

**Operator:** Welcome to the Grupo Éxito first quarter 2019 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 Fernanda Moreno, Investor Relations Manager. Mrs. Moreno, 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.

Please move to slide number 2 to see the agenda. We will cover Grupo Éxito's financial and operational highlights, followed by a review of the company's strategic pillars for 2019 to 2021. Later, we will review the performance by country and consolidated financial results for the first quarter of 2019. The call concludes with a Q&A session.

Thank you for your attention. I'm going to turn the call over to Mr. Carlos Mario Giraldo.

**Carlos Mario Giraldo:** Thank you, María. I want to welcome you all to this call. I will start with slide number 3, where we have the consolidated highlights for the Grupo Éxito in the four countries.

We have to say, first, that during the first quarter, we had solid top line figures, driven basically by innovation and productivity. The first one impacting the first line and productivity and expenses, a good performance in most of the countries, especially Colombia and Brazil.

When we see the highlights, the consolidated highlights expressed in Colombian pesos, we have a 3.9% increase in net revenue, 4.5% increase in recurring EBITDA, and a 7.1% margin. This margin includes the IFRS adjustments. Without these adjustments, we have -- but obviously, very perfectly comparable with 2018, we would have had an EBITDA increasing 4.9% to a margin of 5.2% in the consolidated recurring EBITDA.

Going to the financial highlights, net sales boosted in Colombia by 2.7% and Brazil by 12.5%. In the operating side, it is key to highlight the solid performance of our cash & carry in both countries, Colombia and Brazil, the fresh market in all the countries, the WOW

concept in Colombia, the hypermarkets, and the Mercado Extra and CompreBem stores as the conversions that have been done from the supermarkets of Extra.

The increased share in Colombia of omnichannel activities growing to 3.9% of sales, coming from 2.9% in the previous quarter and a representation also of omnichannel sales in the Pão de Açúcar format in Brazil at 4%.

The very successful launch of Éxito and Carulla cloud technology applications with an important initial penetration in our customers.

When we go to investment and expansion, it is important to say that 69% of total Capex of COP 483,000 million was focused in expansion and innovation, omnichannel technologies and platforms, and digital transformation activities.

If we speak about corporate governance and sustainability, it is very important to highlight the main approvals of the general meetings of shareholders. I would say that the most important one in governance was to make at our statutes mandatory that the audit and risk committee is formed only by the independent members of the board. This is very important because it is the audit and risk committee that takes a first look and a first approval to the standards of any relation-party transaction that may be considered in the future by the Board of Directors. Also, our dividend payout ratio was established, as has been a policy for many years, at 50%.

Let's go to slide number 4. Here, we have in one slide the main strategic pillars of Grupo Éxito in the region, which have different expressions in the different countries. They reflect modern retail, modern trends and omnichannel trends in the world. In detail, they will be developed in the following slides, so I won't go into the detail.

It's only to say that the first pillar is the omnichannel model, the second one is innovation in concepts, in formats and in offer, the third one is digital transformation, and this is very important because in our case it's not theory, it's full with concrete developments that are having impacts in sales and in productivity. And finally, we have best practice all across activities coming from synergies, and mainly working on monetization of assets and monetization of traffic and also on different schemes of productivity.

If we go to slide number 5, we start with a description of the omnichannel model in our strategy. Here e-commerce is, of course, the base, it's the starting point, where the different banners have their e-commerce site, which has been growing at double digits everywhere, but especially in Colombia. And we have some specialized banners, I would highlight, for example, our Adegas wine platform in Brazil. The marketplace is an important way of monetizing our e-commerce sites. In Colombia, it's an increasing bet. Now it represents more than 40% of the total GMV of our e-commerce activity and it is growing at the quarter at 49%.

We have also to speak about our home delivery and last mile activity, which has a big emphasis in all the markets. In Colombia, between our own home delivery, which specializes in big purchases of complete food purchases and with our exclusive ally, which is Rappi,

which goes normally for small purchases, last-minute purchases, we did 800,000 deliveries in the quarter, which is amazing, because this was the figure that we had two years ago for the complete year, and this year, as it goes forward, we will probably go beyond 4 million deliveries for the complete year.

In Brazil, we did, as you know, the deployment of our own last miler, a multi-app, James, which was purchased by GPA, and which is now being expanded in different cities of the country.

Finally, in the digital catalogues, which are the kiosks that are present in our stores, they continue being expanded to complement our physical stores. Our click and collect is key. Click and collect is one of the main advantages that physical retail has in the world. We are seeing fewer e-commerce players like Amazon making alliances to be able to profit from click and collect as they did in France with Casino with 1,000 click and collect places, and we are expanding our click and collect capabilities in Colombia, Brazil and Uruguay.

Going to slide number 6. Here, we speak about the innovation in models, in concepts, in formats and in products, in the offer of different products, including private label. In concepts, I would say that the fresh market in all the four countries is the key development for premium stores, and we have Éxito WOW as the key development in innovation for the hypermarket, where in the last days, we opened a third one, and by year end, we will be up to nine WOW hypermarket stores, representing more than 15% of the total sales of Éxito brand.

In formats, it is all about Mercado Extra and CompreBem in Brazil. The difference between Mercado Extra and CompreBem is that Mercado Extra is a light Capex reform of a supermarket into a popular format, while CompreBem is a complete renovation of a bigger Extra supermarket. Between the two, we have arrived now to 43 conversions with very positive results and increasing sales.

In cash & carry, I would say this is, as you know, one of the principal synergies that we have had in the region, with Brazil being the origin of this format in South America and Assaí growing in a very good way, but Colombia also deploying now 20 cash & carries under Surtimayorista.

And finally, in offer, our private label, transversal brands. This is an important strategy now, not only format brands, but transversal brands as Qualitá in Brazil, as Frescampo in Colombia for food products, and Taeq as the only healthy, important transversal brand from a retailer in the Colombian retail market.

Slide number 7 mentions digital transformation emphasis in all the region, impacting customer experience, but also business dynamics and differentiation.

I will start with the app. In Colombia, our apps are now in a very few months, two months, near to 450,000 downloads. These apps are not only for information, they are mostly context apps and also transactional apps to boost discounts, sales, personalized offers to our customers, access to privileged cashier services, etcetera, which has come from the expertise

that we learned from the Meu Desconto app in Brazil, which today has an amazing number of 8.3 million downloads. I would say, one of the most successful app in all the American continent, including the United States.

Teaming with startups is a priority in all the value chain of our retail business. In Brazil, we can highlight Cheftime for gastronomic kits, and GetNinjas as a marketplace for service/supply provider.

In Colombia, we can highlight what we did some years ago with a startup that was Rappi, today, Unicorn, but that has created a very strong alliance with growth for Éxito in home delivery, in making proximities through home delivery a strong pillar of our growth and for Rappi, its growth in capillarity in Colombia. We also have the Foodtech Lab in São Paulo as an innovation hub.

Also, in digital transformation, we are working in frictionless experience for our customers, making payment easy through different systems adding technologies. Mobile POS, P-O-S, that we have mainly in Colombia, self check-out, which started in Uruguay and is now being launched in pilots in different stores, in the different countries. Shop and go, which has been massified in many of the hypermarkets and supermarkets in Colombia and permits our customers to shop and their purchases will be delivered to their houses, and scan and pay, which is being piloted in Brazil.

In customer service, I would highlight data analytics, which makes a difference and supports the wide data capabilities that the group has.

Going to slide number 8, in the best practice access, we would speak about asset monetization. In real estate, our real estate business in Colombia, Argentina and Brazil goes beyond 1 million GLA of square meters of rented area. And I would say, the most important building, the Viva Malls' assets in Colombia and Paseo Libertad in Argentina. Something to highlight is the innovation that Viva has introduced into the real estate scenario with real estate assets, which are modern and they answer to the necessity to deliver entertainment to the full family.

In traffic monetization, our Puntos Colombia, Pão de Açúcar Mais and Clube Extra in Brazil are leading customer coalitions, and our complementary businesses of which we have spoken in previous occasions continue to deliver a good support to the results of Éxito in Colombia. In operational excellence, it is all about lean productivity schemes supporting the good expense performance.

If we go to slide number 9, we speak about Colombia with a progressive top line growth coming from innovation, omnichannelity, cash & carry, and also, our traditional Éxito brand, with same-store sales growing in the quarter by 2%. That is the best versus the previous quarters.

It is interesting to see the sequence that we see in the graphic, which shows that if we compare the current performance against the down performance that we had in the second semester of

2017, we have a difference of 800 basis points improvement, which continues a gradual improvement in our commercial activity.

Same-store sales with increasing volume, but also increasing customers, especially in the Éxito and Carulla banners, a strong omnichannel growth of 38% in Colombia, and Surtimayorista with sales growing by 23%.

Going to slide number 10, we can see same-store sales performance by segments and here it's important to speak about the Éxito banner leading the growth with a 3.4% increase, the WOW stores with an average increase in sales of 16%, the Carulla with the fourth consecutive quarter of positive sales in same-store sales, and with the fresh market supermarkets of Carulla growing by 12% at an average.

Still challenging for our popular formats of Super Inter and Surtimax, nevertheless, they have 190 bps improvement in sales versus the same quarter of last year. We will still see negative the next quarter, but we feel that there's a gradual improvement that we will continue seeing, as we have a very important plan for the recuperation of this popular format. The B2B with the cash & carry increasing 27% in same-store sales and arriving by the end of this year to 30 stores.

On slide number 11, in omnichannel activities in Colombia, we had growth in omnichannel sales of 38%, arriving to sales of COP 104,000 million. That represents 3.9% of total sales; that is 100 basis points better than last year. E-commerce increasing by 24% and having 17 million visits in the quarter. Last-mile deliveries, as I said before, arriving to 800,000 deliveries were the stores serve as delivery knots, and this is very important, because our home delivery activity is today profitable. We gain money, we earn money in these deliveries. And that is because we don't deliver from a central distribution center, but we deliver from our stores, which have been adapted technologically to big platforms of delivery and logistic knots to the households that are near to the stores. And digital catalogues increasing their sales and orders by 39%.

Going to slide number 12, we speak about the innovation concepts leading growth with Éxito WOW, Carulla Fresh Market, whose figures I have spoken about. The important part is that by the end of the year for Carulla they will be representing nearly 25% of sales, and for Éxito, they will be representing between 13% and 15% of sales.

Surtimayorista with the presence concentrated in Bogotá and the Atlantic, the Caribbean coast. What's interesting is that in Bogotá, for example, the last figures show that in household tickets, Surtimayorista has now a penetration of 7%, which is incredible for formats that have only been launched for three years. And finally, we are speaking about a transversal private label representing near to 17% of share in Grupo Éxito sales in Colombia.

In slide number 13, about digital transformation we have already spoken, what I would add here is that in the applications in Colombia, we are having a goal of having between 1.5 and 2 million downloads during this year, and what is important is that once you contact a

customer with your application and he includes his application in his day-to-day purchasing activity, you can have a permanent conversation, a two-way conversation with the customer.

In the last offers that we are making in our applications, what we do is also one-to-one offers, which includes some killer promotions, which are massive for everybody, but they also include offers that are personalized to each customer according with his purchase habits. But also, offering new products that according with those habits he could purchase and he hasn't purchased in the past.

Going to slide number 14, we see in the asset and traffic monetization, our real estate business in Colombia, with revenues growing by 62.1%, which is normal as we entered with the very important shopping malls of Envigado and Tunja in the last quarter of last year and they have no comparable basis.

We arrived now to 735,000 square meters of GLA and it's interesting to see that Viva Envigado became a complete success in shopping malls in Colombia, a reference of innovation and in Medellín it became the most visited shopping mall of all the metropolitan area, with an average of 2.7 million visitors per month.

Puntos Colombia continues deploying its strategy with a high potential of data monetization, 56 million transactions in the first quarter, an important number of 2.4 million customers that have already in this month given us the habeas data. This is very important because it's an express permission, so that we would have not only high quality of data, but that the utilization with all the responsibility that modern times require for the big data to generate value out of the customer big data assets, I would say, and 81% share redemption of Puntos Colombia within Éxito.

Finally, I would say that in Brazil, we have seen the results that have been presented by Grupo Pão de Açúcar, another quarter with very solid growth. The best of the last quarters with 12% increase in sales in reals, in local currency, with Assaí being the most dynamic of all the formats in all Brazil, with 25% increase in sales, representing now near half the food sales of all GPA, and with 230 basis points market share gain in Brazil. Its credit card, which started just some quarters ago, now arriving to 720,000 credit cardholders of our Passaíí credit cards of Assaí, Multivarejo with its conversions to Mercado Extra and CompreBem and also, its digital transformation activities with the applications, downloads and the e-commerce activity.

I will turn it to Manfred Gartz for the financial information, and then I'll come back for conclusions.

**Manfred Gartz:** Thank you Carlos Mario and good morning everyone. We'll start on slide 16 with the operational performance of Colombia. Before I start, I would like to say that we use the retrospective method to implement IFRS 16, therefore making the figures that we are going to review completely comparable. We have the same effects, would be included both in 2019 and 2018. You'll find detailed information regarding the IFRS 16 impacts in the appendix of this presentation.

In Colombia, quarterly net revenues grew 3.6%, reaching COP 2.8 billion and continuing the positive recovery trend of the last five quarters. Top line evolution is the result of one, the well targeted commercial strategy; two, growing e-commerce business; and third, consistent performance of our traffic monetization vehicles.

Other revenues were 23.3%. On the gross margin, it reached 24.1%, decreasing 30 basis points versus last year. However, this margin reflects a satisfactory competitive level for our retail unit, which delivered at the end the cash margin. Additionally, this margin level reflects a mix effect derived from the higher participation of the non-food categories.

On the SG&A level, we maintain a rigorous cost control and got the benefits of implementing lean methodologies across operating departments.

Operational expenditures grew 2.2% and 1.6% when excluding depreciation and amortization. This is way below the inflation and the minimum wage, which increased 6% this year.

Finally, the Colombian operation reached an annual recurring EBITDA of COP 183,000 million, a margin of 6.5%, growing 4.3% versus last year, reflecting the commercial effectiveness with volumes improvement and expenses dilution. If we had excluded the IFRS 16 impacts, our EBITDA margin would have evolved almost 10 basis points, growing 5.7%.

Going forward to slide 17, in Brazil, net revenues grew 12% in local currency, reaching COP 10.6 billion, somehow showing the fast maturity of our store portfolio in Assaí and a consistent performance in Multivarejo.

Gross margin reached 22% of sales, reflecting stable margins in Assaí and 30 basis points gains in Multivarejo, reflecting the Easter season in the second quarter of this year.

The net FX comes as a consequence of the mix of sales where Assaí now reached participation of around 50% of the sales. In terms of SG&A, we managed to control expenditures and limit its growth to 7.5% in local terms. This result shows, first, the good performance of Assaí in a very aggressive expansion context, diluting 40 basis points, and two, the good results of the efficiencies gained in Multivarejo, where our SG&A grew 3.3% below inflation.

At the bottom line, recurring EBITDA ended at COP 753,000 million, growing 7.5%, resulting in a 7.1% margin and gaining 11 basis points. Excluding the IFRS 16 impacts, our EBITDA margin would have evolved 15 basis points, growing 8.8%.

Please move now to slide 18. Net sales in Uruguay in local currency decreased 0.9%, affected by the current instability of Argentina's economy and lower economic dynamism. Foreign tourist inflow shrank 30% during the summer season, affecting our Eastern stores, which have relevant incidence in sales.

Net revenues reached COP 674 million that were affected negatively by an FX impact of 4.9%. At the gross margin level, it reached 34.6%, almost 20 basis points below last year,

due to, first, higher promotional activation amidst a very challenging consumption scenario, and two, partially offset by efficiencies and shrinkage.

On the bottom line, the recurring EBITDA, we reached COP 73,000 million, maintaining a strong 10.8% margin, and continues to show solid profitability levels. Flattish top line avoid SG&A dilution. However, we expect EBITDA margins to improve in the coming quarters, expecting to end closer to historical levels by the end of the year.

Let's take a view on Argentina on slide 19. Net revenues grew 36.9%, excluding negative FX of almost 50%. This progression is certainly below inflationary levels, which is higher than 50%, reflecting the challenging macroeconomic condition in the country, that were partially offset by our dual strategy in the implementation of the added value proposition in the com category and the cell phone category. Gross margin ended at 32.4%, completely explained by the promotional intensity in the industry in the country, and lower volumes derived from lower consumption powers of Argentina.

Operating SG&A grew 39% in local terms, excluding depreciation and amortization and this really reflects an outstanding execution of planned control to control inflationary pressures and the impacts of polarized costs. At the end, recurring EBITDA remains in positive terrain. I think this is remarkable considering, first, the deceleration of the economy, and even better, if we benchmark with the performance of other competitors. Our real estate business stands out as a natural hedge against these economic headwinds.

Please move forward to slide 20 to take a look at the group's consolidated results. As we mentioned before, 2018 figures are totally comparable and express the retroactive implementation of IFRS 16. Top line reached COP 14 billion, growing 3.9%, even with a negative FX impact of 5.5%. This result reflects the strong performance in Brazil and Colombia and the contribution of complementary businesses, especially real estate in Colombia.

On the SG&A side, it diluted 65 basis points, reflecting productivity efforts in all our countries and a higher participation of Assaf. I think it is important to remark here that this shows the solid cost and expense control plan that will allow the company to run in a leaner way in the future. Recurring EBITDA grew 4.5%, including a negative FX of 4.9%. We reached a margin of 7.1%. If we exclude the IFRS 16 impacts in our EBITDA margin, it would have grown 5 basis points and would present an evolution of 4.9%.

Now please move to next slide to review the net group share results. Net result closed at minus COP 13,000 million, very in line with our expectations, considering first quarter is normally hit by seasonal expenses and beginning of year inflationary adjustments. On top of this, in this particular quarter, reevaluation of the Colombian peso versus the other currencies also contributed to the result.

The net result is mainly explained by: first, improved operational performance in Brazil and Colombia, coming from commercial actions and cost controls. Two, reduction of our financial expenses, mainly from reduction of the interest rates both in Colombia and Brazil.

Three, solid results from our Argentinian and Uruguayan operations. And fourth, FX impacts on operational results.

Now please move to slide 22. At the holding level, net financial debt closed at COP 3.2 billion, decreasing 50%, in line with the company's strategy. Our gross debt closed at COP 3.7 billion, reducing COP 730,000 million, which represents a contraction of almost 60% and cash and equivalents closed at COP 500,000 million, very normal for the first quarter of the year.

At this point, I will return the call to Mr. Carlos Mario Giraldo to continue the call.

**Carlos Mario Giraldo:** I will come to the main conclusions in this call. First, we see a solid top line performance at consolidated level, driven basically by Brazil and by a consistent recovery in Colombia.

A consolidated operational margin improvement on comparable basis, despite the challenging environment in Uruguay and Argentina. Productivity gains in the region that contribute to the increasing EBITDA levels, strategy focused on very modern activities, which most retailers are pursuing, but that in our case have very clear demonstration in our markets like omnichannel development, innovation in models and formats, digital transformation across all the region, asset and traffic monetization, which is very particular as a business model to Grupo Éxito, and especially the real estate developments and the loyalty programs, the successful development of formats and models like fresh, WOW, cash & carry and Mercado Extra and CompreBem and the investment in innovative activities to guarantee long-term sustainable growth. I would make emphasis in this, long-term sustainable growth, and it is such that we only do Colombia. At the end of the year, on a 12-month basis, linear basis, the new activities that have been launched in the last three years will represent more than 20% of the total sales of the Grupo Éxito.

What I would say is that a good formula against competitive markets and economic situations is innovation. It is giving service to our customers. It is doing things differently. It is inventing new experiences that have never been seen and many of our formats are being now even regionally and worldwide accepted as delivering this type of experience to our customers.

Finally, the customer is in the center and if the customer receives more for his money, of course, having a very competitive price level in our products, he will react positively to the Grupo Éxito product and service offered in the different countries and I would speak especially for the interesting and gradual recovery in the Colombian market.

I thank you all for participation in this conference and we open it to Q&A session.

**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 Antonio Gonzalez, from Credit Suisse. Please go ahead.

**Antonio Gonzalez:** Good morning. Thanks for taking my question. I just have a quick one. I appreciate that you might have limited comments on this topic, and I fully understand if that is the case, but I wanted to revisit the news that recently came out about your controlling shareholder potentially reorganizing assets in Latin America. Obviously, we all saw that the controlling shareholder of Éxito sent a statement to the market saying that there is no material information yet to be disclosed.

What I wanted to ask Carlos Mario is, in light of the comments that you read at the beginning of your presentation on the audit and risk committee of Éxito being fully comprised of independent members, which we obviously fully appreciate, is there any comment that can be shared at this stage from the perspective of Éxito's board, not just the controlled shareholder, meaning is the Audit Committee also on a permanent review of the corporate structure of Éxito? I'm just trying to see if you can share any comments, and sorry to ask for a question on behalf of the board and not for management, but is there any light that you can share on how the audit committee addresses these sort of situations on a permanent basis? That would be super, super helpful. Thank you.

**Carlos Mario Giraldo:** Your question was so complete that it gave most of the answers. But I will ask...

**Antonio Gonzalez:** Sorry to make a lot of questions, yes.

**Carlos Mario Giraldo:** No, no, no. I'm speaking in a good sense. What I would say is, first of all, that we made also a public publication of *información relevante* where we simply took what Casino said in its public information because also what was published related to Casino activity, and it says that it studies very strategic options in the region, in the context of a permanent review of these investments, but it makes clear that these thoughts haven't led to any material element that would justify a disclosure to the market.

I would add that the Colombian legislation and the requirements of the Superintendencia Financiera are very strict in this regard, and we are completely complying with them and when there are material things, of course, we immediately publish them to the market.

And the third thing, and this is more related to your question, is that the governance process of decisions, whenever there are related-party transactions or transactions in which there is a conflict of interest, are very strong today at Éxito, that even they have been good at the statutes of the company levels, and that the audit committee has a protagonic decision in this level and that any relation-party transaction has to go with the audit committee, which to date is constituted by four independent members and only by the four independent members, and it is important to note that some related-party transactions have already gone through them.

Of course, they are minor and they don't have a big consequence in books and results of the company, but it has been an ongoing day-to-day basis procedure with which I would say, the board, and also, the audit committee feels very much comfortable.

**Operator:** Our next question online comes from Julian Amaya, from Davivienda Corredores.

**Julian Amaya:** Good morning. Thank you for the presentation. I have one question related with the strategic pillar. What are your thoughts about Uruguay and Argentina, about the digital transformation implementation of e-commerce in these 2 geographies? And also, related with this, what are the chances that the cash & carry format is implemented in these two geographies as well? Thank you.

**Carlos Mario Giraldo:** This is a very good question. Today, we are already working in last-mile deliveries, both in Uruguay and in Argentina, with much more depth in Uruguay, where it is becoming an important trend in Montevideo, so we would be giving some figures in the future, when they become material to the operation.

As for new formats and new alternatives in these countries, I think that for the moment, we're working in two areas. In Uruguay, the focus is fresh market supermarkets. As you know, our brands Disco and Devoto are medium, high-type of brands, given the high average income that the Uruguayans have. So what we are doing is that we are working very much in expanding many of our supermarkets into the fresh market proposition. This year, sales between 25% and 30% of Uruguay will be constituted by these reforms, and we continue in Uruguay working on proximity. We are the leader in proximity stores, which is very important under the Devoto Express banner.

Cash & carry will be considered for the future, but for the moment, especially in Argentina, where cash & carry has a very important presence. The problem is that today in Argentina you have to be very prudent with your investments and we are concentrating our investments in real estate areas, which are highly profitable because we are the main destination for real estate developments for most brands in the 15 cities where we have galleries. So this is the concentration. We would like to have cash & carry in Argentina, but it's not the moment, and we will go and we will expect for better moments in the economy.

**Operator:** Our next question online comes from Federico Pérez from Bancolombia. Please go ahead.

**Federico Pérez:** Good morning. Thank you for the presentation. I have a couple of questions. The first one is that, in the Colombian Congress is under discussion the commissions of the debit and credit cards in Colombia. After reviewing the Tuya, the brand under your name, it's the second entity with most cards. Could you tell us what could be the financial effect on Éxito and on Tuya, if this law is finally approved?

The second question is regarding the covenant you need to comply with at the holding level by the end of the year, which is the net debt to EBITDA, after seeing that the application of the IFRS 16 will increase the EBITDA generated by the company. Do you guys know if this

covenant is going to be reviewed or how is it going to be calculated, taking into consideration that the EBITDA is not going to be comparable versus 2018 EBITDA?

**Carlos Mario Giraldo:** Federico, I'll take the first one on administrative quotas of credit and debit cards and then the other one, I will give it to Manfred.

In the first one, clearly it's a discussion that is going on in Congress and Tuya is not exempt from the impact as the banks are, all banks are, so it's part of the financial sector and it would have an important impact.

What I believe is that for the moment, we are seeing a momentum in Congress for that if it is going to go forward and there is a discussion about that, a big discussion about the elimination of the administrative quota, which is important for all credit and debit cards and for the sustainability of this type of credit in Colombia.

If it's going forward, there is a good spirit to exempt those credit cards which are making "bankarization", which are introducing base of the pyramid people into the banking system such as Tuya, which at the same time are not banks, and Tuya is not a bank, so we believe this can go forward. But of course, it's an uncertainty that is present and at current discussion, as there are many current discussions in different issues today in the Colombian Congress.

**Manfred Gartz:** And regarding your second question, what I would say is that the definitions of adjusted EBITDA and net financial debt as per the contracts will have no impact whatsoever as to the implementation of IFRS 16, so they will be continue to be calculated in the same manner it was in the past.

**Federico Pérez:** Okay. Thank you. One last question, if I may, can you give us a bit of extra color on your sustainability approach, which are the main strategies you guys are working on right now in this regard? Thank you.

**Carlos Mario Giraldo:** I love this question and I hope I don't expand a lot, but I think that first, in all the different studies that are made in Colombia, Éxito is clearly recognized as one of the most sustainable brands in the country. It is something that has happened during all the history of the company.

First one is we focus on children nutrition. We launched the national addition of generation zero malnutrition to the year 2030. We personally have resources of around \$7 million USD from the recycling of our cartons from the Goticas that are donated from our customers and from donations from the company that go to sustain directly around 60,000 children in Colombia, but it's not enough because we have around 650 children now with chronic malnutrition in Colombia.

It is something in which we are teaming with NGOs, with local governments and with the national government, and it's a key issue. The second one is the focus on sustainable retail and there are 2 main activities. The first one is aliados, Surtimax and Super Inter, 1,400 aliados where we have shown that there's space for everybody and that we can create a kind of cooperative where there is a sustainable and shared value. They gain value because they

formalize and they increase their sales and they receive our private brands, but we gain value because it will represent this year more than COP 150,000 million in profitable sales for the company.

But we also work a lot in purchasing directly to the local producer, both in non-food and in food. In nonfood, our textile purchases, we purchase around 22 million units of our private brands of Arkitekt, Bronzini and People to local producers, around 100 local producers. Many of them are run by women head of families and we create here 8,000 direct employment.

It's incredible how things that really we think are not good like the taxes that are being put on apparel today -- We do not agree with this, 40% taxes on apparel, but for Éxito it's a competitive advantage, because 92% of our apparel is produced locally and we have produced locally even in the most difficult times of reevaluation of the Colombian peso.

Today 85% of our food, vegetables and meat is being bought directly to the producers locally and we went to NGOs to make what we call "La compra campesina", not only of food and vegetables, but also of fish and chicken.

Finally, we work for the planet. I think we have a big responsibility. We have reduced 60% the consumption of plastic bags. We are now doing recycling of PET bottles, a pilot inside of our stores, we're promoting the reusable bag in our stores. We eliminated all the straws and the plastic mixers from our stores, being the first company to do it in Colombia. Sorry for the length of the answer, and it could have been 2 or 3x twice the expansion.

**Operator:** Our next question online comes from Nicolas Larrain, from JPMorgan.

**Nicolas Larrain:** Thanks for the presentation. I have one question on Colombia. So margins came in pretty solid, I was wondering, if you remember you gave a sort of a guidance late last year saying that margins in Colombia should improve slightly or at least be maintained. Is this still in place or do you think there could be more risk to the upside now after these results?

**Carlos Mario Giraldo:** We keep our guidance. It has been only two or three months since we gave it and we think that the conditions that we thought were present in the market continue to be there. That is a gradual improvement in retail, but as you have seen from DANE,

The gradual improvement is not a booster improvement. I think it's more a relative improvement from Éxito. Retail sales first quarter of last year were plus 4 and plus 3.8, 3.9 and this time they were plus 4, so they were very similar to last year's. But really, we are -- for example, this quarter we -- in same-store sales, which is our focus today, we had a net gain of market share, which is very positive for the group and we continue to believe that we are going to keep at least to keep our EBITDA margins.

**Nicolas Larrain:** I see. And if I could quickly follow-up, could you just give a brief comment on how is the competitive environment in Colombia nowadays?

**Carlos Mario Giraldo:** I think it continues to be a very competitive market. We still see an expansion from the three discounters that are present in the market. The difference is that, first, this expansion now starts from an established base, so the impact of this expansion percentually in the market and in the sales of established retailers is lower than before.

The second thing is that many of our strategies are playing well. For example, in omnichannel, when you gain 100 basis points of representation that means that we are getting with proximity deliveries in many more households in Colombia. That means that many more people are buying the non-food and the food from our e-commerce sites and from our marketplace. And that means that without having to open hundreds of unprofitable stores everywhere, we are keeping our market share and we are giving solutions to our customers.

I would add to this that our traditional formats have found an innovation scheme, which really, I mean, it's not because I say so, but because we receive it from the reviews of the customers and the specialists, which are conquering the heads and the hearts of our customers like the Éxito WOW and the Carulla fresh markets. Finally, the cash & carry is something new, it's a new market for us, where we are getting, of course, to popular consumers, but also to professional customers like the mom-and-pops, where we were not present.

It's interesting to see that for Éxito, for example, today the mom-and-pops market is very interesting in Colombia. We have more than 300,000 mom and pops. But of these mom-and-pops, only 20,000 are the big ones and we are working with the big ones as allies of Surtimax and Super Inter, but also as very important customers through our cash & carry proposition.

**Operator:** Our next question online comes from Ron Dadina, from MUFG.

**Ron Dadina:** Hello. Thanks. I'm sorry, I joined the call late, so apologies if this question was already covered. But there have been various reports in the press regarding either merger of CBD or Éxito, or selling of further stake, etcetera. So can you just let us know that at this point in time what is on the table and what is not and what is just a rumor?

**Carlos Mario Giraldo:** Here, what we said in the previous moment in the conference, is that we repeat what we said at *información relevante*, where we simply got the reference text of what Casino delivered to the market, number one. Number two, we have no additional *información relevante* and here we comply strictly with the most rigorous standards of the Superintendencia Financiera of Columbia. And number three, we were speaking to your colleagues about the important governance procedures that Éxito has in place, including an audit committee formed only by independent members, where any entity has to go through and have the positive concept of the audit committee before being approved.

**Operator:** Our next question comes from Carlos Rodríguez, from Ultraserfinco.

**Carlos Rodríguez:** Good morning. Can we get some detail on the bottom line, because when I see the financials coming from Brazil were positive overall, I mean, even including the net loss of Via Varejo, I would like to know why the impact is higher in Colombia? And also implementing IFRS 16 improves the numbers for Éxito in a significant amount?

**Manfred Gartz:** I'll take the question and into the first one, as I mentioned before, we have a couple of things that actually, if you compare the bridge that we shared on slide 21, that can explain how the net results evolve. I mean, one of the key one has to do with the time of the reevaluation of the Colombian pesos versus the other currencies. That was quite of what explains a little bit the change in the results. Second, we have also a small amount of what comes from IAS 29 in Argentina, and third comes also from the Uruguayan and the Argentinian results.

As we mentioned before, especially we expect that Uruguay recovers throughout the year and at the end it is pretty much more of a first quarter kind of impact due to the seasonal summer effect that happens in Uruguay as a consequence of the Argentinian situation.

Also, as you may know, the first quarter is normally the most challenged one in terms of results, given mainly that most of the inflation affects that comes in cost and expenses are adjusted at the beginning of the year, whereas, the adjustments in price in terms of -- gets a little laggy in between so it goes through the first months in order to make the catch up.

Regarding the last question of yours, it has to do with the fact that especially for Via Varejo, we have the covenants of two sets of rules. One that goes through the IFRS 5 that we need to recognize Via Varejo as a discontinued operation. And two, a mix of the IFRS 16 effect. If you go once again and that's why we wanted to be very clear on slide 21, the net effects of both things when you combine them together whereas for Via Varejo the net effect is around minus COP 4.3 million, so that's roughly \$1.2 million, \$1.1 million, that's the net effect. So at the end, this is more comprehends of the rules of IFRS 5 and IFRS 16 on Via Varejo, rather than I would say a significant issue. I hope this explains the point.

**Operator:** And we have no further questions at this time. I'd like to now turn the call over to Carlos Mario Giraldo for closing comments.

**Carlos Mario Giraldo:** Yes, yes, I thank you all very much for being here in this conference. And I really thank you very much for your questions, which gave us opportunities to get deeper into many of the important points of Grupo Éxito.

What I would say is three years ago, we were speaking all about discounters in Colombia, the market not increasing and more of the same. If you look what has changed in the panorama, it is more of not the same, new things that are impacting the market.

You are seeing a marketplace where we now have more than 60,000 products and by the end of the year, we're going to have more than 100,000 products of third parties that are monetizing the stronger logistics and technological platforms of the company. We have applications which are now transforming the way in which people speak with their retailer and what they get served with a frictionless experience, in which we still have to work, but we are leading the panorama.

We have a cash & carry, which, two years ago, was only one store in Bogotá, and it's now going to be 30 stores in Bogotá, with strong penetration and acceptance of consumers. And

being profitable from the beginning, this is very important, because it's the only discount format profitable in Colombia at this moment.

We have a fresh market of Carulla that if you have visited it, I would say with modesty it's comparable with the many of the premium formats in the world. Then you have an Éxito WOW, which probably in Latin America is one of a few only, I would say, innovation, real strategies in the hypermarket, giving double-digit increase in sales.

And finally, we have more than 20% of sales that are going to be driven by these new things. So I think it's a change of panorama. Normally, you don't see it instantly the result of that and we were speaking before of that, but today, we see some of those results.

To see omnichannel sales growing by 100 basis points is amazing. If you look at what's happening with the best retailers in the world in this type of strategies like Walmart for example, it's the kind of growth that they are having in their own sales. So I would say that nothing is gained because here every day is different, but this route of differentiation, of innovation, of omnichannelity of additional income is very important.

The second thing I would make is that Brazil remains strong and stronger than before and it has the 2 most interesting formats in the country. It's leading cash & carry with Assaí growing by 25% quarter-after-quarter. And second, our premium format of Pão de Açúcar is one-in-a-kind in Brazil. And here, the figures both in sales and profitability continues to be.

Of course, you always have problems in some parts and they come from Argentina, but you have to bear in mind that impact that the Argentina figures have in the consolidated Éxito figures, and also, the fact that under our real estate business, we have made a very good protection of profitability in the middle of a 100% devaluation, 50% inflation, that outside of Venezuela is probably the other place where you're seeing it in the world.

And finally, what I would say is that look at some initiatives that are getting importance and that will be important in the future and that will create a lot of value. Real estate, for example. In real estate, if you visit, for example, Viva Envigado, you will see a shopping mall that can be present, I would say, in any part of Asia, where the most important shopping malls in entertainment are being created, and then Puntos Colombia in alliance with Bancolombia, I think has a very interesting future, because of the *habeas data* and the very strong database that we are going to get that will create a currency of Puntos. But further than that, it is going to create a very important database interaction for customer communication, but also to create value to the company.

I thank you very much for being here. We will continue working on this basis and on these pillars and we will see you in the next quarters.

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