

4Q e 2019 CONFERENCE CALL GRUPO CARREFOUR BRASIL

Operator:

Good morning ladies and gentlemen, welcome to Grupo Carrefour Brasil's fourth quarter and full year of 2019 conference call.

At this time, all participants are in a listen-only mode. Later, we will conduct a question and answer session and instructions will be given at that time. If you should require assistance during the call, please press the star key followed by zero.

As a reminder, this conference is being recorded and broadcasted live on the investor relations website at: <http://www.grupocarrefourbrasil.com.br/>. A slide presentation is also available on this site.

Before proceeding, let me mention that forward-looking statements are being made under the safe harbor of the Securities Litigation Reform Act of 1996. Actual performance could differ materially from that anticipated in any forward-looking comments because of macroeconomic conditions, market risks and other factors.

It is now my pleasure to turn the call over to Mr. Noël Prioux, Chief Executive Officer, to start the conference call. Please, Mr. Noël Prioux, you can proceed:

Noël Prioux – CEO of Grupo Carrefour Brasil

Good morning and thank you for joining us on this call to present Grupo Carrefour Brasil's fourth-quarter and full-year 2019 results.

I am joined on this call by Sébastien Durchon, our Chief Financial Officer, who will present in greater detail the highlights of the period, and the CEOs of our business units – Carlos, Luis, Roberto - who will be with us for the Q&A session. Natalia Lacava, our head of Investor Relations, is also with us.

Once again, our results demonstrate the strength of our ecosystem and show that we made the right decisions and that they are producing results.

We managed to grow profitably and make the necessary investments for our future.

All divisions contributed to this performance and I am extremely satisfied with the fantastic growth of Atacadão, which returned to double digits, with the opening of 20 stores and one of the best quarters of the year with significant growth in EBITDA.

Carrefour Retail's performance was spectacular. The result was the best since 2014. This reflects our belief that by listening to our customers, we can turn all of our assets into hubs to generate traffic and sales. The consequence was a gain in market share at an unprecedented speed and a 17% growth in EBITDA in Multiformat.

This strong growth allowed us to accelerate investments in e-commerce, which I am convinced that it will be one of the main generators of value in the future. We will be the best prepared in the food world to ride this wave.

And Banco Carrefour, which is a machine, growing at breakneck speed and opening doors for new customers to enter the ecosystem.

I believe in the online world plugged into the offline world. Success depends on the connection between these two universes and the ability to improve the customer experience that is often the same when navigating through different channels of our ecosystem.

The numbers are impressive. You see on slide 2 that we opened 28 stores, our food e-commerce did more than quintupled its sales, we already have 13% penetration of our own brand and our bank continues to improve service quality with NPS of the Carrefour card rising 15 points and 2.4 million new accounts in 2019, a spectacular achievement.

And to close with a flourish, partnerships and M&A are fundamental to accelerate our growth.

We are very happy and satisfied with the acquisition of 30 Makro stores that takes Atacadão to an even higher level, accelerating its growth by one and a half year. The stores are extremely well located, with huge sales potential and we will bring all our know-how to deliver strong efficiency and scale, generating a lot of value for the group.

I would like to conclude by saying that 2019 was a fantastic year for Carrefour! It was a year in which we reaped many fruits from everything we planted. And all this was achieved through a transformation in the way of doing things, with simplicity, agility, breaking paradigms and valuing our nearly 90,000 (ninety thousand) talents.

With that I hand over to Sebastien who will detail the numbers better.

Thank you to all of you.

Sébastien Durchon – CFO:

Thank you, Noël and good morning to everyone.

On slide 4, you see how this strategy translates into our numbers, both in Q4 and in the full year.

As Noël said, 2019 was another year of profitable growth, and the numbers also show an acceleration in Q4 that attests to the strong momentum that carries us and our ability to grow results even while investing.

Before I get into the numbers, let me just point out that the Q4 18 numbers have been restated for the sake of comparability. If you recall, in Q4 of 2018, we recognized for the first time ICMS-ST tax credits and we recognized in Q4 the full year's credits. To make Q4 2018 comparable, we removed the credits from January to September, or R\$ 158 million.

Another topic, and I assure you that it will be my last technical commentary, is that all the following numbers are pre-IFRS 16. So, let's start with our Q4 performance, which featured double-digit growth both in sales and in profitability:

- Our gross sales rose 11.5% to R\$ 17.6 billion, with like-for-like growth of 7.6%;
- Adjusted EBITDA grew by 11.4% to R\$ 1.4 billion, for a margin of 8.7%;
- And Adjusted net income, Group share, increased by 6.3% to R\$ 695 million, equivalent to a 4.3% margin.

If we look at the full-year performance, growth is equally strong:

- Gross sales were up 10.4% to R\$ 62.2 billion, with 6.5% like-for-like growth and another 4.7% from expansion;
- Adjusted EBITDA was up 7.4% to R\$ 4.5 billion, with margin of 7.9%;
- And adjusted net income, Group share, at R\$ 1.97 billion, was up 5.1%, with a 3.5% margin.

This is a very strong performance that shows continued and consistent progress year after year, as shown graphically on the bottom of the slide.

First of all, as you can see, we have steadily accelerated the pace of like-for-like sales growth, from 3% in 2017 to 6.5% in 2019, which testifies to the success of our commercial initiatives.

Adjusted EBITDA margin has accelerated as well, from 7.4% in 2017 to 7.9% in 2019, and as you can see, we added nearly R\$ 1 billion in Adjusted EBITDA over that three-year period, or an increase of roughly 30%.

And even with the investments and our accelerated expansion, our SG&A as a percentage of sales improved over the period, decreasing to 14.1% of sales in 2019.

This is a very virtuous model as it shows that thanks to the very strong growth in sales at Atacadão and Carrefour Retail's multi-format business and even stronger growth in the bank profits, we are able dilute costs and improve profitability. This frees up resources to invest in e-commerce, omnichannel initiatives and new financial services, which demonstrates the power of our ecosystem to generate additional revenue.

Let's now turn to our performance by business unit, starting with Atacadão on slide 5.

Q4 was an excellent quarter for Atacadão, demonstrating the strength of its model. Atacadão notably recorded a very successful Black Friday campaign, with sales up 63% growth over the previous year.

After a dip in sales growth in Q3, Atacadão returned to double-digit sales growth in Q4, at 10.8%, with even stronger profitability growth.

Like-for-like growth was 5.5%, and expansion, with the opening of 20 new stores in the year and 8 in the quarter, contributed another 6%.

Gross profit was up by 10% to nearly R\$ 1.7 billion, and gross margin was broadly stable, down by 10 basis points, despite a highly competitive environment.

Adjusted EBITDA growth outpaced sales growth, increasing by 12.6%, with margin growing 12 basis points to 7.6%.

The full year also showed a very solid performance, with:

- gross sales up 11.9% to R\$ 42 billion;
- gross profit up 9.3%, with gross margin down a limited 36 basis points to 15.4%, reflecting our decision to stand by the consumer and maintain price leadership;
- and Adjusted EBITDA up 5.3%, with margin of 7.2%.

These are impressive results that reflect Atacadão's consistent efforts to improve the efficiency of its business model and its scalability, which allows significant cost dilution in periods of high sales growth.

On slide 6, we turn to Carrefour Retail's performance, which was equally strong.

As you see on the chart on the bottom left-hand side of the slide, Carrefour Retail consistently accelerated sales growth every quarter in 2019. Sales were up by 12.8% in Q4 and its like-for-like growth of 12.7% was its best quarterly performance in the last five years. In the full-year, sales were up by 7.5%.

This demonstrates the success of the many commercial initiatives that have been implemented in the past couple of years, notably on offer, assortment and pricing, which have also translated into a better customer experience and a record-high Net Promoter Score.

Adjusted EBITDA was down 8.1% in the quarter and 2.3% in the full year.

But that overall picture hides two very important trends that need to be further explained:

- First of all, Adjusted EBITDA in our Multiformat business, in other words our physical stores, was actually up by an impressive 17% in Q4 and 10% in the full-year. This demonstrates clearly that our initiatives are bearing fruit and sales growth acceleration leads to improved profitability.
- Second, this allowed us to accelerate investments in e-commerce.:
 - In non-food, we invested in a new Distribution Center and in ensuring a successful Black Friday in a very competitive environment;
 - In food e-commerce, we invested in side-store openings to ensure high-quality service and support growth, and these investments were largely concentrated in Q4.

Let's look more specifically at digital and e-commerce on slide 7.

As I just mentioned, our strong performance at Atacadão and Retail has allowed us to invest in growing our e-commerce business, both in food and non-food, and momentum was positive in Q4, with total GMV up 40%.

I would like to share with you some of our achievements in 2019.

Let's start with non-food: Our non-food e-commerce business has surpassed R\$ 2 billion in sales, and online now represents 34% of total non-food sales. Since the launch of food e-commerce, we have increased our sales by more than 50%. The number of visitors and orders increased by 90% in the quarter, and we continue to grow our marketplace, which at the end of Q4 counted more than 3,750 sellers and about 4 million SKUs. Our marketplace represents now 21% of non-food GMV.

In food, we have seen spectacular growth, with GMV growing by almost 400%. This results from a strategic decision, as you know we have set the ambition of being the leader in food e-commerce. That's why we accelerated our investments in Q4, notably with the opening of side stores, and we are also steadily growing touchpoints with a steady rise in Drive, Click & Collect and last-mile delivery, as mentioned by Noël earlier.

Let's now turn to Banco Carrefour on slide 8.

Once again, we saw very strong growth, both in the quarter and the full year.

Total billings in Q4 rose 28.9% to R\$ 9.7 billion, driven by growth in both the Atacadão card, whose billings rose 51.2% in Q4 and now account for 28% of total billings, while the Carrefour

Card also grew by 21.8% even though it's a much more mature operation. We had a particularly good Black Friday, with 20% growth in transactions and 25% growth in average ticket.

In the full year, billings rose 28% and exceeded R\$ 33 billion. This result reflects the many investments we have carried out in our operation, especially in our products, channels and teams, and the success of our commercial initiatives, notably the acquisition of new clients. We saw a 264% increase in accounts sold by digital channels. Our recently-launched insurance products saw their sales rise 31.4%.

The loan portfolio grew 38% in the full year, totaling R\$ 11.5 billion, with strong credit quality.

We have a very efficient cost structure with an efficiency ratio of 34.8%, better than the market average.

Adjusted EBITDA also grew strongly, reaching R\$ 336 million in Q4, an increase of 22.8% in relation to the same period of the previous year. In the full year, Adjusted EBITDA surpassed R\$ 1.1 billion and grew by 23%.

Actually, as Noël said in the beginning, our bank is a machine with still a lot of potential.

On slide 9, we wrap up this financial section with a look at our balance sheet, which remains very healthy even as we invest in our growth.

Our Capex levels remained broadly stable in 2019 vs 2018 at almost R\$ 1.8 billion, which sustained our expansion strategy, notably the opening of 20 new Atacadão stores.

We will pay total dividends of R\$ 483 million in 2019, representing 25% of adjusted net income, supported by solid cash generation. Of this amount, R\$ 470 million have already been paid in the form of Interest on Equity.

Concerning our debt, at the end of the year, we had a net cash position R\$ 2.8 billion, excluding discounted receivables or R\$ 253 million including them.

We are rated AAA by Standard & Poor's.

Concerning the Makro transaction, we have secured a financing of 450 million euros from the Carrefour Group at favorable conditions, which we can use if we don't find better financing opportunities locally.

Let's focus on slide 10 on the transaction.

The acquisition of the 30 Makro stores and 14 gas stations in 17 Brazilian states marks a major step in our expansion in Brazil.

As you see on the map on the slide, the acquired stores offer strong geographic complementarity with Atacadão's existing network.

In particular, we will gain a stronger foothold in the state of Rio de Janeiro, where we acquired 8 stores, and in the Northeast, with another 7 stores. The remaining 15 stores are well distributed across the country.

The acquired stores represent 165,000 square meters of sales area, adding an additional 14% of sales area, and have gross sales of R\$ 2.8 billion.

We plan to convert these stores to the Atacadão banner following the closing of the transaction. At the same time, we intend to continue Atacadão's organic expansion at a rapid pace.

This will give clients access to Atacadão's offer and low prices and will also benefit our ecosystem, as it creates new touchpoints to further roll our financial services.

In summary, this acquisition represents one and a half years of expansion in one move. Combined with Atacadão's organic expansion of 20 stores per year, this adds 50 stores to Atacadão's network, rising to 236 stores from 186 at the end of 2019 once the transaction closes, or an increase of 27% in the number of stores.

We see significant potential to increase the sales and profitability of these stores, and this transaction is therefore a real growth accelerator for Grupo Carrefour Brasil, as you see on slide 11.

We estimate that post ramp-up, the 30 stores will increase their sales by at least 60%, reaching R\$ 26,000 per square meter from R\$ 16,000 currently, as they benefit from Atacadão's offer and attractiveness.

Profitability will also increase as the stores optimize their SG&A and benefit from economies of scale in procurement, and we believe that the stores will gradually achieve Atacadão's level EBITDA, or 6.5% of gross sales and 7.2% of net sales.

Clearly, this a value-accretive transaction for Carrefour.

With that let me hand over to Noël for his concluding remarks.

Noël Prioux - CEO of Grupo Carrefour Brasil

Thank you, Sébastien.

To conclude, I think you saw through today's presentation that the Carrefour Brasil ecosystem is at work and producing great results.

With that, I conclude today's presentation. Thank you very much for your attention and we can now move on to the Q&A session.

Operator:

*Ladies and gentlemen, we will now initiate the Questions and Answers Section. If you would like to ask a question, please dial *1. If at any point your question has been answered, you may remove your question from the queue by pressing *2.*

Joseph Giordano – JP Morgan:

Hi, good morning to all, thank you for picking up my question. I have a few of them, actually. First, I would like to have a better understanding of this margin trend we see in retail. I understand e-commerce is pressuring the company's margin a lot, especially in the fourth quarter, and there is also a significant Black Friday impact, mainly in the context of creating this whole multichannel platform for the company. I would like to know more about how we could break this down between e-commerce pressure and the core per se, which is food retail, to get more color on the margin potential, since revenue was strong, so maybe the trade

reserves were a little higher this quarter. And also the competitive environment, since the competitor had a very pressured margin with strong promotion, so I imagine you had to follow that. For my second question, looking at the bank you had a very strong result, way above expectations. I think the recurring run rate helps us exclude this Black Friday effect. It was very strong, you mentioned a 20% increase in transactions, 25% in the period. So what should have been a more normalized growth, the cruise speed of the group's gross billings? Lastly, for Cash & Carry, in Atacadão the result is also very good. I would like to understand the timing you are working with to capture synergies from Makro. In the announcement you mentioned that all stores would be converted within 12 months, so I imagine only gross margin would be visible in the period. But how long do you think it will take for us to see this ramp up, especially considering that all of these stores are very mature? Looking at Atacadão's organic margin growth, which remains strong, how should we look at store size going forward? Thank you.

Sébastien Durchon - CFO:

Well, thank you, Joseph, we will try to answer all of your questions. With regards to retail margin, the retail segment and its trends, physical stores and e-commerce, there is a... In the fourth quarter, technically, you are right, e-commerce was pressured down; this is not exactly how we get to the bottom of it and I will explain why, but technically you are right. We have two very different trends for results, or EBITDA margin. Physical retail improved significantly. Again, the 7% of EBITDA in the fourth quarter for physical stores is a lot, not all players in the market have this trend. On the other hand, we took advantage of this very good moment to make more investments in e-commerce. That is why I do not want to call it pressure, you are right. In the fourth quarter we have a downward impact from e-commerce. But for us this is an investment in the future.

It is extremely vital for us to do that right now. If we stop and think about it, every company that has ever launched an e-commerce operation had losses for many years. Our operation is very new, we are pleased with the sales growth we had in the fourth quarter of last year. It was a choice in the fourth quarter, particularly in non-food. Online non-food is facing a very challenging time for everyone, because everyone wants to fight during Black Friday and it was not different with Carrefour. So, in the fourth quarter we made an additional investment to remain competitive during the Black Friday, and we also significantly accelerated investments in e-commerce. But, again, for us this is a medium- to long-term game, we will always choose to invest in new businesses and in the future than simply let margin grow in one half and compromise the future. So, that was your question about margin. Luis, would you like to talk about the competitive environment?

Luis Moreno – CEO of Carrefour Retail:

Yes, thank you for the question, Joseph. With regards to the competitive environment, Carrefour Retail had a price repositioning policy a while ago, starting at the end of the previous year. We have a specific pricing model, store by store, evaluating a sensitivity and elasticity model, and by price based on our local competitors, case by case. We also have measurement parameters for our price margin, using the perception of our customers store by store and the combination of other parameters leading the price policy, but we did not have a significant incremental investment in prices. Our food margins remained stable, and

in our total margin levels there is a small war, around 40 or 50 times, linked to higher contribution and higher share of non-food categories, especially electronics.

Carlos Mauad – CEO of Carrefour Soluções Financeiras:

The next question was about the bank. Your question was specifically about gross billings. We have been maturing some additional sales channels, especially the digital one, which saw strong growth in 2019, and we should see really strong growth in sales for both the Atacadão and the Carrefour cards through digital channels. The channel was not much developed, so it has been gaining traction recently. We benefit a lot from the organic growth of Atacadão, and will also be able to benefit from the acquisition of 30 Makro stores to put our card sale and consumer engagement machine at the point of sale. So, when I look at gross billings, I do not see anything that points to deceleration. Even when it comes to the Black Friday, which has a seasonal effect - we have both Christmas and the Black Friday in the fourth quarter - if you look at the whole year in retrospect you will see that the growths are virtually on the same level in other quarters since 2019. So, I am not concerned when it comes to the bank's gross billings growth, ok?

José Roberto Meister Müssnich – CEO of Atacadão:

OK. Good morning, Joseph, this is Roberto. Thank you for your question. Considering that these acquisitions of Makro stores are actually acquisitions of points of sale for us, after CADE's approval our plan is to make that transition, closing the store, setting up new equipment at the store, and within 3 and 6 months it will open. I mean, it will open as Atacadão, and from then on we have a natural ramp-up evolution, like a new store to do the plug in within our growth. I mean, this is normal for us, we are prepared, there is no impact on Atacadão's performance, because we have that as well. Not only is the bank a machine, I believe Atacadão is also a machine, and if we consider that we have once opened 50% of our current stores when we had 34 stores, with no impact, this will cause no impact - on the contrary, it will accelerate the ramp-up and give us a chance to do that because of the quality and significance of these points of sale across Brazil. As for the size of the stores, which you mentioned in your question about future expansion, we are constantly working to optimize sales per square meters. So, we are paying attention and we are working on that. We already have some very interesting initiatives, we are doing that. Thank you.

Joseph Giordano – JP Morgan:

Perfect, thank you very much. Good morning.

Operator:

Very well. Our next question comes from Robert, Bank of America. Good morning, Robert.

Robert Ford – Bank of America:

Good morning, everyone, and congratulations on the results. Did you have any pressure from the late increase in protein prices in the quarter? How did that contribute to sales growth in the quarter, and how are the sales and margin trends right now? What is your take on food inflation this year, please? And also, another question on convenience, please. You seem to be really accelerating growth in the Express concept. What is the difference between Express and convenience, and how are you planning to expand this business going forward, please?

Sébastien Durchon - CFO:

Thank you for your question, Roberto. As for animal proteins, we did have a strong price inflation this year, and a consequent decrease in animal protein volumes, and we also saw a derivation of protein types that customers used to buy. Now the situation is somewhat stable, but there is still a big difference in price compared to the previous year. But in the last quarter we saw a growth in volume in the overall food category. So, not only did we have a significant growth in volume, but also in customer traffic. As for the proximity format, which is Carrefour Express, this year of 2019 has been very important, with a significant turnaround, and the average growth of our Express stores was higher than 20%. This growth started in February 2019, and this year we continue to grow. There is a very strong growth trend. We believe this is a clear customer trend. Also, you see leverage throughout the ecosystem of networks, and also through our partnership with Rappi, and we are evolving to other models that allow us to develop store concepts and inclusion and all that, and other partnership models to further accelerate our proximity model, which has already become highly profitable.

Robert Ford – Bank of America:

Thank you very much and congratulations once again.

Operator:

Very well. Our next question comes from Gustavo Oliveira, UBS. Good morning, Gustavo.

Gustavo Oliveira – UBS:

Good morning. Good morning to all. Thank you for picking up my question. I would like some more color on Atacadão, in terms of the recovery in sales you saw in this fourth quarter, which was stable from the third quarter. How are you looking at it going forward? Do you still need to invest a little more in price in this format, or do you believe you could maintain the same gross margin in 2020, to continue having this strong same-store-sales performance? And the second question is also with regards to Atacadão. In the acquisition of Makro, how much CAPEX are you estimating to convert the stores?

José Roberto Meister Müssnich – CEO of Atacadão:

Thank you, Gustavo. Actually, the market in the fourth quarter was more favorable in terms of the demands we had and the commercial success we achieved. I believe that, if you look at Atacadão's track record of margin stability, and because it is a top line business, we managed to do a good job there. I do not believe in big... We are not talking about investments and margin, but we talk about monitoring the market on purchases, sales, results, including in absolute values through demand elasticity. I mean, the model did not

change, management did not change, and we hope to keep delivering exactly what we have delivered all these years. In terms of CAPEX for the conversion of Makro stores, it is much lower, evidently, than for a regular store, assembly CAPEX. A few of the stores we acquired have already been renovated, and they require very low CAPEX for this transformation, because Makro had made some renovations that made the stores very efficient and similar to our model. It was their initiative. So, I believe we will not have to spend too much CAPEX or time to make this transformation. Evidently, we want the transformation to reach state-of-the-art levels, so that we can have faster return and ramp it up. OK?

Gustavo Oliveira – UBS:

Thank you, Roberto. In these stores where CAPEX was already invested by Makro, is it correct to assume that sales evolution, or sales gains, when you start operating your format, will be lower than your 60% average? Or is there a lot to be done, even where CAPEX has already been invested?

José Roberto Meister Müssnich – CEO of Atacadão:

They are two completely different things. Makro operates in one way, and we operate in another. I think the strength of the Atacadão brand leads our customers, both B2B and B2C, to recognize the model and our value proposition. In the release we mention that we would spend around R\$10 to R\$12 million in CAPEX, so that should be the average. I do not believe these stores...

Gustavo Oliveira – UBS:

R\$12 million per store on average, right?

José Roberto Meister Müssnich – CEO of Atacadão:

About R\$10 million per store, on average.

Gustavo Oliveira – UBS:

OK. Very good, thank you very much.

Sébastien Durchon - CFO:

And I think there was a second part to your question, Gustavo, about expected sales. The number we show in the presentation is slightly below the current average for Atacadão. We are a little cautious, we do not like to announce something we might not deliver later. So, this is a number we are comfortable with, but we can always do better. We will see along the way. The important thing here that I think we all need to remember is that Makro was a pioneer in the supermarket segment. This is a company we respect deeply, they have been setting up shop for a long time, in the 70s, 80s, 90s. They were the first ones in many cities. So, they really do have exceptional points of sale, which we will explore.

Gustavo Oliveira – UBS:

Great. Thank you very much.

José Roberto Meister Müssnich – CEO of Atacadão:

We prefer to positively surprise you than let you down.

Gustavo Oliveira – UBS:

Right, thank you very much, Roberto. Thank you, Sébastien.

Sébastien Durchon - CFO:

You're welcome.

Operator:

Very well. Our next question is from Tobias, Citibank. Good morning, Tobias.

Tobias Stingelin – Citibank:

Good morning, thank you for picking up my question and congratulations on the results. Actually I would like to go back to something that has already been addressed in a way, regarding competition dynamics in multi-retail, specifically in terms of brick and mortar. First of all, thank you for the disclosure, I think this is the first time you shared the margin difference, or gave us an idea of this margin difference between the businesses, and it really helps. Also, looking at the release, you said that excluding e-commerce, gross margin would have dropped by 70 basis points, mainly due to the mix of electronics. And then in the previous answer you said that you do not believe you need to be more competitive in prices, given that you already repositioned over a year ago. That said, looking at your competitor, who emphasized result yesterday and seems to be going through a different time, having to adjust in this area, do you think this could lead to a process where eventually you will need to be more competitive than you already are now?

Sébastien Durchon - CFO:

Thank you for your question, Tobias. Like I said before, our pricing models are really not that different from our competitor's, but the price perception of customers is different. Our customers' price perception covers multiple factors, such as permanent price, promotional price, the price of certain leading categories, private label price... And we look at each one of these factors contributing to the overall price margin independently. Like I said, Carrefour repositioned prices a year ago, and when you do that it takes time for customers to realize you are on a new level. I think we are already feeling the effects of this investment made a while ago, it can be used for comparison. That is why I said the margin differential is only 50 basis points and due only to a strong increase in electronics sales.

Tobias Stingelin – Citibank:

Perfect. Looking forward, I mean, what you have been seeing in the market at the beginning of this year, maybe the end of last year, is that there is no movement suggesting that you may have to do that again. I know it is very tactical, it depends on many variables, as you just said...

Sébastien Durchon - CFO:

I will give you a simple answer. Today we are growing 10% in like-for-like, so we think this is the right positioning. In all senses. There is price, which is an important variable, you are right, but we cannot forget about the amazing work done in the last two years by our teams in assortment, private label... This all comes together leading to this 10% growth.

Tobias Stingelin – Citibank:

Perfect. Now, could you just give us an indication of how the year started? In terms of what we have seen so far regarding sales levels, could you comment on anything? Thank you once again, and good morning.

Sébastien Durchon - CFO:

We are seeing similar trends. For us, really, the trend is similar to the fourth quarter of last year, except for the impact of Black Friday, of course, which had a great impact on non-food last year. Another comment I would like to make here, since you mentioned gross margin, is that for us gross margin alone is not a very important variable. What happened in retail in the fourth quarter of last year, in physical stores, was a slight decrease in gross margin, you are right, but the moment was also very far from reality, 27%. So it is a very simple reason that with the sales trends we have, it is easy to see costs. This is what we want, and this is what also happened in Atacadão, what happens in the bank, what is happening in multi-format retail.

Tobias Stingelin – Citibank:

Perfect. Thank you again, have a good day.

Operator:

Very well. Our next question is from Irma, Goldman Sachs. Good morning, Irma.

Irma – Goldman Sachs:

Good morning. I have a question, or two questions, about digital investments. I know maybe it is a little hard to draw a curve, but when you think about the investments you still need to make in the digital segment, especially multi-retail - and I know the bank has important investments to make... Thinking about future projects, where would you say you are at in this

investment curve for e-commerce, to digitalize the food retail segment? This is the first question. The second question is: in Atacadão right now digitalization is obviously not on the table, but in the future do you see it as an opportunity? Do you think this model, given the margin structure and the supply model, would make sense there? Thank you.

Sébastien Durchon - CFO:

Thank you, Irma. I will begin with the question about food e-commerce. Look, we are only just beginning, remember that here in Brazil we are talking about very high penetration of food e-commerce. So Carrefour is investing a lot, we decided to open side stores which, in our vision, is by far the best option, from a logistics standpoint, to serve our customers and multiply points of service. But there is no magic, you have to open stores so you need a little CAPEX, not much, and you also need employees there. So, on day one, to sum it up, you have 100% of the costs and roughly 25% of the sales. So our vision will take time, it will be gradual, sales will grow and we will have a ramp up. At this point it is very hard to say how long it will take. We tend to believe it will be one or two years, for sure, for the new stores to mature.

José Roberto Meister Müssnich – CEO of Atacadão:

As for Atacadão, Irma, thank you very much for your question. Evidently, if we consider B2B is all about being close to the customer, digitalization helps that and works as another communication channel with them. We have been studying it and trying to understand how it could be processed, and I believe we will have good opportunities in the future, through the channel, in terms of how we are getting to our B2B customers in general.

Carlos Mauad – CEO of Carrefour Soluções Financeiras:

And Irma, you briefly mentioned in your question the digitalization of consumers within the bank, and there are two big fronts there. First the sale of new accounts, the sale of Atacadão and Carrefour cards through digital channels, which is an up-and-running business; it is working very well, with slightly better economics than other channels, due to the fact that it is a more organic movement by the customer. This means that the activation level is better, credit performance is very similar to other channels, and consumer engagement with the product is high. On the other front, which we talked about a little bit, is the implementation of our digital account, to be launched within the next few days. We should start our digital account pilot at five Atacadão stores and five Carrefour stores, soon after the Carnival. So, this is an incipient project, aiming at 7.5 million customers we rejected last year, as they came to our stands and we were unable to give them credit cards. We will start there, start a new relationship platform with these consumers.

Irma – Goldman Sachs:

Thank you.

Operator:

The next question comes from Guilherme Assis, Safra. Good morning, Guilherme.

Guilherme Assis - Safra:

Good morning, thank you for picking up my question. Actually, I have two questions. I want to keep exploring the topic of margin here, specifically in e-commerce food category. I think the company's strategy is very clear, to capture these benefits from physical stores in the traditional segment and make this investment to grow and gain competitiveness in the food segment. I would like to understand how you are doing that. I see campaigns, I get e-mails from Carrefour with important discounts, 30% discounts for purchases with a R\$200 ticket. I would like to understand how you are looking at these campaigns going forward. If you could talk a little bit about how you are measuring these results, what are you capturing with this kind of campaign, and if this campaign... I know I am working with empirical data here, which is an e-mail I am receiving, but I would like to know if this strategy is being conducted on a greater level to invest in this channel and if this is the investment you have been talking about for e-commerce. Also, how do you see this investment bringing return now, in terms of revenue growth? I think that is the goal, right? How do you see it happening in the future? That's the first question. The second question is about channel strategy. How are you looking at the hyper segment? I know you made a few conversions of hyper stores into Atacadão. Do you see more opportunities in that sense in the future? These are my two questions, thank you.

Sébastien Durchon - CFO:

Thank you, Guilherme. I think, first of all, I am very happy to hear you got a coupon for a 30% discount. Feel free to use it. So, back to margin... In food e-commerce we are at the beginning of the process, so we have a penetration in Brazil of 0.5% or 0.6% in the e-commerce food retail market, which is a very low penetration. This is the time to convince our customers. To convince our customers to adopt this new e-commerce option, we have to give them motivation. We are trying out a number of things, so this coupon you received is one of these attempts. Soon we will find out what the best option is for all this. But we are in a trial phase, and we need to try different things to attract customers. As for Hyper, Luis will answer.

Luis Moreno – CEO of Carrefour Retail:

Thank you, Guilherme. With regards to Hyper, I would like to share some fourth-quarter data with you. So, when we talk about physical retail like-for-like of 9.6%, for Hyper we also have like-for-like of 9.2%. We have volume growth of 3.9% and customer growth of 3.7%. What I can say about that is we believe Hyper is still a format customers adhere to, it can still generate results, and is already generating results for us. Also, within the Carrefour ecosystem it is a key element in leveraging Banco Carrefour. A significant portion of Banco Carrefour's profitability is linked to hypermarkets. So Hyper is a key part of this ecosystem, strongly leveraging that value. It is a fact that, in general, our competitors are no longer investing in this format, and we believe that by maintaining the appropriate service, assortment and price levels, as well as innovation and integration in the multichannel, we are selling to customers that are not being well served by the rest of the market.

José Roberto Meister Müssnich – CEO of Atacadão:

On our part, I remember we already made 15 conversions to supermarkets, the last one was last year in Boa Viagem, Recife, with huge success and good planning. We believe in and are always considering conversions. It is exactly what Luis mentioned: the ecosystem is not only the store, it is a combination of the store, the card, the bank, the gas station, the drugstore... It is a whole business model that the Carrefour supermarket has on top of that. Performance has also been successful, we have been seeing superior performance lately. Betting on cash... Cash has an evolution pipeline. We are making these 20 stores, we are having fun with it, and now we have another 30 stores ahead of us, and seeing the siblings grow actually makes us a little jealous.

Guilherme Assis - Safra:

Roberto, if I could complement here, since you mentioned it: in terms of the expansion plan, it is very clear in your presentation that you are maintaining the 20-store plan for Atacadão this year, so adding to the 30 stores that will be converted as soon as you have CADE's approval. Do you think somehow, with this need for conversion, that working on Makro's conversion could affect your current growth plan?

José Roberto Meister Müssnich – CEO of Atacadão:

No. The answer is clear: no. The dynamics within the group are very clear for us, not only in terms of CAPEX but also the strategic dynamics of expansion. It did not affect us, it was an opportunity and we took it. This opportunity creates huge value. We have 52 stores to open this year as soon as we get CADE's approval, and from a business infrastructure standpoint it will not change our P&L, our balance. From a resource standpoint, to me it was a pleasant surprise, because I, with the optimism I was working with, asked my team to show me a plan for these stores with the talents we already have and developed in the trainee

program, and the internal evolution of our Atacadão personnel. To my surprise, we already have 52 managers appointed for the expansion, and these resources are all in-house talents, so we are ready to go. To me that was very, very important, because in the last 15 years this has been our challenge: maintaining our culture and delivering our product. This was the result of the expansion and the opportunity we have now.

Guilherme Assis - Safra:

Great, very clear. Thank you.

Operator:

The next question is from Tiago Macruz, Itaú. Good morning, Tiago.

Emerson – Itaú:

Good morning. Good morning, everyone, this is Emerson, actually. I have two questions. First of all, concerning Atacadão, gross margin was remarkable, upward, and we all thought it was good. But here, especially, what commercial actions are you implementing? I would like to know more details about suppliers, since you continue to expand. Now, with the acquisition of Makro, you continue to consolidate the market. I would like to understand how this relationship with suppliers has evolved, and if it has been helping you deal with possible competition challenges facing Atacadão. This is the first question. The second question is, you

mentioned that openings this quarter was in line, as it has been recently, but with a slightly smaller format, and apparently good scalability. I would like to understand how you are looking at the marginal ROIC of these new stores when compared to the mature store park. These are my two questions. Thank you all.

José Roberto Meister Müssnich – CEO of Atacadão:

Thank you, Emerson. The right product at the right time, whenever the customer wants it. That is the secret, my friend. We are industry partners through capillarity in 100% of the states. We have a partnership with the industry, and the industry understands our model very well. So, negotiations are going well, there is tension in the market because it is not the same on a daily basis. Today's market is different than yesterday's due to competitiveness, external actions we have no control over, and competition we are following. So, it is important to stay vigilant and negotiate on a day-to-day basis. We have a history of results that follow the same pattern, and we fight to maintain that. As for the openings of smaller formats, I would say this is more about optimization, keeping the same model. What does that mean? It means less CAPEX for a smaller model, optimizing supply within the same economic model. We cannot change distribution costs, we cannot change the model. This is our concern. So, based on the expansion pipeline you have there, we expect the same ramp-up we saw in other stores. I hope this answers your question.

Emerson – Itaú:

Clear, very clear. Thank you very much.

José Roberto Meister Müssnich – CEO of Atacadão:

Thank you, my friend.

Operator:

Very well, ladies and gentlemen, we are now closing the questions and answers session. I will turn the floor back to Mr. Noël Prioux for his final remarks. Please, Mr. Prioux.

Noël Prioux - CEO of Grupo Carrefour Brasil:

If we do not have any more questions, I will conclude this call. I hope the presentation provided you all with a better understanding of how the strategy for our multichannel ecosystem is bearing fruit to secure profitable and sustainable growth. Thank you very much for your attention, have a great day. I wish you all a very good Carnival holiday as well.

Operator:

That does conclude Carrefour Brasil conference call for today. Thank you very much for your participation, have a good day.