OPERATOR (Richard): Good morning. My name is Richard and I'll be your operator for today. At this time, I would like to welcome everyone to the Third Quarter 2016 Earnings Release teleconference. 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. Maria Fernanda Moreno will begin the teleconference today. Ms. Moreno, you may begin.

MARIA FERNANDA MORENO: Thank you Richard and good morning everyone. We appreciate you joining today for today's Grupo Exito'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. We'll be following the slide presentation that is available on our website, also available via the link provided with the conference call details. The agenda for today's presentation is in Slide Number 2, where we will be covering Grupo Exito's operating highlights for the third quarter 2016, followed by a review of the company's expansion strategy. We will then comment on the consolidated financial results for the quarter, the company's international strategy, conclusions and perspective. The call will conclude with a Q&A session. Before starting, please move to slide number 3 to see the disclaimer related to additional information that we will include, regarding the Quarterly Financial Proforma of Brazil and Argentina intended to make the company's year over year's base comparable, taking into account that the operational results of these operations began consolidating in 1st September 2015. This performance information and other additional data regarding debt, expenses and Capex is displayed as Appendixes at the end of the presentation, and concludes with Grupo Exito's efforts to consistently improve disclosure. We expect that you'd find this information useful in reviewing the company's sum of the facts valuation process. The information presented was also subject to adjustments, as the consolidation process moved forward. Thank you for your attention. I will now turn the call to Mr. Carlos Mario Giraldo for his comments.

CARLOS MARIO GIRALDO: Thank you very much for your presence today. I will go directly to slide number 4, speaking about the operating and commercial highlights of our Latam operations. The first thing is to say that our integration of the four Latam operations, and the synergy process are going on track, meeting the expectations that we have to capture our recurrent impact on EBIT out of this synergies, between USD$20MM and USD$25MM this year, in something that is gaining permanently speed, quarter after quarter, as Mr. Jose Loaiza will explain later. For the quarter, we have very positive market share trends in all the Latam operations, gaining market share in the four countries. We can say that hypermarkets, especially Exito in Colombia, Libertad in Argentina and Extra in Brazil, had a very positive market share trend during the quarter and textiles were a great contributor in Colombia out of a very mature business but also through the introduction of the new model in the new countries.

We have challenging macroeconomic variables in the region, that everybody knows that, out of valuation, low growth and high inflation, but they were partially offset in the operational results, by the initiatives in cost expense cuts in the different countries.

Let's go to Colombia. Colombia had the best quarter in the year. No doubt about it. Very strong sales, + 10%, 10.6% for the quarter and LFL (Like For Like) 7.3 with a calendar effect of 2.6 points. And it compares specially favorably when we see the retail sales in Colombia, which have been going down and in the last Q saw only 0.1% increase. This shows that there's a special dynamism in our commercial strategy and mainly in that of the most important brand in Colombia, which is Exito. We had a resilient operational performance notwithstanding the high inflation and its impact in costs and the punctual impact we had out of the transport strike in Colombia, which specially impacted costs, because we had to do special additional efforts, in order to mobilize our merchandise.

In Brazil, commercial activities showed a very interesting trend, quarter after quarter, especially in the food market. We continue doing margin investments, as we have said in previous quarters, and the good news is that these margin investments had very important results. We have seen increase in volume, increase in traffic and increase in market share gains, which is now something that have become very traditional in our Assai cash and carry, but the good news is that it has been now translated into Multivarejo and especially into the Extra brand and its hypermarkets, which are a quart part of our commercial strategy. There was a solid 14% growth in Brazilian Reais in sales in the food segment, which is much above inflation and it is the strongest that we have seen during, since the third quarter of 2014, that is, that we are seeing a recuperation after two years of crisis in the food segment, which should bring us much better operational results in the future. In Uruguay, as usual, we have a very stable operational performance in local currency, and we continue to see market share gains, mainly through our expansion of the Devoto Express, really the only format that is expanding today in Food in such a valuable market as the Uruguayan. In Argentina, our hypermarkets in Libertad have been gaining market share, not only against hypermarkets, but against the total market, and it has shown a very interesting capacity to adapt to a tough transition year in Argentina, characterized by huge inflation, near to 43% and very high devaluation, and clearly will remain in black figures, in positive terrain independently of the high pressure that inflation has had in the operation. Real Estate expansion has contributed in a very positive way.

Going forward to slide number 5, we speak about expansion strategy, not only in retail but also in real estate. In retail, we had a total CAPEX investment of

Cop$515.000MM, 68% of that into expansion. In retail expansion the focus of our stores was in Exito stores in Colombia and Assai stores in Brazil, where we have had a pace very similar to one Assai store per month. In real estate in Argentina, we continue developing our footprint in real estate, which is especially important to balance inflation and devaluation. Salta Shopping Mall reopened with 13.500 sqm. and arrived to a total 160.000 sqm of GLA in Argentina, as you know, concentrated to the province outside of Buenos Aires. In Colombia, we recently announced that we arrived to an MOU with Fondo Inmobiliario de Bancolombia, for the launch of our real estate vehicle under the name and the brand of Viva Malls. This is expected to have a closing in the following days; for a total investment of our partner of Cop$770.000MM, for a 49% share of the real estate vehicle.

Here, Exito will keep the control of the vehicle, with a 51% stake, and we will render to the vehicle the services of development, commercialization and operation of shopping malls and commercial galleries. The overall portfolio value is Cop$1.6Bn, by the end of 2018. The portfolio includes 14 assets. 10 assets that were operating by the start of this year, two assets that continue under construction: Envigado Shopping Mall and Tunja Shopping Mall and two assets that recently opened, some days ago: Barranquilla and La Ceja. It is important to say that out of the total 440.000 sqm of GLA, 48% of that is constituted by projects that have been financed by the vehicle this year, and that they will be funded until 2018 and an 80% by the vehicle. This creation of the vehicle and the enter of our partner, was negotiated under a very competitive cap weight that in due moment we will reveal to the market. This gives us also a medium and a long term vision, because is not only this portfolio, but Exito has committed to continue contributing new developed assets into the vehicle, and also to offer the vehicle in 2018 some of its most important shopping malls which remain today under Exito, because of tax legal considerations, and this will be something between 160 and 180 thousand additional GLA to be offered and potentially contributed in 2018.

If we go to slide number 6, we see some pictures of our two most recently openings in real estate. The first one to the bottom is La Ceja, 10.000 GLA that is a very interesting model on our capacity to expand Real Estate to intermediate cities of Colombia. But really the news not only for Exito but for the Colombian Shopping mall environment has been the launch of Barranquilla Mall, some days ago, a week ago, it is great news for the country, it is the biggest shopping mall to the north of Colombia and the sixth biggest in the total country, with a total GLA of 65.000 sqm, and more than 200 commercial units, at 93% occupation, and it has been a great success in its first day and big news for the Colombian consumers.

Going forward to slide number 7, we can see the sales performance in Colombia. Very strong sales performance, driven basically by our hypermarket business. As you can see, total sales increased 10.6% and same store sales 7.3% with a calendar effect of 2.6. It was the Exito brand, which drove the big increase in sales, even though the rest of the brands and the formats also had a very stable performance. But Exito increased 12.8%, Non-food had an increase of 15% and Food of 8.8% within the Exito brand. Textiles had a very interesting increase, historic in the last years of the company of 26% and fresh products were also very dynamic, with an 11%. Our "Unbeatable", which are designed to create price perception, and to compete against other low price competitors, and "Quincenazo", which is the same "one, two, three pasos de economia" of Brazil, were very important for the increase in our food business. And in other news in the Colombian retail, we continue with a very good performance of our first Cash and Carry, which permits us to say that it would be an ongoing opportunity for expansion for the organization. "Aliados" arrived to 1.250 "Aliados" – partners, and they are a very differentiated way of penetrating that traditional informal market. I will make focus on the graphics that we see at the bottom, where we see that as Exito in calendar comparable figures continues with a very strong dynamism, the market is in a different trend. The market was very near to zero, which shows the strength of our brand performance, of our proposition to the consumers and the resilient conditions of the business. I will pass now the word to Mr. Manfred Gartz, our CFO, to speak about the financial results.

MANFRED GARTZ: Okay. Thank you Carlos Mario and good morning to everyone. I would like to ask you to please move into slide 8, as I want to comment on the operation performance in Colombia. First, Quarterly Net revenues grow strong, by almost 11% to Cop$2.8Bn. It was due to the strong sales growth mentioned previously by Mr. Giraldo and strong progressions in the company's complementary businesses that rose over 70%. Gross margin was 24.5% from higher costs related to the negative impact of the transportation sector strike in July and also from lagging effects of El Nino, still affecting the inflation. As a result, the gross margin decreased by 40 bps, related mainly to inflation of the food prices. Additionally, there was a 25% increase in the logistical cost, partially offset by improved productivity levels, mainly in shrinkage initiatives. SG&A rose related to a higher inflation levels and was affected by wages and general expenses. On those general expenses mainly in utility bills and maintenance. Occupancy cost also has a high in inflation. Finally recurring operation income margin was 4.2% and it was pretty much in line with the overall year to date result, whereas the Recurring EBITDA margin was 6.2% with a very slight decrease vs. the year to date (YTD).

Moving forward to slide 9, we will start reviewing the performance of all of our international operations. Let's start with Brazil. The consolidated sales at GPA reached Cop$13Bn in the third quarter, that means a 4.4 growth and Same Store Sales growth of almost 2% in local currency. During the quarter, the food business, and that means Multivarejo and Assai grew by a strong 40%, the strongest in two years. This was despite the closure of 41 stores in the last 12 months, demonstrating great resilience in an adverse macroeconomic environment in Brazil. LFL levels were almost 9%, the highest in the last three years, reflecting the effectiveness of the commercial strategy implemented at Multivarejo and also from the strong sales trend at Assai. As for the Extra brand, LFL levels of the food category grew 500bps, driven mainly by the commercial activities implemented since the second quarter of this year that allowed the brand to achieve market share gains in volumes. As for Assai, the format showed significant sales growth, as it has shown all over the year, improving even its own strong trend. These include three openings during this quarter and we are summing up 12 during the last 12 months, and finally Assai's solid double digits Same Store Sales growth significantly outpacing inflation.

In the non-food segment, that's Via Varejo, it continued its recovery during the third quarter and posted a 0.4% sales growth and 1.8 LFL growths. The Via Varejo performance was still above the market, and took place despite the impact of store closures and a very challenging macro environment, demonstrating its capacity to adapt to current market conditions. And finally, CNova Brazil and the e-commerce category, continues focusing on improving customer service and increased its market share by over 900 bps. That means 21% increase.

Please see on slide 10, the operational performance of Brazil. Now in Cop$, Net Revenues grew over 14% in the quarter, vs. same last period on a proforma basis. I think that event shows that stronger trend vs. the proforma YTD of 5%. Gross margin at consolidated level grew 10 bps to 25. Brazil posted a margin contraction in MultiVarejo, from maintaining competitiveness at Extra, that was offset by a slightly recovery in Assai, and a margin expansion in Via Varejo, derived from the sales mix, market share gain and higher profitability. Also, comparing with the proforma, the quarter shows a strong performance with a 15% growth of the gross margin vs. the YTD 5%. Recurring operating Income also posted a margin of 2.3% derived from SG&A that includes strong organic expansion at the Assai banner and reflected the streamlining initiative at Multivarejo and Via Varejo. Nonetheless, GPA continues to experience a more disciplined expense control that is reflected in the SG&A growing in pace with inflation. This can be witnessed in a 7% decrease in the quarter against the 37% increase in the YTD basis. Finally, Recurring EBITDA was 3.8% for the quarter and also for YTD, once again, decreasing only 0.4% vs. the YTD of 24%.

Let's move now please to slide 11, and let's review the operating performance in Uruguay for the quarter. When we see the sales, the sales grew over 9.3% in the quarter in local currency, and about 2% in Colombian Pesos, and that includes obviously a negative FX effect. Sales benefited from the implementation of the commercial event "Ahorra" in all banners, strong sales levels in Devoto, an increased sales contribution from our express format and a positive trend of the food segment, mainly in the fresh category, PGC and entertainment. Same Store Sales reached 8% in local currency. Uruguayan operations continued to expand the numbers of convenience stores with 6 new openings in the quarter, and reaching 20 Devoto's Express YTD. As of today, the convenience format contributes for about 1% of the total market share in Uruguay.

The Recurring Operating Income grew 25% to a 4.8 margin and benefited from a stronger gross profit level and from operational efficiencies, such as lower occupancy expenses and they were partially offset by higher general expenses, labor cost increase derived from Unions negotiations and marketing expenses. Finally, on an YTD basis, recurring EBITDA posted a 7.8 margin, demonstrating consistent growth and healthy profitability levels.

Please, move now to slide 12 and have the discussion on Argentina. So first, I think is important to mention that despite an adverse economic environment, Libertad sales totaled Cop$308.000 MM, and posted about 23% growth in local currency, in both sales and LFL. The growth underperformed inflation. I think is worth noting that the company grew above the market and gained market share in both minis and supermarkets. We expect this to be a transition year and we expect a lower inflation environment in the upcoming months and years. The stronger performance came actually from the proximity format and the Food category mainly in the fresh line, driven by the positive effect of "La compra del mes" commercial strategy. The food mix grew over 500 bps in the quarter, and ended being about 75% of the mix, 74 or 75% of the mix. The non-food category continued lagging with the entertainment as the most affected line, and I think that's something you can expect of the economic activity in the country, as you know, remains challenged due to lower consumption, high interest rates and high inflation levels. Also the resilient performance of our real estate business in the country is visible to the YTD contribution from the other revenue. Just to close Argentina, the recurring operating margin was 2.7 in the quarter, similar to the YTD, reflecting gross margin deterioration from increase in SG&A, from higher operating costs from the increases in utility costs, labor costs, due to Unions negotiations. I think what is worth noting, is that the company's operational efforts led to expenses that actually grow below inflation. The recurring EBITDA was 3.6 for the quarter and in line with the YTD.

Please look at slide 13, to have a look at the Group's consolidating operating performance. As you can see on the consolidated top line figures posted, positive growth of about 12% performance, higher than the YTD 6%. Net revenues growths show the commercial strength across all four countries. I would like also to highlight the strong growth of the food category that was over 16% and the increase its stake of the all over revenues driven by the contribution of the complimentary businesses that actually wants to monetize the traffic that the core business brings to the stores. Gross margin levels in the quarter and the YTD remain stable despite the continuous challenging consumer environment in Brazil and the inflationary trend in all the region and the overall price driven strategy for the company to maintain competitiveness. As of SG&A, margins in the quarter and the YTD reflect at some point the inflationary effects present in the region, causing higher salary levels, occupancy and utility costs. Nevertheless the company still focuses on increasing its productivity and cost cutting initiatives, to partially offset this inflationary effect. One example is the, as you know, the decreasing labor by 7000 FTE YTD in Brazil. Recurring operating margin was 2.7% in the quarter, aligned with the YTD and that reflects the company's productivity efforts during the quarter and stable recurring EBITDA margin of 4.2% in the quarter, still reflects this. Finally, the Net Income attributable to Exito resulted in a net loss for the quarter of Cop$100.000 MM. I would like you to move to the next slide to further discuss this.

On slide 14, I would like to make a breakdown of net results. First, I would like to start with saying that we have a strong operational result in Colombia for the quarter, of about Cop$150.000MM, that was offset mainly by, first, net financial expenses in Colombia of about Cop$125.000MM, those financial expenses that at some point also reflected the 300bps repo rate increase YTD and the increased tax provisions. And finally, we also have the impact of a net loss from Brazil, attributable to Grupo Exito of about Cop$24.000 MM. Then on slide 15, I would like to depict the net debt position at the holding level for the quarter that includes approximately Cop $3.1 Bn offset and USD $450 MM debt. During this quarter, we had an amortization payment of almost Cop$100.000 MM, made in August, we still confirm our expectations that we might end at the, this year, by the end of the year having a net debt/adjusted EBITDA of about 3.2 and that means a significant lowering comparing with the starting ratio of 3.8. The company strategy to achieve this target relays on a clear deleverage plan that works mainly from working capital optimization, that shows about, now something about USD$150MM, increased productivity and cash centralization at the holding level among other initiatives. So, at this point, I would like to turn the call over to Mr. Jose Loaiza for a follow up of the company's international strategy, and the synergy process.

JOSE LOAIZA: Thank you Manfred. Hello everyone. It's been over a year within this integration process. A year ago we had the chance to talk to many of you about our plans for the region. At that time, we had what we called a Power Point presentation. A year after, we are very pleased to show you real execution on the field.

On slide number 16, we'd like to begin with the implementation across the region of a unified commercial strategy, what we call "1,2,3 steps for savings". If you go to the floor, to our hypermarkets and supermarkets in Brazil, Colombia, Argentina, you may see this all over. We have also implemented it in Uruguay in an "in and out basis". Results have been encouraging as Carlos Mario said, gaining market share in a LFL basis in all of our markets with no exception, growing tickets and volume, and this strategy proving to be very successful competing against the discount formats.

Going to slide number 17, you see the type of synergy that we call replication of business models. On the top at the right you may see of our Surtimayorista in Colombia inspired by the Cash and Carry experience of Assai in Brazil, with very promising results, this store was not build from scratch, it was a conversion, and so far, the sales per sqm have more than doubled what it was before. We are so encouraged that we are planning on having two or three of those for 2017. On the bottom, you may see the implementation of the Aliados business model from Colombia in Brazil, under the Compre Bem brand. On the top bar, you may see the before and after look and feel of an Aliados already implemented in Sao Paulo. Performance so far has been above expectations. We are on track to meet the 100 target for 2016 and we plan on doing 300 for 2017.

Going to slide number 18, and continuing with replication of business models, you may see the deployment of the Colombian textile strategy in both Brazil and Argentina: in Brazil, through three Extra pilot stores and in Argentina through three Libertad hypermarket stores. Results have been very encouraging, with these five stores doubling the EBITDA in the section of textiles that they had before and also increasing significantly within the sales mix of these stores. We believe as in Colombia that traffic and margin contribution increases when you have a healthy textile business and this is what we expect for 2017, when we finish the rollout in Libertad, when we deploy the initial rollout in Brazil and also, we will begin working in Uruguay.

Going to slide number 19, purchasing is a common synergy within any integration process. We are very pleased with the organization we have come up with to buy commodities together. As of the quarter we have bought a total of 140 containers, more than doubling the number that we obtained by the end of Q2, getting savings between 5 and 15% and we are talking here about fruits, salmon, olive oil and so on, and we truly believe that this is just the beginning. We are getting the right structure to profit with this and in 2017 we expect to go at full speed. Also, as we speak we have renegotiated most of our on top agreements with the top multinational corporations from food and non-food improving our terms in these businesses. On the bottom, we'd like to briefly show that this integration has also been an opportunity to local vendors to expand the retail exposure to other countries where we have presence. You may see in the top left, coffee from Colombia in the other countries, in the top right, Argentinian meat in the isles of the other countries, at the end, this increased exposure is valued by the vendors and we also get improved terms from these transactions. I'd like to wrap it up in synergies by saying that as Carlos Mario mentioned we had a target of reaching this year between USD$20 and USD$25 MM. We are very confident, with a quarter to go, that we will get there and we are being ambitious for the coming year, we expect, at least, to more than double the amount that we will get in 2016. Having said this, I turn it over to Carlos Mario to go on with the call.

CARLOS MARIO GIRALDO: Going to slide number 20, some words on Via Varejo. The announced integration of Via Varejo with the CNova assets in Brazil was finally executed during the quarter, with very good results, and very well received by investors especially in the quotation of the stock of Via Varejo. It was done under very strict governance rules, creating the only channel non-food leader in Brazil. Synergies to be captured, as were said before are R$325 MM in working capital, many of them starting to be captured during the fourth quarter of this year, and R$245 MM in recurring EBIT, most of them to be captured next year. Some weeks ago, the announced process of looking for strategic alternatives for the integrated business of Via Varejo and Nova was announced and decided by the board of GPA and supported by the board of Exito. Later, this announcement was more precise, saying that a sale process of the company has been started. I would like to make emphasis on the clear strategic rational of this movement. First of all, it is, it goes in the right direction of simplification of the structure of GPA and thus, of the structure of Exito. When we started, one year ago, we had four public companies. Today, if we do this move, we are going to end with two public companies, Exito and GPA and two public companies completely focused on the food business and with a non-food business proper of the hypermarket format. The second thing is to focus on food, to focus on food because really when we put together the four operations in the region, we are the food leader. And therefore, we have the maximum of our comparative and competitive advantages, and also because it is the business that has the best EBITDA margins and also the best ROI coming from the business as compared with the non-food business. The third rationale is that we have today two battlefields, one for food and one for non-food, and in all the battlefields we have important competitors. So to concentrate the resources in the most profitable battlefield with still very important possibilities and potential for expansion makes a lot of sense. And finally, it gives us the opportunity to strengthen the financial structure of GPA and thus the financial impact for Exito and the capacity that GPA has to expand in such successful format as Assai or Pao de Acucar, our premium format.

Going to slide number 21, we have the main conclusions. Many of them have been spoken today, only to put them, to wrap them in one page. In Colombia, a very positive commercial performance above market, with sales at +10.8% as compared with what happens in the rest of the retail that is flat. Number two, recurring EBITDA at a very healthy level of 6.4% as a margin, showing the resilient business model of the company and with a positive evolution of our EBITDA in the accumulated of the three quarters. In Brazil, the best quarter in two years in the food business, with a +14.4% evolution and with Assai consistent in a sales growth, but with the novelty of Extra's rebound in the Same Store Sales, and its market share gain. And in Brazil the 2,3 proforma that we showed, can be very interesting, because you can see a progressive recovery in sales, in profits, if you compare it with the YTD figures. In Uruguay, consistency in its operational results and market share gains, and expansion in proximity. In Argentina, a stronger performance than the market and most importantly, a very important work to be able to counterbalance a huge transitional inflation of 43 points against a very positive increase in sales of 23, much above what happens in the rest of the market. Finally, at the level of LATAM, we see the net results impacted specially by the financial expenses in Colombia, the higher taxes in Colombia as compared with previous quarters and the net loss coming from Brazil. Financial deleverage continues at the holding level with a net debt/adjusted EBITDA going towards 3.2 from 3.8 in which we started the year. Synergies arriving to USD$20 to USD$25 MM as was explained before, and Viva Malls private placement very near to be concluded with a total valuation of our vehicle of Cop$1.6Bn of which 48% are projects that are being financed through the vehicle.

Perspectives: slide number 22. In perspectives, what we see is in Brazil, our food business with a gradual permanent and consistent improvement, in commercial activity, as a result of the strategies of which we have been speaking in the last quarters. Quarter number four, seems to continue in the same directions with a permanent improvement in food. Customer traffic, volume improvement and market share gains are also consistent, and market share gains coming not only now from Assai, but also from Extra as compared with other hypermarkets competitors.

The second thing is Assai continuing with its aggressive and a critic expansion, and the first Extra conversion into an Assai was done in November, it was Pilares store in Rio de Janeiro, and the first sales were more than twice what it sold before as an Extra store. Eight Assai stores are under construction, and it includes another conversion from and Extra store into Assai, the Sao Vicente store, which will be open in the next days. For 2017, we have identified a number of potential Extra popular stores, that are not very productive under the Extra brand and that have a very important potential as an Assai store. We've identified between 10 and 15 conversions to be done during the next year, without sacrificing the organic expansion out of new stores of Assai.

GPA in Brazil with a clear focus in the Food segment, consolidating our Food business in Latam, simplification of the corporate structure in Brazil, and also in a consolidated level for Exito. In Colombia, Cash and Carry has been very successful, and we plan to do between two and three more stores next year under the Cash and Carry format. Accelerated expansion in the real estate, especially in Argentina and in Colombia, in Colombia through the Viva Malls and real estate expansion in Argentina is going to obtain the goal that we had of 50.000 new GLA for three years. Finally, it is very important to say that even though the Exito share price evolution for this year has been around 5%, what is interesting to see is that the market has been gradually recognizing the upside of Brazil, as they see that the trend is going towards that direction. In Colombian pesos, the Via Varejo share has a valuation that has increased its value in 227% this year, and the GPA, the Grupo Pao de Acucar share has increased its value by 51%, which we insist is a very interesting sign for the shareholders of Exito, that with this proforma with some of the assets having a public valuation and with the book value of Exito can do a very interesting sum of the parts valuation and see the potential that there is for the share of the company. These are our initial remarks, we are open to the Q&A, and again, I thank you very much for being with us today.

OPERATOR: At this time, I would like to remind everyone that in order to ask a question, simply press star and the number 1 on your telephone keypad. If you'd like to withdraw your question please press the pound key. We'll pause for just a moment to compile the Q&A roaster. Please stand by.

The first question comes from the line of Andres Soto. Please, go ahead.

ANDRES SOTO: Thank you for this presentation. I have two questions, if I may. The first one is related to your current debt levels and your expectations for next year. Manfred mentioned the financial expenses have been an important detractor for Exito's earnings in 2016. Can we anticipate this to improve next year on the basis of lower interest rates in Colombia and some debt repayment? And what would be the magnitude of this improvement. And my second question is regarding the deterioration in EBITDA margin in Colombia. This quarter we saw a significant increase in expenses, mainly in salaries and distribution expenses. You mentioned the truck driver's strike and other factors affecting particularly this quarter. Do you have a specific target for SG&A increase in Colombia in 2017?

CARLOS MARIO GIRALDO: Thank you Andres for your questions. The first one: debt levels. What we expect is that we will be gradually reducing our debt level; out of the deleverage strategies of the company. This year we are going to capture a benefit of around USD$150 MM in deleverage, efforts most of them out of working capital between 4 and 5 days of inventories, and we are going to evolve from the 3.8 net financial debt level to 3.2 by the end of the year. Of course, you can not see the net effect completely there, because at the same time we had not had the cash flows out of the expected dividends from Brazil.

As expected dividends from Brazil would improve, number one, as we don't have to focus now on new CAPEX for real estate, because now it has its own vehicle that is going to take care of that CAPEX, as we continue to reduce our inventory level and to improve our capacity of negotiation with our suppliers and finally as interest rates begin to go gradually down at some point of the next semester, this shows a gradual reduction of the…no only of the debt level of Exito, but also of the cost that that debt has. Number two, about EBITDA level in the third quarter. Of course, the third quarter has some punctual situations that were present, especially things that affected most Colombian companies like the transportation strike and the inflation that we had during the previous month that had a lagging effect in the quarter. What we expect is that gradually we are going to be able to control this inflation impact and that we have to look at the EBITDA accumulated figure which if you can see our

Recurring EBITDA is at a margin of 6.4 for the year and it is increasing 6.5%. It is difficult to give you a complete outlook for what's going to happen in the fourth quarter, but what we have seen until the date, is that we have the commercial activity that continues to be positive at Exito level.

ANDRES SOTO: Thank you. And then, a question on, a follow up question on my first point. Can we assume that the focus of your cash flow generation in 2017 would be debt repayment?

CARLOS MARIO GIRALDO: I think is a balance, because we have to keep also a very important eye on expansion. So, we will keep our normal CAPEX for expansion, focused on Cash and Carry on Exito format in intermediate cities and on light CAPEX alternatives like Aliados and franchising, but at the same time, we are going to be very strong on the reduction of the debt level.

ANDRES SOTO: Perfect. Thank you, Carlos Mario.

OPERATOR: Thank you. Our next question on line comes from Jairo Agudelo from Bancolombia. Please go ahead.

JAIRO AGUDELO: Yes, hello to everyone. I have two questions. One in relation to the question that Andres Soto did in terms of leverage. You are already planning to divest your stake in Via Varejo in Brazil. I wonder if you can give us any idea of what would be the use of that strong amount of funding because GPA in the food segment is already in a very good shape in terms of financial leverage. So I wonder if maybe we can expect something in dividends, coming through Exito

Colombia in terms to deleverage the company, or what can we know about that? And, not, that would be …the other question was already answered. Thank you.

CARLOS MARIO GIRALDO: Yes, I would make a follow up answer on the question of Andres first, and it is that we have Cop$200.000 MM payment of debt, of Capital next year which we will perform. So that shows also that we will move in the right direction. As of Via Varejo: it is too soon to say, because the process just started, but what we expect is that first of all, in the consolidated net debt level, the net debt of Via Varejo would also be going as part of the sale of the company, and the second thing is that the use of proceeds at a 43% which is the stake that GPA has in Via Varejo, would benefit GPA, and would give it two opportunities: one, to reduce its debt level, that as you said, it is very reasonable, but it gives also the opportunity to move forward with more expansion in the most profitable formats and of course, this impacts Exito because as GPA improves its financials, its expansion and its EBITDA, it improves, of course, the expectations that Exito can have in dividends for the future. But of course, it is too soon to speak, because the process just only began.

JAIRO AGUDELO: Okay Carlos Mario. Thank you.

CARLOS MARIO GIRALDO: Thank you Jairo.

OPERATOR: Thank you. Our next question comes from Antonio Gonzales from Credit Suisse. Please go ahead.

ANTONIO GONZALEZ: Hi, good morning Carlos Mario and team. I wanted to ask two questions if I may. First on debt, I just wanted to clarify, when you talk about this 3.8x net debt/EBITDA going to 3.2, in your debt calculation, you exclude completely cash flows from Brazil, is that correct? Just look at net debt everywhere else to those the holding company and divide it by EBITDA outside of Brazil. Is that the correct calculation that you are looking at?

MANFRED GARTZ: Yes Antonio. This is Manfred. Yes, you are right. This debt is at the holding level of Grupo Exito, so what actually happens is that the debt is calculated on the EBITDA that the Grupo Exito as an independent company can create, including dividends from its international subsidiaries, and then divided by the amount of debt that it did at the Exito level. So, you cannot see these numbers through the consolidated statement, you have to build them up from the individual statements.

ANTONIO GONZALEZ: Good, but you do consider the dividends, not the EBITDA but the dividends coming from Brazil, right?

MANFRED GARTZ: Yes, what we include here are the EBITDA that is generated by the Colombian operation, the overall perimeter, dividends that come from Uruguay, Argentina and Brazil and in terms also to define the net debt, we only take into account the net debt that accounts in the Colombian balance sheet. So, we don't take into account any kind of cash provision of the Brazilian operation, only while in compilation we run the statements net debt out of the Colombian perimeter.

ANTONIO GONZALEZ: That is very clear. And if I may, you mentioned this USD$150MM in working capital improvement. Is there any chance you give us some call on how much you capture already and what are you doing specifically to capture this amount, is it very skewed towards the fourth quarter or you captured this already by the end of the third quarter, and where is it, on the inventory side or suppliers, or any other elements that you are improving?

CARLOS MARIO GIRALDO: Well, it's a gradual process. But, as you know, in a retailer the most important moment for working capital is the fourth quarter. So, so long, as we see comparative figures for third quarter, we are online with capturing a reduction in inventories between 4 and 5 days, that's a part of it, it is by working vendor management inventory with our suppliers, number two, with a very clear supply chain planning, so that most of the products will be at the store level and not at the depot level, third aligning the payment of our payables with suppliers with a bold margin that they stay with us, etc. I mean, it's like 10 different initiatives, all of which go to the minimum quantity of USD$150 MM.

ANTONIO GONZALEZ: That is very clear. Finally, apologies for taking so much time; on your comments about, I just wanted to say that two comments that you did about the share price of Exito and how today it has not reflected the rally, I guess, in the Brazilian list of subsidiaries, on the other hand there is this discussion about debt reduction and the potential profits from Via Varejo, etc. at some point would you consider just lowering CAPEX and instead of investing in new stores or reducing debt just buying back Exito shares and aggressively launching a buy back program or otherwise what else could you do to support the share price at the Exito level, I guess?

CARLOS MARIO GIRALDO: I think that none of that has been, for the moment, thought. For us, and looking forward, we want to maintain our CAPEX, we think that is very important because a core part of Exito is the performance in the Colombian market, and the Colombian market has this very important opportunities, and the rest of it is trying to be very efficient, and of course, the expectation that we have of increasing dividends coming from our foreign operation. It will be a gradual improvement, but what we think is that the core part of that is that our operation works well, our sales perform well, ant that we are in the position to generate the EBITDA level.

ANTONIO GONZALEZ: Okay. Thank you Carlos Mario.

OPERATOR: Thank you. Our next question on line comes from Ron Dadina from MUFG. Please go ahead.

RON DADINA: Yes, hello, this is Ron Dadina. I'm calling from MUFG, thanks a lot for the call. I have three questions. And the first one is, and someone already asked the question but I'm still not clear on that. The first question is regarding the 3.2x expected net debt ratio as of December, is debt on a consolidated business including CBD or is that just on the Exito Colombian operations including CBD dividends? Can you clarify that? So that's my first question. The second question is what do you expect that the same 3.2x net debt ratio as of December, what do you expect that ratio roughly would be by the end of next year? And my third question is regarding the Via Varejo sale; any profit from that sale will be used to pay down debt? Or do you expect to use the proceeds to be given out to the parent company in France? If you could help me with these three questions I would appreciate it. Thank you.

CARLOS MARIO GIRALDO: I would go to the first one to say that when we calculate and foresee a 3.2 level of net financial Debt to EBITDA, it is at the holding level. When you see the consolidating level, it is much much lower, because the expectation, for example, at GPA is that at the end of the year it would be in a positive cash position. The second question about what we foresee for the next year, we still are not giving that guideline, we will do so, I think by February of next year, in the next call, and finally, as of Via Varejo, still of course the GPA board has not taken decisions because is only a starting ongoing process but of course, it would be taken in the best consideration of all the shareholders of GPA.

OPERATOR: Thank you. Our next question comes from Maria Barriga from Davivienda Corredores. Please go ahead.

MARIA BARRIGA: Hello, thank you very much for the call, I have two questions. The first one is regarding Surtimayoristas results; I was wondering if you had any number that you could give us? And the second one is regarding Colombian tax reform? So what are your expectations regarding this new project and the impact on the company's results? Thank you.

CARLOS MARIO GIRALDO: Maria, thank you for your two questions. First one, Surtimayoristas. I would first speak about the qualitative results and then some kind of data on quantity. Very well received. It is sharing its purchase from professional customers; I would say 50% of the purchases are coming from professional a customer that is Mom and Pops, restaurants, cafeterias, hotels, what we call the Oreca channel in Colombia. It is very positive because it is a new market for Exito. I mean cero cannibalization. We didn't have sales to this professional business so it's a new increase, profitable increase for Exito. The rest of the purchase is made by popular customers; such as it happens in Brazil. The same trend. Then what I can tell you is that if we compare this Surtimayorista sales/sqm to what we sold per sqm before at Surtimax in that same store, which is besides the Corabasto Mayorista central in Bogota, it is more than twice per sqm, which shows a very interesting, I would say, sign, and the third one is that in the last two months we already saw that at EBITDA level, we were at equilibrium. That is that we were not losing money, even it has been launched so recently. Those will be for the Surtimayorista.

As for the tax law, the tax project. Very difficult to say, because it is changing as we speak, and it is now the final proposition to congress is being drafted by the congress men and women commission, but if we look at the original project, we see that for Exito it is at, it is benefit. It is beneficial at a net level. Why? Because the tax, income tax, which is the most important of all the taxes, is going down from 42% to 39%. This 39% is a combination of 34% of income tax and a sur-tax on income tax for the first year of 5 points, which will be going gradually down. Interesting thing is that having Exito for the next year stability contract commitment, that 5% of extra tax does not apply. That's the first thing. The second one is that there is stability for the stability contract agreement, and that still has another benefit for Exito and its investments next year. In the negative part, we have mainly three, I would say. The first is the possibility that presumptive tax would go up from three to four points, and the second is that sales tax, general tax, it will go from 16 to 19 points. I really favor this, because I think is the best part where a tax can be done, and that of course it has to be done for the fiscal situation of the country; I'm conscious that it might have an impact on consumption, but I think that this impact, first is temporal and second that is going to come in a moment in which the trend of inflation is going down. So, it is going to be some kind of balance by this trend of inflation going down. And finally, I think that the tax on dividends for natural persons, for individuals and for foreign companies, it is not good at 10%, but probably it's going to go through, and I hope that this does not affect a lot the interest of different people in the stock market. So this would be like the five most important points but the most important of them for Exito, if you speak of Exito individually is the reduction in the income tax level.

MARIA BARRIGA: Okay. Thank you.

OPERATOR: Thank you. Our next question on line comes from Alonso Arambuu from BTG. Please go ahead.

ALONSO ARAMBURU: Hi, good morning and thank you for the call. It's just a follow up on the, on Colombia and the margin pressures, can you give us a sense of how much of the margin contraction was related to the truck drivers strike, so, in other words, what would have been the EBITDA margin recurring if, without the strike? Thank you.

MANFRED GARTZ: Hi Alonso, this is Manfred again. For your question I think is hard to tell an actual value, what I can tell you is that that strike put a lot of pressure on prices, and that at some point, for example if you see the food inflation, when you compare the whole year was something about 10%. So, I don't, we don't have the actual calculation of the impact solely related to the truck strike, because that was one part of the inflation pressure that we had on the cost, but the other one was a lagging effect from some backlash fuel from El Nino phenomenon that also affected. So it's hard to split that, but it definitely had a serious effect on that and when you see all, for example, the logistic cost, it also rolls through the fuel, so you have like the impact at different levels, in the inflation of the prices and also in the transportation cost.

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

CARLOS MARIO GIRALDO: Yes, I would like to say first that when we speak about our region and Latam, it is important to start by saying that when you look at our operations, the Colombian operation is solid, it is healthy, it is strong, and it is showing that it is in the capacity to maintain its around 40% market share, regardless of the competitors that are entering into the market. And both in food and in the non-food business. Speaking about Brazil, what we begin to see in our most important business which is food, is a comeback of traffic volumes, but is not only because Brazil is improving, but because really, we are improving within Brazil, and the market share gains of Multivarejo and especially of the Extra hypermarkets show that potential. When we look then at Brazil, I would find two things that we begin to see that are very positive. First, the result of the intense job that management has been doing in reduction of expenses, expenses for example at Multivarejo in the last quarter were at half the inflation level, and the second is the big potential for the conversions for some Extra popular stores into Assai. If they work as they started to work with the first conversion, it is a highly profitable increase in sales, and the fact that was done by one of our competitors with very important gains in the market and it is GPA who has that potential for the following years. The third one is our focus on deleverage but without losing mind that we have to continue on with our CAPEX expansion according with the most profitable opportunities in the countries and also the focus in food and in the simplification of our structure that the Via Varejo decisions imply. The disclosures: I want to make emphasis that we continue with a permanent effort on improving disclosure, and improving reporting and that in the previous quarter, we did it by country basis and this quarter we did it also in a proforma basis and in the fourth quarter we are going to have a completely comparable result because we are going to have in the base all the sales and results of Brazil and Argentina. That there is an upside in our stock, it is something that I don't have to say and I don't have to put the number, but it is something that you look only by going to the book value of the company and the potential coming out of its regional operations and what the market has become to do in other places as what one of you called a rally that has happened in Brazil. And finally, the synergies are for real, they are not theoretical, many of you have said that other retailers have not captured synergies in other places. The fact is that the pictures speak for themselves, and the figures speak for themselves and that really, this is a Latam operation that is going in a very organized way and in a very disciplined way towards integration. So, those are the final remarks and those are the final comments and I want again to thank you for being here at this conference and look forward to speaking to you later.

OPERATOR: Thank you ladies and gentleman. This concludes today's conference call. You may now disconnect.