

Management Report



***This Integrated Report is made under the GRI Global Reporting Initiative methodology, an international standard that collects good practices in global reporting.**



Dear Shareholders:



Acknowledging the importance of upholding ethical standards and guaranteeing the long-term viability of the business, we at Grupo Éxito work toward our Superior Purpose: **Nourishing Colombia with Opportunities**. Our aim is to positively impact all our stakeholders by taking actions that lead to progress, equity, transparency, and opportunities. With this ultimate purpose in mind, we work to support the emergence of the country that we envision for both the present and the future, by embracing three axes of action for a conscious capitalism: the social, the environmental, and the economic. Beginning with the soundness of the business, we are able to address our

commitment and dedication to society and the environment.

Our operations in Colombia, Uruguay, and Argentina in 2023 remained founded on a strategy aimed at creating a modern retail, **innovating in retail formats, digital transformation, growing our complementary businesses—particularly real estate—and social and environmental initiatives** serving as main drivers. We also kept developing complementary businesses that allowed us to monetize customer traffic in our physical stores as well as from our digital channels and assets, providing our customers with a distinctive value proposition.

Omnichannel, format innovation, asset monetization, operational excellence, and sustainability remained the cornerstones of our strategy. Grupo Éxito accomplished significant progress in each of these strategic pillars throughout the year. Below we share some of them:

Omnichannel sales accounted for approximately ten percent of the Group's Total sales in all three countries we operate in.



Innovative formats in Colombia, Uruguay and Argentina accounted for 44.4% of consolidated sales, and leveraged on the growth of the Éxito Wow, Carulla FreshMarket and the expansion of the cash and carry format, which accounted for 18 openings of Surtimayorista stores in Colombia and 2 Mini Mayorista stores in Argentina. Éxito Wow stores grew 5.9% above other Exito stores. In the case of the Carulla FreshMarket format, sales grew 6.1%.



Colombia



Uruguay



Argentina

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The other net revenues evolved by 3.5% at consolidated level and by 10.2% excluding FX effects and showed the positive performance of the real estate business.
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As per to sustainability, Grupo Éxito ranked as the seventh most sustainable corporation globally and was awarded as the first company in Colombia for its sustainability standards on the Corporate Sustainability Assessment (CSA), one of the most widely recognized evaluations in the world, developed by S&P Global to assess corporations' management in the areas of corporate governance, social responsibility, the environment, and the economy.
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Grupo Éxito was recognized by Merco, international monitor, as the seventh most reputed company in Colombia.

Furthermore, 2023 was a unique year for the Company's corporate governance, as it established itself as the first Colombian issuer listed in two other markets: **United States and Brazil.**



Trading floor bell on the New York Stock Exchange.

As announced during the fourth quarter of 2023, Cama Commercial Group Corp. ("Grupo Calleja"), launched a tender offer ("OPA") for at least 51% and up to 100% of the Company's shares.

After the tender offer concluded, Grupo Calleja ended up holding an 86.84% stake. Grupo Calleja is a group with a successful track record in the retail business, leader in El Salvador with more than 60% market share and one of the most profitable operations in the industry across the continent.

Colombia – Grupo Éxito

The macroeconomic performance of the countries where the Company operates, posed important challenges during 2023. In Colombia, inflation fell from 13.12% during 2022 to 9.28% at the end of 2023, with food inflation showing the greatest slowdown, going from 27.8% to 5.0%. The Central Bank continued its contractive monetary policy to control inflationary levels and slightly reduced interest rates from a high of 13.25% to 13%, by the end of 2023. During the year, there was a slowdown in economic activity, being retail one of the industries that experienced the greatest impact with a 4.7% decline; this resulted in a 2.4% real drop in family spending. Similarly, pressure was placed on the Company's expenditures and cost of capital due to the increase of 16% in the minimum wage for 2023 as well as the previously mentioned level of interest rates and high inflation.



In an effort to lessen the impact of inflation on our customers, the Company worked hard to manage price increases. This was done by pre-purchasing goods and developing various business ventures to strengthen our "Precio Insuperable" (Unbeatable Price) product proposal. This strategy has evolved over time and currently has over 600 products available in all Éxito stores nationwide, as well as through e-commerce channels. These products are highly competitive in quality and with the lowest prices in each region.



Net Revenues from the operation in Colombia reached COP15.8 billion, a 3.6% growth compared to 2022, and accounted for 75% of the total consolidated revenue of the Group. Revenue performance was supported by strong omnichannel performance, the greater contribution of innovative formats and good performance of the real estate business.

Recurring EBITDA declined 7.6% to COP1.1 billion and showed a 7.2% margin as percentage of Net Revenue. This result was negatively impacted by strong inflationary pressures on costs and expenditures, especially wages, leases, and utilities. However, these effects were partially offset by an improvement of 32 bps in gross margin and by the good performance of the operational excellence program. Additionally, complementary businesses made a major contribution. Considering that local regulations now forbid companies to deduct ICA tax, in comparable terms, EBITDA would have improved by 40 bps.



Innovation and growth: The Corporation kept the organic growth pace in high-potential formats while focused on providing customers with a differentiated value. By year end, innovative formats accounted for a 42.2% share on the Company's total sales. Éxito Wow stores accounted for 36.3% of the total sales of the Éxito brand, FreshMarket 62.7% of the sales of Carulla and Surtimayorista 5.4% of the total sales in Colombia.



Éxito Wow Girardot is divided into sections such as Market Cuisine, Technology, Healthy Living, Health, Wellness, Textile, Home, and a portfolio of fruits and vegetables.

In terms of organic growth, 6 new Éxito stores opened: 4 of them were the first ones in the islands of San Andrés, Providencia and Santa Catalina, and 1 Éxito Wow store opened in the city of Girardot (the first tourism-oriented store of the Company). These stores added close to 4,300 m² of sales area. Similarly, the Éxito del Este in Medellín was converted to the Wow format, that now has 32 stores in total. Surtimayorista opened 18 new stores, reaching a total of 64 points of sale.

The Carulla brand, meanwhile, refurbished the Palmas store in Medellín, to the FreshMarket format, thus completing 31 stores under this model and converted 5 stores to the Carulla Express format. On the other hand, 3 stores of the Super Inter brand were transformed into the Vecino format, completing 38 stores that accounted for 77.9% of the total sales of the Vecinoformat. Surtimax completed 14 new stores between openings and conversions.

During 2023, the Company invested COP168,000 million in reforms, conversions, and expansion in Colombia.



The Surtimax and Super Inter Allies program celebrated its 2000 ally reaffirmed its commitment to small grocery businesses in Colombia through an associative trade model. Since first launched in 2013, the Allies programs have served as a vital pillar in the development of strong relationships between shop owners and Grupo Éxito by providing self-service, minimarket, and supermarket owners with the chance to expand and improve their businesses through a cooperative agreement. This partnership has increased shopkeeper sales and created a stronger sense of mutual trust during the past 10 years.



>>> Aliados gives owners of small, mini markets, supermarkets and neighborhood stores the opportunity to grow and develop their businesses.

Based on information from Fenalco (National Trade Federation of Colombia), there are about 500,000 small shop owners in Colombia, with 50% of those businesses run by women. Most of these small businesses belong to low to medium income owners. In 2023, 1,300 Allies were included in the program, reaching a total of 2,430. With the addition of our digital solution MiSurtii and the Allies program to our coverage of local retailers, our total sales in this channel reached COP233,000 million, making it a great option of expansion with low investment and high penetration.



Omnichannel: Reached a 12.7% sales share, driven by the double-digit growth of the Food category, which reached an 11.9% share (compared to 10.5% at the end of 2022), consolidating this business as one of the Company's key strategic growth levers. It's also important to recognize the performance of the MiSurtii App, which reached total revenues of COP79,000 million, up 37% from 2022 and nearly 168,000 orders. This App aided almost 3,000 mom and pop stores digitize their food sales.



In addition to investing in innovative technologies and systems development to expand digital commerce and logistics capabilities to pursue the efficient integration of all businesses and sales channels, we continued to strengthen the omnichannel customer experience and push digital transformation.

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In 2023 we received 19.4 million of orders through omnichannel.



The Viva brand is the largest operator of shopping centers in Colombia.

In terms of **traffic monetization**, the performance and contribution of the real estate business stood out, with a total of 33 assets, 794,488 square meters of GLA (Gross Leasable Area) and occupancy levels of 97.6%, Viva Malls continued to strengthen its position as the first operator of shopping centers in Colombia, which favored the performance of our tenants and our leasing income. The construction for the new building of IKEA VIVA Envigado, the Company's first store in Antioquia, was finished in October 2023 and it is now undergoing architectural adaptation, to open in the second half of 2024 (total sales area around 54,000 m²).



Tuya, our financial business, faced a challenging year marked by the widespread deterioration of the loan portfolio in the financial sector. We focused our strategy on conservative risk management to protect business fundamentals. Tuya earned AAA credit rating by Fitch for the 13th consecutive year and reached 1.6 million cards issued and a loan portfolio close to COP3.34 billion.



The **Puntos Colombia** loyalty program showed dynamic and profitable growth and was present in one out of every three households in Colombia, being listed as #1 in brand power by Kantar. Puntos Colombia reached more than 6.9 million customers, 10.7% more than in 2022 and 224 corporate partners, thus expanding the value proposition to its customers. During 2023, 40,688 million Puntos Colombia points were redeemed, 66% of them in branded products from our own operation.



Private labels are a strategic, competitive, differential, and innovative levers.

Our private-label products continue to be a key component of our competitive, differential, and innovative strategic approach. With them, we provide our customers with exclusive, high-quality products at prices tailored to different budgets and help increase the expansion of the different categories where they play in.



Two examples of this approach are products under Frescampo and Taeq labels, whose combined sales accounted for 5.5% of the total Company's food sales in Colombia. 28% of the home category sales came from our brand Finlandek, whose sales pace continued to grow thanks to collaborative works with Colombian designers and artisans in the development of their products and collections. Arkitect, People and Bronzini brands contributed 41% of the sales of the apparel category. **With 44 million garments sold, Grupo Éxito is a major force behind the democratization of Colombian-made fashion and the country's industry today.** It is fitting to say that we "dress Colombia." In sum, 92.94% of our private label garments were made in 295 workshops that created more than 9,733 jobs in a year in the country, 75% of those jobs are fulfilled by women. Our store brands of Moda Éxito (Éxito Fashion) People, Arkitect and Bronzini, became the first brands to obtain, once again, **the certification award in the Gold Category for "Sello de Moda Sostenible" (Sustainable Fashion Seal) granted by CO2CERO**, a company that specializes in generating innovative actions facing climate change, that positively impact the planet and maintain a profitable, sustainable, and replicable business model.

International operations

Operations in Uruguay and Argentina increased their recurring EBITDA by 16,1%, contributing to the consolidated result, leveraged by a very dynamic tourist season for Uruguay and a good performance of the Cash and Carry format in Argentina.

Uruguay – Grupo Disco y Devoto



The country with the most profitable operation for the Company.

During the first half of 2023, inflation continued the downward trend that was registered in the last quarter of 2022 and reached a low of 3.87% in September 2023; however, the index was corrected upwards during the last quarter reaching 5.11% by year end. GDP growth during 2023 was impacted by drought season in the region, the temporary closure of the country's only refinery and the deterioration of the tourism balance.

Our operation in Uruguay strengthened its value proposition with the FreshMarket model, that accounted for 59% of country sales, for a total of 32 stores under the FreshMarket format. There were also three acquisitions of independent stores.

Revenue in Uruguay hit the equivalent of COP4.2 billion, which represented 20% of consolidated income and a growth rate of 9.8% compared to 2022 in local currency. First half of the year was very solid thanks to a good tourism season, compensating a bad second half of the year, that was affected by drought and reduction of consumption at the border due to the impact of the exchange rate in Argentina.



Recurring EBITDA grew 18.2% in local currency and reached a 10.7% margin, (the highest EBITDA margin in the whole Group), reflecting excellent levels of productivity and spending control.

Argentina – Libertad



Paseo Libertad Shopping Center.

Expert estimations predict a negative GDP in Argentina for 2023; inflation of 211.4% was recorded, the highest in the last three decades. However, the consumer confidence index as of December 2023 had a positive cumulative variation of 11% compared to 2022.

Libertad continued to implement its multiformat and omnichannel strategy and strengthened the Mini Mayorista format, which reached 11 stores at the end of the year, with a share of 17,3% of total sales in the country.



Libertad had revenues equivalent to COP1.1 billion, representing 5% of consolidated revenues and grew 245.5% in local currency, marked by the good commercial result of the retail business, the good performance of the Mini Mayorista format, and the launch of the first FreshMarket store in the city of Buenos Aires. Good dynamics of the real estate business that reached occupancy levels of 94%, was also a highlight. Recurring EBITDA grew 274.1% in local currency compared to the previous year, a much higher level than reported inflation and reached a margin of 4.7% in 2023.

Consolidated financial results

Grupo Éxito's net revenues reached of COP21.1 billion, a growth of 2.4% or 8.7% excluding FX effect, mainly by the strong devaluation of the Argentinian peso. The Group's consolidated net revenues were leveraged by Uruguay's strong performance, food sales in Colombia's resilient market, and the real estate industry's strong results, all the above outweighed the challenging retail environment in Colombia, which was impacted by low sales of non-food products. Additionally, there was a sales decline in Argentina, which can be attributed to the fluctuations in the exchange rate.



The Group's recurring EBITDA reached almost COP1.6 billion, decreasing -1.4% with a margin of 7.8% and; excluding exchange rate effects, EBITDA growth was 0.8% if FX effects are excluded. In comparable figures, excluding from the base not being able to discount ICA tax, consolidated EBITDA would have grown by 2.4%. The Company's net income of COP 125,998 million was explained by the retail business's strong performance, the steady contribution of complementary businesses—particularly real estate—and the successful implementation of cost-controlling action programs.

The significant inflationary effect in Argentina, the increase in financial costs brought on by rising interest rates, particularly in Colombia, and the larger provisions required to guarantee an adequate level of solvency for Tuya business, all had a negative effect on the operating performance.

The gross cash position was COP 1,0 billion and reflected the financial soundness of the organization.



Sustainability

We reaffirmed our commitment to incorporating sustainable practices into every aspect of our value chain in 2023. We collaborated with all stakeholders to create a responsible and resilient business environment, proving societal value creation and economic growth can -and must- coexist harmoniously. Our unwavering commitment to aligning with the highest standards, such as GRI, TCFD, or SASB, has enabled us to receive important distinctions like the ones described above.



Our goal of having the first zero chronic malnutrition generation among children under five by 2030 has been made possible by the progress we made last year. The Fundación Éxito benefited 72,567 children in 32 Colombian regions during 2023, by delivering 183,358 food baskets, improving their physical and spiritual well-being.



We celebrated 20 years of Goticas with a gift to La Guajira.

Additionally, 2023 allowed us to continue strengthening actions to care for our planet. Grupo Éxito has committed to a 55% reduction in Scope 1 and 2 emissions by 2025. We implemented the recommendations of the TCFD (working group on Climate Related Financial Disclosures) to generate, in the medium and long term, transformational changes in the Company as well as a business model with tools that allow us to adapt to climate change, and thus being aligned with global measurement methodologies. We did this process with the Iniciativa de Divulgación de Activos Climáticos de Colombia - CCADI team (Colombia's Climate Asset Disclosure Initiative). Moreover, in 2023, ICONTEC (Organization accredited for validation and certification services) recertified our Viva shopping malls and Carulla FreshMarket brand as carbon neutral. These facts demonstrate our commitment to continue mitigating the impact our activities may cause.





Punto Soy Re at the Viva Envigado shopping center.

Because we know how important it is to work with our customers to increase circular economy initiatives and reduce waste, in June 2023, our Carulla brand became the first retailer in Colombia to stop using plastic bags at cashiers and for product delivered from our digital channels. Furthermore, our post-consumer model Soy RE recycled 1,324 tons of packaging, 34% more than the year before.

Recognizing the importance of biodiversity in our country and the need to protect it at every stage of the supply chain, we developed a technical corporate standard for the Sustainable Livestock Model, which has been created, audited, and approved by ICONTEC. Additionally, as part of the UK Pact initiative, we worked with WWF in the country's southern and northern regions to create instruments for safeguarding biodiversity on the farms of our direct livestock suppliers.



We work for the origin, the producers and the farmers of our country.

At Grupo Éxito, we are committed to the origin, the producers, and the farmers who provide us with the highest-quality agricultural products; we also believe in developing the regions and creating new opportunities. Faithful to this premise, we were able to meet our supply target with 90.41% of local purchases and 85.16% of direct (without intermediation) purchases, which helped our country's farmers. Similarly, we implemented the project of satellite monitoring direct suppliers for those commodities that the company prioritizes for their potential environmental and social impact to develop ethical and sustainable supply chains.

In social matters, we conducted human rights due diligence, aiming to ensure decent employment and the promotion of sustainable supply chains. This oversight is crucial to mitigate risks and ensure that all aspects of our activities safeguard and promote fundamental rights.

Moreover, diversity and inclusion have become fundamental pillars for the Company; we are always committed to improving our employees' living standards and advanced the growth of our people's beings and doings. In this regard, and due to the organizational change going on over the past few years, we obtained the Friendly Biz seal certification from the "Cámara de Diversidad" (Chamber of Diversity). This organization promotes the economic empowerment of Latin America's diverse population. This international recognition attests to the principles of respect and non-discrimination in business environments.



We consolidated and strengthened our product offering to comply with Resolution 2492 on frontal labeling as part of our commitment to promoting healthy lifestyle habits that enable our stakeholders' mental, emotional, social, physical, and nutritional balance. We also worked on promoting healthy food alternatives in our stores, reducing or eliminating controversial ingredients, and ensuring our quality standards are maintained.

Regarding our employees, we participated in the Consumer Goods Forum's worldwide employee well-being campaign this year. As a result, we connected our suppliers with programs that support the physical health of over 500 employees, among other things.

Finally, the Company, coherent with its superior purpose of Nourishing Colombia with Opportunities, continued to strengthen its relationship with communities and spread different initiatives throughout the country, such as "Pigmentos Urbanos" (Urban Pigments)—which has painted urban art in our stores nationwide, as well as in the archipelago of San Andrés, Providencia, and Santa Catalina, and "Terrazas Verdes" (Green Terraces) which have spread to other Colombian cities such as Bogotá and Cali.



>>> With the help of different actors, we work for the transformation of territories and the generation of opportunities in society.

To learn about the details of our sustainability actions, we invite you to visit the Sustainability Report by [clicking here](#).



Corporate Governance and Internal Control



In order to uphold the highest standards, we continued to implement best management practices in corporate governance and to carry out the actions previously taken to support the development and strengthening of value relationships with its stakeholders.

Grupo Éxito's various processes aimed at enhancing awareness and guidance to achieve the objectives, always on the basis of acting in harmony with the principles of integrity, transparency, and good governance, were greatly aided by the leadership and commitment of Senior Management in the development of an ethical culture and integrity as a fundamental element in the sustainability of the business over time. This, in turn, generated trust and value in the construction of lasting relationships among multiple stakeholders.

The Company frames its corporate governance with actions that are aligned with transparency, aiming to satisfy and meet the objectives of the various stakeholders. These approaches include legal compliance, comprehensive risk management, and the assurance of its internal control system. The Company updated the strategic risk profile and its businesses by evaluating risks, opportunities, and trends, as well as adapting to changes in context, thus contributing to the strengthening of organizational resilience.

The core goals of Grupo Éxito's risk management, considered an integral component of the Company's overall strategy, are to safeguard and create value, leverage the accomplishment of strategic pillar results, encourage thoughtful and informed decision-making, and maximize competitive advantages. Additionally, the Company aims to strengthen its ability to anticipate, plan for, respond to, and recover from any given event in a timely and assertive manner through collaboration with business continuity management.



Thanks to Senior Management's dedication and empowerment, the 2023 strategic risk profile was established, along with treatment measures to mitigate its occurrence and negative effects, as well as opportunities that can be maximized. This was based on understanding the dynamics of the political, economic, social, technological, environmental, and legal fields, along with an assessment of internal changes and sector knowledge regarding business operations.

Furthermore, the Strategic Business Impact Analysis (BIA) was updated, new crisis management procedures were established, and simulation workshops were conducted as part of the actions aimed at strengthening our Business Continuity Management (BCM). These actions increased awareness among the Corporation's management team. Additionally, capacities and instruments were enhanced to support, organize, and simplify decision-making processes during a potential organizational crisis.

The administration certifies that the internal control system did not present any shortcomings that prevented the proper recording, processing, summarizing and/or presentation of financial information; nor did it suffer significant fraud that affected its condition, quality, and integrity. The financial disclosure was confirmed to be accurate and compliant with current requirements, guaranteeing that as of December 31, was appropriate and contains no defects, inaccuracies or errors that would have prevented interested parties from learning the Organization's actual asset condition.

For more information on
Corporate Governance and the
Company's Internal Control
System, please visit the
Corporate Governance Report
by [clicking here](#).



Transactions between Related Parties

The transactions between related parties carried out during the 2023 period were made with the full observance of the Policy and Procedure of Transactions between Related Parties in force, complying with the corporate procedure required before the Audit and Risks Committee or the Board of Directors, as appropriate. Details of such transactions can be found in the Corporate Governance Report and Note 9.2 of the financial statements.

Intellectual Property and Regulatory Compliance

The Company owns a portfolio of more than 1,300 duly registered trademarks, in different classes of the Nice International Classification. We own trademarks records in 36 countries, more than 700 of these records are in Colombia, including, among others, the Éxito, Carulla, Surtimax, Super Inter, and Surtimayorista brands associated with the retail business; Ekono, Frescampo, Taeq and Porchi, related to the food business; Arkitect, Bronzini, and Finlandek, to the textile, fashion, and home decoration industries. Our subsidiary in Uruguay has also been licensed to use our textile brands in that country. As of December 31, 2023, no patents are registered.



Regarding Intellectual Property, we complied with the applicable standards for Colombia and the other countries where we carry commercial operations. Likewise, we have been granted all the required licenses for using distinctive signs and other copyrights that belong to third parties. Concerning copyright, we complied with the applicable copyright rules and with the conditions defined in software licensing agreements.

In view of the corporate commitment to the protection of personal data of all our stakeholders, the management of risks associated with privacy, and the construction of an integral program, we developed activities and strategies aimed at complying with current regulations and the good practices applicable in this field, having the recognition of privacy and respect for the fundamental right of Habeas Data as a principle.



Finally, we have not, in any way or shape, limited the free circulation of invoices issued by suppliers of goods or services, and we are not in the midst of any investigation relating to restrictive competition practices.

Closing remarks

The macroeconomic environment of the three countries where we operate posed major challenges for the Company during 2023. We managed these challenges with a strategy that maximizes operational efficiency and with the determination to help build a stronger nation across all regions. We were able to strengthen our omnichannel offer throughout the year, maintain our innovative format development with the intervention of 56 stores in the region, these innovative formats accounted for 44.4% of our total sales; we also prioritized customer satisfaction, and kept taking steps that lead to a greater social effect and a smaller environmental footprint.

Our consolidated gross cash position reached COP1.0 billion, thanks to the action plans implemented to control spending and the work done in working capital, where significant reductions in inventory levels were obtained in Colombia and Argentina, as well as greater efficiency levels in the management of the operational cash. This cash performance allowed the Corporation to avoid taking on more debt while investing COP522 billion focused on growth opportunities and asset maintenance.

Our business faces a great deal of pressure to adjust to increasingly unstable environments, where customer preferences are changing quickly, the economy is becoming more interconnected and exposed to external and unpredictable factors, and the local competitive scene is getting more intense. Agility, the capacity to innovate and adapt to changing circumstances, and a constant focus on our customers' needs—their satisfaction and desire to return to our stores and virtual channels—as well as a persistent search for our businesses' competitiveness, profitability of operations, and ability to preserve the interests of our stakeholders and the environment—are critical components of responding to the constant challenges faced by the mass consumer industry.

We have developed strong trust over time. Thanks to the dedication of our 43,000 employees in Colombia, Uruguay, and Argentina, who work every day with a spirit of great delivery and service, making sure that every customer feels welcomed and happy, we can stay we are the customers' favorites in today's competitive market. To them, my gratitude and recognition. Also, to our 6,600 suppliers and 9,6 million customers who challenge us to give every day the best in us. We extend a particular gratitude to our shareholders for their support and to Grupo Calleja, our new controlling entity, for believing in the Company, our subsidiaries Disco y Libertad, our staff, and the growth prospects of the three countries where we run our businesses.

Carlos Mario Giraldo Moreno

CEO Grupo Éxito