



Management Report

Dear shareholders: [GRI 102 – 14]

Management report 2021

The year 2021 was marked by hope in the midst of many challenges and brought us greatest lessons, collaboration, innovation and adaptation as engines for society and the businesses environment. The world understood that the impacts of globalization go beyond economics, as well as social changes and technological disruption require strengthening of individual and collective adaptive capacities. Advances in COVID-19 vaccination favored economic reactivation; the context generated new social dynamics, changes in consumers, and improved the business activity, elements immersed in the Company's performance.

Grupo Éxito reaffirmed its strategic approach focused on the customer and based on digital transformation, innovation in formats, monetization of assets and efficient use of resources. As a result, the Company was able to capitalize on significant advances in diverse channels, maintained the customers' preference in innovative formats (Éxito Wow, Carulla FreshMarket, Surtimayorista and Super Inter Vecino) and increased its profitability levels from the contribution of retail and the recovery of complementary businesses (mainly real estate and financial).

At Grupo Éxito, we are driven by hope, optimism, and the desire to be part of the dreams of millions of Colombians! We believe in the power of building a better country together, the share of dreams, and in the work done with effort and dignity. We know that acting with integrity builds trust that fills us with joy, motivates us to always do things the best way possible, and challenges us to give our maximum.

We are moved by the desire to contribute to the creation of a better place for all of us and our generations. Together, we can create the country of our dreams: a country where solidarity, responsibility, transparency, lasting relations, and caring for one another and the planet, become the natural way to grow as persons. We also dream of a country that allows companies to blossom and continue to provide opportunities for the development of the purpose in life of millions of people.

We are motivated by our conviction to contribute to the growth and well-being of Colombia and that is why, we would like to share our greatest purpose: **“to nourish Colombia with opportunities.”**

Colombia – Grupo Éxito

Macroeconomic performance during 2021 had a clear recovery path. Annual GDP grew by 10.6% and economic activity reached above pre-pandemic levels. This performance was favored by the progress of the vaccination process that allowed the lifting of mobility restrictions, which in turn, contributed to the growth of private consumption, the increase in credit and the reduction of unemployment, which fell to 13.7% during the year.

Revenue from the operation in Colombia reached COP13 billion, a growth of 7% compared to 2020, and above the inflation levels of the year. The positive result was leveraged by omni-channel performance, the contribution of innovative formats, and the major recovery of complementary businesses, mainly real estate, financial and travel. This dynamic was achieved in the midst of the country's economic revival and the company's rapid response to the needs and preferences of

customers who returned to stores physically while, at the same time, maintained purchasing habits through digital channels.

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Recurrent EBITDA grew by 25.1% and exceeded COP1.2 billion, with a margin on 9.4% as percentage of net revenue, which compares to the 8.0% reported in 2020. The excellent operational performance was marked by the recovery of complementary businesses, which significantly contributed to an optimization of the Company's cost and expenditure structure, despite an environment affected by inflationary pressures.

During 2021, the company strengthened its retail business in the country and continued with a strategy focused on three main pillars:

Omni-channel was consolidated as a growth strategy and reached a strong 11.9% share on consolidated sales. Digital sales of the food category strengthened and grew by double-digit, reaching a 10% share, driven by the use of websites, mobile applications, phone lines, WhatsApp and digital catalogs.

More than 7.8 million orders were delivered by using internal technological, operational and logistical capabilities. The company strengthened its adaptive capacity, quickly responded to the changing needs of customers and generated different solutions to improve their experiences. An example of this is the "Click and Collect" service, launched in 2020, represented 28% of omni-channel sales, the launch of Turbo-Fresh Carulla in partnership with Rappi for deliveries in less than 10 minutes, as well as the increased penetration into the low-cost market, with the development of the MiSurtii App. This latter solution served 3,000 neighborhood stores and represented 13.8% of the sales of the Aliados format, under which it operates. The non-VAT days promoted by the national government, also favored the performance of the omni-channel platform and the company achieved record sales, with an articulated execution of all areas.

The company continued to invest in the digital transformation process, in innovation technologies, developing systems for digital commerce, and in logistical capabilities to strengthen the Group's ecosystem. This was done through the efficient integration of all businesses and sales channels, in order to offer the best service experience to the "omni-customer."

Innovation: The expansion of innovative formats across all brands was accelerated as a differentiating strategy to deliver superior customer experiences. Éxito Wow opened eight stores during the year and thus completed 19 in total, which represented a share close to 30% of the brand's total sales in the year.

Carulla opened eight FreshMarket stores and completed 22 stores under this model, which represented a share of 45% on the brand's sales.

Likewise, 18 Super Inter stores were converted to the new Vecino format, which reached 25 stores by year-end that represented a 47.7% share on the total sales of the brand in 2021. With this innovation, the brand positioned itself as a leader in food sales in the city of Cali.

Six Surtimax stores were adapted to operate in the low-price segment and offered an improved look and feel and a renewed offer of local products.

Surtimayorista reached 36 stores with two openings during the year, one from a conversion and one from organic. Surtimayorista led in terms of same store sales (+24.4% versus 2020) in the operation in Colombia, and its “Club del Comerciante” (Merchant’s Club) loyalty program, reached more than 11,500 institutional clients registered and launched a new product in alliance with Tuya, the MasterCard Merchant’s Club credit card.

The company invested a total of COP495,500 million in Colombia, with a major focus on the expansion of innovative formats and the development of systems to support digital commerce.

The monetization of traffic continued to be an engine of growth driven by economic and commercial recovery, especially in the second half of the year, and primarily in real estate and financial businesses. In the real estate business, the reactivation of traffic and strong occupancy levels, above 93%, strengthened the growth of sales of stores operating in our shopping centers and favored rental revenues. Viva Shopping Centers were also part of the government’s vaccination campaign, and in ten of them, about 476,000 doses were applied.

The financial business had a great evolution thanks to the recovery of consumption and the implementation of a digital innovation strategy with Tuya Pay, the digital wallet and micro loans that registered more than 800 thousand users. Tuya reached 2.8 million cards issued and about COP3.6 billion in its loan portfolio.

Puntos Colombia grew in terms of commerce dynamics and increased its profitably. The ecosystem generated accumulations of more than 38,700 million points through its 5.5 million customers with *habeas data*, an increase of 17.3% compared to 2020, as well as reported operational and net profits during the year.

Autos Éxito, was launched to expand the portfolio to car services and to strengthen the ecosystem for customers by offering vehicle rental and sell of used cars. In addition, an electronic payment alternative developed in partnership with Redeban, is expected to benefit from the partner’s financial know-how and to improve traffic to the Group’s stores.

The company’s private labels continued to respond to the needs of the market and customers seeking competitive prices and differentiated products. The FMCG “Frescampo” and “Taeq” brands, accounted for almost 16% of food sales. “Arkitect,” “People” and “Bronzini” represented more than 47% of apparel sales, and “Finlandek” the brand for home products, grew sales thanks to the collaboration of Colombian designers and artisans.

During 2021, Grupo Éxito confirmed its commitment to the country, improved its service levels and consolidated its local presence with the acquisition of the commercial operation of five points of sale from Almacenes La 14, in the regions of Valle del Cauca and Cundinamarca. The company expects to strengthen its networking with local suppliers, to contribute towards economic and employment recovery, and to continue with the expansion of the Éxito brand by operating those stores under the top experience provided under the Éxito Wow format.

International operations

The 6.7% growth at recurrent EBITDA level from Uruguay and Argentina, contributed to the evolution of consolidated results, leveraged in progressive improvements in customer traffic to stores and productivity gains. Report 2021

Uruguay- Grupo Disco and Devoto

The weak macroeconomic and consumption contexts in Uruguay gradually improved toward the last quarter of 2021, benefitted by the positive beginning of the summer season, given its important contribution to the country's outcome. GDP is expected to grow by 4.5% in 2021 with a clear recovery during the second half of the year and an unemployment rate falling to 7.0% from 10.5% in December 2020. Inflation fell to 7.96% from the 9.41% level seen in 2020 and its food component fell to 6.5% from the 9.5% last registered year.

The operation in the country strengthened the value proposal of its fresh market model, which represented 45.2% of the total sales in the country; four stores were renovated under this concept, reaching a total of 23, which represented 45.2% of the country sales. Uruguay grew its omni-channel sales by 9.8% in local currency, reaching a 3.6% share of total sales in the country.

Operational performance was characterized by an evolution of the gross margin and strict control of expenditure. Recurrent EBITDA margin reached 10.2% and remained the highest in the Group, reflecting high levels of productivity and expenditure control.

Argentina - Libertad

Argentina showed signs of gradual economic revival. GDP grew by 11.9% in the third quarter of 2021, benefitted from the positive effect on traffic at stores and commercial galleries from the lift of mobility restrictions. Nevertheless, the country continued with high levels of inflation, 49.5% during 2021, with the food component growing to 54.1%. The consumer confidence index fell to 37.8%, down 4% compared to 2020, while retail sales increased 14.8% in 2021, according to CAME (Argentina's SMBs Confederation).

Revenue in Argentina grew by 46.8% in local currency, benefitted from the greater dynamics of the real estate business, which reached occupancy levels of 90%, the positive performance of the retail business and the evolution of digital channels that participated with 2.6% on sales. The recurrent EBITDA margin was 3.4% in 2021, twice that reported in 2020, favored by the recovery of real estate business and strict control of expenses, which grew below inflation.

Consolidated financial results

The company reached COP16.9 billion in revenue, 7.5% more than in 2020, favored by the commercial and economic rebound, which allowed the increase of sales through the different channels, both the physical, leveraged in innovative formats, as well as the virtual. In addition, complementary businesses, primarily real estate and financial, contributed to results, as well as the launch of new businesses that are now part of the business ecosystem.

The operation in Colombia represented 77% of the Group's total revenue, which grew by 7% compared to the previous year, leveraged in the business ecosystem. Likewise, international operations accounted for the remaining 23% of consolidated revenue which reached COP3.9 billion, marked by the commercial dynamics that resulted in a 12.7% growth, excluding FX effects. Report 2021

The company's profitability was higher as the Group's recurrent EBITDA grew by 20.7% compared to 2020 and reached more than COP1.5 billion, with a margin of 9.1%, representing 99 basis points higher than the previous year (8.1%). Likewise, net income was twice that of 2020 and reached COP474 billion. This is the result of a historical performance of the retail business, the strengthening of complementary businesses and joint ecosystem activities, as well as an optimization of the operational and financial structures.

Net cash position was COP1.2 billion, reflecting the company's financial strength.

Sustainability

Grupo Éxito ranked ninth among the top 10 food retailers in the Dow Jones Sustainability Index and achieved a better performance by increasing three points within the industry's 89th percentile.

Here are some achievements in the sustainability strategy:

- To dynamize our climate strategy by actively participating in COP 26 in Glasgow, increased our environmental MEGA goal, and declared ourselves to be a company that aims to be carbon neutral by 2035 (Scope 1 and 2); the Carulla FreshMarket format was recognized by Icontec as the region's first *carbon neutral food retailer*.
- In the circular economy strategy, the company managed about 21,000 tons of recycling and through its commercialization, became the main source of funding for the zero malnutrition mega for children, led by the Fundación Éxito.
- Soy Re, a post-consumer program, grew more than 215% during 2021, mobilized 187,000 customers and managed more than 12 million packaging units.
- The sustainable livestock model was consolidated with 100% satellite monitoring of direct suppliers, thanks to the partnership with Climate Focus and the International Center for Tropical Agriculture - CIAT, through Ganso (sustainable livestock). Progress was also made in structuring the conservation strategy in livestock farms with WWF.
- Fundación Éxito benefitted more than 70 thousand children in the country in line with its goal to achieve zero chronic malnutrition in Colombia.
- To highlight two initiatives with the community: the National Graffiti Fair "Pigmentos Urbanos," (urban pigments) expected to cover 11 cities of the country in alliance with local artists; "Terrazas Verdes," (green terraces) a food security project that began at Comuna 13 in Medellín and aims to benefit women head of households and their children, both in food security and income generation.
- Advances in the strategy of second opportunities for persons deprived of liberty continued with textile production in the prison in Yarumal, Antioquia, the start of the productive bakery project in the prison in Barranquilla, and the textile collection prepared by with Johana Bahamón and our brand People.

- The supply of agricultural products produced by populations benefiting from the peace agreements in the municipalities PDET (Land-based Development Plans) within the framework of the joint work with the Presidential High Council for Stabilization and Consolidation and other entities of the National Government, increased.
- Yunus Social Business, in its publication “Social Procurement Manual 2021”, presented #CasoDeÉxito as the work done together with the supplier Pomario to promote local and direct purchase. Yunus highlighted the work carried out jointly with Colombian agricultural smallholders and peasants for rural development, best agricultural practices, building long-term relationships, eliminating intermediation and improving practices for crops and supporting communities.

Corporate Governance and Internal Control

The company continued to consolidate corporate governance best practices by building value relationships with its stakeholders through the development of the company's strategic and operational transactions under an environment of integrity, in which the company management ensures transparency in administrative practices to build trust with shareholders and investors.

In the face of the system for the prevention and control of risks of money laundering, financing of terrorism and financing for the proliferation of weapons of mass destruction, the applicable regulations were complied with, as well as with the set of internal policies and procedures that develop it, including the legal reports to which the company is bound.

Similarly, in fulfillment of the company's commitment to counter fight corruption, Grupo Éxito obtained the recognition as a Company Committed to Integrity 100 by the Anti-Corruption Institute, which reflected the strength of our Transparency Program by favoring trusted relationships with stakeholders.

With regard to risk management, the company updated its profile of strategic risks and of their businesses by analyzing risks, opportunities and trends, and in attention to context changes, thereby contributing to the strengthening of organizational resilience.

The company looked for strengthening its control system and thus advanced in the modeling and articulation of the different control frameworks that its corporate status and shareholders incorporate, as guarantor of responsible management. In addition, the administration permanently looks forward to incorporate new national and international trends in internal control issues, as well as best practices, so that the control architecture is strengthened and updated according to the dynamics of the business and the needs of the organization, enabling the evolution of the business ecosystem in a secure environment.

The financial statements, indicators and relevant facts were periodically presented to the Audit and Risk Committee of the Board of Directors. The Committee fulfilled its supporting role to the Board of Directors through the supervision of information and finance reporting and the management of risk auditing, tax inspection, the relevant internal control system matters and regulatory compliance.

The administration certified that the internal control system did not present any shortcomings that prevented the recording, processing, summarizing and presentation of financial information properly, nor were there any significant frauds that affected its condition, quality and integrity. The disclosure of financial information was verified and complied with current regulations, ensuring that the information at December 31, 2021 is appropriated and contained no defects, inaccuracies or errors preventing the knowledge of the Company's true asset situation.

For more information on corporate governance and the company's Internal Control System. We invite you to view the corporate governance report by clicking [here](#).

Transactions between related parties

Transactions between related parties, conducted during 2021, were executed with full compliance with the current Policy and Related Party Transaction Procedure, complying with the corporate process required before the Audit and Risk Committee or the Board of Directors, as appropriate. Details of such transactions can be found in the Corporate Governance Report and in note 37.2 of the financial statements.

Intellectual property and regulatory compliance

In the area of intellectual property, compliance was in accordance with the applicable regulations for Colombia and for the other countries in which there is a commercial presence; the corresponding licenses for the use of distinctive signs and other copyrights for which the company is not a holder are also available. In relation to copyright, the applicable rules and conditions defined in the software license agreements were complied with.

In view of the corporate commitment to the protection of personal data, the management of the risks associated with privacy and the construction of a comprehensive program, the company developed activities and strategies aimed at complying with current regulations and applicable good practices in the field, maintaining its principle of the recognition of privacy and respect for the fundamental right of *habeas data*.

Finally, the company reports that the free movement of invoices issued by suppliers of goods or services has not been limited in any way and that it is in no way involved in investigations related to restrictive competition practices.

Closing remarks

During 2021, the advances in vaccination against COVID-19 and the control of the disease made possible to regain confidence and generate a greater commercial and economic dynamics. Grupo Éxito contributed by offering Viva Shopping Centers as venues for the government to strengthen its vaccination program. As such, the company acquired 16,000 doses for its employees. In this context, the Grupo Éxito strategy proved to be the right one, thanks to the focus on the customer, omni-channel, innovation and monetization of the Group's assets.

Recent years have tested the company and its strategy from the competitive, economic, social and operational spheres. The adaptive capabilities of the organization allowed the company to evolve,

thanks to the strengthening of the omni-channel strategy, which represented 9.9% of the consolidated sales, a differentiated retail business in each of its markets, complementary businesses that grew by 37.3%, a financial strength with a net cash position of COP1.2 billion, and a net income of more than COP474 billion. Report 2021

The market context, the company's projections and its commitment to the region, enabled it to return to historical investment levels and to make an important focus on format innovation. During 2021, the consolidated amount invested by the company was COP550,000 million, in projects for the opening, conversion and refurbishment of 57 stores, the strengthening of technologies to support the operation of omni-channel and to resume the expansion of retail in Colombia, through the agreement with Almacenes La 14 to acquire five important stores in Valle del Cauca and in Cundinamarca.

"We nourish Colombia with opportunities" is much more than five words, it is a great purpose in order to mobilize us, and to fill us with hope and aspirations, because there is nothing more valuable than knowing what the dreams of millions of Colombians are, than giving everything in ourselves to nourish those dreams, and, of course, fulfilling them. At Grupo Éxito, we are driven by hope, optimism and the desire to be part of the dreams of millions and millions of Colombians!

I would like to thank the nearly 46,000 employees in Colombia, Uruguay and Argentina who have maintained their commitment to customers, service and biosafety standards. Consistency and coherence allow us to develop the adaptive company required by the current context and remain the company of the sector preferred by Colombians.

2021 was a year marked by hope. In times of crisis, hope is a responsibility and those crises, in turn, are opportunities. Since the beginning of the pandemic, Grupo Éxito has faced important lessons in terms of solidarity, adaptability, excellence, innovation, decision-making capacity and working with a purpose, lessons that are now more effective than ever.

We look forward to the arrival of 2022 with optimism and hope that the path of macroeconomic and commerce recovery will continue, benefiting the social development of countries and encouraging the strengthening of our strategy in the region.

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