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Operator: Welcome to the Grupo Éxito's Second Quarter 2019 results conference call. My name is Anna 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 Anna and good morning to everyone. Thank you for joining us today for Grupo Éxito's call.

At this time, I'm pleased to present our Chief Executive Officer, Mr. Carlos Mario Giraldo and Chief Financial Officer, Mr. Manfred Gartz. Please move to slide two to see the agenda. We will cover Grupo Éxito's financial and operating highlights, performance by country and consolidated financial results for the second quarter 2019.

The call will conclude with a Q&A session. Thank you for your attention. Please, Mr. Carlos Mario Giraldo.

Carlos Mario Giraldo: Thank you very much, Maria. I'm pleased to be with you during this quarter again, and I will start in slide three with the key financial, commercial and operating highlights of the group in Latin America.

I would say that in a nutshell, we had a very dynamic commercial performance, with three big things behind that. First, this format innovation, increasing customer focus in experience and leading clearly the omnichannel trends in the region.

At the same time, it's important to say that our EBITDA in Colombian pesos was very similar in the recurring part to the same quarter of last year with a decrease of 0.2% after revenue -- net revenue increase of 12.3%, and a recurring EBITDA margin of 6.7%.

In the financial part, it is important to say that recurring EBITDA and net results were affected mainly by the effect of tax credits in Brazil.

In the operating and commercial part, our solid performance comes from new formats, from renovation of new formats, and from new commercial models.

Only to say, in increased share of food on e-commerce, we had an increase in food e-commerce sales of 37% in Brazil, and 56% in Colombia.

Home deliveries are a big focus. In Colombia, they reached a very important number of 1.7 million deliveries during the first half of this year, plus 47% against last year, while the orders from James, in Brazil, deliveries grew 75% during the second quarter.

Our applications, both in Brazil and Colombia, are very dynamic. In Brazil, with a very important number of 9.3 million people downloading our applications, and in Colombia 1.2 million downloads.

I would say that in the corporate governance and sustainability area, the big focus of the market and of course, of the organization, is in the proposal for the simplification of the LatAm structure that was presented by Casino as controlling shareholder. That is currently being reviewed in both countries with the initial decisions taken in Brazil by independent members of the Board and by the consideration of the Audit Committee of Éxito at this very moment with the presence of the four independent members there and under very strict corporate governance standards, both in Brazil and in Colombia.

Going forward to slide four. We speak here, as we did last quarter, of the strategic pillars of the organization looking forward to '19 to '21. In the first part, it's omnichannelity. We're gaining more than 100 basis points of participation of omnichannel sales in total sales of the organization per year, and these dynamics were driven especially, and in this case in Colombia, by marketplace and by the last mile service.

In innovation, it is all about formats, physical formats. In the case of Éxito, the WOW concept; in the case of Peru, the Fresh concept, which is also present in Brazil and in Uruguay; and in the case of Brazil, with the Mercado Extra and CompreBem conversions. In the case of Brazil and Colombia, of course, with the Cash & Carry expansion.

In digital transformation, the focus is in everything that makes easy life to our customers, especially in payments. And here, the applications are also very important, but also the different payment methodologies that are easy today with new technology, of which we will make a further focus in next calls.

In best practices and integration, what is very outstanding of this organization's model is the asset and customer monetization. It continues to be very dynamic, both in real estate and in other businesses that come around the monetization of customer traffic.

In our sustainable shared value, our generation zero malnutrition goal for Colombia is going forward with very good results, and with an investment of more than $7 million this year, some of it coming from our customers.

In sustainable share trade, it is partnering with Aliados both in Brazil and Colombia, and also buying directly through the peasants in the different agricultural areas and fishing areas.

And in "My Planet", we have a big focus in reducing the consumption of plastic within our stores and with our customers.

If we go to slide five, here we make a focus on the Colombian sales' performance during the quarter. If you see the figures that we have, the graphic that we have in the left side, bottom part, you can appreciate that we have six consecutive quarters of improvement in sales. If you take the quarters as a whole, you will see that in 18 months, we have a recover in sales of around 1,000 basis points. That is 10 points of sales, which are consistent and which are profitable. In the quarter two, in ex calendar, we had an increase of same-store sales of 3.6%.

If we go to slide six, and we look at the sales performance by format, the good news is that the Éxito brand, which accounts to near 70% of the sales of Colombia, had a very strong increase in same-store sales of 4.6%. Surtimayorista Cash & Carry continues with a strong progression, in this case, 19% of same-store sales. It will end the year representing near to 4% of total sales of the organization, something that did not exist two years ago. And it's incredible, the penetration it has today in its most important market, which is Bogotá, the Colombian capital, where now it has a household penetration of 7%, which is higher than some of our traditional competitors that have been in this market for a long time.

In our low-cost brands, there was some recovery. Still not to growth, but we improved 600 basis points to -4.4%.

If we go to slide seven, this speaks about our omnichannel dynamics. I would say this is one of the strongest quarters in the history of Éxito's omnichannel strategy, especially if we consider that now we have a material baseline. We increased our 140 basis points, the share of omnichannel sales and increasing sales of 47% arising to COP 123 billion, a total in the quarter of 911,000 deliveries, for a total 1.7 million deliveries in the first half, increasing the number of orders in 38%.

Marketplace represents now 32% of the total GMV, which is very interesting. The participation in the marketplace is acquiring the commercial activity which, of course, reinforces profitability. And in the digital catalogs, which are present in our stores but which carry inventory that we do not have in all the stores, orders increased 64%.

If we go to slide eight, this speaks about innovation in our formats and in our private labels. Innovation, I would say today, jointly with omnichannelity, are the most important levers of growth in Éxito.

In the case of Éxito WOW, only with three stores, but three very important stores, two of them, the most important stores in the Éxito brand, which now represents 8% of total Éxito sales, the increasing sales of these stores were an astonishing 26%. In Carulla Fresh Market, where now we represent with the Fresh Market model near to 14% of total Carulla sales, the increasing sales was also a very strong 21% sales.

In the case of the Éxito WOW, this year, we're going to go from thee stores to end with nine stores, which goes beyond the projection that we had initially given because of the good results we see. And in the case of Carulla, we are going from six stores to thirteen stores and also going beyond what we were initially seeing.

Why are we going beyond this? Because of the good results and because we think that this is clearly impacting the consumer image and the consumer traffic, as you can see, by the sales.

In the Cash & Carry, we will be ending the year with around 30 stores. The focus is Bogotá and the Caribbean coast, and this is having an increase of 17% in same-store sales.

Going to slide number nine, here it's very interesting to see this bridge, which speaks about the impact that innovation is having now in numbers and now it's a reality. Three years ago, when we spoke about this, we spoke about a very consistent strategy, to be different to what was happening in expansion in the Colombian market, to act differently to the rest of the market and to conquer the attraction and preference of our customers. And now we see the results. If you see this bridge, the total increase in same-store sales of 3.3%, out of that, 3.1% is represented between the new formats and the omnichannel strategy. That is 94% of the growth.

Going to slide ten, a focus on our applications. They are growing in a very dynamic way. The first thing we'll do with them is that our customers can do their food shopping online, but we're also making a big target on discounts, on "Mi Descuento", because it is the way in which our suppliers can contact directly our customers and they can take the product through the applications and target the discounts. This is a very powerful tool, because in the future we are going to continue growing that type of solutions given to our customers in a one-to-one basis, in a one-to-many basis, in a contact directly with suppliers and also adding communities of customers with very specific needs into these applications.

Our aim is not only to make these applications the most important in retail in Colombia, which they are already and by far, but making them the preferred applications out of almost any application of any service at any product in the Colombian market.

Going to slide 11, we'll review our asset and traffic monetization. Here, our real estate continues increasing its contribution to the results. Our GLA is now up to 745,000 square meters. Viva Malls, which represent out of that an important part, 570,000 square meters, has a current value of around COP 2.2 billion.

Puntos Colombia continues to conquer the preference of our customers. This is the customer coalition, I would say, the last monetization strategy of the company but very strong looking forward. Today, our first goal, which was to receive the full *Habeas Data* permission from our customers, being a separate entity Puntos Colombia of its partners, which are Bancolombia and Éxito, now we have 2.7 million customers that have given us the *Habeas Data*. And as a result, redemption has increased 44% between quarter two and quarter one.

Turning to Brazil, and speaking about the performance of GPA, you all saw the results of the GPA in their conference, so I won't go into a lot of detail. But it is to say that it continues to be a very strong increase in sales, even as compared with the inflation in Brazil.

Sales increased 11%, Assaí as the main lever, our Cash & Carry, with a 7.6% increase in same-store sales adjusted by calendar with around 20 stores that are going to be opened this year and arriving for the first time in GPA's history to represent near to 50% of total GPA sales.

Multivarejo is in a more difficult market, which is the traditional hyper and supermarket. It is doing a very important transformation of the traditional supermarkets into two very popular, appealing to the kind of regional market customer. And here, with the Mercado Extra now with 43 stores converted to Mercado Extra, and other important 13 stores converted to the CompreBem model.

In slide 13, we speak also about the application in Brazil. I would say, the most powerful digital transformation in digital, the communication device of GPA with its customers. Here, it is very massive with 9.3 million downloads. But the most important of that is an average 30% monthly use, that is that they do not only download to have it in their cellphone, but they use it, 1/3 of the customers every month.

Then we speak about Aliados, this is a very powerful synergy that came from Colombia, which is adding now and improved digital platform, and which is an increasing device for the penetration to the traditional mom-and-pop markets by our GPA Brazilian business.

I will hand it to Manfred, our CFO, to go through results, and then I'll come back for the conclusions.

Manfred Gartz: Thank you Carlos Mario and good morning everyone. We will continue to slide 14 to review the operating performance of Colombia.

Quarterly net revenues grew 3.7%, reaching COP 2.7 billion and continuing the positive recovery trend of the last six quarters.

Top line evolution is the result of: first, well-targeted commercial strategies; second, growing e-commerce business; third, consistent performance of our traffic monetization vehicles; and fourth, well-received innovative models by customers.

Other revenues grew 10% in the quarter, mainly driven by the real estate business. Please note that we reclassified food production expenses and staff to cost in order to homogenize the current treatment within the LatAm operations. This has no effect at all in the ROE or EBITDA figures.

Within the gross margin, it reached 20.8%, decreasing 70 basis points versus the same quarter last year. This margin reflects non-recurring price investments to offset the strong base of the World Cup and a mix effect from higher participation of the non-food categories in the total sales.

At the SG&A level, we continued showing the benefits of implementing lean methodologies across all the operating departments in the company and rigorous expense control. Operational expenditures decreased 7 basis points in the quarter and 18 in the year. Year-to-date evolution closed at 2.7%, 130 basis points below inflation, and more remarkable if we remember that the minimum wage increase was 6%.

Finally, the Colombian operation reached a recurring EBITDA of COP 217,000 million, we have 7.8% margin, contracting 3.7%, reflecting once again the temporary price investments to improve competitiveness of the non-food categories. Year-to-date, recurring EBITDA finished at the same cash level of that of last year.

Going forward to slide 15, and start providing our international operations, I'll start with Brazil. Net revenues grew 11.1% in local currency, reaching COP 10.8 million, maintaining the dynamic trend of the last quarters mainly by the continuous market share gains in Assaí and steady growth in Multivarejo.

Gross margin ex tax credits reached 21.6% of sales, reflecting 30 basis points gains in Assaí due to the accelerated maturity of the stores that had opened in the last two years and a lower margin at Multivarejo, due to macroeconomic scenarios falling short of expectations and one-off impacts.

Net FX come as a consequence of the mix of sales, where Assaí surpasses 50% of participation of all the food business. In terms of SG&A, we limited expenses to grow to 6.3% in local terms. These results obviously show the steady performance in Assaí in an aggressive expansion context, and also the efficiency gain in Multivarejo, where our SG&A diluted 50 basis points.

Recurring EBITDA ex tax credit ended at COP 694,000 million, growing 1.3%, resulting in a 6.4% margin, explained mainly by non-recurring events at the gross margin levels.

Please move now to slide 16, to Uruguay. Net sales in Uruguay posted gradual recovery, evolving to a +3.1% in local currency from a -0.9% in the first quarter of this year. Targeted commercial activities, value-added proposals like Fresh Market and a higher dynamism of the express format explain the commercial performance.

Net revenues reached COP 595,000 million, affected negatively by FX in 1.8%. Gross margin reached 34.1%, almost 40 basis points above last year, and this comes with higher promotional activities in a challenging consumption scenario that was completely offset by efficiencies both in shrinkage and logistics.

On the recurring EBITDA side, we reached COP 53,000 million, a 8.9% margin, gaining 55 basis points versus last year and continued to show the solid profitability levels of Uruguay. Improved performance of top line allowed SG&A to dilute.

Now let's take a view on Argentina on slide 17. Please take into account that Libertad results in COP include an FX effect of -37% in the second quarter and -43% in the first half, as well as the application of IAS 29 and the hyperinflation economy. Having said this, net revenues grew 51% in local terms, despite retail sales contraction of 12% year-to-date in the country. These progressions reflect positive evolution of the food category, thanks to mainly the assertiveness of the commercial proposition and the contribution of real estate. However, sales evolution was below inflation, and this happens due to the affectations of real wages that affect consumption.

Gross margin ended at 33%, completely explained by the promotional intensity in the industry and lower volumes derived from lower consumption power of Argentinians.

Operating SG&A diluted 150 basis points, reflecting the outstanding execution of plans to control inflationary pressures and the impact of dollarized costs. This performance partially compensates the pressure that we felt at the gross margin level.

Recurring EBITDA margins finished at 2%, and posted better performance versus the first quarter, which was 0.7%. This is explained by better commercial performance and stable results in our real estate business that continues to stand out our natural hedge against these economic headwinds.

Let's move to slide 18. At the consolidated results, top line reached COP 14.5 billion, growing 12.3% with a positive FX impact of 2.3%. These figures reflect the strong performance in top line of Colombia and Brazil and the gradual recovery in Uruguay.

SG&A continued diluting almost 50 basis points, reflecting the productivity efforts in all countries. At the recurring EBITDA level, it ended at COP 969,000 million, pretty much at the same cash level of 2018, with a margin of 6.7%, reflecting temporary margin investments in Colombia and Brazil. Year-to-date recurring EBITDA ex tax credit ended at COP 1.9 billion, growing almost 3% versus last year.

Now let's move to the next slide to review the net results. Net results closed at COP -18,000 million. This result is mainly explained by: first, the absence of non-recurring tax credits that were present in Brazil in 2018, which are not linked to operational results; second, temporary margin investments both in Colombia and Brazil; and third, the reduction of our financial expenses in the two biggest operations.

Now please move to slide 20 to show the evolution of the net debt situation at the holding level. Net financial debt closed at COP 2.9 billion, decreasing 0.3% versus last year. And our gross debt closed at COP 3.8 million, reducing COP 610,000 million, which represents a contraction of 14%, which is in line with the usage of cash.

Now at this point, I will hand over the call to Mr. Carlos Mario Giraldo to continue the call.

Carlos Mario Giraldo: Ok. Coming to the main conclusions. The first one is innovation and omnichannel leadership in the center of commercial dynamics and representing an important part of growth.

Regional synergies continue. Here, the normal commercial purchasing synergies are part of the day-to-day business of the four countries. There's a very outstanding format innovation synergy going through with the Fresh Market, with the Cash & Carry and with the innovations in other formats. Third, our Cash & Carry brands, Assaí and Surtimayorista, leading a trend and giving us new markets, especially markets of popular customers and also professional customers.

Expense control continues to be consistent through all the divisions out of productivity, and we see it not only in the consolidated results, as Manfred highlighted, but also in each results of each division.

Operational performance affected by temporary price investments in the market. A mix of sales towards electronics and tax credits. Uruguay is showing a strong recovery, and Argentina, with resilience in the middle of a very difficult national circumstance, but with positive margin at EBITDA level.

Our LatAm reorganization currently under analysis, framed by strict corporate governance policies both in Colombia and in Brazil, as you have all been able to appreciate.

This would be the presentation. We will open now to Q&A.

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. 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.

And we have a question from Joseph Giordano from JP Morgan. Please go ahead.

Joseph Giordano: Good morning. Thanks for taking my question. I have actually three of them. The first one goes more into the macro side. I wanted to understand a little bit how you're seeing the evolution of consumption trends both in Colombia and Uruguay. Argentina probably could be a little challenging for at least the next six months.

The second one goes into what would be the potential impact from the anticipation of Cyber Monday this year? As it boosted sales significantly.

And lastly goes into the Surtimayorista strategy and the Cash & Carry evolution here as a way to strengthen the company's positioning versus the hard discounters here. You will have started 30 stores by the year-end, but it would be great to understand how do you see more the mid and a long-term potential from both store conversions from Super Inter and Surtimax and also from some larger Éxito stores to really accelerate this Surtimayorista strategy? That's it at my end. Thank you.

Carlos Mario Giraldo: Thank you Joseph. I will go one by one. On the macro side, I would make emphasis on Colombia. I think that we are seeing different signs in Colombia, but most of them for the retail business are positive. We are seeing retail business in the last month, as we saw from DANE, with increases accumulated in the year above 6%. It is represented also by the think-tank Radar, which measures the same trends at households and it shows an increase in consumption around 5%.

The only thing that we do not see so well is the measurement of Fedesarrollo in the confidence of consumers, which is in not line with this, and unemployment. Unemployment is still high, and confidence is still low, at a -5%. Food inflation is above 5%. So this altogether permits us to estimate that retail tends to go in the right direction during the rest of the year, and there are some reasons that explain it. The first, the tax law was not negative for consumption, because it didn't get into VAT tax; and the second one, and this is more important, that we had an increase in salaries, which of course creates a pressure on costs, but this increase in salaries, which most companies went between minimum salary of 6% or 4%, some of them create disposable income for our customers that we are seeing.

About Uruguay, the economy is kind of sluggish. It's increasing below inflation, clearly. Inflation is still at 6% - 7%, and consumption in volumes is at a negative side. Fortunately, our operation is performing well because of the power of our formats Disco, Devoto. And what we are doing in the expansion of our Devoto Express, which has been performing very well in sales and of course, having the two most important hypermarkets in the country with the Geant brand.

In Argentina, consumption is going down, and it's going to go further down. It has been negative during all the last quarters. Consumer confidence, as you know, is very negative. And the most impact comes today from inflation because inflation is above 50%, and interest rates are skyrocketing. Here, our operation has done a great job in cost control, in targeting sales to profitable niches, and protecting itself with the real estate business, which continues with amazing occupation rates above 93%.

Going to Cyber Monday. Cyber Monday is not that important in Colombia. It's important, but it doesn't create a big calendar impact. What creates a big calendar impact increasingly is Black Friday, and we still are to see Black Friday results, and we are preparing very well for Black Friday. When you see the increasing sales that we are having in omnichannel, it comes more through the dynamism of exito.com, of the marketplace, by the home deliveries in consumer goods. I mean, going to 1.7 million home deliveries is very important. It's something that four years ago was very, very marginal, and we are going to end by the end the year of around more than 4 million home deliveries in Colombia.

Going to your last question about Cash & Carry and conversions. We're accelerating Cash & Carry as much as possible because it is showing that it's widely accepted. Our format is not the Brazilian, a huge-size Cash & Carry, but a small-size Cash & Carry. Some are 800 square meters, some are 1,500 or 1,200. Most of them out of conversions of Surtimax under-performing stores or some Éxito popular stores. We're going to end in 30, and I think that we will be doing every year at least ten more, and we will be starting the possibility of expanding even more.

I mean, you get multiple sales per square meter and a format in which you do a very low CapEx investment per square meter. But especially, you get to a new market, where we are not a professional market of mom-and-pop restaurants and cafeterias, it is a virtual cycle in which we want to continue going, especially if today, we're now seeing EBITDA levels between 3% and 4% in the Cash & Carry format. So this would be -- I'm sorry, long answer, but they were four questions.

Joseph Giordano: Perfect. Thank you very much.

Operator: Our next question is from Andres Soto, from Santander.

Andres Soto: Good morning. I have two questions actually related to the proposed CBD transaction. The first one is related to the financial rationale. I have found some numbers, and when I consider CBD's acquisition price back in 2015, the after-tax financial expenses, and the proposed sale price, I estimate that the net loss for Éxito is COP 2 trillion. Based on these numbers, would you as Éxito management recommend this transaction to the company's board? If so, what will be the financial rationale, particularly considering that the original acquisition price was expected to become accretive in the short term?

Carlos Mario Giraldo: Andres, I won't get into the details of the transaction because, of course, I'm not taking that decision. It's being taken by the independent members of the board. What I can tell you is that they are considering everything in a very professional way, that they are having advisers, that they chose not only for the legal part, a very highly respected lawyer, which is Jorge Pinzon, ex-superintendent in many times, and Inverlink, which is one of the top investment bankers in Colombia, and that they will look into all of these things that you were mentioning. I'm sure of that.

What I would highlight is that when you have such an important decision to be made in the hands of four highly professional and respected men and women in Colombia, and that clearly everybody in the deal is respecting this autonomy, and they are going to do the analysis and the recommendation to the Board of Directors, it gives a lot of confidence, not only to the market, but also to us as the company management.

Andres Soto: My second question is related to the use of proceeds of this potential transaction. I estimate $1.1 billion in net proceeds for Éxito, which coincides with the company's gross level at this point. So my question is if you are planning to pay down 100% of Éxito's debt, or are you going to retain some cash and what would be the use of proceeds of that cash, maybe accelerate Cash & Carry expansion in Colombia, paying dividends or accelerating investments in Uruguay and Argentina?

Carlos Mario Giraldo: I use to say that you cannot eat breakfast before it's served, right? I'll begin with that. I think it's too premature to speak about that. Of course, we have different scenarios, and we're thinking of the scenario in which the transaction would be done. But first, the transaction has to be done. That's in the hands of the governance committee of the company.

The second thing is that we have financial contracts with which we have to comply, and they have some conditions if a transaction which is material and which makes a change of control of main assets, is be made. And of course, our main priority would be to comply with that, and then, if things are done, how to make that go in line with the big market strategy of the organization.

Operator: Our next question is from Julian Amaya, from Davivienda Corredores.

Julian Amaya: Good morning. I have two questions. The first one is related with the impact of the sale of Via Varejo on the net income. And the second one is related with the simplification structure of Casino. Could we expect after this procedure is made, any approach for any other investors to buy any assets here in Latin America?

Carlos Mario Giraldo: As I said in my previous answer, I think it's too premature to speak about these things, and I think that everybody's focused in doing the things well during the following weeks, and then we will see. I will hand the second question to Manfred.

Regarding these effects of the Via Varejo sale, I think, first, recall that the transaction was closed at BRL 4.9 per share, that this created proceeds of around BRL 2.3 billion for GPA, and the net benefits for Éxito were around COP 10 billion. The main difference with the figures that were published by GPA has to do with the fact of the PPA adjustments that happen in the acquisition.

Julian Amaya: Thank you.

Operator: And we have a question from Ron Dadina from MUFG.

Ron Dadina: Hi. Thank you for the call. I have three questions. I did not understand the tax credit impact, the reason for the drop in EBITDA because of the tax credit. Can you explain that a little better? That's my first question.

The second question was with regards to the debt and EBITDA figures that you showed in the presentation. I'm guessing that they do not include the capitalization of the operating leases, right? So I just wanted to better understand what the debt-to-EBITDA ratio would be, including the capitalization of the operating leases and excluding the capitalization of the operating leases. That's the second question.

And the third question is, it would be very helpful if you can give a big picture idea of the next steps and timing for the tender of the Éxito shares and the purchase by GPA and what needs to happen, like -- when do you expect the recommendation and the shareholder approval, what's the timing for the regulatory approval, etcetera. Thank you.

Carlos Mario Giraldo: I will take the third one, and then hand it to Manfred. Timetables can vary because there are also decisions to be taken by regulators if there's a positive recommendation. So as long as I can say, the first timetable has to do with August 31, which is the term that has been given in the Casino offer for Éxito Audit Committee to make an analysis with independent counsel and to make a recommendation. So we would think that the Audit Committee will comply with this timetable as long as I'm seeing it today.

Number two, once it makes the recommendation, it has to go to the Board of Directors. But according with the Colombian regulations, by the Superintendencia de Sociedades and our governance code, given the fact that there are conflicted board members at the board level, this would have to be elevated to the general assembly of shareholders, so that they would consider the conflict of interest.

In the case that they permit all the directors to vote, it would go down to the Board of Directors where both according with our governance code of 3/4 part of the board members would have to be done, and that it would have to include the unanimous positive vote of all the independent members.

From there on, if the recommendation is positive to the price and the sale of GPA position in Segisor, the holding company, then, of course, it should go now to the procedure of the OPA. But this, of course, is a timetable, which has some uncertainty because it depends on the decisions that GPA would take on the terms of the OPA and the decisions on the Colombian regulator around this. This is as much as precise on the procedure as I can give you. There can be some variations, but this is our interpretation of the governance code of the company and also of the statutes and of the Colombian law.

Manfred Gartz: And Ron, as for the first two questions you mentioned, the first related to the tax credits. If you recall, last year, by the second quarter, we announced that the company was booking extraordinary tax credits related to the ICMS and the fiscal taxes, that they were extraordinary, and that was the reason we also showed not only recurring EBITDA, but also the recurring EBITDA ex these extraordinary taxes on our P&Ls.

Those that happened last year corresponds to historical tax credit that we've recovered during 2018. So this year, those historical extraordinary recoveries didn't happen. That's the first question.

Regarding your second question, I beg your pardon, I would like you to rephrase that, because I didn't quite understand your inquiry regarding IFRS 16.

Ron Dadina: Sure. I'm happy to explain. Appreciate your help. I just want to understand that the EBITDA and the debt figures that you've shown in the presentation, they do not include the capitalization of the operating leases, right? The debt figure is not increased by the capitalization of the operating leases, and similarly, the EBITDA figure does not include the rent part of the operating lease. Is that right?

Manfred Gartz: Ok. What you're asking is it when we're showing the financial debt figures that we're including the liabilities that were created by the implementation of IFRS 16, the answer is no. No, and it's also not included in any calculation of indicators regarding the debt situation of the companies. They remain the same in terms of the covenants, in terms of the incurring tax and everything, as it was in the past, without taking into account the implementation of IFRS 16.

Ron Dadina: Ok. Just one follow-up. So what would be your debt-to-EBITDA ratio as of second quarter? Do you have an idea, roughly? On a consolidated...

Manfred Gartz: Ron, what we do on a consolidated basis, and also on an individual basis, we only gave the end of year indicators because of the seasonality of the business. That's the answer.

Operator: We have no further questions at this time. I will now turn the call over to Mr. Carlos Mario Giraldo for final remarks.

Carlos Mario Giraldo: Thank you very much. I want to thank you all for being here in the conference. I would say that this year, Éxito ratifies a consistent recipe to assure long-term profitable growth in its market, first by leading the omnichannel, seamless experience for our customers, getting to increase exponentially e-commerce, home delivery and digital enablers as our applications and virtual catalogs.

An omnichannel share today of 4.7% of total sales, and an accumulated 1.7 million deliveries speak for themselves as do 9.3 million application downloads in Brazil and 1.2 million in Colombia.

Second, innovation is in the center of our current growth. We choose to address competition being different, focusing on our valuable store portfolio and designing two winning concepts: the Éxito WOW and the Carulla Fresh Market, where customer experience is driving double-digit consistent growth.

Cash & Carry is a profitable winning format, mature and dynamic in Brazil, representing now half its sales and an insurgent format in Colombia, getting to 30 stores by year-end. It's an efficient way to address new food and explore markets for our company.

There's a strong monetization profile, which reinforces profitability and differentiates our business model from a pure food and non-food retail. Our real estate customer coalition and our insurance and credit businesses are a reflection of this model. All this is, of course, complemented with a permanent productivity at all our operations, supported in clear and consistent cost control.

Finally, a word on LatAm reorganization, even if we have spoken now about it in the Q&A. LatAm reorganization proposed to GPA and to Éxito by our controlling shareholder. The merits of this LatAm reorganization and the shareholder value creation are going through the most strict governance standards, both at Éxito and GPA levels. Independent board members are in the center of decision-making in both corporate boards. I personally witnessed with satisfaction how all shareholder interests are being considered with a rigorous scrutiny.

I want to thank you all for your active participation in this conference, and I wish you all the best. Thanks a lot.

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