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Operator: Good morning. My name is Karen and I'll be your conference operator today. At this time I would like to welcome everyone to the Grupo Éxito First Quarter 2017 Conference Call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question and answer session. Thank you for your attention. Ms. Maria Fernanda Moreno will begin the conference today. Ms. Moreno, you may begin your conference.

Maria Fernanda Moreno: Thank you, Karen, and good morning everyone. We appreciate you're joining us today for Grupo Éxito's call. At this time I'm pleased to present our Chief Executive Officer, Mr. Carlos Mario Giraldo, our Chief Financial Officer, Mr. Manfred Gartz, and Mr. Jose Loaiza, VP of International Business. Today's agenda, shown on slide number 2, will cover the following financial and operating highlights that reveal the company's international strategy and the consolidated financial results for the first quarter of 2017. The call will conclude with a Q&A session. Please note that the company has posted a presentation that is available on our corporate website and a link to this presentation has been provided on the invitation that we distributed via e-mail. Thank you for your attention. I will now turn the call over to Mr. Carlos Mario Giraldo for his comments.

Carlos Mario Giraldo: Thank you very much and thank you for your presence. I will start with the financial highlights of the first quarter of 2017 - page number 4. We can say that the consolidated results show a strong operational result for the quarter. I can mention four reasons for that: the first one is transversal commercial activities in all the countries which, even if there are weak economies, have produced very good results and same-store-sale market share gains in all the countries, with no exception. Clear advances on expense controls, especially impacting the results coming from Brazil and Colombia because of their critical mass in the results of the company. Clear early signs of recovery in Brazil and in GPA (Grupo Pão de Açúcar) that have a big influence in the consolidated results and finally the dynamism of the synergies which captured in the first quarter US$25 million, that is, the same level achieved in 2016 for all the year.

Colombia, with same-store-sales outperforming the market with a very good result in expenses in line with inflation and with the best performance in the last two years, which contributed in a very good way to protect the EBITDA margins of the company even in a difficult consumer environment and innovative activities that will have an important result for the future in customer monetization coming from Viva Malls execution and the new Customer Loyalty Program announced.

In Brazil, improved sales levels coming quarter after quarter and in this quarter two times the national inflation, market share gains both at Assaí and Extra level. Assaí even compared against cash and carries and Extra compared against other hypermarkets and supermarkets. A very dynamic conversion plan going forward and excellent results from the first two conversions made from Extras into Assaís and finally a very strong operational performance, as was seen some days ago, because of efforts in expenses and the deployment of key strategies and commercial strategies.

Uruguay, with a sustained recurring EBITDA and market share gains coming from expansion in proximity, and Argentina with a difficult inflation situation, productivity effort even in inflation around 33% and fortunately with a great contribution coming from real estate.

Going to page number 5, we can see the key commercial drivers which are common to all the countries. We have the same concepts applied in the different countries with a different flavor, a local flavor, and a clear market adaptation. The first one in the commercial model is the “1, 2, 3 Savings all the Month”. It is applied in the four countries and it is applicable to national brands. It is financed very partially by the national brands and it has contributed to the market share gains especially in Brazil and Argentina.

The second is the “Unbeatable Prices”, that is a first-price portfolio at the same level or below the cash and carries and discounters and has applications in Brazil with “O Mais Barato”, in Argentina with “El Más Barato” and in Colombia with 186 references of “Precio Insuperable” (unbeatable prices), which are destined to compete against the discounted market. The price products have a clear differentiation, not only with the best assortment in most of the markets, but also becoming a big initiative to control shrinkage, which is an important synergy giving good results both in Brazil and Colombia. And, finally, the deployment of the Éxito textile cluster in the different countries, taking this look and feel in private brands of textile to the different markets, especially Argentina and Brazil.

In page number 6 we see the operational highlights, with CAPEX for the first quarter at COP $545,000 million. In Colombia, COP $185,000 million, 35% of it into real estate, arriving to 1,559 stores in food, and with a real estate expansion in Colombia around Viva Envigado. That is now near to 30% of completion and will open in the second half of 2018, and Viva Tunja, which is at 5% completion, and in Argentina with two commercial galleries. You can see at the bottom the Calima store. That is a very important Éxito store opened in Bogotá in one of the most important commercial parts of Bogotá where we were not present yet.

Going to page number 7, we have our loyalty program, “Puntos Colombia”, launched some weeks ago in alliance with Grupo Bancolombia, which will start to be effective in the first quarter of next year. Today it’s working in the technological part and in the management part. It will be an ecosystem of point issuance and redemption and it will attract allies from different sectors of the economy. Clearly, it starts with around 10 million customers of Éxito and Bancolombia. We’re exploiting the customer knowledge that we already have with databases of both companies in a strategy that looks to the monetization of our assets and especially of the customer base.

In page number 8, we have the sales performance for Colombia. In a difficult quarter for the Colombian economy, we sold COP $2.6 billion minus 1% corrected by calendar effect, where the best performing format was the hypermarket Éxito. The reasons for this economic trend were specially the VAT increase in the first month of the year, consumer confidence fall and a decelerated food inflation trend, going from 12.4% last year to 3.7% in this quarter. Textile continues to be the best performing category, taking market from some importers because of the quality of our products, the low price strategy and the help also of the Colombian Peso against the dollar. The discount segment, here, we privilege profitability over sales at any cost and clearly I can say the Super Inter and Surtimax had one of the best profitability in many quarters. And Surtimayorista is in a very positive trend, selling 2.7 times per square meter. This gives us a clear route for the expansion of the cash and carry in Colombia as one of the key synergies.

On page number 9 we see the sales performance in Brazil. Strong food sales, as you know, from the results of the GPA. A clear recovery of Extra, which is sustainable, because it has been there now for three quarters and a great contribution, as many years it has been seen from Assaí. Sales going up 9.5% in local currency, two times food inflation and 5.6% at same-store-sales. It’s true that Brazil gradually improves as a country, as an economy, but within Brazil, Grupo Pão de Açúcar is the winning actor, with a consistent strategy and showing tangible results that are now being recognized both by the market but especially by our consumers, by the customers. Assaí is a success: sales up 28.8%, same-store-sales near to 13% and it now represents around 38% of total GPA food sales. 2.5% sales are being seen per square meter in the Assaí converted stores, as compared to the sales that they had before as an Extra. In Multivarejo, we have improved traffic and volumes especially at the Extra hypermarket, which continues with a rebound and with market share gains during the last 12 months and with same-store-sales corrected by calendar effect of plus 5.4% in this period. Pão de Açúcar stable in market share and 150 allies with Compre Bem names coming from the synergies that are being applied at a LatAm level. I give now the word to Manfred Gartz, our CFO, to continue with the financial results.

Manfred Gartz: Thank you, Carlos Mario and good morning, everyone. We’ll start on slide 10 with Colombia. During the first quarter, net revenue switched to COP $2.7 billion, decreasing 2.2% versus the first quarter of last year, as per the detail provided by Carlos Mario a few minutes ago. Other revenues grew 3.6%, mainly due to the performance of the real estate business. Jumping into the gross margin, it grew 3.4%, which is 25.4% of sales, gaining 140 basis points mainly due to improved productivity from lower shrinkage levels and lower logistic costs. Also, real estate business contributed to the results. On the SG&A side, the operational expenditures grew 4.9%, the lowest in the eight previous comparable quarters. When I mean "comparable", it's after the implementation of IFRS at the Colombian level. This positive result is part of the company's initiative to protect the bottom line despite macro conditions and it's focused on the deployment of operational efficiency strategies at all levels of the company, to control expenses. Finally, the Colombian operation showed for a quarter a recurring EBITDA of COP $150,000 million and a margin of 5.6% last year, showing the resilience of the operation despite a challenging year start for the retail industry in Colombia.

Please, move now to slide 11 to continue with Brazil. In COP, net revenues grew 19.1% in the quarter to COP $9.8 billion, confirming the strong and consistent performance of the Assaí format and the recovery of the Extra hypermarkets. Nonetheless, I think it's important to notice that this result in COP is partially boosted by a stronger valuation of the Brazilian Real. That happens around 11% quarter over quarter. Gross margin reached 22.4% of sales, gaining 20 basis points, driven by a precise and successful investment in promotions and a faster maturity of the Assaí stores that happened last year. In terms of SG&A, the much disciplined control of expenses that started last year showed its benefits, with a noteworthy reduction of over 100 basis points and a growth of 12.7%, significantly below growth in sales and even below the CPI in Brazil. Most efforts were in the electricity costs, labor and productivity initiatives at stores and at distribution centers. Recurring EBITDA reached COP $503,000 million, resulted in a 5.1% margin, 103 basis points above the same period last year. Given the level of operative improvement in this period, effects of the EBITDA line is way lower than it was on sales.

Moving forward to slide 12 with Uruguay. During the quarter and even with the weak Argentinian economy, Uruguay sales grew 6,7% local currency and in line with inflation and ended at COP $668,000. Despite a decrease in inflation during the period, top line maintained its dynamic, mainly due to the openings of 14 convenience stores under the Devoto Express format in the last twelve months, gaining an aggregate of 1.8% market share up to this date. Like-for-like growth was 5% in local currency after the adjusted calendar effect and was mainly by double-digit growth in textiles and home categories. Gross margin gained 70 basis points from efficiency in commercial activities, along with improved negotiation with suppliers that offset increases in wages and the base effect in the SG&A in 2016 that distorts last year's figure and subsequently the recurring EBITDA evolution. Finally, the recurring EBITDA margin grew 5.8% and remained stable at almost 10%, reaching COP $67,000 million in the quarter, demonstrating consistent growth and healthy profitable levels at the Uruguayan operation.

Moving forward to Argentina, on the next slide. The first quarter of this year continues to be challenging for the operation due to Argentina's macro conditions, a weak retail sales level and overall lack of consumer confidence in the country. Net revenues reached COP $348,000 million and, as in prior quarters, a gain in market share, and that's very important. Also, the company opened two Petit Libertad premium convenience stores, filling the proximity format that in this period grew 48% in local terms, way above inflation, with a very competitive commercial proposal mainly in the fresh line. Net revenues growth came at -0.7 in COP. The real estate business continues to be the natural hedge for our Argentinian operation, offsetting most of the inflationary pressures and protecting results of the country. SG&As rose below inflation, under a very controlled expense program that offset expenditures' pressure by inflation this year, and that was pretty much on labor, utilities and marketing expenses, among others. Finally, recurring EBITDA reached COP $11,000 million with a 3.2% margin.

Please look now at slide 14 and see the group's consolidated financials. Top line net revenues reached COP $13,5 billion, with a 12.9 year-over-year growth coming basically from two sides. The strong sales performance in Brazil and the contribution of complementary businesses, especially real state in Colombia and Argentina. Growth margin gains 30 basis points to reach 23,9% and reflects the cost efficiencies of all four operations, mainly in shrinkage, logistic costs and other commercial efficiencies. SG&A decreased by 30 basis points in the quarter, reflecting productivity efforts and other cost-cut initiatives to offset inflation in the region that cause salary levels, occupancy and utility costs to rise. I think it is important to notice that although the inflation this year is low, lower than the inflation last year, many of the costs are adjusted by last year's higher inflation, so this creates a gap that needs to be operationally reduced. Recurrent operational income margin grew by 40.5% to 3.6% of sales in the quarter and reflected productivity efforts, despite a very complex economic environment in the region. Recurring EBITDA margin grew 35% to 5,4% in the first quarter, with a 90 basis point improvement, maintaining a consistent progress since last year. Finally, after the subtraction of net financial expenses, participation method, minority interest and our share of the net income from this continuous operation, the net income attributable to Grupo Éxito is COP $-7,600 million that I will explain on the next slide.

In this slide, slide 15, I would like to show the bridge between the results in the first quarter of last year and the valuation that led to this quarter's net result. On the operational level, a positive quarterly evaluation of the recurrent operating income of Brazil of almost COP $160,000 million more than compensated the operational results in the other geographies. On the non-operational level, on one side a negative valuation in financial expenses of COP $37 million comes as a consequence of mainly: one, FX effects when consolidated Brazil due to its devalued currency, and two, on a much lesser degree, as a consequence of the accounting of the IR hedge in Colombia. On the other side, taxes, in which for the first quarter of last year, we had an income of almost COP $6,000 million. For 2017, taxes returned to be an expense, with a valuation of almost COP -60,000 million. At the end, the net result of the quarter ended at COP -7,500 million.

Now, please move on to slide 16 to show the evolution of the net debt situation at the holding level. First, net financial debt at holding level closed at approximately COP $3,9 billion, decreasing 8.2% and very aligned with the company's strategy. Second, it's important to notice that cash and equivalence increased almost 9% to COP $580,000 million, mainly from work in capital optimization, mainly at the inventory level. Third, gross debt included in the scheduled repayment ended at COP $4,5 billion, reducing 6,3%.

Finally, I would like to end my presentation with a view that the landing of the net debt by year end would heavily depend on the evolution of the Colombian operation, the Colombian macro conditions and what we expect to be the recuperation in the second half of the year. At this point, I will turn the call to Mr. Jose Loaiza, for a follow-up on the company's international strategy and the synergies process.

Jose Loaiza: Thank you, Manfred and hello to everyone. I would like to start by saying that at the closing of Q117, in the benefits coming from synergies, we have obtained that amount that we got for the whole 2016. This is to say, USD 25 million.

On slide 17, you may see what we are doing in the purchasing of food, which is a cornerstone of the synergy process. As we speak, we are benefiting from the agreements we renegotiated last year with our main vendors, which are becoming a recurrent benefit. Also, so far this year in the purchase of commodities we speak about fruits, salmon and olive oil. We have bought together, the four countries, the equivalent to 64% of the volume that we bought last year, which means that we will surpass that volume and obtain additional benefits. Also, we have finished in the four countries roundtables with local vendors willing to export to the other countries. This is an ongoing operation that has allowed us to improve our relationships with those local vendors and in the meantime improve our commercial conditions.

On slide 18, we may see our activities concerning textiles. Colombian has become kind of the textiles hub for the region, for the four countries. Buyers from all the countries, Brazil, Argentina and Uruguay come here twice a year to pick their season's collections out of a showroom of about 1,000 references, working on a methodology, in an orderly fashion. This allows us to project our Arkitect and Bronzini textile brands as a regional brand for the other countries. For those products that we don't produce locally, we are also traveling together to Asia, adding up our volumes, dealing with the top factories and getting savings at 227%. As far as layout implementation is concerned, we completed seven stores in Argentina and six stores in Brazil. We expect in this 2017 to finish the job in Argentina, to get close to 30 stores in Brazil and to begin deploying the strategy in Uruguay.

Going to slide number 19, you may see the ongoing implementation of the Aliados project in Brazil under the brand Compre Bem, enjoying now very good media coverage. As you may see, we completed 150 stores in Sao Paulo area. On the bottom of the slide, a quick word about the performance of the first Surtimayorista cash and carry in Bogota, Colombia, multiplying 2,7 times the sales of the previous store before the conversion and getting sales, 57% coming from professional buyers.

Finally, on slide number 20, consistency on the commercial model in the four countries, contributing heavily to the gain of market share on a same-store basis. Also, a word about shrinkage, specifically in fresh products. Each country had very important projects to reduce shrinkage that where presented to one another, implemented in the other countries, and this synergy has become one of the most significant ones, contributing to the results that you may see in the slide. In Brazil, in the Extra brand, a reduction in shrinkage of 217 basis points and in Colombia that up 41 basis points. In the back-office, these companies need to buy a lot of stuff to work properly, going from software to shopping carts. We have set in motion a very orderly regional process to buy this together and we are getting significant savings there, up to 30%. To wrap up, we are very satisfied with the results obtained last year and the results of this Q1. We are also very satisfied with the level of engagement of all of the countries and the cooperation between the teams and we are confident that we will attain the goal that we set ourselves for this 2017. Now I turn it over again to Carlos Mario Giraldo.

Carlos Mario Giraldo: I will go to page number 22, to the main conclusions. The first big conclusion is that we have had the strongest quarterly consolidated results since the acquisition of a participation in GPA and of Libertad more than 15 months ago and this is given by two things. First, a strong recovery from Grupo Pão de Açúcar and the second is the resiliency of the operations of Colombia and Uruguay that even if sales were not as expected, they were able to keep their EBITDA margin. Second big conclusion is that there's a consistent and visible effort in cost and expense control, mainly at the Colombian and the Brazilian level, and you can see as a result that costs and expenses go up two points below the increase in sales in the consolidated results. The third big one is that the synergies are on track, that we already captured in the first quarter what was captured during all the past year and that is a very strong sign of the integration process in all LatAm. For Colombia, the resiliency of the operational performance and the over-performance in comparable basis against the retail industry. In Brazil, how that commercial, innovative activities both in Assaí and in Extra are giving excellent results and market share, positive volumes and traffic, and also how that conversion of two Extras into Assaís opens the window for a very interesting and critical activity in the following years. Finally, that we have SG&A reductions from productivity efforts in Brazil. In Uruguay, a stable market, with very high margins, and with Grupo Disco being the only… with a real expansion, true proximity in a market with regulatory restrictions. And in Argentina, that even though all businesses in Argentina are through a transition moment in which inflation is creating a big pressure, we have an additional characteristic that makes us different, and it is the real estate business support that partially covers and protects our margins.

Going to page number 23, we speak about the outlook for the rest of 2017. At Latin America consolidated level, what we see are synergies exceeding US$50 million, which was our initial guidance. Second, we see a gradual decrease in interest rates, much more rapid in Brazil than in Colombia, but it's a reality for both of them that will have an impact in lowering the finance expenses in the middle and long term for Grupo Éxito, and more than that, they will eventually drive consumption levels in both countries. A mid-term economic recovery that we see in Brazil is more evident in Colombia. It will come expected to begin in the second half of this year. A focus in cost and expense control in all countries and an expansion focused in the cash and carries, very aggressive in Brazil and starting to take speed in Colombia. A high potential for store conversions, from Extra to Assaí and a very important plan of renovations of premium stores, both in Brazil to the Pão de Açúcar premium stores and in Colombia to the Carulla stores. In Brazil, we see that Assaí will have between 6 to 8 new stores this year and between 10 to 15 conversions from Extra this same year. Pão de Açúcar will go on with its store renovation plan and with an enhancement of customer experience and the ongoing disinvestment process of Via Varejo is on the track.

In Colombia, a gradual recovery of consumption that we expect for the second half of 2017, a real estate expansion of Viva Malls, 120,000 square meters by the second half of 2018, a consistency in the profitable activities to face competition, that is related to the unbeatable products, the cash and carry, Aliados, our first pilots of franchises, and the private label enhancement in Colombia, and finally, Puntos Colombia, to be launched effectively in 2018.

Finally, and before closing, here are some charts, on page number 24, that show how there's a strong increase in valuation of Via Varejo and Grupo Pão de Açúcar shares, which are clearly not fully reflected in Éxito's share price. You can make your own calculations, but only looking at the value of the shares between January 1st, 2016 and today, we can see that while Éxito share has increased its value by 18%, Grupo Pão de Açúcar has done by 73% and Via Varejo by 267%. If you make it in a shorter period, that is, in this current year, you see Éxito share at around 7% increase, Grupo Pão de Açúcar at 35% and Via Varejo near to 12%. This would be the final remarks. Again, in the name of all of my team and the company, I want to thank you for your presence and we open the session to a Q&A.

And we do have a first question from Andres Soto, from Santander.

Andres Soto: Thanks for this presentation. Carlos Mario, my question is regarding your outlook for 2017. Can you please give us some additional details in terms of… what are you expecting in terms of semester sales and consolidated CAPEX for this year?

Carlos Mario Giraldo: Yes. I will refer first to Colombia. In Colombia, we were speaking about the CAPEX, around 300,000 million and we keep it that way. It is being more concentrated around the cash and carry, around Éxito stores, which are being opened in intermediate cities where there is no cannibalization. Mostly, we're going to destine a lot to reform the most important flagships of the company. In a market where there's a lot of expansion coming from non-profitable discounters, we believe that it's very important to protect the productivity of the profitable stores and to launch stores which are profitable from the first year and in our case, with no exception, that's what we are obtaining. As of same-store-sales, it is very difficult to predict. What we believe is that they will continue probably in negative grounds during the first half, and probably there will be a recuperation for the second half. My reason for estimating this is, first, normally the VAT impact in consumer confidence is medium term. That has been the case in previous year. Second, inflation is going down. It is at 4,66 as of April, and that is important to create confidence for consumers. We have… Because there's a real increase in salaries, if you consider that salaries have gone up as an average around 7%, we have a reduction, a gradual reduction in interest rates in Colombia, -75 basis points in the last Central Bank move, to 7%, and that's important in the medium term, to foster consumption and investment and consumption of our retail credit business. We are having exports going up, and it's important to stimulate certain areas of Colombia and certain businesses, and the creation of employment. We are having a very strong tourism activity into the country and infrastructure, even though it has been going through some difficult months because of the Odebrecht scandal, we believe that most of the infrastructure projects are going to continue in a dynamic way. Finally, because in the second semester we had weak comparison levels as of last year, so that's what makes me to be moderately optimist for the second half of this year. As of Brazil, we continue to see strong consumption levels as of GPA. Clearly, there's a big issue and it is unemployment, which is above 12% at this moment. But there are very positive signs in inflation going down and interest rates, which have been in a very aggressive way reduced by the Central Bank. These are some of the reasons that give us optimism and in Brazil also, our own work. Our own work shows that at this moment we are in the conversion process of five Extra stores, which have already been closed. By the end of the year, it will be between 10 and 15 conversions. If they have similar reactions to the two that we did initially, that means also a very positive impact in the commercial activity.

Operator: Thank you and we do have our next question from Marcel Morales, from Deutsche Bank.

Marcel Morales: Hi. Good morning everyone. My first question is about Colombia and how fast you want to expand the Surtimayorista model in that market.

Carlos Mario Giraldo: Marcel, it's a good question. Our initial job was to make a trial and error with the first store. It has been there and now for more than eight months, with very good results. We have seen a multiple of sales of 2.7 times. It is already profitable and that's a very good sign. It has been very well received and has the kind of consumption that we see in Brazil. That is, 20% of the customers are professional and they make around 50% of consumption, and the rest is end consumers. For this year, we are going to expand between two and three more Surtimayoristas and still we are defining the guideline for next year, but clearly this is a format in which jointly, with our other formats, because we cannot discard the Éxito stores… The Éxito stores perform very well. It's not the big hypermarket, it's a medium-sized hypermarket and there are still medium cities where we have a lot of opportunities. We just opened last week an Éxito store in Florencia, with an excellent result and other in Ibague, with an excellent result, so this would be like the two focus for expansion and of course we don't discard to continue working with allies, as franchises are mastered. This is another area for expansion.

Marcel Morales: Thank you. My second question is about the deleveraging process. My understanding is that the reduced interest rate and also the agreement for the creation of Viva Malls would help with the deleveraging process this year, so the holding company has a debt of around COP $3,9 billion. Could you give us your view on where should this indebtedness level be at the end of the year? How fast should the company deleverage? It would be interesting to hear your thoughts. Thanks.

Manfred Gartz: Hi, Marcel. This is Manfred Gartz. I'll answer that question. As you know, the company has a strategy to deleverage to a certain level. However, what has been happening is last year we did a huge effort for coming down from 3,8 to 3,1 the level of the indicator. We have been working as you see in results on a lot of initiatives to protect results despite the challenging macro conditions, especially at Colombia's level. We have a scheduled program of debt repayment, as per the obligations we have already in place. Our view is that and I hope you understand this, but given the current circumstances, especially at Colombia, it will depend on how it grows and how rapidly the trends change. We expect that that happens on the second half, as Carlos Mario explained earlier. What we would expect is that the level of deleverage that we can reach by the end of the year will depend mainly on that recovery and also on the sustainable recovery from Brazil, so having said so, what we expect is that the indicators of leverage of the company will end up something in the range between plus and minus 10% of last year's indicator, so how it's going to end once again depends on the evolution of the macro conditions, but we're aiming to be toward that range.

Marcel Morales: The 10%, just to make sure that I understood correctly, when you said minus or positive 10% in relation to the ratio is 3.1 net EBITDA?

Manfred Gartz: Yes, yes. Exactly. What I'm saying is that if things correct rapidly and the macro conditions evolve in a positive way, we will continue our deleverage as programmed. If not, we will protect our cash in order to maintain growth through CAPEX investment, so it's a balance that we need to find and once again, that depends on the evolution of market conditions, especially at Colombian level, and this is the range that we are aiming.

Marcel Morales: Perfect. Thank you, Manfred.

Operator: And we do have our next question from Jairo Agudelo, from Bancolombia.

Jairo Agudelo: Yes, hello to everyone. I have just one question, and it's in relation to the Colombian performance. We have seen during the first quarter a strong macroeconomic deceleration in the macroeconomic scenario of Colombia. However, financial results of Éxito have been quite positive, in my opinion. What I want to know is… what's the forecast that you see on the second quarter, given that maybe the Colombian economy is suffering a lot and the cost structure that you have seen during the first quarter improved mainly for the complementary businesses, such as real estate and all this stuff. We can expect still a positive performance in Éxito in Colombia, even though the strong competition you have seen from hard discounts?

Carlos Mario Giraldo: Thank you Jairo for your question. There's always a level of uncertainty, but what we are seeing today is that the macro situation still continues to be weak, even though we could see there was a partial recuperation in March, which had partially to do with a calendar effect of Holy Week. Having said this, we expect to protect our margins, that's something that we are working very hard to have, and it is working in commercial activities intelligently. How are we doing that? I'll give you four or five key elements. First, by the very dynamic business of real estate, which is a big contributor. Second, by a reduction in shrinkage. As Jose Loaiza said, there's big initiative and synergy in best practices in shrinkage between the different countries and that's impacting the shrinkage in fresh products in Brazil and in Colombia, especially. And the third one is by the financing with suppliers of many of our activities, private-brand suppliers for their unbeatable products and with national brand suppliers for the "1, 2, 3 Savings of the Month". That's at the margin level and at the SG&As, we're being very drastic with them, as you could see in the first quarter, and we expect that to continue during the second quarter. It's interesting, as Manfred said, that many of our costs come from inflation of last year. Salaries around 7%, occupation costs also have an indexation of around 7%, but in the first quarter we saw that reaction of the internal costs and we expect that to continue, so my answer is that we continue with the objective of protecting our EBITDA margin.

Jairo Agudelo: Thank you, Carlos Mario.

Operator: Thank you and we do have our next question from Alonso Aramburu, from BTG.

Alonso Aramburu: Hi, good morning. Thank you for the call. Just one question on non-recurring expenses. Can you give us some color as to what exactly is in non-recurring expenses and what should we expect, going forward from that operating line or non-operating line?

Manfred Gartz: Hi, Alonso. This is Manfred again. On the non-recurring line, what we normally have is restructuring expenses and that has to come when for example, talking in Brazil, we need to close one Extra store to convert that into an Assaí. In that period of time, those expenses are taken as non-recurrent. Also, certain sales of BPE and I think it ends with certain recuperations of tax, credits. That, given some difference in the IFRS policies and methods, but we apply systems between the different countries, as you know. IFRS is not just a single system for all countries, you have some certain differences that are accounted differently on the Colombian and the Brazilian operation, but in general terms that's the three items on the non-recurring items.

Alonso Aramburu: Okay, so as long as the conversions continue in Brazil, we should continue to see some of this expenses in the next few quarters. Would that be fair?

Manfred Gartz: Yes, yes. And also as we have mentioned a couple of times in this call, there's a lot of initiative at the cut expenses strategies, which for certain moments might include certain non-recurring items on that line.

Alonso Aramburu: And do you have any sense of what this number of non-recurrent expense could be in coming quarters? Do you think it could be similar to what we see in the first quarter of this year?

Manfred Gartz: I think that depends on how we put the foot on the gas in terms of conversions for that particular line. That depends on how we evolve in our cost and operational excellence program, and also that depends on how we can recuperate some tax credit, so it's hard to give a sense of a proper number. What we're expecting is that especially for the tax situation, I think we have a plan of conversion, there's been some guidance on that. We expect to continue our SG&A protections in order to protect the borderline at all operations and at some point it also includes the reduction of certain FPEs, that at some point may also impact this line.

Alonso Aramburu: Okay. Thank you.

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

Carlos Mario Giraldo: Yes. First, I would like to thank you again for being in the call and for your questions. I would begin to say that in this quarter we begin to see the importance of the strategy that Grupo Éxito has had to, as we say here in Colombia, "to put the eggs in different baskets", and in important baskets, because not all the baskets go in the same direction and at the same velocity. It was difficult to expect some months ago that Colombia would have a slow 2017, but it's happening and this is the moment in which the good performance of Brazil is paying back for the company and of course we will continue working in the integration process within all the operations.

As of Brazil, what I would say, there's a comeback of country, but especially of company. During the crisis, the companies have a big challenge to take the right decisions and we believe that during the crisis Grupo Pão de Açúcar took the right decisions, that is, to focus on a clear, popular, seductive format like Assaí, to make the conversions, to start with the conversions, and to bet on Extra, and to bet on Extra in a commercial way and even with an investment in margin. The third thing is that here in Brazil, in the conversions, we have a great opportunity. We are seeing it and we will see it because as we multiply sales and we maintain or improve the margin that it while on the underperformance of Extra, it's a very critical move. As of Colombia, amidst a challenging consumer moment, our big emphasis, as I said when I answered Jairo, is to maintain a profitable expansion, that is, to use very well the pesos that we are investing in new stores, and margin protection via productivity actions. In Uruguay, to continue to expand in our proximity, and in Argentina, to work to face intelligently the inflation trend and to continue promoting our real estate expansion.

On top of this, there are three or four things that are important. The first one is that synergies are evident. Many people said some months ago that synergies were not possible. The pictures are there, the figures are there and the money is there. The big difference is that we are not focusing the synergies on taking things from one place to another one, in transporting goods. Okay, there's some of that. But the most important part of synergies are best practices. That is, to take a best practice, like the textile one, to hypermarkets everywhere or shrinkage in fresh products, or supply chain, know-how from all the markets to others, is what really makes the difference, or new formats that had not been tried before, why? Because there was no knowledge about those formats. But if you have the knowledge coming from another country in your own operation, that adds a lot of opportunities.

My second on top observation… we'll see that we started in the last months two innovative monetization moves and you should have a look at that, because that's going to create value for shareholders, not only Viva Malls, but also the coalition and partnership with Bancolombia, and finally, that there's an upside for Éxito share, it's only to make calculations on some of the parts and some of those parts are already receiving that part of the valuation.

So thank you very much again and we will be with you in the next quarter, sharing the results, as always.

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