





CEO and Board of Directors' Management Report

Grupo Éxito's results were very positive during 2019 thanks to commercial and strategic progress and its financial results in Colombia, Uruguay and Argentina. The company attributed its positive results to the implementation of a strategy based on innovation and differentiation, the visionary development of unifying customer service through physical and virtual channels and focused on long-term sustainability.



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Grupo Éxito ended the 2019 Fiscal Year on a very positive note: **The company reported strong commercial results** and a profitable growth direction based on innovative formats, our omnichannel strategy, digital transformation, traffic monetization and the execution of our sustainability strategy.”

CARLOS MARIO GIRALDO MORENO
CEO Grupo Éxito

Dear Shareholders:

Grupo Éxito ended 2019 on a positive balance thanks to its commercial and strategic progress and financial key drivers. The company reported results strengthened by the implementation of a strategy based on innovation, differentiation, the development of a unified customer service vision served by physical and virtual channels and focused on business sustainability over the long term.

Additionally, the company closed the year with a new financial structure, which allows to strengthen its balance sheet and make it more flexible. This will make it easier for the company to face new market challenges and accelerate the implementation of successful and innovative business proposals that generate value for customers, employees, shareholders and stakeholders.

Key business highlights



1

Éxito Wow, the new generation of hypermarkets in Colombia combines the best of physical and virtual worlds in one place, providing our customers with differential experiences. They represent 17.5% of Éxito brand total sales and achieved nine points in sales growth over the brand's other stores.

2

At the end of the year, the Fresh Market model was implemented at 34 stores in the three countries where the Group has operations (Colombia, Uruguay and Argentina). The stores under the Fresh Market model in Colombia represented 17% of Carulla brand sales and grew in sales 12-point over the rest of the Carulla brand.

3

In December, the first smart retail store / laboratory in Colombia opened in Bogotá under the Carulla SmartMarket format. This lab provides nearly 20 high-tech shopping experiences, such as facial recognition payment, self-check-out, an electronic sommelier and fully digital shopping, which saves time and improves the customer's experience.

4

The company opened 12 Cash and Carry format stores under the Surtimayorista brand, reaching 30 stores by the end of 2019. The brand has reported a positive EBITDA margin since its initial year of operation and continues to grow in popularity as an alternative for customers in the institutional segment.

5

The omnichannel strategy continued to grow and strengthen in the region, thanks to the marketplace consolidation in Colombia and the launch of its international version, the development of effective last-mile delivery models and mobile customer apps that have surpassed more than 1.9 million downloads. Omnichannel sales represented 4.5% of total sales in Colombia and 2.3% in Uruguay.

6

The real estate business continued to contribute to the differentiation and profitability of our ecosystem, with more than 164 million visitors in the 34 shopping centers and commercial galleries throughout Colombia. Thanks to its successful focus of providing both shopping and entertainment experiences for families, the Viva brand earned five awards from the International Council of Shopping Centers (ICSC). Argentina, with 15 shopping centers, the company has consolidated itself as the leading operator in the interior of that nation.

7

Complementary businesses continued to create value for customers and contributed to the company's bottom line. Among them, the financial business with Tuya, the nation's second largest credit card issuer and the pioneer to implement contactless payment technology in Colombia, excelled over the others. The success of Viajes Éxito, Grupo Éxito's travel agency, also garnered attention by registering double-digit growth in online sales.

8

The Puntos Colombia loyalty program now boasts 3.5 million users with habeas data authorization allows access to 75 associated businesses which enable even faster accumulation and redemption of points. The great popularity and acceptance of Grupo Éxito brands is also worth noting, with 77% of share over total point redemption.





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The consolidated recurring EBITDA margin for the year was 8.4%, 20 basis points higher than in 2018 and growing consistently for the third consecutive year. Only in Colombia, that rate was 8.6%, with a 25 basis points improvement in profitability.

10

Consolidated expenses grew 0.9%, less than the increase in revenues (2.8%), thanks to the implementation of productivity initiatives such as Six Sigma and Kaizen as well as rigorous cost-control measures in all business units.

Net Group Share Result in 2019 reached COP57,6 million, reflecting the positive operating performance in Colombia and lower financial expenses that were offset by tax variations and international operations contribution.

12

The company sold its indirect stake in Brazil's Grupo Pão de Açúcar as part of its goal to simplify the corporate structure led by parent company Casino, Guichard-Perrachon in Latin America. This resulted in a new perimeter of consolidation for Grupo Éxito that extends throughout its operations in Colombia, Uruguay and Argentina.

Colombia – Grupo Éxito

Operations in Colombia grew 4.8% over the previous year and reached net revenues of COP11.8 billion. The company's recurring EBITDA margin of 8.6% exceeded one billion pesos and grew 7.9% compared to 2018.

The rise in revenue in Colombia resulted from the successful implementation and consolidation of the value proposition developed in innovative formats Éxito Wow, Carulla FreshMarket and Cash and Carry under the Surtimayorista brand. Coupled with the strengthening of the omnichannel strategy, these measures contributed to 75% of the sales growth.

These formats propose a differentiated assortment easy payment options via new technologies and a more pleasant experience, which translates into increased customer traffic in the stores.

Performance by brand was as follows:

- The Éxito brand represented 69% of the company's sales in Colombia and grew by 5.3% during 2019. The Wow value model was implemented in seven stores, reaching nine stores.
- Carulla represented 14% of national sales and recorded 2.2% growth in 2019, driven by the Fresh Market model aimed at maximizing the customer experience.
- The Surtimayorista brand grew 17.8% and contributed 4% of share in total Colombia's sales.
- The company placed a greater emphasis on its digital transformation and made larger investments in the technology and logistics platforms based on consumer habits in three main areas:

- **Contactless payments:** Meaning quicker and easier payments methods for customers. This alternative is already available in the 36 self-check-out lanes of several Éxito Wow and Carulla FreshMarket stores.



Carulla FreshMarket Country store is the first supermarket to enable the use of WhatsApp shopping stickers by customers.



Learn here
how Grupo Éxito is leading the retail transformation

- **Intelligent data management:** This allows the development of one-to-one marketing strategies aimed at providing customers the product, service or discount they seek. The “Mi Descuento” module of the mobile apps created for Éxito and Carulla is a great example, providing customized discounts for users. More than 690,000 customers have already activated more than 3.3 million coupons via their mobile devices.
- **Last Mile:** We lead this trend in Colombian urban areas and provided more than four million delivery services during 2019. In addition, by the end of 2019, e-commerce platforms (exito.com and carulla.com), home delivery, digital catalogs, Marketplace (a virtual platform for third-party vendors) and Last Mile services, had seen their sales increase rapidly by 37%, which contributed 4.5% of the company’s total sales.

Along with the development of formats and models, the company continued to strengthen the position of its private labels among which the brand Frescampo is excelled with a portfolio of 540 products in 71 categories, that guarantees quality products at a low cost; and Taeq, which is already the third most important healthy brand in Colombia and the first from a retail company growing its sales by 25% in 2019.

Viajes Éxito demonstrated outstanding performance last year, mobilizing more than 260,000 passengers and seeing its revenues grow by 32% due to the consolidation of its online sales channel. Tuya, the financial business, issued an average of 52,000 credit cards per month last year.

The insurance business reached nearly one million customers, and Móvil Éxito grew by 9.6%, closing out the year with more than 650,000 active cell phone lines.

The real estate business reached 758,000 square meters of leasable area in 34 assets, and more than 4,800 businesses rented space inside the stores. Part of these assets are operated by Viva Malls, the largest commercial real estate investment vehicle in Colombia. Viva Malls boasts 18 shopping centers and commercial galleries with more than 568,000 square meters of leasable area.

International Operations

Uruguay - Grupo Disco and Devoto

The Uruguayan economy faced an acceleration of the depreciation of its currency and a high rated inflation that reached 8.8% by the end of 2019. This resulted in slower country dynamics, and primarily affected the results of our operations during the first half of the year.

Amidst this context, the operation in Uruguay achieved good levels of profitability. Sales increased by 3.9% in local currency, expenses were kept under strict control and it was attained a recurrent EBITDA margin of 9.2%.

The strengthening of the Fresh Market concept was one of the main commercial levers during the year. By the end of 2019, 17 stores were transformed to this concept, and sales grew by 4.7%, representing 40.3% of total sales.



Fresh Market business model implemented in Libertad, Argentina.

The operations in Uruguay and Argentina contributed to the profitable growth of the company, amidst the challenging economic environment.

Argentina – Libertad

The political process in 2019 contributed to consumer uncertainty throughout the year. The inflation skyrocketed to 54%, which affected local purchasing power.

Amid this challenging environment, Libertad continued with its dual strategy, which combines retail and real estate business with the operation of 169,000 square meters of GLA in 15 shopping centers and commercial galleries under the “Paseo” banner. These shopping centers boast an occupancy rate of 93.9%, which is higher than the average recorded by local competitors.

The operation in Argentina reflected a 39.3% increase in revenue¹ in local currency and a recurrent EBITDA margin of 3.5% in 2019.

¹ Excluding hyperinflationary effects (IAS29)

Corporate Restructuring

Since mid-2019, the company revealed its plans for simplifying the corporate structure of Casino, Guichard-Perrachon in Latin America, which included:

- A Public Acquisition Offer (OPA) of shares in cash presented by the Pão de Açúcar Group, for up to 100% of Éxito's shares, in which Casino, Guichard-Perrachon S.A. would contribute all of its stake (55.3%).
- Casino, Guichard-Perrachon planned the acquisition of the company's indirect stake in Grupo Pão de Açúcar through the French company Segisor S.A.S.

On Sept. 12, the corporate bodies of the company authorized the sale to Casino, Guichard-Perrachon of the company's indirect stake in Grupo Pão de Açúcar through the French company Segisor S.A.S. On Sept. 13, Sendas Distribuidora S.A., a subsidiary of Grupo Pão de Açúcar, submitted under the Financial Superintendence of Colombia a request for authorization for an initial public offering (IPO) for up to all of the company's shares which was duly authorized by the regulator.

In the month of November, the sale of the company's indirect participation in Grupo Pão de Açúcar to Casino and the aforementioned public offer closed, which led to Sendas Distribuidora S.A. acquiring 96.57% of the company. The remaining 3.43% still lies in the hands of minority shareholders.

Consequently the consolidation perimeter of the financial statements will reflect the result of the operations in Colombia, Uruguay and Argentina.

Consolidated Financial Results

In 2019, the company's total net revenues grew by 2.8% (6.3%, excluding the FX effect) compared to the previous year, and reached COP\$15.2 billion. The recovery of Colombian operations was evidenced quarter by quarter leveraged by the innovative formats. Uruguay regained its positive trend from the second quarter of the year, and Argentina reflected the effects of a challenging macroeconomic and consumer environment.

Net revenues in Colombia in 2019 grew by 4.8% over the previous year and reached nearly COP12 billion, representing 77% of the Group's consolidated sales. The international operation represented 23% of the Group's total, its revenues reached COP3.5 billion and were reduced by 3.3%, including FX effects.

The company kept a lid on expenses, which were below inflation growth in all three countries as a result of continuous monitoring and internal efforts. This led to increased productivity and profitability.

Grupo Éxito reached a consolidated recurring EBITDA of COP1.3 billion with a margin of 8.4% over total revenues, growing 5.3% compared to 2018. The company achieved a net income result of COP57,600 million. This figure reflected the positive variations in operational performance in Colombia, lower financial expenses that were negatively impacted by tax variations and the contribution of international and discontinued operations.

Sustainability

For Grupo Éxito, 2019 was a year of significant achievements among the five goals of the company's sustainability strategy: Zero Chronic Malnutrition, Sustainable Trade, My Planet ("Mi Planeta), Healthy Life ("Vida Sana") and the Success of Grupo Éxito is in its People ("El Éxito de Grupo Éxito está en su gente")

In the Dow Jones Sustainability Index, the company ranked among the top 10 in the food retail category around the globe.

Top Achievements in the Sustainability Strategy

Zero Chronic Malnutrition

Through Fundación Éxito in Colombia, the company made headway in its goal of ensuring no child under the age of five would suffer from chronic malnutrition by 2030.

- The company ratified its MEGA Zero Malnutrition as a corporate goal for the year 2030.
- Being the sponsor of the Sustainable Development Goal 2 (SDG) Zero Hunger for Colombia.
- A total of 64,602 children under the age of five received better nutrition and comprehensive care to ensure a brighter future, thanks to donations from customers, suppliers, employees, partners and our company.
- 579,301 people benefited from the donation of 1,952 tons of food generated by our operation, which were delivered to 21 food banks and 36 institutions around the nation, all allies of Fundación Éxito.

Sustainable Trade

The company strives to foment valuable relationships with its suppliers, promoting local and direct purchasing and the development of suppliers and partners.

- The Company acquired 82% of the fruits and vegetables sold in its national stores directly from Colombian farmers.
- 92% of the fruits and vegetables sold were acquired in Colombia.
- More than 1,400 owners of convenience markets and mom-and-pop grocery stores are part of the Surtimax and Super Inter Allies Program, an inclusive business relationship where mutually valuable and long-term alliances are generated.
- A new model of social, environmental, quality and safety auditing was developed for our private label suppliers.
- 93% of the private label textiles are produced in Colombia.
- More than 48 million garments are made for Éxito Industrias S.A.S., which helps provide employment to nearly 8,000 people.

Mi Planeta

- The corporate environmental MEGA was ratified to reduce the company's carbon footprint at least 22% by 2022.
- A cumulative 61% reduction in plastic bags was achieved in 2019.
- The company leads the cardboard recycling process in Colombia with more than 22,100 tons of recyclable material recovered in 2019.

The Success of Grupo Éxito is in its People

As the largest private employer in Colombia with nearly 40,000 employees, the company continued to promote talent and human resources. We invested more than COP\$85,000 million in benefits for employees, and the national government awarded us the Silver Seal of Equipares for Grupo Éxito's efforts and commitment to gender equity.

Corporate Governance and Internal Control

In 2019, the Management of the company implemented strategies to fortify the ongoing process of building valuable relationships between the company and its stakeholders. These initiatives originated in the company's unwavering commitment to adopt the best practices in corporate governance.

As a result, the company achieved important milestones such as: The Dow Jones Emerging Markets Sustainability Index recognizing Grupo Éxito as the only retail company in Latin America with high sustainability standards and labeled it one of the 10 most sustainable food retail companies in the world.

In order to ensure the prevention and control of money laundering and terrorism financing, the company followed its own applicable regime in accordance to the internal policies set by the Board of Directors.

In accordance with its commitment to zero tolerance of fraud, bribery, corruption and in the promotion of good competition practices, the company strengthened its anti-corruption program in compliance with regulatory standards and good practices for the management of those risks.

Regarding risk management, a new definition of risk categories was incorporated at the strategic level during 2019. The company also reaffirmed its commitment to the continuous improvement of the Comprehensive Risk Management System. Throughout the year, it provided comprehensive support to the risk managers who transversely impacted the company's processes.

The performance of the company's internal control and financial information disclosure systems is adequate. The Audit and Risk Committee supervised the financial information and reporting process, risk management, internal audit and tax review management, relevant internal control system issues and regulatory compliance. These primarily address the areas of fraud, bribery and corruption risk prevention programs; money laundering and terrorism financing; protection of personal data and third-party transactions; and the process of managing conflicts of interest at the senior management level.

Corporate Management certifies that the internal control system found no weaknesses that would have prevented the recording, processing, summarizing and adequate presentation of the company's financial information, nor significant fraud that might have affected its quality and integrity. The disclosure of

financial information was verified and complies with current regulations, ensuring that the information through Dec. 31, 2019 is accurate and contains no defects, inaccuracies or errors that would cloud the knowledge of the company's true economic situation.

For more information on corporate governance and the company's internal control system, we invite the reader to review the Corporate Governance Report contained in the Integrated Report starting on page 24.

Related Party Transactions

Transactions between related parties carried out in 2019 met the guidelines of the Transactions between Related Parties Procedures Policy.

Those most relevant transactions in the eyes of the company are outlined in the Corporate Governance Report and in Note No. 37.2 of the separate Financial Statements.

Finally, in fulfillment of Article 29 of Law 222 of 1995, it is duly stated that the company did not make or fail to make important decisions of interest to its subordinates in 2019, the company officials declare:

- It entered into a transaction with the controlling company, Casino, Guichard-Perrachon S.A., details of which can be found in the Corporate Governance Report in the chapter on the most relevant related-party transactions. Similarly, information on the transaction is also available on the corporate website and was disclosed to the market during 2019 through the relevant information mechanisms provided by the Financial Superintendence.
- The company did not make or refrain from making important decisions in the interest of its subordinates, nor did its subordinates make or abstain from making decisions of importance or interest to the company (the parent company).

Closing Remarks

- The company did not enter into significant transactions with third parties in the interest of its subordinates.
- The company did not carry out transactions with its officers other than those arising from the labor relationship or honorariums for the performance of their duties on the Board of Directors and its committees.

Intellectual Property and Regulatory Compliance

Grupo Éxito complied with and fulfilled all Colombian regulations related to the protection of intellectual property, as well as the related requirements in the other countries in which it has operations, produces, distributes or markets its products or services. The company also holds the corresponding licenses for the use of distinctive signs and other copyrights that it does not hold the title to, without prejudice to the conduction of regular business in this realm. These licenses were recorded in our financial statements.

We have also complied with the applicable rules of copyright law and with the conditions defined in the software license agreements.

Regarding personal data protection, accomplishing with the regulations in force and employing good corporate practices, we made progress implementing the principle of demonstrated responsibility aimed at protecting the personal data of our stakeholders.

Finally, we acknowledge that the free circulation of invoices issued by suppliers of goods or services has not been restricted in any way, and that the company is not involved in investigations related to practices that inhibit competition.

2019 was a year of important milestones for Grupo Éxito. Sales in Colombia reflected consistent growth above inflation, leveraged on the successful implementation of innovative proposals such as the Wow and Fresh Market formats, the consolidation of Cash and Carry under the Surtimayorista brand and a modern omnichannel sales strategy.

The deleveraging of the company in Colombia will allow it to continue driving transformation and innovation and to promote the growth of complementary businesses, primarily real estate. Additionally, we will continue to strengthen our digital transformation strategy and cost management plans to maintain profitability. Grupo Éxito's business model combines the attractiveness and traffic of retail customers with its complementary businesses that monetize real estate and intangible assets, generating growing profitability in highly competitive markets.

The operations in both Uruguay and Argentina faced adverse macroeconomic situations and still achieved satisfactory results. Uruguay managed to maintain its high levels of profitability, and Argentina progressively increased its commercial performance during the year and reached positive EBITDA levels supported by the contribution of the real estate business.

We thank our almost 45,000 employees for their constant and committed work, and we hope to continue consolidating a sustainable and profitable growth path.

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