Operator: Welcome to the Grupo Éxito's fourth quarter 2018 results and fiscal year 2018 conference call. My name is Richard and I will be your operator for today's call.
At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session. During the question and answer session, if you have a question, please press * and then 1 on your touch-tone phone.
Please note that this conference is being recorded. I'll now turn the call over to Maria Fernanda Moreno, Investor Relations Manager. You may begin.

Maria Fernanda Moreno: Thank you Richard and good morning 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, our Chief Financial Officer, Mr. Manfred Gartz, and VP of International Business, Mr. Jose Loaiza.
Let's move to slide number two to see the agenda for today's call. We will cover Grupo Éxito's financial and operating highlights, followed by a review of the performance by country and the consolidated financial results for the fourth quarter and full year 2018.
The call will conclude with the outlook for 2019 and a Q&A session. Thank you for your attention and please note that this call may last longer than usual.

Carlos Mario Giraldo: Thank you very much to all of you for being here today at the conference.
I will start by reviewing results in slide number three. We ended with a strong net income growth out of productivity and innovation and the strength coming from Brazil and Colombian operations.

In the financial main highlights, we have a strong consolidated net revenue growth of 10.2% for the fourth quarter and 8.9% for the whole year, excluding the foreign exchange impact.
The recurrent Ebitda margin grew at 40 bp to 5.7% for the whole year 2018.
Net results had a very important growth of 28.3%, getting to COP 279,000 million for the whole year.

There was a strong performance behind this of Brazil and Colombia that drove consolidated results. This shows again the importance of the balance of the diversification strategy, while Argentina was weak, as everybody knows, and Uruguay was not as strong as always.
We had a very important support from the most important operations that are the Colombian and the Brazilian ones.

Going to strategic aspects, our store portfolio innovation and our digital transformation are consolidating a big differentiation of Éxito in South America in retail and in complimentary businesses. The implementation in Colombia of key concepts in retail like Éxito Wow, with our top two stores (Country in Bogota, and Envigado in Medellin), and the Carulla Fresh Market with six stores of the brand were very important for this renovation.
Cash & carry expansion up to 28 stores, 10 coming from Colombia and 18 from Assai in Brazil.

The launch in Brazil of a very important new initiative to give competitivity to our Extra supermarkets. 13 of these Extra supermarkets were converted to a new brand Compre Bem, a popular brand to compete with independence in the different states of Brazil, and the renovation or the conversion of 23 Extras with light Capex alternatives and the renovation of 15 Pão de Açúcar into a format very similar to what we know of Carulla Fresh Market and Disco Fresh Market in Uruguay.
We are consistent with the advance in traffic monetization, not only to create loyalty but also to strengthen our profitability. Puntos Colombia is in the way of becoming the largest loyalty program in Colombia with a very good initial launch.

Viva Malls expansion with 115,000 square meters of new GLA, getting to 570,000 square meters of GLA, and the outcome from the synergy reached with total expected benefits in advance beyond 160,000 million US dollars in the whole perimeter of the four countries.
Going to slide number four, in financial highlights for the fourth quarter we had a consolidated Capex investment of 1.53 billion for the quarter and 3.06 billion for the whole year. Capex for Colombia exceeded our guidance and it got to 411,000 million.

In food retail expansion, we opened for the full-year in the region 76 stores. The focus has been in existing stores with a winning format, that is, even though we're doing openings mostly in cash & carry, the most important initiative today is renovating with new winning concepts the premium stores in all the countries and the popular supermarkets in Brazil.
The real estate expansion in Colombia saw the opening of the most important flagship, Viva Envigado, and a very important shopping mall near to Bogota, in the Boyaca region, with Viva Tunja.

Finally, in sustainability achievements, we are very happy to ratify that Éxito was recognized with the Dow Jones sustainability index for emerging markets for the 6th consecutive year, and that our big endeavor to work for children's nutrition got to 63,000 children, 22% more children than last year.

Going to slide number five, we have the sales figures in Colombia for the quarter and for the year. It is important to say that we had the best quarter, with sales increasing 2.2% in same-store sales in adjusted calendar by 1.7%. Total sales for the year were slightly positive at 0.2%.

As we said before, we saw a gradual improvement in sales quarter after quarter, as you can see in the bottom right part of the figure, where in the last half of 2017 we had a very negative figure of - 6%, and then in 2018 we came from the first quarter with - 3% to the last quarter with a plus 1.7% in same-store sales.

It is important to say that format innovation had a very important impact, both the Wow concept and the fresh market concept are double digits in increasing sales against the rest of the stores.

Surtimayorista saw an increase of 47% and our omnichannel strategy so sales growing 37% in the last quarter and 33% for the whole year, having a complete share in the total sales of the company of 3.4%.

Going to slide number six, we can see some detail of sales in Colombia by banners. In the Éxito banner, which is very relevant —It is more than two-thirds of the sales of the company in Colombia. We saw the strongest net sales and same-store sales level in the last quarter with plus 2%, coming from a third quarter with plus 0.8%, that is, two consecutive quarters with positive sales.

In Carulla we saw the best-performing banner of the company, showing the resilience of the premium format especially when they give a magnificent experience to our customers with a plus 1.3% in the third quarter and a plus 4% for the fourth quarter.

In Surtimax and Super Inter, we are still in the negative region, but with some recovery versus past quarters, showing first the impact of what has been done and what we told you we were going to do in the past conference.

Remember that in the second quarter we had a minus 10% and now in the fourth quarter we had a minus 7%, around 300 basis points of improvement.

What's new in the quarter is the complete renovation of the top 10 Super Inter stores in the Cali region and in the coffee region.

Surtimayorista in the last quarter saw a very important same-store sales increase of 24.7%, the strongest same-store sales growth in all the company, which shows that this territory that was explored by Assai in Brazil is also completely valid for Colombia.

If we go to slide number seven, we're going to begin to analyze some of the growth levers that are being developed as Éxito in Colombia that we have spoken about in the last quarters and that are getting to a material point.

The first one is the Éxito Wow. We opened two of them, the two most important hypermarkets. It is clearly one of the few places in the world where hypermarkets are going through a strong innovation complete preposition.

We call it Éxito Wow and these two stores have seen high double-digit increase against their history. We offer a complete categories renovation propositions both in food and non-food categories, and omnichannelity facilities for our customers combined to give a very positive experience, as many of you, our investors in Colombia, have probably seen in the store of 134 in Bogota (Country) or Envigado in Medellin.

This year we will be developing between five to seven new Wow stores in the most important stores of the Éxito brand and that will take us to represent near to 16% of the total sales of the Éxito brand by the end of the year.

In Carulla Fresh Market, which is more mature than the Wow, and which gave us the route that we should follow with the innovation in hypermarkets, we arrived to six stores, for a total sales share of 12%, with double-digit increase against the complete Carulla stores, and with a healthy and sustainable proposition all over the store, and a fresh product top experience.

The Carulla Fresh Market has received many international recognitions, probably the most important by the British Institute of Groceries Distribution, IGD, that described Carulla Fresh Market as one of the 16 supermarkets to visit in the world in 2019 and the only one recognized in Latin America.

Five to seven new Fresh Markets will be developed during the year and it can arrive to something between 25 to 29% of total sales of the brand.

Going to slide number eight, we come back to our cash & carry Surtimayorista, which is getting now materiality. It's being developed in three years at a very high pace, mostly through conversions of many non-productive and non-profitable stores.

Today it is concentrating its presence in the capital of Colombia, Bogota, and in the Caribbean coast, mainly in Barranquilla. It's concentrated so that logistic costs will be driven down.

It is a profitable expansion, probably the only profitable expansion in the discount segment that has happened in Colombia in the last years and it has been positive since year one, with an Ebitda margin near to 3%, with very low operating costs near to single-digits, which is very material for this format, and with clear Capex optimization. It is a Capex alternative of less expense per square meter in the complete brands of the company. Strong sales growth and in conversions two times what it had before under the previous brand.

We completed 18 stores and we will be completing something between 8 and 12 new Surtimayorista cash & carries during 2019.

Net sales accounted to near to 100 million dollars, increasing 47%, and it has now a sales share before all Grupo Éxito in Colombia of 3.1%.

If we go to slide number nine, this is a very important slide, because it shows what we have been working on for the last five years in a very strong way, and it is the materiality, the leadership, and the dynamics that Éxito has given to the omnichannel strategy, combining e-commerce and marketplace, where we arrive to more than 1,000 vendors and with an increase of near to 55% and in the last mile, where we have been leading this trend in Colombia in the food and consumer good segment, more than doubling during the year, and keeping our digital catalogs as a very innovative alternative in which our customers can find in the stores all the portfolio that all the stores carry, even the big stores, and also the portfolio coming from vendors in the marketplace.

As a synthesis, we increased the share of omnichannel alternatives by 80 bps to 3.4%. This is very similar to what leading retailers in the US are achieving after a very important investment and we grew our sales in omnichannelity by 33%, arriving to COP 367,000 million and to total deliveries through last mile, e-commerce, marketplace and digital catalogs of 2.7 million, more than doubling the deliveries that we had one year before, something that makes us very positive on what is being achieved.

Going to slide number ten, we talk about some money decision strategies. We had many monetization strategies in the past, like credits, insurance, and travel, which are doing very well, but the new thing that is acquiring a lot of importance is our real estate business through Viva Malls, the first real estate commercial operator today in Colombia.

In our real estate business, which contributed around one third of other operating revenues, we got to a total gross leasing area of 735,000 square meters. Of those, 570,000 square meters are included within Viva Malls, and the rest, 165,000 are in the rest of the perimeter of the company.

The additional asset contribution that we said we were going to get was concluded in the last quarter. It made a contribution through Viva Malls of four assets, four shopping malls, and with an annualized Ebitda of 170,000 COP and a commercial value for the total Viva Malls after this contribution of near to 2.2 billion, which is of an important size.

Viva Envigado was opened in the last part of the year, the biggest mixed project between commercial and offices in Colombia, with an innovative preposition where more than half of the shopping center is dedicated to entertainment and it is a clear destination for the family. This is another innovation preposition from the organization and we opened also Viva Tunja, with 35,000 square meters of GLA.

Going to slide number 11, we speak about Puntos Colombia, our loyalty program, the coalition that was launched nationally in August in conjunction with Bancolombia. Altogether, between Bancolombia and Éxito customers, we are monitoring 15 million customers. 30 other top brands are today allies of the coalition, offering different services so that our customers in some years will find within Puntos Colombia alternatives to redeem their points and to issue their points in many services and products in Colombia, being probably the most expansive alternative of services for any Colombian customer.

Puntos Colombia is all about loyalty, but also getting margin out of point issuance and redemption and, in a further stage, data monetization, that is what we are obtaining in this first phase, the Habeas Data express authorization from our customers.

Redemption has increased over 80% and Grupo Éxito is today within the coalition the ally of redemption for around 86% of the total points that are being redeemed today. There were in these first years 90 million transactions made with Puntos Colombia, which is very positive.

Going to slide number 12, we turn to Brazil, which as you have seen from the information given by GPA Foods to the public some days ago, had very positive results, with sales growth of 10.7% in reales for the year, and in the fourth quarter the highest sales growth in many quarters of 12.3%, which is very positive if we see that inflation today in Brazil is below 4%. Same-store sales for the year grew 5.5%, that is, above inflation.

Assai in the full year saw net sales growing by 24% and same-store sales by 8.1%. It had 18 openings of Assai stores, having now presence in 18 out of 27 states in the country.
It's one of the most valuable Brazilian brands. In the last survey, this is the first cash & carry retailer the gets into this category.

Multivarejo had also very positive results, with growth of same-store sales for the year of 3.6%. The focus today in Brazil is growing in the cash & carry, reconversion of Pão de Açúcar, and the new popular supermarket propositions, and very important, our digital transformation.

My Discount or Meu Desconto is today probably one of the most important applications in all America, including the US, with 7.5 million downloads and with an important percentage of the customers actively using the application.

If we go to slide number 13, I will speak about some of the initiatives in Brazil. I've spoken about them, but the first one is the strong expansion of Assai, getting now to 144 stores nationwide.

The second one is the renovation of our Pão de Açúcar, similar to the Carulla format in Colombia, with 15 doors renovated, and these renovations with 7% growth on top of the rest of the Pão de Açúcar stores.

The third one is the portfolio modernization to the popular supermarkets of Extra with Compre Bem, with 13 conversions into Compre Bem stores and 23 conversions into Mercado Extra, and finally the loyalty app with 7.5 million downloads, and two times sales of active users of the application, as compared with those who are not active users of the application.
I will hand the presentation over to Manfred Gartz, our CFO, to continue with the results, then Jose Loaiza will speak about the synergies in the region, and I will come back with some conclusions and some guidelines for this year.

Manfred Gartz: Thank you and good morning everyone.
We'll start on slide 13 with the highlights of the operational performance in Colombia. To start with, quarterly net revenues grew 2.4%, topping the quarterly trends seen during the year. Fiscal year ended at 11.2 billion COP, growing 1.1%, supported by our sales recovery and other revenues, which increased 25% in the year, mainly driven by the performance of the real estate business and the financial retail.

On the gross margin, it reached 24.9%, increasing 31 basis points. This margin reflects a very competitive level for our retail unit and higher participation of the complimentary businesses, boosted mainly by the real estate business with the opening of Viva Envigado and Viva Tunja.

Our cost control initiative showed remarkable results on the SG&A side. The operational expenditures grew 1.6% in the year, including expansion. That represents almost half of the inflation of last year. This result is really a great accomplishment, considering that major expenses like labor, occupancy and utilities grew well above inflation.

Finally, the Colombian operation reached an annual recurring Ebitda of 652,000 million COP, and a margin of 5.8%, gaining 10 basis points versus last year. It's important to highlight that these 10-basis point improvement comes after a challenging start of the year, where the Ebitda fell 88% in the first quarter.

Moving forward to slide 15 to discuss the international operation. I will start with Brazil. In local currency, net revenues grew 12% in the quarter and 10.7% in the year, reaching 40.1 billion COP by year end. This shows the assertiveness of the commercial proposal in Multivarejo and also the maturity and consolidation of our store portfolio in Assai.

Gross margin reached 22.4% of sales when taking away the tax credit. This contribution actually reflects the higher weight of Assai in the mix, and an adequate level of competitiveness in Multivarejo's performance, very in line with our commercial strategy.
In terms of SG&As, we managed to control expenditures and limited its growth to 3.6%, despite inflationary pressures and high expansion dynamics.

Recurring Ebitda ended at 2.2 billion COP, growing 7.4% versus last year, resulting in a 5.5% margin and gaining 50 basis points.

Please move now to the next slide on Uruguay. Net sales in local currency for 2018 grew 5% and 4% in terms of sales. We faced a challenging scenario during the second half of the year, due mainly to an internal consumption slowdown and lower tourist inflow, mainly from Argentina.

We maintained our market share thanks to our differentiation approach through the fresh market concept.

Net revenues reached 2.6 billion COP in the year, rising 5.2% in local currency, affected negatively by FX of 6.5%.

Gross margin finished the year at 33.8%, 10 basis points lower than last year, due to a higher commercial activation in the middle of this very challenging consumption scenario and higher logistic costs that were partially offset by efficiencies both in shrinkage and in labor. On the recurrent Ebitda side, we reached 198,000 million COP, maintaining a strong 7.7 margin, demonstrating a very solid performance and profitability levels.

Let's take a view on Argentina on slide 17. To start with, I think it's very important to mention that all the figures are properly expressed with monetary correction, according to IAS 29. If you recall, Argentina was set as a hyperinflationary economy last year. You'll find all this information in the notes to our consolidated financial statements.

Having said so, Libertad topline showed resilience in the middle of this complex consumption and macro environment.

For 2018, net sales grew 28% in local terms. This result comes from our commercial strategy oriented to pricing food and capturing good volumes of non-food during the World Cup season in the middle of the year.

Net revenues grew 28.1% to almost 1.1 billion COP, reflecting positive retail contribution and a consistent real estate performance.

Gross margin increased 10 basis points, mainly explained by a higher participation of the real estate business, reflecting our strategy.

SG&As grew 30 basis points in a context of hyperinflation that ended almost at 48% and mandatory wages increment aiming to recover real term salary and the internal economy reactivation.

Finally, recurring Ebitda reached 46,000 million COP with a 4.1% margin, decreasing 20 basis points, but still showing outstanding profitable levels when compared to other years. Moving forward to the next slide to discuss the consolidated results. Top line reached 55 billion COP, with an 8.9% year-over-year growth, including FX impact.

These results really reflect one, the strong performance in Brazil; two, the gradual recovery of Colombia; and three, the contribution of complementary businesses, particularly real estate in Colombia and Argentina.

SG&As diluted 90 basis points, reflecting productivity efforts throughout all the region, higher maturity of Assai's portfolio and the consolidation of strategic synergies.

Recurring Ebitda, ex Brazilian tax credits, grew 5% even after a negative 10.4% FX effect. We reached a margin of 5.7%, improving 40 basis points versus last year. Recurring Ebitda reached 3.1 billion COP in 2018.

Finally, at the bottom line, net income grew 28% to 279,000 million COP, confirming consistent growth during the last three years. I will provide further details on the next slide. Moving forward, this improvement in net income results mainly as follows: first, lower interest expenses from rates in Brazil and Colombia and the FX effects of Brazil; two, control of the non-recurring expenses mainly in Brazil; and third, improved operational performance in Colombia, thanks to productivity efforts and better commercial results in the top line.

Regarding the dividend proposal, yesterday the board of directors of Éxito proposed a dividend of 312.12 pesos per share, equivalent to a 50% payoff ratio, in line with our historical policy. This represents a 28% increase versus last year and this dividend is to be paid in four installments as in previous years. This proposal is currently subject to approval by the general shareholders meeting to occur on March 27th of this year.

Finally, please move to slide 20 to discuss net financial debt. At the holding level, net financial debt closed at 1.9 billion COP, decreasing almost 25%, very aligned with the company's strategy to deleverage.

Cash and equivalents closed at 1.9 billion COP, driven by lower financial expenses, higher dividends inflow, and better generation of cash flow at the operational level.
Finally, the adjusted net financial debt over Ebitda ratio ended at 3.1 times, coming out of the 3.52 ratio last year, the lowest ratio since 2015.

At this point I will turn the call over to Mr. Jose Loaiza to continue the call.

Jose Loaiza: Thank you and good morning to all of you.

As Carlos Mario said, we are very pleased to tell you that in 2018 we achieved our USD 160 million target for the synergy project. This was obtained after three and a half years of hard work, 200 executives very committed to the project in four countries, the coordination of synergies in each country, and the contribution of 28 initiatives, again, one year ahead of schedule.

Just to give you some color, we have 28 initiatives. Some examples of the most relevant ones in the next slide, the category that we call " joint negotiations" to the overall figure, our core synergy of food and non-food purchasing, and our back office synergy of purchasing of goods and services were very relevant to this achievement and now we can say that we don't have a project but also we have a process of a very sound consolidated purchasing power in food and non-food that guarantees the recurring benefits of these two initiatives.

On the next slide and following with examples, we have the category that we call "format replication". Carlos Mario mentioned already the benefits of the implementation of the cash & carry in Colombia, inspired by the Brazilian experience, and also the joint development of fresh markets in the region, to the point that today we can say that no other player in Latam has the value format, premium format footprint that we enjoy today to offer to our customers.

Last but not least, this is not over. The question that we are asking ourselves is what's next in this synergy initiative, and the main point that we want to share is that we want to move from talking about a project to talk about a process, an ongoing flow of initiatives seen in the different organizations and countries where we operate.

Also, in this new phase where we have a process goal, global opportunities, we also want to evolve not only about sharing best practices, which is basically what we did in the past three and a half years, but also building together the initiatives to face the future challenges that our organization has. This process was kicked off last week in Brazil with top executives from the region and focus will be in an omnichannel experience, continuous improvement or our formats and channels, digital transformation, and productivity synergies.

As we move on, we'll bring to this call progress on this new process goal. Having said this, I'll turn to call over to Carlos Mario for final remarks.

Carlos Mario Giraldo: Thank you very much. I will go directly to slide number 25 and I will be speaking about how accurate our guidelines given in the different countries for the year 2018 were against the final results.

In Colombia, we said that we would have a retail expansion between 12 to 15 stores and we did 17. Fresh Market, that we would go up to five and we did six. Puntos Colombia would start in the first half of 2018. It started nationally in August of 2018. SG&As would be below inflation. They were really almost half inflation. Viva Malls would go to 160,000 square meters of GLA, which it achieved, and that our Capex would be 300,000 million COP, which it exceeded by around 25%.

In Brazil, we said that we would go up to 20 Assai stores. It got to 18. That we would renovate 20 Pão de Açúcar. We renovated 15 Pão de Açúcar and we will be accelerating during this year. That Capex would be at 1.6 billion, and it arrived to 1.7 billion.

In Uruguay, we said that we would be opening between eight to ten Devoto Express stores, given the slowdown in the economy. We opened five stores and in Argentina that we would be investing around 160 million Argentinean pesos and we got 111 million. We really slowed down a little bit the investments because we want to be cautious until we see how the economy will develop. In Latam, as Jose said, that the run rate benefit would be above 120 million USD, which was exceeded.

If we go to slide number 28, you can see the final conclusions before giving the guidelines for 2019.

First, as we said, net sales growth was achieved in all the countries, the strongest in Brazil. Annual consolidated recurrent Ebitda margin gained 40 basis points, arriving to 5.7%, and in Colombia it gained 10 basis points.

Earnings per share grew 28.3%, and our dividend proposal that is being taken to the general assembly is to have the same increase of 28% in dividends to our shareholders. That would give a yield of around 2.1% if we compare it against the share value of yesterday.

Net debt to Ebitda ratio at a consolidated level at 1.23 times and 3.11 times at the holding level, down from 3.52.

Successful action plans and cost control activities in all the countries, traffic and asset monetization activities going forward through Puntos Colombia and Viva Malls.

Store innovation in all the countries, and we have to highlight what is happening with the fresh market, which is clearly an innovation being driven in all the Latam market by the Éxito group, and then the Extra supermarkets being converted into Compre Bem and Mercado Extra, and the Wow innovation format for the hypermarkets in Colombia.
Finally, the relevance that cash & carry has acquired in our country, Colombia.

Digital transformation at all levels, not only with last mile development, with different expressions in every country according to the realities of the country, applications, especially in Brazil and now in Colombia, as a very critical part of our digital transformation looking forward, and digital culture development of our customers, and omnichannel strategy with very important increasing sales. Total synergy plan outcome achieved, as said before.

Finally, we go to slide 29 and we speak about the outlook for 2019. In Colombia, we will be doing an expansion between 18 to 20 stores. We will be opening between 10 to 12 Surtimayorista stores. We will be developing between five and seven Fresh Market and Wow stores.

This is very important. If we put together by the end of the year, in a full running year, the nine Wow stores, the 13 Fresh Markets, the 30 Surtimayoristas, and all our omnichannel strategy, all this innovation and modern strategy, will account for more than 20% of the total sales of the company. This is a very important figure about innovation in retail.

Our Capex will be between 270,000 million pesos and 300,000 million pesos and our Ebitda margin will be at least stable as compared with 2018.

In Brazil, retail expansion will be going between 15 to 20 Assai stores and 10 to 15 renovations of Pão de Açúcar stores. 100 stores will be intervened with renovations at Supermercados Extra into Mercado Extra and Compre Bem alternatives.

Recurrent Ebitda margin will be expanding and it's calculated that it can expand as much as 30 basis points for Multivarejo and 30 to 40 basis points at Assai level, and the Capex will be between 1.7 billion and 1.8 billion.

In Uruguay, the opening of four fresh market stores and a very strong operational excellence program to keep our costs in line with our sales, and in Argentina the focus will be on productivity and on the real estate portfolio enhancement to keep the level of occupation which we are already having above 90%.

Finally, at Latam level in synergies, as Jose said, our focus will be in innovation, digital transformation and omnichannelity, while keeping in the day-to-day basis the initiatives that have already been developed in the past years.

This would be the presentation for the moment and we will open now the Q&A session.

Operator: Thank you. We will now begin the question and answer session. If you have a question, please press * then the number 1 on your touch-tone phone. If you would like to withdraw your question, press the # key. Standing by for questions.

Our first question online comes from Federico Perez, from Bancolombia.

Federico Perez: Hi. Thank you for the presentation. I'm sorry if I ask some questions you have already talked about, but I had some trouble with the call and I couldn't hear well Jose Loaiza's presentation.

I have a couple of questions. The first one would be: in Colombia, you stated that the increase in the Ebitda margin was explained by the costs and expenses structure that you have made in the quarter, but also the higher weight of your complimentary businesses. Could you give us a little bit of color on this? Perhaps how much is weighing in terms of revenues and Ebitda the complementary business in Colombia, not only the real estate business.

My second question would be in terms of leverage. Do you feel confident enough with the leverage ratio this year that showed a significant improvement and closed at 3.11 times? Is it enough for you or would you try to implement new strategies in 2018 to decrease it?

My last question would be in line with Super Inter and Surtimax. These two brands are the ones having the worst performance in Colombia. They are improving a little bit in their sales, but we see they are quite below Éxito and Carulla brands. What is the strategy you'll follow in these quarters to try to improve these brands? Thank you.

Carlos Mario Giraldo: Thank you very much. I want to address first the last question about Super Inter and Surtimax and then I will turn to Manfred for the rest of the question.

Surtimax and Super Inter are going through a very important change in their strategy, first, reinforcing fresh products. They have always been important in Super Inter, but now they are very important in Surtimax, which gives them differentiation against discounters. Number two, improving assortment, that is, reducing some assortment to be stronger in the private brand proposition, and the third, through the renovation of the stores.

In the case of Surtimax, by turning non-profitable stores or big stores which are not the best brand to operate, into Surtimayorista, which has always been very good because it has focused big stores into the cash & carry format, and small Supermarket stores in Surtimax. We saw a 300 basis points improvement in the last two quarters in sales and we expect that they will continue in a gradual recuperation.

Manfred Gartz: In terms of the Ebitda recovery, I will have to say there are many three items to take into account. First, obviously, the recovery of the sales trend that actually helps the delusion of expenses. That's one.

Second, it has to do with increased performance of the complementary businesses, that as of now represent roughly about 35% of the Ebitda. About half of that comes from real estate. That's the reason why.

Last year, as you know, we opened the Viva Malls, the largest shopping center, Viva Envigado at the end of the year, so this actually had an impact in the results.

Third, a very strong expense control, that as we mentioned before, was mainly half of the inflation of last year, so the combination of these three things helped to increase the Ebitda margin of the company, even despite, once again, a challenging start in the first quarter.

Federico Perez: Perfect, thank you. If I may, my last question would be on the leverage ratio.

Manfred Gartz: Yes, sorry. Sorry about that. I think as of now we are once again pretty confident with the current level of 3.1. If you recall, this is not a covenant but a current test, so 3.1 is a very safe zone and a comfortable level. However, we continue our deleverage strategy, so we expect it to continue lowering in the upcoming years.

As for your question regarding the covenant, the covenant is way under control. It's actually 1.2 times, while the threshold is 3.5, so we are pretty confident with that result.

Federico Perez: Perfect. Thank you so much.

Operator: Thank you. Again, for any questions on the line, press * and then 1 on your touch-tone phone.

We have a question online from Andres Soto, from Santander. Please go ahead.

Andres Soto: Thank you Carlos Mario and Manfred for the presentation. My question is regarding cash flow generation. When I look at the average ratio and I look at the net financial debt at the end of 2018, I can see that a huge portion of the reduction comes from the debt that you put at the subsidiary level in Brazil, meaning that if I exclude the effects of these 670 billion pesos, there was virtually no cash flow generation throughout the year. Can you please share your hopes on that and what you are expecting for 2019? Thank you.

Carlos Mario Giraldo: Ok. Thank you Andres for your question. I would start by saying that what you mentioned is actually true. Part of the diminishing in the debt comes from that operation. However, you have to take into account the following: first, cash flow generation at the Éxito level remains strong. We have been able even to increase the level of Capex that we have historically done, so there's no restraint as per the cash flow. Actually, if you recall, we maintained the proper level of Capex that we do for our retail business. We actually had a big investment in the two shopping centers of Viva Mall, especially on Viva Envigado and Tunja. That also required a lot of Capex.

The dividend policy has not changed. We have met all of our debt repayment process, so at the end what this shows is the cash flow is strong enough to maintain not only the dividend policy change, but to raise the capital expenditures we normally have done and still be able to manage that without deteriorating our net financial debt.

Andres Soto: Ok. Thank you.

Operator: Our next question online comes from Nicolas Ferrein, from JP Morgan.

Nicolas: Hi, good morning. Thank you for taking my question. I want to see if you can give us a little more on Uruguay and the performance over there. I know that you mentioned in the release that there were some strikes. It wasn't clear to me if it was in your store, with your employees or just around your store, those problems that affected sales and in general terms when you expect for trends on the grounds in local currency to start reaccelerating and improving profitability. Thank you.

Carlos Mario Giraldo: Thank you very much. Let me refer a little bit to Uruguay. Uruguay continues to be a stable market. The economy continues to grow and devaluation, even though it was present more than the Colombian peso, because it's important to remember that the Colombian peso was very strong against the other Latam currencies, it performed much better than its neighbors.

However, what's impacting Uruguay today is more the influx coming from Argentinean tourism. As you know, Montevideo is one river away from Buenos Aires and there's a lot of purchasing that happens by Argentinean tourists, and in the season, that started in December and continued during January and February, we saw a very important reduction in tourism, near to 30% coming from Argentina.

At the same time, we are seeing that given that in Argentina the devaluation has been so strong, going from 17 pesos to 38 pesos by the end of the year -- Of course Argentina is much cheaper than Uruguay today. That will correct with inflation probably in the following year or year-and-a-half, but for the moment it gives some difficulties in competitivity, for example for the presence in non-food products.

Having said this, our operation continues to be very strong. We have arrived now to 15 fresh market conversions, our Express is the leader supermarket in Uruguay with Devoto, and we keep a market share near to 45%, which is very positive for Uruguay. I would say, and as you can see even under these circumstances, it arrived to an Ebitda level above 7%, which is very strong in any retail environment.

Nicolas: Perfect, thank you. And if I can ask another question on Argentina. Could you give us some color on what's the participation of real estate or other complementary businesses in the Ebitda, either for the year or the fourth quarter would be great. Thank you.

Carlos Mario Giraldo: Ok. You give me the opportunity also to refer to Argentina, because I really consider that our team in Argentina has done an outstanding job, even after the adjustments of hyperinflation, the economy going down by more than 3%, and inflation of 47%, a devaluation of more than 100%, increasing unemployment, and to keep an Ebitda margin of 4.1%, gain market share and keep the occupation rate of real estate above 90%, that's really outstanding. I think it has to do with our team adjusting in a very dynamic and rapid way to the changing circumstances.

That is not to say that we are not going to face a lot of challenges, because of course with an inflation of 47%, you're going to have a lot of pressure in your costs by inflation, but we have the fortune also of a natural hedge that many other competitors do not have, with our 15 commercial galleries in the main cities to the north of Buenos Aires.

What I would say is we do not give an exact figure of how much real estate represents of the Ebitda, but I can tell you that it represents clearly more than half of the Ebitda generated for the company, and it is in a very stable moment even with the circumstances.

Real estate has an advantage, and it is that the assets have been reevaluated permanently, and second that when there is inflation and devaluation in Argentina, there's a natural trend of investors trying to hedge to real estate and we don't have to do it because we are already hedged there.

Nicolas: Perfect, thank you very much for the call.

Operator: If there's any question, please press * and then 1 on your touch-tone phone.
Our next question comes from Luis Miguel Ortega, from Corficolombiana. Please go ahead.

Luis Miguel Ortega: Hi, thank you for the presentation. I have a question regarding cash flow from operations at the holding level. You have a decrease of 60% year-over-year and you have a new accounting in your presentation, so it is not clear how much you have in cash flow between suppliers, so I would like to know how much you actually have in this last quarter with suppliers and why cash flow decreased so much. Thank you.

Manfred Gartz: If you go to the financial statement release that we had, the full book, not the presentation, you have all the detailed information regarding the cash flow, that's first.
Second, in terms of policies or in terms of operation, I think what has happened in terms of accounts payable for providers and staff, last year it was conducted in the same way it was conducted in the following years, so there's no major change per se in the way we have managed that.

If you go through the consolidated statements on page eight, you have the full disclosure of the cash flow. Everything from operations, investments, and such. If you have any particular question regarding one item, please contact IR of Éxito and we'll be happy to explain.

Operator: Thank you. If there are any further questions, please press * and then 1.
We have a follow-up question from Federico Perez, from Bancolombia.

Federico Perez: Hi. Given that there are no other questions, I'm going to ask one more and it's regarding the law that is going to be discussed in the coming months by the government, which is the timely payment to suppliers. Can you give us a little bit of opinion regarding this law and how you see that this could affect the company's capital? Thank you.

Carlos Mario Giraldo: Thank you very much. We have been giving a very close follow up to the project of law that has been discussed. The first thing is that it is only going to go through the Chamber of Representatives and then it has to go to the Senate. The second thing is that we are very likely to have a proposal coming from the government, from the Ministry of Commerce, which would eventually be restricted only to micro and small players and not to all companies, where it makes no sense to have a state intervention. The third thing is that the reference to this law is a law in Chile, which leaves the faculty of freedom of having bilateral commitments and contractual dispositions between the different parties. For the moment, we see that this is the environment around it, of course nobody knows how the law discussions are going to go, but clearly all the players that have referred to it refer only to the micro small companies.

Only to give you a figure, if we see that the complete payables of the company and we divide them between big multinationals and big companies, and micro, small and medium-sized companies, even if we include the medium-sized companies, that is going to go beyond 60% of the total payables of the company, so it's very manageable.

Especially because it is very probable that if something is enacted, it will be gradual and it will be changing the terms of payment in a term of between two to three years and very probably starting next year.

Federico Perez: Thank you Carlos Mario I'm sorry for asking something that you already discussed, but I couldn't see the presentation. Thank you so much.

Operator: We have no further questions at this time. I would like to turn the call over to Carlos Mario Giraldo for closing comments.

Carlos Mario Giraldo: Thank you very much. I will make some final remarks taken into consideration some things that have already been said, but I think that having it in a nutshell is something very important.

I believe that 2018 was a year of improvement in the Colombian business and of consolidation of the Brazilian business, our two most important assets.

The net results saw an improvement of 28% and our shared holders yield is clearly improving, with a dividend distribution that is being recommended to the general assembly. We continue with the policy of 50% distribution of the profits generated by the company. Sales are increasing in all the markets in local currency.

Both consolidated and Colombian Ebitda margins expansion is being absorbed, 40 basis points for the consolidated and 10 for the Colombian.

Productivity initiatives across the business are helping a lot and innovation has also been introduced in productivity with lean schemes like Six Sigma and Kaizen.

Synergies came above target and new objectives around digital, omnichannel, format innovation and productivity best practices are being set.

As for Colombia, the commercial activity enhancement is giving good results, even though there is an active expansion of other discount players, every time this expansion has a lower impact in the market, not only because of the base, but because it starts to have some cannibalization. There's a differentiated answer from Éxito to these market forces through omnichannel, through innovation, through cash & carry, through traffic and asset monetization.

The idea is that our customers get always a better experience and a profitable growth.

If you live in Colombia, you must have seen two days ago, that for the first time in the history of Éxito we are celebrating 70 years. We started our big promotion at 57 stores, and it was an amazing experience for all Colombians buying stuff at 3 a.m. or 4 a.m. and 5 a.m.
That is a historic landmark getting materiality with our hypermarket innovation in Wow and with our Fresh Market and also with our Viva Malls emblematic openings that we saw in Envigado.

Omnichannel is getting now to 3.4%, where some years ago it was below 1% of total sales of the company so every time we're going to expect 67 to 80 basis points of improvement against the rest of the sales, which is going to be a big driver, with the last mile and marketplace driving also that increase in the omnichannel strategy.

Puntos Colombia is not only a customer retention strategy, but it's also a monetization of our customer database and Viva Malls get into a reality with a value above 730 million dollars.
In Brazil, GPA is the clear market winner. If you see the last quarter, it has been increasing in sales both at Multivarejo and at Assai with a new dynamics against other non-competitors. Cash & carry in the Pão de Açúcar premium consolidation is being seen on the new supermarket from a popular proposition going forward.

The strongest innovation is the application of Meu Desconto, I would say like a steady case to be seen, and digital transformation and digital adaptation results have met market expectations and are positive looking forward.

In Uruguay, as we saw, a steady company, even under the circumstances, with devaluation, hyperinflation, and tourist reduction from Argentina.

In Argentina, a business that has had a positive margin and Ebitda at retail business very much supported by the hedge that we get from real estate.

The word as an organization in South America would be consistency, consistency in playing with innovation, consistency in productivity, consistency in driving omnichannelity and digital transformation, consistency in monetization of the traffic of our customers and of the assets of the company for the generation of profitability for this organization.

I would like to thank you all for being here and I want to invite you to the next conference where we will deliver our first quarter results. Thank you very much.

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