ALMACENES EXITO, S.A.

Moderator: Maria Fernanda Moreno
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Operator: This is conference #71580106.

Good morning. My name is Lois, and I will be your conference operator today. At this time I would like to welcome everyone to the Grupo Exito third-quarter 2015 conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session.

Thank you for your attention. Mrs. Maria Fernanda Moreno will begin the conference today. Mrs. Moreno, you may begin your conference.

Maria Fernanda Moreno: Thank you, Lois, and good morning, everyone. Thank you for joining us today. At this time I am pleased to present our Grupo Exito Chief Executive Officer, Mr. Carlos Mario Giraldo; Chief Financial Officer, Mr. Filipe Da Silva; and Mr. Jose Loaiza, VP of International Businesses.

Today you see the agenda as shown on slide number 3 with Carlos beginning with Grupo Exito's consolidated financial results from the third quarter of 2015 under IFRS, followed by an overview of the Company's strategies. Carl will conclude with a Q&A.

Thank you for your attention. At this point I will turn the call over to Mr. Carlos Mario Giraldo for his comments.

Carlos Mario Giraldo: On behalf of Almacenes Exito, thank you all for joining today's conference call. We sincerely appreciate your interest.

Let's begin by discussing the consolidated financial results for the third quarter of 2015, as we can see on slide number 4. As you know, Grupo Exito entered the Brazilian market through the acquisition of 50 percent of the voting shares of Grupo Pao de Acucar and representing an 18.8 percent economic stake of the Company.

In addition, Grupo Exito also acquired 100 percent of Libertad, a leading retailer in the northern part of Argentina. With the two transactions, Grupo Exito became the leading retailer in South America.

Please note that the financial information shown here is a sum of the parts structure and includes the quarterly results for Grupo Exito's operations in Colombia and Uruguay. It also includes only the financial results of September 2015 for the Brazil and Argentina operations, due to the timing of the acquisitions. The information presented will be subject to adjustments at the conclusion of the fiscal year as the consolidation process progresses.

Looking down the slide, consolidated net revenues rose by (2009.7 percent) in the third quarter and 83.5 percent during the first nine months of 2015. Gross profit rose (208.2 percent) during the third quarter and 88.3 percent during the first nine months of 2015. Recurring operating income increased by 158.5 percent during the third quarter, and margin reached 4.7 percent while experiencing an increase of 67.5 percent during the first nine months of 2015, and a margin of 4.6 percent. Recurring EBITDA grew by 165.3 percent as a percentage of net revenues during the third quarter and 66.4 percent during the first nine months of 2015. Such significant increases were mainly driven by perimeter effect. Recurring EBITDA margin was 6.4 percent for both periods. The consolidation of the recent international acquisitions had a positive impact on the net income group share with a 29.6 percent increase in the fourth quarter and a 23.4 percent for the first nine months of 2015.

Let's move on to discuss the performance of our business units in accordance with IFRS requirements by region, depicted as follows: Colombia, Brazil and others. Sales performance will include an additional segmentation. The Colombian segment includes Exito, Carulla, Discount and B2B. The Brazilian segment will comprise food, (Nao vario and acai) nonfood (dia varejo) and e-commerce, Cnova, and other segments will refer to Uruguay and Argentina.

As you can see on slide number 5, consolidated sales grew by 203.1 percent in the third quarter of 2015 to a total of COP7 billion versus last year. Consolidated sales grew by 81.3 percent for the first nine months of the year to a total COP12.8 billion. The 2015 figures include Disco sales as Grupo Exito took the control over this unit this year, as well as September sales for Argentina and Brazil.

The overall sales mix for the quarter showed a 22 percent share in nonfood categories and 78 percent in the food category. During the third quarter of 2015, Colombia continued to experience positive but moderate retail sales amidst a consumption influenced by the peso devaluation, high inflation levels and moderate economic growth. Among this environment total sales in Colombia were COP2.4 billion. In the third quarter 2015, sales in the country posted 11 percent growth in third quarter of 2015 versus the same period of last year, benefited by approximately 8 percent from the consolidation of Super Inter. Organic expansion and sales from the B2B business unit also contributed with the overall growth, mainly from (Aliados) network expansion, which now represents near to 15 percent of Surtimax sales and began to expand with the Super Inter brand in (inaudible) regions.

Same-store sales in Colombia grew 1.8 percent and included a calendar effect of 1.2 percent the Exito promotion. Same-store sales registered a clear sequential improvement during the third quarter thanks to the Exito hypermarket rebound related to better performance of the textile and entertainment categories.

September accumulated same-store sales in Colombia posted a decrease of 0.3 percent, a clear improvement versus the performance for the first half that has an accumulated of minus 1.4 percent. The sales mix shift of the food category in Colombia was 76 percent and rose by 340 basis points versus last year, reflecting the Super Inter integration and the negative consumer confidence trends that affected the nonfood performance.

Let's move down the slide to discuss the segments pertaining to Colombia. We can observe that sales of the Exito segment grew by 0.3 percent in the third quarter of 2015 in comparison to the same period last year and posted a 1.9 percent same-store sales increase, including calendar effect of 1.3 percent from an additional day of deals de precios especiales or special price stays events versus 2014.

As mentioned previously, the performance in the nonfood category improved during the third quarter, but the overall trend remains negative due to lower consumption levels. Accumulated same-store sales as of September for Exito brand decreased by one point.

In the (Carulla) segment, sales increased by 1.8 percent in the third-quarter 2015, driven by the 110th anniversary of the brand, and posted a negative 0.3 percent same-store sales growth, affected by the shift of the pharmacies to Japan, which impacted sales growth by 90 basis points. Accumulated same-store sales through September posted a flattish result (Carulla), also affected by 30 basis points from the drugstore impact.

Consumption in Bogota, the main market of the brand, continues to be challenging, affecting (Carulla’s) sales trends. Nevertheless, the brand continued gaining market share, despite these difficult conflicts.

Finally, the discounts segment greatly contributed to the sales performance in Colombia as it grew by 130 percent during the third quarter. The outcome was the result of improved sales from both the Surtimax and Super Inter brands, the latter included in the space for 2015. The discounts segment posted a positive 4.3 percent same-store sales growth during third-quarter 2015 and a cumulative 4.9 percent same-store sales growth as of September. The optimization of the assortment and the transfer of Super Inter's expertise in managing the fresh category drove this outstanding result.

With the integration of Super Inter completed, Exito consolidates its market share in Colombia above the added sales of its three closest competitors and leading each of the four relevant sales categories in the consumer group's premium with (Carulla), midmarket with Exito, discount with Surtimax, Super Inter and Aliados and finally e-commerce with Exito.com and Carulla.com.

Let's work our way down the slide to discuss the performance of our international operations, starting with Brazil. EPA sales grew by 13.8 percent in total, COP3.9 billion in September, which was the best performing month for the quarter in terms of local currency. Same-store sales growth in September posted a strong 3.8 percent in September. Sales from Brazil represented 55.8 percent of Grupo Exito's consolidated sales.

The Brazilian macroeconomic environment during 2015 has remained adverse to the nonfood segment, while the food segment demonstrated greater resilience in our recently acquired operations.

The food segment, which included (nao varejo), totaled COP2.2 billion sales in September, a growth of 8 percent, mainly driven by the strong performance of the cash and carry format and higher sales growth in the fruit and vegetables category. The overall fruit segment has certainly benefited from 124 new stores in the last 12 months as the Company's organic growth plan focused on higher return formats.

(Nao varejo) sales grew by 2.5 percent in September versus a total third-quarter growth of 2.1 percent benefited by growth in volume and the average basket, mainly driven by the successive performance of the recently renovated 52 extra stores. (acai) also posted a strong performance, growing sales by 23.9 percent in September compared to the 22.3 percent growth posted in the third quarter of 2015.

Same-store sales levels in the food segment increased by 3.8 percent in September, driven by the solid growth of acai from its price positioning, as well as the stronger performance of the recently renovated extra stores. Although sales continue to grow below inflation, the Company is gaining market share at Pao de Acucar, proximity formats and acai. On the hypermarkets, by remodeling other stores should continue improving both sales and traffic without requiring price competitiveness additional activities. The sales mix in the country showed an 87 percent share in the food category.

Moving down the slide, we can see that total sales in nonfood (dia varejo) totaled COP957 million in September, a negative 18.8 percent growth as compared to the negative 22.7 percent sales in the third quarter. Nevertheless, the business unit has strengthened in September and posted a negative 20.1 percent same-store sales performance in the period versus the negative 24.6 percent posted during the quarter.

September 2015 recorded the lowest consumer confidence levels and mainly affected the consumption of nonfood groups in Brazil. Volume levels and the number of clients also experienced lower contraction levels compared to the quarters since. Moreover, September compared to the same period last year was driven by a successful strategy that included sales due to a change in the commercial approach that became more dynamic and aggressive, supported by costs and extensive reduction implemented along the second and third quarters. (dia varejo) continued the (crescer mas) or grow more initiative to deliver better sales results. These included the renovation of the furniture and telephone categories by redesigning areas, lines and improving the buying experience, along with a banner conversion of 36 comp to Carulla to (varios) stores.

Pertaining to e-commerce segment, CNova sales totaled COP693,000 in September 2015 with a 28.9 percent increase in same-store sales levels during the month versus 23.4 percent in third quarter. This was the result of the strategic decision of strengthening the margin over growth, which derived on a discrete sales expansion.

Moving now to discuss the sales performance from the other segment, which included the operations for three months in Uruguay and the results for a month of September up Argentina, sales totaled (COP685 thousand million) in the third quarter and represented 9.8 percent of the consolidated sales. Sales in Uruguay grew by 300 percent in the third quarter versus the same period last year, mainly derived from the consolidation of Disco Group's sales excluded from the base in 2014.

Sales in Uruguay posted overall increase in same-store sales of 11.5 percent in terms of local currency during the third quarter, 2 points above inflation and grew 11.2 percent in the first nine months of the year. This positive performance was mainly driven by a rebound in (inaudible) sales.

Exito has now opened six Devoto Express in Montevideo with very promising results. The sales mix in the country shows an 87 percent share in the food category. Sales in Argentina for September posted high single-digit growth, the highest growth of food volume for the year, and benefited from nonfood sales growing at mid-double-digits and by an increase of 15 percent in the productivity in hypermarkets versus last year. Sales in Argentina posted an overall same-store sales increase of 26.2 percent in terms of local currency in September of 2015 and grew by 24.9 percent for the nine months ending in September, again 20 basis points versus 2014.

Positive like-for-like levels derived from a new commercial strategy based on three strategic pillars. First, everyday low prices in fruits and vegetables to increase traffic and frequency of visits. Secondly, a portfolio of 300 consumer goods at the lowest prices in the market. Lastly, promotions under la compra del mes or purchase of the month concept and at increasing volumes bought by the consumer.

Together, these activities have contributed to increase the Libertad market share by about 20 basis points. The sales mix in the country show 73 shares in food categories.

Let's move now to slide number 6 to discuss consolidated operating performance of the group. The slide shows that gross profit grew by 290.2 percent to a 25.8 percent margin during the third quarter of 2015 versus the same period last year related to the consolidation effect of the recently acquired international operations. During the first nine months of the year, gross profit grew by 88.3 percent, and the margin increased 70 basis points to 25.7 percent. In Colombia the Super Inter integration and the negative sales mix evolution with a decrease of the nonfood category affected gross margin. In Brazil the lower contribution of (inaudible) also affected the GPA outcome.

Selling, general and administrative expenses were 21.1 percent as a percentage of net revenues during the third quarter, derived from the factors explained above. In Colombia cost-saving programs allowed the dilution of expenses by 10 basis points thanks to productivity improvements in logistics and distribution and savings at the procurement level, despite significant increases in energy tariffs. In Brazil, to mitigate the increase of operating costs, particularly related to the (inaudible) business units, the Company executed an impressive and aggressive cost-cutting effort with emphasis in labor cost reductions of 10,000 FTEs during the year, as well as tightening marketing expenses.

SG&A margin was 21 percent for the first nine months of 2015. As you can see, the margin remains stable, sustained by the deployment of efficiency and productivity programs from all the business units.

Slide number 7 shows our recurring operating income increased by 158.5 percent during the third quarter of 2015, compared to the same period of last year, and was 4.7 percent as a percentage of net revenues. Recurring operating income increased by 67.5 percent during the first nine months of 2015 compared to the same period of last year and was 4.6 percent as a percentage of net revenues.

In Colombia (inaudible) grew by 0.4 percent in the third quarter, and the margin was 5.2 percent as a percentage of net revenues with the best performance of the current year, an improvement from the first-half period.

Super Inter integration and a lower performance of the textile category, partially offset by a good expense control, negatively affected the (ROI) in Colombia. Nevertheless, the trend has improved versus the first-half key figures. ROI decreased by 3.7 percent year to September, and margin was 4.5 percent as a percentage of net revenues, derived from the negative effect of the loyalty program and the valorization tax during the first quarter of the year.

Brazil posted a ROI margin of 4.4 percent as a percentage of net revenues in September on solid profitability level amidst an unfavorable macroeconomic environment. As for Argentina and Uruguay, ROI posted a margin of 4.3 percent as a percentage of net revenues in September and 5.8 percent year to September. Uruguay benefited from the fiscal consolidation and strong expense controls. Argentina profited from the contribution of real estate business units and a clear recovery in retail profitability.

As you can see in slide number 8, the third-quarter results showed that group share net income increased by 29.6 percent when compared to the same period in 2014, which rose from COP114 (thousand million) to COP148 (thousand million) thanks to the positive contribution of GPA and Libertad. The group shared net income also increased by 23.4 percent in the first nine months of 2015 compared to the same period in 2014 and rose from COP306 (thousand million) to COP378 (thousand million). Consolidating nonrecurring expenses amounted to COP69 (thousand million) in the third quarter, affected by the recent international acquisitions and from the streamlining of the organizational structure in Brazil. Year to September, nonrecurring expenses totaled COP39 (thousand million), including the equity tax impact of nearly COP60 (thousand million).

In third quarter of 2015, the Company's financial results grew 224.1 percent and totaled an income of COP75 (thousand million), mainly driven by the positive exchange rate effects linked to the forward strategy implemented for payment of the transactions. Concerning the tax payment, the consolidated effective rate increased from 26 percent to 34 percent, derived mainly from that crate tax adjustment of 500 basis points and a higher deferred tax in IFRS in Colombia.

As you can see, the consolidation of the operations of Brazil and Argentina importantly contributed to the improvement of the Grupo Exito's performance and generated value for its shareholders. At the same time, it's noteworthy saying that the former perimeter, that is, Colombia plus Uruguay, also registered positive performance in the third quarter of 2015 with a 28.4 percent sales growth and 13.5 percent ROI growth. Year-to-date, the group shared net income sends a reassuring message to shareholders in the first consolidated figures.

Please move now to slide number 9 to discuss the Company's debt. The increase in debt in the third quarter derived mainly from the acquisitions of GPA and Libertad, which totaled COP5.5 billion. The transaction was filed by a mix of Exito's available non-committed with current expansion cash of COP1 billion and newly issued debt of COP4.46 billion. Major Colombian banks including Bancolombia, Banco de Bogota and (inaudible) and the international bank Citi provided a syndicate loan. The debt structure consists of a 10-year amortizing loan of COP1.85 billion, an 18-month bridge loan of COP2.2 billion and a 12-month revolving credit facility of COP400 (thousand million). The estimated financing cost is at 7.5 percent. Grupo Exito is currently refinancing the bridge loan to optimize the capital structure.

On a pro forma basis, the consolidated net debt/EBITDA ratio is at 1.4 times and is forecasted at nearly 0.3 times by the end of the year. At the holding level, the pro forma net debt/EBITDA ratio will land at around 3.4 times, as expected, leaving the Company with an efficient overall capital structure.

On slide number 10, we can see the group retail expansion. The strategy focuses on growth in high-traffic areas and in formats best suited for the markets in the four countries where the Company now operates. Grupo Exito invested approximately COP561 (thousand million) in the third-quarter 2015 across all of its operations for expansion and in maintenance and activities.

During the quarter, the retail expansion included the opening of 35 stores, of which seven stores opened in Colombia, among them one Carulla, three Exito, two Surtimax and one Super Inter. In Brazil we opened four Pao de Acucar, seven (inaudible), six Minuto Pao de Acucar, one Assai and five Casas Bahia stores. In Uruguay we also continued opening convenience stores under the (Devpoto) brand, of which four opened during the quarter along with one Disco store.

The Brazilian operation continued with the renovation process in the extra stores and completed 52 renovations year-to-date. The Via Varejo business units also renovated the furniture category in 56 stores, the telephone category in 100 stores, and converted 36 Casas Bahia stores to improve their performance. As a net result, at September 2015 we reached 548 stores in Colombia, 1925 in Brazil, 61 in Uruguay and 27 in Argentina, for a total of 2561 stores and nearly 3.8 million square meters of retail sales area.

In Colombia our retail expansion expected for 2015 will close near to 4 percent increasing sales area. That is near to 35,000 square meters with the opening of around 45 stores. Two-thirds of this store opening will be done during the fourth quarter, which will give us an interesting start toward next year. Exito is prioritizing the opening of these stores that are dynamic and profitable in order to minimize the categorization effect of same-store sales focused on premium markets in mid-sized cities. Some of these mid-sized cities like (Riohacha) will see an Exito store, which is a very important strategy to promote that increasing sales area for the Exito brand.

In Brazil sufficient CapEx has been allocated for the opening of approximately 70 proximity stores, mainly focused on best performers, Assai with 10 to 12 stores and Pao de Acucar, with five stores, while keeping the pace of renovations of older hyper in the food sector and strengthening (inaudible) initiatives for Villa Varejo.

Please move now to slide number 11 to comment on the real estate expansion performance. In Colombia Grupo Exito continues a real estate strategy to develop over 35,000 square meters of gross leasable area in shopping centers throughout various key cities during 2015. Today shopping centers in Colombia operate under the successful Viva brand and have high occupancy rates and an optimized tenant mix. Under construction are the projects of Viva Baranquilla, Vive (inaudible), Viva las Palmas and Viva la Cerca, to add approximately 70,000 square meters of gross leasable area. In Colombia the Company foresees a total of gross leasable areas of approximately 400,000 square meters by 2017.

Moreover, we would like to share with you that we have changed the license approval to begin the construction of Viva Envigado shopping mall. Viva Envigado is expected to be the largest shopping center in the Company's pipeline with a targeted construction area of nearly 300,000 square meters by the second half of 2018. Expected gross leasable commercial area will be over 100,000 square meters, which makes Viva Envigado one of the largest shopping centers in all Colombia.

In Argentina we also inaugurated the expansion of (inaudible) gallery in the city of Cordoba, in line with our strategy to strengthen the attractiveness of our existing sites in the country. The site total, 35,000 square meters of GLA, including a hypermarket of 9000 square meters and 26,000 square meters of other commercial areas. In Argentina the plan is to construct more than 50,000 square meters of gross leasable areas in the next three years.

To date Grupo Exito integrates close to 790,000 square meters of gross leasable area between Colombia, Brazil and Argentina, making Grupo Exito one of the largest commercial real estate operators in South America. The strength gained in Colombia allows Grupo Exito to explore the creation of a real estate vehicle to accelerate this expansion and enhance shareholder value. This is an opportunity to extract the hidden value embedded in the Company's commercial real estate portfolio to strengthen its position as the dominant player in Colombia.

Please move now to slide number 12 for a follow-up of the Company's international strategy. Just after the acquisition of Brazil and Argentina, we would like to begin to deploy strategies to obtain synergies through a dedicated committee comprised of key executives of each company. The main role of the committee is to quantify synergies in detail, while also seeking new stores, define priorities and have an implementation schedule, promote internal teams and identify footprints to maximize efficiencies quickly.

The first step, taken by the synergies committee, was to hire Accenture, a senior international advisor, to determine in detail the potential synergies, as well as develop an action plan. Accenture already has a solid relationship with GPA and deep knowledge of the organization, especially concerning the Casa Bahia and Punto Frio banners. The synergy committee is actively working on three key synergic areas related to obtaining benefits from additional activities, purchasing and costs and CapEx activities. Margins on additional revenues will stream from the development across the operations of cash and carry, textile and premium and proximity. Purchasing synergies relate to food and nonfood, national brands and private labels. Finally, expected costs and CapEx synergies will come from shared services, marketing expenditures, productivity gains and the procurement of maintenance equipment.

The first stage of the process lasted five weeks and included the presentation of the analysis of the idea until the action plan creation. The implementation stages can take from three to 12 months, depending on when the synergies begin delivering results. Meanwhile, Grupo Exito is already working on (programs) that will deliver quick wins in the coming months, such as the unification of the extended warranty business model, a joint procurement of major IT vendors and the optimization of regional service providers. The transaction is expected to generate a mid single-digit accretion of Exito's 2016 earnings per share before synergies and double digits taking into account the full implementation of synergies on a pro forma basis, generating significant value creation for Exito's shareholders.

Please move now to slide number 13. To sum up, we can say that the third quarter of 2015 was a positive one for Colombia with a rebound of like-for-like sales in the country and a satisfactory evolution of its operational profitability, despite an unfavorable mix of margins and inflation pressures in terms of cost.

Regarding Brazil, the first month of the consolidation demonstrated the resilience of the Company within a very difficult macroeconomic environment. GPA has found that its cash and carry format SIA perfectly fits a macro environment where price is the main driver for customers. We expect the cash and carry format to continue as the main growth driver in Brazil and as a great format to be launched in other countries.

On the nonfood segment, the Company continues responding to consumer demands, becoming more competitive with a strong price strategy to regain market share. GPA continues its process of modernization of extra and Pao de Acucar stores, and it is taking an impressive step forward in productivity and balanced sizes.

Finally, Uruguay and Argentina continues to report very positive results in sales as well as in profitability. Across all of our operations, we have also launched a synergy program since last August. The outcome of the assessment with Accenture has been very positive and has confirmed that our target of 50 basis points of margin improvement is reachable in the next four years. All of these factors that we have discussed make Grupo Exito the leading multi-Latina retail company in the region, number one in Colombia in terms of sales and one of the largest employers in the region. The Company has a comprehensive coverage of customer needs across the whole country in which it operates with a diversified mix of hypermarkets, supermarkets, convenience stores, cash and carry, discount and nonfood performance. Grupo Exito runs a best-in-class omni-channel strategy, thanks to its network of over 2500 stores and its leadership positions in e-commerce.

Grupo Exito is a platform of expansion and the leading South American retail group, the first Colombian private company by sales and the largest private employer in the region. With the recent geographical expansion that now encompasses Colombia, Uruguay, Brazil and Argentina, we are able to reach over 280 million people, totaling 80 percent of the continent's GDP and covering 75 percent of the South American population.

Grupo Exito also consolidated its leadership position across all of the markets, reaching number one in Colombia, number one in Uruguay, number one in Brazil including nonfood, and number three in commercial real estate in Argentina, but also being the first real estate operator in Argentina outside of Buenos Aires. In the past we have integrated big acquisitions such as (inaudible) 15 years ago, (inaudible) seven years ago, always performing to our promises and driving value creation. The same reality has been proven in our international incursion in Uruguay, capturing synergies, adding proximity and loyalty schemes and improving our business model of (transversal) global business models while working with knowledgeable and culturally relevant local management.

Today we start to consolidate one of the most solid and promising retail platforms in all Latin America with strong fundamentals in premium formats with Carulla, Pao de Acucar and Disco; in the midmarket with Exito Extra and Libertad; in the discount market with Assai as the cash and carry and Surtimax and Super Inter as medium-sized discounters direct to consumer. To that we add the regional nonfood leadership with Via Verajo, which will render solid growth in the future and a very powerful e-commerce position above all other traditional regional retailers, consolidating a genuine omni-channel regional platform.

Finally, our model of complementary businesses such as real estate, credit and insurance grants a freeway of cross implementation within the diverse countries we operate with high margins and attractive embedded value still to be captured at its full potential. Our management structure was strengthened to keep a focused attention on our main Colombian markets and to conduce its integration process. We strongly believe that results, growth and value creation in retail and real estate will speak for themselves and grant retails to our shareholders. We are confident that Grupo Exito is prepared to succeed in a challenging environment with strong operations in every country and focus on delivering synergies, all of which creating a strong momentum for shareholder value creation, as well as continued growth for the Company.

Thank you all for your attention. Operator, please, we can move to the Q&A session.

Operator: Yes sir, at this time I would like to remind everyone, in order to ask a question, simply press star then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. We'll pause for just a moment to compile the Q & A roster. Your first question comes from Andres Soto, Santander.

Andres Soto: My question is regarding your Colombia's operations. Can you share with us your 2016 outlook in terms of same-store sales, CapEx and EBITDA margin evolution?

Carlos Mario Giraldo: Normally, we do not give an outlook for same-store sales for the next year. And as things are changing a lot, we won't do it at this time. what I can say is, in retail we are an optimist. We think that, even though there is a devaluation impact on consumer confidence, inflation is both negative but at the same time positive because it can drive some sales growth for the next year.

Number two, we have a very important expansion which is being concentrated in the last quarter of this year, near to 4 percent. We are going to open 45 stores and very important stores which are growing also but especially focused in the Carulla and the Exito brand to give us increasing sales for next year.

As of profitability, we will be aiming to sustain our margins and EBITDA that, as we said, will be a very positive margin, especially if you compare them with any other player in the markets. We will be doing expansion, as we are doing, of between I would say around 3 percent in square meters, but it's very important that we will focus on profitable expansion. We respect a lot the expansion that is being done in the country by other players, but really I think that expansion to lose money is not a good game for the shareholders of the Company, and we try to privilege expansion that creates a positive return on investment starting year number two.

And also what I would say as positive for next year is that we see that the Bogota will begin to change. We are having a shift of political leadership in Bogota, which I think is going to be very positive. Bogota has been liking the rest of the country, and that's very important for Exito, given our more than 50 percent market share in Bogota.

Number two, we are going to have a very dynamic expansion in international infrastructure, especially in roads, which is going to contribute to employment and, of course, to Exito. And, number three, what makes me also an optimistic is that I'm seeing industry recover and that industrial production has now two periods in line of increase. And that's very important because finally, if that industry increases and if there is an increase also in exports, profiting from the exchange rate, that is music for the years of Exito because the people who work for the industry and for the exporters are our customers.

I would give this as a hint, and I think that we will continue working very hard on our Aliados project, which is picking up now, as I said, represents around 15 percent of the sales of Surtimax. And we will also be continuing to push with e-commerce, especially now bringing some additional know-how coming from CNova.

Andres Soto: OK. Thank you very much.

Operator: The next question comes from the line of Mauricio Serna, from JPMorgan.

Mauricio Serna: This is also regarding the organic operations in Colombia. Would you provide maybe just a little overview on how the market -- it sounds like, if your same-store sales break down, how much of it is really by traffic and ticket, and overall how is the competitive environment so far? Do you still see a lot of competition? How has that been reflected in the gross margin so far?

And also maybe you could comment a little bit more on this potential real estate vehicle, like what are the options are you listening or what other information can you provide us?

Carlos Mario Giraldo: I missed a part of the question of Andres, so I would complement that one first. And that is that we will be giving our guidelines in the following conference, first, and number two, that we are going to have a CapEx investment in Colombia between COP350 (thousand million) and COP400 (thousand million), which is very important to say because, regardless of the opportunities that we have in other countries, we will continue focusing a very important CapEx investment in our country of origin.

Regarding to Mauricio's question, let me speak a little bit about the competitive environment. I think -- in the last years have seen a very important expansion in competition in Colombia, a new format entering the country like the clubhouse by Pricemark, the department stores with a very aggressive expansion, the e-commerce sites coming into the country and also and especially the discounters. What I would say is that I feel very comfortable with what has been the reaction of Exito because we have kept an 8 percent EBITDA margin, regardless of all the reaction that has been done to the market.

Let me speak about competition by segments of the market. First, in the premium segment, I think that Carulla is its own competitor, and it has to continue increasing the experience in service and product lines to the customer. Second, in the need market, I think that, of course, there is Exito, and Exito competes a bit against everybody. But I think that here it's more about our expansion and promoting expansion into mid cities for Exito, and here what has been an important competition has been in the nonfood. But I believe that Exito as a hypermarket has shown that it can defend its nonfood market, especially electro digital and textiles, and that it can continue driving profitability at the same time.

And then, like the new segments, in the club market, I think that's an important proposition to customers, and here we have decided not to enter because we want to focus in our current business. But what we have done is that we have offered our customers in the Carulla and Exito stores most of the seller imported goods at a price which is at least as good as the competitor, and that has shown our customers that they don't have to buy huge quantities in order to get the North American type food products that they would like to get.

Then discounters, there has been a big, big expansion in discounters with more than 130 stores opened per year. Here I have two reflections. The first one is that we will concentrate on soft discount with Surtimax, Super Inter and (inaudible). It is not negligible to say that five years ago we were not in the discount market and that today 6 points of the total Colombian market are represented by the Exito share through Surtimax and Super Inter. Today, even though we have important competitors, Exito is the leader in the discount market and has very interesting brands. And number three, that we have an upside with the opportunity of the cash and carry, and through the synergies with GPA, we are going to launch our first cash and carry store in the first half of next year.

And finally, about expansion I would say if you look at the P&L of those who are doing expansion, it has been done at the sacrifice of profitability and losing a lot of money. And I know that you guys wouldn't like Exito to do that, so we have to be careful in giving the adequate response while keeping our profit margins up.

Finally, e-commerce. E-commerce is really increasing in Colombia. We saw it this last week with Black Friday and to date with the digital promotion that we are having, the sovereign Monday that we call it. And it's incredible the increase in traffic. And clearly both Exito.com and the Cdiscount are getting the benefit of that. We are seeing there more the competition coming from Amazon, not established in Colombia by the couriers, and in some specialized sites like, for example, (inaudible). That's for competition.

As of real estate vehicles, we are exploring the different alternatives. These alternatives could include a public or a private vehicle, according to market conditions. In any case, this would be a vehicle controlled by Exito and consolidated by Exito as leaders of the real estate commercial markets in Colombia. What we believe is that a current value of real estate is not granted by the market to Exito, and there is a very important asset portfolio of more than 300,000 GLA with very good rents and very good occupations and very good satellite portfolios and a pipeline of development for the next years of more than 200,000 GLAs. That makes us a clear leader in the country, and we are exploring the best ways to create value not only for the Company but, of course, for the shareholders of the Company. And as soon as we have more details, we will be informing the market.

Mauricio Serna: OK. Thank you very much.

Operator: Your next question comes from (Juan Cerratos, with Urbaneja).

(Juan Cerratos): Hi, thank you for taking my questions. I have three questions. The first one is about guidance in same-store sales in Brazil. I want to know if you have some number on this for this year and if there has been any change in guidance in Colombia?

And my second question is about, then, that financial (inconsistency) in the results. I want to know if there is something about exchange difference, a gain or losing this number, and understand a little bit of the positive coverage effect you mentioned in the transaction. How could it impact this number?

And the last question is about a Brazil e-commerce business line. I want to understand better how it's possible to get this growth, given the hard situation in the economic environment in the country.

Carlos Mario Giraldo: I would refer to the first one, same-store sales and to e-commerce. And then Filipe Da Silva, the CFO, will take the question related to exchange rate and the impacts on the P&L.

The first one is that we are not giving guidelines for the moment on same-store sales in Brazil. It's important, anyway, to see that it's driven by food. The food sector had a 3.8 percent same-store sales growth in the month of September, which is the month that we consolidated, had a total 8 percent growth in sales driven by our cash and carry. As you know, cash and carry is the most dynamic food format in Brazil, and we have one of the two leading cash and carry formats in Brazil.

As of Colombia, the guidelines will be given in the next conference call.

For e-commerce, we really feel that our e-commerce position in the region is completely strategic for the future. To date we are seeing that CNova, of course, it is not earning money, but it's earning a lot of market share, and it is now the number two e-commerce player in the complete Latin American region. That is very important to complement our omni-channel strategy.

In e-commerce what we have learned, that later in time profitability becomes a balance between growth in sales and gaining money, and there's something that can be done in the future. We are doing it now in Colombia. This year Exito.com is going to be very near to be at breakeven, and we plan that Exito.com will have a breakeven for next year. We believe also that Sinova has done something very important, and it is the click and collect with a various thousand of points of purchase in Brazil, which makes it different from any other player.

I would repeat what I said, and it is that many traditional retailers are doing a catchup in e-commerce, and they would love to have the position that we have today. It's our reality, and now we have to work to make it profitable. But at least now that share of consolidated Exito coming from e-commerce is 12 percent, and it's the highest chair of any other retailer in that region, of course, retailer that sells nonfood.

And the other interesting thing is that in Colombia we have started to work that e-commerce and home delivery in food, and we are now the leaders in Colombia. Recent figures show that the sum of Exito.com plus Cdiscount creates the market leadership in e- commerce in nonfood in Colombia, and that the sum of Exito.com and Carulla.com makes us clear e-commerce leaders in the food and consumer goods in Colombia also.

I’ll turn it to Filipe.

Filipe Da Silva: So related to the (exit rate) actually it is due to the fact that the transaction has been turning around, so ($1.8 billion). To do so, what we have done is to buy dollar in the market but also to take non-delivery (for a while) in the market. So actually the non-delivery for a while has (remained) very positive at the date of paying the transaction. And you have here the impact of the difference between reductions rate that we have (buy this) for a while and the real transaction trait that we have paid the transaction.

Actually, this one-time (prohibitive) effect is representing a little bit more than (one out of one thousand) in the Colombian statements.

(Juan Cerratos): OK. Thank you very much.

Operator: Your next question comes from (Haidel Atavao), Bancolombia.

Haidel Atavao: I have two questions. The first one is in relation to the real estate expansion. Can you give us any idea of how would you find that expansion, given that the holding level has a high leverage rate? How will be the CapEx required for the expansion of those three commercial shopping centers you are talking in the presentation?

And my second question is in relation to financial results and the recurrent operating income. Can you give us any idea of how was the number for third-quarter 2015 in Colombia, mainly, in order to we can compare the financial results and see how is profitability going -- during this year?

Carlos Mario Giraldo: In the second part of the question, you are asking for growing in Colombia during the third quarter, is that right?

Haidel Atavao: Yes, third-quarter 2014, in order to see how was the profitability because, as you've previously given the information of Colombia and Uruguay on a consolidated basis, I want to know if we can get that number for just Colombia.

Carlos Mario Giraldo: OK. I'm going to take the first question and then Filipe will take the second question. As of for real estate, we have in front of us to finish the project of (inaudible), which will be opening by August-September of this year, to finish the project of La Ceja, which is an ongoing project, and we are now finishing this month Riohacha and Alto de las Palmas, which are very interesting projects to be open, and they are completely commercialized. And we have in front of us the big challenge of Envigado, and we have also the (inaudible) commercial shopping mall, which is going to begin.

For CapEx, we think that the CapEx required of this project in the following three years is going to be around $200 million, and the different alternatives of CapEx include a vehicle, public or private, as I mentioned previously in the call, or even a financiation project by project, as we have done previously. As you have seen, for example, in the past, we will have partners like Argos or Concreto or Architecturo and Concreto. In other projects where we have put the land, we put a value to the land, we put our operation and development seals, and we put a value to that, and then we keep a controlling position in the project.

So we are quite looking forward to this financiation, and we have two or three different alternatives. In the short run the projects that we are working, financiation is completely assured.

Filipe Da Silva: Regarding your second question, on the recurring of great income for Colombia (inaudible), you have seen that we have reported COP130 (thousand million) recurring operating income for Colombia in the third Q of 2015, I would say flattish compared to last year. So last year the recurring operating income was almost COP130 (thousand million). OK?

If you want a debt including Uruguay, so Colombia plus Uruguay, I can give you a trend for the third Q. So Colombia plus Uruguay in terms of sales, the growth has been 28 percent, and the ROI has grown by almost 14 percent. OK?

Haidel Atavao: OK. Thank you very much.

Operator: Your next question comes from (Maria Vallaja of Vivienda Corredores)

(Maria Vallaja): I wanted to ask you, given the importance that you have given to the synergy brothers, I wanted to have a further insight about how is this process going? And my second question is about your administrative restructuring changes in order to get the synergies.

Carlos Mario Giraldo: I'll start the last part of the question. and then I'll hand over to Jose Loaiza, who is the Corporate International Vice President taking care of international integration and also of the synergies process. Of course, myself, but also he is in the everyday basis.

First of all, in structure, in structure what we did is to create in Colombia the COO position, the Chief Operating Officer, to assure that it will be taken in a 100 percent focus in the Colombia national market, and that is occupied by Carlos Mario, who is a 23-year fully experienced retailer, quite well known and respected in other regions. And we created also a structure for international integration, a synergies committee, an international vice presidency with some staff. But at the same time, we are doing what we have said always that we would do in international participation, and that is we work with local management. We are not replacing and doing what the local management should do. And that has worked great in Uruguay, and it's what we intend to do in our other operations.

As for synergies and how they are going and what we expect from them, I'm going to hand over to Jose Loaiza.

Jose Loaiza: What we have to say about synergies is that in the first process we hired Accenture, who worked with us, with the four countries, to identify the opportunities, and we came up with the conclusion that within four years we should be able to increase by 50 basis points the margin of the Company. Generally speaking, we identified three main synergy vehicles. One of those is the projects that would bring us additional revenues and those that will give us some improvement in purchasing conditions both in food and nonfoods. And the third prong, the one in headquarters and administrative expenses. For those three prongs we have already set in motion over 10 projects with responsible people from Brazil, Colombia, Uruguay and Argentina with timetables, with allocation of resources that should facilitate the execution and the follow-up. As I said, there's projects are set in motion and should give us (inaudible) results starting next year.

(Maria Vallaja): OK. Thank you.

Operator: Antonio Gonzalez, Credit Suisse.

Antonio Gonzalez: First, I just had a follow-up on the real estate comments that you've been making. Would you consider, irrespective whether it's a private or a public vehicle, would you consider only Colombia as a financing alternative, or would you think of packaging together Colombia and especially Argentina that you've mentioned in the past there is such a large real estate over there? Or it's Colombia by itself? That's the first question.

Second, I wanted to ask if you have changed already the dividend policy of CVD, and if you have a timeline and to which level do you think the dividends of CVD could increase so that Exito at the holding level delivers faster?

And third and final, I guess as a structure continues to evolve with real estate, maybe even Brazil, you obviously bought 50 percent of the voting shares from Casino, but you still have the other 50 percent out there. Do you have any timeline or any comments that you can make regarding how do you think the structure of Exito will continue to change in the next couple of years, or you cannot comment at this point?

Carlos Mario Giraldo: I'm going to speak first about real estate and then the timetable for the structure in the future and in the present, and then I'm going to hand to Filipe to comment on the dividend policy.

The first thing is that for the moment we are fully concentrated on thinking on the real estate vehicle in Colombia. Why Colombia? Because it's mature, because it's an economy which is completely normalized, and because we have a clear, stabilized rent in Colombia, and we have to start in the third quarter, which is clearly visible not only for international investors but also for Colombian investors.

As you know, in Colombia today the alternatives to invest in things which are predictable like real estate rents are very scarce, and there's a high scarcity value. So we think that we should start there. Of course, this should consider in the future international opportunities as we have 145,000 GLA in Argentina, 50,000 in development, as real estate today is half of the profits of Argentina, and as we also have in Brazil, more than 320,000 GLA. But we have to do first the first, and we are going to concentrate for the moment on studying the opportunities in Colombia.

As of the control and what the next steps will be in the structure of Exito, what I would say is we just did something which is very important and very big and a lot of tasks for the Company in capturing value. And we are going to completely focus in that. We have a debt level which is adequate. We have a ratio which is (3.4) projected end of the year, and we think that's adequate but we don't want to go high beyond that. So our financial structure to date is competitive.

Number two, we have the power to control the Company through the 50 percent voting shares, casting votes in CEO, dividends and business plan and budget, and we are in a very dedicated way working, and this integration of the new territory and the platform of exit to a plus in capturing synergies. I'm going to hand it to Filipe.

Filipe Da Silva: So regarding dividend, as you know, we have a casting vote. So to raise the payout ratio up to 60 percent during the GPE payout is 25 percent. So today we cannot tell you that -- if we like the size of this opportunity or not. Actually, the decision will be taken on the (inaudible) on the next quarter, first quarter of 2016, and we prefer to wait the results of the year and, of course, the business plan and the forecast for next year before taking a decision. But if we consider that these are something that is necessary for us, yes, we will exercise this course.

Antonio Gonzalez: That is very helpful. Thank you, Filipe and Carlos Mario.

Operator: Robert Ford, Bank of America Merrill Lynch.

Robert Ford: I was hoping you could expand a little bit more with respect to real estate and how you think about monetizing real estate with respect to your capital structure, and maybe if you could comment in general terms about cap rates in Colombia, given how highly demanded these cash flows are?

Filipe Da Silva: Regarding cap rates and, I would say, expected returns that could (inaudible), today we consider that it's too soon to produce a figure. So, as was mentioned by Carlos Mario, we are at the initial stage to analyze the vehicle as a vehicle. So we felt to go deeper and analyze it, and we will get back to you with, I would say, this ratio or these expected returns in the next coming months.

Robert Ford: And with respect to the use of proceeds, any initial thoughts?

Filipe Da Silva: The proceeds -- we consider that it will be used for the vehicle in order to fund the CapEx needed and to increase the GLA of real estate. That will be the first (echoes) of the fundraiser.

Robert Ford: Great. Thank you very much.

Operator: Miguel Moreno, LarrainVial.

Miguel Moreno: I have two questions. The first one is regarding the operating margins in Colombia. In the press release, you mentioned that your revenues in Colombia grew 11 percent, but your operating income grew only 0.4 percent. Can you give us a breakdown of this drop in margins? Was more gross margin, was more sales GLA? How much?

My second question is regarding this announcement of the malls that you just told us. What are the steps needed to do that, if you need to hire another investment bank or in order to know the timing of this? And if you can give us more color about the EBITDA that is generated by these 790,000 square meters we are dealing with?

Carlos Mario Giraldo: So really, in your first question, I tell you, you are right. Our margin in Colombia has decreased, and basically it's focused on the gross margin and cost margin level. If you look at SG&A, we are (inaudible) to decreased by 10 basis points. So to improve our productivity by 10 basis points, if you compare third-quarter 2015 to third-quarter 2014, so that, thanks to (inaudible), and we have (inaudible) there, but there's also a lot of actions that are implemented in terms of maintenance, energies and so on.

So the decrease in terms of margin to totally focus on the (inaudible) margin level and due to two reasons. The first one is the integration of Super Inter, so Super Inter format. And so, as the lower margin (inaudible), I would say the other brands. So that is the first explanation of the impact.

And the second one is relative to textile. So as mentioned by Carlos Mario previously, textile is having a difficult year due to the microenvironment. And so the participation of textile has decreased compared to last year. And that is having a negative impact on the mix of margin and, therefore, the gross margin of the Company. So basically those are the two elements that explain why the gross margin has decreased by referencing 60 basis points between 2015 and 2014.

So regarding real estate -- so real estate, could you repeat, please, your questions?

Miguel Moreno: What percentage of -- or the EBITDA generated by the total GLA that you just mentioned in US dollars, how much it is?

Filipe Da Silva: Today our real estate business is between 10 percent to 15 percent of our current ROI in Colombia basically is what we could disclose as of today. You had a second question mentioning we have a contract (inaudible). We have already (inaudible) to assess and to see what will be the best alternative in terms of real estate for the next coming months.

Miguel Moreno: Thank you, Filipe. Just a quick follow-up -- when can we expect it to continue going down or what do you expect -- you answered that for 2015. But the trends have been good or bad? How is the competitively-based scenario?

Filipe Da Silva: So the full integration of Super Inter will end in November of this year. So I will tell you that regarding Super Inter integration, the impact should be clear early 2016.

And regarding textile, we are today, I would say, working on the strategy of textile, not to ensure that the textile categories will rebound and will have, I would say, a better trend next year. So we should expect also that textile will not have a negative impact next year for Colombia.

Miguel Moreno: Perfect. That was very useful. Thanks, Filipe.

Operator: There are no further questions at this time. Mr. Giraldo, do you have any closing remarks?

Carlos Mario Giraldo: Yes. I would first like to thank you all for being in the conference and for your questions. I would then say I would begin with Colombia, saying that in Colombia we feel that we have done very interesting work in getting the market share that is the dominant market share in that market while keeping margins at the top level in the market. That is having an 8 percent EBITDA margin with 43 percent market share of all the modern retailers. As I said, if you put together number two, number three and number four in the market, the market share is 34 percent, all summed together.

So we will continue to promote also the complementary business like insurance, like credit and like real estate because they really contribute in margin and permit us at the same time to be very competitive in retail in the Colombian market.

As of the future, I want to make a reflection. This reflection starts from saying that Exito has a clear track record of acquisitions and integrations which have been all successful and which have then be, not small ones, as it was done 15 years ago with (inaudible) when the Company multiplied its size by many times, then by Carulla when we multiplied our size around 40 percent, and two new formats that we did not have before, and that changed the history of the retail in Colombia forever.

Then, four years ago, we did our incursion into Uruguay, and after four years what we can see the composed growth in sales of around 12 percent above inflation in Uruguay, also an EBITDA level above 8 percent and clear synergies coming from loyalty, from productivity and lately from the launch of e-commerce and also of new formats like the proximity format.

Today we are taking the next step, and it's a big step, and it's the big step to lead a multi-Latina platform in South America. But what we think is that this platform, regardless the difficult moments in Brazil and the previously difficult political situation in Argentina, this is a very solid platform that will perform in the future, leaded by Exito. Here, as you can see, it is as solid as the best of the platforms in Latin America. It is a very strong e-commerce. It has 2500 stores, which were the best formats, the most friendly formats like cash and carry, proximity and premium formats are clearly modern formats that are represented in this portfolio of stores. And it has a proven management team behind that to impulse the growth.

What we think is that the first consolidated view is encouraging, that we are showing the first figures -- of course, not easy to read because many of them do not have a comparative in the base. But in the following quarters, we are going to get better to understand the numbers and especially to have some numbers in the base. We can see that Colombia had the best quarter of the three quarters, both in sales and in profitability, that Argentina had top sales, even gaining market share, and with a favorable political shift that we think grants immediately value to the acquisition that Exito has done, and that in

Uruguay what we have is the most surprises, and it's performing as it has done in the last years.

In Brazil we had an EBITDA level above 6 percent, which shows also some resiliency in food, and it maintains a very important cash position, which is going to be a positive cash decision by the end of the year. It's foreseen to be that, which is very positive in a country like that and has taken the rating agencies to granted a very important rating because of its fundamentals and its cash position.

But at the same time that GPA is doing the job, management is doing a great job in two things -- first, reducing costs. I think it's impressive, and I think few companies in all America can show productivity in labor as GPA is doing today, which is something not very frequent in Brazil, but GPA is doing it. It's taking a step forward, but, at the same time, promoting sales, and that is expanding through the best formats to promote sales, which are convenience, Assai cash and carry and the premium Pao de Acucar, and taking the portfolio of the (extra) stores, which is a core part of the business, and modernizing them. This year it will complete near to 25 percent of the total sales, modernized, and another important percentage is going to go forward for the next year.

So I really think that the work there to promote a very interesting result in the future is being done by the local management. And what I would say is that we have an upside for Exito, a very interesting upside, and for you and for our shareholders, first because of the fieldwork that is being done and the rebound of the country in the future; second, the synergies; third, when we put together the four countries with regional ownership, as it's going to be done by regional managers who understand much better the regional trends, I think that's a positive move to the market, and finally, because we are looking to find the embedded value in the Company. And our first move is the studying that we are saying we are doing about the real estate potential of the portfolio, first in Colombia and probably in the future elsewhere.

I believe really that this is a Corporation with very solid fundamentals that the current market cap does not reflect, that the current share value does not reflect, that it has a high potential if you compare it against any peer which has fundamentals as solid as this one, and that potential is the potential that I really invite you to look and to focus in.

Thank you all very much, and we will be here present for the following conference.

Operator: This concludes today's conference call. You may now disconnect.

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