**TRANSCRIPTION – Q1 2021 EARNINGS RELEASE VIDEO CONFERENCE**
**GRUPO CARREFOUR BRASIL**

**Speaker:**

Good morning, welcome to the Carrefour Brasil Group video conference where the results for the Q1 of 2021 will be presented. This conference is being recorded and simultaneously streamed online and can be accessed at ri.grupocarrefourbrasil.com.br where the respective presentation is also available.

During the presentation all participants will be in listen-only mode. Later on we will have a Q&A session where you will be able to ask questions via phone or chat, and at which point, further instructions will be provided. The slides will be controlled individually by each participant. Should you need assistance during the call, you can reach the operator by dialing star (*) zero (0) on your phone.

We will start by answering the questions asked over the phone, and if time allows, we will move on to the questions on the chat. If there is not enough time to answer all the questions the remaining ones will be answered later by email.

Before we proceed please be advised that any statements made during this conference about business prospects, projections, and operating in financial targets will are mere forecasts based on management's expectations about the future of the company. These expectations rely heavily on market conditions, the general economic performance of the country, the industry, and the markets in which the company operates and therefore are subject to change.

I will now turn the floor over to our CEO, Mr. Noël Prioux who will open the conference. Please, Mr. Prioux, you may proceed.

**Noël:**

Thank you, good morning everyone. We're glad that you're with us as we release our results for the Q1 of 2021.

Here with me are our CFO, Sébastien Durchon and all the business heads.

We started the year with another strong Q1 performance. Despite the atypical environment and continued impacts of the COVID-19 pandemic, our businesses showed very satisfactory results. With the Atacadão we had overall growth of 17.5%, and once again, our unique model showed its relevance.

The pace of expansion. as you know, is also brisk and in the coming quarters we're like to grow by another 10 to 12% with the opening of 45 new stores this year.

The digital channel is also growing fast, having increased 45% on a sequential basis.

On the retail front, we outperformed the market for the fourth consecutive quarter. Plus, the many structural changes, we've implemented in our model over the past 2 years, led to a 2.4% points dilution in sales. General and administrative costs with the multi-format.

This once again attests to our constant search for operational efficiency. As a result, our adjusted Ebitda increased 24.5$ over the Q1 of 2020 with a margin gain of 0.9% point.

We also saw significant advances in e-commerce. Online food sales increased eight-fold in two years, which is an impressive number. And we continue to work to further integrate our fixed assets with our digital channels and improve the customer experience.

Our bank continued the positive growth trend seen in recent quarters and in March alone, it posted a 30% increase in revenues. That's great news. The quarter was defined by our lowest over 90 level on record. Another great piece of news. And or Ebitda following the local central bank criteria went up 40%.

Sébastien will give further details about the operation in the next slides.

Finally, I'd like to highlight our properties unit which recently launched the Pinheiros project. The first one within our strategy to improve how our assets are used and which generated R$ 495 million in other non-recurring revenues during the quarter.

Thank you for being with us today. Now, let me head over to Sébastien, who'll break down these numbers.

**Sébastien:**

Thank you, Noël and good morning everyone.

Overall this was a robust figure with strong investment in the future of our businesses.

On slide 3, I will briefly go over our final figures for the Q1. First, we should underscore our total gross sales, which came to R$ 18.1 billion this quarter, up 14.2% over last year. Or even 15.1%, if we exclude gasoline. This rise in sales occurred despite a very high comparison basis, combining the last two years, our sales growth reached an all-time high of nearly 30%. On the like-for-like basis, growth came to 11.6% in Q1 2021, with 12.9% like-for-life growth in Atacadão where we've maintained the commercial strategy to remain competitive and saw another quarter of double-digit growth and an 8.6% increase in retail, which once again far outperformed the market.

On a like-for-like basis, figures fluctuated a lot throughout the quarter but nominally sales were rather steady.

This shows a very healthy sales trend. If we exclude from the comparison basis the period from March 14th to March 31st when the pandemic began and consumers were stockpiling, like-for-like figures would be even more significant. 15.8% in the consolidated basis. 17.7% in the Atacadão and 11.3% in retail.

The sheer sales volume combined with our improved operational efficiency led to an Ebitda that was virtually unchanged from last year. We recorded 25% growth in retail, 9% in the Atacadão, which upset the already expected drop in our bank's Ebitda, which I will explain in more detail in the next slides.

Our adjusted net income in the quarter was R$ 420 million up 4.7% over the fourth quarter of last year.

Finally, our leverage and indebtedness remained at very healthy levels. Even more so, if we consider that we spent R$ 2.7 billions in M&A in the last 12 months between payment for our acquisition of macro and the R$ 9 million realized events in the big deal.

Our overall net debt came to R$ 5.7 billion or one time our Ebitda. If we consider the discounted receivables such as debt, treating this indicator much like rating agencies do, our debt would be R$ 6.7 billion or 1.19 times our Ebitda.

Note here that we are one of the very few Groups to be so transparent about our financial debt. I'd also like to point out that we still have R$ 1.4 billion in receivables that we do not need to use this quarter given a strong cash generation and capital optimization strategy. If we were to sell these receivables, a net debt would fall to R$ 4.3 billion or 4.77 times our Ebitda. Once again, showing the strength of our balance sheet.

On slide 4, we present the details of the Pinheiros project in partnership with WTorre.

Our first store in the country has an overall area of 60,000 m² and the hyper market today has about 8,000 m² of sales area and is located in the center of the site. As we announced in Q4 2020, the store will be relocated, and residential and corporate towers will be built on the cleared area.

I should stress that for us, this project does not entail any additional investment, seeing as it works like a swap operation, we hand over the surplus land and in return we received several assets, a new store, a gallery, and 14,000 m² of the corporate tower. The project has now been launched and as a result, in Q1, we recorded a very substantial gain of R$ 495 million from the operation, referring to the market value of the assets received in the transaction.

This is only the first of 30 priority projects that we have already mapped out within the group. Not yet considering Big’s assets.

In slide 5, I will go into further details about our operations, starting with the Atacadão which had a robust performance this quarter. Gross sales were up 17.5% in the Q1, with like-for-like sales up 12.9%, a strong performance considering the volatile environment we currently find ourselves in. As I mentioned, if we exclude the period of March 14th to 31st from the base, Atacadão like-for-like sales would have grown 17.7%. We also had a 6% expansion in the Q1 with the opening of 9 new stores, 5 of which were converted macro stores, which added up to 11 by the end of March.

As you already know, we expect to open 45 new stores in 2021 and this will contribute a share of 10% to 12% in future growth.

As Noël mentioned earlier, the digital channel is still growing a pace at our fast delivery service, is already available in 60 stores across 13 Brazilian states.

Naturally, the strong advance in our pace of growth has an impact on our gross margin and SG&A that affects her bottom line. Adjusted Ebitda in the quarter was R$ 755 million, up 8.6% in year-on-year terms with a 6.6% margin.

Note that the adjusted Ebitda margin on the like-for-like basis, that is, disregarding stores that were open in the last 12 months, was 7.2% and in line or even slightly higher than the year before, confirming that our profitability still stands at a very healthy level. Excluding the impact of this growth our Ebitda would have been R$ 790 million up 13.6% over 2020.

In sum, we opened 27 stores in the last 12 months, including 9 in Q1 2021, and we will open 20 more in Q2. This very significant advance puts some pressure on our results in the near term but will certainly accelerate our growth in the coming quarters.

On slide 6, we provide more details about our performance in retail, which has continued to far outperform the market in Q1.

Like-for-like sales grew by 8.6% in the period. A robust figure, especially if we consider last year's comparison basis, which carried the early effects of the pandemic and which were quite severe. Excluding the March 14th to 31st period for example, LFL sales recorded double digit growth, reaching 11.3%. Our gross margin came to 23.4%, slightly slowing down over 2020, which we had expected because of car four's new loyalty program, which on the other hand, helped grow our revenue and allowed more dilution in our costs in line with what we presented, which were important achievements.

As we've been saying since last year, some of the initiatives we've implemented during the pandemic are structural improvements for retail. With that, we were able to nominally reduce the amount spent in the Q1 compared with one year earlier, which brought the sg aligned to 18.1% of net sales, 125 basis points lower than in 2020.

If we look only at our multi-format, in 2 years we achieved significant improvement, up 240 basis points in the indicator. As a result, we were able to grow our Ebitda by 25% and our margin by about 100 basis points compared with the Q1 of 2020, reaching 5.5%.

On slide 7, about digital, we return to see growth in Q1 2021 after a relatively weak Q4 because of the cancellation of Black Friday. We should highlight our 35% increase in total GMV, food ecommerce sales increased 140%, and we continued to gain representativeness. We continue to evolve our business model with more digitalization and integration with physical assets seeking to provide the best customer experience and more profitability for the business.

Among our initiatives, we should stress the synchronization with store inventories, providing greater logistic efficiency, same-day deliveries and synergies with e-sellers.

Combining food and non-food, our e-commerce reached a total GMV of R$ 741 million in Q1 and R$ 3.5 billion in the last 12 months.

On slide 8, we'll talk about our bank. And I'd like to highlight the growth trend in earnings and revenue. As we observed… as we have observed since June of last year, our revenues continue to recover at an accelerated pace with plus 20% in Q1 2021 and plus 30% in the month of March. This increase is gradually being mirrored by our revenues, which have been growing early in the quarter and reached just 5% in the sequential basis, which makes us extremely confident for the future, and the growth in revenues is gradually transforming into an increase in revenues.

Now, I'd like to go into a little bit more technical issues - I apologize in advance - and talk about our provisions, especially from the standpoint of the IFRS 9 accounting standard. Conceptually and briefly while the accounting criteria used by the local central bank presents a provision purely based on the aging of the portfolio, IFRS 9 implies the immediate constitution of provisions according to the expected losses in the portfolio, even for losses with current payments. In other words, the IFRS 9 model has a greater effect on growth, and that it requires that provision is made on any receivable whether it's expired or not, and also on credit limits that have not yet been used by clients. So whereas in the social bank, the greatest impacts are directly associated with a higher default rate.

With IFRS, we can see a very different cycle, with higher provisions in the beginning and lower provisions afterwards as we see on the chart on slide 8.

For illustrative purposes, we have added this quarter's release to the supporters release a summarized P&L for the bank according to the central bank criteria.

As you can see, instead of the decrease seen with IFRS 9 or Ebitda came to an all-time high, up 40% year-on-year. We expect this difference to be equalized in the coming quarters and to see higher IFRS results as the new portfolio, which has already been well provisioned for, will yield higher revenues.

On slide 9, we'll address the advances we saw over the quarter on our ESG front.

I'd like to give special emphasis this quarter to the respect and opportunities for all. In the fight against structural racism, we had the first forum of supplier's partners and retailers together with more than 16,000 companies, we discussed racial diversity and… inserted the new anti-racism clause in our supplier contracts, which foresees the termination and a fine if the supplier does not comply. In addition, we also made strides in the eight anti-racism commitments we've taken on with 20 of the 47 projects already disclosed having been completed and also being available on our website naovamosesquecer.com.br.

On the diversity and inclusion front, we revised our policy and launched a diversity and inclusion primer in addition to the career acceleration program for minority groups. Through these and many other actions we continue to work to build a more egalitarian society and create opportunities for all.

Now I'd like to turn the floor back to noel for his closing remarks.

**Noël:**

Thank you very much Sébastien.

On slide 10, I'd like to conclude by reinforcing that we are building an omni channel system with a very solid base. In the last two years, Atacadão sales grew by more than 33% and multi-format by 21%.

We are accelerating our expansion and expect to open 45 more Atacadão stores in 2021, whereas in retail our loyalty program launched late last year already sees 75% of recurring customers engaged. We are making process and improving the customer experience in e-commerce and our bank continues to show how solid it is.

In real estate, we have already raised half a billion of reais with the first of the 30 projects we have in our pipeline.

We're going to accelerate all of this with our acquisition of big, which will add another 15 million clients, reinforce our footprint and new formats such as Sam's club as well as increase our financial services portfolio and strengthen our fixed assets even more.

I'd like to conclude this presentation with the message that what we're building here is extremely solid and also unique.

Thank you very much for your attention. And we can now move on to the Q&A session.

We expect all our executives also to participate.

We will now begin the Q&A session. To ask a question please type star one (* 1) and to remove the question from the line, please type star two (* 2).

**Ruben Couto, Santander:**

Good morning guys, I'd like to cure a little bit more about the rebound and Banco Carrefour. We see accounts growing healthfully and a healthy level of growth, but that doesn't reflect some initiatives. What are these figures for? I'd like to understand a little bit more how that was working and what we should expect for the rest of the year.

Thank you.

**Carlos Mauad:**

First of all, thank you for your question. When we compare Q1 with Q4 of last year, in terms of revenue we see an increase that's of only 5%, as you may have seen with the presentation. But from a structural standpoint, that's a much more significant advance because in Q3 we have a non-recurring revenue, so when we purge that effect that turns Q4 not comparable to Q1, you see a very significant advance in revenues comparing quarter-to-quarter. So we are likely to see an even more remarkable increase in terms of revenues in Q2. And one reason why our IFRS demanded more provisions this year, it has to do with the accrued portfolio which comes from interest. So to end Q4 we had something like R$ 450 million and accrued portfolio, which is provisioned for at a higher level than that that comes from things other than interest, such as prepaid cards and the like. So our prospect is that a rebound in revenues will be more significant and we're likely to see that in the coming quarters.

The figure for Q1 is higher but it is masked by this recurring revenue that we have every December. So if you look at Q4s for the bank, revenues are always stronger because it is associated with that non-recurring revenue.

I'm not sure if I was able to answer your question but that's our overview for the next few quarters in terms of revenue.

**Ruben Couto:**

That was very helpful, but could you explain a little bit more in detail what that effect is like?

**Carlos Mauad:**

In December of last year, we have R$ 53 million in revenue… of non-recurring revenue, so we should purge this R$ 5 million from Q4 to compare one quarter to the next.

**Ruben Couto:**

Okay, thank you.

**Felipe, Banco Safra:**

Good morning, thank you for the opportunity. I think… we would like to understand a little bit more about your online and Atacadão operations and also understand your expectations in terms of leveraging for Atacadão over the next few quarters. Thank you.

**Roberto Mussnich:**

Thank you for your question, Felipe.

We started working in a very organized way on the digital front with the Atacadão always with an eye on results. And in Q3 we served over 182 million customers including our last partners like mile and we are growing month by month. In our partnerships we already have 70 stores in 12 states… Actually, I'm sorry, 71 stores in 14 states and the rollout continues. Of course which will not come to 220 stores but we expect to reach a significant share of stores. Now with regard to B2B and our marketplace with CotaBest, we continue to operate in a very balanced way.

The good news is that in Q1 we rolled out to 12 different states and 12 different wholesale stores with very remarkable results. And one more thing, all of this is incremental sales. Our arms are stretching to places where we didn't reach before, so we're very optimistic about that.

I hope I was able to answer your question.

**Felipe:**

No, that was excellent. I just wanted to know about the operational leverage with Atacadão**.**

**Roberto Mussnich:**

Well, there's no such thing as operational leverage with the Atacadão. We worked during this quarter precisely the same way we worked in previous quarter, we delivered the same competitive edge, we were able to gain a significant share of the market, but of course, when you look at our leverage as Sébastien said, in Q1 we added the cost of opening 25 new stores within a single quarter, that's a heavy burden.

Just to give you an idea we're talking about the costs of opening during a pandemic in 15 different states, recruiting nearly 7,000 employees, selecting, deploying, allocating all in a single quarter. Obviously, that will have an impact, but as Noël usually say, we are sowing the seeds we will reap in the future and that's extraordinary. And I'll tell you more: after 22 years with Atacadão, it's very exciting to see this number of stores and to be able to open this many stores in a single quarter. This has been spectacular. It's a pace I myself had never experienced before. And I had my own questions about it but our low-cost high efficiency system is spectacular. Perhaps that's why we're seeing this result, I think Sébastien explained that very well.

**Felipe:**

Perfect. Thank you.

**Danniela Eiger, XP Investimentos:**

Good morning, thank you for taking my question. My question has to do with more of a short-term developments. How do you expect these next few months to be outlined both in Atacadão in both and retail considering the events in inflation and the opening of new stores… How do you guys see your growth trend changing in the near term? Also your investment in competitiveness is something that really grabs people's attention. You have seen an a substantial increase in revenues both with Atacadão and with retail, but why is that? Are you guys uh letting go of margins so that you can continue with this trend? Should we expect to see a more pressured margin in the coming months?

**Sébastien Durchon:**

Well, Daniela, with regard to April, we're seeing a very similar trend in sales. Bear in mind that comparison with last April is a bit challenging because April was a challenging month for us last year. So April was a month where we saw little growth last year. So what we tried to show with the chart that we included in our release is that throughout the year we'll have to live with a little bit of volatility in comparisons with last year because we will see peaks in sales in some months because of the beginning of the pandemic last year. Again, when we look at nominal sales figures, we have seen no slowdown in our sales trend. A trend is still very similar to what we expected.

Now with regard to investments and our competitive edge I understood your point of view that in Atacadão if you compare the gross margin with the year before, there has been a decrease… it wasn't for us a highlight or something to be pointed out for this quarter, this is something we have noticed with the Atacadão since last year. We have made the effort to invest and if you look at the margin in sequential terms that follow the same line as Q4.

So that's our point of view. We don't like radical changes whether one way or the other in terms of pricing. So we made this decision last year to improve our competitive edge on the price front especially with the Atacadão and that strategy remains the same. There has been no change from Q4.

Now with retail the story is a bit different. The gross margin has slightly decreased and that has to do with our loyalty program. That's absolutely within the expected.

In this case, you have to look at the big picture. This loyalty program really draws in the most loyal customers. So when you add everything up, there's a slight decrease in our margin and a very significant decrease in costs.

Now with the program being on for 6 or 7 months and considering other strategies that we've taken, we were able to decrease our SG&A costs by 2.4% points. So we decreased our cost structure by over 10% and that to us provides a significant structural gain and provided a very real result because of these strategies we've deployed.

**Roberto Mussnich:**

Now Sébastien, if you allow me, I'd like to add a little bit to your answer and I'd like to talk about inflation.

If we compare this year to last year, in this Q1 we began to see a volatility in commodity prices, especially in Q1. Of course the challenge is to compare that moving forward. Now, Atacadão is a company that will always ensure the everyday low price, the best price in the market as a competitive edge but this is a living market so we will always try to gain as much as we can within the market and to outperform the market as much as we can. And these are markets that communicate with one another. And you can already see that inflation has been decreasing month by month, especially in the commodities side which are the basis not only of the wholesale market as a whole but also of Atacadão. So this is something that we're already seeing and naturally that strips us of some opportunities to operate as traders.

**Noël Prioux:**

Also at the same time, lower inflation means higher purchasing power on the consumer side, so that sort of changes the balance of the equation, right.

**Danniela Eiger:**

That was very clear, thank you.

**Helena Villares, Itaú:**

Thank you. Our question is also about Atacadão. We're seeing more and more hyper markets positioning themselves closer to the cash and carry system. What do you see in terms of how Atacadão is positioning itself?

When we see other competitors trying to make a dent in this market, also we're seeing a very positive response to your portfolio. Now how do you see your hyper market positioning itself from that standpoint?

Now, my second question, I'd like you to give us a little more details with regard to the commodity prices and inflation's issue… I don't know if I'm correct but even though the trend was very positive in 2020, the food inflation was still trending higher. I don't know if that has to do with what you just said, I'd just like to understand your perspective a little bit better. Thank you.

**Roberto Mussnich:**

Now, with regard to food inflation trend was a bit different for commodity prices and that's 15% to 17% of our sales so the market communicates a lot with this type of activity. Now about Atacadão and Luis we'll talk a little bit more about hypermarkets, we used to have an ad on tv of medicine that was… that sounded like a medicine but was not, so the market has this cost structure that completely stands out from the rest. So being able to pass on to consumers decreases in prices is what gives us a competitive edge. We do not work with high and low, we always have a flat price but always at the best level in the market.

**Noël Prioux:**

So there should be competitiveness for other models including cash and carry but that makes us more alert and encourages us to and to find other types of efficiencies. That was very important because there's a lot of communication, but we also know that chains that are trying to do that are finding an astounding failure, even more so than they imagined. So they're changing their discourse every two months and that's something that we're not interested in.

All we see is a loss of clients and a loss of money and the result is a monumental failure. So if you want to be a that type of company and if you want to have a hyper market that… if that harper market adopts these strategies, it's absolutely doomed.

We have a clear policy in terms of that. Atacadão is doing what it is doing because it is looking for markets that are specific and we're trying to address specific customer needs. We want to provide good prices and we want especially the staples basket to be affordable.

I'm not scared of anything when it comes to that.

**Helena Villares:**

Thank you.

**Olívia Petronilho, JPMorgan:**

Good morning everyone, thanks for taking my question. I have two questions actually. The first one has to do with Atacadão gross margin. I think we should see… we want to see if there's been more pressure from other stores or from the macro stores or if that is a general trend for the entire market.

And the second question has to do with the conversion of macro stores. We want to understand how you're seeing the closing of these gaps in terms of store productivity and how do you see the adoption of financial products in your stores, even including now that we will have the same thing with the big stores, we would like to understand how that market is working.

**Roberto Mussnich:**

Thank you for your question. Let me go back to 2018 so that I can answer your question. In 2018 we were 34 stores and we opened 12 new stores. So for 34 to open 12 more there's obviously an impact. Whenever you open a store you have to draw customers in. We have to be interesting, we have to be attractive, that's natural.

Now when we opened nine stores in Q1 and we were working at 25% of the costs, but we open nine new stores, even though these stores are within a specific cluster a substantial investment will have to be made so that they can draw customers in. That does not mean that you will not invest in having margins, the thing is that… that is a significant investment. I mean this is a significant part of our stores.

Now with regard to the conversion of macro stores all I have is good news: we finished changing and converting the stores in 6 months when our initial plan was to do that over the course of a year. And another piece of good news is we were right when we acquired these stores. These are excellent sales points and well stressed at the time that we acquired the sales points and that then we would sell some of them. And these sales are occurring. That's because those were already well-known points of sale. And sales at these points are growing substantially. And as we were saying earlier our breakeven point is right around the corner. And when I say right around the corner, I mean we can already see it from where we stand, which is perfect because these stores are within the cluster that we have already priced. So that is going to turn into profitability for this year, absolutely.

**Olívia Petronilho:**

Perfect. thank you.

**Carlos Mauad:**

I'm sorry… I'd just like to add something to the advanced and financial services connecting that with the advance of Atacadão stores.

In the case for macro, it's just as if it were organic growth for Atacadão as a whole line of stores. Whenever we convert a store it's like opening a new store and they have the lines of credit from the bank as any other store would have. Obviously the fact that the Atacadão brand has been increasing in terms of footprint, that also shows in the numbers of digital acquisition, which also advances the Atacadão portfolio.

**Roberto Mussnich:**

It's not coincidentally that Mauad has become a great friend of mine over the past few months.

**Felipe Rached, Goldman Sachs:**

Good morning everyone, thank you for taking my question. I'd just like to follow up on the previous question with regard to the Atacadão operations. How long does it take for a new store to show the same level of productivity of an existing store? How are these stores maturing?

And also I have a second question about the bank. What do you see your margin going in the near term considering the pandemic? Do you expect higher growth or a slightly lower productivity compared to the historical record?

**Roberto Mussnich:**

Thank you for your question. I'd just like to mention that ramping up a new store really depends on the market where that store is, but it could take up to 4 years depending on how long it takes to mature. In the case of macro stores, we already have that commercial sales point and that makes things a lot easier. Also, if you look, for example, at the neighborhood of Barra da Tijuca in Rio de Janeiro, Iguatemi in Salvador, these are exceptionally attractive sales points, so we expect productivity to increase a lot faster.

Sales are taking place and we open during the pandemic in a very unexpected way for us. I mean, we had no communication with the public and to prevent any type of problem we simply open our doors with no notice to anyone. So of course, that begins to work the way we like the best, which is with mouth-to-mouth advertisement. We did not have that advertising work when we opened and considering that we are seeing excellent results, and now it's all about consolidating and making customers loyal to those stores.

**Sébastien Durchon:**

Adding to what Roberto said, if we look at all quarters in a year, we see a cycle that looks a little more like this: whenever we open a store, that obviously pressures the result down. And in Q1 this year we already have the costs of opening or reopening these stores. So if you look at the last four last quarters, we usually lose money in Q1. Some of that money we had already started spending in the previous quarter. Q2 comes close to zero and Q3 - depending on each store - we start seeing a little bit of profit in the second half of their first year. So this first half of 2021, we're seeing an unprecedented way because this is a quarter of brutal acceleration. I mean, the stores that we were to open in Q3 are nearly all open and we started to prepare everything in Q1 so this Q1 as I said in the presentation, all of these growth costs they took 2.3 points from our Ebitda margin, so our margin was 6.6 in the Atacadão removing all of these new stores. They would be at a higher level of 7.2%, slightly higher than last year.

Naturally, as Roberto said, from this standpoint, from a results standpoint, our investment has already been made and that period is already behind us. So we're seeing a positive contribution and a growing contribution from these stores to our bottom line.

**Carlos Mauad:**

Now about the bank's profitability, we're seeing a very significant recovery in the volumes of our portfolio, especially starting in the second quarter of last year, we lost a lot of volume even because the credit supply was more restricted, so that has been coming picking up now and it's been picking up at a lower rate than we expected but what we wanted was to put these clients on better planned lines so instead of revolving credit a more considered line… and so the trend is to have increasingly more volume from the accrual portfolio and we expect to have slightly lower rates, which is not to say a lower credit spread because our credit performance is a bit better when it's connected to these better planned products. So we should see slightly lower rate and a flat spread rate.

**Felipe Rached:**

That was very clear, thank you guys.

**Robert Ford, Bank of America:**

Thank you. Thank you for taking my question. The chart we see for digital sales shows that growth seems to be stagnating. I don't know what that's about but what how do you see that and where do you see inflation rates affecting you?

**Roberto Mussnich:**

Robert, I couldn't really understand your question. I think you're… the quality of your call is a bit patchy.

**Natália Lacava:**

Well, he wants to know where you see the penetration rates stabilizing and whether that increase in digital sales is incremental and where do you see that going.

**Roberto Mussnich:**

That was great, Robert, thank you. It was great to hear from you well it really is a hundred percent incremental. What happened or what is happening with digital for us is that our arm is stretching further, we have new ways to find new customers. This March we just implemented in 12 Atacadão stores this new strategy and it's interesting to see that states in the northeast are using our digital arm. You see the state of Alagoas, for example, using our digital services and that's a very positive thing for us because oftentimes people do not have time to go to the Atacadão store so the easier way for them to get the products they want via the digital channel.

Now are there ways to increase that? Yes. There are rooms also to increase in the last mile with our fast-paced delivery and that's incremental, that's why we're investing in new thinking strategies and seeing how we're adjusting all of these processes and what type of technology will adopt, we have the CotaBest platform working really well for us and I'm very optimistic about that. I couldn't even have imagined how fast these results would come.

I hope I answered your question.

**Robert Ford:**

Yes, thank you.

**Roberto Mussnich:**

For your question, if the increasing digital sales is incremental? Yes, that's it. Sales to individuals. Well, I believe so as well. Yes, absolutely.

And you can see from data from our partners that the basket of products these customers are buying they have higher value added. A higher added value. So people are purchasing better products but not only is the average ticket higher, there's also a different mix of products, so partners like Cornershop and Rappi, they reach customers that do not come to the store. So yes, absolutely. We're talking about incremental growth.

**Robert Ford:**

What about how items are placed in the store? Does that change the shopping experience for customers?

**Roberto Mussnich:**

I don't think so. If you look at our what our partners did there were nearly a hundred thousand invoices which is a lot. Also, with Atacadão, the space devoted to food is a lot more significant than in other hyper markets. So there's no impact on the customer experience at all.

**Richard Cathcart, Bradesco:**

Good morning everyone, I'd like to know about your food retail, food e-commerce. We see sales with Whatsapp, Rappi and other apps going really well despite the peak in the middle of the pandemic last year, but I believe that sales via the curve food website don't seem to have grown so much compared to last year. So I'd like to know how do you guys see that preference from consumers because it seems more… to favor more Cornershop and Rappi over the Carrefour website. How do you see that and do you think there was any adjustment from the consumer side?

**Luis Moreno:**

Thank you, Richard for your question. We know that the two channels complement each other, either in our partnership with the last mile or in our food e-commerce. And we're making a few changes in our own plan. And our plan for the end of the year is to enable 12 hyper market stores so that they're even closer to our customers with shorter delivery times and a more efficient mix of products. And our e-commerce is also part of our new loyalty program so customers have more advantages from buying and buying from us. So as a result, they can achieve their targets and have their results. So we have about 500,000 customers reaching their purchase goals and many of these, I would say 18%, are e-commerce customers. So the digitalization of our customer and our entire ecosystem will make our own model a lot more attractive, which is part of this loyalty program.

Now with the rollout of these 64 stores, we will have an additional footprint with our own food e-commerce which is something we still don't have with the 12 cyber stores that we currently operate. We're also acquiring a new software for a store pickup, which will make our operations a lot more efficient as well. This new store pickup software allows other things such as pickups of six or more… up to six different orders and also an algorithm to replace products if need be. So if the customer accepts the product to be replaced that can be an advantage. And also we will have a module to connect to our last mile whether that's our own service or an outsourced service. So we'll be closer to our customers more efficient and also within a hybrid delivery model.

**Richard Cathcart**:

Thank you. Just like to follow up on what Roberto said about the margin with the Atacadão. I see that there's been an effort, I wouldn't say maybe of clearance sales but usually an initial effort is required. So I'd like to understand a little bit about how you're working with that, if you could maybe quantify your promotional sales and how that's working for you.

**Roberto Mussnich:**

Well… it really isn't a promotional effort. without the effect of the expansion we would have had better results than we had in Q1 last year. We are, as was said, investing in the future and we're talking about an investment in 25 new stores in Q1. There has been no margin effect.

Another important thing is inflation, which also affects the mix of products and the volatility, especially in commodities which started in Q1 last year. All of which have an effect, but this is not about investing in margins at all.

**Noël Prioux:**

Whenever we open a new store - obviously it also depends on what our competition will do - we have to invest in attracting more and more customers. That's part of our business model.

This year we open new stores than we usually do, so the impact might be a little bit heavier but the strategy remains exactly the same and our prospects are positive because we expect these new store openings to bring in an additional result very soon and we should see that in the following quarters which is the interesting thing.

**Richard Cathcart:**

Okay thank you guys.

**Andrew Ruben, Morgan Stanley:**

Hi, thanks very much for the question. I just want to follow up on the loyalty program. Can you please provide more details on the areas of cost associated with the new initiatives and how you are judging the success on the revenue and engagement side versus the prior program?

I know you discussed bit before but a bit more details would be very helpful. Thank you.

**Luis Moreno:**

Thank you, Andrew for your question. First of all, we have launched the program 6 years ago in 6 years… actually six months, this connects our entire ecosystem, as I said, our physical brick and mortar stores, our merchandise, our online operations and also our bank. So 40% of customers within this loyalty program are customers which also have a car for bank card. We've had 2.7 million customers engaged in the first 6 months and as I said we have about 500,000 clients a month that reach their targets. Every customer has three different targets and we have 500,000 reaching their third target. So the level of investment is at about 50 to 75 basis points in the margin but the sales leverage also shows in our sales like-for-like versus the market. Within this quarter we had 700 basis points of difference like-for-like sales versus the rest of the market and much of that has to do with that movement, which not only allows us to improve our customers but also allows it us to streamline our operation. 840 basis points that we have had in operational costs also have to do with this streamlining.

We're not operating with massive marketing operations, everything that we do is personalized and this is also part of the overall program, the overall strategy for this initiative.

Also, when a customer reaches their goals and they obtain a few coins they can redeem a few prizes and since April we've had over 800,000 prize retrievals which is a good indicator of the program because whenever a customer receives a price it means that they're well engaged, and as I said 85% of our engaged customers are part of this loyalty program.

There's also the fact that the customer is visiting more than one sales channel becomes even more engaged, which was part of the purpose of this program which was to connect and encourage customers to stock their pantries with products from our system.

Thank you.

**Giane Guerra (via webcast):**

What do you expect in terms of how CADE'S evaluation of your acquisition of big will be?

**Sébastien Durchon:**

Well about the process with the antitrust authority, we have already had the profiling, we have delivered all the information and we're available to help them with anything else that's necessary. The scenario is that it may take a few months, approval may come at the end of this year. We have actually a few scenarios that we work with another one will be one year from now about March or April next year. Obviously, that will depend on the time that CADE'S requires to assess the entire process and we're trying to help them as much as we can.

We will use this time in our favor. The idea here is not to stay put as the authority analyzes our request. What we want is to put everything in place so that as soon as the approval comes, we can start our integration the following day.

Now about the brands… since the transaction was announced we had no change in strategy or anything. Trying to sum it up, we mentioned a little over a month ago, we have in the cash and carry and the market the most efficient operations in the market, we're clearly making great use of our strengths and using our own private labels the best way we can, leveraging the model we already have in place.

There's one case with Sam's Club… Sam's Club is to us a third format, is a very different niche. So the idea is to maintain the operation as it is, we see many opportunities to improve the Sam's Club model and to make them an even more productive line of business. And the important thing about our strategy with Sam's Club has to do with our physical footprint. We see a lot of room for growth in Sam's Club as a third sales model in the market.

We have other soup grocery store brands, we also have self-discount, Todo Dia. So in this case our idea is to maintain the same brands because we understand these are different models from what we have today. So we plan to integrate them but it will be a little bit different with them so that we can respect the brand as it is today.

**Marcelo Dias de Lacerda (via webcast):**

We know that the company has been investing on expanding their mark which expresses their margins in the near term. When will the optimal margins be reached and what's the ideal scenario for Carrefour in this sense?

**Natália Lacava:**

He's talking about Atacadão, Roberto. When will this expansion stop putting pressure on our margins?

**Sébastien Durchon:**

Well, let me take this one. I think Roberto has talked a lot about this already. It's the same old story with the Atacadão.

Roberto mentioned the first acceleration we saw in 2007 or 2008 and… the story's always the same: with growth occurring at a flat rate, there's no pressure on the margins, we have pressure whenever we accelerate and this quarter was about acceleration. Speed acceleration. Just to give you another comparison, if we add Q1 and Q2 of this year, we expect to open nearly 30 stores. We opened 20 last year for 12 months, a 12-month period. Now, in

3 or 4 months we'll open almost as much as we opened last year. So obviously there are pressures, there's a cost pressure and the medium term a hundred percent of the stores costs have to be taken in and we do not have the sales percentage we need. So it's a very high level of investment. The stores we acquired from macro, for example, we initially opened 6 stores in December of last year. Many of them are already seeing profits in Q1 of this year, so this takes place very quickly, as Roberto said. So our Ebitda margin will come back.

So what we wanted was to make the calculation to remove the effect of those conversions and if we did that you see that we are growing and we should resume those margin levels very soon and we see an additional potential with these new stores.

**Noël Prioux:**

More than anything Sébastien, you have to understand that when we acquired macro, these were these stores were closed. So it was just as if we had opened new stores. And with big as the opposite case because these are stores that are open and when stores are closed you have to prepare them to open. And then, of course, because the Atacadão model is so effective, money starts coming in very soon. And that's what you have to understand. Whenever you open closed stores, it's like opening new stores. And that's a little bit of what we want to do. If you open no stores, the impact is zero. Now you have the cost on one side and the other. So if you want to increase from 10 to 20, from 20 to 40, you have the cost of adding new stores but that will be quickly recovered.

So Roberto, Marco and I decided to accelerate because we had the plan to do that over the course of a year and we realized that it was better to do it right now. Obviously, there would be a small impact but the impact that we had in Q1 will provide us a result later on. That's what we have to have in mind. We thought this was the time to do it and this gives a spectacular learning curve for the future because Carrefour had never done this before and no other country. We were the only one opening 40 stores a year. It's the first time anyone does that with new stores. This was significant and really we saw the results with macro but they were really positive.

**Roberto Mussnich:**

Now and well if you allow me to add to your answer, it's interesting that… with our analysts looking at this type of thing, we're always asked: the market exists why not invest in the market? Now hear from my manager chair when I sit and look at what we're doing and the wonder is for making, and people are concerned about peanuts, about point something because you're adding 40 new stores. Now, we're investing in the future, we're investing for the future, and what we were able to accomplish in 6 months is sensational is phenomenal.

Well, it's the first time we have to explain this because we will not stop accelerating. Every 2 or 3 years we have to add to our number of stores: 10 20 40 and so on. Now, with the acquisition of big that will probably accelerate again and we expect to see results in the medium term.

**Noël Prioux:**

It's very important to understand that model because the more you accelerate with the model such as the one we have, that will generate results a few months later. We're talking here about a few months and not years. So we will accelerate with our sales in the Atacadão but we also have to accelerate with our bank and you have to keep in mind all the results that that will entail later.

**Roberto Mussnich:**

Yes, exactly. And also this was a laboratory for what comes next because we were able to accomplish all of this in 6 months.

**Noël Prioux:**

Yes, and this was important for us. We have an organization that is able to convert stores open stores quickly and also to quickly see the results.

**Speaker**:

With no further questions we turn the floor over back to Mr. Noël Prioux for his final remarks.

**Noël Prioux:**

Well I'd like to thank everyone once again. I think this was a very interesting quarter. We're building an ecosystem on very solid foundations, we're accelerating our growth, accelerating with the acquisition of macro and the acquisition of big. With our loyalty program that has over 60 percent of customers engaged we will see a little impact in Q1, all of which is good for our mid- and long-term results.

We should see an increasingly wider gap between us and the market, which I think is good for the future.

Thank you very much and we'll see each other soon.

**Speaker**:

The video conference for results with Grupo Carrefour Brasil is now concluded. Thank you for participating and have a great day.