

4Q18 AND 2018 CONFERENCE CALL CARREFOUR BRASIL

Operator:

Good morning ladies and gentlemen, thank you for waiting. Welcome to Grupo Carrefour Brasil's fourth quarter and full year of 2018 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 and two.

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.

Good morning, Mr. Prioux. Please, you can proceed:

Noël Prioux - Chief Executive Officer:

Good morning and thank you for joining us on this call to present Grupo Carrefour Brasil's fourth-quarter and full-year 2018 results.

I am joined on this call by Roberto Mussnich, CEO of Atacadao; Jose Luis Gutierrez, CEO of Carrefour Retail; Paula Cardoso, outgoing CEO of Carrefour Soluções Financeiras and newly-appointed CEO of Carrefour eBusiness Brasil, Carlos Mauad, who has just taken over as CEO of Carrefour Soluções Financeiras, and Sébastien Durchon, our Chief Financial Officer. Daniela Bretthauer, our head of Investor Relations, is also with us.

I will start with a brief overview of the key highlights of our performance. Sébastien will detail our financial performance, and Roberto, Jose Luis, Paula and Carlos will present the key performance highlights of their respective businesses. After my concluding remarks, we will then open the floor to your questions.

We will begin on slide 3 with the key highlights of 2018, a year that saw significant transformation at Grupo Carrefour Brasil.

During the year, many steps were taken forward in Grupo Carrefour Brasil's ambitions. Our goal is to maintain our leadership position in Brazilian retail, become leaders in food e-commerce and a key player in non-food e-commerce.

Similarly, and in line with the “Carrefour 2022 Transformation Plan” announced in January 2018, we further expanded our multiformat network, accelerated our digital transformation, launched new and innovative services, and positioned ourselves as leaders in the food transition for all. All of these initiatives bring us even closer to our millions of customers across the country.

We invested 1.8 billion in the year to accelerate our multiformat expansion. We opened 20 new Atacadão stores and further developed our proximity strategy, opening 9 new Market stores and 6 new Express stores. We also implemented Click & Collect in all hypermarkets, installed 10 Drives, made significant advances in CRM, made acquisitions and established various partnerships, the highlight being Rappi, to accelerate our last-mile delivery. In e-commerce, we tripled the number of SKUs over the course of the year, and our marketplace now accounts for nearly 20% do GMV.

Multiformat is also advancing in financial services. We started allowing the use of the Carrefour card in all Atacadão stores and exempting cardholders of their monthly fee.

And we continued to evolve in the food transition, with our private label representing 11% of Carrefour Retail’s sales at year end, compared to 8% in 2017, and solid growth in sales of organic and healthy food, mainly due to the creation of dedicated store areas. We are on track to achieve our targets of 20% of private label sales by 2022.

To further strengthen the Carrefour ecosystem and integration between the physical and virtual worlds, we recently announced the creation of the Carrefour e-Business Brasil business unit. This is a clear sign of our commitment to a profound transformation of our business model, becoming even more competitive in the Brazilian market.

We appointed Paula Cardoso to head this new venture. Over the past year, she has accumulated her position as CEO of Banco Carrefour with the role of head of Carrefour’s digital transformation. With the creation of CeBB, she will now be dedicating all of her time to this new segment. Carlos Mauad, who is with us today, was picked to succeed her as head of the bank. On behalf of the Group, I would like to welcome him and wish them both the best.

On slide 4, you see how all this translates into solid and sustainable growth in sales and profitability. The slide shows the key headline numbers of both Q4 and the full-year, both of which showed strong and sustainable growth in sales, adjusted EBITDA and net income.

In the year, gross sales grew 8% to R\$56 billion, adding nearly R\$4 billion in sales. Adjusted EBITDA increased by 19% to R\$4.2 billion, while EBITDA margin stood at 8.2% and net income, Group share, rose 48% to R\$1.9 billion, with net margin of about 4%.

This result had a positive impact on our balance-sheet, which remains very solid. We ended the year with net cash of R\$831 million, with a very low indebtedness, which gives us great financial flexibility at this crucial time of transformation at the Group. Free cash-flow reached R\$1.3 billion in the full-year, up from R\$1.1 billion in 2017.

Let me now hand over to Sébastien for a closer look at our numbers.

Sébastien Durchon – CFO:

Thank you, Noël and good morning to everyone.

As you see on the graphs on slide 6, we have seen steady improvement quarter after quarter in sales, and their growth rate also accelerated sequentially.

Our consolidated sales were up 10% in Q4 in total, including petrol. This is a very dynamic performance, marking the first quarter of double-digit sales growth since Q4 2016.

This robust growth in the quarter results from a combination of several factors, including:

- accelerating like-for-like sales in all formats,
- rapid expansion at Atacadão with six openings in the quarter,
- and fast growth of e-commerce, which accounted for 10% of Carrefour Retail's sales including petrol in Q4, vs 5.8% one year ago.

In the full-year, gross sales stood at R\$56.3 billion, up approximately 8% vs 2017.

Like for Like accelerated consistently during the year, reaching its highest mark in Q4 at +5.8% including petrol.

The contribution of expansion to overall sales performance, namely the 20 new Atacadão stores, also increased quarter after quarter from 3.6% in the first-quarter to 4.3% in Q4.

This steady growth in sales throughout the year makes us confident in further momentum in 2019.

On slide 7, quarterly EBITDA performance also improved steadily during the year, with adjusted EBITDA margin growing quarter after quarter both at Atacadão and Carrefour Retail.

As Noël mentioned, adjusted EBITDA margin was close to 10% in Q4 and a little over 8% in the full year.

On slide 8, we turn to our P&L, which shows a sharp improvement in profitability in the quarter and in the full-year, thanks to a solid operating performance.

Net sales were 10% higher in Q4 at R\$14.7 billion, driven by improved performance in all our businesses. In the full year, performance was equally positive.

In Q4, gross profit reached R\$3.4 billion, up 19%. Our gross margin improved by 180 basis points to 26.3%, driven largely by Atacadão's better performance and also by Carrefour Soluções Financeiras. The margin increase reflects the positive impact of the R\$210 million in ICMS-ST tax credits for states other than São Paulo, booked in the last quarter at Atacadão.

We continued our cost-reduction efforts across banners, especially Carrefour Retail. SG&A expenses were virtually stable year-on-year as a percentage of net sales, at 14%, reflecting our productivity efforts, with efficiency gains and tight control of expenses, even including the impact of new stores and stores under construction.

As a consequence of the significant increase of our gross margin and enhanced operating leverage, consolidated adjusted EBITDA rose by a very solid 27% in Q4 to R\$1.4 billion.

As a result, adjusted net income, Group share, was up by a very strong 66% to R\$758 million, for 5.3% net margin.

Our performance in the full-year was equally strong. Net sales were up close to 7% to R\$51.3 billion, a gain of nearly R\$4 billion in the year.

Adjusted EBITDA was up 19% to R\$4.1 billion, with margin increasing by 76 basis points. Our net financial result was down by more than 45% in the year as a result of lower interest rates and lower debt level. As a reminder, in 2017, we used the proceeds from our IPO to pay off all our intercompany loans with Carrefour Group. As such, adjusted net income, Group share, increased by 48% to R\$1.9 billion.

As you see on slide 9, our solid operating performance and strong free cash-flow generation of R\$1.3 billion in 2018 allowed us to pay a higher dividend, with the total payment for the year standing at R\$470 million. This is 48% higher than 2017 dividends.

As previously announced, we anticipated payment of part of the annual dividend in the form of interest on shareholder's equity, in the amount of R\$380 million, which was paid in December. Yesterday, the Board of Directors proposed an additional dividend payment of R\$90 million, also in the form of IOE, to complement the payout for the full-year 2018, which translates into a payout of 25% of adjusted net income. This additional amount is subject to approval at the shareholder's general meeting scheduled for 16 April 2019.

We will now take a look at each our business units. I will now hand over to Roberto to start with the excellent performance of Atacadão.

Roberto Mussnich – CEO do Atacadão:

Thank you very much Sébastien and good morning.

Atacadão posted another very strong and consistent quarter, as you see on slide 11, with sales accelerating in double-digits and margins improving.

Gross sales in Q4 accelerated for the fourth consecutive time, as you see on the first chart of the slide, attesting to the strength of our commercial model. Sales rose by almost 15% to R\$10.7 billion, a steady and significant increase over the 11% growth recorded in Q3, the 8% increase in Q2 and the 5.7% rise in Q1.

We saw a continued increase in volumes and average ticket and more favorable commodity prices. The strength of Atacadão's model was evidenced by the strong acceleration in like-for-like sales that you see on the graph in orange. Like for like growth accelerated quarter after quarter, from 0.5% in Q1 to 4.5% in Q2, 6.2% in Q3 and 7.4% in Q4.

Expansion also contributed 7% in the quarter and grew consistently quarter after quarter, as shown on the blue part of the bar chart. We opened 6 stores in the quarter to achieve our goal of 20 openings this year for the first time in our history. Most of the openings were in cities in which Atacadão was not yet present, so we have further broadened our footprint. The well-balanced pace of openings throughout the year created optimal conditions for each opening and enables us to maintain this pace of expansion in the medium-term.

Gross profit in the quarter rose by 29% to over R\$1.6 billion. As mentioned by Sébastien, Q4 margin includes the recognition of R\$210 million of ICMS-ST tax credits for states other than São Paulo as a consequence of a positive Supreme Court decision. Those credits are recurring and reflect a full-year gain. In the full-year our gross margin was up 80 basis points, including 52 basis points of tax credits.

Thanks to our efficiency and the strength of our model, we managed to keep distribution costs stable in the year as a percentage of sales, at 8.1%, despite the 20 new openings and the growth posted.

Adjusted EBITDA strongly outpaced sales growth and rose by about 44% in Q4, with margin improving 190 basis points to 9%. Excluding the ICMS-ST tax gain of R\$158 million related to the first nine months of the year, adjusted EBITDA was 18% higher at R\$734 million, with margin up 23 basis points to 7.5%.

So Atacadão's leadership and growth story continues! Every year is better than the last, with growing profitability thanks to the beauty of our model.

I will also comment on the announcement we made yesterday of the creation of a COO position in Atacadão, with the appointment of Marco Oliveira, subject to shareholder approval. Marco has been with me since the first day Atacadão became part of Grupo Carrefour, and has played a key role in maintaining our culture and in our ongoing growth story.

Sébastien Durchon will replace him as CFO of Atacadão, combining this function with the position he has held as CFO of Grupo Carrefour Brasil for the past 5 years.

This is part of a orderly succession planning, and I will remain as CEO of Atacadão for as long as necessary, supporting the initiatives that are under development. There will be a lot more to talk about, especially with regard to the new growth fronts – digital initiatives included. In sum, a brilliant future awaits.

Thank you very much. Let me now hand over to Guti.

José Luis Gutierrez – CEO Carrefour Varejo:

Thank you Roberto. Good morning everyone.

On slide 12, I will comment on the performance of Carrefour Retail. In the fourth quarter our gross sales totaled R\$5.1 billion. Like Atacadão, Carrefour Retail's sales also accelerated quarter after quarter. In Q4, like for like sales were 3.5% higher vs 2017, accelerating substantially from growth of 1% in the first half.

This recovery in sales reflects several factors:

First: I would like to comment on the many successful initiatives we have implemented in hypermarkets, in line with our food transition strategy. We expanded our healthy products offer

in a quarter of the store network in 2018, and we plan on doing this in the remaining stores in 2019. We also increased the penetration of our own brands to 11% of sales at the end of last year, with significant growth

Second: The positive results of the first phase of the competitiveness plan implemented in 18 hypermarket stores that faced greater competition in their respective locations. In the fourth quarter we expanded this competitiveness plan into some key categories in all stores.

Third: The improved performance of proximity stores:

- the Express format where we made a series of changes in the commercial model, resulting in a very positive sales trend, with double-digit increase in like for like sales in the fourth quarter,
- and the successful openings of 10 new Market stores reinforced our proximity strategy in 2018.

And lastly, e-commerce sales made an important contribution, accounting for 10% of Carrefour Retail's sales in the quarter. Paula will detail this later.

Regarding our profitability, I would like to highlight the important reversal in the gross margin trend. The gross margin in Q4 was virtually stable at 25.8% vs Q417, but this level represents a significant improvement compared to the average gross margin of 24.2% in the first half. This improvement was achieved even with the impact from the higher share of e-commerce and investments in the previously mentioned competitiveness plan.

As a percentage of net sales, distribution costs accounted for 19.5% of net sales in Q4, the lowest quarterly percentage in 2018, reflecting our ongoing cost reduction and efficiency initiatives. In 2018, distribution costs were 20 basis points lower than in 2017 and accounted for 20.1% of net sales despite the mandatory wage increase in the last quarter and investments in omnichannel projects.

Thus, we observed a gradual improvement in adjusted EBITDA margin over 2018, from 3.9% in Q2 to 4.5% in Q3 and 6.4% in the last quarter, an increase of 200 basis points compared to the beginning of the year.

I will now hand over to Paula who will comment on e-commerce and our omnichannel strategy.

Paula Cardoso – CEO Carrefour eBusiness Brasil

Thank you Guti. Good morning everyone.

Once again, our e-commerce operations were the fastest-growing segment within Carrefour Retail, as shown on slide 13. E-commerce sales now account for 10% of our Retail sales, nearly doubling versus the same period last year.

As shown on the slide, Q4 was another period of strong growth. E-commerce GMV grew by 110%, significantly outperforming the market in the same period which rose 13%, according to e-Bit. We enjoyed an excellent performance during Black Friday, with growth of 71% in the number of visitors, 82% in orders and 8% in average ticket.

In the quarter, orders were up by 77% as we continue expanding the number of SKUs. The number of visits was up by 76%, reaching 44 million this quarter. Average ticket rose 19% in the quarter.

Our marketplace is growing rapidly. It now counts more than 1,500 sellers, with SKUs multiplying by 3 times during the year to reach about 2 million. As a result, the marketplace accounted for nearly 20% of our GMV in Q4 compared with 16% in the previous quarter.

Such strong growth is significantly helping us gain scale and profitability:

- The operation generated cash in 2018
- Gross margin improved by nearly 400 basis points in the year, when we compare the second half to the first quarter of the year. Comparing Q418 to Q417, the increase was 5.6%.
- The marketplace has already reached breakeven and should start to make a positive contribution this year

Slide 14 shows you a few examples of deliveries aligned with our announced priorities, which are expanding rapidly. I would like to point out three: omnichannel experience, Payments and Data.

Omnichannel

We have completed the roll-out of Click and Collect, which has a non-food focus, in all of our hypermarkets. Some figures are worth highlighting:

- a) this option now represents about 10% of total 1P sales, reaching 16% of e-commerce sales during Black Friday.
- b) one in every three customers that chooses to pick up the product in one of our stores ends up making an additional purchase,
- c) 20% of the customers are new to Carrefour.

Now we take a look at Drives, which focuses on food items:

- It's already available at 10 stores (hypermarkets)
- It reaches 21% of food e-commerce orders
- The perceived quality indicator, NPS, is above 70%
- We see a 40% repurchase rate

Concerning Payments, we already have 3 initiatives:

- **Scan&Go** – focused on Carrefour Express, where customers scan the products and pay for them via their mobile app, without having to go through the check-out line.
- **QRCode** – customers that are Carrefour cardholders can pay using the QR code at hypermarkets without using the physical card, via the Carrefour app.
- To conclude, Carrefour Pay - our digital wallet with NFC technology - which supports payment at any store with this approximation technology available, including all Carrefour stores.
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Now, a few details about our **Meu Carrefour program**.

- We have over 13 million customers registered in the program
- Today, 67% of sales are identified
- We had over 1.5 million downloads of our app and, most importantly, we have already seen growth of 51% in the active customer base this year, between January and February
- And, frequent customers are spending 40% more on average

We will continue to accelerate our program.

On slide 15, a little bit about our new eBusiness. The creation of Carrefour eBusiness is a clear indication of our commitment to building a strong omnichannel platform and accelerating the O2O strategy: focus and resources to accelerate the transformation of our traditional retail business into digital retail.

The main objectives are:

1. Becoming **leaders in online food retail**
2. **Building the Ecosystem** – which simply means to quickly leverage the integration of the on and offline worlds with logistics and payment solutions, using Startups to accelerate this process. In fact, this is already in motion. You saw our first acquisition, Cybercook, and we also took a first step towards accelerating last-mile solutions through a partnership with Rappi, which is going very well.
3. **Martech & Data**: we strongly leveraged the use of data and digital marketing so that, with better knowledge of our customers, we can provide the right offers and services. In this regard, in Q4 we already established a partnership with Propz, a startup focusing on analytics, segmentation and campaigns, and we are very excited with the results obtained.
4. **IT** – Creating Carrefour Lab with a light and agile infrastructure.

So let's now turn to our performance on slide 16. As Noel previously mentioned, Carlos Mauad has taken over as CEO of Banco Carrefour this year, so this will be the last time I present the bank's performance on this call. It was a pleasure to lead the bank for past 6 years.

Banco Carrefour posted another strong performance in Q4: Billings were again up in double-digits, adjusted EBITDA posted another impressive increase and the quality of our credit portfolio continued to improve.

Billings totaled R\$7.5 billion in Q4 (up 26%) and R\$25 billion in 2018 (up 35%). Atacadão Card reached breakeven in Q3. The Credit portfolio reached R\$8.4 billion, growing 33%; Adjusted EBITDA in 2018 was R\$829 million (up 49%) and EBITDA was R\$895 million (up 61%). The balance of loans overdue more than 30 days fell by 0.10% to 12.5%, the best point in the curve over the last 6 years.

The bank is experiencing a structural transformation in its dynamics of customer solution development. The Agile methodology is part of the company's day-to-day activities, and squads were assembled to take care of the customer's full journey.

Speaking of transformation, I would like to pass onto Carlos Mauad, the new CEO of the Bank, who will briefly comment on what we are working on.

Carlos Mauad – CEO Carrefour Soluções Financeiras:

Thank you, Paula and good morning, to all. The transformation model to digitalize customer experience has already been implemented and is getting stronger by the day, transforming the way the company relates to its customers. Some results of this transformation can already be seen:

- In Q4 we sold five times more cards through digital channels when compared to the same period last year
- Significant increase in digital customer service through our app, web portal, self-service terminal and chatbots
- 50% of collection negotiations are made through digital channels
- 58% of bills are delivered to customers in digital format

Looking ahead, we are closely connected to the digital transformation plan of the Group. The transformation that has been adopted by structuring the teams in squads and developing an excellence center ensures greater agility and quality in the delivery of innovative solutions to our customers. I am confident that 2019 will see the consolidation of new work dynamics, translating into the expansion of customer base, product x-sell, and operating and credit efficiency.

Let me now hand back to Noël for his concluding remarks.

Noël Prioux – Diretor Presidente:

Thank you, Paula and Carlos.

Let me conclude on slide 18, which presents our priorities and strategy for 2019.

Our priorities are: to connect new customers through our omnichannel strategy; and strengthen our leadership in food retail.

We will maintain a rapid expansion pace, increasing investments in e-commerce and establishing new partnerships with start-ups and other technology players. We should invest approximately R\$2 billion in 2019, fostering integration between the physical and virtual worlds.

We maintain our strong commitment to being the leader in food retail in Brazil, always with excellence in our products and services, and always one step ahead when it comes to innovation.

This concludes our presentation. Thank you very much for your attention and we are now happy to take your questions.

Operator:

Ladies and gentlemen, now we will start the questions and answers session. To make a question, please press *9 on your telephone.

Our first question comes from Mr. Joseph, J.P. Morgan. Good morning, Mr. Joseph.

Joseph – J.P. Morgan:

Good morning everyone, thank you for taking my question. I would like to explore a bit more this retail image trend, we still can see an upward move, then, if Paula could explain the main strategy here to leverage this online ecosystem, and not only online, but also digital, which has been implemented in Carrefour's platform, if we can suppose that in any moment, big data even of Atacadão card may be included in this account and help us to better outline this client's profile, and improve store execution. And secondly, when we look at food implementation, it is already running marginally above inflation. I would like to understand if we can estimate a slightly stronger trade budget in 2019. In 2017 and 2018, I think such trade budget, suppliers' commission came slightly below. Thank you.

Paula Cardoso – Carrefour eBusiness CEO:

Well, I'll start discussing the platform. Undoubtedly, e-business sees Carrefour, irrespective of format, independently. It is important to get closer to the client, offer a quicker delivery and strongly accelerate such growth. Certainly, the use of data is an integral part of this process and the answer is yes, similar to Carrefour, where the CRM process' milestone occurred in the bank, this is also happening with Atacadão. Today, we have over 8 million, a database with lots of sales identified and we have been learning a lot on segmentation. Then, in the future, we will certainly look at it as one thing, leveraging each format to its growth, efficiency, and nature of the distribution.

Sébastien Durchon – CFO:

Just complementing, I think concerning omnichannel, we could see a clear benefit, let's think two minutes in non-food products, over the past two years we saw a very meaningful advance at stores and at e-commerce, thus, with e-commerce growth, we managed to increase non-food sales, electronic products by nearly 50%. Could you imagine all these benefits for us, both in e-commerce and retail? Even more with the Click & Collect, with all the formats we could implement in 2018.

Joseph – J.P. Morgan:

If you could give us a follow-up on the digital issue, you are offering this super app, while competitor is exiting and trying to set up its own app. Then, I would like to understand your rationale for having a partner and not building your own app. Maybe this would be interesting for the market as a whole. Thank you.

Paula Cardoso – Carrefour eBusiness CEO:

I think we have few messages here, I mean, I cannot answer for our competitor, I can speak for ourselves. Certainly, we want to speed up food items growth. Today, we have just started a partnership with the market leader, Rappi, they are growing very strongly. This is a win-win operation, as we are leveraging our strengths, our operational efficiency, and Rappi's rapid last-mile distribution. This does not mean that this is the only way for Carrefour advancing, this means this is the beginning, and we have made such partnership with a very strong market player which is robustly growing. We are very pleased with this operation so far.

Joseph – J.P. Morgan:

Thank you, Paula. Now, another question refers to margin.

José Luis Gutierrez – Carrefour Retail CEO:

We need to split the margin into two periods, the first and the second half of 2018. In the first half, we saw a strong impact on margin due to price inflation, and in the second half, we have three effects. First, we have adopted very smart initiatives both referring to investments and loans to increase margin. Second, obviously, the relationship with the supplier, and offer support

to several formats, we are opening formats, such as Express Market which has a level of margin higher than the retail average.

Noël Prioux – CEO:

We also have a better trend, when you want to trade with any supplier, you need to bring volume. Our strategy was really concerned with investing in prices, showing these are sustainable, and that suppliers can rely on Carrefour to generate volume. This is what really matters for us, we had a very difficult first half, but now we can see evolution and 2019 will be a year of sustainable growth, this is what we want. Not every other quarter, we want a policy, a real customer policy, with accessible prices, to bring volume and quality. All the parameters are positive, fortunately.

Joseph – J.P. Morgan:

Perfect. Thank you very much.

Operator:

Our next question comes from Thiago, Banco Itaú. Good morning, Thiago.

Thiago – Itaú:

Good morning. My question is to Roberto. Roberto, when we analyze what happened to your business profitability over the last two years, we can realize that the tax credits you mentioned enabled a margin, and your EBITDA caught us by surprise, vis-à-vis our previous estimates. My question is, do you still expect any type of investment of such margin in price, in the short and medium terms? Is this reasonable or competition is a little less complicated than you thought, and accordingly, is it reasonable to suppose that margin should remain in line, or eventually even increase, from levels we can see now. This is my question, thank you.

José Roberto Meister Mussnich – Atacadão CEO:

Good morning, Thiago. Indeed, what we consider here is this margin, which if we do not need to use it, this has the nature of a margin, not included in the operation, we will keep it aside. Is this an ammunition? Of course, it is, it exists and it is there. Concerning a competitive environment, in fact, we have a more competitive environment, and not less competitive. What happens with margin is, sometimes, due to the “beauty” of business model, let’s put it this way, due to scale, the margin can be used to have an effect of absolute numbers. We can eventually use demand elasticity slightly decreasing margin to make an absolute number slightly better. This is a tool available in the model and we know how to use it. What we can see today is the capacity of negotiation, the capacity of having partnerships with suppliers, and the need for investing in the market. We have been attentive, and how we always say, the market changes every day, and we try to take the best advantage of the market. You saw an improved margin in terms of volume, due to an efficient model specifically. Now, if the margin needs to be used, we will use it, undoubtedly. I hope to have answered your question, Thiago.

Thiago – Itaú:

Yes, you answered, Roberto, thank you very much.

Operator:

Our next question comes from Mr. Richard, Bradesco. Good morning, Richard.

Richard – Bradesco:

Good morning everyone. I have two questions here. My first question is about the retail gross margin. I think Paula mentioned that e-commerce gross margin improved 5 or 6 points year-over-year. Then, if got it right, this means that hypermarkets gross margin significantly dropped

year-over-year. I just would like to ask, if I got it right, if gross margin decreased in hypermarkets, which is the reason, less bonus or mainly investment in companies? And my second question, again about e-commerce, Paula, you detailed gross margin, could you discuss profitability of e-commerce channel under EBITDA, please? Thank you.

Sébastien Durchon – CFO:

Good morning, Richard. Margins are a very important issue. Paula mentioned 5% of margin in the second half of the year. Reminding that e-commerce accounts for 10% of retail, then, retail gross margin did not decrease, it even slightly increased in business installment data. It did not fall in the last half of the year. The e-commerce issue is very important, which means, two years ago we had an impact, a dilution of total margin rate due to the fact that e-commerce works with a smaller store, we are reaching a very different moment, because gaining scale, the e-commerce manages to improve its margin rate, thus, this puts much less pressure on margin with retail strength. In addition, again, we saw very strong growth at stores, on the other hand, we also managed to improve margin rate marginally. Thus, by no means, we saw retail margin drop in the last quarter of the year.

Paula Cardoso – Carrefour eBusiness CEO:

Referring to e-commerce's profitability, it is always relevant to remind that this operation is a startup, we have been investing in it for the past two years and a half. We do not comment on EBITDA margin, but we can clearly affirm that scale gain was very strong, margin/expense ratio improved almost 6 points in 2018. We generated cash and this is extremely important in an e-commerce operation, we have been managing to improve margins with mix differences and synergy gains. Then, this is the direction, we will continue investing, this is a point of no return, this is a relevant growth engine. It is important for the omnichannel strategy, but undoubtedly, we will continue focused on profitability, gains of scale and growth will enable us to improve such ratio year by year.

Richard - Bradesco:

Thank you. I just wanted to make a quick follow-up. Sébastien, in fact, I would like to understand hypermarkets gross margin, thus, excluding the e-commerce.

Sébastien Durchon – CFO:

No, but excluding e-commerce, food, whether PGC (product of great consumption) or perishables, margin came in line, slightly improved, and non-food came in line. Imagine you, if you exclude e-commerce from retail, you can see higher growth in non-food rather than in food. Then, if you see combined figures, you have a slightly lower margin, but sector by sector, margin rate did not decline.

Richard - Bradesco:

Ok, perfect. Thank you.

Operator:

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

Robert – Bank of America:

Good morning and thank you for taking my question. Paula, I would like to know about delivery and does demand impact profitability of expansion connected with the store, to the extent operation grows? I know the app experience is new, but could you say that it should increase or simply change consumer's behavior among current clients?

Paula Cardoso – Carrefour eBusiness CEO:

Ok. Bob, sorry, I could not understand the beginning of your question, it was difficult for me to hear it. Could you repeat, please?

Robert – Bank of America:

Yes, I would like to know how demand has been delivered and will it impact profitability at several stores to the extent operation grows? Yes? I know experience with Rappi is new, but could you say that should you increase or simply change consumer's behavior among current clients?

Paula Cardoso – Carrefour eBusiness CEO:

Well, referring to profitability, we are at the very beginning of our partnership, we can see investments from both sides, and we have been learning a lot, I think the moment is of solid learning. We have new clients, I would say, 60% are new clients, an AB profile, few areas... we have been strongly learning on a more regional action. Then, Bob, we are in the third month of our partnership, we have been implementing and growing very robustly, already exceeding 48 stores, we have been learning in terms of behavior and adequacy of supply to the client. This experience has been extremely rewarding. Concerning profitability, we are at the very beginning, we have triggers, we have several negotiations in terms of partnership growth and it is still too early to say, the operation is still at an early stage.

Robert – Bank of America:

Thank you.

Paula Cardoso – Carrefour eBusiness CEO:

You're welcome.

Operator:

Our next question comes from Mr. Ruben Couto, Santander. Good morning, Mr. Ruben.

Ruben Couto – Santander:

Good morning, everyone. I have two questions here. First, could you give us an update on that hypermarket's competitiveness project, are rollouts taking place in other stores, besides those initial 23 stores, how is suppliers' receptivity in relation to this initiative's maturation? And another question, you mentioned in the last slide, the opening of, at least, 20 Atacadão stores. What would make you increase this figure in 2019, are you seeing an opportunity to accelerate? Is it in the market where you are not present, or maybe smaller, where you still are not present, or even the opening of other stores in marketplaces where you are already operating? Thank you.

José Luis Gutierrez – Carrefour Retail CEO:

Good morning. As planned, in 2018 we decided we would have very strong competitiveness, by repositioning stores. Then, the second plan was more concerned with food categories which are key for the client, and this is also our position. In 2018, we resumed this issue and now we are measuring the impacts, looking at volume growth and results. And obviously all this investment, a significant amount which was negotiated by a gain of volumes with suppliers.

José Roberto Meister Mussnich – Atacadão CEO:

Rubens, referring to the openings, at least, we have a pipeline, which requires a certain time for approvals, etc. This pipeline today ensures, at least, 20 openings for 2019. However, when you get an authorization to set up a store that we qualify as extremely profitable and positive, we

will not take long to open this store. This is the reason we will open, at least, 20 stores. However, if any opportunity arises, we can eventually fill in a few white spots and do some more.

Ruben Couto – Santander:

Ok, it's clear to me. Could you give us a follow-up concerning expansion? Are you opening other stores in places where you are not present, smaller regions, or are you increasingly opening stores in regions where you are already present with any store?

José Roberto Meister Mussnich – Atacadão CEO:

We pursue a good balance between existing markets in a strategy not only of protecting these markets, but also exploring these markets, because our model, when you enter into an existing market, you enter with the same price of competitiveness clusters. We do not work differently in all stores. In new markets, we can achieve our purpose which is meeting the people's needs and make such good performance in terms of commitment we have in the inland. This is the good balance we are trying to do; sometimes, it does not work, but we have been doing fifty-fifty, half in the current market, half in white spots where we have new stores, with new functionalities, and increasing our capillarity in terms of Brazil.

Ruben Couto - Santander:

Excellent. Thank you.

José Roberto Meister Mussnich – Atacadão CEO:

I will give you an example. Next Thursday, we will open a store close to Belém, in the city of Castanhal, and then, two weeks later, we will open in the State of Mato Grosso, in the city of Tangará da Serra, which is a new market for us, 300km far from another store. Subsequently, we will open a store in Alagoinhas, in the State of Bahia, isn't Marcos? That's it. Thank you.

Operator:

Our next question comes from Mr. Gustavo Oliveira, UBS. Gustavo, hello, good morning.

Gustavo Oliveira – UBS:

Hello, good morning everyone. Thank you for taking my question, and congratulations Noel, for all the changes in management, which make sense, in our opinion. Congratulations. I would like to understand, still referring Atacadão's plan of expansion, if there is any constraint, I remember the discussions we had, you said that possibly you may open formats even smaller than current stores. If this plan has been developed if you can start executing it, if it relies on maintaining profitability levels higher than you have been working today, or if it could be a slightly lower level of margin. I think smaller formats could have a slightly lower margin, in this format of Atacadão. I would like to understand what you have been thinking about. Thank you.

José Roberto Meister Mussnich – Atacadão CEO:

Thank you, Gustavo. Again, the key word is a balance. Yes, according to few opportunities of smaller pieces of land and spots, we opened few smaller stores which do not compromise a good balance and favorable operations, that is to say, we are not only working with the offer of food products, but also the operation as a whole. We have our stores as our own inventory, the store ammunition is own inventory at the store, we do not want to change much this type of model. Overall, the profitability targets at stores are well balanced, it does not change from store to store. We do not have different profitability models according to the size of the store. No. The store has to show the same economic model we have in all the stores and all the expansion we must carry out. There are opportunities in having stores closer to smaller sizes in large urban centers, yes. We have, and we know how to do it. In addition, since 1995 we had few stores with

3,500, 4,000 meters which still are operating, and extremely profitable, which are Atacadão standard. I hope to have answered your question, Gustavo.

Gustavo Oliveira – UBS:

Then, when you refer to such mix, 20 new stores, do you have in mind any change to smaller stores and gaining a bit more of market share? Or you still cannot say, is this a great trend change in new openings?

José Roberto Meister Mussnich – Atacadão CEO:

No, I do not think this is a great trend change, there are other possibilities. You cannot forget, for instance, there is no drive for Tangará da Serra, for example, 600km far from Cuiabá, where our purpose is clearly distribution. Which is the sense of setting up a smaller store where we do not have a spot? In large urban centers, maybe, where we have wholesale to support the store, it can be a smaller store, with a higher frequency of deliveries, but never changing the economic model.

Gustavo Oliveira – UBS:

Ok, it is clear to me. Thank you very much.

José Roberto Meister Mussnich – Atacadão CEO:

You're welcome.

Operator:

Again, just reminding our invitees that to make a question just press star key 9 (*9) on your telephone, then we open your line.

Our next question comes from Mr. Thiago Bortoluci, Goldman Sachs. Thiago, good morning.

Thiago Bortoluci – Goldman Sachs:

Good morning everyone, and thank you for taking my questions. I have two questions. The first question is about the retail margin outlook. You commented in the release, a pressure from SG&A expenses due to the line of omni-channel investments sellers and this pressure should continue during 2019. Which is your expectation for multi EBITDA margin evolution? This is my first question. My second question refers to the bank's performance, its growth is super solid, but we also can see a margin pressure there, I would like to understand the reasons for such pressure, if it is 100% mix with Atacadão gaining representativeness or if there is any new impact. Thank you.

Sébastien Durchon – CFO:

Thank you, Thiago for your two questions. Referring to your first question, we do not provide guidance on retail, what I can say is, again, looking back, in 2018, quarter after quarter, retail EBITDA margin improved, then, at this stage, we cannot see reasons for having a great difference in 2019.

Paula Cardoso – Carrefour eBusiness CEO:

Referring to your second question, Thiago, I need to know what you understood as margin pressure, then, I can give you a more assertive answer. We can see a very strong portfolio growth, we can see revenue growth, credit quality, high efficiency of expenses. Then, I cannot see what you exactly saw.

Thiago Bortolucci – Goldman Sachs:

Paula, when I try to adjust here your margin, how I try to calculate your EBITDA margin if I take your EBITDA and divide it by revenue.

Paula Cardoso – Carrefour eBusiness CEO:

Ah, this is why... I'm not sure if we should look at that in terms of the bank, it's different from retail, Thiago. I think we need to look horizontally, how revenues grow, and with which efficiency revenue grows. Then, looking at EBITDA through revenue would not be... to look at that, you would have to look through entire volume, which is almost 27 billion and not through financial margin, did you get it? We have been achieving very strong growth, with very solid profitability, with credit quality. I think for a bank, this is the best vision in terms of efficiency, we should look at.

Thiago Bortolucci – Goldman Sachs:

Excellent. Thank you.

Paula Cardoso – CEO Carrefour eBusiness:

Thank you, Thiago.

Operator:

This concludes today's question and answer session. We hand over back to Mr. Noël Prioux for his final considerations, please Mr. Prioux, you may proceed.

Noël Prioux – CEO:

Thank you very much, everyone. I also would like to thank my team for the year's results. See you soon on our Investor Day, March 29. Thank you, everyone.

Operator:

This concludes Carrefour Brasil conference call for today. Thank you very much for your participation, have a good afternoon.