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Operator: Welcome to the Grupo Éxito first quarter 2018 earnings results conference call. My name is Richard and I will be your operator for today's call.

At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session. During the question and answer session, if you have a question please press * and then 1 on your touchtone phone. Please note that this conference is being recorded.

I will now turn the call over to Maria Moreno. Maria, you may begin.

Maria Fernanda Moreno: Thank you Richard and good morning everyone. We appreciate you join us today for Grupo Éxito's call. At this time I'm pleased to present our Chief Executive Officer, Mr. Carlos Mario Giraldo, and our Chief Financial Officer, Mr. Manfred Gartz.

Today's agenda, shown on slide number 2, will cover Grupo Éxito's financial and operating highlights, followed by a review of the company's international strategy and the consolidated financial results for the first quarter of 2018. The call will conclude with a Q&A session.

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 all for your presence in the Q1 results conference.

I will start in slide number three with the consolidated financial highlights of the quarter.

We had a resilient operating performance in all Latam region, with a positive net income at Éxito level and showing the benefits of diversification in the different countries.

In the financial highlights, our net revenue had a total growth of 6.3 if we include the negative foreign exchange effect of 4.4 points, which was driven by solid sales performance both in Brazil and Uruguay as in previous quarters, and a higher contribution from other revenues of +16%, most of these revenues coming from Colombia.

Recurring Ebitda had a growth of 7.2%, including a negative foreign exchange rate effect of 4 to a margin of 5%, keeping the same margin as in the first quarter of last year.

Net income was positive and it ended near to 10 billion COP in positive grounds.

In operating highlights, we had a positive performance in international operations and we had a very clear control of operational expenses at the consolidated level, clearly below inflation levels.

Synergy plan is on track to reach the guidance of 120 million USD of impact in operating profit and Merco qualified Éxito as one of the ten companies in Colombia with best corporate governance and social responsibility practices.

If we turn to slide number four, we can see that our consolidated Capex for the quarter arrived to 377 billion COP, 57% of it dedicated to expansion. In Colombia, 62 billion COP with 47% of it dedicated to real estate.

The focus of the Capex in the region was cash-and-carry both in Brazil and Colombia, which is the main emphasis of expansion this year, and real estate construction of two big shopping mall projects, which are Envigado (at 77% of advance and opening in September), and Tunja (64% of advance and opening in October of this year.)

Going to slide number five, it is important to make some notes about the net sales performance of Colombia. I think the main focus is that we have a positive trend.

We got increasing total sales of 1.5% corrected by calendar effects, which compares against the -4.1% which was the result both for quarters three and four of last year, as you can see in the graph. That is 2.5 points better than these two quarters. This is not what we want, of course, as we want an increase in sales, but we see that it is arriving and that it will arrive for the quarter two of this year, as of things we see today in the market.

It is important also to note that this improvement in the trend is also impacted by food inflation. While food inflation last year in the same period was 3.65%, food inflation for the first quarter was 0.98%. That is, there are 267 basis points of difference in food inflation, which impact sales, of course, when you look them in pesos. When you look at the trend and you consider the diminished food inflation, it looks even better as a trend.

It’s important to see that the first best performers within the brands of Éxito were the value added formats, specifically Carulla and Éxito.

Finally, it’s important to say that omnichannel growth had a positive contribution, growing more than 34% and that Surtimayorista, as we will see later, had a very positive performance.

Going to slide number six, we can see the analysis of this sales figure by brand. Éxito had a very good performance in non-food categories, both textiles and electronics being positive. In textiles, fashion and private brand activities with Arkitect and Bronzini with special designers entering within the value proposition of Éxito and electronics with a gradual improvement that we have done in the most important stores, giving them the look and feel of a clear specialist in electronics, at least in 40 of the stores, not only in products, but also in service to our customers.

Carulla grew in all regions with the exception of Bogota. Of course, Bogota has a big impact on Carulla, but it had to do clearly with the trend of Bogota, which is one of the regions which grows less in Colombia, while the north coast is the region that grows the most. This is a good trend for Carulla in sales, as you can see from a -5.9 in quarter three to -4.7 in the last quarter of last year and -1.7 in this quarter.

Carulla also began to see the impact of the fresh market, where the two stores under the fresh market proposition have 15 points higher in growth to the rest of the Carulla stores.

Surtimax and Super Inter were lower performers, but they were profitable and probably it is one of the few popular stores in Colombia that had profitable figures both with positive Ebitda. They were impacted with deflation in some of their product lines, especially cereals with around a 5% deflation and for example rice, with a 17% deflation.

Our best performer was the B2B format, that is, the cash-and-carry and aliados. As a whole, they now have a contribution to sales of 130 basis points. This is good, because it shows that it starts to be material in the sales figures of the company.

Same-store sales had a very strong growth of 20% and as a whole Surtimayorista with expansion had a growth of 138%.

To the left we have some of the ongoing strategies in Colombia in activities that drive performance in key formats and in monetization activities, which I will refer to later.

Going to slide number seven, we make a focus on the cash-and-carry. Here you have a picture of the last cash-and-carry that we recently opened in Bogota in Autopista Sur. It used to be before a Surtimax.

As a whole, we will open eight stores to end this year with 17 stores of cash-and-carry. They continue to perform two times the sales after conversions from other brands and they have sales per square meter that are also two times the average the sales per square meter of the rest of the formats of the company, which means that they are profitable. Different from other popular stores, they are profitable from the first year and that’s very good news for the company in value creation in solid single-digit margins.

Their effective sales as a whole this year are over 100 million USD, which becomes an important base for their increase and their development in future years.

If we go to slide number eight, this is one of the big news of the quarter and it’s consistent with what we have seen in the last two years. For many years, we have been speaking about the omnichannel strategy of the organization.

In this quarter, it obtained 75 billion COP, with a growth of near to 35%. What’s important is that it began to become material as a base line for sales of the company with 3% share of total sales increasing 90 basis points and we believe this is going to be the trend in the following quarters and in the following years, which shows that Éxito is clearly the Colombian retailer better equipped for the new reality of e-commerce, of market place, of home delivery, that is, of the best union of the virtual and the physical formats.

There were three big levers in our e-commerce growth. One is home delivery, where our own home delivery service plus the exclusive alliance with Rappi made around 500.000 deliveries in the first quarter of 2018. This is an important figure anywhere in the world and in other urban areas for other retailers. 70% of these were dispatched by Rappi.

Secondly, our digital catalogs continue to be strong with 28% increase in sales and finally, our market place arrived to 900 sellers or vendors with more than 60.000 products, which is in line with the goal that we have to expand rapidly the portfolio that we sell through our market place and with a 72% growth in merchandise value, which is the measure of sales that we have for marketplace in the world.

Going to slide number nine, we see the innovation in Carulla, which ratifies its sales as the clear premium leader in Colombia. First, we see the fresh market, opening now in two stores, with a very good sales increase even if it has a lot of competition around, and we will be opening next week Pepe Sierra, which is the most important Carulla store in Bogota under the format of fresh market, which I think is going to be great news for all the consumers in Bogota.

I invite those of you that live in Bogota to please visit that store starting Thursday of next week, which I think is going to be an amazing experience of buying and experiencing the freshness and the magic of products in Colombia.

We had also the first opening of Carulla Cava, which is a liquor and delicatessen food experience store. It is small in size but fully concentrated in liquor and delicatessen, as you can see in the picture.

The good news is that this laboratory experiment that we have done in Carulla is going to arrive to three stores. It will end in six stores in the year, but the most important thing is that those value propositions developed on our own or with suppliers are there and that are performing well, and we are going to take them to the rest of the most important Carulla stores.

Secondly, in Éxito we are going to do also a laboratory of innovation, which is going to be great as a new generation of hypermarkets in Colombia. We are going to do it in the two top Éxito stores. One is Country, 134th street store in Bogota, and the other one is the Envigado store, which is going to be opening as a next generation store in Medellin at the same moment of the opening of the shopping mall in September. Internally, we call them the "wow" projects for Éxito and these laboratories are also going to serve to take at least 20 value propositions of innovation, omnichannelity, products of non-food and food, to the rest of the top stores of the Éxito brand.

We believe that for the market in moments like today where Colombia is recuperating in the economy and in the retail environment, innovation, new formats, omnichannelity are the right answers to grow profitably.

I'll go to slide number ten, to net sales performance in Brazil. They were already revealed by GPA in their conference, so I won't go in detail. Clearly, the big news is that we recuperated leadership in Brazil's food retail and we had the largest sales in *reais* above any other food player in Brazil in the first quarter of this year.

Sales adjusted by calendar effect increased 5.5% and that is very good if you consider that in Brazil for the first time in history we are having a huge deflation in food that in this quarter arrived to around five points of total deflation, so it shows a very big increase in volume and traffic, most of it driven by Assai. Assai sales increased 25%, same-store sales plus 9.4%, very consistent in same-store sales growth but also in expansion with 20 stores to be opened during this year, the same number that we opened last year and representing for the quarter 44% of the Brazil total food business of Pão de Açúcar.

Multivarejo was also positive adjusted by calendar effects, with 1.3% increase in same-store sales and the digital transformation and discounts of "My Discount" and the renovations in Pão de Açúcar as the premium format of the Brazilian market were responsible for this increase.

I hand the word to Manfred to go over results and then I'll come back with other aspects of synergies and final remarks.

Manfred Gartz: Thank you Carlos Mario and good morning everyone. Let's start on slide 11 with the highlights of the operational performance in Colombia.

I would like to start by saying that after four quarters on negative grounds, net revenues grew 0.1% in the first quarter, reaching almost 2.7 billion COP.

This change of trend was the result of better consumption dynamism in the country, an outstanding performance of other revenues, which grew over 31%, and the outcome of commercial strategies that were put into place in the past quarters.

Gross margin finished at 24.3%, very in line with the historical performance of first quarters when excluding the extraordinary results of 2017, which was fostered by improved productivity, lower logistics costs, and better terms with suppliers, so that affected our margin.

On the SG&A side, the operational expenditures grew 2.8%, probably the lowest since IFRS has been implemented in Colombia, way below the inflation of the expense structure of the company and the 4.09 inflation level of last year.

All actions planned and implemented have successfully offset increases in key expenses accounts like labor, which grows 5.9% as per the minimum wage and occupancy costs, which normally raises CPA costs and spreads, depending on the asset.

I think this continues to show the commitment of the company to protect the bottom line.

Finally, the recurring Ebitda reached 170 billion COP and a margin of 4%, reflecting somehow the lower expenses dilution and the track of gross margin.

Moving forward to slide 12 to start viewing the performance of our international operations, net revenues in Brazil grew 7.5% in local terms in the quarter after a strong performance of Assai. In COP, net revenues reached almost 10 billion COP, growing 1.9% as consequence of a negative effect of about 5.2%.

Gross margins reached 22.5% of sales, with almost a flat result in the gross profit. Rapid maturation of Assai stores and food deflation, especially at Multivarejo, explain this result.

In terms of SG&A, the strong expense control and the implementation of efficiency initiatives especially in head count, logistics and other relevant costs, allowed a dilution of about 90 basis points in expenses. Also, the Assai stores maturity contributed to the dilution.

At the bottom line, recurring Ebitda was over 500 billion COP, growing 12.6% and resulting in a 5% margin, 50 basis points higher than the year before.

Please move now to slide 13 on Uruguay. Net sales in local currency grew 8.5%, outperforming inflation. For our Uruguayan operation, it was a particularly outstanding summer season in which commercial activities offered excellent results.

Also, the convenience format gained the attraction of the eight stores that were opened in the last 12 months, growing 51%.

In COP, net sales reached 709 billion COP and a growth of 6.1% after FX.

Like-for-like grew 6.8% in the quarter, again outperforming inflation and especially driven by the categories of fresh, textiles, and home.

Net revenues reached 715 billion COP and the operation in Uruguay continues to gain market share.

At the gross margin, it finished at 34.8%, 20 basis points above last year, while on the SG&A side it gained 40 basis points from improved control activities and the natural dilution of sales growing above expenses.

On the recurring Ebitda side, it grew 13.2% to 76 billion COP, reaching a 10.6% margin due to a strong summer holiday season.

Uruguay continues to demonstrate its capacity to grow in a sustainable way and solid profitability levels.

Let’s take a view on Argentina on slide 14. I think despite a complex macro environment, Libertad’s sales performance was pretty much in line with total and food inflation in the country, reaching a net sales growth of 24.7%, like-for-like growth of 24.2% in local terms.

Fashion and textiles were the categories that were the top performers. In COP, net revenues reached 334 billion, causing a 1.4% decrease as a consequence of a negative effect of 22%.

I think it’s important to mention here in Argentina that as opposed to other major retailers and competitors in the country, even bigger ones which have been reporting negative results, for Libertad the real estate hedging strategy has allowed us to maneuver through troubled macro waters and still maintain profitability on the operation.

SG&A also grew below local inflation thanks to strong productivity efforts and the optimization of structures.

Finally, recurring Ebitda reached 8.5 billion COP with a 2.6% margin.

Please move now to the next slide to see the consolidated results. Net revenues reached 13.7 trillion COP, with a 6.3% year-over-year growth, excluding an aggregate effect of 4.4%.

These results also reflect the strong sales performance in Brazil and Uruguay and the growth of the complementary businesses in Colombia.

SG&As continue to reflect the productivity efforts and other cost-cutting initiatives across our footprint in the region and diluted 70 basis points.

Recurring Ebitda margin grew 7.2% when excluding an FX effect of an aggregate of 4%, maintaining a margin of 5%.

Ebitda reached almost 700 billion COP in the quarter.

Finally at the bottom line, net income group share finished at 10 billion COP, which compares to the -8 billion COP last year's first quarter.

I will explain the results on the next slide.

Please move now to slide 16. I want to show you a little bit the bridge between the result of the first quarter of this year and last year's.

The main items to highlight were on the adverse side, non-recurrent expenses related mainly to the restructuring processes conducted in both Brazil and Colombia.

The outcome of all these processes, we are seeing that right now in the SG&A accounts, and we will see the benefits of all this restructuring in the future quarters and too from Colombia's operational results.

On the positive side, we have an improved financial result as interest rates lowered in Brazil and Colombia and a solid performance of Brazil during the quarter.

Also, productivity efforts throughout the region yielded better results.

Finally, please move now to slide 17 to show the net debt at the holding level.

Net financial debt stands at 3.8 trillion COP, decreasing 2.1%, very much in line with the company's strategy to continue to deleverage.

Cash and equivalents stand at 631 billion COP, driven mainly by working capital improvements and increased dividends from subsidiaries.

At this point I would like to return the call over to Mr. Carlos Mario Giraldo to continue.

Carlos Mario Giraldo: Let's go with slide 18. Synergies continue at full speed in the four countries with a guidance of 120 million USD of impact in operating profit for the end of the year and with 28 initiatives under execution.

The first one has to do with formats that are taken from one country to the other one, like the cash-and-carry from Brazil to Colombia and the fresh market from Uruguay to Colombia, Brazil, and Argentina.

In slide number 19 we can see that in food purchasing power. Other than the normal negotiation on top conditions with international and national brand suppliers we are buying together commodities and in the first quarter we bought 220 food containers, 1.2 times the volume of last year.

Going to slide number 20, this is one of the most important synergies and it is taking the textile business model from Colombia to the other countries.

You can see in the picture, it’s very clear the type of look and feel that we have in the Éxito stores in Colombia, which is a kind of specialist in textiles and it competes against specialists in textiles in Colombia.

It is a value-added replication that is going to 61 stores and with very solid growth rates in all the countries and gaining participation in the sales of the hypermarkets, as the figures that you can see in the slide.

Going to slide number 21, I want to make the main conclusions. The first one is that there’s top line growth, both including and excluding foreign exchange impact and even if we have lower inflationary food trend in most of the countries, especially in Brazil and Colombia.

I can say that we expect for Colombia the trend to continue improving as retail is improving and as the action innovation plan that the company is taking both in food, physical and omnichannel places are having impact and we expect the second quarter to be positive in sales.

Positive outcome of international business units; plans to control expenditures are at full speed and with improved productivity in all the countries and we expect that to continue that way.

The good thing is that as sales improve and costs are under control, we will have a dilution in costs, which of course are positive for operational profit.

A positive net result in the quarter. Synergy plan on track. Our first sights of revenue recovery in Colombia. Even if sales were -1.5% in the quarter, you can observe that revenues were 0.1% and that is the impact of other complementary businesses which are critical to the operation in Colombia.

We expect sales to continue improving, but at the same time we expect that for the second quarter we will be positive in operational profit and in Ebitda profit increasing versus the last quarter of last year, and with a better margin than the second quarter of last year.

There are clear action plans by country to drive sales and results and to bring new income from monetization of traffic. We are clearly the leader in the region in trendy formats as the cash-and-carry, which has taken the leadership in the Brazilian market and is now clearly visible in the Colombian marketplace, with the fresh market, which is the most premium of the formats in Latin America, and with the omnichannelity.

I would say that if we look to the retail that is leader in the world, and the participation that omnichannelity has, it is even higher and it's important to see that we are one of those food retailers and non-food retailers reaching these figures.

I would also say that real estate continues to have a very important, solid and consistent contribution to results. We are going to have in the third quarter of this year the opening of the Envigado shopping mall, 130.000 GLA, a mixed shopping mall, the most important in Colombia, the number one if we put together the 30.000 of offices that we have there and 100.000 of commerce.

So these would be the remarks for this call. I thank you very much for your attention and we are open now for a Q&A. Thank you.

Operator: Thank you. We will now begin the question and answer session.

If you have a question, please press * then the number 1 on your touchtone phone. If you wish to be removed from the queue, press the # key. There will be a delay before the first question is announced.

If you are using a speaker phone, you may need to pick up the handset first before pressing the numbers.

Once again, if you have a question please press * and 1 on your touchtone phone.

The first question comes from Nicholas Lorrain, from JP Morgan. Please go ahead.

Nicholas: Hi. Good morning Carlos Mario and Manfred for the call and for taking my question.

I want to ask about those leverage levels. Ebitda has been rising lately. Could you give us an outlook on how your plan for deleverage is going and how it should progress moving forward? Thank you.

Manfred Gartz: Thank you Nicholas for your question.

Well, you have to bear in mind that the indicator is calculated at year end. The reason for this is given the normal business seasonality, the normal net debt seasonality, and obviously the dividend flows from subsidiaries.

I think I should mention we continue working on different initiatives to deleverage. We continue on the working capital optimization, we continue with the sale of certain non-strategic assets, we continue controlling expenses, and implementing action plans in that sense. Also, we expect a gradual recuperation of the Ebitda level in Colombia and improvements of the dividend flows from subsidiaries.

Nicholas: Perfect. Thank you Manfred.

Operator: Thank you. Our next question on the line comes from Antonio Gonzalez from Credit Suisse. Please go ahead.

Antonio Gonzalez: Hi, Carlos Mario and team. Thank you for taking my call. I just have a quick one. I wanted to ask if it's possible to comment. Amazon obviously had a deal in France with the parent company, Casino, on the Monoprix brand.

I wanted to ask if you can extend this partnership in your markets in Latin America, if you have any prospects of doing so, and if there's any timing, in case you're able to comment on that.

Carlos Mario Giraldo: Yes, Antonio. I cannot comment on that, the specific partnership done by Casino in France and by Monoprix with Amazon.

What I can comment is that for the moment in our market we'd like to feel ourselves like the Amazon of the Colombian market in the non-food scenario, and as the Ocado of the food market in the e-commerce of food.

That's our goal and that's why we are the ones that are arriving to the households with food through home delivery. We are leading the last-mile environment, which is very important for the future in cities highly congested like Bogota, Medellin, Cali, and Barranquilla. We are also a very competitive player in the non-food in all the big appliances where our kiosks are being a great innovation for the market, even doing pilots outside of our stores, which is something that we are going to do this year.

Thanks for your question, Antonio.

Antonio Gonzalez: I appreciate that. If I can mention very quickly, is there anything additional you can share with us on the agreement you have with Rappi at the moment? How has this enabled you to shorten the delivery times, increase the coverage to more cities or to more neighborhoods? Perhaps anything you can share with us on the economics of the agreement. Thank you.

Carlos Mario Giraldo: Yes. I want to be cautious about it because there are some things that are confidential in this agreement, but what I can say is first, that results are amazing. We are increasing home deliveries by three times, it's threefold, and if you look at the number of home deliveries of more than 500.000 in one quarter, that is comparable with almost any important player in food in the world.

Number two, it is a profitable business and that's very important because the level of commission that we pay is profitable for Éxito and I believe that in the medium term it's also profitable for Rappi, bearing in mind that they combine our food purchases with other services to their customers, so it's highly effective. It permits us also, that's the third thing, to acquire new customers because many of them have not been customers of Éxito and entered in this service for example by buying restaurant services and we capture them in our food delivery.

Fourth, it's a very interesting and profitable way to penetrate into the proximity market, because it permits us to go and to attack many neighborhoods where we don't have stores, and even where we have competitive stores. Given that we have a long-time connection of the application of Rappi and our own application, we can make a big data intelligent connection with the new customers and current customers.

Antonio Gonzalez: That's very helpful. Thank you. Is it possible to comment whether it's just Bogota, Medellin, and the largest cities? Or are you extending it nationally already?

Carlos Mario Giraldo: It's been extended nationally, but it's going to be gradual. The next goal is to go to the high level neighborhoods near to Bogota and Medellin where many of the customers are, especially during the weekends.

Antonio Gonzalez: Ok. Thank you so much Carlos Mario.

Operator: Thank you. Our next question online comes from Federico Perez, from Bancolombia. Please go ahead.

Federico Perez: Hi Carlos Mario and Manfred. Thank you for the conference call. We have a couple of questions. The first one is regarding the same-store sales in Colombia. As you guys mentioned in slide five, we are seeing a change of trend. Do you have any goal or any guidance you can give us on when are you expecting these same-store sales to go back to the positive side?

The second question is regarding the Supermax and Super Inter brands. As you guys mentioned, you are having a strong deflation in these brands and that has affected the sales of Surtimax and Super Inter. Can you share a little bit of color on the outlook for the coming quarters, specifically in these two brands?

My last question is regarding the deleverage ratio. As Nicholas mentioned quickly, you are getting to a high leverage ratio but I'm worried about Colombia specifically if you see the net debt of the whole group. I know you succeed in a consolidated basis, but if I only look to Colombia, most of the debt is in Colombia and I would like to know if there is any comment just on the debt that you hold in Colombia that we should be aware of. Thank you.

Carlos Mario Giraldo: Thank you Federico for your questions. I will deal with the first two and then I'll hand it over to Manfred.

In same-store sales, we are not giving a guideline for the moment, but what we are saying is that in total sales we are going to be positive in the second quarter and of course what you can see is that the trends are there, and I believe in trends. We saw an increase in retail in the first quarter of Colombia and given the things that we are doing in the market, we believe that they are going to have an impact.

The second thing is Surtimax and Super Inter. Today, the channel which is mostly affected in Colombia is what we call "independent supermarkets." Super Inter and Surtimax are kind of independent supermarkets. They are the most impacted not only because of the competitive scenario, but because of deflation.

The share for example in Super Inter of fresh products is near to 45% of its sales and we have a deflation in the first quarter, internal deflation of 1.55% in fresh products, and also in grains, which account for 10% of the sales, but I would say something which is very important, and it is that regardless of the competitive scenario, Surtimax and Super Inter remain profitable. They are probably one of the few independent supermarkets and clearly if you could call them soft discounters, they are profitable in Colombia, while others are playing again with high quantities of losses.

Manfred Gartz: On the leverage question, what I'd like to say is that at this point of the year it might be too early to give any kind of precise guidance on what we're expecting for the indicator. What I can say is that what we expect is that we will be comfortably below what we showed last year related to the fact of one, the ongoing deleverage plan and we are already working on that. The second has to do with the fact that we expect a better performance of Colombia in the upcoming quarters, and three, from the improved different flows that we expect from subsidiaries, especially GPA.

I think the covenants we have are publicly disclosed. We are until almost the end of the year at four times the covenant threshold that we have and it is going to change to 3.5 probably. We have disclosed that a couple of years now, even since we took the debt and once again, we feel very comfortable that we will be way below that.

Federico Perez: Perfect. Thank you.

Operator: Thank you. Our next question online comes from Carlos Rodriguez, from Ultraserfinco. Please go ahead.

Carlos Rodriguez: Good morning, gentlemen. Thank you for the conference call. I have three questions. First, how much of this increase in same-store sales in Colombia was attributed to the high competition by the hard discounters?

The second one is why lower food inflation has affected more in Colombia than Brazil?

The last one is how many quarters should we expect the non-recurring expenses related to restructuring processes in Colombia and Brazil? Could you give us some detail on the amount spent in Colombia and Brazil? Thank you.

Carlos Mario Giraldo: Yes. The first one, I would say that high competition in Colombia impacts more total sales than same-store sales. We feel much more comfortable with same-store sales and I think that same-store sales have been evolving with the evolution in the retail panorama.

If we look at Nielsen, Nielsen shows that in the last quarter for example same-store sales in Colombia were negative around 2.2%, so it's very similar to what we had.

What really impacts is new stores that are being expanded in many other places not profitable, but they are there, and they are a reality, and of course we have a very clear strategy for that.

First of all, we have to have a profitable strategy, so what we are doing is in the short term strengthening our private brand proposition with at least 200 categories which are being offered at this very moment at the same price as the closest competitor, being whatever type of competitor it is.

Number two, alliances with private brand suppliers, very strong alliances that we call “syner suppliers.” We have at least 20 of those alliances with people who are investing highly in technology to grow with Éxito in a consistent and long-term way.

Third, we are working through proximity with things like the omnichannelity and the last-mile service that we are doing, but at the same time we are working on innovation, as you have seen in Carulla, and we are going to have the innovation lab with Éxito.

When you look at the international panorama, I think the British market is a very good scenario to see what happens with this kind of phenomenon. The brands that better performed were the brands that entered a pulse with sale prices, but especially with innovation. In England they were Waitrose and Sainsbury and the brand that played the game only with low prices and reducing profits, which was Asda, as you know, is now being deposed in the market.

The second question is about food inflation in Colombia and Brazil. Why does it have a different impact? I think that in Brazil it has to do with the fact that the momentum that Pão de Açúcar had in the market is very important because of the critical mass that Assai has acquired. Assai is today the most dynamic format in all the Brazilian market. It has the highest expansion, even compared with other cash-and-carry players. It is gaining 300 basis points of market share against last year, so that has a great impact to counterbalance that inflation in food, bearing in mind that it’s having increases in customers and in volumes in a very consistent way.

I’ll hand it to Manfred for the other question.

Manfred Gartz: Ok, so regarding the restructuring view on the non-recurring expenses, what I could say is that especially in Colombia I think for non-recurring expenses directly related to restructuring, we have done a very important part of what we planned for the year. We especially wanted to have that at the beginning of the year in order to capture the benefits of what we are getting throughout the year and once again, trying to protect the bottom line.

Regarding Brazil, I will say pretty much what they have disclosed, and it’s that they will try to maintain a certain level of non-recurring expenses throughout the year.

Carlos Rodriguez: Thank you very much.

Operator: Thank you. Our next question comes from Miguel Moreno. Please go ahead.

Miguel Moreno: Hi everyone. Thank you for taking my question. I have two questions. The first one is regarding the general strategy, and the second one is regarding the status of the new malls.

In general strategy we’ve seen sales to sales, especially in Surtimax. Looking three years from now, we know that we are seeing positive sales and maybe a positive trend in revenues, but is there some plan to close stores that are maybe with negative Ebitda right now or that are selling less, to be focused on the textile industry rather than supermarkets? If you could give us a general view about that, it would be great.

The second one is regarding the status of the new malls. You mentioned that Viva Envigado is 77% of completion and Tunja 64%. Did you start to commercialize these malls? Have you already reserved some part of the malls? I would like to understand the occupation rates that the malls could have once they're open. Thank you.

Carlos Mario Giraldo: Ok. I'll start with the strategic one. What we are doing in our formats is… Yes, we have closed some stores that are not profitable, but especially proximity stores. That is some express stores, and we have closed some stores in Uruguay also, some express Devoto stores that are not performing well, but that's not a big trend.

What we have done, and this is very interesting, is that we are converting. That is, we are taking non-performing stores located in very interesting and popular areas like big Surtimaxes and some Éxito popular stores, and turn them into cash-and-carries. This has been a highly profitable leverage decision.

As of the malls, what I can say is that Envigado mall has now a warranty of more than 90% of occupation between the commitments of occupations that are going to start since September, or occupations that will be performed during the first Q of next year.

This is a very interesting mall, because it's going to be connected with the metropolitan train of Medellin. It's going to be one of the three malls with Puerta del Norte in Bello and with Mayorca in the southern part of Medellin that are connected to the metropolitan train.

This mall will have an Éxito store, so it's an Éxito that is going to be clearly connected to the most generating traffic, which creates customers from all over the place.

The other thing is that we really have great brands into the Éxito shopping mall, and finally, that it has a high concept of entertainment. Today the shopping malls in the world have to have a high quality and a high percentage of entertainment. The Envigado shopping mall is going to offer the biggest entertainment zone for children in Medellin, and also a big area of cinema with the highest technology, the biggest Cine Colombia has done in Colombia, and also it's going to have a high-level restaurants area, which is a novelty for Medellin under a shopping mall proposition.

Tunja has an 85% occupation level, which is great at this moment, some months before the opening.

Miguel Moreno: Perfect. Thank you Carlos Mario.

Operator: Thank you. Once again, for any questions or follow-up questions press * and 1 on your touchtone phone.

At this time we have no further questions. I'd like to turn the call over to Carlos Mario for closing remarks

Carlos Mario Giraldo: I will take five minutes of your time for some closing remarks because I think this is a very important point to make emphasis on strategic areas of the organization.

First of all, we are optimistic for 2018 as a whole business panorama for Éxito and especially we are optimistic with the evolution that Colombia will have.

When we speak about the Latam consolidated business, we believe that Brazil and Uruguay are performing very strong numbers in sales and profits, and that as a full operation we started the first quarter if we deflect the impact of foreign exchange with very positive consolidated numbers in sales, in recurring Ebitda and also with a positive net profit.

We believe also that the leading regional trends are being conducted by Éxito and that is premium formats, cash-and-carry, and omnichannelity.

I think that you have to reflect a little bit about what's happening in the world. In the world, when you see what Walmart is doing in England, in Brazil, and what it's done in India with Flipkart, it's clear that the most important is the alliances that are being done by Amazon in England and Spain, and now with Monoprix in France, and when you see this kind of trend, it is clear that omnichannelity is a key factor for the future of retail, but not only in non-food, because it was clear that in non-food it had a high context, but the big message of the last two years and also with the Whole Foods purchase of Amazon in the US is that omnichannelity becomes key in the food proposition in the consumer goods proposition. We have that trend within our region.

Second, the premium formats are resilient in most parts of the world, and in Latin America, in Brazil, Uruguay and Colombia within the three we have the premium leading formats in all the region.

Finally, the cash-and-carry is a phenomenon that is here to stay, not only in difficult moments, but also in better economic moments, because they have become a destination point that are perceived as comfortable and good and exciting for the customers.

Third, a word about Brazil. We believe that it is a strong and consistent business proposition which stays in the extremes of the premium and the cash-and-carry and which is doing a lot of improvements in the middle market with the Extra brand. Then we have in the Colombian business a gradual improvement. We are seeing consumption improving with a reduction of interest rate, with petroleum prices, with the non-food categories reaction, and with an inflation benefit against salary increase for consumer.

We see that in our own sales Colombia has improved against the last three quarters and trends are trends. They continue and they finally get you where you want when it's a positive trend, and we believe that for the next quarter we will see a recuperation in Éxito sales, but also we will see a positive Ebitda growth against the comparable quarters, and also in the margin.

Expenses continue under control and we continue to have the impact, as we saw in the first quarter, of complementary monetization income like credit, insurance, and it's very important to note the impact of real estate.

Strategic initiatives are there. They have strong fundamentals and they acquired materiality, and this is very important. As the Carulla most important propositions are going to all stores, as the cash-and-carry gets to 17 stores, as the omnichannelity becomes to be a strong means of increase in sales, they become material to the results of Éxito and it is important to see that we are taking this kind of innovation also to the Éxito brand and it is key for the organization, because it represents two thirds of the sales of Éxito.

Finally, the real estate business continues to be good and strong and solid and with very good occupation levels and we are going into the customer coalition of Puntos Colombia with a pilot that is starting in the coffee region this month and then in the third quarter of the year we will be going nationally in what we believe is going to be a very strong coalition and with very important allies now joining the coalition of Éxito.

I want to thank you all for this conference and for being here again. I hope to be here in the following months for the Q2 results. Thanks a lot.

Operator: Thank you ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.