

**Bianca:** Good morning, my name is Bianca, the conference operator for today at this time I'd like to welcome everyone to Grupo Éxito second quarter 2016, 2016 conference hall, all in the conference please help me to prevent any background noise, after the speakers remerge there will be questions and answers session, than you for your attention. Miss María Fernanda Moreno will begin the conference today. Miss Moreno, you may begin your conference.

**María Fernanda Moreno:** Thank you Bianca and good morning everyone. Thank you for joining us today for Grupo Éxito school. At this time, I'm pleased to present our chief executive officer Mr. Carlos Mario Giraldo, chief financial officer Mr. Jairo Medina and Mr. Jose Loaiza VP of international business.

We will be following the slides presentations that is available on your website and be at the link that was provided to you with the conference call details, on slide number two we have the agenda for today presentation, where we will be coloring Grupo Éxito operating highlights, following by the review of the company international strategy and the consolidated financial result for the second quarter 2016. Before we conclude whit a Q&A session.

At this point I will turn the call to mister Carlos Mario Giraldo for his comment.

**Carlos Mario Giraldo:** Thank you Maria Fernanda and thank for to all of you for being here. I will begin with slide number three, that speaks about the main operating highlights of the second quarter of 2016 for this quarter we had a very strong save for sales route in Colombia, Uruguay and Argentina. Solid sales performance in Brazil with a project progressive improvement driven by Assai the cash and carry and by the ongoing recovery of Via Varejo. Fifteen stores were open for a total store base of 2541 stores in the four countries, we open the first cash and carry store in Colombia, under the brand Surtimayorista, which is a major event for the Colombian retail panorama.

The allies continue growing in Colombia and for the first time that were introduced into Brazil under Aliado Conprevent Brand.

The synergy plan is on track and with dynamics, with tangible gains that are expected to go between fifteen and twenty five million dollars of the current impact on operating profit during this year and the remain at panorama of 50 bases points for the EBITDA margin from now to 2019.

The Colombian real state vehicle was incorporated, the access were taken into this vehicle under Vivamos trust name and it's prepared for future private replacements.

Finally, Mr. Manfred Gartz, was named as Grupo Éxito CFO and will be starting next month in his post. He has twelve years of expertise in financial functions in Grupo Bancolombia and is a very well recognized executive.

Going to slide number four, I'll begin with a tangible advance in the synergies between the countries, between Brazil, Colombia, Uruguay and Argentina. The first one is the cash and

carry, as you all know cash and carry is driving growth most in Brazil and in Argentina market. It is a phenomenon in Latin America and it's drive not only profit out of end consumer but also professional customers.

Under the help and under the synergy with Assai, we launched the first cash and carry in Colombia, first month has been excellent exciding budget, they have been appealing to different customers, the most important have been mom and pops, which is a very big market in Colombia, nearly to 350.000 mom and pops, but also end consumers have been going to the cash and carry. This first result takes us to take the decision to continue with cash and carry in Colombia and to open at least two more stores for next year.

Slide number five, we speak about some more tangible synergies, specially in the commercial side, we're purchasing jointly commodities for the four countries with the discounts between 5 and 15% for the sum available for all the countries, in this first month we made 60 containers of salmon, apples, olive oils, within others. Negotiations are ongoing in the non food business, centralized and leaded by Via Varejo, in the first state of this negotiations is on top benefit for all the countries.

LatAm Business encounters, commercial encounters, have been opened for the first time, in the past there has not been a lot of commercial activities between the Andian region and Mercosur, but through this alliance it has been open in a very positive way. We're now exporting with some of our suppliers coffee and flowers from Colombia to the other countries, juices from Brazil and small appliances to the other countries, wine from Uruguay and meat from Argentina only to mention some of the product categories. This is starting small, of course, because it is the first time it's been done and has very important potential for the future.

Going to slide number six, textiles which is know how recognized in the hyper market business of Éxito in Colombia, is being piloted both in Brazil and in Argentina. We now opened pilot stores in Brazil and will open pilot stores in Argentina starting the following two months. In the first pilot stores, we have had a double ditched improvement in textile category against the rest of the stores that do not have the pilot. It consist not only on having Architect or Bronzini brand products from Colombia, it also is working with local textile production. But the most important is the business model of textile, the looking field, the merchandising, the product mixed, and also the introduction as a key strategy in all of the hyper markets of the region as a private label combination with as you will know in textile is key for the obtention of a good profitability.

Slide number seven, speaks the introduction of the business model of Aliados in Brazil. Aliados, is an innovation business model very important for the penetration in the informal market, in the Colombian market to Aliados, Surtimax and Super Inter. As you know we have already completed more than 1150 Aliados in Colombia and this business model is now been taken to Brazil. There is an important opportunity for Grupo Pão de Açúcar to it's brand conprevent to do co-branding with mom and pops in Brazil, it's already started and today we have in operation 45 Aliados conprevent with very interesting initial results. This is a very

clear demonstration of the way in which business models are being taken from one country to the other when they are destined to be differentiated to our commercial proposition.

Slide number eight, we see a very tangible synergy which is the unique and unified, strong program and predictable high and low proposition which is being introduced under the same concept and different name, in Argentina, Brazil and Colombia, and in a gradual way also to Uruguay. This has been highly successful in Argentina, and it's helping to pick up sales today in Brazil and in Colombia. In Argentina, under the name of "compra del mes", in Brazil under the name of "one, two, three, passos da economia", which is being executed in the extra brand both in hyper markets and super markets and in Colombia under the "quincenazo" strategy.

As a whole, synergies are on target, there are fifteen main project initiatives that are being coordinated in the different countries. For 2016 as I said we think that we are going to capture between fifteen and twenty five million dollars of the current operational profit which is in plan for the final objective to obtain 50 bases points in the following four years.

In slide number nine, we have Éxitos consolidated sales in the four countries, even though we don't have a base for Brazil and Argentina still, doing a perform analysis we come to the conclusion that food consolidated sales increased at 8.6 % and turned into Colombian pesos in the complete region. What is important is that in Brazil we had a recovery over previous half quarters specially in food where the increase was 8.7%, and in non food, for the first time in five quarters we obtained positive figures in Via Varejo with a positive growth of 2.6%.

Slide number ten, makes a focus on the Colombian operation, on the Colombian commercial operation. I would say, this is one of the best quarters that we have had in the last three years in sales in Colombia with total sales increasing 8% when adjusted by carrier sect and 5% same stores sales. This 8% compares against 6.3% accumulated for the first half. There is a clear progression in all banners in the domestic demand. Even though the domestic demand has not been strong as finagle by DANE yesterday that shows that year to date the commercial demand in retail in Colombia has increased 2% and that in the second quarter the increase was of 1.4 against of more than 3.5 in the last year. What has been key for the increase of sales of Éxito has been the peer segmentation of formats, the penetration to Aliados in the informal market, the work of a combination of the physical and the virtual market with Éxito dot com, and specially our big strategy of EDOP in the textile business which has been a big success in the Colombia market.

If we go to slide number eleven, we make a focus in the Éxito Brand. Éxito Brand is almost two thirds of the sales of Colombia, and the good news is that the Éxito Brand is vibrant, it is alive and it is very dynamic. The hyper markets are getting a very good increase in sales and Éxito Brand has the best increase in sales of all the segments of our market with 8.3%. This is a combination of a very consistent strategy which we have been speaking off in the last three quarters.

There are four big strategies. The first one is textiles, textiles of all around between 12 and 13% of total sales of the hyper market of Éxito, textiles have gone into EDOP with a big mix of private brand. Private brand is now more than 50% total textile sales for Éxito and there is a doubled ditched consisted quote in this business which at the same time helps to drive traffic into the stores.

The second big category is the fresh product. We believe even in the times of E-commerce, the fresh product mixture in a hyper market and super market is key and it is been to be stronger than ever and we're looking to be the clear fresh market specialist in the market. And we have been transferring the know how obtained from Super Inter when we bought it three years ago into the hyper market with very good success.

And finally, we have two strategies that are destined to consumer goods. The first one is called "precio insuperable" or the products of "unbeatable products", they are outnumbered of limited categories around 50 but with a big combination of private brand Econo and Éxito brand are destined to have the best price against even the discount market. And they, and this categories have been growing by a 104% and they help a lot for the price perception of Éxito with a limited investment of margin. And finally we have "quincenazo" of which I spoke before, which is the same "compra del mes" in Argentina, and "uno, dos, tres" in Brazil, which has been only for some months. The first results looked very interesting, and they are dedicated to branded products instead of private brands which is a combination of the "unbeatable products".

So the sum of this four strategies is helping to give strength to the Éxito Brand which is supporting a very important part of the strong commercial performance of Éxito in Colombia. That translates also into consistent operational results in Colombia as we can see in slide number twelve. The first half and the second quarter maintain consistent increases in revenues and also in margins. As you can see, sales for the second quarter were 2.68 billion Colombian pesos with an increase in revenues of 7.1. The current operating income had an increase of 4.2 for the quarter and 11.5 for the first half and EBITDA with current EBITDA increase 9.6 and 14% respectively gaining 20 bases points against the second quarter of 2015 and 80 bases points against the first half of 2015.

It is important to speak about Gross Margin and SD&A's. In the Gross Margin part, we have a progression of Gross Margin which is explained by the business model of Éxito that gives a lot of potential to complementary income, real state, credit, insurance, travel, transactions, financial transactions, as we serve as a place for transactions for the most important banks in Colombia. This real state development income, the complementary business increase and some fees that we receive from the termination of the contracts with Replay in our shopping malls explain the increase in the Gross Margin.

In SD&A's, SD&A's have an important increase which is explained by something which is present in Colombia today, which is an increase in wages above 7% responding to inflation and a very important increase in nativities responding more to phenomenon "del niño" which we think is going to be controlled in the following month. And also, the integration process in which we have created a structure to make sure that the LatAm integration process goes

in the adequate way. So, when we look at the whole, the operational results in Colombia they are dynamic, they are healthy and margins are there to respond for the operation.

Going to Brazil in the following slide, what we can see is that even though sales are not what we would like them to be and are not above the inflation they are improving gradually. It's interesting to see that in this quarter, total sales adjusted by calendar effect increased 4.9%, which compares against 3% in the quarter one, that is a 190 bases points above the first quarter. Same store sales increased 3.2 in quarter two and it compares against 0.8 in the quarter number one. So this is a clear sign that recovery is coming, and more so, if we speak about the main business which is food, because in food, when we adjust sales by calendar effect the quarter two saw a very interesting increase in sales even above inflation of 11.3% and 7.1 in same store sales. Assaí, of course, which is a winner formed in Brazil, was responsible for important part of giant increase with more than 37% increase in total sales.

The good news is also, that Via Varejo coming from a very difficult situation in sales last year got positive figures which we believe will be consistent in the following future with a plus 2.6% increase in sales you can see in the chart that it compares against a minus 23.5 which was in the same quarter of the last year and negative results in the other quarters of 2015.

Finally, Cnova is not having positive sales but it is in the mid of integration with Via Varejo which is going to create a very important and powerful consolidated non food business. At the same time it is increasing the share of market place which is very important for the future profitability of Cnova integrated in Via Varejo arriving to a 16% share of market place, and this profit of integration as we will speak later is ongoing.

Operational results in Brazil are shown in slide number fourteen. We have a better recurrent EBITDA than in the first quarter with a margin of 4.3 which is impacted by two main things. The first one is better sales, of course, a 4.9 increasing sales. And the second one is an important impact coming from tax credit which is something that is benefiting the business of the company by taking full profit of withholding taxes of the chart.

There were important price investments that were made into the market in the q2 this are very rational decisions to invest in the market to invest in the long term and to get from brands that are going to profit from the retribution of Brazil. This price investments were done in multi Varejo with around a 160 bases points and in Via Varejo with around 70 bases points. In the expense side, of course, we can see important expenses some of them none recurrent, we see expenses coming from an important effort in reduction of SPE's in the different formats around 18000 in the last eighteen months. We have some expenses coming from the very dynamics expansion of Assai and we have an important expense in Via Varejo because of the end of the tax with piece in pay route that we had in the past which is present in the base and it's not present now in the quarter second of this year. Finally we have none recurrent expenses of around 481 millennium reales coming from Cnova investigation results a 127 million reales, tax contingencies and some restructuring expenses.

Going forward to Uruguay, slide number fifteen. Uruguay, we continue to have a consistent growth and some profitability labels. Growth in revenues of 19.7, same store sales of 7.4. Same store sales are affected by a reduction in demand in Uruguay, but nevertheless for the first half and bearing in mind the strong summer season that we had in the first quarter we have an increase of same store sales of 10.3%. And the most important factor is that Grupo Disco in Uruguay is gaining market share, and it's gaining market share because of big players in the Uruguayan market, we're the only doing a real expansion through that Devoto Express, we completed 14 Devoto Express and by the end of the year we will be above 20 Devoto Express which is very important because it is the way in which you can continue penetrating such interesting places like Montevideo and Punta del Este.

Going forward to slide number sixteen, we see the operational results in Argentina. Sales increased at 30.9% that is below inflation but with important market share gains even if we compared against other product companies that have revealed some results, this is a very positive progression of sales for Libertad in Argentina. Most of it derived from the commercial strategy of "Compra del mes". Our team in Argentina has done an amazing job in controlling expenses which is something very key for anybody working in Argentina. As you all know Mr. Martin has taken decisions in Argentina which have increase some cost for the companies specially in things like utilities and other services which have increased more than 80% for the quarter and salaries have also increased to balance with inflation.

Within, this is a transition period but we think that the president is doing what he should do for the retribution of confidence in Argentina which we see also with the way in which the exchange rate has fluctuated in the last month and also with an expectation of reduction of interest weight. In our own operation, real state is an important contributor also to the operational profit and it has helped of to maintain an adequate profitability label if even though there is a big pressure of cost in the Argentineans market.

Going to slide number seventeen, we go into consolidated operating performance. Here what we have to say first is that this results are non comparable and they are non comparable because in Brazil and in Argentina we will only begin to see comparable results in September of 2016 because we started a consolidation of the operations in September of 2015. That is to say that only the fourth quarter is going to be completely comparable for the four operations.

It is important to remember that even though when we speak about this 17.8 Colombian billion in sales and 36.3 for the first half it's important to remind that in the basis, country by country, we have an increase of sales at 8% in Colombia, 4.9% in Brazil, 19.7% in Uruguay, and 30.9% in Argentina. And as a whole we have an increase of sales of 8.6% in food which is the most important business of the organization.

In the current EBITDA the margin is 4.8% affected, obviously, by the biggest impact which is Brazil which had a margin of 4.3 and with a very good contribution of margins coming from the other operations.

Going to slide number eighteen, we have a kind of a bridge which explain the net we sold of the company, net of we sold of the company was a net loss of 48.8000 Colombian million and it is explained basically by the net loss coming from Brazil by the non recurrent expenses coming from Brazil and by the financial expenses both in Brazil and in Colombia. As you can see here, we have non recurrent expenses of 338.000 million Colombian pesos coming from restructuring expenses in Brazil. It is important to bare in mind, that in the base of 2015 we had a 60.000 million Colombian pesos income coming from the sale of the Éxito Pharmacies to Cafam which are not present this year. Here we can also see a minus 500.000 million Colombian pesos of net financial result coming from Brazil and 110.000 of financial results coming from Colombia which reflect the financial cost that Éxito has due to extent. Finally the net lost that is reflected in the Éxito consolidated PML coming from Brazil is of 30.000 Colombian million, that is 30 billion.

Going to slide number nineteen, looking at the debt of Éxito at a holding level not at a consolidated level, but at the holding level, we see that we continue very comfortable with the guidance that we gave that the ratio at the end of the year is going to go from 3.8 times net debt EBITDA of end 2015 to around 3.2 times net debt EBITDA at the end of 2016. Financial debt today is 3.2 billion Colombian in pesos and 450 million US Dollars. The debt maturity has an average of 3.2 years and we have a very consistent and very important the leverage plan focused mostly on working capital optimization which is valued at 150 million dollars for the complete year of 2016.

The main initiatives in this the leverage plan are: First, decreasing inventories between four and five days. The main plan for this is a productivity excellence plan at store an EC levels with an ongoing start strategy. The implementation of Bender Management inventory strategy specially in non food and for non food suppliers so that we would only begin counting the date that we have to pay that supplier when the product is effectively sold at the store and a very important instore absorbent optimization which has a double effect makes it easier for the customers to look at the most important product categories and the most relevant scale use and also it reduces the inventory in the stores. As an average between Carulla, Éxito, Surtimax, and Super Inter we have reduced at 20% the total scale use present at the stores.

We also have in working capital the optimization of residuable collections with a higher frequency of invoicing and finally an ongoing of renegotiation of terms not only with good suppliers which is normal in retail but also with services suppliers which is something that we have not done in a deep way in the past.

Going to slide number twenty, we come to the main conclusions for the quarter and for the medium term. At the consolidated level, we have front sales route and solid operational performance in Colombia, Uruguay and Argentina. As I went in depth explaining, food sales growth driven by commercial strategies with total food sales growing at 8.6% and net loss derived mainly from the loss in Brazil in the net financial and expenses in the non recurrent expenses. A consistent synergy plan which is ratify in 50 bases points for 2019 with very tangible results in 2016. A clear the leverage plan to take us from 3.8 to around 3.2 by the end of the year. The consolidation of the E-commerce platform in Colombia around Éxito

and Carulla dot com and the ongoing consolidation in Brazil where Via Varejo is integrating the Cnova to create a very powerful omni channel player in the Brazilian non food market.

In Colombia the strong life for life route of 5% in the quarter and total sales at 8%. The great acceptance of the Surtimayorista and the decision to go forward with this very modern and format in South America and the advances in the real state vehicle to the incorporation of the trust Vivamos to prepare for a private placement for the future.

In Brazil the market share gains at Assai and very interestingly the improving trend in Multi Varejo which has been lacking in sales in the past and it's now making an important commercial investment to create a perception needed to increase traffic and beginning to have very interesting results in market share terms. The accelerated sales are recovery of Via Varejo and the improved trend in operational results versus the previous quarters.

In Uruguay the consistency in the results at operational levels and the expansion trough Devoto Express getting to 40 stores in the second quarter of this year and in Argentina the share market gains and the real state contributions getting to a total of 14 galleries and 152.000 square meter of GLA which made together with Colombia and Brazil, Éxito a very important player in real state business in South America.

Looking at perspectives in slide number twenty one, Grupo Éxito is moving forward as a Multi Latina Company in the South American retail scenario as a clear leader consolidating this operation in Colombia, Brazil, Argentina and Uruguay and becoming also a relevant real state regional player. The operation in Colombia is addressing the big dynamics present in the discount market with other entrance coming into the market in a rational profitable way and we're advertising it with Aliados, with the Surtimax and Super Inter leading brands in the discount market and also with the cash and carry being launched which gives us a huge opportunity with half of the food market in Colombia of the consumer goods market where we're not present and which is controlled by other channels like the mom and pops.

With a consolidation of the real state vehicle as I said before, the non food centralization under Via Varejo in Brazil, something to be done during the second semester of this year and Éxito dot com in Colombia. To create the real omni channel leader in South America we really believe in omnichannel, we believe that we have what many others retailers would like to have and it is very strong virtual channels. That Éxito dot com is now arriving to profitability, it is a reality, that Cnova has not arrived and it would take some time but it is taking the measures to the integration with Via Varejo to get to consistent growth in profitability that would strengthen our omni channel position.

We think the world that many retailers are taking steps forward to get to this type of market even with accusations and that in our take we have it, we have been asked and we have now with three integrated in an adequate way so that they perform in the way in which we all want. Brazil, with a focus in increasing traffic volumes with an investment of the market to get there both in food and non food with Multi Varejo and Via Varejo and with a very aggressive expansion in Assai with 10 to 12 force field to open of which two are conversions



from Extra into Assai which is a very important move that we have not done in the past and which is an important opportunity for sales increase.

The integration of Via Varejo and Cnova with a synergies which have been quantified in 2245 million reales of synergy in the PNL effect to be capture mostly in 2017 and in inventory synergy to be captured of 325 million reales. And finally, the expansion of convenience in Uruguay, and the strengthening of real state business in Argentina. Synergies will continue, and will continue performing as you can see in a very tangible way with business models but also with negotiations in purchasing which is very important for the retail business. We will continue with a focus on the leverage plan for Éxito mostly concentrated around working capital and the financial adjusted EBITDA ratio expected to go from 3.8 to around 3.2 and it is important also to notice that there has been a very important evolution in the first half of the stock value of the GPA. In pesos Colombianos it has increased its value at 42% up to yesterday and Via Varejo has increased its value as a shared value in Colombian pesos 126%, in Colombian pesos.

I would like to give some final comments. Éxito is a Latin American company today, with a long term vision to become the South American omni channel leader not only in size which we already are but in profitability and in capture of synergies and opportunities and the translations of the winner format from one place to another one.

We have very important upside, we have an upside in Colombia coming from the peace negotiations, hopefully they would go through the vote, the public vote that is coming in October and that is an important thing for Colombia, because it puts down the flag of violence which has been in the country for many, many years. The first field recovery, which it would come, we start to see it in our sales. It would probably take some time but we are seeing clear moves in the political side which should reflect in the economics of the country. And the Argentineans, taking the right decisions, to a transition period in which we are defending ourselves very well.

Colombia and Uruguay as a strong, healthy, industry which continue at a very good velocity for this company. Brazil with three very important things, I would say that the most important things that are being done in GPA are, the integration of Via Varejo and Cnova; the Assai strengthening and the expansion very aggressive, one of the most aggressive expansions in the Brazilian market where many companies are not expanding at all; and the Multi Varejo depth into competitiveness with a very clear commercial strategy, with many steps one of them "one, two, three" sales strategy.

The synergies which are evident, with Aliados and Cash and Carry as very important business models, that the leverage market efforts going from Éxito in the right direction and in line with the prospective. And finally, we keep various creations opportunities which are on the go and which we're working. The first one coming from real state, first in Colombia and then in the other countries, but first in Colombia. The second, with a complementary business which have been a differentiator of Éxito in the past and are being intensify. And finally the monetization opportunity that we have, one of them, the monetization opportunity on our customer base, which is the most important customer base in all the Colombian market which

we think can become, in the future, something like the second currency in the Colombian market.

This are the main messages. I want to thank you again for being present with us and we will go directly to the Q&A session.

**Bianca:** At this time I would like to remind everyone, in order to ask the questions, simply press start and the number one in your telephone keypad. If you would like to try a question press down key or pass just a moment for the Q&A officer.

From JP Morgan we have Mauricio Fernando on the line, please go ahead.

**Mauricio:** Hi, good morning and thanks for taking my question. Just take a warn from your operation that first on Colombia a very, a very welcome improvement in the same store sales when taking your account. Counter adjustment, so just wondering if you would say this would mean like a sustainable inflection in the sales hurrysing the trend. Specially often to mention, you know, still a very competitive market. How do you see the evolution of sales per sales in to the second half of the year? and also in Uruguay maybe just, on the other hand, just to present to concern giving pretty much the charts slow down in the sales per sales that this represent the declined of demand what do you see in there? and finally you mention your guidance for the leverage at the end of this year but going forward do you have like any other goals or like tangible goals or where you want to be in terms of leverage in future years? Thanks.

**Carlos Mario Giraldo:** Thank you Mauricio for your questions, I'll go one at a time. First about the sales per sales and total sales in Colombia, and I mention both because it's important to get into both. For total sales, I think that total sales as we see them and as we see them until today they continue in a consistent way to what we have seen during the years, they continue privileging the strategy we had specially around the Éxito brand and our discount brands. The Carulla segment has been a little slower than the other but it's also increasing in the same store sales. We continue seeing a big expansion coming from third parties but more concentrated in the discount segment and this is the reason why we're focusing not only on Aliados, Surtimax, Super Inter but also on the cash and carry which is an indirect way to get control of more opportunities of sales in the informal market.

About Uruguay, Uruguay has been a stable market in the last years. Uruguay has always delivered results, there has been some importance for it has been slightly below inflation or above inflation but we have already been able to cost control and also to the expansion program to maintain the dynamics in the market. In the Uruguayan market there are three big players, Grupo Disco, Tienda Inglesa and Multi ahorro and today of the three important players which concentrate nearly 90% of the total of the market there is no expansion different from the expansion that we're having. The reason being, is that the loss for this big surfaces in food in the big cities and the only way to get food is with proximity to have proximity you need know how and you need to do it profitably. And Devoto Express is the only one doing it in the market of the big players and this is a big advantage going forward

because it is the way to concentrate our presence in such attractive places like Montevideo and Punta del Este.

Finally, about leverage. What we are seeing is a gradual and continue effort of the company in the leverage. This first year going from 3.8 times to 3.2 in a moment in which Brazil have been affected in results in a moment in which interest rates are above what we expected last year it is very important and it has been done mostly out of internal work without internal working capital , so this would be a continue effort out of the company. That does not means that we would not have the capital investment that we need to maintain our market share. But that we're going to do it though a combination of more intensive capics formed like Éxito or less intensive capics formed per square meters like cash and carry or definitely like Aliados and other scheme that permit of to maintain our market share.

But the leverage is in the center of the goal of the company and we know that we did a big move a very important move for the history of the company becoming the South American leaders, that it has a cost, that is a cost of around 1.5 billion dollars in leverage but due the internal work of the company we are going to gradually bring that down as we also strengthen the operation in Brazil which is a trend that you begin to see.

**Mauricio:** All right, thank you very much.

**Bianca:** From Credit Press we have Antonio González on the line, please go ahead.

**Antonio González:** Hi, good morning Carlos Mario and thanks for taking my questions, I have three questions actually if I may. The first one is on the non recurrent expenses at you book this quarter, is there any guidance of how much more would you expect for the second semester? That is the first one, the second one, is due overall price investment across countries, right, I mean you have the "compra del mes" and the "quincenazo" and the "pasos de economía" and so on, their CVD's comments that the gross margin in their business declined a hundred and sixty bits for one and to see if you can help us quantify whether in other markets are in fact slower because you're further into strategy or using more or less we have the same kind of magnitude across the boards at this stage and third and final cash for operation was pretty negative about 7 trillion Colombian pesos for the first release and of course most of it is coming from Brazil. In the GPAs numbers we can see the same dynamics about cash from operations, so I just wanted to ask if you have a guidance from your Brazilian team on what's a cash expectation for four years 2016 would you expect cash coming from Brazil to be at least neutral or you think it would remain negative this year? Thanks Carlos Mario.

**Carlos Mario Giraldo:** Thank you Antonio. I would begin by the second one, and it is of this strong commercial predictable strategy which is "compra del mes", "uno, dos, tres", "quincenazo", the impact that it has had on Multi Varejo indeed has similar impact in the other countries. But I would say is that the impact is different in every country and it depends on the maturity of the strategy. If you go to Argentina the impact is almost zero because most of the investments that is being done in the "compra del mes" is to be today being recovered by the suppliers contribution. One of the important things here is that this strategy is founded

of two important things. First, that you capture volumes and you capture traffic and you capture sales increase so you dilute your expenses. And the second one is that you get at least between 60 and 80% of bit from the recovery from your suppliers, and both in Colombia with "quincenazo" and "one, two, three" in Brazil that's an ongoing strategy by the company that would be seeing gradual results in the future as we capture traffic the volumes increase and also we get part, an important part of the investment from our suppliers.

The interesting thing about this strategy is that it is not being to go in all the products of the company so of the consumer group. It is not an ideal piece strategy and it is a focus high and low which is very consistent in time and very easy to see by the consumer because he can get in the consistent way 20% or 25% or 33% discount in the most important triple A and double A brand that he likes the most. I'm going to hand the word to Jairo Medina to give an answer to the other two questions.

**Antonio González:** Thanks Carlos.

**Jairo Medina:** So good morning, regarding the consolidated cash flow as you mention, of course, we have a negative effect during the third first half of the year, this is normal and this is linked to the singularity of our retail business. The main impact we have comes from Brazil from the working capital and the impact is around 7 trillion COP as you mentioned, and as mentioned as well, this is normal so at the end of the year we should be neutral, we should be in line with what we had last year.

**María Fernanda Moreno:** Antonio, this is Maria, regarding the question about a non operating expenses and non recurrent expenses this is a line that we try to get outside of measurements of the company for you to be able to analyze properly the performance in operational level of the company, so, non operational, non recurrent expenses regard mainly to Brazil if you actually see the base of Colombia that was possibly the second quarter of 2016 we had a positive effect of the sale of a the pharmacies to Cafam but is an account that is not normally easy to track because it depends on particular events that happen regarding at the sales or other transactions. So it is difficult to forecast the line as I am telling you and regarding the performance of Brazil in that particular line and non recurrent expenses from the operation in the country regarding to additional provisions for contingencies and expenses related to the Cnova investigation and another to the integration process the resulting expenses that you know that we are seeing in the unity of Via Varejo and some asset right of in the country.

**Antonio González:** The first question, if I may, would you have a guidance or whether is non recurrent expenses in Brazil in particular may continue in the second semester or there is no specific guidance at this point?

**María Fernanda Moreno:** There is no guidance, what you saw in the second quarter was in particular to the Cnova investigation, in for instance and is not going to seeing that particular account effected in the following quarter because your process is already finish. So, if something else arrives will depend on any particular extra or additional effect on different account but is not easy to forecast this type of line.

**Antonio González:** Thanks all of you , thank you all for your comments.

**Bianca:** From Valores Bancolombia we have Camilo Walder on the line, please go ahead.

**Camilo Walder:** Thank you very much, I have two questions. The first is regard to the EBITDA margin expansion, can you tell us in which extend this increase comes from the complementary businesses and in which extend this comes from the retail business? and the second question is about the real state fund, can you provide us some more score about the profits or when did you expect to finish the home made participants, are your still in the process? Thank you very much for anything you can tell me in this regard.

**Carlos Mario Giraldo:** First of all, the EBITDA margin expansion is coming almost all from the complementary businesses in the retail we're keeping our margin that is very positive contribution from Carulla, and with some investments, controlled investments, both in discount and in the four strategies which I told you about in exit. But credit insurance, travel, real state, financial transactions, have given us some additional profitability which permit us to keep very competitive in a market which is quite dynamic while maintaining our EBITDA margins. This is very important, because if you look at the Colombian market and you look what has been happening at different margins you see that probably one of the only margins that keeps in a very healthy way is Éxitos and it is a combination of being aggressive in the market keeping what is very near to a 40% market share when we have many other participants in the market so one year after another one we have been increasing our market share and today we are 40% even though if it is not longer a three player market there are like five or six players but we still continue with our market share but at the same time we have not donned at the expense of the profitability of the company while maintaining a clear segmentation where the prices of our discount format us are the level of the discounts, format entrance, and the others margins are at the 100% in the case of Éxito and a little higher in the case of Carulla because of the value added propositions that it has to customer.

Going into the second question, which is real state profit. It is very difficult to say when this process will be completed because we are in the process of having the offerers, analyzing them, going in negotiations with different alternatives and that takes some time. For the moment what I can say is that we created the trust, we made the contribution of 13 operating shopping centers and galleries and 6 projects and the main project of the company that in this trust the different projects are being developed at this moment. That we have a total 360.000 GLA in this trust, and we have an additional 170.000 GLA which has not contributed yet because it can only be contributed in 2018 when the legal stability contract of the company ends, and also what I can also say is that we continue at full speed with our projects. Barranquilla, which is going to be the main shopping mall in the north coast of Colombia with 64.000 square meters of GLA, is going to be open in the first week of November. La Ceja, which is going to be a very interesting shopping mall for its new development area around the airport of Medellin with 10.000 GLA, is going to be opened by the end of this month or the beginning of the first week of October. And Envigado, which is going to be probably the most important, or one of the most important shopping malls in all Colombia, including the biggest in Medellin, with 133.000 GLA, is already in construction as you can see when you go to the head quarters of the company.

To give a prediction of when we will be doing the closing is not easy because these things do not depend only on the company but they also depend on the market.

**Camilo Walder:** Thank you very much.

**Bianca:** From LarrainVial we have Miguel Moreno on the line, please go ahead.

**Miguel Moreno:** (Inintelligible 1:05:34)

Thank you Maria, Maria Fernanda, thank you for taking my questions. I have two questions, the first regarding sales only in Colombia can you give us a break down of how you traffic wins and how you purchase it. And then understanding the margin in Colombia. If we're looking at the two parts of the EBITDA in Colombia was going at level of cost to 20% at this second quarter, what we should expect from coming quarters, what we saw in this quarter, that we saw this specific quarter that it was what we saw and could be increasing but from investment margin but also said DNA did increase close to 1%, so can you give us more colors about how the DNA argument has been coming quarters and if the EBITDA growth would be close to what we saw in the first quarter or what we saw in the second quarter? Thank you.

**Carlos Mario Giraldo:** Miguel, could you please repeat what your first part of the question, that I could not get it well.

**Miguel Moreno:** Sure, Carlos Mario, of the first one or the second one.

**Carlos Mario Giraldo:** The first one.

**Miguel Moreno:** Sure. In sales for sales in Colombia can you give us a break down of price and profit.

**Carlos Mario Giraldo:** What I am going to give you, we tried not to be completely specific on that because of course it forms part of our competitive strategy and we have competitors who hear to these things but what I can tell you is that we have an inflation in food in the company which is below the inflation in Colombia that is that we are retaining an important part of that inflation, our inflation in food is around 8%, second that our inflation in non food is around zero because we have an important strategy of inflation in textiles to gain market share with productivity in our supply chain and increasing volumes which is paying off, which is very interesting as a strategy and then as a combination year on year we are having an inflation inside the company which is below the national inflation and it is between 5 and 5.2. And I am going to hand the second part of the question to Maria.

**María Fernanda Moreno:** Hi Miguel this is Maria, the reason why the EBITDA is growing lower than the increasing growth level, is because we have higher depreciation and amortization level in the second quarter of 2016. This is an adjustment that the accountability regard to Uruguay and the access we have in Argentina, so you have some adjustments at consolidated level regarding those operations. And the growth explanation just Carlos Mario did in the question before.

**Miguel Moreno:** Thank you, and can you give us an specifically in Colombia? Those GNL's?

**María Fernanda Moreno:** GNL's in Colombia grow higher than the ones posted in the previous years. Coming from GNL's related to integrated process, the 7% increasing in the wage days and regarding to utilities, energy for instance has a grew by 20% so all this extra expenses affected the GNL level.

**Bianca:** From Bancolombia we have Federico Pérez on line, please go ahead.

**Federico Pérez:** Hi, thank you for taking my questions. I have two questions, the first one would be, could you tell us what take of the revenues coming from Argentina belong to the real state business? and what state belong to retail business? I would be very pleased if you could give me this information for the two quarters you have reported after now and my second question is regarding Brazil. During the quarter you present the decreasing the profitability coming from the food business, this is your line with the discuss you have made tried to put the purchase of the Brazilians, so my question is how do you see the performance of this discounts for the coming quarters under the impact margins for the financial results? Thank you.

**Carlos Mario Giraldo:** First, revenues coming from real state in Argentina the contribution of real state revenues to the total profitability of Argentina today is around 60% and in previous quarters I don't have the exact figure but it was less than that. It was 3 or 4 points below and what we think that in the future, as we are in the increasing the level of range because there is increasing interest in the world tenancy or entered Argentina which is a fact. And number two we are having synergies between the real state team, the Argentina real state team and that is one of the most important parts this revenue management in real state has been doing that for a long time. That is going to improve and prewill we're having an expansion in real state in Argentina going this year probably as you saw we already have a new project and we have 50.000 GLA's for the following years, so gradually we believe that there is going to be a higher impact of real state revenue in the Argentina profit. And that could because it helps us in this moment of transition and to get to the point in which the country is completely stabilized.

About Brazil, I want to be very cautious about the kind of investment that we are having today in prices in both in Multi Varejo and Via Varejo, and I would only repeat what GPA has said publicly and it is that this is an ongoing strategy to continue to be very competitive in both businesses and that there is a big ongoing initiative also to get an important part of that investment both from volume increase and from contribution from suppliers.

**Federico Pérez:** Perfect, thank you.

**Bianca:** From Ultra Setcinco we have Natalia Castro on line, please go ahead.

From Bancolombia we have Sebastián Gutiérrez, please go ahead.

**Sebastián Gutierrez:** Good morning and thank you for the call and for taking my questions, the first questions is about the leveraging, the leveraging you mentioned is going to be achieved by a reduction of net debt of by a increasing the EBITDA. The second question is on your own inflation and how sale for sales can fall for inflation in Colombia? and the third

one is if you have any additional comments on the very low EBITDA margin in Argentina given the 60% of income comes from real state and is usually a high margin of business. Thanks.

**Carlos Mario Giraldo:** I am going to take the first two and then I'll hand it to José Loaiza our International VP about Argentina. The leveraging, in this calculation we are keeping EBITDA stable according the calculations made in the initial part of the year as you have seen in the results of the first half, and so the reduction in the ratio is coming from our reduction in net debt. Number two about inflation and sales per sales I think the most important part here has to do first with the fact that retail in Colombia is growing very little, second, that our price index is below inflation as I told you something between 5 and 5.2 and so our goal is to continue to be competitive in prices and try to absorb part of the inflation and not to translate it to the customers. And I am going to hand it to José now.

**José:** Thank you Sebastián, this is José, when you look at the margin in Argentina they are some how a historical levels, we don't expose the break down of the PNL of real state and the EBTIDA margin but when you calculate the EBITDA margin of the real state it also says into account as a denominator the sales of retail that brings the EBITDA margin of the company at a whole down. That will be kind of the technical answer for that.

**Sebastián Gutierréz:** About given that income of real state is around 60% of total income as I don't remember who mentioned this before, that the nominator shouldn't affect the margin that much.

**José:** Thanks for your question it gives us the chance to give some clarification. When we said earlier about the 60% we are talking about 60% of the EBITDA of the company not the net revenues or income of the company. So that probably, would be a little clarifying.

**Sebastián Gutierréz:** Ok thanks.

**Bianca:** We have no further questions at this time. Mister Giraldo, do you have any closing marks?

**Carlos Mario Giraldo:** Yes. Excuse me, I think we still have a question.

**Bianca:** I do apologize we do have Catina Metsidasis, from future base, please go ahead.

**Catina Metsidasis:** Hi, yes, good morning Carlos Mario, José and Maria Fernanda. I just had a couple of really quick questions, first regarding an increase in SD&A's, giving that the integration of CBD and Libertad began in September last year and just says some what you say about electricity cost, and the "el niño" phenomenon. Is it safe to assume that this expenses should have increased at a lower rate into the second half of the year versus what we saw on this quarter and potentially even growing at a lower rate than, you know, cost the goods? and in my second question is just a, any update on your thoughts of that the potential BAT increases in Colombia, timing around this and how your position would deal with any increases particularly against versus any competitors? Thank you so much.



**Carlos Mario Giraldo:** Thanks a lot, Catina. First, SD&A's coming from integration. Integration started on September. Really most of the effort has been done during the first half of this year so we would only have the integration cost in the base next year, so we still would have some integration expenses during the years that have no base comparison. To be frank, the structure that we created for this is not a heavy structure, is a light structure, but most of the cost comes from traveling, because we have to have the teams all over the place taking the business models from one place to another one and that's important and we would have them in the base, I would say beginning to start in September -October of this year.

Number two about BAT, the government has been quite secretive about what is going to be included in the tax reform. We have the inform that was produced by the commission of specialists that was made for this and if we guide ourselves from this commission this tax reform is not going to have additional burden of corporate taxes, number one, it would probably treat us, it was decided, in the beginning as temporal tax on equity so that when the tax on equity, is determined, is ended, there would be no additional tax on equity and it would increase BAT taxes and simplify to two, three, or four level according with if it is a basic or if it is a luxurious product.

Frankly I think that BAT tax is the best solution. I know it can impact some sales in the short term, but I think Colombia needs those income, I think that if it is on the right way, so that the basic products get tax at a very low rate, and luxurious at a high rate, it is going to be also equitable and just and I think that taking all the products into BAT helps a lot the fight against tax evasion which is an important objective for Colombia. This is not popular and not easy, but myself, I am supporting that it would be done because I think it's in the best interest of the country and of course of the companies. Because it also is going to contribute to the fact that Colombia maintains its investment grade as country and economy.

**Bianca:** From Casa de Bolsa we have Mary Ramírez, please go ahead.

**Mary Ramírez:** Hi, good morning, thanks for the conference and taking my questions, I have just one question and I would like to know what do you see for the third and fourth quarter how is Colombia still doing in terms of sales and margins?

**Carlos Mario Giraldo:** It's not easy to speak for the complete year, specially in Brazil where things are changing so much. I mean you know what is happening today, today we are going to have a big difference according with what's happening in the Congress in Brazil so I would be very cautions on Brazil, I would only speak for the reality and it is that our sales in the Q2 where much better than in the Q1, that non food has recuperated, that where seeing that the retribution in non food is consistent and that Assai which drives food retribution continues in a very strong expansion mode.

For Colombia, I can speak for the third country, for the third quarter, excuse me, and what I can see is that is continuous in a very similar way to the first half until today and that even though consumption has been affected we still see that there is a positive trend in sales.

**Mary Ramírez:** Ok, thank you.

**Carlos Mario Giraldo:** Thank you very much.

**Bianca:** We have no further questions at this time. I would like to turn the call back over to Mister Giraldo for closing remarks.

**Carlos Mario Giraldo:** Thank you very much, and I want to thank you all for being with us today. Grupo Éxito is playing for the long term. Playing for the long term means taking the decisions to create a stable, increasing, profitable company for our short holders. Those decisions means, first that we have to work on the leveraging, and we are doing so and the numbers are there, and they are going to be delivered by the end of the year, and the team is focused there.

The second thing, is that we have to work in integration, and you saw synergies, is only looking at the pictures when you see a mom and pop with a compevent brand opening as if it was in the out cares of Bogotá. You see that really things are happening between Sao Paulo and Bogotá.

The third thing, I wanted to say is that, of course, we are going to difficult economic moments in the region, specially in Brazil and in Argentina, but I really think that when we look a couple years from now back and we see the retribution of this economies we are going to see the big, big upside, that this investment and that this operation has for Grupo Éxito, It's not easy to say that in moments in which sales in Brazil have been hit, and expenses are affected by inflation.

The important thing you have to ask yourself is, do you have the right management? and I think that we have the right management in LatAm, second, are you taking the right decisions? and I think we're taking the right decisions, integrating Cnova into Via Varejo makes all the sense of the world and you can see the stock market has recognized that in the value of both shares, specially in Via Varejo. Expanding to Assai, with 10, 12 stores making some conversions of extra into Assai makes all the sense of the world and it's being done without any delays. Introducing the winning concepts into the other countries is something that we should have done, we said we were going to do, and we are already doing and cash and carry in Colombia is a good proof of what's happening. And the good thing is that while we are going to this transition moments in markets as important as Brazil and in Argentina, in Colombia and in Uruguay we continue with the engine at full speed and that is very important because that provides the gasoline to look forward to the future.

I want to say that the team is fully dedicated to its job, and to do its job not for the short term but for the long term. I would say for example, if we were short term oriented probably it would be a good decision not to invest in prices in Brazil, and not to invest in prices to "one, two, three" and probably you would get a short term EBITDA, but you wouldn't be assuring that the extra brand is going to be strong for the future of the Brazilian market which is something that we should do.

I want to thank you very much and also to remind you that other than retail what makes Éxito different is that it has other monetization strategies around the traffic of our customers, that our real most important asset is our customers. That traffic of the customers and that out of

that we have thing as valuable as real state, as customer based and traffic data base, as credit and insurance which has helped us in different times and would help us to continue nurturing the future. Thank you to all.

**Bianca:** Thank you ladies and gentlemen, this concludes today's conference. Thank you for participating, you may now disconnect.