidated net debt to Adjusted EBITDA is greater than 4:1;
- The approval, overseeing and implementation of our annual budgets and business plans and any material amendments thereto or deviations therefrom;
- The appointment of any of our senior executive officers;
- Any key strategic decisions relating to our operation and business;
- Any sale, lease, exchange or other disposition of a line of business or fíxed assets of ours (including asset securitizations) or any acquisition by us of any business, fixed assets or securities in any one transaction or series of related transactions having an individual or aggregate value in excess of approximately US$5,000,000; and
- Any decisions and actions by an executive officer or senior management employee that would, in accordance with the laws of the Republic of Colombia and/or our by-laws, exceed their authority.

Any issuance of equity shall be made at the Board's sole discretion but shall be subject to the preemptive rights set forth in our by-laws.

The parties agreed that they shall not vote in favor of or consent to: (i) any decision that would result in the conduct of any business by us which is fundamentally different or not related to the business currently conducted and authorized by the by-laws; or (ii) any amendment to the by-laws which would have a disproportionate effect on any of the parties.

Obligation to offer in a proposed transfer of Shares

Right of first offer (ROFO). The parties have a right of first offer, which can be summarized as follows: (i) in the event of a sale by any party, the other parties to the Shareholders Agreement (first the Colombian Shareholders in the event such sale is by a Colombian party) have a right of first offer; (ii) if any party exercises their right of first offer then the applicable sale shall be made through an auction on the Colombian Stock Exchange or other agreed upon procedure, and such sale must be disclosed publicly and to the Colombian Financial Superintendency at least one month in advance. Any remaining shares not acquired in accordance with the parties' ROFO rights may be sold by the selling party to any third party on substantially the same terms within 180 days.

Tag along rights. The parties have a tag along right according to which they may not transfer their shares unless the other parties have been afforded the opportunity to participate proportionally in such transfer.

Drag along rights. If one or more Colombian Shareholders desires to transfer their shares and Casino does not exercise its ROFO nor its tag along right, then the majority of the Colombian Shareholders will have the right to require Casino to sell all of its shares to the purchaser upon the same terms and conditions offered to the Colombian Shareholders.

Put rights

Each Colombian Shareholder shall have a right to require Casino to purchase any or all the shares held by such Colombian Shareholder upon any of the following events: (i) Casino's ownership in

Exito exceeding 50% of the outstanding voting stock of the Company, (ii) Casino obtaining the right to elect a majority of the Board or (iii) Casino, together with a third party, obtaining the right to elect a majority of the Board.

Casino sale

Subject to the same ROFO rules referred to above, the Colombian parties have a ROFO whenever Casino desires to sell any or all of its shares.

Preemptive rights

The parties shall cause the Company to grant each party preemptive rights in any new issuance of securities.

Change of control

If any of certain companies controlled by GEA experiences a change of control then such company shall have the express and irrevocable obligation to sell of its shares in the Company.

Term of Shareholders Agreement

The Shareholders Agreement will terminate upon the Colombian Shareholders collectively, or Casino independently, owning less than 10% of the total outstanding shares of the Company.

Related party transactions

Colombian corporate law requires that our related party transactions be disclosed at the annual shareholders' meeting. Similarly, Colombia tax laws require that related party transactions be conducted for income tax purposes on an arm's length basis or on similar terms to those prevailing customarily in the market.

In the ordinary course of business we enter into purchase agreements at arm's length with our controlling shareholder, Casino. These agreements are typically for goods that Casino obtains at favorable rates due to the large volume of goods they acquire in connection with their global operations. The amount of these purchases is not material in relation to the total amount of the goods we purchase.

Our shareholder, GEA, which owns 10.69% of our shares, controls Sufinanciamiento, our Exito card joint venture partner. The terms of this arrangement were negotiated at arm's length.

GEA also controls Inversiones Nacional de Chocolates and Suramericana de Inversiones from whom we purchase certain food products and insurance, respectively. All such transactions are conducted on an arm's length basis.

Our shareholder, Grupo Colombiana de Comercio, which owns 6.22% of our shares, controls Colombiana de Comercio S.A. We purchase motorcycles from this company, which are sold at our stores, pursuant to arm's length agreements.

We may from time to time enter into additional related party transactions with our management, directors or shareholders on an arm's length basis.

Description of capital stock

The following description of our capital stock is a summary of the material terms of our by-laws and Colombian corporate law regarding our shares and the holders thereof. This description contains all material information concerning our stock but does not purport to be complete. For complete description, you should read our by-laws and all applicable corporate and securities regulations.

Common shares

Our authorized capital stock as of June 1, 2007 is 4,000 million pesos divided into four hundred million shares of common stock with a par value of ten Colombian pesos per share, evidenced by stock certificates. Our capital stock is divided into shares, which provide certain economic privileges and political rights to our shareholders. Immediately following the completion of this offering, we expect to have approximately 278,627,168 common shares outstanding.

Under our by-laws and Colombian corporate law, holders of common shares have the following rights:

- To participate in the deliberations of the shareholders' meeting and vote thereat;
- To receive dividends based on the year-end financial statements, except as otherwise described in this section;
- To negotiate the shares subject to Colombian law and our by-laws;
- To freely inspect the corporate books and records within fifteen business days prior to the general shareholders' meeting where the year-end balance-sheets are to be examined; and
- To receive, in the event of liquidation of Exito, a proportional amount of the corporate assets, after payment of our external liabilities.

Objects and purposes

We are primarily engaged in the acquisition, processing, transformation and distribution of all types of domestic and international merchandise and products, including pharmaceutical and/or medical products, as well as the establishment and operation of stores, supermarkets, drugstores, deposits and other commercial establishments for retail purposes.

Under Colombian law, we are only authorized to undertake the activities set out in our corporate purpose and such other activities that are instrumental or required to develop our corporate purpose.

Issuance of shares

Pursuant to Colombian law, we may issue shares of common stock up to the amount of our authorized capital. The shareholders' meeting must approve any increase in the authorized capital by amending the by-laws with the vote of a majority of the shares present at such meetings.

Issuance of common shares must be approved by the board of directors with the vote of a majority of the members. Any issuance of common shares is subject to preemptive rights by all our shareholders, except for the following events:

- if the shareholders' general assembly waives preemptive rights with the vote of 70% of the shares present at the relevant meeting;

- the issued shares will be subscribed exclusively by the company's employees or employees of subordinated companies limited to 10% of our shares in reserve;
- in case of (a) merger, divestiture or other similar corporate restructuring, (b) credit capitalization, or (c) issuance of shares where payment is made in kind; and
- issuance of shares where cash payments are made, provided however that the proceeds thereof will be used solely for the purpose of acquiring fixed assets and/or commercial establishments. In these cases, the board of directors will be entitled to issue a number of shares equivalent to the amount needed to cover the acquired (or to be acquired) assets' value, without being subject to preemptive rights.

Colombian companies may also issue privileged stock and preferred stock. The issuance of privileged stock (all privileges being of an economic nature) must be approved by the shareholders at a shareholders' meeting and the law requires us to offer it subject to preemptive rights. The issuance of preferred stock (which is non-voting and entitled to a preferred dividend) must be approved by the shareholders at a shareholders' meeting, unless such decision is delegated to the board of directors. Preferred stock may not represent more than 50% of our total outstanding stock.

Preemptive rights

Our by-laws require us to afford preemptive rights to all our shareholders in any new issuance of shares so that they maintain their percentage of ownership in the aggregate capital stock. As previously indicated, preemptive rights may be waived and, under our by-laws, do not apply in certain circumstances. The board of directors determines the terms for the exercise of preemptive rights, which cannot be less than 15 business days as of the date of the offer. Preemptive rights may be negotiated on the Colombia Stock Exchange or directly during the period defined by the board of directors .

Registration and transfer

Our shares are evidenced by stock certificates issued by us and they may be freely transferred on the Colombia Stock Exchange subject to certain exemptions and restrictions.

In general, the following transfers do not need to be effected through the Colombia Stock Exchange: (i) transfers of shares offered abroad provided that they take place outside of Colombia; (ii) transfers between shareholders that have the same beneficial owner provided that such condition is evidenced to the Colombian Finance Superintendence; (iii) transfers by operation of law (such as inheritance, liquidation of companies or judicial decisions); (iv) transfers as payment in kind provided that the pre-existence of the payment obligation is evidenced to the Colombian Finance Superintendence; (v) repurchase of shares by us; and (vi) transfers involving less than an amount defined by law (approximately US$5,000).

Certain restrictions apply to transfers of our common stock, including: (i) purchases in excess of 25% of the outstanding capital (including GDSs) must be made through a tender offer; and (ii) shareholders holding more than 25% of the outstanding capital (including GDSs) may purchase shares representing 5% or more of the outstanding capital only through a tender offer. Certain exemptions apply to the tender offer rules. For example, transfers through an auction on the Colombia Stock Exchange by virtue of a merger (provided that a tender offer for the same amount of shares transferred is launched by the acquirer afterwards), between entities that have the same beneficial owner, by virtue of law, as payment in kind of preexisting obligations which have been due for more than one year or following a capitalization of credits or a repurchase of shares are exempted.

Securities regulation forbids a shareholder to pre-arrange transactions on shares of listed companies unless the pre-arrangement is disclosed publicly and to the Colombian Superintendence of Finance at least one month in advance.

Transfers of shares are subject to a system of registry which differs depending on whether the certificates are in electronic form or physical form. Transfers of electronic certificates must first be registered with *Depósito Centralizado de Valores* (DECEVAL) through the relevant stockbroker. The main purpose of DECEVAL is to receive and manage securities issued by corporations in order to keep them under custody and keep a record of the transactions undertaken over such securities, including but not limited to transfers, pledges and withdrawals. Accordingly, DECEVAL is not allowed to hold, invest or otherwise use the securities held under custody.

Transfer of both electronic and physical certificates must be registered on the stock ledger that we maintain. Only those holders registered on the stock ledger are recognized by us and third parties as shareholders. Registration only requires endorsement of the certificates or a written instruction of the seller. In the case of electronic certificates, DECEVAL notifies us about the transfer after registering it in its system.

Transfers do not cause any fee for us but they may be subject to certain taxes, stamp duties or other governmental charges which the shareholder may be required to pay.

Pursuant to the Colombian Commerce Code, our board of directors and certain of our principal executive officers may not, directly or indirectly, buy or sell shares of our capital stock while holding their positions, unless the transfer does not have a speculative purpose and is previously approved by the board of directors with the vote of two-thirds of its members (excluding, in the case of transactions by a director, such director's vote), or the approval of the shareholders at a shareholders' meeting with the favorable vote of the majority of the shares present.

Shareholders' meetings

Shareholders' meetings may be ordinary or extraordinary. Ordinary meetings occur at least once a year during the first three months following the end of the prior fiscal year. Extraordinary meetings may take place when duly called for a specific purpose, or, without prior notice, when holders representing all outstanding shares entitled to vote are present at the meeting.

In the ordinary annual meeting of shareholders, our board of directors and the fiscal auditor are appointed and our annual financial statements, profit distributions, audit and management reports and any other issues determined by applicable law or the company's by-laws are approved.

Extraordinary meetings may be called by the board of directors, the CEO or the fiscal auditor, or when requested by a number of shareholders representing at least 25% of all outstanding shares of the company.

Notice of ordinary shareholders' meetings must be (i) sent to the last shareholders' registered address, (ii) personally notified to all shareholders, or (iii) published in a newspaper of wide circulation at the Company's principal place of business at least fifteen business days in advance of the meeting. Notice of extraordinary shareholders' meetings, listing the matters to be addressed at such a meeting, must be (i) sent to the last shareholders' registered address, (ii) personally notified to all the shareholders, or (iii) published in a newspaper of wide circulation at our principal place of business at least five business days in advance of the meeting. To compute these days, neither the day of the notice nor the day of the meeting shall be counted.

The quorum for both ordinary and extraordinary shareholders' meetings is 50% plus one of the shares entitled to vote at the relevant meeting. Except for "second call meetings" that may take place when a meeting fails to obtain the required quorum and a second meeting is called not before 10 business days nor later than 30 business days from the first meeting date, in which case decisions may be made by the present shares regardless of the number represented.

Unless Colombian law requires a special majority, decisions made at the shareholders' meeting must be approved by a majority of the present shares. Colombian law requires special majorities as follows:

- the vote of at least 70% of the shares present and entitle to vote at a general shareholders' meeting is required to approve the issuance of stock not subject to preemptive rights.
- the vote of at least 78% of the shares represented entitled to vote is required to approve the distribution of less than 50% of the annual net profits (or 70% if the legal reserves exceed the amount of the outstanding capital) in any given accounting period or to abstain from distributing a dividend.
- the vote of at least 80% of the shares represented entitled to vote is required to approve the payment of stock dividends. In case such majority is not obtained, shareholders who accepted the stock dividends' payment will be entitled to receive shares as dividends.
- the vote of 100% of the outstanding and issued shares is required for: (i) approving a spin-off if shareholders do not participate in the spun-off company on the same terms as in us, and (ii) to replace a vacancy on the board of directors without applying the electoral quotient system.

Shareholders may be represented by proxies provided that the proxy: (i) is in writing (faxes and electronic documents are valid), (ii) indicates the name of the representative, (iii) indicates the date or time of the meeting for which it is conferred and (iv) is not issued to a legal representative of the company. Proxies granted abroad do not require legalization or apostille.

Summary of significant differences between shareholders' rights and other corporate governance matters under Colombian corporate law and Delaware corporate law

We are a Colombian corporation (*sociedad anónima*) and as such are subject to Colombian corporate law. The following table highlights the most significant provisions that materially differ between Colombian corporate law and Delaware corporate law.

Colombia	Delaware
Directors	
Conflict of interest transactions. Transactions involving a Colombian corporation and an interested director or officer are subject to the prior approval of the vote of a majority of the shares present at a shareholders' meeting and based on the information provided by the director or officer. The transaction should be at arm's length or otherwise it may be disregarded by administrative authorities or challenged in court.	*Conflict of interest transactions.* Transactions involving a Delaware corporation and an interested director of that corporation are generally permitted if: (1) the material facts as to the interested director's relationship or interest are disclosed and a majority of disinterested directors approve the transaction; (2) the material facts are disclosed as to the interested director's relationship or interest and the stockholders approve the transaction; or (3) the transaction is fair to the corporation at the time it is authorized by the board of directors, a committee of the board of directors or the stockholders.
Directors' terms. Under Colombian law directors must be appointed for specific periods that may be freely extended. Directors may be removed at any time with the vote of a majority of the shares represented.	*Directors' terms.* The Delaware General Corporation Law generally provides for a one-year term for directors. However, the directorships may be divided into up to three classes with up to three-year terms, with the years for each class expiring in different years, if permitted by the articles of incorporation, an initial by-law or a by-law adopted by the shareholders.
Number of Directors. For listed companies, the board of directors must have at least five and no more than ten members, out of which at least twenty-five percent need to be independent pursuant to certain criteria set by law.	*Number of Directors.* The board of directors must consist of a minimum of one member.
Authority to take actions. The by-laws of a Colombian company may require certain actions to be approved by a special majority of directors. We currently do not have special majorities in our by-laws.	*Authority to take actions.* The articles of incorporation or by-laws can establish certain actions that require the approval of more than a majority of directors.

Colombia	Delaware
Election of Directors. The board of directors must be elected by the Electoral Quotient system (*cuociente electoral*). See "Description of capital stock – Shareholders' meetings."	
Shareholder meetings and voting rights	
Quorum. As a general rule, the quorum for shareholders' meetings is obtained if a plural number of shareholders representing at least 50% plus one of the outstanding shares of the company is present. In "second call meetings" decisions may be made with any number of shares present.	*Quorum*. For stock corporations, the articles of incorporation or by-laws may specify the number to constitute a quorum but in no event shall a quorum consist of less than one-third of shares entitled to vote at a meeting. In the absence of such specifications, a majority of shares entitled to vote shall constitute a quorum.
Action by written consent. The shareholders' meetings and the board of directors may act if written consents are received from all shareholders or board members, as applicable and subject to certain time restrictions. Other means to act for the shareholders meeting or the board of directors is through simultaneous or successive communication through technological means, which require the presence of a delegate of the Colombia Finance Superintendence.	*Action by written consent*. Unless otherwise provided in the articles of incorporation, any action required or permitted to be taken at any annual meeting or special meeting of stockholders of a corporation may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action to be so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and noted.
Other shareholder rights	
Shareholder proposals. Shareholders representing 25% of the outstanding capital may request the legal representative to call a shareholders' meeting. Shareholders representing at least 5% of the outstanding capital stock may request the board of directors to discuss any specific issue, except for those involved in trade secrets or confidential information. As a consequence, the board of directors must specifically address the issue raised and reply in writing the request, indicating the reasons behind its decision or response.	*Shareholder proposals.* Delaware law does not specifically grant shareholders the right to bring business before an annual or special meeting. If a Delaware corporation is subject to the Security and Exchange Commission's proxy rules, a shareholder who owns at least $2,000 in market value, or 1% of the corporation's securities entitled to vote, may propose a matter for a vote at an annual or special meeting in accordance with those rules.

Colombia	Delaware
Appraisal rights. Whenever (i) the merger or spin-off of the company imposes greater responsibility or impairs shareholders' economic rights, or (ii) the company is delisted, absent and dissenting shareholders are entitled to withdraw from the company. In such cases, the following rules apply: (i) withdrawing shareholders must first offer their shares to other shareholders; (ii) if not all the shares held by withdrawing shareholders are sold to the other shareholders, such shares must be offered to the company. Payment for the shares by the company may only be made out of liquid profits; (iii) if not all shares held by withdrawing shareholders are repurchased by the company, the subscribed capital of the company must be reduced and the contribution of such shareholder must be reimbursed. Administrative authorities may condition or object the capital reduction if they believe that it threatens the company's solvency. In each of the foregoing events, the price of the shares may be determined by mutual agreement of the parties and, if not, by an expert's appraisal.	*Appraisal rights.* Delaware law affords shareholders in certain cases the right to demand payment in cash of the judicially-determined fair value of their shares in connection with a merger or consolidation involving their corporation. However, no appraisal rights are available if, among other things and subject to certain exceptions, such shares were listed on a national securities exchange or designated national market system or such shares were held of record by more than 2,000 holders.
Shareholder Derivative Actions. Any shareholder, with the prior consent of the shareholders at a shareholders' meeting and provided that legal representatives do not bring an action within three months following such decision, is entitled to sue, on behalf of the corporation, the company's directors or officers for breach of their fiduciary duties or for any violation of the law or the by-laws. A five-year statute of limitations applies to such claims.	*Shareholder Derivative Actions.* Subject to certain requirements that a shareholder make prior demand on the board of directors or have an excuse not to make such demand, a shareholder may bring a derivative action on behalf of the corporation to enforce the rights of the corporation against officers, directors and third parties. An individual may also commence a class action suit on behalf of himself and other similarly-situated stockholders if the requirements for maintaining a class action under the Delaware General Corporation Law have been met. Subject to equitable principles, a three-year period of limitations generally applies to such shareholder suits against officers and directors.

Colombia	Delaware
Inspection of Corporate Records. Any shareholder may inspect the corporation's books and records for any purpose reasonably related to its interest as a shareholder. Directors and officers must allow the exercise of inspection rights at the company's main place of business during the fifteen business day period prior to the meeting that will review end-of-period financial statements.	*Inspection of Corporate Records*. A shareholder may inspect or obtain copies of a corporation's shareholder list and its other books and records for any purpose reasonably related to a person's interest as a shareholder.
Anti-takeover provisions	
Under Colombian law, when a listed company is the target of a tender offer the trading of its shares is temporarily suspended. From the moment such suspension becomes effective and until the outcome of the tender offer is disclosed, the company shall refrain from: • Issuing shares or convertible securities; • Undertaking transactions over the relevant securities; • Selling or pledging more than 5% of its assets; • Undertaking any activity that has the purpose or effect of modifying the price of the shares; • Undertaking any activity which is not within its ordinary course of business.	Delaware corporations may have classified boards, super-majority voting and shareholders' rights plans. Unless Delaware corporations specifically elect otherwise, Delaware corporations may not enter into "business combinations," including mergers, sales and leases of assets, issuances of securities and similar transactions, with "interested stockholders," or anyone that beneficially owns 15% or more of such a corporation's voting stock, within three years of such person becoming an interested shareholder unless: (1) the transaction that will cause the person to become an interested shareholder is approved by the board of directors of the target prior to the transactions; (2) after the completion of the transaction in which the person becomes an interested shareholder, the interested shareholder holds at least 85% of the voting stock of the corporation not including shares owned by persons who are directors and also officers of interested shareholders and shares owned by specified employee benefit plans; or (3) after the person becomes an interested shareholder, the business combination is approved by the board of directors of the corporation and holders of at least 66.67% of the outstanding voting stock, excluding shares held by the interested shareholder.

Colombia	Delaware
Market for corporate control	
Tender offers are required if an offeror seeks to acquire more than 25% of the outstanding capital (including GDSs) of a listed company. Also, anyone holding over 25% of the outstanding capital (including GDSs) of a listed company who seeks to acquire an additional 5% must launch for that purpose a tender offer. Additionally, mandatory tender offers are required under the following circumstances: (i) if the abovementioned thresholds are exceeded as a result of a merger, the acquirer must launch a tender offer for the same amount of shares so acquired at a price per share equivalent to the exchange ratio applicable to the merger; (ii) if any shareholder reaches more than 90% of the shares of the company it is required to launch a tender offer for the remaining shares at a price per share established by an independent valuation; (iii) if the company is delisted, shareholders approving such decision must launch a tender offer to acquire the absent or dissenting shareholders' shares at a price per share established by an independent valuation.	

Liquidation rights

We may dissolve if any of the following events occurs:

- if the term of existence, as stated in the by-laws, expires without being extended by the shareholders prior to its expiration date;
- if the Company is not able to carry out its purpose as stated in the by-laws;
- if the Company's losses cause its net worth to decrease to below 50% of the value of its outstanding capital stock, unless one or more of the corrective measures described in the Colombian Commerce Code are adopted by the shareholders within six months;
- by decision of the shareholders at the general shareholders' meeting;
- upon reduction of the number of shareholders to less than five unless corrective measures are adopted by the shareholders within the following six months;
- when ninety-five percent or more of the subscribed shares are held by one single shareholder unless corrective measures are adopted by the shareholder within the following six months;
- upon decision of the Colombian government in an event expressly provided by-law; and

- upon certain other events expressly provided by the Colombian law and in the by-laws.

All fully paid common shares will be entitled to participate equally in any distribution upon liquidation. Partially paid common shares must participate in a distribution upon liquidation in the same proportion that those shares have been paid at the time of distribution.

Other provisions—Share repurchases

Based on a decision made at our general shareholders' meeting, we may repurchase our shares. We must use funds from its net profits or from a reserve created for such purpose; shares repurchased must be fully paid. While in our hands such shares' economic and voting rights are suspended. The re-sale of such repurchased shares shall be conducted the same manner as any other sale of shares. In addition, we may:

- sell such repurchased shares and allocate the proceeds in a reserve for the repurchase of additional shares;
- distribute the repurchased shares as dividends to the shareholders;
- cancel them and increase the value of the remaining shares proportionately pursuant to an amendment of the by-laws; or
- assign them to charity or engage in a similar transfer.

Carulla's privileged shares

As part of the Carulla transaction, we entered into agreements with remaining shareholders holding 22.5% of Carulla. The agreements contained the following features:

- the conversion, upon cancellation of Carulla's shares registered with the Colombian Stock Exchange on May 9, 2007 and the National Securities Registry (RNVE) on May 16, 2007, of all of Carulla's common shares into newly issued Carulla privileged shares which have a right to receive a dividend equivalent to the dividend received per Exito share using an exchange ratio of 3.6011 Exito shares per Carulla share (the "Exchange Ratio");
- a put right in favor of the Carulla remaining shareholders with respect to their privileged shares to be exercised between March 2010 and March 2014 at an exit value to be determined based on the higher of (1) $133 million plus 2% per annum, (b) a value determined based on a multiple (8 if exercised before 2012, 8.5 if before 2013; and 8.75 if after 2013) applied over the immediately preceding twelve month consolidated Adjusted EBITDA of our Company, and (c) the average market value of Exito's common shares over the preceding 6-month period;
- an exchange right in favor of the Carulla remaining shareholders to convert their privileged shares into Exito shares based on the Exchange Ratio during the same period described above, with a corresponding option in favor of Exito to settle such obligation either by issuing shares or paying the equivalent amount in cash at the market value of Exito's common shares at such time; and
- a call option in favor of Exito with respect to all of Carulla's privileged shares at the end of the above-mentioned term. The call option value shall be determined following the same procedure established for the put option.

Dividends and dividend policy

Dividends

According to Colombian corporate law, once the shareholders present at the relevant general shareholders' meeting have approved the financial statements, they can then determine the allocation of distributable profits, if any, for the preceding year. This is done by the adoption of a resolution approved by the vote of the holders of a majority of the common shares at the annual general shareholders' meeting.

Also, under the Colombian Commerce Code, a company must, after payment of income taxes and appropriation of legal reserves, and after off-setting losses from prior fiscal years, distribute at least fifty percent of its annual net profits to all shareholders, payable in cash, or as determined by the shareholders, with the required majority, within a period of one year following the date on which the shareholders determine the dividends. If the total amount segregated in all reserves of a company exceeds the amount of its outstanding capital, the percentage required to be distributed increases to seventy percent. The minimum common stock dividend requirement of fifty percent or seventy percent , as the case may be, may be waived by a favorable vote of the holders of seventy-eight percent of the Company's common shares represented at the general shareholders' meeting.

Under Colombian law and the Company's by-laws, annual net profits are to be applied as follows:

- first, an appropriation is made for the payment of income tax for the corresponding fiscal year;
- second, an amount equivalent to 10% of net profits is set aside to build up the legal reserve until that reserve is equal to at least 50% of the outstanding capital;
- third, in case there were losses in prior years, the balance is used to offset such losses; and
- fourth, dividends are distributed and paid as determined by a majority of the shares present at the meeting.

Any stock dividend payable in common shares requires the approval of 80% or more of the shares present at a shareholders' meeting. If such majority is not obtained, shares may be distributed as dividends to the shareholders accepting the stock dividends' payment.

The annual shareholders' ordinary general meeting where distribution of profits is considered must be held within three months of the end of the fiscal year, and the dividend is generally paid shortly thereafter. The declaration of dividends is subject to the discretion of our shareholders and, consequently, we cannot assure you as to the amount of dividends per common share or that any such dividends will be declared.

To the extent that we declare and pay dividends, owners of GDSs on the relevant record date will be entitled to receive dividends payable in respect of shares underlying the GDSs, subject to the terms of the relevant deposit agreement. Cash dividends may be paid to the depositary in Colombian pesos and, except as otherwise described under "Description of the Global Depositary Shares," are converted into U.S. dollars by the depositary and paid to holders net of currency conversion expenses.

Prior to the closing date of the offering Exito intends to pay to its shareholders any currently unpaid and declared dividends corresponding to earnings from prior periods.

Pursuant to the US$300 million syndicated credit agreement we entered into to finance our recent acquisition of Carulla, we are prohibited from paying dividends and making other restricted payments (including repurchases and redemptions in respect of our capital stock) in an aggregate annual amount exceeding US$35 million. The loans made pursuant to this syndicated credit agreement are scheduled to mature in December 2009 and 2011, and as a result this restriction may remain in effect until such time. After the existing restrictions lapse, our shareholders, pursuant to a majority vote of 78%, may in their sole discretion determine, whether we will pay any dividends. Future dividends with respect to shares of our stock, if any, will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that our board of directors may deem relevant. As a result, we cannot give you any assurance that we will pay any dividends at any time in the foreseeable future. See "Dividends and dividend policy" and "Description of capital stock".

The table below sets forth the dividends declared on the outstanding common shares for the years indicated. The dividends set forth for each of the years below were paid in the immediately following year.

	Outstanding shares	**Dividends per share**	**Total dividends**
		(COP)	(in millions of COP)
2004	202,558,086	300	60,767
2005	209,000,626	300	62,701
2006	209,000,626	300	62,701

Share buy-back program

We maintain a reserve for the repurchase of shares, which amounted to COP 19,266 million (US$10.3 million) as of December 31, 2006. A total of COP 744 million (US$391,000) was spent on share repurchases in 2006. Repurchased shares may be held as treasury shares or cancelled. However, the exact amount and timing of future purchases, and the extent to which repurchased shares will be held as treasury shares rather than being cancelled, will be determined by us and is dependent on market conditions and other factors.

Description of the Global Depositary Shares

Depositary receipts

JPMorgan Chase Bank, N.A., as depositary (the "depositary") will issue the Rule 144A or Regulation S depositary receipts (each a "GDR" and collectively "GDRs") in this offering. Each Rule 144A and Regulation S depositary share (each a "GDS") will represent an ownership interest in one share, which we will deposit with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary and yourself as a holder of GDSs. In the future, each GDS will also represent any securities, cash or other property deposited with the depositary but which they have not distributed directly to you. A GDR may evidence any number of GDSs. Only persons in whose names GDRs are registered on the books of the depositary will be treated by the depositary and us as holders of such GDRs.

The depositary's office is located at 4 New York Plaza, New York, NY 10004.

The depositary shall have sole discretion as to whether any GDRs may trade in book-entry or certificated form. The depositary may enter into a Letter of Representations with The Depository Trust Company ("DTC"), for acceptance of the Rule 144A GDSs. We will make application with the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream") for acceptance of the Regulation S GDSs.

So long as the Rule 144A GDSs and Regulation S GDSs are traded through DTC's book-entry settlement system, the Rule 144A GDSs and Regulation S GDSs shall each be evidenced by a single global GDR (the "Master Rule 144A GDR" and the "Master Regulation S GDR" and, collectively, the "Master GDRs") case registered in the name of DTC or its nominee and held by DTC or a custodian for DTC on behalf of its participants, as the case may be, and no person shall receive or be entitled to receive delivery of certificated Rule 144A GDRs or Regulation S GDRs and (ii) ownership of beneficial interests in each Master GDR and will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee with respect to institutions having accounts with DTC ("DTC Participants").

Each Master GDR shall evidence the number of GDSs from time to time indicated in the records of the depositary for such Master GDR and shall be endorsed with such legends as may be required to conform with applicable laws, rules and regulations. Where the context requires, the term "GDRs" includes the Master GDRs and GDSs include an interest in a Master GDR.

If the GDSs cease to trade through DTC's and/or Euroclear's and Clearstream's book-entry settlement system book-entry settlement system, we may make other arrangements acceptable to the depositary for book-entry settlement of the GDSs or shall instruct the depositary to make certificated GDRs, substantially in the form of the form of GDR, with such appropriate changes to the forms thereof and the deposit agreement as the depositary and we may agree, available upon appropriate instructions from the registered holders of the Master GDRs.

Because the custodian for the depositary will actually be the registered owner of the shares, you must rely on it to exercise the rights of a shareholder on your behalf. The obligations of the depositary and its agents are set out in the deposit agreement. The deposit agreement and the GDSs are governed by New York law.

Each owner from time to time of any beneficial interest in a Master GDR (a "beneficial owner") must rely upon the procedures, as in effect from time to time, of DTC, Euroclear and Clearstream, *as the case may be, to exercise or be entitled to any rights of a GDR holder including, but not limited to, receiving dividends and other distributions, making transfers of interests in the Master GDRs, surrendering portions thereof to withdraw shares, exercising voting rights and receiving certain reports and notices from us. Beneficial owners should make arrangements so that all communications in respect of the GDRs can be promptly forwarded to such beneficial owner.*

The following is a summary of the material terms of the deposit agreement. Because it is a summary, it does not contain all the information that may be important to you. For more complete information, you should read the entire deposit agreement and the form of GDR, which contains the terms of your GDSs.

Share dividends and other distributions

How will I receive dividends and other distributions on the shares underlying my GDSs?

We may make various types of distributions with respect to our securities. The depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after converting any cash received into U.S. dollars and, in all cases, making any necessary deductions provided for in the deposit agreement. You will receive these distributions in proportion to the number of underlying shares that your GDSs represent.

Except as stated below, to the extent the depositary is legally permitted it will deliver such distributions to registered holders of GDRs in proportion to their interests in the following manner:

- *Cash*. Subject to any restrictions imposed by the laws of Colombia, regulations or applicable permits issued by any governmental body, the depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered holders, and (iii) deduction of the depositary's expenses in (1) converting any foreign currency to U.S. dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the United States by such means as the depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. The depositary may make adjustments to a distribution if any of the deposited shares is not entitled, by reason of its date of issuance, or otherwise, to receive the full amount thereof. *If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.*

- *Shares*. *In* the case of a distribution in shares or share dividend, the depositary will issue additional GDS representing such shares. Only whole GDSs will be issued. Any shares which would result in fractional GDSs will be sold and the net proceeds will be distributed to the GDR holders entitled thereto. To the extent you receive a distributed GDS or any interest therein you will be deemed to have acknowledged that the GDSs and the shares represented thereby have not been registered under the Securities Act and to comply with any applicable restrictions on transfer set forth thereon.

- *Rights to* receive *additional shares*. In the case of a distribution of rights to subscribe for additional shares or other rights, if we provide satisfactory evidence that the depositary may lawfully distribute such rights, the depositary may arrange for GDR holders or beneficial owners of an interest in a Master GDR to instruct the depositary as to the exercise of such rights. However, if we do not furnish such evidence or if the depositary determines it is not practical to distribute such rights, the depositary may:
  - sell such rights if practicable and distribute the net proceeds as cash; or
  - allow such rights to lapse, in which case you will receive nothing.
- *Other distributions.* In the case of a distribution of securities or property other than those described above, the depositary may either (i) distribute such securities or property in any manner it deems equitable and practicable, (ii) to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash, or (iii) hold the distributed property in which case the GDSs will also represent the distributed property.

Any US dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the depositary in accordance with its then current practices.

The depositary may choose any practical method of distribution for any specific GDR holder or beneficial owner of an interest in a Master GDR, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the GDR holder as deposited securities.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any GDR holders or beneficial owners of interests in a Master GDR.

There can be no assurances that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period.

Deposit, withdrawal and cancellation

How does the depositary issue GDSs?

The depositary will issue GDSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian and pay the fees and expenses owing to the depositary in connection with such issuance. In the case of the GDSs to be issued under this offering circular, we will arrange with the underwriters named herein to deposit such shares.

Shares deposited in the future with the custodian must be accompanied by certain documents, including instruments showing that such shares have been properly transferred or endorsed to the person on whose behalf the deposit is being made, a delivery order directing the depositary to issue GDSs to the person designated in such order, instruments assigning to the custodian any distribution on the shares so deposited and proxies entitling he custodian to vote the deposited shares, if applicable.

At all times before Rule 144A GDSs will be issued and, in the case of Regulation S GDSs, during the restricted period described below, before GDSs will be issued you will be required to make certain certifications described below. See "—Restrictive legends and certifications."

The custodian will hold all deposited shares (including those being deposited by or on our behalf in connection with the offering to which this offering circular relates) for the account of the depositary. GDR holders thus have no direct ownership interest in the shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited shares. The deposited shares and any such additional items are referred to as "deposited securities."

Upon each deposit of shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue a GDR or adjust its records to increase the number of GDSs evidenced by the applicable Master GDR.

How do I cancel a GDS and obtain deposited securities?

Subject to the requirements of the deposit agreement and the provisions governing our share (including, without limitation, our constituent documents and applicable law), you may seek to withdraw shares represented by your GDSs and receive such shares, upon payment of certain applicable fees, charges and taxes, and upon receipt of proper instructions and documentation by the depositary.

In connection with any surrender of a GDR or an interest therein for withdrawal and the delivery or sale of the deposited securities represented by the GDSs evidenced thereby, the depositary may require proper endorsement in blank of such certificated GDRs or duly executed instruments of transfer in blank and your written order directing the depositary to cause the deposited securities to withdrawn and delivered to, or upon your written order.

At your risk, expense and request, the depositary may deliver deposited securities at such other place as you may request.

Prior to each cancellation of Rule 144A GDS, holders seeking to cancel such Rule 144A GDSs will be required to make certain certifications described below. During the restricted period described below, holders seeking to cancel Regulation S GDSs will also be required to make certain certifications. See "—Restrictive legends and certifications."

Notwithstanding anything to the contrary in the deposit agreement, holders who are nonresidents of Colombia, who withdraw deposited securities to or for their own account or the account of a nonresident third party whether or not with the purpose of selling or causing to be sold such deposited securities in Colombia simultaneously with such withdrawal, will be subject to applicable Colombian rules and regulations, including without limitation the Colombian Foreign Investment Law, as in effect from time to time.

Voting rights

How do I vote?

As soon as practicable after receipt from us of notice of any meeting or solicitation of consents or proxies of holders of shares or other deposited securities, the depositary shall distribute to registered holders a notice stating (a) such information as is contained in such notice and any solicitation materials (or a summary thereof), (b) that each such holder on the record date set by the depositary therefore will, subject to any applicable provisions of law, be entitled to instruct it as to the exercise of the voting rights, if any, pertaining to the deposited securities represented by the GDSs held by such holder and (c) the manner in which such instructions may be given, including instructions to give a discretionary proxy to a person designated by the Company other than any of the Company's legal representatives, officers, administrators and/or employees. Upon receipt of instructions of such holder in the manner and on or before the date established by the depositary for such purpose, the depositary shall endeavor insofar as practicable and permitted under the provisions of or governing deposited securities to vote or cause to be voted the deposited securities represented by the GDSs in accordance with such instructions. The depositary will not itself exercise any voting discretion in respect of any deposited securities.

To the extent you do not provide the depositary with voting instructions, you will be deemed to have given a discretionary proxy to a person we appoint and the depositary will, if we so request, endeavor insofar as practicable and permitted under the provisions of or governing deposited securities to give such discretionary proxy, *provided* that no such instruction shall be deemed given and no discretionary proxy shall be given with respect to any matter as to which we inform the depositary that (x) we do not wish such proxy given, (y) substantial opposition exists or (z) materially affects the rights of holders of our ordinary shares and provided further that, if requested by the depositary, our counsel shall have delivered to the depositary an opinion to the effect that such discretionary proxy does not violate any applicable Colombian law or regulation.

There is no guarantee that holders generally or any holder in particular will receive the notice described above with sufficient time to enable such holder to return any voting instructions in a timely manner.

Record dates

The depositary may fix record dates for the determination of the registered holders of GDRs who will be entitled:

- to receive a distribution on shares, or
- to give instructions for the exercise of voting rights at a meeting of holders of shares or other deposited securities or to act in any other matter.

The depositary may also fix record dates for the determination of the registered holders of GDRs who will be responsible for any fees assessed by the depositary and for any expenses provided for in the deposit agreement.

In all cases, record date determination and entitlements and obligations with respect thereto are subject to the provisions of the deposit agreement.

Available information

Will I be able to view or obtain information regarding the company?

The deposit agreement, the provisions of or governing deposited securities and any written communications from us, which are both received by the custodian or its nominee as a holder of shares and made generally available to the holders of such shares, are available for inspection by registered holders of GDRs at the offices of the depositary and the custodian. Whenever we are not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934 or exempt from reporting pursuant to Rule 12g3-2(b) under such Act, we shall provide the information described in Rule 144A(d)(4) under the U.S. Securities Act to, upon the request of, any registered holder of GDRs, beneficial owner of an interest in a Master GDR or holder of shares, any prospective purchaser of GDSs designated by you or beneficial owner or any prospective purchaser of shares which you so designate.

Fees and expenses

What fees and expenses will I be responsible for paying?

The depositary may charge each person to whom GDS are issued, or for whom the depositary adjusts its records to increase the number of GDSs evidenced by a Master GDR, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the GDSs or deposited securities, and each person surrendering GDSs for withdrawal of deposited securities in any manner permitted by the deposit agreement, up to US$5.00 for each 100 GDSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered or the records in respect of a Master GDR made, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

Additionally, the following charges shall be incurred by the GDR holders, by any party depositing or withdrawing shares or by any party surrendering GDSs or to whom GDSs (or an interest in a Master GDR) are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the GDSs or the deposited securities or a distribution of GDRs), whichever is applicable:

- a fee of up to US$0.02 per GDS (or portion thereof) for any cash distribution made pursuant to the deposit agreement;
- a fee of up to US$0.02 per GDS (or portion thereof) per calendar year for services performed by the depositary in administering our GDR program, (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of GDSs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- any other charge payable by any of the depositary, any of the depositary's agents, including, without limitation, the custodian, or the agents of the depositary's agents in connection with the servicing of our shares or other deposited securities (which charge shall be assessed against registered holders of GDSs as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such registered holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the issuance of GDSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those entitled thereto;
- stock transfer or other taxes and other governmental charges;

- cable, telex and facsimile transmission and delivery charges incurred at your request;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities;
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars (which are paid out of such currency); and
- such fees and expenses as are incurred by the depositary (including without limitation expenses incurred in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation.

We have agreed to pay for the cancellation fees with respect to the GDRs during the first 90-day period following the closing of this offering. We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to written agreements from time to time between us and the depositary. The fees described above may be amended from time to time.

Payment of taxes

You must pay any tax or other governmental charge payable by the custodian or the depositary on or with respect to any GDS or GDR (or beneficial interest in a Master GDR), deposited security or distribution. If you owe any tax or other governmental charge, the depositary may (i) deduct the amount thereof from any cash distributions, or (ii) sell deposited securities and deduct the amount owing from the net proceeds of such sale. In either case you will remain liable for any shortfall. Additionally, if any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, adjustment of its records in respect of a Master GDR, split-up or combination or withdrawal of deposited securities. If any tax or governmental charge is required to be withheld on any non-cash distribution, the depositary may sell the distributed property or securities to pay such taxes and distribute any remaining net proceeds to the GDR holders entitled thereto. In connection with any distribution on deposited securities or to holders of GDRs, we and the depositary will remit to the appropriate governmental authority or agency all amounts required to be withheld by it. The depositary will forward to us such information from its records as we may reasonably request to enable us to file any necessary reports with governmental authorities or agencies, and either we or the depositary may file any such reports necessary to obtain benefits under any applicable tax treaties for registered holders of GDRs. By holding an interest in either Master GDR, you will be agreeing to indemnify us, the depositary and the custodian and our respective directors, employees, agents and affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

Reclassifications, recapitalizations and mergers

If we take certain actions that affect the deposited securities, including (i) any change in nominal value, split-up, consolidation, cancellation or other reclassification of deposited securities or

(ii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to:

- amend the form of GDR;
- distribute additional or amended GDSs or GDRs;
- distribute cash, securities or other property it has received in connection with such actions;
- sell any securities or property received and distribute the proceeds as cash; or
- none of the above.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each GDS will then represent a proportionate interest in such property.

Amendment and termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the GDSs without your consent for any reason. Registered holders of GDRs must be given at least 30 days notice of any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or the prejudices any substantial existing right of GDR holders. If a holder of a GDR continues to hold a GDR or GDRs after being so notified, such GDR holder is deemed to agree to such amendment. Notwithstanding the foregoing, an amendment can become effective before notice is given if this is necessary to ensure compliance with a new law, rule or regulation.

No amendment will impair your right to surrender your GDSs and receive the underlying securities. If a governmental body adopts new laws or rules which require the deposit agreement or the GDS to be amended, we and the depositary may make the necessary amendments, which could take effect before you receive notice thereof.

How may the deposit agreement be terminated?

The depositary may, and shall at our written direction, terminate the deposit agreement and the GDR by mailing notice of such termination to the registered holders of GDRs at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the depositary shall have (i) resigned as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders unless a successor depositary shall not be operating hereunder within 45 days of the date of such resignation, and (ii) been removed as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders of GDRs unless a successor depositary shall not be operating hereunder on the 90th day after our notice of removal was first provided to the depositary. After termination, the depositary's only responsibility will be (i) to deliver deposited securities to GDR holders who surrender their GDSs, and (ii) to hold or sell distributions received on deposited securities. As soon as practicable after the expiration of six months from the termination date, the depositary will sell the deposited securities which remain and hold the net proceeds of such sales, without liability for interest, in trust for the GDR holders who have not yet surrendered their GDSs. After making such sale, the depositary shall have no obligations except to account for such proceeds and other cash. The depositary will not be required to invest such proceeds or pay interest on them.

Limitations on obligations and liability to GDR holders

Limits on our obligations and the obligations of the depositary; limits on liability to GDR holders and holders of GDSs

Prior to the issue, registration, registration of transfer, split-up, combination, or cancellation of any GDSs, or the delivery of any distribution in respect thereof, the depositary and its custodian may require you to pay, provide or deliver: (a) payment with respect thereto of (i) any stock transfer or other tax or other governmental charge, (ii) any stock transfer or registration fees in effect for the registration of transfers of shares or other deposited securities upon any applicable register and (iii) any applicable fees and expenses described in the deposit agreement; (b) the production of proof satisfactory to the depositary and/or its custodian of (i) the identity of any signatory and genuineness of any signature and (ii) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, payment of applicable taxes or governmental charges, or legal or beneficial ownership and the nature of such interest, information relating to the registration of the shares on the books maintained by or on our behalf for the transfer and registration of shares, compliance with applicable laws, regulations, provisions of or governing deposited securities and terms of the deposit agreement and the GDR, as it may deem necessary or proper; and (c) compliance with such regulations as the depositary may establish consistent with the deposit agreement or any Colombian law or regulation relating to foreign investment in Colombia and laws relating to regulation of foreign exchange in Colombia.

The deposit agreement expressly limits the obligations and liability of the depositary, ourselves and our respective agents. Neither we nor the depositary nor any such agent will be liable if:

- present or future law, rule, or regulation of the United States or any other country or jurisdiction or of any other governmental or regulatory authority or any securities exchange or market or automated quotation system, the provisions of or governing any deposited securities, any present or future provision of our charter, any act of God, war, terrorism or other circumstance beyond its control shall prevent, delay or subject to any civil or criminal penalty any act which the deposit agreement or the GDRs provides shall be done or performed by it (including, without limitation, voting);
- it exercises or fails to exercise discretion under the deposit agreement or the GDRs;
- it performs its obligations without gross negligence or bad faith;
- it takes any action or inaction by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered holder of GDRs, or any other person believed by it to be competent to give such advice or information;
- it fails to determine that it may be lawful or feasible to make rights available to holders in general or to any holder in particular or
- it relies upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the GDRs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the GDRs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as we require.

Neither the depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. None of the Company, the depositary or the custodian shall have any liability or responsibility whatsoever under the deposit agreement or otherwise for any action or failure to act by any holder relating to its obligations under the Foreign Investment Law or any other Colombian law or regulation relating to foreign investment in Colombia in respect of a withdrawal or sale of deposited securities, including, without limitation, any failure by any holder to comply with a requirement to register such investment prior to such withdrawal, or any failure by any holder to report foreign exchange transactions to the Bank of the Republic of Colombia, as the case may be. In no event shall we, the depositary or any of our or their respective agents be liable to holders or beneficial owners of interests in the GDRs or any other third party for any indirect, special, punitive or consequential damages.

The depositary and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the deposit agreement, any holder or holders, any GDR or GDRs or otherwise related hereto to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators.

The depositary may own and deal in deposited securities and in GDSs.

Disclosure of interest in GDSs

To the extent that the provisions of or governing any deposited securities, including without limitation, Colombian law, the rules and regulations of any stock exchanges upon which the Shares may be traded and the articles of the Company, may require disclosure of or impose limits on beneficial or other ownership of deposited securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, you and other holders and beneficial owners of GDSs agree to comply with all such disclosure requirements and ownership limitations and to cooperate with the depositary in its compliance with any of our instructions in respect thereof. We reserve the right to instruct you to deliver your GDSs for cancellation and withdrawal of the deposited securities so as to permit us to deal directly with you as a shareholder. We may from time to time request you to provide information as to the capacity in which you own or owned GDRs and regarding the identity of any other persons then or previously having a beneficial interest in such GDRs and the nature of such interest and various other matters. By holding a GDR or an interest therein you will be agreeing to provide any information requested by us or the depositary in connection therewith.

Requirements for Depositary actions

We, the depositary or the custodian may refuse to

- issue, register or transfer a GDR or GDRs or adjustments in the records of the depositary for the number of GDSs evidenced by a Master GDR;

- effect a split-up or combination of GDRs or an adjustment in the records of the depositary for the number of GDSs evidenced by a Master GDR;
- deliver distributions on any such GDRs or interests in a Master GDR; or
- permit the withdrawal of deposited securities (unless the deposit agreement provides otherwise), until the following conditions have been met:
  - the holder has paid all taxes, governmental charges, and fees and expenses as required in the deposit agreement;
  - the holder has provided the depositary with any information it may deem necessary or proper, including, without limitation, proof of identity and the genuineness of any signature and such other information as the depositary may deem necessary or proper, including without limitation information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, and compliance with applicable law, regulations, provisions of or governing deposited securities and terms of the deposit agreement and the GDRs (including without limitation the restrictions on transfer appearing thereon); and
  - the holder has complied with such regulations as the depositary may establish under the deposit agreement.

The depositary may also suspend the issuance of GDSs, the deposit of shares, the registration, transfer, split-up or combination of GDRs, adjustments in the records of the depositary for the number of GDSs evidenced by a Master GDR or the withdrawal of deposited securities (unless the deposit agreement provides otherwise), if the register for GDRs or any deposited securities is closed or the depositary decides it is advisable to do so.

Books of depositary

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of GDRs. You may inspect such records at such office during regular business hours, but solely for the purpose of communicating with other holders in the interest of business matters relating to the deposit agreement.

The depositary will maintain facilities to record and process the issuance, cancellation, combination, split-up and transfer of GDRs. These facilities may be closed from time to time, to the extent not prohibited by law.

Pre-release of GDSs

The depositary may issue GDSs prior to the deposit with the custodian of shares (or rights to receive shares). This is called a pre-release of the GDS. A pre-release is closed out as soon as the underlying shares (or other GDSs) are delivered to the depositary. The depositary may pre-release GDSs only if:

- the depositary has received collateral for the full market value of the pre-released GDSs; and
- each recipient of pre-released GDSs agrees in writing that it
  - beneficially owns the underlying shares,
  - assigns all beneficial rights in such shares to the depositary,

- holds such shares for the account of the depositary, and
- will deliver such shares to the custodian as soon as practicable, and promptly if the depositary so demands.

In general, the number of pre-released GDSs will not evidence more than 30% of all GDSs outstanding at any given time (excluding those evidenced by pre-released GDSs). However, the depositary may change or disregard such limit from time to time as it deems appropriate. The depositary may retain for its own account any earnings on collateral for pre-released GDSs and its charges for issuance thereof.

Restrictive legends and certifications

Each Regulation S GDR will contain the following legend:

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC“), to JPMorgan Chase Bank, N.A., as depositary, or its agent for registration of transfer, exchange, or payment, and any certificate issued in exchange for this certificate or any portion hereof is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL in as much as the registered owner hereof, Cede & Co. has an interest herein.

THIS GDR, THE GDSs EVIDENCED HEREBY, AND THE COMMON SHARES (“SHARES“) REPRESENTED THEREBY HAVE NOT BEEN OR WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT“), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND SUCH SECURITIES MAY ONLY BE RE-OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND, PRIOR TO THE EXPIRATION OF THE APPLICABLE DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) ONLY (1) OUTSIDE THE UNITED STATES TO A PERSON OTHER THAN A U.S. PERSON (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR (2) TO A PERSON WHOM THE HOLDER AND THE BENEFICIAL OWNER AND ANY PERSON ACTING ON THEIR BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, OR (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; PROVIDED THAT IN CONNECTION WITH ANY TRANSFER UNDER (2) ABOVE, THE TRANSFEROR SHALL, PRIOR TO THE SETTLEMENT OF SUCH SALE, WITHDRAW THE SHARES IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE DEPOSIT AGREEMENT AND INSTRUCT THAT SUCH SHARES BE DELIVERED TO THE CUSTODIAN UNDER THE DEPOSIT AGREEMENT FOR ISSUANCE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS THEREOF, OF RULE 144A GDSs TO OR FOR THE ACCOUNT OF SUCH QUALIFIED INSTITUTIONAL BUYER.

UPON THE EXPIRATION OF THE RESTRICTED PERIOD, THIS GDR, THE GDSs EVIDENCED HEREBY AND THE DEPOSITED SECURITIES REPRESENTED BY GDSs SHALL NO LONGER BE SUBJECT TO THE RESTRICTIONS ON TRANSFER PROVIDED IN THIS LEGEND, PROVIDED THAT AT THE TIME OF SUCH EXPIRATION THE OFFER AND SALE OF THE GDSs EVIDENCED HEREBY AND THE DEPOSITED SECURITIES REPRESENTED THEREBY BY THE HOLDER THEREOF IN THE UNITED STATES WOULD NOT BE RESTRICTED UNDER THE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE, TERRITORY OR POSSESSION OF THE UNITED STATES.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS GDR OR A BENEFICIAL INTEREST IN THE GDSs EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

In addition, during the initial 40 day period after the last closing on the offering to which this offering circular relates each person seeking to deposit shares against the issuance of Regulation S GDRs will be required to provide a depositor certificate acknowledging that neither the shares nor the Regulation S GDRs or Regulation S GDSs have been or will be registered under the Securities Act of 1933, as amended and that the depositor either (i) a qualified institutional buyer (as such term is defined in Rule 144A under the Securities Act, and is acquiring such beneficial interest for its own account or for the account of a qualified institutional buyer or (ii) located outside the United States (within the meaning of Regulation S under the Securities Act) and is acquiring such beneficial interest outside the United States pursuant to Regulation S. Such depositor will have to further certify that prior to the expiration of 40 days from the closing of the offering described herein (the "restricted period"), it will not offer, sell, pledge or otherwise transfer such Regulation S GDRs, the Regulation S GDSs evidenced thereby or the shares represented thereby except (a) to a person whom it reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Act in a transaction meeting the requirements of Rule 144A, or (b) in accordance with Regulation S, in either case in accordance with any applicable securities laws of any state of the United States.

Persons seeking to cancel Regulation S GDSs will be required to make certain certifications to the depositary in order to so cancel.

Each Rule 144A GDR will contain the following legend:

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to JPMorgan Chase Bank, N.A., as depositary, or its agent for registration of transfer, exchange, or payment, and any certificate issued in exchange for this certificate or any portion hereof is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co. has an interest herein.

THIS RULE 144A GLOBAL DEPOSITARY RECEIPT, THE RULE 144A GLOBAL DEPOSITARY SHARES EVIDENCED HEREBY AND THE COMMON SHARES OF ALMACENES EXITO, S.A. ("SHARES") REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT OF 1933"). THESE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER

THE SECURITIES ACT OF 1933 IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OF 1933, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OF 1933 (IF AVAILABLE), AND (B) IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK, UNLESS AND UNTIL SUCH TIME AS THE SHARES ARE NO LONGER RESTRICTED SECURITIES UNDER THE SECURITIES ACT OF 1933. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OF 1933 FOR RESALE OF THE SHARES OR RULE 144A GLOBAL DEPOSITARY SHARES.

In addition, each person seeking to deposit shares against the issuance of Rule 144A GDRs (or a beneficial interest in the Rule 144A Master GDR) will be required to provide a depositor certificate acknowledging that such depositor is a qualified institutional buyer (as defined in Rule 144A) and is acquiring the Rule 144A GDR(s) or a beneficial interest in the Rule 144A Master GDR for its own account or for the account of a qualified institutional buyer (as defined in Rule 144A under the Securities Act) or is acting for a party meeting such requirements. In addition, such depositor will be required to (i) acknowledge that by depositing shares, such depositor will become a party to and be bound by the provisions of the deposit agreement and that neither the shares nor the Rule 144A GDRs or Rule 144A GDSs have been or will be registered under the Securities Act of 1933, as amended and of a beneficial interest in the Rule 144A Master GDR and (ii) agree that neither it nor any customer for whom it is acting will offer, sell, pledge or otherwise transfer any Rule 144A GDRs or any beneficial interest in the Rule 144A Master GDR or the shares except (a) to a person it reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (2) in an offshore transaction in accordance with Regulation S or (3) pursuant to an exemption from registration provided by Rule 144 under the Securities Act of 1933 (if available), in each case in accordance with any applicable securities laws of any state of the United States.

Notwithstanding the above, no certifications shall be required in connection with the initial deposit of shares under the deposit agreement or in connection with deposits on account of certain distributions on shares or deposits on account of certain changes affecting shares, from or on behalf of each person seeking to deposit such shares receive delivery of GDSs.

Governing law

The deposit agreement is governed by and shall be construed in accordance with the laws of the State of New York. In the deposit agreement, we have submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process on our behalf.

JPMorgan Chase Bank, N.A.

The depositary is JPMorgan Chase Bank, N.A. JPMorgan Chase Bank, National Association ("JPMCB") is a wholly-owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation. JPMCB is a commercial bank offering a wide range of banking services to its customers both domestically and internationally. It is chartered, and its business is subject to examination and regulation, by the Office of the Comptroller of the Currency, a bureau of the United States

Department of the Treasury. It is a member of the Federal Reserve System and its deposits are insured by the Federal Deposit Insurance Corporation.

Effective July 1, 2004, Bank One Corporation merged with and into JPMorgan Chase & Co., the surviving corporation in the merger, pursuant to the Agreement and Plan of Merger dated as of January 14, 2004.

Prior to November 13, 2004, JPMCB was in the legal form of a banking corporation organized under the laws of the State of New York and was named JPMorgan Chase Bank. On that date, it became a national banking association and its name was changed to JPMorgan Chase Bank, National Association (the "Conversion"). Immediately after the Conversion, Bank One, N.A. (Chicago) and Bank One, N.A. (Columbus) merged into JPMCB.

Additional information, including the most recent Form 10-K for the year ended December 31, 2006, of JPMorgan Chase & Co. and additional annual, quarterly and current reports filed with the Securities and Exchange Commission by JPMorgan Chase & Co., as they become available, may be obtained from the Securities and Exchange Commission's Internet site (http://www.sec.gov), or without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017.

Settlement and clearance

Ownership of Rule 144A GDSs evidenced by the Master Rule 144A GDR will be limited to DTC participants or persons who hold interests through DTC participants. Ownership of such interests will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC participants) and the records of DTC participants (with respect to interests of persons other than DTC participants).

So long as DTC, or its nominee, is the registered holder of the Master Rule 144A GDR, DTC or such nominee, as the case may be, will be considered the sole owner of the Rule 144A GDSs evidenced thereby for all purposes under the Rule 144A deposit agreement and the Rule 144A GDSs.

Transfers between DTC participants will be effected through DTC. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Rule 144A GDSs evidenced by the Master Rule 144A GDR to such persons may be limited. Because DTC can only act on behalf of DTC participants, who in turn act on behalf of indirect participants, the ability of a person owning Rule 144A GDSs evidenced by the Master Rule 144A GDR to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take action in respect of such interests, may be affected by the lack of physical individual definitive securities in respect of such interest.

DTC has advised the depositary as follows: DTC is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the U.S. Securities Exchange Act of 1934, as amended. DTC holds securities for DTC participants and facilitates the settlement of securities transactions, such as transfers and pledges, among DTC participants in deposited securities through electronic book-entry changes in DTC participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of direct participants and by the New York Stock Exchange, Inc., The American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system also is available to others, such as banks, securities brokers, securities dealers and trust companies that clear through or maintain a custodial relationship with direct participants either directly or indirectly.

Beneficial interests in the Regulation S GDSs will be represented by the Master Regulation S GDR registered in the name of Cede & Co., DTC's nominee. Ownership of such interests will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC (including with respect to the aggregate holdings of Euroclear and Clearstream), the records of Euroclear and Clearstream (with respect to the holdings of their respective accountholders) and the records of such Euroclear and Clearstream accountholders (with respect to the interests of persons trading International GDRs through such accountholders).

Transfers of Regulation S GDSs held through DTC, Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of DTC, Euroclear or Clearstream, as applicable.

Each of Euroclear and Clearstream holds securities for participating organizations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with Euroclear or Clearstream, either directly or indirectly.

Taxation

Certain United States federal income tax consequences

To ensure compliance with Internal Revenue Service Circular 230, you are hereby notified that any discussion of tax matters set forth in this offering memorandum was written in connection with the promotion or marketing of the transactions or matters addressed herein and was not intended or written to be used, and cannot be used by any prospective investor, for the purpose of avoiding tax-related penalties under federal, state or local tax law. Each prospective investor should seek advice based on its particular circumstances from an independent tax advisor.

The following summary describes certain United States federal income tax consequences of the ownership of our common shares and GDSs as of the date hereof. The discussion set forth below is applicable to United States Holders (as defined below). Except where noted, this summary deals only with common shares and GDSs held as capital assets. As used herein, the term "United States Holder" means a holder of our common shares or GDSs that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a dealer or trader in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding our common shares or GDSs as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;

- a person liable for alternative minimum tax;
- a person who owns or is deemed to own 10% or more of our voting stock;
- a partnership or other pass-through entity for United States federal income tax purposes; or
- a person whose "functional currency" is not the United States dollar.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified so as to result in United States federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the depositary to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

If a partnership holds our common shares or GDSs, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our common shares or GDSs, you should consult your tax advisors.

This summary does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the effects of any state, local or non-United States tax laws. **If you are considering the purchase, ownership or disposition of our common shares or GDSs, you should consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.**

The US Treasury has expressed concerns that parties through whom GDSs are pre-released may be taking actions that are inconsistent with the claiming of foreign tax credits for United States holders of GDSs. Such actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate holders. Accordingly, the analysis of the creditability of Colombian taxes, if any, and the availability of the reduced tax rate for dividends received by certain non-corporate holders, each described below, could be affected by actions taken by parties to whom the GDSs are released.

GDSs

If you hold GDSs, for United States federal income tax purposes, you generally will be treated as the owner of the underlying common shares that are represented by such GDSs. Accordingly, deposits or withdrawals of common shares for GDSs will not be subject to United States federal income tax.

Taxation of dividends

Subject to the discussion under "—Passive Foreign Investment Company" below, the gross amount of distributions on the GDSs or common shares (including amounts withheld, if any, to reflect Colombian withholding taxes) will be taxable as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Such income (including withheld taxes) will be includable in your gross income as ordinary income on the day actually or constructively received by you, in the case of the common shares, or by the depositary, in the case of GDSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code. Under current law, dividends received before January 1, 2011 by non-corporate United States investors on shares (or GDSs backed by such shares) of certain foreign corporations may be subject to United States federal income tax at lower rates than other types of ordinary income if certain conditions are met. We do not believe that dividends that we pay currently meet these conditions. You should consult your own tax advisors regarding the application of this legislation to your particular circumstances.

The amount of any dividend paid in Colombian pesos will equal the United States dollar value of the Colombian pesos received calculated by reference to the exchange rate in effect on the date the dividend is received by you, in the case of common shares, or by the Depositary, in the case of GDSs, regardless of whether the Colombian pesos are converted into United States dollars. If the Colombian pesos received as a dividend are not converted into United States dollars on the date of receipt, you will have a basis in the Colombian pesos equal to their United States dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the Colombian pesos will be treated as United States source ordinary income or loss.

Subject to certain conditions and limitations and the discussion above regarding concerns expressed by the U.S. Treasury, Colombian withholding taxes, if any, on dividends may be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the GDSs or common shares will be treated as income from sources outside the United States and will generally constitute passive income. Further, in certain circumstances, if you:

- have held GDSs or common shares for less than a specified minimum period during which you are not protected from risk of loss, or
- are obligated to make payments related to the dividends,

you will not be allowed a foreign tax credit for foreign taxes imposed on dividends paid on GDSs or common shares. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, as determined under United States federal income tax principles, the distribution will first be treated as a tax-free return of capital, causing a reduction in the adjusted basis of the GDSs or common shares (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by you on a subsequent disposition of the GDSs or common shares), and the balance in excess of adjusted basis will be taxed as capital gain recognized on a sale or exchange. Consequently, such distributions in excess of our current and accumulated earnings and profits would generally not give rise to foreign source income and you would generally not be able to use the foreign tax credit arising from any Colombian withholding tax imposed on such distributions unless such credit can be applied (subject to applicable limitations) against United States federal income tax due on other foreign source income in the appropriate category for foreign tax credit purposes. However, we do not expect to keep earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that a distribution will generally be treated as a dividend (as discussed above).

Distributions of GDSs, common shares or rights to subscribe for common shares that are received as part of a pro rata distribution to all of our shareholders generally will not be subject to United States federal income tax. Consequently, such distributions generally will not give rise to foreign source income, and you generally will not be able to use the foreign tax credit arising from any Colombian withholding tax, if any, imposed on such distributions unless such credit can be applied (subject to applicable limitations) against United States federal income tax due on other income derived from foreign sources. The basis of the new GDSs, common shares or rights so received will generally be determined by allocating your basis in the old GDSs or common shares between the old GDSs or common shares and the new GDSs, common shares or rights received, based on their relative fair market values on the date of distribution.

Passive Foreign Investment Company

Based on the projected composition of our income and valuation of our assets, including goodwill, we do not expect to be a passive foreign investment company (a “PFIC”) for 2007, and we do not expect to become one in the future, although there can be no assurance in this regard.

In general, we will be a PFIC for any taxable year in which:

- at least 75% of our gross income is passive income, or
- at least 50% of the value (determined on a quarterly basis) of our assets is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation’s assets and receiving our proportionate share of the other corporation’s income.

The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may become a PFIC in the current or any future taxable year due to changes in our asset or income composition. Because we have valued our goodwill based on the market value of our equity, a decrease in the price of our common shares may also result in our becoming a PFIC. If we are a PFIC for any taxable year during which you hold our GDSs or common shares, you will be subject to special tax rules discussed below.

If we are a PFIC for any taxable year during which you hold our GDSs or common shares, you will be subject to special tax rules with respect to any “excess distribution” received and any gain realized from a sale or other disposition, including a pledge, of GDSs or common shares. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the GDSs or common shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the GDSs or common shares,
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and

- the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

In addition, non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us prior to January 1, 2011, if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. You will be required to file Internal Revenue Service Form 8621 if you hold our GDSs or common shares in any year in which we are classified as a PFIC.

If we are a PFIC for any taxable year and any of our foreign subsidiaries is also a PFIC, a United States Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, you may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such stock is regularly traded on a qualified exchange. Under the current law, the mark-to-market election is not available to holders of GDSs because the GDSs will not be listed on any stock exchange. Our common shares are listed on the *Bolsa de Valores de Colombia* (the Colombian Stock Exchange), which must meet certain trading, listing, financial disclosure and other requirements to be treated as a qualified exchange under applicable Treasury regulations for purposes of the mark-to-market election, and no assurance can be given that the common shares will be "regularly traded" for purposes of the mark-to-market election.

If you make an effective mark-to-market election with respect to our common shares, you will include in each year as ordinary income the excess of the fair market value of your common shares at the end of the year over your adjusted tax basis in the common shares. You will be entitled to deduct as an ordinary loss each year the excess of your adjusted tax basis in the common shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

Your adjusted tax basis in the common shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If you make a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the common shares are no longer regularly traded on a qualified exchange or the Internal Revenue Service consents to the revocation of the election. You are urged to consult your tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

Alternatively, you can sometimes avoid the rules described above by electing to treat the issuer as a "qualified electing fund" under Section 1295 of the Code. This option is not available to you because we do not intend to comply with the requirements necessary to permit you to make this election. You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding GDSs or common shares if we are considered a PFIC in any taxable year.

Taxation of capital gains

For United States federal income tax purposes and subject to the discussion under "—Passive Foreign Investment Company" above, you will recognize taxable gain or loss on any sale or exchange of GDSs or common shares in an amount equal to the difference between the amount realized for the GDSs or common shares and your tax basis in the GDSs or common shares. Such gain or loss will generally be capital gain or loss. Capital gains of non-corporate United States holders derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss.

Information reporting and backup withholding

In general, information reporting will apply to dividends in respect of our GDSs or common shares and the proceeds from the sale, exchange or redemption of our GDSs or common shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient such as a corporation. Backup withholding may apply to such payments if you fail to provide a taxpayer identification number or certification of other exempt status or fail to report in full dividend and interest income.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the Internal Revenue Service.

Certain Colombian tax consequences

The following is a discussion of the material Colombian tax considerations to holders of shares and GDRs under Colombian tax law, and is based upon the tax laws and regulations in force and effect as of the date hereof, which however may change in the future.

General rules

Colombian companies and individuals resident in Colombia are subject to Colombian income tax on their worldwide income. Foreign non-domiciled entities and non-resident individuals are subject to income tax in Colombia solely on their Colombian source income which, generally arises from the sale of assets located in Colombia, the exploitation of tangible and intangible assets as well as the provision of services within the Colombian territory.

For purposes of Colombian taxation, an individual is a resident of Colombia if he or she is physically present in Colombia for more than six continuous or discontinuous months during the calendar year or if six continuous months are completed between one taxable period and the immediately following period. Colombian individuals are also considered residents in Colombia for income tax purposes if they maintain their family or their principal place of business in Colombia, even if they live outside Colombia. For purposes of Colombian taxation, a legal entity is a resident of Colombia if it is organized under the laws of Colombia.

In the case of foreign individuals, income tax will be calculated on the basis of their worldwide income and equity beginning their fifth year of continuous or discontinuous residence in Colombia.

Fondos Institucionales de Inversión de Capital Extranjero ("Foreign Institutional Capital Investment Funds" established for the main purpose of investing in shares issued by companies listed on a Colombian stock exchange) are not subject to Colombian income taxes on the income derived from the exercise of their main purpose. The depositary will be considered a Foreign Institutional Capital Investment Fund for Colombian tax purposes.

Taxation of dividends

Dividends paid by Colombian entities to direct non-resident owners of shares or to Foreign Institutional Capital Investment Funds are treated in the same manner, as follows:

- Dividends that correspond to profits that were taxed at the company's level (with a few exceptions) will not be taxed when distributed.
- Dividends paid in cash that were not taxed at the company's level (for example, if profits are generated through income tax exempted activities or if the company has deducted, for tax purposes, a greater amount of depreciation compared to book depreciation) will be subject to a 34% income tax withholding on the amount paid (33% income tax rate starting year 2008).
- Dividends paid in shares by a listed company will be distributed as non-taxable income.

Taxation of capital gains

Capital gain on the sale of shares

The tax treatment afforded to Foreign Institutional Capital Investment Funds and direct foreign and Colombian investors differs in respect to the sale of shares in Colombian entities.

By a Foreign Institutional Capital Investment Fund such as the depositary:

Any gain or loss realized by a Foreign Institutional Capital Investment Fund from the sales or other disposition of the common shares on behalf of the holders of GDRSs will not be subject to Colombian taxation.

By direct foreign investors:

According to article 36-1 of the Colombian Tax Code, capital gains obtained in the sale of shares listed in a Colombian stock exchange and owned by the same beneficial owner, are not subject to income tax in Colombia, provided that the shares sold during the taxable year do not represent more than 10% of the outstanding shares of the listed company.

In the case the capital gain obtained in the sale shares owned in a listed company is subject to income tax, the gain or loss arising thereof will be equivalent to the difference between the sale price and the shares' tax cost of the shares. As a general rule, the tax cost of the shares is the price paid for such shares; however, the cost may be adjusted based on the adjustment indexes provided for under Colombian law. The loss derived from the sale of shares is not deductible for income tax purposes.

In the case of individuals or foreign shareholders, the cost of the shares may be adjusted based on (i) the percentage of increase of the Consumer Price Index, as of January 1st of the year in which the shares were acquired and until January 1st of the year in which the shares are sold (according to article 73 of the Colombia Tax Code), or (ii) the index of adjustment of the Tax Value Unit (*Unidad de Valor Tributario—UVT*) according to articles 70 and 868 of the Colombian Tax Code.

Furthermore, the capital gain from the sale of shares by a foreign shareholder can be decreased by an amount equal to the seller's proportionate share of the profits retained by the company and accrued between the date of the shares acquisition and the date in which the shares are sold.

To the extent that a sale of shares is subject to taxes under the rules described above, the capital gain obtained on the sale of shares in a Colombian company is subject to income tax in Colombia at a rate of 34% (33% as of year 2008), except if the seller is a Colombian individual in which case he or she will be subject to taxes based on a progressive income tax table.

If the buyer of the shares is an individual or entity resident in Colombia, the buyer will be required to withhold the applicable percentage of the sale price. No withholding will apply if the buyer is not a Colombian resident. Regardless of whether withholding applies, the foreign shareholder selling the shares is required to file a tax return with the Colombian government within one (1) month following the date of the sale.

Capital gain on the sale of GDSs

The sale of GDSs by companies or individuals that are not resident in Colombia is not subject to income tax in Colombia as such sale does not result in Colombian source income.

If the holder of the GDSs is a Colombian company or resident, the sale of such GDSs will be taxed in Colombia, according to general tax rules.

While Colombian tax law does not specifically refer to the tax consequences applicable to a non-resident GDS holder withdrawing the underlying shares, such transaction should not result in a taxable event under Colombian law given the nature of the transaction. In any event, to the extent that the transaction results in a substitution of a foreign investor before the Central Bank, the Depositary would be required to file an interim tax return within the month immediately following the withdrawal date. If the withdrawn shares are subsequently sold, any potential gain in connection therewith will be subject to the Colombian tax treatment generally applicable to the sale of shares of a Colombian company on the Colombian stock exchange, as described above. In any case, a non resident GDS holder should consult with appropriate tax counsel as to the tax rules and regulations that may be applicable from time to time to any transaction involving the conversion of GDSs.

If the holder sells the underlying shares, the gain shall be treated as explained in the previous section. In this case, the holder shall be required to file an income tax return within one (1) month following the date in which the sale of shares takes place. This obligation must be complied whether or not the shareholder obtains a taxable capital gain on the transfer of the shares.

Income tax treaty; inheritance and gift taxes

As of the date of this offering memorandum, there is no income tax treaty and no inheritance or gift tax treaty in effect between Colombia and the United States.

Foreign non-domiciled entities and non-residents are subject to capital gains tax on gains arising from inheritance or gifts regarded as Colombian source income. For Colombian tax purposes GDSs are not considered as Colombian source income. Colombian companies and non-residents are subject to capital gains tax at a rate of 34% (33% from tax year 2008 onwards) whereas Colombian individuals are subject to such tax based on a progressive income tax table.

The value of the gains arising from transfers by gifts and inheritance are determined as follows:

With respect to inheritance, the value of the capital gain is equivalent to the amounts transferred, or to the value of the transferred assets evidenced in the transferor's latest income tax return.

In the case of gifts, the value of the capital gain is determined by the amounts transferred, or by the cost of acquisition of the transferred assets plus certain tax adjustments (inflation) less depreciation accrued on such assets.

In addition, the value of assets that are transferred by gift cannot be deducted by the transferor in its income tax return in Colombia unless certain specific requisites are met. When the transferor is a non-resident, it shall be required to file an income tax return within one (1) month following the date in which the transfer takes place.

Other Colombian taxes that would affect shareholders

Industry and Commerce Tax is a municipal tax levied on the performance of industrial, commercial or service activities within a municipal jurisdiction at rates that vary from 0.2% to 1.4%. It is determined on the basis of the gross income obtained by the taxpayer.

Certain municipalities, such as Bogotá, D.C., consider dividends as subject to Industry and Commerce Tax. However, currently there is no mechanism established to pay this tax when the recipient of the dividend is a foreign shareholder. Holders should consult their tax advisors with regard to their obligation to pay municipal taxes.

Plan of distribution

We are offering the GDSs described in this offering memorandum through a number of initial purchasers. J.P. Morgan Securities Inc. is acting as book running manager of the offering and as representative of the initial purchasers. We have entered into a purchase agreement with the initial purchasers. Subject to the terms and conditions of the purchase agreement, we have agreed to sell to the initial purchasers, and each initial purchaser has severally agreed to purchase, the number of GDSs listed next to its name in the following table:

Name	Number of GDSs
J.P. Morgan Securities Inc.	42,000,000
Citigroup Global Markets Inc.	4,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	4,000,000
Total	50,000,000

The initial purchasers are committed to purchase all the GDSs offered by us if they purchase any GDSs. The purchase agreement also provides that if an initial purchaser defaults, the purchase commitments of non-defaulting initial purchasers may also be increased or the offering may be terminated. The initial purchasers may deliver shares in lieu of GDSs to purchasers.

We estimate that the total expenses of this offering will be reimbursed by our depositary.

An offering memorandum in electronic format may be made available on the web sites maintained by one or more initial purchasers, or selling group members, if any, participating in the offering. The initial purchasers may agree to allocate a number of GDSs to initial purchasers and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representative to initial purchasers and selling group members that may make Internet distributions on the same basis as other allocations.

We have agreed that we will not (i) offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock, GDSs or securities convertible into or exchangeable or exercisable for any shares of our common stock or GDSs, or publicly disclose the intention to make any offer, sale, pledge or disposition, or (ii) enter into any swap or other arrangement that transfers all or a portion of the economic consequences associated with the ownership of any shares of common stock or GDSs (regardless of whether any of these transactions are to be settled by the delivery of shares of common stock, GDSs, or such other securities, in cash or otherwise), in each case without the prior written consent of J.P. Morgan Securities Inc. for a period of 90 days after the date of this offering memorandum.

In addition, our directors and executive officers, and certain of our significant shareholders have entered into lock up agreements with the initial purchasers prior to the commencement of this offering pursuant to which we and each of these persons or entities, with limited exceptions, for a period of 90 days after the date of this offering memorandum, may not, without the prior written consent of J.P. Morgan Securities Inc., (1) offer, pledge, announce the intention to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock or GDSs (including, without limitation, common stock or GDSs which may be deemed to be beneficially owned by such directors, executive officers, managers and members in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant) or (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common stock or GDSs, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of common stock, GDSs or such other securities, in cash or otherwise.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act of 1933.

In connection with this offering, the initial purchasers may engage in stabilizing transactions, which involves making bids for, purchasing and selling GDSs in the open market for the purpose of preventing or retarding a decline in the market price of the GDSs while this offering is in progress. These stabilizing transactions may include making short sales of the GDSs, which involves the sale by the initial purchasers of a greater number of GDSs than they are required to purchase in this offering, and purchasing GDSs on the open market to cover positions created by short sales.

The initial purchasers have advised us that, pursuant to Regulation M of the Securities Act of 1933, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the GDSs, including the imposition of penalty bids. This means that if the representative of the initial purchasers purchase GDSs in the open market in stabilizing transactions or to cover short sales, the representative can require the initial purchasers that sold those GDSs as part of this offering to repay the discount received by them.

These activities may have the effect of raising or maintaining the market price of the GDSs or preventing or retarding a decline in the market price of the GDSs, and, as a result, the price of the GDSs may be higher than the price that otherwise might exist in the open market. If the initial purchasers commence these activities, they may discontinue them at any time. The initial purchasers may carry out these transactions on the Colombian Stock Exchange, in the over the counter market or otherwise.

There is currently no established trading market for the GDSs. We do not intend to apply for the GDSs to be listed on any securities exchange or to arrange for the GDSs to be quoted on any quotation system. GDSs that are sold to qualified institutional buyers will be eligible for trading in the PORTAL market. The initial purchasers have advised us that they intend to make a market in the GDSs, but they are not obligated to do so. The initial purchasers may discontinue any market making in the GDSs at any time in their sole discretion. Accordingly, we cannot assure you that a liquid trading market will develop for the GDSs, that you will be able to sell your GDSs at a particular time or that the prices that you receive when you sell will be favorable.

The GDSs have not been registered under the Securities Act or the securities laws of any other place. In the purchase agreement, each initial purchaser has agreed that:

- The GDSs may not be offered or sold within the United States or to U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements.

- During the initial distribution of the GDSs, it will offer or sell GDSs only to qualified institutional buyers in compliance with Rule 144A and outside the United States in compliance with Regulation S.

In addition, until 40 days following the commencement of this offering, an offer or sale of GDSs within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act.

You should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

Each initial purchaser has represented that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any GDSs in circumstances in which Section 21(1) of the FSMA does not apply to us and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the GDSs in, from or otherwise involving the United Kingdom.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each initial purchaser has represented and agreed that with effect from and including the date on which the European Union Prospectus Directive (the "EU Prospectus Directive") is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of the GDSs to the public in that Relevant Member State prior to the publication of an offering memorandum in relation to the GDSs which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the EU Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of GDSs to the public in that Relevant Member State at any time:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

- to fewer than 100 natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive) subject to obtaining the prior consent of the book-running manager for any such offer; or

- in any other circumstances which do not require the publication by the Issuer of an offering memorandum pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of GDSs to the public" in relation to any GDSs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the GDSs to be offered so as to enable an investor to decide to purchase or subscribe the GDSs, as the same may be varied in that Member State by any measure implementing the EU Prospectus Directive in that Member State and the expression EU Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

We have reserved approximately one-third of GDSs offered in this offering for sale to our controlling shareholder, Casino, who has informed us that it will participate in the offering.

Certain of the initial purchasers and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. In addition, from time to time, certain of the initial purchasers and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future. J.P. Morgan Securities Inc. is the administrative agent and lender under our US$300 million international syndicated loan agreement.

Transfer restrictions

The GDSs have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except to (a) qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) persons in offshore transactions in reliance on Regulation S.

Each purchaser of GDSs will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) The purchaser (A) (i) is a qualified institutional buyer, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring GDSs for its own account or for the account of a qualified institutional buyer or (B) is not a U.S. person and is purchasing GDSs in an offshore transaction pursuant to Regulation S.

(2) The purchaser understands that GDSs are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that GDSs have not been and will not be registered under the Securities Act and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the GDSs, such GDSs may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), or (iv) pursuant to an effective registration statement under the Securities Act, in each of cases (i) through (iv) in accordance with any applicable securities laws of any State of the United States, and that (B) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of GDSs from it of the resale restrictions referred to in (A) above.

(3) The purchaser understands that the Rule 144A GDSs will, until the expiration of the applicable holding period with respect to GDSs set forth in Rule 144(k) of the Securities Act, unless otherwise agreed by Exito, the GDR depositary and the holder thereof, bear a legend substantially to the following effect (the "Rule 144A Legend"):

THIS RULE 144A GLOBAL DEPOSITARY RECEIPT, THE RULE 144A GLOBAL DEPOSITARY SHARES EVIDENCED HEREBY AND THE COMMON SHARES OF ALMACENES EXITO, S.A. ("SHARES") REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT OF 1933"). THESE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933 IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OF 1933, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OF 1933 (IF AVAILABLE), AND (B) IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK, UNLESS AND UNTIL SUCH TIME AS THE SHARES ARE NO LONGER RESTRICTED SECURITIES UNDER THE

SECURITIES ACT OF 1933. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OF 1933 FOR RESALE OF THE SHARES OR RULE 144A GLOBAL DEPOSITARY SHARES.

(4) Each purchaser of Regulation S GDSs will be deemed to have represented and agreed that it is not a U.S. person and is purchasing such GDSs in an offshore transaction (as such terms are defined in Regulation S) pursuant to Regulation S and understands that such GDSs will, unless otherwise agreed by Almacenes Exito S.A., the GDR depositary and the holder thereof, bear a legend substantially to the following effect (the "Regulation S Legend"):

THIS GDR, THE GDSs EVIDENCED HEREBY, AND THE COMMON SHARES ("SHARES") REPRESENTED THEREBY HAVE NOT BEEN OR WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND SUCH SECURITIES MAY ONLY BE RE-OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND, PRIOR TO THE EXPIRATION OF THE APPLICABLE DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) ONLY (1) OUTSIDE THE UNITED STATES TO A PERSON OTHER THAN A U.S. PERSON (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, OR (2) TO A PERSON WHOM THE HOLDER AND THE BENEFICIAL OWNER AND ANY PERSON ACTING ON THEIR BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A,OR (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT; PROVIDED THAT IN CONNECTION WITH ANY TRANSFER UNDER (2) ABOVE, THE TRANSFEROR SHALL, PRIOR TO THE SETTLEMENT OF SUCH SALE, WITHDRAW THE SHARES IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE DEPOSIT AGREEMENT AND INSTRUCT THAT SUCH SHARES BE DELIVERED TO THE CUSTODIAN UNDER THE DEPOSIT AGREEMENT FOR ISSUANCE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS THEREOF, OF RULE 144A GDSs TO OR FOR THE ACCOUNT OF SUCH QUALIFIED INSTITUTIONAL BUYER.

UPON THE EXPIRATION OF THE RESTRICTED PERIOD, THIS GDR, THE GDSs EVIDENCED HEREBY AND THE DEPOSITED SECURITIES REPRESENTED BY GDSs SHALL NO LONGER BE SUBJECT TO THE RESTRICTIONS ON TRANSFER PROVIDED IN THIS LEGEND, PROVIDED THAT AT THE TIME OF SUCH EXPIRATION THE OFFER AND SALE OF THE GDSs EVIDENCED HEREBY AND THE DEPOSITED SECURITIES REPRESENTED THEREBY BY THE HOLDER THEREOF IN THE UNITED STATES WOULD NOT BE RESTRICTED UNDER THE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE, TERRITORY OR POSSESSION OF THE UNITED STATES.

EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THIS GDR OR A BENEFICIAL INTEREST IN THE GDSs EVIDENCED HEREBY, AS THE CASE MAY BE, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

Rule 144A GDSs may be exchanged for GDSs not bearing the Rule 144A GDS Legend but bearing the Regulation S Legend upon certification by the transferor in the form set forth in the Rule 144A Deposit Agreement that the transfer of any such Rule 144A GDS has been made in accordance with Rule 904 under the Securities Act.

Where you can find more information

While any securities remain outstanding, we will make available, upon request, to any beneficial owner and any prospective purchaser of securities the information required pursuant to Rule 144A(d)(4) under the Securities Act during any period in which we are not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934. Any such request should be directed to Jose Loaiza of Almacenes Exito at Carrera 48 No. 32B Sur—139, Envigado, Antioquia, Colombia, Tel. (574) 339 6560.

Service of process and enforcement of civil liabilities

We are organized under the laws of Colombia, and most of our directors, officers and assets reside or are located in Colombia. Although we have appointed CT Corporations Systems as our agent for service of process in the State of New York, it may be difficult or impossible for you to effect service of process on us, or to enforce judgments of U.S. courts against us, our directors or officers, based on the civil liability provisions of the U.S. federal securities laws. We have been advised by Brigard & Urrutia Abogados S.A., our Colombian counsel, that Colombian courts will enforce U.S. judgments based on the U.S. securities laws, through a Colombian legal procedure known as *exequatur,* which provides that a foreign judgment will be enforced if:

- a treaty between Colombia and the country where the judgment was granted exists or if there is reciprocity in the recognition of foreign judgments between the courts of the relevant jurisdiction and the courts of Colombia;
- the foreign judgment does not relate to "*in rem*" rights vested in assets that were located in Colombia at the time the suit was filed and does not contravene or conflict with Colombian laws relating to public order other than those governing judicial procedures;
- the foreign judgment, in accordance with the laws of the country in which it was rendered, is final and not subject to appeal and a duly certified and authenticated copy of the judgment has been presented to a competent court in Colombia;
- the foreign judgment does not refer to any matter upon which Colombian courts have exclusive jurisdiction;
- no proceeding is pending in Colombia with respect to the same cause of action, and no final judgment has been awarded in any proceeding in Colombia on the same subject matter and between the same parties; and
- in the proceeding commenced in the foreign court that issued the judgment, the defendant was served in accordance with the law of such jurisdiction and in a manner reasonably designed to give the defendant an opportunity to defend against the action, which is presumed from the fact that the judgment is final.

The United States and Colombia have not entered into a bilateral treaty providing for automatic reciprocal recognition and enforcement of judgments in civil and commercial matters. Nevertheless, the Colombian Supreme Court has generally accepted that the principle of reciprocity exists when it has been proven that either a U.S. court has enforced a Colombian judgment or that a U.S. court would enforce a foreign judgment, including a judgment issued by a Colombian court. However, such enforceability decisions are considered by Colombian courts on a case-by-case basis.

Legal matters

Simpson Thacher & Bartlett LLP will pass upon certain United States legal matters for us in connection with GDSs offered hereby. Brigard & Urrutia Abogados S.A. will pass upon certain Colombian legal matters for us in connection with GDSs offered hereby. The initial purchasers have been represented by Davis Polk & Wardwell and Baker & McKenzie Colombia S.A. as to U.S. and Colombian legal matters, respectively.

Independent accountants

The audited consolidated financial statements of Exito as of December 31, 2005 and 2006 and for the year ended December 31, 2004, 2005 and 2006, included elsewhere in this offering memorandum, have been audited by PricewaterhouseCoopers Ltda, independent certified public accountants as stated in their report appearing herein. PricewaterhouseCoopers Ltda. has been the independent auditor of Exito since April 1, 1995.

The audited consolidated financial statements of Carulla as of December 31, 2005 and 2006 and for the years ended December 31, 2004, 2005 and 2006, included elsewhere in this offering memorandum, have been audited by Deloitte & Touche Ltda, independent certified public accountants as stated in their report appearing herein. Deloitte & Touche Ltda. has been the independent auditor of Carulla since 2002.

With respect to our unaudited financial information as of March 31, 2007 and 2006 and for the three-month periods ended March 31, 2007 and 2006, included in this offering memorandum, PricewaterhouseCoopers Ltda. reported that they have applied limited procedures in accordance with professional standards for a review of such information.

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PRICEWATERHOUSECOOPERS

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Report of independent accountants

June 25, 2007

To the shareholders and Board of directors of Almacenes Exito S. A.

We have reviewed the accompanying interim consolidated balance sheets of Almacenes Exito S. A. and subsidiaries as of March 31, 2007 and 2006, and the related interim consolidated statements of income, changes in shareholders' equity, changes in the financial position and cash flows for the three month periods ended March 31, 2007 and 2006. These interim consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards generally accepted in Colombia. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statement, taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with the accounting principles generally accepted in Colombia.

PricewaterhouseCoopers

PricewaterhouseCoopers
Medellín, Colombia

Almacenes Exito S.A. and subsidiaries
Consolidated interim balance sheet
at March 31, 2006 and 2007

(Expressed in millions of Colombian pesos,
U.S. dollar amounts expressed in millions)
Unaudited

	2006	2007	2007 US$
Assets			
Current assets			
Cash	39,381	188,551	86
Marketables securities	20,679	310,456	142
Accounts receivable—Trade	19,077	68,934	31
Accounts receivable—Other	59,254	113,289	52
Inventories, net	519,094	831,695	380
Deferred charges, net	30,823	62,395	28
Total current assets	688,308	1,575,320	719
Non-current assets			
Accounts receivable	30,636	63,514	29
Long term investments	231,783	202,202	92
Property, plant and equipment, net	1,399,403	2,117,935	967
Intangible, net	7,794	537,568	245
Deferred charges	77,339	161,499	74
Other assets	201	249	—
Reappraisals	621,047	819,179	374
Total non-current assets	2,368,203	3,902,146	1,781
Total assets	3,056,511	5,477,466	2,501
Liabilities and Shareholders' Equity			
Current liabilities			
Financial obligations	96,342	330,139	151
Suppliers	377,077	694,852	317
Accounts payable	143,952	349,282	159
Taxes, liens and encumbrances	23,851	64,566	29
Labor liabilities	36,378	51,780	24
Commercial papers and bonds	274,000	—	—
Accrued liabilities and provisions	37,797	80,628	37
Others liabilities	3,813	11,278	5
Total current liabilities	993,210	1,582,525	722
Non-current liabilities			
Financial obligation	53,365	908,205	415
Labor liabilities	327	527	—
Accounts payable	—	1,960	1
Bonds	—	325,000	148
Accrued liabilities retirement pensions	11,860	14,804	7
Deferred charges, net	20,056	20,648	9
Total non current liabilities	85,608	1,271,144	580
Total liabilities	1,078,818	2,853,669	1,303
Minority interest	1,435	241,252,	110
Shareholders' equity	1,976,258	2,382,545	1,088
Total liabilities and shareholders' equity	3,056,551	5,477,466	2,501

Almacenes Exito S.A. and subsidiaries
Consolidated interim statement of income
for the three month period ended March 31, 2006 and 2007

(Expressed in millions of Colombian pesos,
U.S. dollar amounts expressed in millions)
Unaudited

	2006	2007	2007 US$
Revenues			
Sales	858,207	1,438,458	648
Other income from operations	29,360	44,899	20
Net revenues	887,567	1,483,357	668
Cost of sales	(672,267)	(1,149,567)	(517)
Gross profit	215,300	333,790	151
Selling and administrative expense			
Salaries and fringe benefits	(69,236)	(106,469)	(48)
Other operating expenses—administrative and sales	(80,971)	(142,377)	(64)
Depreciation and amortization	(37,538)	(54,761)	(25)
Total selling and administrative expense	(187,745)	(303,607)	(137)
Operating income	27,555	30,183	14
Non-operating income			
Financial income	4,048	13,459	6
Other non-operating income	8	6	—
Total non-operating income	4,056	13,465	6
Non-operating expenses			
Financial expense	(8,966)	(27,269)	(12)
Other non-operating expenses and income, net	(3,965)	(6,939)	(3)
Total non-operating expenses	(12,931)	(34,208)	(15)
Total non-operating income and expenses, net	(8,875)	(20,743)	(9)
Monetary correction	8,715	21,109	9
Income before taxes and minority taxes	27,395	30,549	14
Minority interest	(47)	1,477	1
Income before income taxes	27,348	32,026	15
Income taxes			
Current	(14,087)	(7,752)	(4)
Deferred	(64)	(1,090)	
Total income taxes	(14,151)	(8,842)	(4)
Net income	13,197	23,184	11
Net income per share	63.14*	109.03*	—

* Expressed in Colombian pesos

Almacenes Exito S.A. and subsidiaries
Consolidated interim statement of changes in shareholders' equity for the three month period ended March 31, 2007 and 2006

(Expressed in millions of Colombian pesos,)

Unaudited

	Share capital	Surplus from capital	Legal	Reserves: Future enlargements and improvements	Reserves: Treasury shares	Reserves: Fiscal depreciatión	Reserves: Future dividends	Reserves: Total reserves	Revaluation of shareholders' equity	Unappropriated earnings	Retained earnings	Surplus from asset reappraisal	Total
Balance at December 31, 2005 . .	**2,096**	**597,631**	**7,857**	**118,869**	**20,000**	**8,741**	**1,419**	**156,886**	**554,884**	**67,848**	**4,759**	**619,870**	**2,003,974**
Appropriations made by the General Shareholders' Meeting:													
Cash dividend of $25 (*) per share and per month, from April 2006 to March 2007 on 209,000,626 outstanding shares.	—	—	—	—	—	—	(7,964)	(7,964)		(54,737)	—	—	(62,701)
Transfer of reserves	—	—	—	(7,964)	—	—	7,964	—	—	—	—	—	—
Transfer of unappropriated earnings to reserve of future enlargements and improvements	—	—	—	13,111	—	—	—	13,111	—	(13,111)	—	—	—
Increase in revaluation of shareholders' equity	—	—	—	—	—	—	—	—	20,611	—	—	—	20,611
Decrease in surplus for asset reappraisal	—	—	—	—	—	—	—	—	—	—	—	1,177	1,177
Net income at March 31, 2006 . .	—	—	—	—	—	—	—	—	—	13,197	—	—	13,197
Balance at March 31, 2006	**2,096**	**597,631**	**7,857**	**124,016**	**20,000**	**8,741**	**1,419**	**162,033**	**575,495**	**13,197**	**4,759**	**621,047**	**1,976,258**
Balance at December 31, 2006 . .	**2,096**	**597,631**	**7,857**	**124,016**	**19,266**	**8,741**	**1,419**	**161,299**	**616,355**	**123,176**	**4,759**	**716,613**	**2,221,929**
Issuance of shares	247	259,102	—	—	—	—	—	—	—	—	—	—	259,349
Appropriations made by the Shareholders' General Meeting:										(70,088)	—	—	(70,088)
Cash dividend of $25 (*) per share and per month, from April 2007 to March de 2008 on 233,627,168 outstanding shares.	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of unappropriated earnings of future enlargements and improvements	—	—	—	53,088	—	—	—	53,088	—	(53,088)	—	—	—
Decrease in surplus from asset reappraisal	—	—	—	—	—	—	—	—	—	—		(50,140)	(50,140)
Increase in revaluation of shareholders' equity	—	—	—	—	—	—	—	—	37,027	—	—	—	37,027
Consolidation effect	—	—	—	—	—	—	—	—	—	—	(38,716)	—	(38,716)
Net income at March 31, 2007	—	—	—	—	—	—	—	—	—	23,184	—	—	23,184
Balance at March 31, 2007	**2,343**	**856,733**	**7,857**	**177,104**	**19,266**	**8,741**	**1,419**	**214,387**	**653,382**	**23,184**	**(33,957)**	**666,473**	**2,382,545**

(1) Expressed in Colombian pesos

Almacenes Exito S.A. and subsidiaries
Consolidated interim statement of changes in financial situation for the three month period ended March 31, 2006 and 2007

(Expressed in millions of Colombian pesos, U.S. dollar amounts expressed in millions)
Unaudited

	March 31, 2006	March 31, 2007	March 31, 2007 US$
Financial resources provided by:			
Net income for the year	13,197	23,184	10
Add (less) charges (credits) to transactions that did not affect working capital:			
Depreciation of property, plant and equipment, net	29,412	41,435	19
Amortization of deferred charges	7,662	12,026	5
Adjustment for inventory inflation charged to sales cost	6,098	4,422	2
Monetary correction	(2,230)	(20,993)	9
Gains from sale of property, plant and equipment, net	(121)	(37,933)	(17)
Decrease in long-term deferred tax	—	982	—
Increase (decrease) of provisions for property, plant and equipment, net	714	—	
Amortization deferred credit monetary correction	(344)	(344)	—
(Decrease) increase of actuarial calculation	—	24	—
Amortization deferred debit monetary correction	231	228	—
Amortization of intangibles	463	1,299	1
(Decrease) increase of provision for protection of investments, net	209	—	
Adjustment for exchange difference of investment, net	(416)	105	—
Loss for retirement of property, plant and equipment, net	—	133	—
Minority interest	65	239,773	108
Gains from sale of investments, net	(1,058)	(139)	—
Consolidation effect		(38,716)	(17)
Working Capital Provided By Operations	**53,882**	**225,486**	**102**
Financial resources generated from other sources:			
Proceeds from sale and retirement of property, plant and equipment, net	159	66,060	30
Increase in long term debts	—	653,841	294
Transfer of long-term to short-term investments	—	(13)	—
Proceeds from sale of investments	1,620	—	—
Reclassification of adjustments for inflation on inventories	—	(65)	—
Increase in long-term payables	—	209,890	94
Issuance of shares	—	259,350	117
Total Financial Resources Provided	**55,661**	**1,414,549**	**637**

Almacenes Exito S.A. and subsidiaries
Consolidated interim statement of changes in financial situation for the three month period ended March 31, 2006 and 2007

(Expressed in millions of Colombian pesos, U.S. dollar amounts expressed in millions)
Unaudited

	March 31, 2006	March 31, 2007	March 31, 2007 US$
Financial resources used in:			
Acquisition of investments	5,000	6,826	3
Acquisition of property, plant and equipment, net	29,556	497,467	224
Increase of intangibles	—	532,012	239
Increase of non-current deferred assets	1,649	76,435	34
Reclassification of adjustments for inflation of inventories	—	—	—
Declared dividends	62,701	70,088	32
Treasury shares reacquisition	734	—	—
Increase in long-term receivables	4,173	14,404	6
Increase of appraisals by consolidation effect	—	152,706	70
Total financial resources utilized	**103,813**	**1,349,938**	**608**
Increase (decrease) in working capital	**(48,152)**	**64,611**	**29**
Analysis Of Changes In Working Capital			
Increase (Decrease) In Current Assets			
Cash	(42,220)	62,234	28
Marketable securities	(31,428)	203,495	92
Receivables	(403)	82,789	37
Inventories	55,225	287,952	130
Deferred charges, net	11,853	31,888	15
Total Increase In Current Assets	**(6,973)**	**668,358**	**302**
(Increase) Decrease In Current Liabilities			
Financial obligations	(78,643)	158,198	71
Suppliers	36,067	208,761	94
Accounts payable	(298,337)	161,687	73
Tax, liens and encumbrances	11,940	22,230	10
Other liabilities	748	1,244	1
Labor liabilities	(425)	13,440	6
Estimated liabilities	(12,529)	40,675	18
Commercial papers and short-term bonds	300,000	—	—
Total increase in current liabilities	**(41,179)**	**603,747**	**273**
(Decrease) increase in working capital	**(48,152)**	**64,611**	**29**

Almacenes Exito S.A. subsidiaries
Consolidated interim statement of cash flows
for the three month period ended March 31, 2006 and 2007

(Expressed in millions Colombian pesos,
U.S. dollar amounts expressed in millions)
Unaudited

	March 31, 2006	March 31, 2007	March 31, 2007 US$
Cash flows from operating activities:			
Goods, services and others	1,000,494	1,635,432	736
Paid to suppliers	(846,380)	(1,297,705)	(584)
Paid for wages, salaries and fringe benefits	(69,270)	(119,007)	(54)
Paid for administration expenses	(9,649)	(19,988)	(9)
Paid for sales expenses	(85,044)	(179,613)	(81)
Paid for sales tax	(37,861)	(52,148)	(23)
Paid for income tax	(13,924)	(21,750)	(10)
Cash flows provided by operating activities	**(61,634)**	**(54,779)**	**(25)**
Acquisition of property, plant and equipment, net	(41,068)	(55,070)	(25)
Acquisition of deferred charges	(1,649)	(1,279)	(1)
Acquisition of intangibles	—	(409,423)	(184)
Acquisition of investment	(5,000)	(267,879)	(121)
Income from sale of property, plant and equipment, net	3,724	69,642	31
Cash used in capital goods	**(43,993)**	**(664,009)**	**(300)**
Redemption of negotiable investments	29,890	(198,123)	(89)
Income from sale of investments	1,620	7	—
Interests and monetary correction received	4,069	8,044	4
Dividends and shares received	8	6	—
Cash net provided by other investments	**35,587**	**(190,066)**	**(85)**
Cash used in investment activities	**(8,406)**	**(854,075)**	**(385)**
Loans	296,004	1,065,610	480
Payment of principal installments of loans	(243,311)	(342,351)	(154)
Dividends declared and paid, net	(15,669)	(15,772)	(7)
Issuance of shares	—	259,350	117
Interests paid for loans and bonds	(6,197)	(20,101)	(10)
Cash net used in financing activities	**30,827**	**946,736**	**426**
Cash flows provided by other items	4,643	14,537	7
Cash flows for other items	(7,650)	(31,029)	(14)
Cash flows used in other items	**(3,007)**	**(16,492)**	**(7)**
Cash flow of Carulla Vivero S.A. at acquisition	—	**(40,732)**	**(18)**
Net cash flows for the period	**(42,220)**	**(19,342)**	**(9)**
Opening balance of cash	**81,600**	**207,893**	**95**
Ending balance of cash	**39,380**	**188,551**	**86**

Almacenes Exito S.A. and subsidiaries
Notes to consolidated interim financial statements

(Expressed in millions of Colombian pesos unless indicated)
Unaudited

Note 1—Basis of presentation

The interim consolidated financial statements as of March 31, 2007 and for the three-month periods ended March 31, 2007 and 2006 are unaudited and have been prepared in accordance with accounting principles generally accepted in Colombia. According to the Company's management, such interim financial statements include all adjustments necessary for the fair presentation of the results for the interim periods. The result of operations for the three-month periods ended March 31, 2006 and 2007 are not an indication of the results to be expected for the full year.

These interim consolidated financial statements should be read in conjunction with Almacenes Exito consolidated financial statements as of December 31, 2005 and 2006 and for the three years in the period ended December 31, 2006 and the notes thereto presented in the following pages.

Translation to U.S. dollars

Almacenes Exito keeps its accounting records and prepares its consolidated financial statements in Colombian pesos. The U.S. dollar ($) amounts presented in the interim consolidated financial statements and accompanying notes have been translated from the Colombian peso figures solely for the convenience of the reader, at the exchange rate of Col$ 2,190.30 per U.S. dollar which approximates the exchange rate which existed at March 31, 2007. Such translation should not be construed as representations that the Colombian peso amounts represent, or have been or could be converted into U.S. dollars at that rate or any other rate.

Note 2—Changes in accounting principles

Elimination of inflation adjustments

According to recent Colombian regulations, inflation adjustment calculations and recognition for accounting purposes were eliminated on May 7, 2007, and have been retroactively applied from January 1, 2007.

Financial statements as of December 31, 2006 included integral inflation adjustments calculated for non-monetary accounts from January 1, 1992. The elimination of these adjustments according to Decree 1536, dated May 7, 2007, has to be retroactive from January 1, 2007, reflecting the full effect of the elimination on the May 2007 financial statements.

The company accounted the allowance to eliminate the effect of monetary correction as of March 31, 2007

Note 3—Goodwill

The difference between the cost of an acquisition and the proportional net book value, of the acquired company on the acquisition date is recorded as goodwill and amortized to income over a maximum of twenty years.

From year 2007, the Company capitalized the hedging costs as part of the Goodwill directly related with the Carulla acquisition, including expenses relating to valuations of Carulla and swap transactions, interest, commissions, fees and gains on sales of assets and such amount was added to a goodwill and has been amortized using the exponential method over a 20-year period.

Note 4—Other events

Carulla acquisition

Between February and May 2007 the Company purchased approximately 77% of Carulla's shares, for an aggregate purchase price of US$412 million. To finance the acquisition of Carulla, in December 2006 the Company borrowed US$300 million under a syndicated credit agreement and in February and March 2007 the Company issue 24.7 million shares in the Colombian market raising net proceeds of approximately US$115 million. The Company financed the remaining purchase price through the selling of assets and other resources.

Carulla acquisition is accounted for under the purchase method of accounting. Companies separately identify assets and liabilities existing as of the acquisition date. The acquired assets and liabilities are recognized at their corresponding book values. Goodwill represents the excess of the purchase price over the book value of the net assets acquired.

PRICEWATERHOUSECOOPERS

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Report of independent accountants

February 12, 2007

To the Board of Directors and Shareholders of Almacenes Exito S.A.

We have audited the accompanying consolidated balance sheets of Almacenes Exito S. A. and subsidiary as of December 31, 2006 and 2005 and the related consolidated statements of income, of changes in shareholders' equity, of changes in the financial situation and of cash flows for each of the three years in the period ended December 31, 2006, all expressed in millions of Colombian pesos. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Colombia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Almacenes Exito S. A. and subsidiary as of December 31, 2006 and 2005 and the results of their operations, the changes in their shareholders' equity, the changes in their financial situation and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in Colombia.

As discussed in Note 3, in 2006 the Company recorded an impairment charge associated with its investment in Venezuela.

PricewaterhouseCoopers

Almacenes Exito S.A.
Consolidated balance sheet
At December 31, 2006 and 2005

(Amounts expressed in millions of Colombian pesos)	Notes	2006	2005
Assets			
Current assets			
Cash	5	126,317	81,600
Marketable securities	6	106,961	52,107
Accounts receivable—trade	7	54,286	36,752
Accounts receivable—other	7	45,148	41,983
Inventories	8	543,743	463,869
Deferred charges, net	12	30,507	18,970
Total current assets		**906,962**	**695,281**
Non-current assets			
Accounts receivable	7	49,110	34,809
Long-term investments	9	198,371	224,516
Property, plant and equipment, net	10	1,640,086	1,377,829
Intangibles, net	11	5,809	8,139
Deferred charges, net	12	91,489	82,432
Other assets		242	198
Reappraisals	13	716,613	619,870
Total non-current assets		**2,701,720**	**2,347,793**
Total assets		**3,608,682**	**3,043,074**
Memorandum accounts receivable and payable	24	**4,819,315**	**2,105,694**

	Notes	2006	2005
Liabilities and shareholders' equity			
Current liabilities			
Financial obligations	14	171,941	17,699
Suppliers	15	486,091	413,144
Accounts payable	16	187,595	118,765
Taxes, liens and encumbrances	19	42,336	35,790
Labor liabilities	20	38,340	36,803
Accrued liabilities and provisions	22	39,953	25,269
Commercial papers and bonds	17	—	300,000
Other liabilities		12,522	4,561
Total current liabilities		**978,778**	**952,031**
Non-current liabilities			
Financial obligations	14	254,364	53,365
Labor liabilities	20	527	327
Accounts payable	15	16,281	—
Bonds	18	105,000	—
Accrued liabilities retirement pensions	21	10,593	11,860
Deferred charges, net	12	19,731	20,150
Total non-current liabilities		**406,496**	**85,702**
Total liabilities		**1,385,274**	**1,037,733**
Minority interest		**1,479**	**1,367**
Shareholders' equity	13 and 23	**2,221,929**	**2,003,974**
Total liabilities and shareholders' equity		**3,608,682**	**3,043,074**
Memorandum accounts receivable and payable	24	**4,819,315**	**2,105,694**

The accompanying notes are an integral part of the financial statements.

Almacenes Exito S.A.
Consolidated statement of income
for the years ended December 31, 2006, 2005 and 2004

(Amounts expressed in millions of Colombian pesos)	Notes	2006	2005	2004
Sales		4,126,593	3,425,799	3,246,635
Other income from operations		135,929	106,992	90,754
Net revenues	25	**4,262,522**	**3,532,791**	**3,337,389**
Cost of sales		**(3,206,763)**	**(2,663,715)**	**(2,525,058)**
Gross profit		**1,055,759**	**869,076**	**812,331**
Selling and administrative expenses				
Salaries and fringe benefits		(314,838)	(282,020)	(273,738)
Other operating expenses—administrative and sales		(412,329)	(318,333)	(290,258)
Depreciations and amortizations		(158,650)	(147,166)	(138,577)
Total selling and administrative expenses	26	**(885,817)**	**(747,519)**	**(702,573)**
Operating income		**169,942**	**121,557**	**109,758**
Non-operating income				
Financial income		46,685	12,431	10,196
Other non-operating income		24	31	232
Total non-operating income		**46,709**	**12,462**	**10,428**
Non-operating expenses				
Financial expense		(72,631)	(33,690)	(39,966)
Other non-operating expenses and income, net	27	(21,487)	(19,955)	(18,801)
Total non-operating expenses		**(94,118)**	**(53,645)**	**(58,767)**
Total non-operating income and expenses, net		**(47,409)**	**(41,183)**	**(48,339)**
Monetary correction	28	**29,475**	**31,274**	**36,561**
Income before taxes and minority taxes		**152,008**	**111,648**	**97,980**
Minority interest		**(49)**	**(50)**	**(18)**
Income before income taxes		**151,959**	**111,598**	**97,962**
Income taxes				
Current		(45,058)	(40,815)	(32,516)
Deferred		16,275	(2,935)	(2,385)
Total income taxes	19	**(28,783)**	**(43,750)**	**(34,901)**
Net income		**123,176**	**67,848**	**63,061**
Net income per share	3	**589.37 ***	**324.63 ***	**304.61 ***

(*) Expressed in Colombian pesos

The accompanying notes are an integral part of the financial statements.

Almacenes Exito S.A.
Consolidated statement of changes in shareholders' equity for the years ended December 31, 2006, 2005 and 2004

			Reserves										
(Amounts expressed in millions of Colombian Pesos, except where noted)	Share capital	Surplus from capital	Legal	Future enlargements and improvements	Treasury shares	Fiscal depreciation	Future dividends	Total reserves	Revaluation of shareholders' equity	Unappropriated earnings	Retained earnings	Surplus from asset reappraisal	Total
Balance at December 31, 2004	**2,096**	**597,631**	**7,857**	**118,509**	**20,000**	**8,741**	**1,419**	**156,526**	**488,679**	**63,061**	**4,759**	**529,340**	**1,842.092**
Appropriations made by the general shareholders' Meeting: Cash dividend of $25 (*) per share and per month, from April 2005 to March 2006 on 209,000,626 outstanding shares of Almacenes Exito S.A.							(6,557)	(6,557)		(56,144)			(62,701)
Transfer of reserves				(6,557)			6,557	—					—
Transfer of unappropriated earnings to reserve of future enlargements and improvements				6,917				6,917		(6,917)			—
Increase in revaluation of shareholders' equity									66,205				66,205
Increase in surplus for asset reappraisal												90,530	90,530
Net income at December 31, 2005	—	—	—	—	—	—	—	—	—	**67,848**	—	—	**67,848**
Balance at December 31, 2005	**2,096**	**597,631**	**7,857**	**118,869**	**20,000**	**8,741**	**1,419**	**156,886**	**554,884**	**67,848**	**4,759**	**619,870**	**2,003,974**
Appropriations made by the Shareholders' General Meeting: **Cash dividend of $25 (*) per share and per month, from April 2006 to March, 2007 on 209,000,626 outstanding shares of Almacenes Exito S.A.**							(7,964)	(7,964)		(54,737)			(62,701)
Transfer of reserves				**(7,964)**			**7,964**						—
Transfer of unappropriated earnings to reserve of future enlargements and improvements				**13,111**				**13,111**		**(13,111)**			—
Treasury shares					**(734)**			**(734)**					**(734)**
Increase in revaluation of shareholders' equity									**61,471**				**61.471**
Increase in surplus for asset reappraisal												**96,743**	**96,743**
Net income at December 31, 2006	—	—	—	—	—	—	—	—	—	**123,176**	—	—	**123,176**
Balance at December 31, 2006	**2,096**	**597,631**	**7,857**	**124,016**	**19,266**	**8,741**	**1,419**	**161,299**	**616,355**	**123,176**	**4,759**	**716,613**	**2,221,929**

(*) Expressed in Colombian pesos

The accompanying notes are an integral part of the financial statements.

Almacenes Exito S.A.
Consolidated statement of changes in financial situation for the years ended December 31, 2006, 2005 and 2004

(Amounts expressed in millions of Colombian Pesos)	2006	2005	2004
Financial resources were provided by:			
Net income for the year	123,176	67,848	63,061
Add (less) charges (credits) to transactions that did not affect working capital:			
Depreciation of property, plant and equipment, net	125,013	112,536	104,661
Amortization of deferred charges	31,641	32,690	28,775
Amortization of intangibles	2,088	1,993	2,031
Adjustment for inventory inflation charged to sales cost	19,774	22,245	24,972
Monetary correction	(29,475)	(31,274)	(36,561)
Gains from sale of property, plant and equipment, net	(70,245)	(3,410)	(8,044)
Decrease in long-term deferred tax	(10,050)	1,854	10,850
Decrease of provisions for property, plant and equipment, net	(322)	(1,082)	3,741
Decrease of actuarial calculation	(1,267)	(1,204)	(1,787)
Amortization of reorganization costs	—	—	358
Provision for intangibles	915	—	—
Increase (decrease) of provisions for protection of investments, net	46,811	(7,781)	(29,177)
Adjustment for exchange difference of investment in Cativén S.A., net	3,285	7,630	28,092
Minority interest	49	50	18
Gains (loss) from sale of investments, net	(1,057)	965	(1,304)
Other minors	15	195	545
Working capital provided by year's operations	**240,351**	**203,255**	**190,231**
Financial resources generated from other sources:			
Proceeds from sale and retirement of property, plant and equipment, net	83,854	11,517	10,921
Proceeds from contributions of an asset to independent equity	—	2,457	—
Income from sale of investments	1,643	787	14,773
Reclassification of adjustments for inflation on inventories	124	475	—
Increase in long-term labor liabilities	200	—	—
Decrease in long-term debts	—	—	13,324
Increase in labor liabilities	200,999	49,615	2,247
Issuance of bonds	105,000	—	—
Increase in long-term accounts payable	16,281	—	—
Transfer of long-term to short term investments	3,778	1,538	—
Redemption security bonds	22	—	—
Issuance of shares	—	—	25,127
Total financial resources provided	**652,252**	**269,644**	**256,623**

	2006	2005	2004
Financial resources were utilized for:			
Acquisition of investments	25,008	5,030	4,586
Acquisition of property, plant and equipment, and other assets	335,773	167,140	103,998
Increase of intangibles	330	3,347	66
Increase of non-current debtors	14,301	1,159	—
Increase in non-current deferred assets	26,711	14,612	14,412
Dividends declared	62,701	62,701	60,767
Transfer of short-term to long-term deferred	1,760	—	—
Reacquisition of shares	734	—	—
Transfer of long-term to short term account payables	—	17	36,492
Reclassification of adjustment by inflation of inventories	—	—	189
Total financial resources utilized	**467,318**	**254,006**	**220,510**
Increase in working capital	**184,934**	**15,638**	**36,113**
Analysis of changes in working capital			
Increase (decrease) in current assets			
Cash	44,717	12,924	11,701
Negotiable investments	54,854	38,863	(5,966)
Receivables	20,699	21,609	7,115
Inventories	79,874	(12,018)	27,786
Deferred charges, net	11,537	(2,045)	8,458
Total increase in current assets	**211,681**	**59,333**	**49,094**
(Increase) decrease in current liabilities			
Financial obligations	(154,242)	45,097	73,822
Suppliers	(72,947)	(19,129)	(3,836)
Accounts payable	(68,830)	(30,728)	19,523
Tax, liens and encumbrances	(6,546)	(13,190)	5,021
Other liabilities	(7,961)	(1,586)	82
Labor liabilities	(1,537)	(1,503)	(1,290)
Estimated liabilities	(14,684)	(443)	(11,588)
Commercial papers and short-term bonds	300,000	(22,213)	(94,715)
Total increase in current liabilities	**(26,747)**	**(43,695)**	**(12,981)**
Increase in working capital	**184,934**	**15,638**	**36,113**

The accompanying notes are an integral part of the financial statements.

Almacenes Exito S.A.
Consolidated statement of cash flows
For the years ended December 31, 2006, 2005 and 2004

(Amounts expressed in millions of Colombian Pesos)	2006	2005	2004
Cash flows from operating activities:			
Goods, services and others	4,794,349	3,963,928	3,730,883
Paid to suppliers	(3,600,455)	(2,922,952)	(2,812,280)
Paid for wages, salaries and fringe benefits	(312,950)	(281,727)	(270,748)
Paid for administration expenses	(41,061)	(35,418)	(35,181)
Paid for sales expenses	(373,692)	(303,624)	(267,020)
Paid for sales tax	(93,223)	(89,776)	(87,368)
Paid for income tax	(44,124)	(31,704)	(39,105)
Cash flows provided by operating activities	**328,844**	**298,727**	**219,181**
Acquisition of property, plant and equipment, net	(323,275)	(162,035)	(120,174)
Acquisition of deferred charges	(28,471)	(14,612)	(14,104)
Proceeds from sale of property, plant and equipment, net	95,288	5,454	10,921
Acquisition of investments	(20,000)	(5,030)	—
Acquisition of intangibles	(329)	—	—
Redemption (purchase) of marketable securities	(51,075)	(37,324)	5,969
Proceeds from sale of investments	1,665	787	14,643
Interests received	19,473	12,243	10,196
Dividends and shares received	24	31	232
Cash flows used in investing activities	**(306,700)**	**(200,486)**	**(92,317)**
Secured loans	898,608	356,353	735,439
Payment of principal installments of loans	(527,654)	(351,834)	(845,512)
Dividends declared and paid	(62,764)	(56,229)	(40,779)
Reacquisition of shares	(734)	—	—
Issuance of commercial papers, net	(195,000)	22,213	94,715
Interests paid for loans and bonds	(51,171)	(29,007)	(38,299)
Cash flows (used in) provided by financing activities	**61,285**	**(58,504)**	**(94,436)**
Cash flows provided by other items	4,735	2,518	6,192
Cash flows for payment of democratic security tax	(4,899)	(4,644)	(4,231)
Cash flows for other items	(38,548)	(24,687)	(22,688)
Cash flows used in other items	**(38,712)**	**(26,813)**	**(20,727)**
Net cash flows for the year	**44,717**	**12,924**	**11,701**
Opening balance of cash	**81,600**	**68,676**	**56,975**
Ending balance of cash	**126,317**	**81,600**	**68,676**

	2006	2005	2004
Reconciliation of net income to cash flows from operating activities			
Net income for the year	**123,176**	**67,848**	**63,061**
Adjustments to reconcile net income to cash flows provided by operating activities:			
Monetary correction	(29,475)	(31,274)	(36,053)
Depreciation of property, plant and equipment, net	125,013	112,536	104,661
Amortization of deferred charges	31,640	32,690	28,775
Amortization of intangibles	2,088	1,993	2,031
Adjustment for inflation to sales cost	19,774	22,245	24,972
Reclassification of adjustment for inflation on inventories	125	475	(189)
Decrease in amortization of actuarial calculation	(1,267)	(1,204)	(1,787)
Provision of intangibles	915	—	—
Gains from sale of property, plant and equipment, net	(70,245)	(3,410)	(8,044)
Increase (decrease) of provision for protection of investments, net	46,811	(7,781)	(29,177)
Adjustment for exchange difference of investment in Cativén S.A.	3,285	7,630	28,092
Decrease of provisions for property, plant and equipment, net	(322)	(1,082)	3,741
Loss (gains) from sale of investments, net	(1,057)	965	(1,304)
Extraordinary costs for reorganization	(7,363)	(4,539)	358
Variations in non-operating accounts	19,054	(4,674)	(16,737)
Accrued expenses	25,205	1,920	8,153
Dividends and shares received	(24)	(31)	(232)
Donations	1,273	1,240	1,151
Financial transactions tax	9,496	9,145	8,819
Wealth tax	4,899	4,644	4,231
Decrease (increase) in inventory	(79,874)	12,018	(27,784)
Increase in suppliers	66,660	22,044	8,891
Labor liabilities	2,988	1,497	1,751
Interests received	(19,473)	(12,243)	(10,195)
Interests paid	51,171	29,007	37,427
Payable taxes	(10,420)	18,397	25,059
Minority interest	49	50	18
Other	15	195	—
Cash flows provided by operating activities	**328,844**	**298,727**	**219,181**

The accompanying notes are an integral part of the financial statements.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Note 1—Company's incorporation and purpose

Almacenes Exito S.A. (The Parent Company) was incorporated under Colombian law on March 24, 1950. The Company's purpose is the acquisition, storage, transformation, selling and distribution of all kinds of domestic or imported goods and products, wholesale and retail.

The Company's main domicile is at the municipality of Envigado, Colombia, Carrera 48 No. 32B Sur-139 and its term of duration expires on December 31, 2050.

Distribuidora de Textiles y Confecciones S.A. "DIDETEXCO S.A." (The Subsidiary), was incorporated on July 13, 1976 by public deed No. 1138 of the Seventh Notary of Medellin. Its purpose is the acquisition, storage, transformation, manufacturing, selling and distribution of all kinds of domestic or imported manufactured textile goods. The subsidiary's main domicile is at the municipality of Envigado, Colombia, Carrera 48 No. 32 sur-29.

Note 2—Basis of presentation

The Company's accounting records and consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Colombia, which include regulations and instructions issued by the Colombian Finance and Corporations Superintendencies.

Note 3—Significant accounting policies

The main policies and practices adopted by the parent company and its subsidiary are described on the following paragraphs:

Consolidation principles

The Full Consolidation method has been selected to this effect, by means of which all the assets, liabilities, equity and income of the subsidiary are incorporated into the Parent Company's financial statements, previously eliminating the Parent Company's investment in the subsidiary as well as every transaction and intercompany balances existing at the consolidated financial statements closing date.

Given the above, the consolidated financial statements properly disclose the magnitude of the resources under exclusive control.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

The following figures have been taken from the Parent Company and its subsidiary's financial statements at December 31, 2006 and 2005, certified and audited pursuant to current legal regulations:

Company	Assets		Liabilities		Equity		Income	
	2006	2005	2006	2005	2006	2005	2006	2005
Almacenes Exito S.A.	3,600,167	3,040,680	1,375,519	1,034,039	2,224,648	2,006,641	123,176	67,848
Distribuidora de Textiles y Confecciones S.A., Didetexco S.A. (*)	43,240	38,632	18,590	15,798	24,650	22,834	821	839
Total	**3,643,407**	**3,079,312**	**1,394,109**	**1,049,837**	**2,249,298**	**2,029,475**	**12,997**	**68,687**

* 2006 Sales from Didetexco S.A. versus year 2005 increased to 24.3%. Selling and administration operating expenses related to sales increased from 8.2% in 2005 to 9.0% in 2006. The operating profit for 2006 was $1,541 (2005, $1,603) and net income increased to $821 (2005, $839).

Consolidation effects on the Parent Company's assets, liabilities, equity and income

	Amounts before consolidation		Amounts after consolidation	
	2006	2005	2006	2005
Total assets	3,600,167	3,040,680	3,608,682	3,043,074
Total liabilities	1,375,519	1,034,039	1,385,274	1,037,733
Minority interest	—	—	1,479	1,367
Total equity	2,224,648	2,006,641	2,221,929	2,003,974
Total income	123,176	67,848	123,176	67,848

Reconciliation of Parent Company and subsidiary's individual income to the consolidated income

	2006	2005
Profit of Almacenes Exito S.A.	123,176	67,848
Profit of Didetexco S.A.	821	839
	123,997	**68,687**
Equity method—Didetexco S.A.	(724)	(897)
Minority interests—Didetexco S.A.	(49)	(50)
Unrealized profit in inventories	(48)	108
Consolidated net profit	**123,176**	**67,848**

Monetary correction

Until December 31, 2000, non-monetary assets and liabilities and shareholders' equity, except for income statement accounts and the surplus from revaluation of our assets and those of our subsidiaries in Colombia, were monetarily updated on a prospective basis, using the Colombian

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Percentage Adjustment for the Taxable Year (*Porcentaje de Ajuste del Año Gravable*), or PAAG. The respective adjustments were recorded in our income statement's monetary correction account. As of January 1, 2001, the CGN, through Resolution No. 364 of November 29, 2001, suspended the system of integral inflation adjustments for accounting effects, without reverting the inflation adjustments accounted until December 31, 2000. Law 1111 of 2006 derogated integral inflation adjustments for tax effects beginning fiscal year 2007.

Translation of foreign currencies

The Company's functional currency is the Colombian peso. Transactions in foreign currencies are recorded at the applicable exchange rates in force on the date of the transaction. At the close of each year, balances of assets and liabilities accounts are adjusted to current exchange rates. Exchange differences resulting from asset balances are recorded in our income statement as financial revenues. With regard to liability accounts, only exchange differences that are not imputable to costs of acquisition of assets are recorded in our income statement as financial expenses. Exchange differences imputable to the acquisition cost of assets include exchange differences while such assets are under construction or installation, and until they become operational.

Classification of assets and liabilities

Assets and liabilities are classified according to their use or degree of realization, demand or liquidation, in terms of time and value.

Accordingly, current assets and liabilities (short-term) are understood as such amounts that will be realizable or demandable, respectively, within a term not longer than one (1) year.

Accounts receivable

Resources granting the power to claim from a third party the right of payment incorporated thereof, whether in money, goods or services, as agreed between the parties and as a result of a legal business on credit payment basis.

Accounts receivable are registered at cost, which is adjusted according to the measure unit or the functional currency agreed for its payment, as appropriate.

At year end, its recoverability is technically assessed and any arising contingency is recognized.

Inventories

Inventories of goods manufactured by third parties are recorded at cost. The inventory cost of the Parent Company is calculated on a monthly basis by the retail method and at year-end the appraised physical inventory is recorded by the FIFO method.

The inventory of materials, spares and accessories is recorded at cost. At year end closing, the appraised physical inventory is recorded in the Parent Company by the FIFO method. In the case of Didetexco, the physical inventory is appraised by the average cost method.

The goods in transit are appraised upon the specific value method.

Year-end inventories are stated at the lower of cost or net realizable value.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Investments

Marketable securities

Represent available for sale securities or documents on which the investor has serious intent to make rights callable in a term less than three calendar years. They might be fixed or variable income investments.

Fixed income investments are recorded at cost and subsequently on an exponential basis based upon the internal return rate calculated at the time of purchase. The mark to market or estimated value differences at year-end are recorded as higher or lower investment value with direct effect to income.

Variable income investments are recorded at cost; the results of the differences from regular update of market prices and the last recorded value are registered affecting directly the investments value against the income statement.

Long-term investments

The investor has the serious intention to maintain them until their maturity or redemption expiration date.

Long-term investments of non-controlling parties are recorded at cost plus the corresponding adjustment for inflation.

Pursuant to the regulations of the Finance Superintendency of Colombia, at year-end, if the realizable value of investments of non-controlling parties (value in Stock Exchange or intrinsic, as appropriate) is lower than the adjusted cost, the arising difference is recorded as a devaluation and as lower equity value in the surplus valuation account, except for non-controlled companies in dissolution status for further liquidation or that show recurrent losses in which case, the lower value is recorded with charge to income, upon the Parent Company's prudence principle.

Any excess of market value or estimated value at year-end is recorded separately as valuation with credit to the equity account of surplus for valuations.

As of year 1998, and until 2005, upon Regulatory Letter 011 of the Finance Superintendency of Colombia, the Parent Company investment in Catívén S.A. in Venezuela, was valued using the intrinsic value reflected in the Parent Company's financial statements at December 31 of each year, presented under FASB 52, and the difference recorded as a devaluation in shareholders' equity. In 2006, a business appraisal study was contracted taking into consideration Cativen S.A. financial situation, and the resulting detriment was recorded with charge to income based upon the prudence accounting principle.

Total effect on the income statement in 2006 resulted in an increase in expenses of Col$45,294, representing $216.72* per share.

(*) Expressed in Colombian pesos.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Property, plant and equipment and depreciation

Property, plant and equipment comprises any tangible resource controlled by the Parent Company and its subsidiary, obtained, built or in construction process, used during the ordinary course of their activities for the production of goods or for rendering services intended for own consumption or to third parties, and which contribution to income generation exceeds one calendar year.

Property, plant and equipment are recorded at cost, restated according to the integral system dynamics for inflation adjustments.

Cost of property, plant and equipment includes necessary items for its start up or operation. For such reason, once the good might be potentially used, the recognition as a higher cost of the good from accrued or incurred items subsequent to said date ceases, other than its own restatement for inflation or additions thereof.

To that extent, the expenses incurred by the acquisition, assembly or construction of the tangible good, such as engineering, supervision, taxes, interests and price-level restatement, are susceptible of forming part of its cost only until said good is in condition of use, regardless of its actual or material use, and once said good might be used, such items are recorded as expenses of the year when they are accrued or disbursed, whichever occurs first.

Repairs and maintenance of these assets are charged to income.

Sales and retirements of these assets are discharged at their net inflation-adjusted cost, and differences between sales price and net adjusted cost are taken to income.

Depreciation is calculated on inflation-adjusted cost, by the straight-line method, on the basis of probable useful life of asset categories, at the following annual rates:

- 5% for constructions and buildings
- 10% for machinery and equipment, transport equipment, and office equipment
- 20% for transport equipment (vehicles), IT equipment and post-scanner

The acquisition of exhibition furniture such as gondolas, security tags, self-service cars and signaling, among others, are depreciated by the straight-line method with an acceleration percentage between 25% and 50% per additional shift.

Pursuant to Parent Company and its subordinate policy, the residual value of fixed assets established for depreciation calculation is zero (0).

Valuation methods

Subject to technical regulations the accepted valuation criteria are: historic value or cost, current or replacement value, realizable or market value and the present or discounted value.

Historic value or cost represents the original amount obtained in cash or its equivalent at the time of a financial act.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Current or replacement value represents cash amounts that would cost replacing an asset or that would be required for settling an obligation at present time.

Realizable or market value represents cash amounts expected for asset conversion or a liability settlement over the regular course of business.

Current or discounted value represents the current value of net income or expenses, generated by an asset or liability.

When taking into consideration the characteristics that accounting records should have, contained in the Ruling Decree 2649 of 1993, article 4, the Parent Company and its subsidiary have decided that property, plant and equipment is valued using current or replacement value.

To the effects of valuation at current or replacement value, it is determined pursuant to the commercial appraisals that should be carried out with a maximum frequency of three calendar years. For the performance of such appraisals, those assets which adjusted net cost is lower than twenty (20) monthly legal minimum wages are excluded by legal provision.

Appraisals are performed by individuals without any kind of relation with the Parent Company and its affiliate which might create conflict of interests, i.e., there are no links, relations or parallel transactions between the appraiser and the Parent company and its subsidiary involving an interest that actual or potentially, prevent a fair and equitable opinion, adjusted to the reality of the appraisal subject.

During the period elapsed from an appraisal to another, to the effects of disclosure in the financial statements to be presented, either interim or at year end, the latest realization value of property, plant and equipment, of full ownership, determined in conformity to commercial appraisals, is presented adjusted for inflation, unless there are circumstances that make such adjustment inadequate.

In those events when the value of property, plant and equipment is higher than its book value, the latter is adjusted by valuations that affect directly the Parent Company and its subsidiary's equity.

Intangible assets

They represent resources that imply a right or privilege enforceable as to third parties, and from which exercise or exploitation financial benefits might be obtained for several years.

In this category items such as assets delivered in trust, trademarks, goodwill and assets in leasing have been classified.

The cost of said assets correspond to incurred disbursements clearly identifiable, adjusted by inflation. To recognize its contribution to income generation they are amortized on a systematic basis during their useful life.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Deferred assets

Deferred assets correspond to:

Prepaid expenses, represent paid in advance amounts that should be amortized over the period when services are received or costs and expenses are accrued, such as Interests, insurance, rentals and others incurred in for receiving future services.

Deferred charges represent assets or services received from which it is expected to obtain financial benefits in other periods. They are adjusted by inflation when appropriate and its amortization is calculated as follows:

Improvements to third parties' properties are amortized in the shorter period between the effectiveness of the respective contract (without considering the extensions) and its probable useful life, when the cost is not recoverable.

Organization and pre-operative expenses correspond to opening store expenses up to year 2003; they are amortized in a five year period at 20% annual rate. During year 2006 the Parent Company accelerated the amortization of these expenses.

Supplies for projects, facilities and metal fittings for improvements made in shops and offices property of the company acquired up to year 2003. Amortization for supply equipment is calculated by the straight-line method at 33% annual rate and for exhibition furniture at 20% annual rate.

Software is amortized at 33% annual rate, except for financial and commercial software acquired during 2004, which is amortized at 20% annual rate.

Expenses for purchase of shares of Carulla Vivero S.A., comprises the expenses paid by the Parent Company during year 2006 for the acquisition of Carulla Vivero S.A. shares.

Deferred monetary correction

Deferred credit monetary correction corresponds to inflation adjustments applied to constructions in progress and to non-monetary deferred charges in preoperative stage; its amortization is applied as of the date they start generating income and for the term established for the respective deferred item. The deferred debit price-level restatement corresponds to the proportional part of the adjustment on equity, regarding the assets that generated a credit on the deferred price-level restatement.

Deferred taxes

The effect of temporary differences that imply payment of a higher or lower income tax in the current year calculated at real rates provided there is a reasonable expectation that such differences will be reversed, should be recorded as receivable or payable deferred tax.

The deferred tax is amortized in the periods when the temporary differences originating it are reversed.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Valuations and devaluations

Valuations and devaluations of assets that are part of equity include:

a. Excess of commercial appraisals of mobile and non-mobile goods on their net book value adjusted for inflation.

b. Excess or default of the intrinsic value or the value in Stock Exchange of some investments, including fiduciary rights, at year-end on their net book value adjusted for inflation.

c. Valuations and devaluations of investments pursuant to the regulations issued by the Finance Superintendency of Colombia.

Financial obligations

Obligations undertaken by the Parent Company and its subsidiary with credit entities or other local or foreign financial institutions. Bank overdrafts are also included.

The recorded amounts correspond primarily to capital. Any financial expenses that do not increase the principal are recorded as accrued expenses.

Accounts payable

They represent obligations at the Parent Company's and subordinate's expense originated from received goods or services. They are recorded separately in order of importance. Accounts payable are recorded at cost, which is, when appropriate, adjusted according to the measuring unit or functional currency agreed for their payment.

Taxes, liens and encumbrances

They represent the general and mandatory liens in favor of Colombian government at expense of the Parent Company and its subsidiary. These liens are determined based upon private liquidation of the corresponding year. They comprise, among others, income and supplementary taxes, sales tax and industry and trade tax).

Provision for income taxes taken includes, besides calculated tax on taxable income, the applicable tax to temporary differences arising between commercial profit and the net income.

Labor liabilities

They comprise the liabilities registered on the Parent Company and its subsidiary on behalf of workers or beneficiaries.

Use of estimates

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in Colombia requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Management uses current available information and is comfortable with the estimates expressed on the accompanying financial statements. Actual results could differ from those estimates.

Pensions

The retirement pension represents the labor fringe benefits of special character that, on behalf of employees and at the Parent Company's and its subsidiary's expense, are generated by virtue of legal or contractual regulations and consists of a monthly payment, adjusted according to indexes set forth by the National Government or agreed by the parties, over the life of the legal beneficiary or his descendents or legal beneficiaries, pursuant to the guidelines and procedures established in the legal or contractual regulations.

Annual adjustments of liabilities are made upon actuarial analysis adhered to the legal standards.

Payment of pensions is directly charged to income.

Leasing contracts with purchase option

At the beginning of the leasing contract, the lessee records the total value of the asset subject thereof as a non-monetary intangible asset under the line item of assets received in leasing with credit to financial liability. The asset is adjusted for inflation and is depreciated according to its useful life. The rent payments made are recorded as credit to principal and interest; at the end of the contract, the purchase option could be exercised in which case, the account of property, plant and equipment will be reclassified.

Recognition of income, costs and expenses

Income from sales is recognized when the final exchange transaction takes place, income from rentals is recognized in the month they are accrued and income from services during the contractual period or when services are rendered. The costs and expenses are recorded by the accrual method.

Earnings per share

Earnings per share is calculated on the weighted average of subscribed outstanding shares: 208,994,975 and 209,000,626 shares during 2006 and 2005, respectively.

Memorandum accounts

Obligations pending formalization and contingent rights or liabilities, such as granted guarantees, unused credits, securities received in custody or guarantee and the contracts executed for the purchase of goods, property and equipment are recorded in debtor or creditor memorandum accounts. Likewise, it includes those register accounts used for asset internal control purpose, management information or control of future financial estimates. On the other hand, fiscal memorandum accounts are used to record differences between book and tax basis.

Non-monetary memorandum accounts are adjusted by inflation with credit or charge to the reciprocal memorandum account.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Materiality

The recognition and presentation of financial facts is determined upon their relative importance.

A financial fact is material when due to its nature or amount, its disclosure or non-disclosure, keeping in mind the circumstances, might significantly affect financial decisions of the users of this information.

When preparing the financial statements, notes included, the relative importance for presentation purposes was determined upon the 5% basis applied to current and non-current assets, current and non-current liabilities, equity, income for the years and to each ledger account considered on an individual basis.

Derivatives

In the regular course of the business, the Parent Company carries out transactions with derivative financial instruments to reduce exposure to exchange fluctuations on foreign currency denominated liabilities. Such instruments primarily correspond to swap contracts.

Even though Colombian accounting regulations do not consider specific accounting treatments for this type of transactions, the Parent Company records the rights and obligations arising from these contracts at the transaction time in memorandum accounts.

For valuation purposes, and following the prudence accounting principle, the Parent Company records as charge or credit to income, in those events defined as hedge contracts, the corresponding loss or income generated in the instrument valuation for the difference between the valuation rate at year-end and the contracted rate, simultaneously registering the corresponding exchange difference.

Accounting and administrative internal control

No significant changes on accounting and administrative internal controls of the Parent Company and its subsidiary took place during the period.

Note 4—Foreign currency transactions

Existing basic regulations allow free negotiation of foreign currency through banks and other financial institutions at floating exchange rates. However, for both the Parent Company and its subsidiary, most foreign currency transactions still require compliance with certain legal requirements.

Foreign currency transactions and balances are translated at the market representative exchange rate certified by the Finance Superintendency of Colombia, which was used for the preparation of the financial statements at December 31, 2006 and 2005. The market representative exchange rate at December 31, 2006, was $2,238.79 (2005, $2,284.22**) per US$1.

** Expressed in Colombian pesos.*

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

At December 31, the Parent Company and its subsidiary had the following foreign currency assets and liabilities recorded at their Colombian peso equivalent:

	Amounts before consolidation		Amounts after consolidation	
	2006	2005	2006	2005
	In US$	in million Col pesos	In US$	million Col pesos
Marketable securities	923,981	2,069	641,855	1,466
Banks	635,377	1,422	244,998	560
Cash foreign currency	60,031	134	37,040	84
Accounts receivable	310,816	696	549,786	1,255
Total current assets	**1,930,205**	**4,321**	**1,473,679**	**3,365**
Investment in Cativén S.A. (*)	72,300,646	161,866	72,300,646	165,150
Total non-current assets	**72,300,646**	**161,866**	**72,300,646**	**165,150**
Total assets	**74,230,851**	**166,187**	**73,774,325**	**168,515**
Financial obligations—letters of credit	915,041	2,049	6,552,963	14,968
Foreign suppliers	10,936,825	24,485	8,928,818	20,396
Accounts payable	13,484,734	30,189	1,805,403	4,124
Total current liability	**25,336,600**	**56,723**	**17,287,184**	**39,488**
Foreign financial obligations	67,000,000	149,999	—	—
Total non-current liability	**67,000,000**	**149,999**	**—**	**—**
Total liability	**92,336,600**	**206,772**	**17,287,184**	**39,488**
Net asset (liability) monetary position, net	**(18,105,749)**	**(40,535)**	**56,487,141**	**129,027**

* *During year 2006, $3,285 (2005, $7,630) was recorded as net expense for exchange difference as a result of the adjustment for exchange difference of the investment in Cativén S.A.*

Exchange differences incurred during the year were registered in the following accounts:

	2006	2005
	Book Value	Book Value
Financial expenses	16,489	1,509
Financial income	30,219	1,768
Expense for transactions with SWAP hedge	19,852	—
Financial income (expense), net	**(6,122)**	**259**

Exchange difference adjustment for the investment in Cativén S.A.:

	2006	2005
Non-operating expenses	31,210	12,177
Non-operating income	27,925	4,547
Net expense	**3,285**	**7,630**

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Note 5—Cash and cash equivalents

At December 31 cash available comprised the following:

	2006	2005
Cash	21,896	26,305
Banks and financial entities(*)	104,421	55,295
Total	**126,317**	**81,600**

(*) Balance at December 31, 2006 includes monies deposited for sales on December 28, 29, 30, and 31 for $33,633 pending of constituting Repos for closing of bank services at year end.

During 2006 the Parent Company and its subsidiary recorded yields from saving accounts in banks and financial entities for Col $92 (2005, Col $408).

Note 6—Marketable securities

Marketable securities at December 31 comprised the following:

	2006		2005
		Interest Rate	
Foreign currency investments	2,069	5.27% annual	1,466
Investments in Repo(*)	321	1% annual	19,729
Funding(*)	82,225	5% - 6.5% effective	—
Fixed term deposit certificates	300	CPI + 1.81	300
Fixed term deposit certificates	100	5.64% annual	100
Tidis	2,876	0%	—
Fiduciary rights	15,238	4.91% - 6.55% effective	28,922
Other securities	55	6.33% annual	52
Peace Solidarity Bonds	3,777		1,538
Total	**106,961**		**52,107**

* It includes funding constituted with the proceeds from the sale of property where Hipermercado EXITO Calle 80 operates in Bogota, the Parent Company received the amount of $62,260 which will be used for the purchase of Carulla Vivero S.A. shares (see Note 28). Funding transactions mature on January 2, 2007 and are supported with TES issued by Colombian Government.

During year 2006 the Parent Company and its subsidiary recorded yields from negotiable investments for Col$4,629 (2005, Col$2,816).

None of such of investments has restrictions or encumbrances that limit its realization or tradability.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Note 7—Accounts receivable

Balance of receivables at December 31 comprised the following:

	2006	2005
Current:		
Customers	49,790	32,784
Provision for customers	(653)	(264)
Advances on taxes receivable (Note 18)	5,149	4,232
Subtotal	**54,286**	**36,752**
Other receivables:		
For sale of fixed assets—Property	12,413	9,826
Employees' fund	14,472	12,630
Advances to contractors and suppliers	1,247	1,659
Dealers	5,485	7,120
Cativén S.A.	3,362	2,870
Interests	366	429
Hogar Sacerdotal (formerly Arquidiócesis de Medellín)	169	169
Other receivables	10,504	7,280
Provision for other receivables	(2,870)	—
Subtotal other receivables	**45,148**	**41,983**
Total current receivables	**99,434**	**78,735**
Non current:		
Sale of fixed assets—Property (1)	14,250	17,812
Advances for purchase of fixed assets (2)	13,574	2,316
Employees' fund	17,164	9,543
Hogar Sacerdotal (formerly Arquidiócesis de Medellín)	1,757	1,926
Predios del Sur S.A. (1)	2,185	3,061
Other	180	151
Total non-current receivables	**49,110**	**34,809**

(1) It corresponds to account receivable generated for the sale of Belen warehouse in Medellín to Comfenalco Antioquia.

(2) It corresponds to advances submitted to contractors for the purchase of real estate and adaptation of stores, which cancellation will be made through the legalization of minutes of the works and/or formalization of public deeds in year 2007.

(3) In 1996 the Parent Company sold a property to Predios del Sur S.A. for Col $4,557 from which Col$1,496 were capitalized and the remaining Col $3,061 constituted an account receivable with initial maturity in year 2004. Such term was extended by public deed until June, 2008. At December 31, 2006 the Parent Company had received payments for Col $876.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

During 2005 the Parent Company recorded provisions for Col $204. The subsidiary recorded provisions for Col $60. During 2006 the Parent Company constituted provisions for Col $3.126 (includes Col $2,870 corresponding to accounts receivable with Cativén S.A. at December 31, 2005) and Col $67 were written off. The subsidiary constituted provisions for Col $200.

None of the accounts receivable has restrictions or encumbrances on the obligations guarantee.

The recoverable value per year of the long-term accounts receivable entry at December 2006 is the following:

	Accounts receivable Employees' fund		Other receivables	
Year	**Amount**	**Applicable Annual interest rate %**	**Amount**	**Applicable Annual interest rate (*)**
2008	1,730	3%	4,729	
2009	1,370	3%	2,544	
2010	1,063	3%	2,544	
2011	576	3%	2,544	
2012	576	3%	2,544	
2013 onward	11,849		3,438	
Total	**17,164**		**18,343**	

(*) Interest rate agreed for other receivables includes D.T.F. + 1 point semester due on the account receivable to Comfenalco for the sale made of Belen warehouse in Medellín during 2003.

Note 8—Inventories

At December 31, the balance of inventories comprised the following:

	2006	2005
Goods for sale (*)	504,303	430,449
Raw materials	9,496	9,538
Products in process	10,120	7,396
Finished product – dressmaking	7,360	3,992
Materials, spares and accessories (*)	5,941	5,365
Inventories in transit	20,148	20,302
Provision for protection of inventories	(13,625)	(13,173)
Total	**543,743**	**463,869**

(*) It includes inflation adjustment to inventories for $2,395 (2005, $2,500).

Tax adjustments for inflation were eliminated by Law 1111 of December 27, 2006 as of January 1, 2007.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Note 9—Long-term investments

Balances at December 31 of other long-term investments comprised the following:

	2006								2005
Financial entity	**Adjusted Cost**	**Valuation**	**Devaluation**	**Provision**	**Realizable value**	**Received dividends**	**Valuation method**	**Intrinsic or market value date**	**Adjusted Cost**
1. Variable income investments in non-controlled, voluntary and participative									
Cadena de Tiendas Venezolanas—Cativén S.A. (1)	161,866			87,088	74,778				165,150
Makro de Colombia S.A. (2)									67,516
Comercial Inmobiliaria Internacional S.A. "In liquidation", formerly Makro de Colombia S.A. (2)	70,206		28,970		41,236		Intrinsic	December	
Makro Supermayorista S.A., formerly Makro de Colombia S.A. (2)	396	4,346			4,742		Intrinsic	December	
Independent equity Cadenalco 75 years (3)	8,799	5,779			14,578		Intrinsic	December	8,799
Superlagos S.A. liquidated on December, 2006 (4)									109
Sufinanciamiento Bond (5)	29,500				29,500				9,500
Predios del Sur S.A. (6)	3,451			1,306	2,145		Intrinsic	November	3,299
Suramericana de Inversiones S.A.	910	1,280			2,190	24	Market	December	1,429
C.I. Promotora de Manufacturas para la Exportación S.A.	634			634			Intrinsic	February	606
Promotora de Proyectos S.A.	157		133		24		Intrinsic	November	149
Reforestadora El Guásimo S.A.	33		4		29		Intrinsic	November	32
Central de Abastos del Caribe S.A.	26	29			55		Intrinsic	November	25
Servicauca and Almacenes Éxito S.A. (7)	5,008				5,008		Intrinsic	December	
Other minors	377				377				375
2. Variable income investments in non-controlled, mandatory and non-participative									
Peace solidarity bonds (8)	6,036				6,036				9,835
Subtotal variable income investments	**287,399**	**11,434**	**29,107**	**89,028**	**180,698**	**24**			**266,824**
Provision for protection of investments	(89,028)	—	—	—	—	—			(42,308)
Total long-term investments	**198,371**	**11,434**	**29,107**	**89,028**	**180,698**	**24**			**224,516**

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

(1) At December 31, 2006 the Parent Company carried out the appraisal study of Cativén S.A. and as a result, Col $45,295 were provisioned for year 2006.

(2) By means of public deed No. 4193 of December 2, 2005 the spin off of Markro de Colombia S.A. took place forming the corporations Makro Supermayorista S.A. and Comercial Inmobiliaria Internacional S.A. "In liquidation".

(3) Independent Equity Cadenalco 75 years, corresponds to the property titling where Ley Sandiego Medellín and Ley Salitre in Bogotá stores are located. At the Shareholders' General Meeting called by Independent Equity Cadenalco 75 years, it was decided to extend the rental contracts for 10 years more, which expired in 2007.

(4) During years 2006 and 2005, the Parent Company received Superlagos S.A., liquidated on December, 2006, as payment of capital contribution for Col $23 and Col $803, respectively.

(5) Sufinanciamiento bond, issued by Sufinanciamiento S.A. as part of the publicity shared agreement for Exito card with the Parent Company for nominal value of Col $29,500 at a 10 year term with return of IPC + 2% plus the agreement profit percentage.

(6) The Parent Company recorded in year 2006 Col $1,212 with charge to income for provision of market value.

(7) Solidarity Bond for Peace, bonds issued by the Government. Tax exempt yields were recorded for said bonds for Col$520 for year 2006 (2005, Col$625) equivalent to 110% of inflation value. Bonds are redeemable in a 7 year term and might be marketable but any loss in their realization is not tax deductible.

During 2006 the Parent Company sold 70,000 shares of Suramericana de Inversiones S.A., recording a net profit of Col $1,507.

Long-term investments do not have any restriction or encumbrances that limit their negotiability or realization.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Additional information on long-term investments is as follows:

Investment type as to the financial entity	Primary Activity	Type of share	Number of shares 2005	Number of shares 2006	Share % on subscribed capital 2005	Share % on subscribed capital 2006
Variable income investments in non-controlled, voluntary and participative						
Cadena de Tiendas Venezolanas—Cativén S.A.	Commerce	Common	15,249,340	15,249,340	28.62	28.62
Superlagos S.A. Liquidated on December, 2006	Construction	Common	3,159,084,112	—	27.55	—
-Predios del Sur S.A.	Construction	Common	1,496,328,719	1,496,328,719	19.47	19.47
Makro de Colombia S.A.	Commerce	Common	2,473,906,758	—	13.88	—
Comercial Inmobiliaria Internacional S.A. “In liquidation” *	Commerce	Common	—	2,473,906,758	—	13.88
Makro Supermayorista S.A.(*)	Commerce	Common	—	138,718	—	13.88
C.I. Promotora de Manufacturas para la Exportación S.A.	Export	Common	1,903,211	1,903,211	11.82	11.82
Promotora de Proyectos S.A.	Services	Common	54,990	54,990	5.52	5.52
Central de Abastos del Caribe S.A.	Commerce	Common	3,430	3,430	0.14	0.14
Reforestadora El Guásimo S.A.	Agriculture	Common	193,244	193,244	0.06	0.06
Suramericana de Inversiones S.A.	Services	Common	179,100	109,100	0.05	0.05
Servicauca y Almacenes Exito S.A.	Investments	Common	—	77,000	—	10.00

(*) *Formerly Makro de Colombia S.A.*

For investments in other corporations, the Parent Company does not have any immediate realization plan.

For investments with no intrinsic value at December 31, 2006, information available at November 30, 2006 was taken and compared to the value recorded at December 31, 2006 in order to determine its valuation or devaluation. For Suramericana de Inversiones S.A. shares, their value in the Stock Exchange at the year-end was used as reference.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Companies with an investment greater than 10% of their equity

Corporate purpose:

Cadena de Tiendas Venezolanas—Cativén S.A., incorporated on December, 1994 in Caracas (Venezuela), started operations in March, 1995. Its main corporate purpose is to incorporate and operate commercial businesses or commercial funds for retail sale in supermarkets, hypermarkets or any other organization intended to import, distribute and commercialize all type of products, goods and merchandise. Its activities are carried out through Hipermercados EXITO and Supermercados CADA.

Superlagos S.A. liquidated on December, 2006, incorporated by public deed 2787, Notary 48 of Santafé de Bogotá on June 30, 1995, registered on July 14 of 1995 under Number 500614 of Book IX. On December 18, 1998 by public deed 6490 of Notary 42 of Santafé de Bogotá, registered on December 24, 1998 under Number 662162 of Book IX, the corporation was declared dissolved and in liquidation status. Its corporate purpose determined by its legal capacity is the investment, acquisition, participation, promotion, construction, administration and supervision in real estate/construction business. Therefore, it could acquire, dispose of, deliver in guarantee, exploit, deliver in trust or in trust account, administer, construct, subdivide and sell all type of property and real estate business, consequently, it could purchase, sell or rent all type of mobile and non-mobile assets.

On December, 2006 the corporation liquidation minutes were subscribed, approved by the Shareholders' General Meeting.

Predios del Sur S.A., incorporated by public deed 3423, granted in Notary 25 of Medellín on December 6, 1996, as certified in Book IX of page 1566 of the Chamber of Commerce of Medellín. Its main corporate purpose is to invest in the construction of real estate projects, both in urban or rural areas and whatever the property destination might be, in order to dispose of for valuable consideration, the property that forms part of the respective projects.

Makro Supermayorista S.A., incorporated by public deed No. 0004193 of December 2, 2005 of Notary 63 of Santafé de Bogotá, registered on December 12, 2005 in number 01025587 of Book IX. Its main corporate purpose is to import, export, consign, distribute, purchase, sell and commercialize all type of food products, suits, dresses and clothes, tableware, home and office furniture, automobiles spare parts and accessories, house linen, books and magazines, flowers and decoration, cleaning products for industries, shops, offices and residences, camping and sporting goods, hardware, plumbing, electricity products, personal care products, candies, miscellaneous and toys, home, desk, garden products, electrical appliances, footwear, goods and/or any other activity directly or indirectly related to the exploitation of wholesale and/or retail supermarkets at the Board of Directors' discretion.

Comercial Inmobiliaria S.A. "In liquidation", incorporated by public deed No. 4193 of December 2, 2005 of Notary 63 of Santafé de Bogotá, registered on December 12, 2005 in number 01025577 of Book IX. Its main corporate purpose is to import, export, consign, distribute, purchase, sell and commercialize all type of food products, suits, dresses and clothes, tableware,

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

home and office furniture, automobiles spare parts and accessories, house linen, books and magazines, flowers and decoration, cleaning products for industries, shops, offices and residences, camping and sporting goods, hardware, plumbing, electricity products, personal care products, candies, miscellaneous and toys, home, desk, garden products, electrical appliances, footwear, goods and/or any other activity directly or indirectly related to the exploitation of wholesale and/or retail supermarkets at the Board of Directors' discretion.

C.I. Promotora de Manufacturas para la Exportación S.A., incorporated by public deed 3500 granted by Notary 20 of Medellín, on December 24 of 1991. Its main corporate purpose is to perform foreign trade transactions, and particularly, focus its activities toward the promotion and commercialization of products in foreign markets.

Servicauca y Almacenes Exito S.A., incorporated by public deed 2311 granted by Notary 3 of Envigado, on December 29 of 2006. Its main corporate purpose is investing in urban and/or rural real estate and the acquisition, administration, rental, encumbrance and disposal thereof, investment in own fund, in real estate, bonds, stock exchange securities and equity shares in commercial corporations, as well as the negotiation of all type of credit rights, the purchase, sell, distribution, import and export of all type of goods, products, raw materials and/or items necessary for the manufacturing sector, of services, of capital goods, construction, transport and commerce, in general, etc.

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Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Evolution of assets, liabilities, equity and profits of corporations with long-term investments:

The following amounts were taken from the certified and audited financial statements in conformity to the current legal regulations of corporations with long-term investments at December 31, 2006 and 2005, except for Predios del Sur S.A., for which the comparative has been made at September 30, 2006.

	Assets		Liabilities		Shareholders' equity		Income		Operating income	
Company	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Cadena de Tiendas Venezolanas—Cativén S.A. (1)	657,851	607,729	377,994	359,379	279,857	248,350	4,585	(27,095)	1,435,891	1,067,634
Superlagos S.A. Liquidated on December, 2006	—	129	—	1	—	128	—	45	—	—
Predios del Sur S.A.	50,294	45,543	40,098	36,448	10,196	9,095	439	(1,764)	19,307	18,203
Makro de Colombia S.A.		417,409		99,436		317,973	—	(9,336)	—	397,985
Makro Supermayorista S.A. (*)	138,589	—	104,403	—	34,186	—	3,102	—	468,058	—
Comercial Inmobiliaria Internacional S.A. "In liquidation"*	297,765	—	503	—	297,262	—	(3,447)	—	6,361	—
C.I. Promotora de Manufacturas para la Exportación S.A.	342	1,033	3,438	3,266	(3,096)	(2,233)	(193)	(720)	28	1,755
Total	**1,144,841**	**1,071,843**	**526,436**	**498,530**	**618,405**	**573,313**	**4,486**	**(38,870)**	**1,929,645**	**1,485,577**

(*) *Formerly Makro de Colombia S.A.*

(1) Amounts taken from Cativén S.A. financial statements in current Bolivares at December 31, 2006 and 2005 translated from Bolívares to US dollars and from US dollars to Colombian pesos at the exchange rate Col$2,238.79* for 2006 (2005, Col$2,284.22*). Cativén S.A. financial statements for 2006 had not been audited at presentation date of this report and might present modifications.

(*) *Expressed in Colombian pesos.*

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Note 10—Property, plant and equipment

At December 31 the property, plant and equipment and depreciation comprised the following:

	2005			2006		
	Adjusted cost	Adjusted accrued depreciation	Adjusted net cost	Adjusted cost	Adjusted accrued depreciation	Adjusted net cost
Constructions and buildings	1,133,347	(345,326)	788,021	981,879	(295,528)	686,351
Land	435,494	—	435,494	390,057	—	390,057
Machinery and equipment	511,866	(276,717)	235,149	440,492	(236,037)	204,455
Office equipment	210,496	(126,069)	84,427	154,641	(105,544)	49,097
Computer equipment	194,344	(143,543)	50,801	164,589	(126,537)	38,052
Vehicles	34,370	(20,944)	13,426	32,803	(17,776)	15,027
Constructions in progress	44,618	—	44,618	6,369	—	6,369
Surveillance weaponry	28	(24)	4	32	(27)	5
Subtotal	**2,564,563**	**(912,623)**	**1,651,940**	**2,170,862**	**(781,449)**	**1,389,413**
Deferred tax depreciation(1)	—	10,825	10,825	—	11,417	11,417
Total	**2,564,563**	**(901,798)**	**1,662,765**	**2,170,862**	**(770,032)**	**1,400,830**
Provision property, plant and equipment(2)	(22,679)	—	(22,679)	(23,001)	—	(23,001)
Total	**2,541,884**	**(901,798)**	**1,640,086**	**2,147,861**	**(770,032)**	**1,377,829**

(1) Only for tax purposes, as of 1997 and until 2000 the Parent Company applied the balance reduction method for constructions capitalized form 1995. To be entitled to such benefit, a reserve equivalent to 70% of the higher amount requested for tax depreciation (see Note 22) was created, which was appropriated each year from the year's profit.

(2) Includes the provision accrued in year 2006 for COL$3,312 and recovery for COL$3,634 (2005: provision for COL$2,632 and recovery for COL$3,714). Most representative properties included in the provision are located in Cali and Medellín.

During 2006 the Parent Company sold the following assets: "EXITO Calle 80" premises located in Bogotá, DIDETEXCO S.A. store located in Envigado, Ley America facilities located in Medellín and land located in La Mota sector in Medellín. Proceeds form the sale of "EXITO Calle 80" and "DIDETEXCO S.A." stores will be used by the Parent Company for purchasing Carulla Vivero S.A. shares (refer to Notes 26 and 28).

Property, plant and equipment do not have any restriction or encumbrances that could limit their realization or availability for sale.

At December 31, 2004 there were mortgages granted on property of the Parent Company appraised for Col$13,307 as guarantee of financial obligations for Col$6,644. The aforementioned mortgages were cancelled during 2005.

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(Expressed in millions of Colombian pesos unless indicated)

Valuation of property, plant and equipment

At December 31, the summary of valuations and provisions is the following:

1. Valuation

			2006			2005
Type	**Realizable value**	**Net cost**	**Valuation**	**Realizable value**	**Net cost**	**Valuation**
Lands and buildings	1,813,257	1,150,184	663,073	1,640,971	1,000,944	640,027
Machinery and equipment	162,685	109,045	53,640	159,353	120,601	38,752
Office equipment	28,696	17,146	11,550	25,213	13,100	12,113
Transport equipment	15,698	10,601	5,097	15,663	11,698	3,965
Total	**2,020,336**	**1,286,976**	**733,360**	**1,841,200**	**1,146,343**	**694,857**

2. Provision

			2006			2005
Type	**Realizable value**	**Net cost**	**Provision**	**Realizable value**	**Net cost**	**Provision**
Lands and buildings	63,253	84,156	(20,903)	64,316	86,881	(22,565)
Machinery and equipment	11,862	13,503	(1,641)	6,427	6,644	(217)
Office equipment	515	537	(22)	1,221	1,418	(197)
Transport equipment	588	701	(113)	41	63	(22)
Total	**76,218**	**98,897**	**(22,679)**	**72,005**	**95,006**	**(23,001)**

Parent Company and its subsidiary performed technical appraisals of movable and immovable goods on December 31, 2004, 2005 and 2006; the appraisals carried out before December 31, 2005 were adjusted for inflation at December 31, 2006.

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Notes to consolidated financial statements—(continued)

(Expressed in millions of Colombian pesos unless indicated)

Note 11—Intangibles

At December 31, intangible assets were as follows:

			2006			2005
	Adjusted cost	Accrued amortization	Net cost	Adjusted cost	Accrued amortization	Net cost
Goodwill(1)	8,399	(7,041)	1,358	8,031	(4,100)	3,931
Brands(2)	3,417	(2,796)	621	3,159	(2,405)	754
Fiduciary rights real estate lands(3)	3,546	—	3,546	3,390	—	3,390
Assets in leasing	(62)	(62)	—	59	(59)	—
Rights in shares	61	—	61	58	—	58
Dealers and franchises	685	(685)	—	655	(655)	—
Other rights	223	—	223	6	—	6
Total	**16,393**	**(10,584)**	**5,809**	**15,358**	**(7,219)**	**8,139**

(1) It corresponds to premiums paid for businesses acquisition during year 2003, During 2006 the appraisal study of these intangibles was carried out and as a result $1,101 were recorded with charge to expense for detriment of intangible generated in the purchase of K-FIR business in Santa Marta.

(2) It corresponds to the acquisition of EXITO brand in Venezuela.

(3) In year 2005 the Parent Company constituted an Independent Equity by means of the transfer as Irrevocable Commercial Trust of a plot land in Neiva for $3,347.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)

(Expressed in millions of Colombian pesos unless indicated)

Note 12—Deferred charges

Deferred charges at December 31, comprised the following:

	2006			2005		
	Adjusted cost	Accrued amortization	Net cost	Adjusted cost	Accrued amortization	Net cost
Prepaid expenses:						
Rentals	1,875		1,875	359		359
Insurance	7,005		7,005	1,924		1,924
Publicity	140		140	695		695
Others	1,805		1,805	1,731		1,731
Subtotal prepaid expenses	**10,825**		**10,825**	**4,709**		**4,709**
Deferred income tax (Note 18)	19,682		19,682	14,261		14,261
Subtotal current deferred	**30,507**		**30,507**	**18,970**		**18,970**
Deferred charges:						
Supplies for projects	105,254	(93,046)	12,208	100,740	(76,390)	24,350
Deferred income tax (Note 18)	13,127		13,127	3,986		3,986
Software	66,913	(48,153)	18,760	57,365	(41,299)	16,066
Preoperatives				17,912	(12,811)	5,101
Improvements to third party property	83,710	(48,496)	35,214	63,546	(40,812)	22,734
Deferred price-level restatement	19,331	(8,911)	10,420	18,186	(7,991)	10,195
Bonuses and indemnities	—	—	—	18,057	(18,057)	—
Expenses purchase Carulla Vivero S.A. shares	1,760	—	1,760	—	—	—
Subtotal non-current deferred	**290,095**	**(198,606)**	**91,489**	**279,792**	**(197,360)**	**82,432**
Total deferred in assets	**320,602**	**(198,606)**	**121,996**	**298,762**	**(197,360)**	**101,402**
Liabilities:						
Deferred price-level restatement	29,480	(13,689)	15,791	27,613	(12,314)	15,299
Deferred income tax (Note 18)	3,940	—	3,940	4,851	—	4,851
Total non-current deferred in liabilities	**33,420**	**(13,689)**	**19,731**	**32,464**	**(12,314)**	**20,150**

(*) During 2006 the Parent Company amortized the total balance of preoperative expenses.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Note 13—Valuations and devaluations

At December 31, the summary of valuations and devaluations is the following:

	2006			2005		
	Valuation	Devaluation	Net valuation	Valuation	Devaluation	Net valuation
Constructions and buildings	663,073	—	663,073	640,027	—	640,027
Mobile assets	79,287		70,287	54,830		54,830
Investments	11,434	29,107	(17,673)	5,910	81,823	(75,913)
Fiduciary rights	926	—	926	926	—	926
Total	**745,720**	**29,107**	**716,613**	**701,693**	**81,823**	**619,870**

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Note 14—Financial obligations

Balances at December 31 comprised the following:

		2006					2005	
	Entity	Book value	Accrued Interests Payable	Interest Rate	Maturity	Guarantee	Book value	Interest Rate
Short-term								
Letters of credit	Bancolombia	2,049		Libor + 0.9		Promise note	14,968	Libor + 0.9
Credit cards		892					1,481	
Local currency loans	Bancolombia						1,250	8.298%DM
	Banco AV Villas	20,000	126	8.810%DM	January, 2007	Prom not		
	Banco de Bogotà	55,000	56	9.300%DM	January,2007	Prom not		
	BBVA	10,000	96	DTF+1.8%DQ	May, 2007	Prom not		
		9,000	101	DTF+1.8%DQ	August, 2007	Prom not		
	Davivienda	30,000	76	9.280%DM	January, 2007	Prom not		
	Bancafe	45,000	172	CPI+3.9%DS	December, 2007	Prom not		
Subtotal local currency loans		**169,000**					**1,250**	
Total short-term		**171,941**					**17,699**	
Long-term								
Local currency loans	BBVA						10,000	8.044%DM
		40,000	742	DTF+2.5%EA	July, 2009	Prom not	9,000	8.006%DM
		30,000	549	DTF+2.5%EA	July, 2009	Prom not		
	Citibank (*)	34,365	837	8.95% MV	September, 2010	Prom not	34,365	8.95%DM
Subtotal local currency loans		**104,365**					**53,365**	
Foreign currency loans	Bancolombia	94,029	618	Libor + 0.7%	May, 2011	Prom not		
	Citibank	55,970	123	Libor + 0.7%	June, 2011	Prom not		
Subtotal foreign currency loans		149,999						
Total long-term		**254,364**					**53,365**	
Total short and long-term financial obligations		**426,305**					**71,064**	

(*) It corresponds to credit of Citibank New York, denominated in Colombian pesos.

The amortization of Parent Company and its subsidiary financial obligations is made at the maturity date. None of the financial obligations is in arrears.

The Parent Company and its subsidiary have not provided to implement a debt structuring plan.

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Note 15—Suppliers

Balance of suppliers at December 31 comprised the following:

	2006	2005
Domestic	461,606	392,748
Foreign	24,485	20,396
Total	**486,091**	**413,144**

Note 16—Accounts payable

Balance of accounts payable at December 31 comprised the following:

	2006		2005
	Non-current	Current	Current
Dividends payable		16,151	16,283
Sundry creditors:			
Costs and expenses payable		64,364	103,172
Contractors		11,783	36,000
Withholdings		9,837	12,942
Contribution Social Security Law (1)		3,662	4,119
Órders of retirement of merchandise to be used		8,828	11,058
Other miscellaneous creditors		4,140	4,021
Subtotal sundry creditors		**102,614**	**171,312**
Subtotal current accounts payable		**118,765**	**187,595**
Hedge obligations (2)	16,281	—	—
Subtotal non-current accounts payable	**16,281**		
Total accounts payable	**16,281**	**118,765**	**187,595**

(1) It includes amounts payable for Social Security Law items at December 31, 2005 and 2006.

At December 31, 2006 and 2005 the Parent Company and its subsidiary complied satisfactorily with all regulations pursuant to the contributions to Social Security Law.

(2) The Parent Company performed hedge transactions (swap) in order to protect itself from exchange rates and interest rates volatility for financial obligations in foreign currency (See Note 13).

The Parent Company and its subsidiary do not have accounts payable with a residual term over five years.

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Note 17—Commercial papers

The total value of commercial papers at December 31 is the following:

	2006	2005
Commercial papers	—	300,000
Total		**300,000**

By means of Resolution 0636 of July, 2004 of the Finance Superintendency of Colombia the Parent Company was authorized to issue commercial papers with following characteristics:

Authorized amount and placed at December 31, 2005:	$300,000
Face value:	$1
Payment terms:	Upon maturity
Administrator of issuance:	Depósito Centralizado de Valores de Colombia S.A.—DECEVAL S.A.

At December 31, 2005 the following securities were issued:

Issuance date	Value COL$	Maturity date	Term	Interest
17.02.2005	19,000	15.02.2006	364 days	DTF 7.06 + 0.61% A.Q.
17.02.2005	7,000	15.02.2006	364 days	Fixed nominal 8.05%
24.05.2005	55,150	17.05.2006	358 days	DTF + 0.56% A.Q.
24.05.2005	21,500	17.05.2006	358 days	Fixed nominal 7.79%
18.08.2005	94,150	17.08.2006	364 days	DTF + 0.25%
18.08.2005	10,873	17.08.2006	364 days	Fixed nominal 7.28% A.Q.
14.09.2005	76,800	10.08.2006	330 days	DTF + 0.29% A.Q.
14.09.2005	15,527	10.08.2006	330 days	Fixed nominal 7.18%
Total	**300,000**			

During year 2006, a total of COL$11,325 (2005, COL$20,826) was taken to income for interests. From accrued interests payable, COL$10,213 were recorded at December 31, 2005. Bonds were fully paid at the respective maturity dates.

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Notes to consolidated financial statements—(continued)
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Note 18— Bonds

The total value of bonds at December 31 is the following:

	2006	2005
Bonds	105,000	—
Total	**105,000**	**—**

By Resolution Nr. 0414 of March, 2006, of the the Finance Superintendency of Colombia, the Parent Company was authorized to issue the bonds with following characteristics:

Authorized amount:	$200,000
Amount placed at December 31, 2006:	$105,000
Face value:	$1
Payment terms:	At maturity
Administrator of issuance:	Depósito Centralizado de Valores de Colombia S.A.—DECEVAL S.A.

At December 31, 2006 the following securities were issued:

Issuance date	Value $	Maturity date	Term	Interest
26.04.2006	30,350	26.04.2011	5 years	CPI+4.98% DS
26.04.2006	74,650	26.04.2013	7 years	CPI+5,45% DS
Total	**105,000**			

During year 2006, a total of Col$3,612 was taken to income for interests. From accrued interests payable Col$1,878 were recorded at December 31, 2006.

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Notes to consolidated financial statements—(continued)

(Expressed in millions of Colombian pesos unless indicated)

Note 19—Taxes, liens and encumbrances

Advances and credit balances and taxes, liens and encumbrances at December 31, comprised the following:

	2006	2005
Income tax and supplementary	347	3,372
Sales tax payable	28,277	23,440
Development contributions	53	46
Industry and trade tax and property tax	9,664	6,077
Advance industry and trade tax	(723)	(948)
Withholdings	(769)	(429)
Total net(1)	**36,849**	**31,558**

(1) Included in balance sheet as follows:

	2006	2005
Current assets		
Miscellaneous receivables	(5,487)	(4,232)
Current liability		
Taxes, liens and encumbrances	42,336	35,790
Total	**36,849**	**31,558**

Estimated current liability for income tax and supplementary at December 31 comprised the following:

	2006	2005
Liabilities—Provision for the year	45,058	40,815
Less: Withholdings	(44,711)	(37,443)
Total income tax and supplementary receivable (payable)	**347**	**3,372**

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Deferred income taxes for the year were as follows:

	2006	2005
Opening balance	(13,396)	(17,636)
Net adjustment of deferred tax of previous years	802	1,305
Income tax deferred in year for the effect of:		
- Provisioned liabilities	(14,100)	(8,880)
- Non-deductible investment provision	(9,473)	(104)
- Non-deductible other assets provision	(4,594)	(4,787)
- Non-deductible taxes	(3,040)	(1,335)
- Adjustment to expense depreciation—book and tax difference	(578)	
- Reimbursement of deferred depreciation	(373)	(403)
- VAT on fixed assets	(119)	(175)
- Utilization of provisioned liabilities	11,922	15,823
- Recovery of provision for assets	2,042	1,096
- Deductible taxes	1,335	1,281
- Amortization of surplus presumptive income on current income	509	—
- 80% amortization of advertisement tax payable	—	190
- Adjustment of deferred tax for inflation adjustments to deferred depreciation	194	229
Net activity for the year	(16,275)	2,935
Ending balance(2)	**(28,869)**	**(13,396)**

(2) Included in balance sheet according to the following detail:

	2006	2005
Current assets		
Deferred (Note 11)	(19,682)	(14,261)
Non-current assets		
Deferred, net (Note 11)	(13,127)	(3,986)
Non-current liabilities		
Deferred (Note 11)	3,940	4,851
Total	**(28,869)**	**(13,396)**

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Financial income versus taxable income reconciliation is the following:

	2006	2005
Book income before income tax	151,959	111,598
Add:		
- Adjustment for exchange difference to investment in Cativén S.A.	3,285	7,630
- Provision for investments	49,906	272
- Provision for other assets	3,312	2,631
- Non-deductible expenses for provisioned liabilities	40,229	23,755
- Tax for preservation of democratic security	4,899	4,644
- Provision for unknown shrinkage	12,893	12,402
- Lien to financial activity	9,496	9,145
- Expense provision industry and trade, property and stamp taxes	8,941	3,467
- Non-deductible expenses	17,917	13,865
- 20% expenses non-deductible industry and trade and property	11,378	6,126
- Reimbursement of deferred depreciation	1,096	1,048
- Expense depreciation VAT on fixed assets acquired in 1999 and 2000	421	557
- Difference between book and tax price-level restatement	1,833	5,024
- Adjustment expense depreciation for book and tax difference	1,700	—
- Effect of subsidiary	821	839
Less:		
- Difference between book and tax cost of fixed assets sold for tax disencumbrance effect	(68,446)	(2,727)
- Recovery of provision for assets of previous years	(9,042)	(11,344)
- Amortization of presumptive income surplus on net income of previous years	(1,384)	—
- Provision of liabilities of previous years deductible from current year	(18,565)	(32,460)
- Annual payment of industry and trade and property and stamp tax	(3,468)	(3,328)
- Other deductible entries	—	(662)
- Provision of inventories of previous years deductible from current year	(12,402)	(8,638)
- Revenue that does not represent taxable or irregular income	(724)	(897)
- Revenue that does not represent taxable or irregular income	(1,905)	(679)
- Other non-taxable revenue	(4,405)	(206)
- Deduction of 30% of investment on income assets	(82,711)	(36,071)
Total net ordinary income	**117,034**	**105,991**

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Current liabilities for income tax were determined as follows:

	2006	2005
Net shareholders' equity at December 31 of previous year	1,719,901	1,641,547
Less—net shareholders' equity to be excluded	(55,022)	(104,370)
Net shareholders' equity base of presumptive income	**1,664,879**	**1,537,177**
Presumptive income on net shareholders' equity	99,892	92,231
Presumptive income	**99,892**	**92,231**
Ordinary taxable income	117,034	105,991
Taxable income	**117,034**	**105,991**
Income tax before discounts (35%)	40,962	37,097
Provision for income tax before surtax	**40,962**	**37,097**
Surtax on income tax and supplementary (10%)	4,096	3,710
Total current liabilities for income tax	**45,058**	**40,807**
Adjustment net provision previous year	—	8
Expense current income tax	**45,058**	**40,815**
Net activity of deferred taxes	(16,275)	2,935
Expense income tax	**28,783**	**43,750**

Shareholders' equity reconciliation (financial versus tax basis) is the following:

	2006	2005
Financial shareholders' equity at December 31	2,221,929	2,003,974
Add:		
- Disencumbrance of fixed assets, net	289,315	344,315
- Subsidiary effect	27,487	25,618
- Provision for fixed assets	22,679	23,001
- Estimated liabilities for expenses	43,863	32,766
- Provision for inventory	13,625	13,173
- Deferred tax payable	3,940	4,851
- Elimination of accrued depreciation for difference in useful book and tax lives	3,474	1,774
- Tax readjustments of fixed assets and investments	244	234
- Provision for portfolio	3,130	60
Less:		
- Valuations of fixed assets	(739,772)	(698,483)
- Deferred tax receivable	(32,809)	(18,247)
- Excess of tax depreciation over books	(10,825)	(11,417)
- VAT of fixed assets, net	(1,390)	(1,739)
Total net shareholders' equity	**1,844,890**	**1,719,880**

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Price-level restatement reconciliation (financial versus tax basis) and its effect on income tax is the following:

	2006	2005
Book price-level restatement at December 31	29,475	31,274
Less—tax adjustments of:		
- Provision for fixed assets and investments	(1,618)	(1,693)
- Deferred tax payable	(222)	(244)
- Non-monetary liabilities	(1,193)	(1,866)
Add—tax adjustments of:		
- Deferred tax receivable	834	1,156
- Other non-monetary assets	4,031	7,671
Total tax price-level restatement	**31,307**	**36,298**
Net tax adjustments of price-level restatement	1,832	5,024
Effect on income tax (at 35% rate)	641	1,758

Pursuant to legal provisions, income tax rate at December 2005 and 2006 is 35%.

For 2003 purposes, Law 788 issued on December 2002 sets forth the surtax on the account of taxpayers subject to declare the income tax and supplementary, equivalent to 10% of the net income tax determined for each taxable year and Law 863 of December 2003 extended the aforementioned surtax until 2006. the income tax rate is 38.5% as of years 2003 until year 2006 for the aforementioned surtax.

Up to year 2006, the basis to compute the income tax shall not be less than 6% of the taxpayer's net equity calculated on the last day of the immediately preceding year. As of year 2007, it could not be less than 3%.

In compliance with article 178 of the Tax Code, the Parent Company established its liability for income tax for taxable year 2006 by the ordinary net income system; for taxable year 2005 by the presumptive income at 35% rate and 10% surtax on income tax. The subsidiary determined its liability for income tax for taxable years 2006 and 2005 by the ordinary net income system.

At December 31, 2006, the Parent Company and its subsidiary do not have tax loss balances or excess of presumptive income over ordinary income to be offset.

For years 2005 and 2006 the Parent Company and its subsidiary were not obliged to the application of the transfer price regime.

Law 863 of 2003 in connection to tax reform, created the wealth tax for taxable years 2004, 2005 and 2006. Such tax is equivalent to 0.3% of the net equity owned at January 1 of each taxable year. The value for year 2006 for said tax to the Parent Company and the subordinate was Col$4,899 (2005, $4,644).

The Tax Reform Law 1111 of December 27, 2006, extended the wealth tax for years 2007, 2008, 2009 and 2010 at 1.2% rate of the net worth owned at January 1, 2007. Such law reduced the income tax rate to 34% for year 2007 and to 33% for following years and eliminated the global inflation adjustment system for tax purposes.

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For both the Parent Company and its subsidiary, income tax returns for years 2004 to 2006 and wealth tax for years 2005 and 2006 are subject to review by tax authorities.

With regard to any tax contingency, in spite of the existing proceedings to the Parent Company due to sales taxes on prepared meals for years 1999 and 2000, the tax advisors and management believe that no significant payable taxes will arise, other than the provisioned until December 31, 2006 as a result of said reviews.

Note 20—Labor liabilities

Balance of labor liabilities at December 31 comprised the following:

	2006		2005	
	Current	Non-current	Current	Non-current
Consolidated severance pay—previous regime	161	527	251	327
Severance Law 50	8,799		8,053	
Interests to severance payable	1,104		1,017	
Vacations and vacations premium payable	7,942		7,288	
Salaries and fringe benefits payable	16,169		15,230	
Retirement pensions (Note 20)	4,165	—	4,964	—
Total	**38,340**	**527**	**36,803**	**327**

Information about Parent Company and its subsidiary's employees:

	Headcount		Personnel expenses (1)		Granted loans Balance		Interest rate %
	2006	2005	2006	2005	2006	2005	
Directives and trusted employees(2)	183	174	25,732	21,696	287	328	17.13
Others	16,406	16,294	230,718	210,952	93	61	—
Total	**16,589**	**16,468**	**256,450**	**232,648**	**380**	**389**	**17.13**

(1) It includes salaries and fringe benefits paid.

(2) It includes president, vice-president, corporate business managers, directors, administrators of distribution centers, store managers and district chiefs.

Note 21—Accrued liabilities—pensions

The amount of Parent Company's obligations for retirement pensions has been determined upon actuarial analysis in conformity to Decree 2783 of December 20, 2001 by means of which the technical bases for said calculation preparation have been modified.

The Parent Company is liable for payment of retirement pensions of employees who meet following requirements:

- Employees that at January 1, 1967 had more than 20 years of service (full liability).

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- Employees and ex-employees with more than 10 years of service and less than 20, at January 1, 1967 (partial liability).

For other employees, the Instituto de Seguros Sociales or the authorized pension funds assume their pension payments.

The actuarial calculations and recorded amounts are detailed as follows:

	2006	2005
Actuarial calculation of obligation (100% amortized)	14,758	16,824
Less: Current portion (Note 19)	(4,165)	(4,964)
Non-current portion	**10,593**	**11,860**

At December 31, 2006 the actuarial calculation includes 295 persons (2005, 369).

The benefits covered comprise monthly retirement pensions, pension readjustments pursuant to legal regulations, survivor's income, burial assistance and legal bonuses in the months of June and December.

The deferred cost of retirement pensions was amortized pursuant to tax regulations. The net balance at December 31, 2006 and 2005 represent to the Parent Company 100% of actuarial calculations of the total contingent obligation at the years then ended.

Note 22— Accrued liabilities and provisions

Balance of accrued liabilities and provisions at December 31 comprised the following:

	2006	2005
Provision customers' loyalty program(1)	28,395	15,567
Other provisions(2)	11,558	9,702
Total	**39,953**	**25,269**

1. Liabilities generated from the customer's loyalty program named "Puntos Exito" and "Tarjeta EXITO". It includes a provision for $10,754 which corresponds to the investment planned by the Parent Company to acquire the exclusive right to operate a private brand card intended for consumption credit in all chains and shops of Carulla Vivero S.A. (See Note 28).
2. It includes proceedings with Administración de Impuestos Nacionales (National Tax Office) for $8,208 (2005, $5,200) related to payment of land tax for $531, provision for expenses related to the Parent Company globalization project for $1,475 and other minor items for $1,344.

Note 23— Shareholders' equity

Share capital

The authorized share capital of the company is represented by 300,000,000 common shares with face value of $10(*) each, the subscribed and paid capital amounts to $2,096 for years 2006 and 2005 and the number of outstanding shares amounts to 208,927,168 and 209,000,626 for years 2006 and 2005, respectively.

(*) Expressed in Colombian pesos

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Premium on issued shares

The premium on issued shares represents the highest value paid over the shares face value. Pursuant to legal regulations, such balance could be distributed as earnings when the institution is liquidated or its value is capitalized. The capitalization is assumed as when the surplus is transferred to a capital account as a result of the shares dividend issuance.

Reserves

Except for the restricted reserve constituted by 70% of deferred depreciation (see Note 11) and the reserve for shares reacquisition, other reserves were constituted with the retained earnings and are deemed to be freely available for distribution by the Shareholders' General Meeting.

The Parent Company and its subsidiary are required to appropriate into a legal reserve, 10% of their net annual profits until the balance of this reserve is equivalent to 50% of subscribed capital. The reserve is not distributable before the liquidation of the Parent Company and its subsidiary, but must of is likely to be used to absorb or reduce losses. Appropriations in excess of the aforementioned 50% are deemed to be freely available for distribution by the Shareholders' General Meeting.

Revaluation of shareholders' equity

Adjustments for inflation of balances of shareholders' equity accounts, excluding the surplus for valuations, have been credited to this account with charge to income. Pursuant to legal regulations, such balance could be distributed as earnings when the institution is liquidated or its value is capitalized. The capitalization is assumed as when the surplus is transferred to a capital account as a result of the shares dividend issuance.

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Note 24—Memorandum accounts

Balance at December 31 comprised the following:

	2006	2005
Contingent rights loans(1)	671,637	—
Hedge operations(2)	821,636	—
Portfolio to recover	168	168
Subtotal contingent rights	**1,493,441**	**168**
Tax debtors	552,809	346,500
Subtotal tax debtors	**552,809**	**346,500**
Property, plant and equipment fully depreciated	329,443	238,417
Assets delivered in trust	64	4,381
Adjustments for inflation – non monetary assets	456,624	429,986
Unused letters of credit	19,549	5,411
Unused credits receivable	290,195	439,585
Post-dated checks	5,022	5,287
Merchandise on consignment	467	255
Lawsuits and claims	1,405	915
Subtotal control debtors	**1,102,769**	**1,124,237**
Goods and securities received in guarantee	448	1,952
Lawsuits and labor claims	2,745	1,898
Other lawsuits and claims(3)	23,190	37,255
Goods and securities received in custody	777	31
Hedging operations	881,639	—
Other contingent liabilities	4,943	6,112
Subtotal contingent liabilities	**913,742**	**47,248**
Tax creditors	134,597	35,847
Subtotal tax creditors	**134,597**	**35,847**
Adjustments for inflation to shareholders' equity	621,957	551,694
Subtotal control creditors	**621,957**	**551,694**
Total receivable and payable memorandum accounts	**4,819,315**	**2,105,694**

1) Corresponds to the syndicated credit agreement for US$300 million executed by the Parent Company on December 6, 2006 for the purchase of Carulla Vivero S.A. shares (see Note 28).

2) The Parent Company has carried out hedge operations for minimizing the impact of interest rate variations, which have been materialized with SWAPS. Such operations include syndicated credit and two credits in US dollars (see Notes 13 and 28).

3) It includes following proceedings:

   a. Extra-contractual civil liability for $2,459 approximately for year 2006 (2005, $5,000).

   b. Tax proceedings related to a higher value of sales tax payable, generated on sales of prepared meals for $7,490 approximately for years 2006 (2005, $22,176). The Parent Company has provisioned $6,200 to that effect.

   c. Other proceedings municipalities for $13.241 for year 2006 (2005, $10,079). The Parent Company has provisioned $3,180 to that effect,

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d. A relevant judicial proceeding has been filed against the Parent Company, related to the plot land where EXITO San Antonio shop was built in Medellín. The risk amount has not been established but Parent Company lawyers estimate that the outcome might be favourable

Note 25—Net revenues

At December 31 the net revenues comprised the following:

	2006	2005	2004
Net sales(*)	**4,126,593**	**3,425,799**	**3,246,635**
Special exhibition negotiation	81,439	67,905	62,457
Dealers' consideration	38,774	32,415	23,540
Income from events	3,966	2,643	—
Public utilities	5,057	1,543	—
Income from employees' cafeteria sales	2,378	256	—
Rentals	1,084	420	917
Other	3,231	1,810	3,840
Subtotal other net revenues	**135,929**	**106,992**	**90,754**
Total	**4,262,522**	**3,532,791**	**3,337,389**

(*) Discounts granted in 2006 amount to $44,485 (2005— $29,298, 2004—$19,959)

Returns are recorded as lesser value of sales, taking into consideration that the Parent Company and its subsidiary's policy is to replace the merchandise and therefore, whenever a return occurs a change note is submitted to the customer.

Note 26—Selling and administrative expenses

At December 31, the selling and administrative expenses corresponded to the following:

	2006			2005			2004		
	Administrative	**Sales**	**Total Operating Expenses**	**Administrative**	**Sales**	**Total Operating Expenses**	**Administrative**	**Sales**	**Total Operating Expenses**
Personnel expenses	59,141	255,697	314,838	51,584	230,436	282,020	48,956	224,782	273,738
Public utilities	5,712	137,024	142,736	3,200	112,002	115,202	4,005	103,283	107,288
Depreciations	8,216	116,714	124,930	10,142	102,342	112,484	11,831	92,816	104,647
Miscellaneous(*)	7,154	104,978	112,132	5,861	63,645	69,506	7,206	54,739	61,945
Rentals	1,141	43,887	45,028	527	40,979	41,506	143	38,434	38,577
Taxes	14,696	39,337	54,033	11,619	33,148	44,767	11,947	29,793	41,740
Amortizations	2,784	30,936	33,720	4,466	30,216	34,682	3,267	30,663	33,930
Maintenance and repairs	2,988	22,165	25,153	2,537	19,709	22,246	2,639	16,763	19,402
Insurance	2,222	7,791	10,013	1,959	7,276	9,235	1,927	7,216	9,143
Fees	4,957	1,107	6,064	3,564	937	4,501	2,366	409	2,775
Travel expenses	4,608	3,217	7,825	3,466	2,425	5,891	2,577	2,497	5,074
Adaptation and facilities	665	6,708	7,373	230	3,426	3,656	172	2,418	2,590
Contributions and affiliations	330	149	479	345	177	522	443	172	615
Legal expenses	359	1,134	1,493	358	943	1,301	366	743	1,109
Total	**114,973**	**770,844**	**885,817**	**99,858**	**647,661**	**747,519**	**97,845**	**604,728**	**702,573**

(*) Miscellaneous expenses include, among others, packaging and labelling material for $27,938 (2005, $24,211 and 2004, $22,337) and debit and credit card fees for $14,380 (2005, $15,795 and 2004, $15,457).

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

Note 27— Other non-operating income and expenses, net

Other non-operating income and expenses correspond to:

	2006	2005	2004
Non-operating income			
Profit from sale of property, plant and equipment and investments (1)	75,458	3,888	10,587
Recovery of provisions (2)	14,960	7,063	3,197
Recovery of provision for investment in Cativén S.A. (3)		12,177	36,889
Indemnities for casualties	768	156	383
Recovery of costs and expenses	564	1,927	1,120
Other sales	489	321	965
Income for exchange difference in investment in Cativén S.A. (3)	27,925	4,547	8,797
Others	1,345	1,514	199
Total non-operating income	**121,509**	**31,593**	**62,137**
Non-operating expenses			
Wealth tax	(4,900)	(4,579)	(4,170)
Amortizations, bonuses and indemnities	(4,898)	(2,080)	(3,185)
Retirement pensions	(2,465)	(2,458)	(2,061)
Loss from sale and retirement of assets	(4,171)	(1,633)	(1,778)
Financial transactions tax (four per thousand)	(9,496)	(9,145)	(8,818)
Donations	(1,273)	(1,240)	(1,151)
Provision property, plant and equipment	(3,312)	(2,632)	(4,658)
Expense for exchange difference in investment in Cativén S.A. (3)	(31,210)	(12,177)	(36,889)
Provision for investments	(1,741)	(272)	(892)
Provision for investment in Cativén S.A. (4)	(45,295)	(4,547)	(8,797)
Other provisions (5)	(18,967)	(5,891)	(5,244)
Other non-operating expenses (2)	(15,268)	(4,894)	(3,295)
Total non-operating expenses	**(142,996)**	**(51,548)**	**(80,938)**
Total other non-operating income and expenses, net	**(21,487)**	**(19,955)**	**(18,801)**

(1) It corresponds mainly to the profit for sale the plot land where EXITO Calle 80 is located in Bogotá, DIDETEXCO S.A. in Envigado (the proceeds of such sales will be used for the purchase of Carulla Vivero S.A. shares) and Ley América in Medellín. Said sales were made to Leasing Bancolombia, Fundación Fraternidad Medellín and Promotora La Gran Esquina S.A., respectively (see Notes 9 and 28).

(2) It corresponds to the recovery of accrued provisions of property, plant and equipment and long-term investments. Includes the amount of $5,095 for recovery of provision for investment in Superlagos S.A. liquidated on December, 2006, in turn the Parent Company recorded a loss for such corporation liquidation of $5,077 in other non-operating expenses account.

(3) It corresponds to the adjustment for exchange difference of Parent Company investment in Cativén S.A. for $3,285 (2005, $7,630).

(4) It corresponds to the provisioned amount on the Parent Company investment in Cativén S.A. as result of the business appraisal performed at December 31, 2006 by Estrategias Corporativas S.A.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

(5) For year 2006 it includes provisions for proceedings with Administración de Impuestos Nacionales (National Tax Office) for $31,89 (2005, $4,169) related to the Parent Company globalization project for $3,981, provision for $10,754 corresponding to the investment planed in other operators market where it is expected to expand the use of "Tarjeta EXITO" (see Note 28) and other expenses for $1,043 (2005, $1,722)

Note 28—Monetary correction

The itemized list of price-level restatement is as follows:

	2006	2005	2004
Property, plant and equipment	100,037	100,335	103,153
Inventories	19,898	22,721	24,783
Deferred charges and other preoperative assets	10,640	11,467	11,584
Investments	3,326	3,838	5,869
Amortization deferred monetary correction	457	431	508
Intangibles	704	632	643
Depreciations and amortizations	(45,199)	(42,816)	(39,052)
Shareholders' equity	(60,388)	(65,334)	(70,927)
Total	**29,475**	**31,274**	**36,561**

By means of Law 1111 of December 27, 2006, the National Government eliminated the global adjustments for inflation as of January 1, 2007 for tax purposes.

Note 29—Commitments and contingencies

Acquisition of Carulla Vivero S.A. shares

Strategic Acquisition

Almacenes Exito S.A., plans to acquire up to 77.5% of Carulla Vivero S.A. shares for an approximate amount of COP 922,779 million, i.e., US$15,792 per share, as a result of the selection process where several domestic and foreign bidders participated and Almacenes Exito S.A. was finally awarded as the strategic partner to Carulla Vivero S.A.

An agreement was executed with Carulla Vivero S.A. shareholders in order to acquire 19.8% and pre-agreements with other shareholders were executed to acquire 22.40% in the takeover bids made by Almacenes Exito S.A.

Financing

Almacenes Exito S.A. has defined the following structure for financing the transaction; the amounts are approximate and could fluctuate whilst the transaction progresses:

Initial issuance of Almacenes Exito S.A. shares	US$100 million
Foreign bank financing (syndicated credit)	US$300 million
Own resources and other sources (sale of fixed assets-properties)	US$ 33 million

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

The initial issuance has been estimated for up to 24.7 million common shares of Almacenes Exito S.A. at $10,500 Colombian pesos per share, which corresponds to the approximate average value of the share quote at the Stock Exchange of Colombia for the second quarter of 2006. It is worthwhile mentioning that the issuance will be intended in the first place to all current shareholders of Almacenes Exito S.A., who could exercise their preferential rights, and in second place, to the public in general that participate of the future opportunities derived from this transaction to be carried out in first quarter of 2007.

Syndicated credit

Almacenes Exito S.A. has executed a syndicated credit agreement for US$300 million split in two tranches. One tranche for US$120 million maturing in 3 years with one single amortization at maturity and the second tranche for US$180 million maturing in 5 years with 5 semiannual amortizations, starting as of the third year.

The syndicated credit was executed with following international banks:

JPMorgan Chase Bank, N.A.
ABN AMRO Bank N.V.
WestLB AG, New York Branch
Bancolombia Panamá S.A.
Banco Latinoamericano de Exportaciones S.A.
Citibank N.A., Nassau Bahamas Branco
Natixis
Standard Chartered Bank
Banco Bilbao Vizcaya Argentaria, S.A.
Banco de Crédito Helm Financial Services (Panamá) S.A.
Banco de Bogotá Panamá S.A.
Banco de Crédito del Perú – Miami Agency
Israel Discount Bank of New York

In order to minimize the impact of variations of exchange rates and interest rates, the Parent Company entered into a swap transaction. The valuation effects thereof shall only impact the income at the time the credit is actually obtained.

No objection form the Superintendency of Industry and Trade

On December 19, 2006 Almacenes Exito S.A. was notified of the Superintendency of Industry and Trade's resolution which sets forth that it does not object the integration transaction with Carulla Vivero S.A., ordering the involved companies to comply with any commitment and condition to preserve the competitive balance in the Colombian retail sector, as well as to protect the consumers' rights.

The Parent Company shall suit a rigorous compliance of said guidelines with new strategies, in such way that the value creation is maintained for its customers, suppliers and shareholders, and the employment to all and each of its associates is preserved.

Almacenes Exito S.A.
Notes to consolidated financial statements—(continued)
(Expressed in millions of Colombian pesos unless indicated)

As a consequence of the non-objection statement from the Superintendency of Industry and Trade to the integration between Carulla Vivero S.A. and Almacenes Exito S.A., Carulla Vivero S.A. has notified to Ripley Corp. about the termination of the MOU subscribed for incorporating a Commercial Finance company in Colombia. Upon said termination, Carulla Vivero S.A. is free to look for a new strategic partner to create a private brand credit card and to use its market with other partner or partners for granting consumption credits.

Takeover Bid (Voluntary)

Almacenes Exito S.A. plans to make a Takeover Bid for all and each Carulla Vivero S.A. shareholders that at the date of acceptance hold such condition, pursuant to the Shareholders Registry Book of Carulla Vivero S.A.

With such a bid, Almacenes Exito S.A. plans to acquire the amount of 7,792,292 common shares, at least, of Carulla Vivero S.A. that represent the 22.00% of the total outstanding shares and as maximum, 20,436,510 common shares that represent 57.70% of total outstanding shares of Carulla Vivero S.A.

The offered price by Almacenes Exito S.A. for each Carulla Vivero S.A. share will be US$15,792. Such price shall be paid in Colombian pesos at the Market Representative Exchange Rate certified by the Finance Superintendency of Colombia, effective for the last day of the acceptance period set for to the bid.

Cancellation of the shares register and possible mandatory takeover bid

Once the voluntary takeover bid has been made for the acquisition of Carulla Vivero S.A. shares, Almacenes Exito S.A. and the Carulla Vivero S.A. shareholders that subscribed the agreements released to the market, have agreed that will vote at the Shareholders' extraordinary general meeting called to that effect on behalf of the cancellation of the shares registry in the Stock Exchange of Colombia and in the Registro Nacional de Valores y Emisores (National Registry of Securities and Issuers). Consequently, Almacenes Exito S.A. could be obliged to make the Mandatory takeover bid for the share number equal to the number of persons that would have voted against said decision or that are not represented at the Shareholders' General Meeting, where the price is adopted in conformity to applicable regulations.

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To the Shareholders of
Carulla Vivero S.A.

Dear Sirs:

We have audited the consolidated balance sheets of Carulla Vivero S.A. and subsidiaries (the "Company") as of December 31, 2006 and 2005, and the consolidated statements of income, changes in shareholders' equity, changes in financial position and cash flows for each of the three years in the period ended December 31, 2006.

We have not audited any financial statements of the Company as of any date or for any period subsequent to December 31, 2006; although we have conducted an audit for the year ended December 31, 2006, the purpose (and therefore the scope) of the audit was to enable us to express our opinion on the consolidated financial statements as of December 31, 2006, and for the year then ended, but not on the financial statements for any interim period within that year. Therefore, we are unable to and do not express any opinion on the unaudited consolidated balance sheet as of March 31, 2006, and the unaudited consolidated statements of income, changes in shareholders' equity, changes in financial position and cash flows for the three-month period ended March 31, 2006, or on the financial position, results of operations, or cash flows as of any date or for any period subsequent to December 31, 2006.

With respect to the three-month period ended March 31, 2006, we have performed the procedures specified for a review of interim financial information on the unaudited consolidated balance sheet as of March 31, 2006, and unaudited consolidated statements of income, changes in shareholders' equity, changes in financial position and cash flows for the three-month period ended March 31, 2006.

Based on our review, nothing came to our attention as a result of the foregoing procedures, however, that caused us to believe that any material modifications should be made to the unaudited consolidated financial statements described above, for them to be in conformity with accounting principles generally accepted in Colombia ("Colombian GAAP").

Yours Truly,

Deloitte & Touche Ltda

June 15, 2007
Bogota, Colombia

Carulla Vivero S.A.
Consolidated balance sheet at March 31, 2006 (unaudited)
(Amounts expressed in millions of Colombian pesos—See note 2)

ASSETS	
Current assets	
Cash (Note 3)	$ 31,548
Short-term investments (Note 4)	1,831
Accounts receivable, net (Note 5)	63,135
Inventories (Note 6)	230,218
Total current assets	326,732
Long-term investments (note 4)	6,492
Property, plant and equipment, net (note 8)	461,941
Intangibles, net (note 9)	37,734
Deferred charges, net (note 10)	113,967
Other assets (note 11)	3,862
Revaluation of fixed assets (note 12)	77,522
Total assets	$1,028,250
Memorandum accounts (note 25)	
Debtors	$ 360,098
Creditors	$ 275,520

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities	
Financial obligations (Note 13)	$ 77,800
Suppliers (Note 14)	237,662
Accounts payable (Note 15)	68,447
Taxes payable (Note 16)	4,414
Labor obligations (Note 17)	10,206
Accrued liabilities and provisions (Note 18)	10,889
Retirement pensions (Note 19)	411
Deferred liabilities (Note 20)	1,461
Other liabilities (Note 22)	5,170
Total current liabilities	416,460
Long-term liabilities	
Accounts payable (Note 15)	3,920
Retirement pensions less short-term portion (Note 19)	3,384
Deferred liabilities (Note 20)	995
Bonds payable (Note 21)	220,000
Total long-term liabilities	228,299
Total liabilities	644,759
Shareholders' equity (note 23)	
Share capital	3,557
Capital surplus	107,442
Reserves	18,264
Equity revaluation	176,019
Net Income for the year	687
Surplus from revaluation of fixed assets	77,522
Total shareholders' equity	383,491
Total liabilities and shareholders' equity	$1,028,250
Memorandum accounts (note 25)	
Debtors	$ 275,520
Creditors	$ 360,098

The accompanying notes are an integral part of these consolidated financial statements.

Carulla Vivero S.A.
Consolidated statement of income
for the three-month period ended March 31, 2006
(unaudited)

(Amounts expressed in millions of Colombian pesos – See note 2)

Net revenues (Note 26)	$ 496,524
Cost of sales	(386,828)
Gross profit	**109,696**
Selling and administrative expenses	
Administrative (Note 27)	(8,963)
Sales (Note 28)	(98,608)
Operating income	**2,125**
Other non operating income (Note 29)	489
Financial income	440
Other non-operating expenses (Note 30)	(1,133)
Financial expenses (Note 31)	(7,931)
Monetary correction (Note 32)	7,128
Income before tax	**1,118**
Income tax (Note 16)	431
Net income for the period	**$ 687**

The accompanying notes are an integral part of these consolidated financial statements.

Carulla Vivero S.A.
Consolidated statement of changes in shareholders´ equity for the three-month period ended March 31, 2006 (unaudited)
(amounts expressed in millions of Colombian pesos—See note 2)

	Share Capital	Capital surplus	Reserves			Equity Revaluation	Net Income for the year	Surplus from revaluation of fixed assets	Total shareholders´ equity
			Legal	Reacquisition of shares	Total				
Balance at December 31, 2005	$3,557	$107,442	$2,114	$ 8,238	$10,352	$171,341	$24,043	$72,019	$388,754
Appropriations	—	—	—	7,912	7,912	—	(7,912)	—	—
Adjustments for inflation	—	—	—	—	—	4,678	—	—	4,678
Declared dividends	—	—	—	—	—	—	(16,131)	—	(16,131)
Net Income for the year	—	—	—	—	—	—	687	—	687
Adjustments to reappraisals	—	—	—	—	—	—	—	5,503	5,503
Balance at March 31, 2006	$3,557	$107,442	$2,114	$16,150	$18,264	$176,019	$ 687	$77,522	$383,491

The accompanying notes are an integral part of these consolidated financial statements.

Carulla Vivero S.A.
Consolidated statements of changes in financial position for the three-month period ended March 31, 2006 (unaudited)

(Amounts expressed in millions of Colombian pesos—See note 2)

Working capital provided by:	
Operations:	
Net income for the period	$ 687
Add (less) charges (credits) to transactions that did not affect working capital:	
Depreciation	13,303
Amortization	8,983
Monetary correction	(7,128)
Exchange difference—investments	(15)
Retirement pensions	15
Loss from sale of fixed assets	218
Working capital provided by operations	16,063
Working capital used:	
Increase in property, plant and equipment	1,213
Increase in investments	2,843
Increase in intangibles	1,313
Increase in deferred charges	4,916
Declared dividends	16,131
Total working capital used	26,416
(Decrease) in working capital	$(10,353)
Net changes in working capital components:	
Cash	$(28,401)
Short-term investments	807
Accounts receivable	10,548
Inventories	(22,241)
Financial obligations	(18,187)
Suppliers	47,725
Accounts payable	(3,617)
Taxes payable	6,739
Labor obligations	4,988
Accrued liabilities and provisions	(8,208)
Deferred liabilities	(178)
Other liabilities	(328)
(Decrease) in working capital	$(10,353)

The accompanying notes are an integral part of these consolidated financial statements.

Carulla Vivero S.A.
Consolidated statements of cash flows
For the three-month period ended March 31, 2006
(unaudited)

(Amounts expressed in millions of Colombian pesos—See note 2)

Cash flows from operating activities:	
Net income for the period	$ 687
Adjustments to reconcile net income to net cash flows provided by operating activities:	
Depreciation	13,303
Amortization	8,983
Monetary correction	(7,128)
Loss from sale of fixed assets	218
Provisions	90
Exchange difference—investments	(15)
	16,138
Changes in assets and liabilities:	
Accounts receivable	(10,622)
Inventories	22,241
Deferred Charges	(3,523)
Intangibles	(1,313)
Suppliers	(47,725)
Accounts payable	(253)
Taxes payable	(6,739)
Labor Obligations	(4,988)
Accrued liabilities and provisions	8,208
Deferred liabilities	(886)
Other liabilities	3,870
Net cash used for operating activities	(25,592)
Cash flows from investment activities:	
Acquisition of property, plant and equipment	(1,214)
Sale of long-term investments	(2,843)
Net cash used in investment activities	(4,057)
Cash flows from financing activities:	
Payment of financial obligations	(218,876)
Increase in financial obligations	237,063
Paid dividends	(16,131)
Net cash provided by financing activities	2,056
Net changes in cash flow	(27,593)
Cash and cash equivalents at beginning of year	$ 60,972
Cash and cash equivalents at end of year	$ 33,379

The accompanying notes are an integral part of these consolidated financial statements.

Carulla Vivero S.A.
Notes to the consolidated financial statements at March 31, 2006 (unaudited) and for the three-month period ended March 31, 2006 (unaudited)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

1. Operations

Carulla Vivero S.A. was incorporated in 1905. The Company's corporate purpose is the purchase, sale, import, export, transformation, packaging, production and in general, the trade of food, drugs, cosmetics, house appliances, clothing and electrical appliances and others related. Such transactions are performed in own or third parties premises or stores. Its term of duration expires on June 30, 2072.

Strategic partner search project—In 2006 the Board of Directors of Carulla Vivero S.A. instructed and authorized Management to carry out the procedures to search a strategic partner. To that effect, the Management executed contracts and agreements with international and local financial and legal advisors for preparing the appropriate studies and works related thereof.

Trade finance company—agreement with Ripley—Carulla Vivero S.A. subscribed a Memorandum of Understanding (MOU) on January 16, 2006 with Ripley International S.A. which purpose was the incorporation of a Trade Finance Company (incorporation approved by the Finance Superintendency and provided on November 12, 2006) for the development, among others, of a credit card for Carulla Vivero S.A.'s customers.

Acquisition of Home Mart—Carulla Vivero S.A., continuing with its expansion plan, acquired on January 2006, 100% of Home Mart S.A. shares for $7,170 million from a shareholders group of Carulla Vivero S.A. Home Mart S.A. is dedicated to the import or purchase in the local market of all types of merchandise, raw materials, finished products, glass, textile, metal, board products, human consumption products, electrical appliances or related, to be sold both in the local market as well as for export, with operations in Medellín, Barranquilla, Cartagena, Santa Marta and Valledupar. The aforementioned amount includes the variable portion that at December 31 has been estimated upon expected EBITDA for the period comprised between July 2006 and June 2007. The integration operation of said store chain with Carulla Vivero S.A. originated a new format. At present, Home Mart S.A. is in liquidation process.

2. Summary of significant accounting policies and practices

These financial statements have been prepared on the basis of accounting principles generally accepted in Colombia. For the convenience of readers outside Colombia, the financial statements have been translated into English, certain reclassifications have been made and certain clarifying account descriptions have been included.

Certain accounting practices applied by the Company that conform with accounting principles generally accepted in Colombia may not conform with generally accepted accounting principles in the United States of America.

The financial statements as of March 31, 2006 and for the three month period then ended, included herein, are unaudited. In the opinion of management, these interim unaudited financial

Carulla Vivero S.A.
Notes to the consolidated financial statements at March 31, 2006 (unaudited) and for the three-month period ended March 31, 2006 (unaudited)—(continued)
(In millions of Colombian pesos except for exchange rates, number and face value of shares)

statements include all material adjustments of a normal and recurring nature, necessary to present fairly the financial position as of March 31, 2006 and the results of operations, changes in shareholders' equity, changes in financial position and the cash flows for the three month period then ended. The results of operations for any interim period are not necessarily indicative of the results of operations for a full year.

The Consolidated Financial Statements as of March 31, 2006 include the financial statements of Carulla Vivero S.A. and its subsidiary Carulla Vivero Holding Inc. All intercompany balances have been eliminated on consolidation. Consolidated assets and liabilities of this subsidiary are not material for Carulla Vivero S.A. Carulla Telleva.com S.A. was liquidated in 2005 and Home Mart S.A. is in process of liquidation. Therefore, these subsidiaries were not consolidated.

The Company's accounting records are prepared pursuant to standards provided under Decree 2649 of 1993, and other supplementary regulations, some of which are summarized below:

a. *Inflation Adjustments*—Financial statements presented in accordance with Colombian GAAP are adjusted for the effects of inflation on the basis of changes in the Colombian Percentage Adjustment for the tax year ("PAAG Index") which is the middle-income Consumer Price Index as established, with a one-month lag, by the National Administrative Statistic Department (Departamento Nacional de Estadistica—DANE). This index is applied to all non-monetary assets and liabilities and shareholders' equity accounts, except for the revaluation of fixed assets and the current year net income accounts. Monetary balances have not been adjusted because they reflect the spending power of the constant Colombian peso as of the balance sheet date. Foreign currency balances have not been adjusted since they have been translated into Colombian pesos at the exchange rates prevailing as of the balance sheet date. Therefore, monetary and foreign currency balances reflect the spending power of the currency on the balance sheet date, with respective gains or losses recorded in income. The net gain (loss) from exposure to inflation is reflected as "Monetary Correction" in the statement of income.

The inflation adjustment index used for the period was as follows:

Three-month period ended March 31, 2006 (Unaudited)	1.49%

b. *Foreign currency transactions*—Foreign currency transactions and balances denominated in a currency other than the Colombian pesos are translated into Colombian pesos at the official exchange rate (Tasa Representativa del Mercado) as certified by the Banking Superintendency. The exchange gain (loss) resulting from accounts payable and liabilities denominated in foreign currency that resulted from the acquisition of inventories and property, plant and equipment is capitalized until the asset is in condition to be used or sold. All other exchange gains and losses are included in operations. The official exchange rates (per U.S. $1.00) used to adjust the foreign currency assets and liabilities was:

March 31, 2006 (Unaudited)	$2,289.98

Carulla Vivero S.A.
Notes to the consolidated financial statements at March 31, 2006 (unaudited) and for the three-month period ended March 31, 2006 (unaudited)—(continued)
(In millions of Colombian pesos except for exchange rates, number and face value of shares)

c. *Allowance for doubtful accounts*—The Company determines this allowance on the basis of the aging of the clients' portfolio and individual analyses of the creditworthiness of its clients.

d. *Inventories*—Inventories are valued at their corresponding acquisition cost. The values shown do not exceed their estimated net realizable values and are charged to income on the basis of weighted average cost.

e. *Property, plant and equipment, net*— Property, plant and equipment is valued at cost plus inflation adjustments.

Depreciation is computed applying the straight –line method over the estimated useful life as generally accepted in Colombia for accounting purposes. Annual depreciation rates applied are the following:

Constructions and buildings	5%
Machinery and equipment	10%
Office equipment	10%
Computer and communications equipment	20%
Transportation fleet and equipment	20%

For accounting purposes the Company does not estimate any salvage value for its assets since it deems such value relatively immaterial; consequently, assets are fully depreciated.

Disbursements for improvements that are made to increase the efficiency or the useful life of assets are capitalized and adjusted for inflation. Maintenance and repair expenditures are expensed as incurred. Retirement, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any related gain or loss reflected in other non-operating income or expense.

f. *Intangibles*—Intangibles mainly include the goodwill generated from the acquisitions of businesses made at a price in excess to the book value. Such goodwill is adjusted for inflation and amortized over ten (10) years through the straight – line method.

g. Deferred charges–

- Prepaid expenses mainly correspond to software maintenance contracts, insurance premium, property taxes and rental of assets that are amortized according to the term of the respective contract or the term of the policies. Also, it includes the lease contract of the brand Surtimax which is being amortized over a twenty (20) year term as from December 2004.
- Costs related to the development of projects for the purchase of new businesses and the placement of shares and bonds, bonuses for the transfer of employees to the Law 50 regime, and associated costs to the re-launching of the new corporate image and the brand positioning are amortized over a five – (5) year period by the straight-line method.

Carulla Vivero S.A.
Notes to the consolidated financial statements at March 31, 2006 (unaudited) and for the three-month period ended March 31, 2006 (unaudited)—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

- Computer programs and Shopping baskets are amortized over a three– (3) year period by the straight-line method.
- Leasehold improvements are amortized over the term of the lease contract. The improvements of the own assets are amortized over its useful life by the straight-line method.

h. *Other Assets* – Mainly correspond to Land for future projects and the amount paid for the acquisition of rights recorded at cost.

i. *Revaluation of fixed assets*—Corresponds to the differences between the net book value of fixed assets and their value determined by technical appraisals. Such revaluation of assets is recorded in the non-current assets account "Revaluation of Fixed Assets" with the offsetting entry charged (credited) to the shareholders' equity account "Surplus from revaluation of fixed assets". Fixed assets are revaluated every three years based on technical appraisal. Revaluations are performed on specific asset groups. If the revaluation results in a decrease in the appraisal value of the fixed assets, the charge is first recorded against any surplus associated with the individual assets or class of assets, and any decrease in excess of the existing Surplus is charged against income.

The last appraisal of the Company's property, plant and equipment was made as of December 31, 2005.

j. *Taxes*—The Company determines the provision for income taxes based upon the taxable income estimated pursuant to the Colombian Tax Law. Deferred income taxes are recorded for the effects of temporary differences between book ant tax amounts.

k. *Labor obligations*—Correspond to the Company's obligation for mandatory and voluntary fringe benefits under applicable labor agreements, as well as employee severance, interest on severance, seniority bonuses, vacation accruals and withheld contributions for social security.

l. *Retirement pensions*—Represent the present value of all future monthly payments that the Company will have to pay to those employees that met, or will meet, certain legal requirements with respect to age, service time, an others, determined based upon actuarial studies annually obtained by the Company, as provided by current norms in force, without the specific investment of funds. For those employees covered under the social security regime (Law 100 of 1993), the Company covers its pension obligation by paying contributions to the Social Security Institute (ISS), and/or to the Private Pension Funds under the terms and conditions foreseen in such law.

m. *Deferred liabilities*—Mainly correspond to the advanced sale of "Bonos Carulla" to be made effective in the future in the Company's points of sale, in all the formats.

n. *Use of estimates*—The preparation of financial statements in conformity with generally accepted accounting principles in Colombia requires management to make estimates that affect

Carulla Vivero S.A.
Notes to the consolidated financial statements at March 31, 2006 (unaudited) and for the three-month period ended March 31, 2006 (unaudited)—(continued)
(In millions of Colombian pesos except for exchange rates, number and face value of shares)

the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

o. *Revenue recognition*—Revenues from the sales of goods are recorded based on delivery. The related cost of these sales has been included in cost of sales.

p. *Statements of cash flows*—The statements of cash flows were prepared using the indirect method, which includes the reconciliation of annual net income or loss to net cash provided by operating activities.

q. *Cash equivalents*—For purposes of presentation in the Statement of Cash Flows, the Company classifies current investments within the cash equivalent item.

r. *Memorandum accounts*—Correspond to contingent rights and liabilities. Memorandum accounts also include the value differences existing between equity and book profit figures, and fiscal equity and net taxable income figures.

3. Cash

	As of March 31, 2006 (Unaudited)
Cash	$26,207
Banks	5,012
Savings accounts	329
	$31,548

4. Investments

Deposits in funds	$1,831
Shares	5,248
Real – Estate securities	950
Bonds	294
	8,323
Less – Long term investments	(6,492)
	$1,831

Carulla Vivero S.A.
Notes to the consolidated financial statements at March 31, 2006 (unaudited) and for the three-month period ended March 31, 2006 (unaudited)—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

5. Accounts receivable

Clients	$27,026
Related entities (Note 7)	1,236
Prepayments and advances	9,284
Deposits in guarantee	2,726
Prepaid taxes	7,825
Loans to employees	3,380
Other receivables	12,974
	64,451
Allowance for doubtful accounts	(1,316)
	$63,135

Below, is the movement of the allowance for doubtful accounts, for the three-month period ended as of March 31:

Balance at beginning of year	$1,241
Provision charged to results of the period	75
	$1,316

6. Inventories

Stores	$165,822
Warehouses and processes	61,809
Storehouse	567
Merchandise in transit	7,825
	236,023
Provision for obsolescence	(5,805)
	$230,218

Carulla Vivero S.A.
Notes to the consolidated financial statements at March 31, 2006 (unaudited) and for the three-month period ended March 31, 2006 (unaudited)—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

Below, is the movement of the provision for obsolescence, for the three-month period ended as of March 31:

	As of March 31, 2006 (Unaudited)
Balance at beginning of year	$1,036
Provision charged to income	4,769
	$5,805

7. Related entities

The following is a detail of the balances receivables from related entities:

Receivables: (Note 5)	
Fundación Carulla	$1,236

No transactions were conducted with managers and legal representatives except those inherent to the labor relationship.

8. Property, plant and equipment, net

Land	$ 83,317
Constructions and buildings	322,747
Machinery and equipment	234,494
Office equipment	90,133
Computer and communications equipment	82,435
Transportation fleet and equipment	12,105
Constructions in progress	6,734
Machinery and equipment in progress	23
Machinery and equipment in transit	282
	832,270
Less – accumulated depreciation	(370,329)
	$461,941

The Company does not have pledge contracts or mortgages that condition the possession of the property, plant, and equipment.

Carulla Vivero S.A.
Notes to the consolidated financial statements at March 31, 2006 (unaudited) and for the three-month period ended March 31, 2006 (unaudited)—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

9. Intangibles

	As of March 31, 2006 (Unaudited)
Goodwill	$ 75,318
Brands	519
Rights	50
	75,887
Less – accumulated amortization	(38,153)
	$ 37,734

10. Deferred charges

Prepaid expenses	$ 46,015
Installation expenses	16,153
Remodeling	7,918
Special projects	48,300
Computer programs	5,146
Leasehold improvements	53,295
Implements and accessories	17,211
Deferred income tax	1,862
	195,900
Less – accumulated amortization	(81,933)
	$113,967

11. Other assets

Real estate for future projects	$ 19
Other	3,843
	$3,862

Carulla Vivero S.A.
Notes to the consolidated financial statements at March 31, 2006 (unaudited) and for the three-month period ended March 31, 2006 (unaudited)—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

12. Revaluation of fixed assets

	As of March 31, 2006 (Unaudited)
Property, plant and equipment:	
Land	$14,686
Machinery and equipment	44,683
Constructions and buildings	14,100
Transportation fleet and equipment	2,290
	75,759
Investments	
Shares	121
Real estate securities	1,642
	1,763
	$77,522

The commercial appraisals made of Property, Plant, and Equipment, were obtained through technical studies conducted by the external firm Avasin Ltda. and Data Inventarios following the market value methodology.

13. Financial obligations

Local currency	$ 180
Foreign currency	77,620
	$77,800

14. Suppliers

Local Suppliers	$232,405
Foreign Suppliers	5,257
	$237,662

Carulla Vivero S.A.
Notes to the consolidated financial statements at March 31, 2006 (unaudited) and for the three-month period ended March 31, 2006 (unaudited)—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

15. Accounts payable

Costs and expenses payable	$35,432
Debts with shareholders	2,835
Dividends payable	16,131
Withholdings taxes and payroll contributions	4,595
Miscellaneous creditors	13,374
	72,367
Less – short-term portion	(68,447)
	$ 3,920

16. Taxes payable

	As of March 31, 2006 (Unaudited)
Value Added tax	$1,550
Industry and Commerce tax	2,816
Others taxes	48
	$4,414

Income tax—The Company is subject to a thirty-five percent (35%) income tax rate applicable on net income or presumptive (minimum taxable) income, whichever is greater. The income tax is determined taking into consideration the taxable and deductible effects of inflation. According to the tax reforms of 2003 and 2002 (Laws 863 of 2003 and 788 of 2002) it was established a surtax equivalent to ten percent (10%) of the net income tax for the years 2003 through 2006.

The income tax provision for 2006 was determined by the net taxable income system, in accordance with current legislation.

The income tax returns for tax years 2005, 2004 and 2003 are pending to be reviewed by the tax authorities.

The income tax provision for the three-month period ended as of March 31 is as follows:

Current	$392
Income tax surtax	39
	$431

Carulla Vivero S.A.
Notes to the consolidated financial statements at March 31, 2006 (unaudited) and for the three-month period ended March 31, 2006 (unaudited)—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

17. Labor obligations

Salaries payable	$ 1,138
Severance – Law 50 of 1990	2,078
Interests on severance	195
Labor compensations	1,339
Vacations	2,665
Extralegal bonuses	2,791
	$10,206

18. Accrued liabilities and provisions

	As of March 31, 2006 (Unaudited)
For costs and expenses	$ 7,055
For contingencies	1,337
For fiscal liabilities	2,497
	$10,889

19. Retirement pensions

The liabilities recorded as of March 31, 2006, represent the value of the actuarial estimate, which has been 100% amortized against operations.

Retired personnel – Future pensions	$3,795
Less – current portion retirement pension	(411)
	$3,384

The actuarial estimate was elaborated taking into account the rate of DANE equivalent to 6.084% for 2005, according to Decree 2783 of 2001.

The amounts charged to operations corresponding to retirement pensions during the three-month period ended as of March 31, was as follows:

Increase in actuarial liability	$15
Payments to retired personnel	94
	109

Carulla Vivero S.A.
Notes to the consolidated financial statements at March 31, 2006 (unaudited) and for the three-month period ended March 31, 2006 (unaudited)—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

20. Deferred liabilities

Deferred revenues	$1,462
Deferred income tax	994
	2,456
Less – short-term portion	(1,461)
	$ 995

21. Bonds payable

With the purpose of obtaining economic resources that allowed the acquisition of new businesses and attending working capital needs, the Company issued Ordinary Debt Bonds amounting to $70,000 million placed in April 2001. Likewise, in May 2005 the Company placed Ordinary Bonds for an amount of $150,000 million to replace short-term debt.

	2006	Maturity Date	Interest Rate
Bonds payable Issuance 2001	$ 70,000	April, 2008	DTF+3.3%
Bonds payable Issuance 2005	150,000	May, 2015	CPI +7.5%
	$220,000		

The issuance and public offer of the bonds was authorized by the Office of the Superintendent of Securities through Resolution No. 0179 of March 30, 2001.

The issuance of these bonds was made with not additional guarantees to the obligation contracted by the Company and the payment of its interest.

During the three-month period ended March 31, 2006, interest on bonds amounting to $1,640, was recorded in the statement of income.

22. Other liabilities

	As of March 31, 2006 (Unaudited)
Prepayments and advances received	$1,484
Amounts received from third parties	3,686
	$5,170

Carulla Vivero S.A.
Notes to the consolidated financial statements at March 31, 2006 (unaudited) and for the three-month period ended March 31, 2006 (unaudited)—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

23. Shareholders' equity

Share Capital—The capital stock consists of 35,575,200 Class A shares, with a Col$ 100 par value each, that as of March 31, 2006 amounted to $3,557 million. The number of outstanding shares as of March 31, 2006 is 34,616,510.

Reserves—According to Colombian laws, the Company must transfer at least ten percent (10%) of the profit of the year to a legal reserve until it reaches fifty percent (50%) of the subscribed capital. This reserve is not available for distribution, but may be used to absorb losses.

Decreed dividends—As per minute 039 of March 30, 2006, the General Stockholders' Meeting approved the following dividend distributions on the results as of December 31, 2005:

- An ordinary dividend of Col$ 466 (Colombian pesos) per shares over 34,616,510 Class A shares payable in one (1) installment enforceable between April 10 and 28, 2006.

Equity revaluation—Equity revaluation may not be distributed as profits, but may be capitalized.

24. Commitments

The Company has entered into lease contracts for some of its stores, the monthly rate of rental of which range between $0.3 and $79 million which are calculated over 0.5% to 3% of net sales. Some contracts have been subscribed with maturities up to 2024 and others to fixed-term with annual renewal as per the CPI increase stated by the National Administrative Department of Statistics—DANE.

25. Memorandum accounts

	As of March 31, 2006 (Unaudited)
Debtors:	
Contingent rights	$ 7,708
Fiscal	90,361
Control	262,029
Total debtors	$360,098
Creditors:	
Contingent liabilities	$ 14,882
Fiscal	64,598
Control	196,040
Total creditors	$275,520

Carulla Vivero S.A.
Notes to the consolidated financial statements at March 31, 2006 (unaudited) and for the three-month period ended March 31, 2006 (unaudited)—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

26. Net revenues

	Three months period ended March 31, 2006 (Unaudited)
Sales	$484,558
Other operating revenues	11,966
	$496,524

No sales to customers that individually exceed 20% of themselves were made. Returns, discounts and/or sales, are recorded as a lower value of sales.

27. Administrative operating expenses

	Three months period ended March 31, 2006 (Unaudited)
Personnel expenses	$3,133
Fees	542
Taxes	146
Rentals	521
Contributions and affiliations	67
Insurance	57
Public utilities	265
Legal expenses	12
Maintenance and repairs	129
Adaptations and facilities	19
Travel expenses	93
Depreciation	918
Amortization	2,698
Miscellaneous	288
Provisions	75
	$8,963

Carulla Vivero S.A.
Notes to the consolidated financial statements at March 31, 2006 (unaudited) and for the three-month period ended March 31, 2006 (unaudited)—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

28. Sales operating expenses

Personnel expenses	$30,167
Fees	28
Taxes	4,156
Rentals	5,508
Contributions and affiliations	65
Insurance	710
Public utilities	27,475
Legal expenses	28
Maintenance and repairs	1,644
Adaptations and facilities	771
Travel expenses	540
Depreciation	12,385
Amortization	6,285
Miscellaneous	8,846
	$98,608

29. Other non-operating income

	Three months period ended March 31, 2006 (Unaudited)
Rentals	$ 32
Commissions	14
Fees	24
Indemnities	62
Dividends	1
Recoveries	114
Sale of containers and packages and other	139
Gains	103
	$489

Carulla Vivero S.A.
Notes to the consolidated financial statements at March 31, 2006 (unaudited) and for the three-month period ended March 31, 2006 (unaudited)—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

30. Other non-operating expenses

Deductible from casualties	$ 45
Loss from sale and retirement of fixed assets	229
Fines and penalties	8
Donations	248
Other expenses	216
Contribution 4 per thousand	244
Wealth tax	143
	$1,133

31. Financial expenses

Fees	$ 134
Interests	7,481
Exchange difference	139
Conditional commercial discounts	177
	$7,931

32. Monetary correction

Investments	$ 18
Inventories	3,212
Property, plant and equipment	6,959

	Three months period ended March 31, 2006 (Unaudited)
Intangibles	583
Deferred assets	1,049
Deferred liabilities	(15)
Shareholders' equity	(4,678)
	$ 7,128

33. Contingencies

Labor contingencies—The Company has 106 labor claims in the country at December 31, 2005. Initial demand of plaintiff is $3,169 million approximately. Company's management and its legal advisors have qualified each proceeding according to its possibility of occurrence and have concluded that the provision to be established is $863 million, from which $22 million were paid during the first quarter of 2006.

Carulla Vivero S.A.
Notes to the consolidated financial statements at March 31, 2006 (unaudited) and for the three-month period ended March 31, 2006 (unaudited)—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

Civil contingencies—At March 31, 2006 the Company has claims with Superintendence of Industry and Commerce, administrative courts and civil courts filed by third parties against the Company. Upon the evaluation of the possibility of the defense success, Carulla Vivero S.A. has recorded a provision of $541 million at March 31, 2006 to cover possible losses for said contingencies, from which $45 million were paid during the first quarter of 2006.

Tax contingencies—The following tax processes have been initiated against the Company related to the Income Tax and Value Added Tax returns:

Year	Disputed amount	Sanction for inaccuracy	Total	Cause in dispute	Current status
1997	$ 232	$ 372	$ 604	Double benefit donations.	Extraordinary appeal for reversal
2000	1,012	1,620	2,632	Presumptive income Deductible lien to financial transactions (two per thousand)	Claim with State Council
2001	1,288	—	1,288	Inadmissibility credit balance applied to income year 2000	Claim Cundinamarca Contentious Court.
1999	691	1,106	1,797	VAT Restaurant services	Claim with State Council.
2000	743	1,189	1,932	VAT Restaurant services	Claim with State Council.
	3,966	4,287	8,253		

In the Company's Management's and their legal advisors' opinions, there are good possibilities of the remedies being favorably ruled for the Company. Consequently, they have considered that the Col$ 2,447 million provision amount established for these contingencies is sufficient to cover for future adverse rulings.

Company's Management, with the consensus of its legal advisors, estimate that the results of the labor, civil, and tax litigation corresponding to the non-provisioned portion amounting to $11,112 million, shall be favorable to the Company's interest and will not result significant liabilities that must be accounted for; or if there were any, they will not significantly affect the financial position of Carulla Vivero S.A.

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INDEPENDENT AUDITORS´ REPORT

To the Shareholders of
Carulla Vivero S.A.

We have audited the accompanying consolidated balance sheets of CARULLA VIVERO S.A. and its subsidiary (the "Company") as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity, changes in financial position and cash flows for each of the three years in the period ended December 31, 2006, (all expressed in millions of Colombian pesos). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Colombia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the companies at December 31, 2006 and 2005, and the results of their operations, the changes in their financial position and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in Colombia ("Colombian GAAP").

The translation of the financial statements into English has been made solely for the convenience of the readers in the United States of America.

Deloitte & Touche Ltda

March 9, 2007
Bogotá D.C.
Colombia

Carulla Vivero S.A.
Consolidated balance sheets
at December 31, 2006 and 2005

(Amounts expressed in millions of Colombian pesos—See note 2)

	Notes	2006	2005
Assets			
Current assets			
Cash	3	81,576	59,948
Short-term investments	4	8,266	1,024
Accounts receivable, net	5	89,748	52,588
Inventories	6	281,595	249,246
Total current assets		461,185	362,806
Long-term investments	4	5,590	3,617
Property, plant and equipment, net	8	471,101	467,291
Intangibles, net	9	37,739	39,048
Deferred charges, net	10	116,533	115,168
Other assets	11	42,233	3,861
Revaluation of fixed assets	12	158,302	72,019
Total assets		1,292,683	1,063,810
Memorandum accounts			
Debtors		480,828	352,104
Creditors		392,708	273,016

The accompanying notes are an integral part of these consolidated financial statements.

Carulla Vivero S.A.
Consolidated balance sheets
at December 31, 2006 and 2005

(Amounts expressed in millions of Colombian pesos—See note 2)

	Notes	2006	2005
Liabilities and shareholders' equity			
Current liabilities			
Financial obligations	13	128,518	59,613
Suppliers	14	285,389	285,387
Accounts payable	15	95,700	60,960
Taxes payable	16	17,604	11,152
Labor obligations	17	24,112	15,194
Accrued liabilities and provisions	18	4,542	2,681
Retirement pensions	19	454	411
Deferred liabilities	20	2,516	2,348
Other liabilities		5,111	9,042
Total current liabilities		**563,946**	**446,788**
Long-term liabilities			
Accounts payable	15	1,960	3,920
Retirement pensions less short-term portion	19	4,175	3,369
Deferred income tax	20	695	979
Bonds payable	21	220,000	220,000
Total long-term liabilities		**226,830**	**228,268**
Total liabilities		**790,776**	**675,056**
Shareholders' equity	22		
Share capital		3,557	3,557
Capital surplus		107,442	107,442
Reserves		18,264	10,352
Equity revaluation		185,324	171,341
Net Income for the year		29,018	24,043
Surplus from revaluation of fixed assets		158,302	72,019
Total shareholders' equity		**501,907**	**388,754**
Total liabilities and shareholders' equity		**1,292,683**	**1,063,810**
Memorandum accounts	24		
Debtors		**392,708**	**273,016**
Creditors		**480,828**	**352,104**

The accompanying notes are an integral part of these consolidated financial statements.

Carulla Vivero S.A.
Consolidated statements of income
for the years ended December 31, 2006, 2005 and 2004
(Amounts expressed in millions of Colombian Pesos – See note 2)

	Notes	2006	2005	2004
Net revenues	25	2,284,056	2,094,724	1,685,379
Cost of sales		1,747,515	1,614,355	1,269,784
Gross profit		**536,541**	**480,369**	**415,595**
Selling and administrative expenses				
Administrative	26	45,462	38,191	41,177
Sales	27	423,727	391,549	334,669
Operating income		**67,352**	**50,629**	**39,749**
Other non-operating income	28	10,070	2,749	2,295
Financial income		2,113	1,730	4,548
Other non-operating expenses	29	(21,873)	(9,397)	(11,471)
Financial expenses	30	(35.895)	(33,664)	(23,522)
Monetary correction	31	23,607	25,833	23,788
Income before tax		**45,374**	**37,880**	**35,387**
Income tax		16,356	13,837	13,362
Net income for the year		**29,018**	**24,043**	**22,025**

The accompanying notes are an integral part of these consolidated financial statements.

Carulla Vivero S.A.
Consolidated statements of changes in shareholders' equity for the years ended December 31, 2006, 2005 and 2004
(Amounts expressed in millions of Colombian Pesos—See note 2)

	Share capital	Capital Surplus	Reserves: Legal	Reserves: Reacquisition of shares	Reserves: Total	Equity Revaluation	Net Income for the year	Surplus from revaluation of fixed assets	Total shareholders' equity
Balance at January 1, 2004	**3,557**	**107,442**	**2,114**	**17,069**	**19,183**	**140,486**	**10,683**	**64,433**	**345,784**
Appropriations	—	—	—	(10,085)	(10,085)	—	10,085		—
Adjustments for inflation	—	—	—	—	—	16,022	—	—	16,022
Net Income for the year	—	—	—	—	—	—	22,025	—	22,025
Declared dividends	—	—	—	—		—	(20,768)	—	(20,768)
Adjustment to reappraisals	—	—	—	—	—	—	—	(356)	(356)
Balance at December 31, 2004	**3,557**	**107,442**	**2,114**	**6,984**	**9,098**	**156,508**	**22,025**	**64,077**	**362,707**
Appropriations	—	—	—	1,254	1,254	—	(1,254)	—	—
Adjustments for inflation	—	—	—	—	—	14,833	—	—	14,833
Net Income for the year	—	—	—	—	—	—	24,043	—	24,043
Declared dividends	—	—	—	—		—	(20,771)	—	(20,771)
Adjustment to reappraisals	—	—	—	—	—	—	—	7,942	7,942
Balance at December 31, 2005	**3,557**	**107,442**	**2,114**	**8,238**	**10,352**	**171,341**	**24,043**	**72,019**	**388,754**
Appropriations	—	—	—	7,912	7,912	—	(7,912)	—	—
Adjustments for inflation	—	—	—	—	—	13,983	—	—	13,983
Net Income for the year	—	—	—	—		—	29,018	—	29,018
Declared dividends	—	—	—	—	—	—	(16,131)	—	(16,131)
Adjustment to reappraisals	—	—	—	—	—	—	—	86,283	86,283
Balance at December 31, 2006	**3,557**	**107,442**	**2,114**	**16,150**	**18,264**	**185,324**	**29,018**	**158,302**	**501,907**

The accompanying notes are an integral part of these consolidated financial statements.

Carulla Vivero S.A.
Consolidated statements of changes in financial position for the years ended December 31, 2006, 2005 and 2004
(Amounts expressed in millions of Colombian Pesos—See note 2)

	2006	2005	2004
Working capital provided by:			
Operations:			
Net income for the year	**29,018**	**24,043**	**22,025**
Add (less) charges (credits) to transactions that did not affect working capital:			
Depreciation	54,100	52,541	46,267
Amortization	41,405	37,714	45,678
Monetary correction	(13,110)	(15,249)	(14,715)
Deferred tax, net	(3,500)	(221)	317
Equity method	2	(1)	—
Provision for investments	134	306	82
Exchange difference – investments	47	102	—
Retirement pensions	806	35	106
Gains from sale of fixed assets	(3,813)	(82)	1.769
Other	—	—	(8)
Working capital provided by operations	**105,089**	**99,188**	**101,521**
Sale of lands	24,560	—	—
Decrease in accounts receivable	—	33,785	—
Decrease in investments	—	1,216	—
Issuance of bonds	—	150,000	—
Total working capital provided	**129,649**	**284,189**	**101,521**
Working capital used:			
Increase in property, plant and equipment	56,847	63,234	62,968
Increase in long-term receivables	—	—	33,785
Increase in investments	2,101	—	2,469
Increase in intangibles	5,660	210	—
Increase in deferred charges	27,355	54,809	36,343
Increase of other assets	38,372	2,356	117
Decrease in financial obligations	—	—	25,333
Decrease in accounts payable	1,960	1,960	1,944
Declared dividends	16,131	20,771	20,768
Total working capital used	**148,426**	**143,340**	**183,727**
(Decrease) increase in working capital	**(18,777)**	**140,849**	**(82,206)**
Net changes in working capital components:			
Cash	21,629	5,926	17,777
Short-term investments	7,242	(13,323)	12,967
Accounts receivable	37,161	(32,314)	16,991
Inventories	32,349	22,004	62,368
Financial obligations	(68,905)	139,666	(121,332)
Suppliers	(2)	(8,402)	(25,370)
Accounts payable	(34,740)	28,414	(40,489)
Taxes payable	(6,452)	(1,457)	163
Labor obligations	(8,918)	(2,288)	(504)
Accrued liabilities and provisions	(1,861)	3,146	(270)
Retirement pensions	(43)	(17)	(6)
Deferred liabilities	(168)	(178)	(3,194)
Other liabilities	3,931	(328)	(1,307)
(Decrease) increase in working capital	**(18,777)**	**140,849**	**(82,206)**

The accompanying notes are an integral part of these consolidated financial statements.

Carulla Vivero S.A.
Consolidated statements of cash flows for the years ended December 31, 2006, 2005 and 2004
(Amounts expressed in millions of Colombian Pesos—See Note 2)

	2006	2005	2004
Cash flows from operating activities:			
Net income for the year	**29,018**	**24,043**	**22,025**
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation	54,100	52,541	46,267
Amortization	41,405	37,714	45,678
Monetary correction	(23,607)	(25,833)	(23,788)
Cost of adjustments for inflation – inventories	10,254	10,584	—
Deferred tax	(3,500)	(221)	317
Equity method	2	(1)	—
(Gain) Loss from sale of fixed assets	(3,813)	(82)	1,769
Provision for indemnities	4,569	—	—
Provision for investments	134	306	158
Exchange difference – suppliers	135	—	—
Exchange difference – investments	47	102	—
Provision for receivables	403	1,095	534
Recovery of Provision for receivables	—	(368)	—
Retirement pensions	849	35	106
Provision for inventories	2,014	333	339
Other	—	—	(8)
	112,010	**100,248**	**93,397**
Changes in assets and liabilities:			
Accounts receivable	(37,564)	65,381	(51,422)
Inventories	(34,120)	(22,311)	(53,798)
Intangibles	(5,660)	(210)	—
Deferred Charges	(27,355)	(54,809)	(36,343)
Other assets	(38,372)	(2,356)	(117)
Suppliers	(133)	8,402	25,370
Accounts payable	32,779	(30,505)	38,578
Taxes payable	6,452	1,457	(163)
Labor obligations	4,349	2,288	504
Accrued liabilities and provisions	1,861	(3,221)	270
Retirement pensions	—	—	6
Deferred liabilities	168	178	1,307
Other liabilities	(3,931)	328	3,194
Net cash provided by operating activities	**10,484**	**64,870**	**20,783**
Cash flows from investment activities:			
Sale of lands	24,560	—	
Acquisition of property, plant and equipment	(56,847)	(63,234)	(62,968)
Acquisition (sale) of long-term investments	(2,101)	1,490	(2,302)
Net cash used in investment activities	**(34,388)**	**(61,744)**	**(65,270)**
Cash flows from financing activities:			
Payment of financial obligations	(1,520,785)	(682,326)	(143,812)
Increase in financial obligations	1,589,690	542,660	239,735
Issuance of bonds	—	150,000	—
Paid dividends	(16,131)	(20,771)	(20,768)
Net cash provided by (used in) financing activities	**52,774**	**(10,437)**	**75,155**
Net changes in cash flow	**28,870**	**(7,311)**	**30,668**
Cash and cash equivalents at beginning of year	60,972	68,283	37,615
Cash and cash equivalents at end of year	**89,842**	**60,972**	**68,283**

The accompanying notes are an integral part of these consolidated financial statements.

Carulla Vivero S.A.
Notes to the consolidated financial statements as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005 and 2004

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

1. Operations

Carulla Vivero S.A. was incorporated in 1905. The Company's corporate purpose is the purchase, sale, import, export, transformation, packaging, production and in general, the trade of food, drugs, cosmetics, house appliances, clothing and electrical appliances and others related. Such transactions are performed in own or third party premises or stores. Its term of duration expires on June 30, 2072.

Strategic partner search project—In 2006 the Board of Directors of Carulla Vivero S.A. instructed and authorized Management to carry out the procedures to search a strategic partner. To that effect, Management executed contracts and agreements with international and local financial and legal advisors for preparing the appropriate studies and works related thereof. The agreement for the sale of a share block was executed on August 19, 2006 by and between Almacenes Exito and some shareholders owners of 19.8% of Carulla Vivero S.A. at US$15,792 per share, subject to approvals from competent authorities. Upon the foregoing commitment, Almacenes Exito S.A. announced its intention to acquire up to 77.5% of Carulla Vivero S.A.'s outstanding shares, including those corresponding to the transaction agreed on August 19 and any other subsequent transaction.

On December, 2006 the Superintendency of Industry and Commerce of Colombia announced the non-objection to the integration of Almacenes Exito S.A. and Carulla Vivero S.A., subject to some conditions and obligations to be undertaken by the parties. A tender offer at the Stock Exchange of Colombia concluded on February 16, 2007 by means of which, Almacenes Exito S.A. acquired 52.4% of Carulla Vivero S.A. from shareholders that sold their shares in the market.

The effects on the financial statements as a result of the execution of the project of bringing a strategic partner to Carulla Vivero S.A. as are summarized as follows:

- Trade finance company – agreement with Ripley:

Carulla Vivero S.A. subscribed a Memorandum of Understanding (MOU) on January 16, 2006 with Ripley Internacional S.A. whit the purpose of incorporating of a Trade Finance Company (incorporation approved by the Finance Superintendency and provided on November 12, 2006) for the development, among others, of a credit card for Carulla Vivero S.A.'s customers. As a consequence of the strategic partner's association operation it was mutually agreed by means of the execution of a transaction contract by and between Carulla Vivero S.A. and Ripley Internacional S.A. on November 10, 2006, the termination of the agreement by purchasing the overall operation rights for US$8,678,000 ($19,428 million) recorded as Other Assets. In year 2007, Almacenes Exito S.A. agreed with Carulla Vivero S.A. the purchase and transfer of the aforementioned rights for to the future implementation of "Tarjeta Exito" project for performing a credit operation in Carulla Vivero S.A.'s market.

Carulla Vivero S.A.
Notes to the consolidated financial statements as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005 and 2004—(continued)
(In millions of Colombian pesos except for exchange rates, number and face value of shares)

Carulla Vivero S.A. received an advanced payment from Exito on February 9, 2007 to be used for total payment to Ripley Internacional S.A.

- Costs and expenses of the strategic partner search project:

(a) At December 31, 2006, $2,415 million were recorded as accounts receivable to Almacenes Exito S.A. for costs incurred in connection with the process of the strategic partner search, which was completed with the sale agreement of Carulla Vivero S.A. share block to this entity and the performance of the Tender Offer on February 19, 2007.

(b) Carulla Vivero S.A. recorded $10,019 million as non-operating expenses related to fees for professional services, local and international legal fees and commercial advisories and strategic support incurred in for its process of share issuance and search of opportunities to expand Carulla Vivero S.A.'s market through acquisitions of companies or opening of operations in foreign countries.

(c) Provision for indemnities: At December 31, 2006, Carulla Vivero S.A.'s Management recorded a provision for severance pay to personnel for 4,569 million of Colombian pesos.

By means of Resolution 34004 of December 18, 2006, the Superintendency of Industry and Commerce authorized the integration of Almacenes Exito S.A. and Carulla Vivero S.A. subject to the conditions and obligations to be complied with by the parties as follows: a) sale of some specific point of sales of both companies; b) sale of some specific brands of sales formats and, c) commitments about relations with suppliers and access to the market with regards to the exclusivity conditions, price, negotiation terms, petitions, claims, etc. fostering a healthy competition environment. All the foregoing, should be audited by independent experts that will report directly to the Superintendency of Industry and Commerce. To that effect, Carulla Vivero S.A. has already started actions and provided the necessary resources to comply with the Superintendency's instructions within the terms agreed.

- Supplementary transactions:

(a) Success Fess: As of December 31, 2006, there is a legal commitment for payment of fees for professional legal and financial services, which will be accrued and paid once the operation is closed up to an amount of US$ 12,774,000 which can be paid by Almacenes Exito S.A. or by Carulla Vivero S.A., according to the contract signed on August 19, 2006.

(b) Sale of shares: The Shareholders' General Meeting of Carulla Vivero S.A. by means of Minutes No. 40 of December 20, 2006, authorized the issuance of 803,000 common shares not subject to preferred rights and authorized by the Finance Superintendency by resolution 0010 of 2007, for share options. Carulla Vivero S.A. made two share subscription offers to 24 of its officials and ex-officials who subscribed 803,000 shares (403,000 at US$5 per share ($11,141.90) and 400,000 at US$3 per share ($6,685.14)) for a total transaction of $7,164 million; $80.3 million were recorded

Carulla Vivero S.A.
Notes to the consolidated financial statements as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005 and 2004—(continued)
(In millions of Colombian pesos except for exchange rates, number and face value of shares)

as a higher value of capital and $7,083 million as a higher value of the share placement premium, total value received on January 16, 2007.

Acquisition of Home Mart—Carulla Vivero S.A., continuing with its expansion plan, acquired on January 2006, from some Carulla Vivero S.A.'s shareholders, 100% of Home Mart S.A. shares for $7,170 million. Home Mart S.A. is dedicated to the import or purchase in the local market of all type of merchandise, raw materials, finished products, glass, textile, metal, board products, human consumption products, electrical appliances or related, to be sold both in the local market as well as for export, with operations in Medellín, Barranquilla, Cartagena, Santa Marta and Valledupar. The aforementioned amount includes the variable portion that at December 31 has been estimated upon expected EBITDA for the period comprised between July 2006 and June 2007. The integration operation of said store chain with Carulla Vivero S.A. originated a new format. At present, Home Mart S.A. is in liquidation process. The book balances at December 31, 2006 related to this transaction are: Goodwill $5,407 million, Investments $1,509 million, Accounts Payable $1,263 million and Other Accounts Payable $4,899 million as per purchase negotiation of the variable portion subject to results.

In April, 2006 the Company carried out the acquisition of assets and liabilities with cut off date March 31, 2006 upon the basis of Home Mart S.A. financial statements, which dissolution and liquidation was ruled in August, 2006. Carulla Vivero S.A. acquired assets for $21,675 million and liabilities for $19,676 million from Home Mart S.A. at March 31, 2006.

2. Summary of significant accounting policies and practices

These financial statements have been prepared on the basis of accounting principles generally accepted in Colombia. For the convenience of readers outside Colombia, the financial statements have been translated into English, certain reclassifications have been made and certain clarifying account descriptions have been included.

Certain accounting practices applied by the Company that conform with accounting principles generally accepted in Colombia may not conform with generally accepted accounting principles in the United States of America.

The Consolidated Financial Statements as of December 31, 2006 and 2005 include the financial statements of Carulla Vivero S.A. and its subsidiary Carulla Vivero Holding Inc. All intercompany balances have been eliminated on consolidation. Consolidated assets and liabilities of this subsidiary are not material for Carulla Vivero S.A. Carulla Telleva.com S.A. was liquidated in 2005 and Home Mart S.A. is in process of liquidation. Therefore, these subsidiaries were not consolidated.

The Company's accounting records are prepared pursuant to standards provided under Decree 2649 of 1993, and other supplementary regulations, some of which are summarized below:

Carulla Vivero S.A.
Notes to the consolidated financial statements as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005 and 2004—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

a. *Inflation Adjustments*—Financial statements presented in accordance with Colombian GAAP are adjusted for the effects of inflation on the basis of changes in the Colombian Percentage Adjustment for the tax year ("PAAG Index") which is the middle-income Consumer Price Index as established, with a one-month lag, by the National Administrative Statistic Department (Departamento Nacional de Estadistica—DANE). This index is applied to all non-monetary assets and liabilities and shareholders' equity accounts, except for the revaluation of fixed assets and the current year net income accounts. Monetary balances have not been adjusted because they reflect the spending power of the constant Colombian peso as of the balance sheet date. Foreign currency balances have not been adjusted since they have been translated into Colombian pesos at the exchange rates prevailing as of the balance sheet date. Therefore, monetary and foreign currency balances reflect the spending power of the currency on the balance sheet date, with respective gains or losses recorded in income. The net gain (loss) from exposure to inflation is reflected as "Monetary Correction" in the statements of income.

The inflation adjustment index used for each period was as follows

Year ended December 31, 2006	4.57%
Year ended December 31, 2005	5.16%
Year ended December 31, 2004	5.92%

b. *Foreign currency transactions*—Foreign currency transactions and balances denominated in a currency other than the Colombian pesos are translated into Colombian pesos at the official exchange rate (Tasa Representativa del Mercado) as certified by the Banking Superintendency. The exchange gain (loss) resulting from accounts payable and liabilities denominated in foreign currency that resulted from the acquisition of inventories and property, plant and equipment is capitalized until the asset is in condition to be used or sold. All other exchange gains and losses are included in operations. The official exchange rates (per U.S. $1.00) used to adjust the foreign currency assets and liabilities were:

Year ended December 31, 2006	$2,238.79
Year ended December 31, 2005	$2,284.22

c. *Allowance for doubtful accounts*—The Company determines this allowance on the basis of the aging of the clients` portfolio and individual analyses of the creditworthiness of its clients.

d. *Inventories*—Inventories are valued at their corresponding acquisition cost. The values shown do not exceed their estimated net realizable values and are charged to income on the basis of weighted average cost.

e. *Property, plant and equipment, net*— Property, plant and equipment is valued at cost plus inflation adjustments.

Carulla Vivero S.A.
Notes to the consolidated financial statements as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005 and 2004—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

Depreciation is computed applying the straight –line method over the estimated useful life as generally accepted in Colombia for accounting purposes. Annual depreciation rates applied are the following:

Constructions and buildings	5%
Machinery and equipment	10%
Office equipment	10%
Computer and communications equipment	20%
Transportation fleet and equipment	20%

For accounting purposes the Company does not estimate any salvage value for its assets since it deems such value relatively immaterial; consequently, assets are fully depreciated.

Disbursements for improvements that are made to increase the efficiency or the useful life of assets are capitalized and adjusted for inflation. Maintenance and repair expenditures are expensed as incurred. Retirement, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any related gain or loss reflected in other non-operating income or expense.

f. *Intangibles* –Intangibles mainly include the goodwill generated from the acquisitions of businesses made at a price in excess to the book value. Such goodwill is adjusted for inflation and amortized over ten (10) years through the straight – line method.

g. *Deferred charges*–

- Prepaid expenses mainly correspond to software maintenance contracts, insurance premium, property taxes and rental of assets that are amortized according to the term of the respective contract, or the term of the policies. Also, it includes the lease contract of the brand Surtimax which is being amortized over a twenty (20) year term as from December 2004.

- Costs related to the development of projects for the purchase of new businesses and the placement of shares and bonds, bonuses for the transfer of employees to the Law 50 regime, and associated costs to the re-launching of the new corporate image and the brand positioning are amortized over a five (5) year period by the straight-line method.

- Computer programs and Shopping baskets are amortized over a three (3) year period by the straight-line method.

- Leasehold improvements are amortized over the term of the lease contract. The improvements of the own assets are amortized over its useful life by the straight-line method.

h. *Other Assets*—Mainly correspond to Land for future projects and the amount paid for the acquisition of rights recorded at cost.

Carulla Vivero S.A.
Notes to the consolidated financial statements as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005 and 2004—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

i. *Revaluation of fixed assets*—Corresponds to the differences between the net book value of fixed assets and their value determined by technical appraisals. Such revaluation of assets is recorded in the non-current assets account “Revaluation of Fixed Assets” with the offsetting entry charged (credited) to the shareholders´ equity account “Surplus from revaluations of fixed assets”. Fixed assets are revaluated every three years based on technical appraisal. Revaluations are performed on specific asset groups. If the revaluation results in a decrease in the appraisal value of the fixed assets, the charge is first recorded against any surplus associated with the individual assets or class of assets, and any decrease in excess of the existing Surplus is charged against income.

The last appraisal of the Company’s property, plant and equipment was made as of December 31, 2006.

j. *Taxes*—The Company determines the provision for income taxes based upon the taxable income estimated pursuant to the Colombian Tax Law. Deferred income taxes are recorded for the effects of temporary differences between book ant tax amounts.

k. *Labor obligations*—Correspond to the Company’s obligation for mandatory and voluntary fringe benefits under applicable labor agreements, as well as employee severance, interest on severance, seniority bonuses, vacation accruals and withheld contributions for social security.

l. *Retirement pensions*—Represent the present value of all future monthly payments that the Company will have to pay to those employees that met, or will meet, certain legal requirements with respect to age, service time, an others, determined based upon actuarial studies annually obtained by the Company, as provided by current norms in force, without the specific investment of funds. For those employees covered under the social security regime (Law 100 of 1993), the Company covers its pension obligation by paying contributions to the Social Security Institute (ISS), and/or to the Private Pension Funds under the terms and conditions foreseen in such law.

m. *Deferred liabilities*—Mainly correspond to the advanced sale of “Bonos Carulla” to be made effective in the future in the Company’s points of sale, in all the formats.

n. *Use of estimates*—The preparation of financial statements in conformity with generally accepted accounting principles in Colombia requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

o. *Revenue recognition*—Revenues from the sales of goods are recorded based on delivery. The related cost of these sales has been included in cost of sales.

p. *Statements of cash flows*—The statements of cash flows were prepared using the indirect method, which includes the reconciliation of annual net income or loss to net cash provided by operating activities.

Carulla Vivero S.A.
Notes to the consolidated financial statements as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005 and 2004—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

q. *Cash equivalents* – For purposes of presentation in the Statement of Cash Flows, the Company classifies current investments within the cash equivalent item.

r. *Memorandum accounts* –Correspond to contingent rights and liabilities. Memorandum accounts also include the value differences existing between equity and book profit figures, and fiscal equity and net taxable income figures.

3. Cash

	2006	2005
Cash	$69,864	$48,146
Banks	10,786	11,730
Savings accounts	926	72
	$81,576	$59,948

4. Investments

Deposits in funds	$ 8,266	$1,024
Shares	4,346	2,374
Real-Estate securities	950	950
Bonds	294	293
	13,856	4,641
Less - Long term investments	5,590	3,617
	$ 8,266	$1,024

5. Accounts receivable

Clients	$41,180	$34,238
Related entities (Note 7)	6	1,224
Prepayments and advances	5,139	3,451
Deposits in guarantee	3,575	3,465
Prepaid taxes	5,161	4,770
Loans to employees	3,658	3,552
Other receivables – Sale of land and other	32,661	3,129
	91,380	53,829
Allowance for doubtful accounts	(1,632)	(1,241)
	$89,748	$52,588

Carulla Vivero S.A.
Notes to the consolidated financial statements as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005 and 2004—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

Below, is the movement of the allowance for doubtful accounts, for the years ended as of December 31:

	2006	2005
Balance at the beginning of the year	$1,241	$ 580
Provision charged to results of the period	403	1,095
Provisions recovery	(12)	(368)
Accounts written-off	—	(66)
	$1,632	$1,241

6. Inventories

Stores	$216,094	$184,837
Warehouses and processes	65,915	57,478
Storehouse	179	440
Merchandise in transit	2,457	7,527
	284,645	250,282
Provision for obsolescence	(3,050)	(1,036)
	$281,595	$249,246

Below, is the movement of the provision for obsolescence, for the years ended as of December 31:

Balance at the beginning of the year	$1,036	$ 703
Provision charged to operations	2,014	333
	$3,050	$1,036

7. Related entities

The Company maintains commercial operations with related parties, members of the Board of Directors and officers. The following is a detail of the balances receivable from, and payable to, related entities:

Receivables: (Note 5)		
Fundación Carulla	$ 6	$1,224
	$ 6	$1,224
Payable (Note 15)		
Fundación Carulla	$ —	$2,473
Home Mart S.A.	6,163	1
	$6,163	$2,474

Carulla Vivero S.A.
Notes to the consolidated financial statements as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005 and 2004—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

As of December 31, the detail of transactions with related parties is as follows:

	2006	2005
Rentals (Results)	$ —	$ 403
Fees (Results)	187	182
Fees (Deferred assets)	—	183
Purchases (Results)	—	579
Accounts Payable (Liabilities)	4,899	—
Acquisitions of assets and liabilities, net	2,271	—
	$7,357	$1,347

No transactions were conducted with managers and legal representatives except those inherent to the labor relationship.

As of December 31, 2006 Home Mart S.A. was in liquidation process.

8. Property, plant and equipment, net

Land	$ 58,419	$ 82,074
Constructions and buildings	349,113	317,533
Machinery and equipment	267,122	231,680
Office equipment	107,008	89,039
Computer and communications equipment	90,358	80,939
Transportation fleet and equipment	10,461	11,631
Machinery and equipment in progress	6,700	7,397
Machinery and equipment in transit	3	75
	889,184	820,368
Less – accumulated depreciation	(418,083)	(353,077)
	$ 471,101	$ 467,291

The company does not have pledge contracts or mortgages that condition the possession of the property, plant, and equipment.

9. Intangibles

Goodwill	$ 81,970	$ 74,215
Brands	502	508
Rights	50	50
	82,522	74,773
Less – accumulated amortization	(44,783)	(35,725)
	$ 37,739	$ 39,048

Carulla Vivero S.A.
Notes to the consolidated financial statements as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005 and 2004—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

10. Deferred charges

	2006	2005
Prepaid Expenses	$ 40,345	$ 42,824
Installation expenses	7,767	16,665
Remodeling	4,247	7,832
Special projects	4,006	49,676
Computer programs	4,316	5,202
Leasehold improvements	59,325	53,751
Implements and accessories	17,379	17,889
Deferred income tax	5,033	1,862
	142,418	195,701
Less—accumulated amortization	(25,885)	(80,533)
	$116,533	$115,168

11. Other assets

Real estate for future projects	$18,919	$ —
Rights and other (Note 1)	23,314	3,861
	$42,233	$3,861

12. Revaluation of fixed assets

Property, plant, and equipment:		
Land	$ 32,816	$15,884
Machinery, computer, and communications equipment and office equipment	57,097	38,860
Constructions and buildings	62,445	13,340
Transportation fleet and equipment	3,287	2,218
	155,645	70,302
Investments:		
Shares	735	75
Real estate securities	1,922	1,642
	2,657	1,717
	$158,302	$72,019

Carulla Vivero S.A.
Notes to the consolidated financial statements as of December 31, 2006 and 2005 and for the years ended December 31, 2006, 2005 and 2004—(continued)

(In millions of Colombian pesos except for exchange rates, number and face value of shares)

The commercial appraisals made of Property, Plant, and Equipment, were obtained through technical studies conducted by the external firm Avasin Ltda. and Data Inventarios following the market value methodology.

13. Financial obligations

	2006	2005
Local currency, market rate interest	$124,618	$ 1,385
Foreign currency, interest between libor + 0.5 and libor + 1.00	3,900	58,228
	$128,518	$59,613

14. Suppliers

Local Suppliers	$281,795	$283,408
Foreign Suppliers	3,594	1,979
	$285,389	$285,387

15. Accounts payable

Costs and expenses payable	$ 43,448	$ 38,314
Related entities (Note 7)	6,163	2,474
Debts with shareholders	441	468
Withholdings taxes and payroll contributions	7,231	7,117
Miscellaneous creditors (Note 1)	40,377	16,507
	97,660	64,880
Less – short-term portion	(95,700)	(60,960)
	$ 1,960	$ 3,920

16. Taxes payable

Value Added Tax	$ 9,662	$ 5,420
Industry and Commerce Tax	6,645	5,608
Other taxes	1,297	124
	$17,604	$11,152

Income tax—The Company is subject to a thirty-five percent (35%) income tax rate applicable on net income or presumptive (minimum taxable) income, whichever is greater. The income tax is determined taking into consideration the taxable and deductible effects of inflation. According to the tax reforms of 2003 and 2002 (Laws 863 of 2003 and 788 of 2002) it was

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established a surtax equivalent to ten percent (10%) of the net income tax for the years 2003 through 2006.

The income tax provision for 2006, 2005 and 2004 was determined by the net taxable income system, in accordance with current legislation.

The income tax returns for tax years 2005, 2004 and 2003 are pending to be reviewed by the tax authorities. The income tax return corresponding to 2006 must be filed on or before May 30, 2007.

The income tax provision for the years ended December 31 is as follows:

	2006	2005	2004
Current	$18,050	$12,780	$11,859
Income tax surtax	1,805	1,278	1,186
Deferred, net	(3,499)	(221)	317
	$16,356	$13,837	$13,362

The main conciliatory items between book income before taxes and net taxable income are the following:

	2006	2005	2004
Profit before income tax	$ 45,374	$ 37,880	$ 35,387
Plus:			
Fiscal revenues and non-deductible expenses	45,316	37,889	38,831
Less:			
Non-taxable revenues and tax deductible expenses	(39,118)	(39,256)	(40,334)
Taxable income	$ 51,572	$ 36,513	$ 33,884

Tax reform

The Colombian government issued the following new law in December 2006 that modified some aspects of the Colombian tax regime for 2007 and the subsequent years. The main changes in the law No. 1111 of December 27, 2006 are:

- The income tax rate changed to 34% for the year 2007 and 33% for the year 2008 and subsequent years.
- The taxes on profit of foreign investors were eliminated.
- The inflation accounting was eliminated for tax purposes.
- The wealth tax was extended with a rate of 1,2% per year from 2007 to 2010.

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- The Special tax deduction for fixed assets investment was increased from 30% to 40%.

17. Labor obligations

	2006	2005
Salaries payable	$ 2,630	$ 2,257
Severance – Law 50 of 1990	6,099	5,483
Interest on severance	703	638
Vacations	3,706	2,785
Extralegal bonuses	6,406	4,031
Labor compensations	4,568	—
	$24,112	$15,194

18. Accrued liabilities and provisions

For costs and expenses	$ 163	$ 729
For contingencies (Note 32)	1,684	1,404
For fiscal liabilities (Note 32)	2,695	548
	$4,542	$2,681

19. Retirement pensions

The liabilities recorded as of December 31, 2006 and 2005, represent the value of the actuarial estimate, which has been 100% amortized against operations.

Retired personnel – Future pensions	$4,629	$3,780
Less – current portion retirement pensions	(454)	(411)
	$4,175	$3,369

The actuarial estimate was elaborated taking into account the rate of DANE equivalent to 5.34% for 2006 and 6.084% for 2005, according to Decree 2783 of 2001.

The amounts charged to operations corresponding to retirement pensions during the years ended as of December 31, were as follows:

Increase in actuarial liability	$ 849	$ 35
Payments to retired personnel	454	410
	$1,303	$445
Retired personnel	43	44

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20. Deferred liabilities

	2006	2005
Deferred revenues	$ 2,516	$ 2,348
Deferred income tax	695	979
	3,211	3,327
Less – short-term portion	(2,516)	(2,348)
	$ 695	$ 979

21. Bonds payable

With the purpose of obtaining economic resources that allowed the acquisition of new businesses and attending working capital needs, the Company issued Ordinary Debt Bonds amounting to $70,000 million placed in April 2001. Likewise, in May 2005 the Company placed Ordinary Bonds for an amount of $150,000 million to replace short-term debt.

	2006	2005	Maturity	Interest
Bonds payable 2001 Issue	$ 70,000	$ 70,000	April 2008	DTF + 3.3%
Bonds payable 2005 Issue	150,000	150,000	May 2015	CPI +7.5%
	$220,000	$220,000		

The issuance and public offer of the bonds was authorized by the Office of the Superintendent of Securities through Resolution No. 0179 of March 30, 2001.

The issuance of these bonds was made with not additional guarantees to the obligation contracted by the Company and the payment of its interest.

During 2006, and 2005, interest on bonds amounting to $24,290 and $19,043, respectively, were charged to the statement of income.

22. Shareholders' equity

Share Capital—The capital stock consists of 35,575,200 Class A shares, with a Col$ 100 par value each, that as of December 31, 2006, and 2005 amounted to $3,557 million. The number of outstanding shares as of December 31, 2006 is 34,616,510.

Reserves—According to Colombian laws, the Company must transfer at least ten percent (10%) of the profit of the year to a legal reserve until it reaches fifty percent (50%) of the subscribed capital. This reserve is not available for distribution, but may be used to absorb losses.

Decreed dividends—As per minute 039 of March 30, 2006, the General Stockholders' Meeting approved the following dividend distributions on the results as of December 31, 2005:

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- An ordinary dividend of Col$ 466 (Colombian pesos) per share over 34,616,510 Class A shares payable in one (1) installment enforceable between April 10 and 28, 2006.

Equity revaluation—Equity revaluation may not be distributed as profits, but may be capitalized.

23. Commitments

The Company has entered into lease contracts for some of its stores, the monthly rate of rental of which range between $0,3 and $79 million which are calculated over 0.5% to 3% of net sales. Some contracts have been subscribed with maturities up to 2024 and others to fixed-term with annual renewal as per the CPI increase stated by the National Administrative Department of Statistics—DANE.

24. Memorandum accounts

	2006	2005
Debtors:		
Contingent rights	$ 5,748	$ 7,708
Fiscal	180,500	90,361
Control	294,580	254,035
Total debtors	$480,828	$352,104
Creditors:		
Contingent liabilities	$ 13,665	$ 14,859
Fiscal	156,475	64,598
Control	222,568	193,559
Total Creditors	$392,708	$273,016

25. Net revenues

	2006	2005	2004
Sales	$2,215,689	$2,037,136	$1,637,855
Other operating revenues	68,367	57,588	47,524
	$2,284,056	$2,094,724	$1,685,379

No sales to customers that individually exceed 20% of themselves were made. Returns, discounts and/or sales, are recorded as a lower value of sales.

26. Administrative operating expenses

Personnel expenses	$19,605	$12,226	$13,791
Fees	2,067	1,581	904

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	2006	2005	2004
Taxes	616	647	377
Rentals	2,145	2,486	591
Contributions and affiliations	260	254	178
Insurance	285	129	90
Public utilities	989	1,435	811
Legal expenses	55	40	9
Maintenance and repairs	726	731	584
Adaptations and facilities	70	36	30
Travel expenses	687	373	447
Depreciation	3,433	3,885	6,139
Amortization	12,919	12,943	16,082
Miscellaneous	1,140	508	754
Provisions	465	917	390
	$45,462	$38,191	$41,177

27. Sales operating expenses

Personnel expenses	$126,866	$112,996	$101,320
Fees	259	504	1,274
Taxes	19,304	18,301	15,188
Rentals	25,477	21,930	17,133
Contributions and affiliations	407	264	124
Insurance	3,124	3,483	3,890
Public utilities	113,999	120,373	92,655
Legal expenses	102	191	74
Maintenance and repairs	7,388	7,475	6,760
Adaptations and facilities	3,591	3,483	2,806
Travel expenses	1,700	1,238	1,038
Depreciation	50,668	48,656	40,130
Amortization	28,486	24,772	29,596
Miscellaneous	40,270	27,770	22,118
Provisions	2,086	113	563
	$423,727	$391,549	$334,669

28. Other non-operating income

Rentals	$ 102	$ 191	$ 133
Discounts	206	113	282
Fees	121	93	93
Indemnities	145	75	159
Equity method	—	1	—
Recoveries	2,222	1,774	1,174
Gains from sale of property	7,213	75	5

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	2006	2005	2004
Sale of containers and packages and other	61	427	449
	$10,070	$2,749	$2,295

29. Other non-operating expenses

	2006	2005	2004
Deductible from casualties	$ 269	$ 515	$ 374
Loss equity method	2	—	90
Loss from sale and retirement of fixed assets	3,954	402	1,816
Loss of other assets	22	80	540
Loss in investments	—	252	230
Loss in merchandise	—	64	—
Labor indemnities	506	1,169	—
Fines and sanctions	622	318	248
Donations	832	657	520
Non-operating commissions	—	—	1,271
Legal expenses	6,094	119	140
Other expenses	7,619	1,804	441
Contribution 4 per thousand	950	3,470	5,289
Wealth tax	1,003	547	512
	$21,873	$9,397	$11,471

30. Financial expenses

	2006	2005	2004
Fees	$ 554	$ 624	$ 560
Interests	33,437	31,751	22,133
Exchange difference	1,307	709	655
Conditioned commercial discounts	597	580	174
	$35,895	$33,664	$23,522

31. Monetary correction

	2006	2005	2004
Investments	$ 53	$ 74	$ 93
Inventories	10,497	10,593	8,909
Property, plant, and equipment	21,810	23,394	23,012
Intangibles	1,920	2,280	2,852
Deferred assets	3,355	4,388	5,026
Deferred liabilities	(45)	(63)	(82)
Equity	(13,983)	(14,833)	(16,022)
	$ 23,607	$ 25,833	$ 23,788

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32. Contingencies

Labor contingencies—As of December 31, 2006, one hundred and nine (109) labor lawsuits have been filed against the Company nationwide. The initial claim of the claimants if $5,662 million, approximately. Company's Management and their legal advisors have classified each process according to the likelihood of occurrence and have concluded that the $1,059 million provision established is adequate to cover for adverse future rulings.

Civil contingencies—As of December 31, 2006 third parties have filed several complaints against the Company, which are under course before the Superintendency of Industry and Commerce, Administrative Tribunals, and Civil Courts, for an approximate total amount of $1,328 million.

Based upon an assessment of the likelihood of success in the defense of these cases, as of December 31, 2006 and 2005, Carulla Vivero S.A. has recorded provisions amounting to $625 million and $541 million, respectively, to cover for the probable losses from these contingencies.

Tax contingencies—The following tax processes have been initiated against the Company related to the Income Tax and Value Added Tax returns:

Year	Value under Discussion	Inaccuracy Penalty	Total	Cause under Discussion	Current Status
1997	$ 232	$ 372	$ 604	Double benefit of donations	Extraordinary Appeal for Reconsideration
2000	1,012	1,620	2,632	Presumptive (minimum taxable) income Deductibility of tax on financial transactions (zero point two percent – 0.2%).	Lawsuit before the Council of State
2001	1,288	—	1,288	Non-applicability of balance in favor applied to income tax of 2000	Lawsuit – Contentious-Administrative Court of Cundinamarca.
1999	691	1,106	1,797	VAT – Restaurant Services	Lawsuit before the Council of State
2000	743	1,189	1,932	VAT – Restaurant Services	Lawsuit before the Council of State
	$3,966	$4,287	$8,253		

In the Company's Management's and their legal advisors' opinions, there are good possibilities of the remedies being favorably ruled for the Company. Consequently, they have considered that the $2,447-million provision amount established for these contingencies is sufficient to cover for future adverse rulings.

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Company's Management, with the consensus of its legal advisors, estimate that the results of the labor, civil, and tax litigation corresponding to the non-provisioned portion amounting to $11,112 million, shall be favorable to the Company's interest and will not result significant liabilities that must be accounted for; or if there were any, they will not significantly affect the financial position of Carulla Vivero S.A.

33. Other significant matters

Through the Extraordinary General Stockholders' Meeting dated March 9, 2007, Carulla Vivero S.A. authorized the cancellation of the registration of the ordinary shares of Carulla Vivero S.A. in the National Registry of Securities and Issuers ("*Registro Nacional de Valores y Emisores – RNVE*") and in the Colombian Stock Exchange ("*Bolsa de Valores de Colombia*") through a decisory majority.

Annex A

The Republic of Colombia

Overview

Colombia, a nation divided into 32 departments, is the fourth largest country in South America, with a territory of 441,020 square miles (1,141,748 square kilometers). According to the official projections of the DANE, Colombia's population was approximately 46 million in 2007, compared to 37.1 million in 2003. Colombia is generally classified as a middle-income developing country, with GNP per capita of US$2,905 in 2006.

The Republic of Colombia is one of the oldest democracies in the Americas, with regular transitions of power between successive administrations since 1957. In 1991, a popularly elected Constitutional Assembly approved a new constitution, replacing the constitution of 1886. The main features of the new constitution include further governmental decentralization, autonomy of the central bank and increased Congressional power. Colombia is a presidential republic, where the president is elected for a four-year term and may be reelected for an additional term. On May 26, 2002, Mr. Alvaro Uribe was elected president of Colombia for the 2002-2006 term and was reelected president for the 2006-2010 term.

National legislative power is vested in the Congress, which consists of a 102-member senate and a 166-member chamber of representatives. Senators and representatives are elected by direct popular vote for terms of four years.

Traditionally, the principal political parties have been the Liberal Party and the Conservative Party. Non-traditional parties have gained strength in the past few years, including *Partido de la U* and *Cambio Radical* which belong to a coalition of parties supporting Mr. Uribe.

Left-wing guerilla and right-wing paramilitary organizations have long been present in Colombia. The principal active guerilla organizations are the *Fuerzas Armadas Revolucionarias de Colombia* (Colombian Revolutionary Armed Forces, or FARC) and the *Ejército de Liberación Nacional* (National Liberation Army, or ELN). In many remote regions of the country, the guerillas have exerted influence over the local population. In recent years, many of the guerillas have funded their activities through kidnappings and other services rendered to narcotics organizations. In addition, the guerilla organizations have continued to commit acts of terrorism to draw attention to their causes.

Over the past fifteen years, the government has implemented various measures to address the violence associated with the guerilla movements. Since 1989, four guerrilla groups have surrendered their arms and joined civil society. During President Pastrana's administration (1998-2002), the government implemented a comprehensive peace initiative. The peace policy focused on negotiations with the armed organizations; increased investment and economic development in conflict areas; improvement of living conditions; increased access to the political process; and equalizing income distribution.

The principal paramilitary group in Colombia is the *Autodefensas Unidas de Colombia* (Colombian United Self-Defense Group, or AUC). On July 15, 2003, leaders of the AUC formally agreed to begin peace negotiations with the government and announced their intention to demobilize their forces entirely by December 2005. By the end of 2006, 31,617 members of these groups had been reintegrated into civil society.

President Uribe's Project for Democratic Security seeks to eradicate the guerilla and paramilitary groups and to provide security against aggressors for all without discrimination. The level of guerilla and paramilitary activity has declined since the Uribe administration took office in August 2002. There can be no assurance, however, that the downward trend in criminal activity will continue in the future.

The government has also taken various steps to combat the activities of producing, processing and trafficking of narcotics and the violence and terrorism associated with these activities. Among other measures, the government has offered bounties for information leading to the capture of certain criminals, increased its spending on military and police forces and improved the effectiveness of the judicial system, in part through raising the salaries of, and providing greater personal security to, judges and prosecutors. In 1997, the constitution was amended to permit extradition of Colombian citizens accused of criminal activities abroad. Although drug trafficking activities and acts of violence and terrorism continue to occur, recently the government has been successful in dismantling the "Cali" and "Medellín" cartels.

Economy

Ratings

The most recent credit ratings assigned to Colombia by Standard & Poor's Ratings Services, Moody's Investors Service, Inc. and Fitch Ratings on June 20, 2007, respectively; were as follows:

	Standard & Poor's	Moody's	Fitch Ratings
Foreign currency—long-term debt	BBB-	Ba2	BB+
Local currency—long-term debt	BBB+	Baa3	BBB-
Foreign currency—short-term debt	B	—	B
Local currency—short-term debt	A-2	—	—

Source: Bloomberg

Gross domestic product

Between 1990 and 1998, Colombia's GDP grew at an estimated average annual rate of 3.6% in real terms. In 1999, GDP contracted by an estimated 4.2% in real terms, representing the deepest recession in Colombia's history. Some of the factors that contributed to the recession include political uncertainty prior to President Pastrana's election, high domestic interest rates, the manifestation of macroeconomic imbalances, intensification of the armed conflict, a sharp decline in public investment and consumption and the international financial crisis. In 2000, GDP grew by an estimated 2.9% in real terms, signaling an economic recovery due in part to the government's fiscal adjustment measures, balance of payments equilibrium and adequate monetary and exchange rate policies. Further real growth in GDP was recorded in each of 2003, 2004, 2005 and 2006, with growth estimated at 3.86%, 4.87%, 4.72% and 6.87%, respectively.

Gross fixed investment represented approximately 24.6% of GDP in 2006. It increased by an estimated 26.9% in real terms compared to 2005. Private consumption grew by an estimated

6.71% in real terms in 2006 compared to 2005 accounting for 63.3% of GDP while public consumption increased by 2.14% during the same period and accounted for 18.9% of GDP.

The following tables set forth annual percentage growth rates of real GDP and demand, for the period ended December 31, 2006.

	Real growth rate(1)						
Percentage of GDP(1)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
GDP	2.9%	1.5%	1.9%	4.0%	4.0%	5.1%	6.8%
Imports of goods and services	6.0%	6.8%	1.7%	9.6%	16.9%	25.3%	21.3%
Total supply of goods and services	3.4%	2.2%	1.9%	4.9%	6.0%	8.5%	9.6%
Allocation of domestic demand consumption	1.4%	2.3%	2.1%	1.7%	4.8%	4.9%	5.6%
Private consumption	2.0%	2.7%	3.0%	2.1%	4.1%	4.9%	6.7%
Public consumption	(0.2%)	1.1%	(0.3%)	0.7%	3.3%	5.7%	2.1%
Gross fixed investment(1)	12.3%	1.9%	9.9%	23.1%	11.7%	24.1%	26.9%
Total domestic demand	2.8%	2.2%	3.3%	5.0%	5.3%	8.6%	9.9%
Less: Exports of goods and services	6.1%	2.4%	(5.0%)	4.7%	10.4%	8.4%	7.8%
Total domestic demand	3.4%	2.2%	1.9%	4.9%	6.0%	8.5%	9.6%

Source: *DANE.*

(1) Investment is defined as gross fixed capital formation.

Interest rates and inflation

The short-term composite reference rate (*depósitos a término fijo*, or DTF) averaged 6.3% in December 2006, compared to 7.0% in December 2005.

Consumer inflation (as measured by the change in the consumer price index, or CPI) in 2006 was 4.5%, compared to 4.9% in 2005.

Annex A

The following table sets forth changes in the consumer price index (CPI), the producer price index (PPI) and average 90-day deposit rates (DTF) for the periods indicated.

	Consumer Price Index (CPI)(1)	Producer Price Index (PPI)(1)	Short-term reference rate (DTF)(2)
2004			
January	6.2	5.3	8.0
February	6.3	5.0	7.9
March	6.2	4.6	7.8
April	5.5	4.1	7.8
May	5.4	5.3	7.8
June	6.1	5.9	7.9
July	6.2	5.2	7.8
August	5.9	5.2	7.8
September	6.0	5.5	7.7
October	5.9	5.8	7.7
November	5.8	5.5	7.7
December	5.5	4.6	7.8
2005			
January	5.4	4.4	7.7
February	5.3	4.3	7.4
March	5.0	4.9	7.3
April	5.0	4.2	7.3
May	5.0	3.0	7.2
June	4.8	2.6	7.2
July	4.9	3.0	7.1
August	4.9	2.9	7.0
September	5.0	2.6	6.8
October	5.3	2.2	6.5
November	5.1	1.8	6.4
December	4.9	2.1	6.3
2006			
January	4.6	2.1	6.1
February	4.2	2.3	6.0
March	4.1	1.7	6.0
April	4.1	1.4	5.9
May	4.0	3.3	6.0
June	3.9	4.0	6.1
July	4.3	4.8	6.5
August	4.7	5.3	6.4
September	4.6	5.4	6.4
October	4.2	6.0	6.4
November	4.3	5.3	6.7
December	4.5	5.2	6.8
2007			
January	4.7	5.0	6.8
February	5.2	5.0	6.8
March	5.8	4.3	7.5
April	6.3	2.3	7.4
May	6.2	0.7	7.6
June	4.7	5.0	6.8
July	5.2	5.0	6.8

Sources: DANE and Central Bank.

(1) For annual periods, percentage change over the twelve months ended December 31; for monthly periods from 2004 through 2007, percentage change over the previous twelve months at the end of each month indicated.

(2) Average for each month of the short-term composite reference rate (*depósitos a término fijo*), as calculated by the Financial Superintendency.

Foreign trade

Colombia's trade has historically been, and continues to be, dominated by the export of raw materials and the import of intermediate and capital goods. Most consumer goods have traditionally been produced locally. Producers of these consumer goods had, until recent years, enjoyed the protection of high import tariffs and other trade barriers. Since the early 1990s, Colombia has reduced trade barriers, opening the economy to foreign competition. Imports (FOB) of consumer goods increased by 18.6% and 25.7% year-on-year in 2004 and 2005, respectively, primarily due to the general increase in economic activity and the attendant rise in domestic demand.

During the 1986-1995 period, weighted average tariff rates declined from 44.0% to 11.0%. Tariff rates remained relatively stable from 1994 until 2004, except during a three-month period in 1997 when rates were temporarily increased by presidential decree in an effort to raise tax revenues to remedy the growing fiscal deficit. Tariffs are now regarded as a commercial policy instrument, rather than a revenue source. In addition, changes to tariff rates have become less common due to Colombia's participation in the Andean Community of Nations' common external tariff agreement, which implemented common external tariffs in February 1995.

On February 27, 2006, Colombia agreed on the conditions of a free trade agreement with the United States. The agreement was approved on June 14th of 2007 by the Colombian Congress, and it is currently pending approval from the United States Congress.

Demographics

Colombia's population is predominantly urban, with approximately 74% of the population living in urban areas. Colombia has five cities with population of approximately one million people or more: Bogotá (6.8 million residents), Cali (2.1 million residents), Medellín (2.2 million residents), Barranquilla (1.1 million residents) and Cartagena (0.9 million). Furthermore, there are 20 cities with a population of 100,000 people or more each.

Annex B—Description of certain differences between Colombian GAAP and U.S. GAAP

Differences between Colombian and United States accounting principles

Our audited financial information included in the offering memorandum is prepared and presented in accordance with Colombian GAAP. Certain measurement and disclosure differences exist between Colombian GAAP and U.S. GAAP, and those differences may be material to the financial information that we have provided in this document. We have not identified or quantified the impact of those differences in this offering memorandum nor have we made any effort to identify disclosure differences or potential differences in issued but not effective standards. In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between Colombian GAAP and U.S. GAAP and how those differences might affect the financial information we have provided in this document. The most significant measurement differences between Colombian GAAP and U.S. GAAP relating to us are the following.

Inflation adjustments

Under Colombian GAAP, on a prospective basis since January 1, 1992 and until December 31, 2006, our financial statements were adjusted for the effects of inflation on the basis of changes in the PAAG Index, which is the middle-income consumer price index, with a one-month lag, maintained by the National Administrative Statistic Department. This index was applied to all non-monetary assets and liabilities and shareholders' equity accounts, except for the revaluation of fixed assets and the current year net income accounts. The net gain (loss) from exposure to inflation was reflected as "Monetary Correction" in the statements of income. In contrast, U.S. GAAP does not permit inflation adjustments unless the company is a hyperinflationary economy, as defined by U.S. GAAP.

Functional currency

Under U.S. GAAP, a definition of the functional currency is required, which may differ from the reporting currency. Colombian GAAP presumes the use of the Colombian peso for companies operating in Colombia as the functional currency. Transactions denominated in foreign currencies are translated into Colombian pesos using the rate of exchange applicable on the date they occur realizing charges (credits) to the income statement for foreign exchange gains (losses), except for assets which are in the process of installation or under construction. The foreign exchange gains/ losses associated with these assets are recognized in income when the asset is ready for use.

Under U.S. GAAP, should our functional currency be defined as other than the Colombian peso, remeasurement of our financial statements under FAS 52 is required. The objective of the remeasurement process is to produce the same results that would have been reported if the accounting records had been kept in functional currency. Accordingly, monetary assets and liabilities would be remeasured at the balance sheet date (current) exchange rate. Non-monetary assets would be remeasured at their historical exchange rate at the time of purchase. Revenues and expenses are remeasured on a monthly basis at the average rates of exchange in effect during the period, except for consumption of non-monetary assets, which are remeasured at the rates of exchange in effect when the respective assets were acquired. Transaction gains and losses on monetary assets and liabilities arising from the remeasurement are included in the determination of net income (loss) in the period such gains and losses arise.

Consolidation of variable interest entities

Under Colombian GAAP, subsidiaries are consolidated when control exists which is usually presumed to occur when ownership exceeds 50% of the voting rights. Current Colombian accounting rules do not require special treatment or identification for variable interest entities.

Under U.S.GAAP, subsidiaries are generally consolidated when ownership exceeds 50% of the voting rights and control exists. Additionally, in January 2003, FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities-an interpretation of ARB 51," to expand upon and strengthen existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. Many variable interest entities have commonly been referred to as special-purpose entities or off-balance sheet structures, but the guidance applies to a larger population of entities. In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. In December 2003, FASB issued a revision to Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46R" or the Interpretation"). FIN 46R clarifies the application of ARB No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. FIN 46R requires the consolidation of these entities, known as variable interest entities ("VIEs"), by the primary beneficiary of the entity. The primary beneficiary is the entity, if any, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both. Among other changes, the revisions of FIN 46R (a) clarified some requirements of the original FIN 46, which had been issued in January 2003, (b) eased some implementation problems, and (c) added new scope exceptions. FIN 46R deferred the effective date of the Interpretation for public companies, to the end of the first reporting period ending after March 15, 2004, except that all public companies must at a minimum apply the provisions of the Interpretation to entities that were previously considered "special-purpose entities" under the FASB literature prior to the issuance of FIN 46R by the end of the first reporting period ending after December 15, 2003.

Purchase accounting

Under Colombian GAAP, acquisitions are accounted for under the purchase method of accounting. Companies separately identify assets and liabilities existing as of the acquisition date. The acquired assets and liabilities are recognized at their book values. Goodwill represents the excess of the purchase price over the book value of the net assets acquired. For U.S. GAAP purposes, business combinations are accounted for in accordance with Statement of Financial Accounting Standards ("SFAS") No. 141 which requires the purchase method of accounting be used for all business combinations initiated after June 30, 2001. With respect to the purchase method of accounting, the cost of an investment is assigned to the tangible and identified intangible assets acquired and liabilities assumed on the basis of their fair values on the date of acquisition. An excess of cost over the fair value of net assets acquired is recorded as goodwill. Assets acquired from controlling related parties are recorded at their historical value. If an excess of acquired net assets over cost arises, the excess is allocated to reduce proportionally the values assigned to non-current assets (except long-term investments in marketable securities) in determining their fair values. If the allocation reduces the non-current assets to zero value, the remainder of the excess over cost (negative goodwill) is written off immediately as an extraordinary gain. SFAS No. 141 establishes specific criteria for the recognition of intangible assets separately from goodwill and requires unallocated negative goodwill to be written off immediately as an extraordinary gain (instead of being deferred and amortized).

Goodwill and negative goodwill

Under Colombian GAAP, the difference between the cost of an acquisition and the proportional net book value, of the acquired company on the acquisition date is recorded as goodwill (positive) and amortized to income over a maximum of twenty years. Under U.S. GAAP, goodwill is the difference between the cost of an acquisition and the fair value of the acquired net assets and is deemed to have an indefinite life which is not amortized. However, goodwill is tested for impairment on an annual basis by applying a fair-value based test. Under U.S. GAAP, if an excess of acquired net assets over cost arises, the excess is allocated to proportionately reduce the values assigned to noncurrent assets (except long-term investments in marketable securities) in determining their fair values. If the allocation reduces the non current assets to zero value, the remainder of the excess over cost (negative goodwill) is written off immediately as an extraordinary gain. Internally generated goodwill is not permitted under U.S. GAAP.

Reappraisal and impairment of long-lived assets

In accordance with Colombian GAAP, revaluation of our property, plant and equipment is performed at least every three years with increases recorded on the balance sheet under “reappraisal of fixed assets” which is offset against “surplus from reappraisal of fixed assets” in shareholders’ equity. Reappraisals are performed and recorded on a specific asset group basis. This reappraisal process has historically resulted in a significant increase in total assets of Exito. If the reappraisal results in a decrease in the appraisal value of the specific asset group in comparison with the prior period, the decrease is charged first against any existing surplus with any remainder being charged to income. Under U.S. GAAP revaluation adjustments are not permitted (except under limited circumstances such as “business combinations,” as defined). Long-lived assets are tested for impairment when changes in circumstances, as defined in the literature, occur. Should a comparison of the undiscounted cash flow of the potentially impaired assets grouped at the lowest level of assets generating identifiable cash flow be less than the carrying value, impairment is recorded against income for the difference between the fair value of the grouped assets and their carrying value.

Investments

In accordance with Colombian GAAP, investments are recorded at cost and subsequently accounted for in accordance with the intention of realization, the availability of market information, and the degree of control held over the issuing entity by applying methodologies suitable to their economic reality. Methodologies to update their value include stock exchange quotes, net present value to determine market price or the security's internal rate of return, the equity method, and the cost method. Marketable investments are initially recorded at cost and are monthly adjusted to the Internal Rate of Return (IRR), recorded in the income statement in accordance with parameters established by the CGN. Long-term investments in subsidiaries in which 50% or more of the capital is directly or indirectly held, and control is exercised, are recorded under the equity method. Under the equity method long-term investments are recorded at cost and subsequently adjusted, with credit or charge to income, to recognize the participation in profits and losses in the subordinated companies and charging the equity account surplus from equity method, in the event of all other equity variations. Once the adjustment is completed, if the difference between the book value and the intrinsic value (equity value) of the investment is positive, a provision is charged to the income statement; if it is negative, re-appraisal surplus is recorded.

Under U.S. GAAP, marketable securities and investments are accounted for under SFAS No. 115. U.S. GAAP requires that certain debt and equity securities with readily determinable fair value be classified into one of three categories: held-to-maturity, available-for-sale, or trading securities. Investments in debt securities that the enterprise has the intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost in the statement of financial position. Securities that are bought and held principally for the purpose of selling them in the near term (thus held for only a short period of time) are classified as trading securities and reported at fair value. Investments not classified as trading securities (nor held-to-maturity) are classified as available-for-sale. Trading generally reflects active and frequent buying and selling, and trading securities are generally used to generate profit on short-term differences in price. Unrealized holding gains and losses of trading securities are included in earnings. Unrealized holding gains and losses, net of tax, of available for-sale securities are reported as a separate component of stockholders' equity. The two principal methods of accounting for the investments in common stock, which do not qualify to be accounted for under SFAS No. 115, are the cost method and the equity method. Under the cost method, an investor records an investment in the stock of an investee at cost, and recognizes as income the dividends received that are distributed from net accumulated earnings of the investee from the date of acquisition by the investor. Under the equity method, an investor initially records an investment in the stock of an investee at cost, and adjusts the carrying amount of the investment to recognize the investor's share of the earnings or losses of the investee after the date of acquisition.

Capitalization of foreign exchange (losses) gains

For Colombian GAAP, foreign currency exchange gains and losses related to foreign currency denominated liabilities incurred for the purchase or building of property, plant and equipment are capitalized as part of the cost of such assets until the assets are ready for use. For U.S. GAAP, foreign exchange gains and losses are not capitalized but rather recorded as exchange gains or losses in the period incurred.

Other capitalized and deferred costs

Colombian GAAP permits the capitalization and subsequent amortization of certain pre-operating and operating charges including studies, investigations, government security taxes, bond issuance and debt restructuring charges for which there is potential future benefit or savings. Under U.S. GAAP, there are strict guidelines regarding the deferral of costs and amortization over future periods. While under certain specific situations the deferral treatment would be acceptable, this treatment is permitted only when there is a direct incremental cost resulting in a future benefit.

Employee benefit plans

We have certain benefit plans, including a pension plan, which will conclude on July 31, 2010, an employee bonus plan and a severance indemnity plan. In accordance with Colombian GAAP, the pension plan is accounted for based on actuarial assumptions utilizing a discount rate of 4.8% and future expected salary increases of 7.5%. Pension expense will be recognized through 2012, as allowed by Colombian law. The remainder of the plans are accounted for as the liability is incurred. Under U.S. GAAP, pension plans and severance indemnity plans are accounted for under SFAS 87. The projected benefit obligation of the plans are determined based on actuarial calculations considering factors such as age of the participants, years of service, compensation, interest rates, mortality and others factors. The net periodic pension cost recognized for a period and charged to expense includes the following components: service cost, interest cost, actuarial gains/losses and amortization of any unrecognized obligation or intangible asset that are set up for prior service costs as required by SFAS 87. The service cost component recognized in a period shall be determined as the actuarial present value of benefits attributed by the pension benefit formula to employee service during that period.

Deferred income taxes

Under Colombian GAAP, income tax is calculated on estimates of taxable profits or losses. The tax effects of revenue, cost and expense items that are reported for tax purposes in years other than those in which they are recorded for accounting purposes are accounted for as deferred income taxes in accordance with legislation in the relevant country. Under U.S. GAAP, the asset and liability method of accounting for income taxes in accordance with Financial Accounting Standard 109 is used. Under this method, the provision for income taxes includes amounts currently payable and amounts deferred as tax assets and liabilities, based on differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities, and is measured using the enacted tax rates that are assumed will be in effect when the differences reverse. Deferred tax assets are reduced by a valuation allowance which is established when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Accounting for Uncertainties in Income Taxes

Under Colombian GAAP, there are no specific standards with respect to accounting for uncertainties in income taxes.

For U.S. GAAP purposes, in June 2006, FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on accounting for derecognition, interest, penalties, accounting in interim periods, disclosure and classification of matters related to uncertainty in income taxes, and transitional requirements upon adoption of FIN 48. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006.

Derivative financial instruments

We enter into foreign currency forward contracts to “hedge” against foreign currency fluctuations. Under Colombian GAAP, the nominal value of these contracts are recorded in memorandum accounts at current official exchange rates. For valuation purposes, the Company and its subsidiaries have adopted a policy under which, derivative contracts obtained for hedging liabilities are adjusted to their market value using the exchange rate at the end of the period; any resulting adjustment is gradually recorded to income statement accounts during the term of the contract, offsetting revenues, costs or expenses resulting from variations of exchange rates and interests. Under U.S. GAAP, SFAS 133, as amended, establishes accounting and reporting standards requiring that every instrument meeting the definition of a “derivative” be recorded in the balance sheet as either an asset or liability measured at fair value. In order to qualify for hedge accounting under U.S. GAAP, strict documentation rules must be followed. A company must document its risk management objectives and strategy for undertaking the hedge and must set out a basis for how it plans to assess the hedging instrument’s effectiveness. As we do not have such formal documentation in place and because such documentation is not required under local accounting rules, our forward contracts would have not qualified qualify for hedge accounting. Therefore, under U.S. GAAP, mark-to-market adjustments would have been charged (credited) against income at each period’s end.

Current Colombian accounting rules do not consider the existence of derivative instruments embedded in other contracts and therefore they are not reflected in the financial statements. For U.S. GAAP purposes, certain implicit or explicit terms included in host contracts that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument must be separated from the host contract and accounted for at fair value when certain criteria are met.

Memorandum accounts

Colombian GAAP requires that certain items be recorded in memorandum accounts and that these accounts be reflected in the balance sheet and in the notes to the financial statements. Items included under this heading consist of contingent rights and liabilities, deferred taxes associated with tax loss carryforwards, fully depreciated fixed assets and the nominal value of forwards transactions. Non-monetary memorandum accounts are adjusted for inflation with a charge or credit to reciprocal memorandum accounts.

Under U.S. GAAP, memorandum accounts are not used. All contingencies determined to be estimable and probable are recorded as liabilities, deferred tax assets are recorded for tax loss carryforwards until they are utilized or it becomes more likely than not that they will not be utilized, and items meeting the definition of "derivatives" are recorded at fair value in accordance with FAS 133.

Statement of changes in financial position

Colombian GAAP requires a Statement of Changes in Financial Position. This statement reflects the net change in working capital resulting from financial resources provided and financial resources used. Financial resources provided include a detailed analysis of working capital provided by operations. In addition to this statement, Colombian GAAP requires a Statement of Cash Flows. U.S. GAAP does not require a separate Statement of Changes in Financial Position.

50,000,000 Global Depositary Shares, each representing One Common Share

Almacenes Exito S.A.

Offering Memorandum

JPMorgan

Citigroup **Merrill Lynch & Co.**

July 23, 2007