# GPA CONFERENCE CALL – 3Q09

Operator – Good morning and thank you for waiting. Welcome to Grupo Pão de Açúcar's conference call to discuss the Company's results for the third quarter of 2009. This event is also being simultaneously broadcasted via Internet in a webcast, and can be accessed at www.gpai.com.br and www.globex.com/ri, where the presentation can also be found. The slide selection will be controlled by you.

This event will be able to be replayed right after its closing. We inform that the press release on the Company's results will also be available on the investor relations website www.gpari.com.br and www.globex.com.br/ri

This event is being recorded and participants will only be able to listen to the conference call during the Company's presentation. Shortly afterwards, we will begin our question and answer session, when further instructions will be provided. If you need any assistance during the conference, please, ask the operator to help you by dialing #0.

Before we continue, we would like to clarify that any statements related to the GPA's business prospects made during this conference call, as well as projections and operational and financial goals, are merely the beliefs and assumptions of the Company's management. The same applies to the information currently available. Forward-looking statements are no guarantee of good performance, as they involve risks and uncertainties in the assumptions and depend on circumstances that may or may not happen.

Investors should understand that the general economical conditions, as well as industry conditions and other operating factors may affect the future performance of the Grupo Pão de Açúcar and may lead to results significantly different from those mentioned in said forward looking statements.

Now we would like to give the floor to Mrs. Daniela Sabbag, Grupo Pão de Açúcar's Investor Relations Officer, who will begin the presentation. Please, Ms. Sabbag.

Daniela Sabbag - Good morning everyone, welcome to the conference call of Grupo Pão de Açúcar together with Globex, for the first time. Here with us today are Abilio Diniz, chairman of our Board of Directors; Claudio Galeazzi, CEO; and the Group's Vice-Presidents, Enéas Pestana; José Roberto Tambasco; Ramatis Rodrigues; Hugo Bethlen; Caio Mattar and Ponto Frio executives, Jorge Herzog and Orivaldo Padilha. We will start today presenting the quarterly results and, after that, we will present the Ponto Frio results, as well as analysis and prospects for Ponto Frio. At the end, we will have our question and answer session. Now, I would like to turn to the chairman of our board of directors, Abilio Diniz, for his opening comments.

Abilio Diniz - Good morning everyone. I will talk a little about Brazil, the way I see it now, in the end of this year. I have no doubt that our country lives a special period. Brazil has emerged from the 2008 economic crisis better than many countries, even better then the other BRICs. Our country has come out of this crisis stronger. The economic fundamentals are solid; we have started to grow again, and so have our employment rates and income. All these factors allow Brazilians to feel happy and more confident, and with this, they consume more. We, as a consumer goods company, benefit from that. But, the fact that our country is enjoying this really good moment is what make us happy. I believe that in 2010 we can grow at least 5%, but I also believe this figure could still increase. Considering this prospect, we can expect a very good Christmas and an excellent December. Consumption, as I've already said, was above our expectations for this year. We are going to have a very good December and an excellent Christmas and we are ready for this because having strong demand doesn't help us if we don't have enough products to offer. We are aware that the Brazilian economy is really strong right now and we are ready for it and ready for 2010. If Brazil continues to grow, both employment and income rates will increase, Brazilians will be happy and keep consuming and credit will be available. Sales will be good; in 2010 we will see a "World Cup effect," since that always brings increased consumption and more durable goods are sold, especially televisions. All that stimulates us to prepare for these events so we can continue having strong sales and meeting our consumers' demand.

Also, construction is doing very well thanks to President's Lula program *"Minha Casa, Minha Vida"* (My home, my life), which helps low-income earners purchase their own house, which generates a boom effect in the whole real estate market. We don't sell houses, but we do sell everything you need in a house, so for us that means we sell more electronic and household appliances and furniture, mainly in Extra's home appliances and now with Ponto Frio as well. We have a very good market prospect to look forward to. We are taking very good care of Ponto Frio's team, suppliers and supply. Our teams are already scheduled to travel abroad and we are about to start preparing for all of 2010.

Regarding Grupo Pão de Açúcar, I want once more to talk about the Company's most important asset, its management team. More and more I see Pão de Açúcar executives working as a team. I have worked particularly hard on team building, on making them work more as a team and always growing stronger. An event will be held in December and I worked really hard to make it happen. On December 7 and 8 we will be in Boulder, Colorado participating in a workshop with Jim Collins, who may be today's biggest business guru. He is the author of several books like *Good to Great* and *How the Mighty Fall*. We will do this workshop to make this team to work together even more, to plan clear, ambitious goals, to face the challenges ahead and, mainly, to make the group feel united enough to face them. It was not easy to get to this workshop this year, but fortunately we've made it and will do this at the beginning of December, the 7$^{th}$ and 8$^{th}$.

Ponto Frio's turnaround is done. We can spend 50 years the way we are now and nothing bad will happen, but nothing good will either. What we need now is exactly what we have been working on: giving Ponto Frio more quality and an increase in both sales and productivity from store to store.

That is what we are working on, to meet the expectations we had when we decided to buy Ponto Frio – to integrate it with Pão de Açúcar – to make it happen and in a consistent manner in order to provide it this increased quality. We are building Pontofrio.com, treating it as a separate company. We have great expectations for this business: we will join with Extra.com, which is already being built. We will place everything that belongs to the digital world under this management. We will also place PA Delivery under this management. We are full of ideas and prospects for this area. It’s in this market that technology is advancing the most and which is the most modern. We take it very seriously and I am sure we will present great results in this area.

As for Pão de Açúcar specifically, the third quarter results are in line with the budget, with what we expected and I have no doubt that by the end of this year, we will achieve the expected results and they even may be a little above what we initially estimated. I consider this performance excellent and I would like to congratulate Claudio Galeazzi and the entire management team because they have been doing great job, with attention to details, and our results and sales increase as a consequence of this structured job well done.

One thing that makes me really confident in this Company and one of the things I represent on the board, to help the management, is competitiveness. I stress this because to me, it means health, strength, efficiency and the company’s capacity, so we have given this a lot of attention. Every Monday morning at plenary meeting we take a closer look at competitiveness. Not only at what is the best seller in São Paulo, but also in the 17 states where we have operations.

This attention assures the increase in sales we have achieved. Our goals for 2010 will also be ambitious in terms of growth. And what about the margin? The margin has to be the one that remunerates the shareholder, the capital and provides what we expect. If the margin is too tight, then we have to cut costs, or real costs or costs related to inventory acquisition. This is the way we work and it shows the Company’s health, an agile, fast and aggressive Company when making its decisions. So this is the situation right now in Pão de Açúcar. Our competitiveness is excellent. No format has a lower price in this country than Assai. We can assure that by all measurements, by all the monitoring we do. Do you want to buy cheap goods? Then you have to go to Assai. There is no other wholesale-retail store that sells at such low prices and we are making it happen.

In each format, be it Extra or Pão de Açúcar, each one has to be extremely competitive. So, where do we stand out? Customer service, sales - everything we have. We have to deliver the goods we sell at the lowest price and we will keep doing this and our sales will continue to increase. This is the Group's motto. Well, I want now to hand it over to the management, to the executives, for them to answer any questions your might have. Thank you very much.

Claudio Galeazzi – Good morning, everyone. I will try to be straight and not to repeat everything Abilio has already said to you. I'd like to remind you all that in the beginning of this year, the management, when preparing its budget, set four guidances. I'm not going to repeat them now, but I will mention one of them, which states that our special financial and market conditions allowed us to seek opportunities to increase our sales and market share by maximizing our existing resources. The guidances we then announced to the market reflected this and the other four guidances, always searching for the margin equation, expenses and EBITDA after an increase in sales and market share. I would easily say they we are well above our guidance for the market or really close to it. During this year's third quarter, we recorded a same-store increase of 9.7%, with a real increase of 5.1%, considering the General Consumer Price Index (IPCA), compared to last year, and we had a very strong basis with the celebration of the Company's 60th anniversary. I am not going to talk about all these percentages because Enéas will give you more details about that. I would like to say we are really gaining market share. Apparently, the known, published information of one of our competitors indicates that it had an increase of only 4.5%, while we had an increase of 9.2%.

I also would like to say that we can't only compare quarters, but we also have to check year against year and the fourth quarter, which is seen as the great fourth quarter, with very expressive results in terms of increased sales, market share and results as well.

Our EBITDA is in line with both our expectations and guidance. And finally, I would also like to mention that next year should bring significant investments targeting the Company's development. We now have a privileged position. During the year, this position was reinforced, and its adequate resource allocation that brings the Company new, healthy life. I can assure you that next year will be a very aggressive one. Enéas and our other colleagues will present information about other matters, providing more details and explaining them faster than I could. So, I would like to hand off to Enéas for him to talk about the Company's general numbers. Thank you very much and have a good day.

Enéas Pestana – Thank you, Claudio. Good morning, everyone. Thank you for participating in our conference call. I'll briefly read our results, just to help you interpret them and then we'll move on to the question and answer session. Let's start with sales. Gross sales in the quarter increased 11.8% and, if we consider the "same stores" effect, we had an increase of 9.7%, as Claudio mentioned. Considering the IPCA, it would be a real increase of 5.1%. The increase in net sales was a nominal 12.9%, quite above the guidance of 5.1% nominal for this year and above 2.5% when adjusted for inflation. If we look at the breakdown, same-stores in the food segment increased 9% in the quarter and 11.9% in the non-food category. In the nine-month period, the same-stores increase was 9.2%, which is 3.8% when adjusted for inflation. Once again, we are well above the guidance of performing over 2.5% during the year. In the breakdown, during the nine-month period food category increased 8.3% and non-food, 12%; all that same stores. The growth in sales has been consistent throughout the year, but it is important to stress that it's sustainable growth since it's proportional to the customer traffic and we are seeing an increased average ticket in all formats.

The gross profit recorded an increase of 8.2% in the quarter, going from R$1,198.00 billion to R$1,287.00 billion, growing 9.5% in the nine-month period. As you can see, there were some impacts in terms of margin that are worth commenting. The first of them is, again, related to the tax substitution regime that had an impact of 80 bps in the quarter and 70 bps in the nine-month period. This can be seen on page 5 of the presentation as well as in a chart, on page 6, resuming the margin re-composition.

Another impact on the margin was the Assai issue. Assai has a 50 bps in the quarter and 30 bps in the nine-month period. Also, there is a 30 bps effect related to sales in the period and 10bps in the nine-month period. These effects can be clearly seen on page 6, where you'll find the chart I just mentioned. 2008, in this same quarter, was positively influenced by the Company's 60 year anniversary transversal campaign. It was a huge success that generated great business dynamics and it significantly improved our margin. So, there is the comparison effect we have already mentioned, which has not affected the quality of our results for this quarter in 2009, as we will see. Still talking about gross profit, considering Globex, let's look at the figures. Afterwards, Jorge Herzog will discuss a little bit the restructuring Abilio mentioned, our next steps, guidances, verifiable synergies and the future, which is the most important. So, the effect of the Globex consolidation on gross profit pushed it to R$1.5 billion with a gross margin of 24.8%. Still, it is a negative effect when it comes to margin but, in the nine-month period, this effect is diluted, because we are only consolidating the third quarter and not the nine-month period of Globex. And why are we doing this? Because we only assumed Globex management after its acquisition, which was official on September 7, 2009. So this is the first quarter we consolidated Globex in the Group. On Page 7, I believe we can save some time on this subject because our expenses are still under control. We went from 18.9% last year to 18.4% this year.

During the accumulated period, the gain was 80 bps, we went from 9.3% in the first nine months of last year to 8.5% this year. So, we keep on searching for and capturing gains and also tightly controlling our expenses. Considering all that, let's go to page 8, where we have an EBITDA analysis, and this was a very positive quarter last year so this year is very close. There was an increase of only 0.4%, despite an increase of only 9.4% in the year. It is worth mentioning that during the first quarter of this year, the EBITDA margin was 6.8%. In the second quarter, the EBITDA margin was 6.9% and now in the third quarter, 7.0%. As Abilio and Claudio said, these results are completely in line with the budget for this year. In the fourth quarter, again, we expect to meet our budget and maybe even increase it a little, so we can reinforce our guidances of the results for this year. We have a very positive net financial result for the third quarter, an increase of R$55 million compared to last year and an R$75 million gain accumulated in the first nine months. This contributes in many ways. The interest rate decreased, but there was also the effect of receiving a payment from concluding the renegotiation of a FIC agreement with Itaú-Unibanco, so that starting at the end of August, it began to contribute to the financial revenue.

Plus, there was also an increase in the remaining capital in the cash, which generated financial income. Considering all this, we have a very positive effect in the net financial income and, if consolidated, even with Globex, the negative financial income is R$64 million, still very below the R$103 million recorded in the third quarter of 2008. Now, talking about our debt profile, on page 10, we closed the third quarter with a net debt of R$564 million, which is 0.4x EBITDA. We are aware this is a very low baseline and we have a lot of room for leverage, but it is important to notice that by the end of the third quarter, had R$451 million in cash. This amount was later used to pay for Globex shareholders. However, on September 30, that amount was in the cash position and reducing the net debt. Considering this effect, this net debt to EBITDA indicator increases to 0.50x and, consolidating Globex, to 0.56x. Even so, it is a very low level of leverage, but given our plan for accelerated investments in both organic expansion and taking advantage of acquisition opportunities, we are maintaining this low level so that we can be ready for both.

So, we try to maintain a pretty solid capital structure, which is basic, and Claudio Galeazzi even mentioned that in the beginning of the call.

Talking a bit about the FIC - that has reflected on our equity accounting line and those results are on page 11 of this presentation - we can see an evolution even with low absolute amounts. Anyway, the FIC has presented amazing results, going from a negative R$200 thousand to a positive R$2 million for the quarter. In the first nine months of last year it was R$2.6 million and it went to R$9.3 million in this nine-month period. I mean, the FIC did see acceleration in the curve and in the growth of its results. The Group’s participation already reaches 12% in sales and the portfolio has around 5.9 million clients and R$1.7 billion in receivables. We also have a demonstrative on page 11, considering the numbers from Investcred Bank. Jorge will talk about this integration in a minute, but the thing is that one of the first measures taken after acquiring Globex was to integrate the best practices, in which the FIC practices prevail over Investcred. So, it is already under the same management, all the possible best practices and synergies have already been captured and implemented in the management of financial business and both FIC and Investcred banks as well. That leads us to a total of 7.8 million clients, a total portfolio of R$2.7

billion, 2 million in new accounts per year and total revenues of almost R$7 billion and a total credit limit of almost R$10 billion, ready to serve all the Group's businesses, including Ponto Frio.

Now about Sendas, in Rio de Janeiro, on page 12, we haven't got much to say. If we isolate it, it presents greater results volatility. As we have already mentioned in previous talks, it is an aggressive market when it comes to pricing, maybe the most aggressive in the country, which eventually generates, on various occasions, more aggressive pricing campaigns in the Rio de Janeiro market and that promotes certain fluctuation. Still talking about it, there was a meaningful improvement in EBITDA if we compare it to the second quarter this year. EBITDA margin increased 180 bps, despite decreasing year-on-year, from 230 bps. Sendas also had a very strong third quarter, because it also took advantage of the Group's 60th anniversary celebration.

Concerning Assai, we have reached an EBITDA margin of 2.5%, which was heavily impacted by ramp up of new stores, especially in Rio de Janeiro. There are six new Assai stores in Rio de Janeiro that contributed for a negative EBITDA this quarter because of an aggressive policy of image formation and brand positioning of the Assai format in Rio de Janeiro. If we consider older Assai stores, they have an EBITDA near 4% and if we consider the consolidation of Rio de Janeiro stores that make EBITDA negative, this total consolidated EBITDA goes to 2.5% in Assai. This does not represent something negative, we still are confident about Assai and it is very important to keep in mind what Abilio said at the beginning of this call. We know we need to make some investments in image formation and positioning this brand in different types of markets and we are absolutely in line with the business plan for this investment, to do it the way it should be done. While we expand this format, mainly in states other than São Paulo, Assai's participation in sales has gone from 6% last year to 9.8% this year and this is expected to continue in the following months, in accordance with our expansion plan for next year.

Finally, net income reached R$206.7 million, growing 210.3% in the quarter and 186% in the accumulated nine-month period, reaching R$433.6 million - Globex is not considered in these numbers. It is worth mentioning page 14, adjusted net income. What is being adjusted for comparison purposes? In 2008, we adjusted the goodwill amortization reversal because last year, with Law 11,638, goodwill was amortized and this year it's not, with the new law. And in 2009, the adjustment is made concerning the positive balance in the Itaú operation in the amount of R$52 million which we also reversed for comparison purposes.

So with this, the comparable net income increased almost 69% for the quarter and 57% for the nine-month period, just as it is shown in the bottom right corner of page 14 of the presentation. If Globex is considered, the net income is R$171 million for the quarter, reaching R$397 million in the nine-month period. Finally, I wanted to mention the renegotiation of the FIC agreement settled with Itaú-Unibanco this quarter, which resulted in R$600 million more in cash that, when financial effects are accounted for, was compensated by the tax credit and other write-offs and provisions recorded for some things we took advantage of adhesion to the REFIS, which was created by Law 11,941. REFIS is favorable to ending tax discussions. So the Company used it to create an offset in the result, which has an effect on deferred income tax and the net result was a positive R$52 million, which is on page 15 and was also considered in that adjusted net income I just mentioned, on page 14. On page 16, we will talk more about this REFIS issue. Law 11,941 allowed us to adhere to the Federal REFIS, which is quite favorable to the taxpayer because it allows the use of tax credits, discounts and payments in installments over 15 years or 180 months at the target overnight interest rate (Selic).

We have reviewed all possible or likely suits and we are in the program for payment in installments which resulted in, as shown in the chart on page 16, a final net effect of R$76 million in liability reduction between the provision accounts and the installments. When consolidating Globex's liability, provisions and tax installments, we have a final amount of R$163 million. Notice that there is a significant reduction in the provision for contingencies, which helps the Company avoid suffering future losses or any other issue related to some tax processes, which puts us in a position with the installments that is very favorable by using these resources.

Finally, in terms of Capex, the Company invested R$92 million this quarter in the construction of new stores, resulting in seven new Extra-Fácil stores, two new Assai stores, a new Extra hypermarket, a new Pão de Açúcar store and also three new gas stations. The Company has also invested R$84.5 million in store renovations and R$39 million in infrastructure, especially in IT and logistics, which amounts to R$215 million. So, comparing the investments made in the same quarter last year, they doubled. If we look at the nine-month period, we have an amount of R$430 million.

Regarding guidances, we can reaffirm that investments for the year should be really close to R$700 or R$750 million. The dividend policy adopted for this year resulted in another payment on the 11th, in the amount of R$15 million. It was the third prepayment. The fourth part of the dividends payment only happens next year and it will be based on the real net income for 2009 that, surely, will be quite well above the basis we have used for prepayment, which was last year's profits. With that, I finish this quick review of Pão de Açúcar's results and will now hand it over to Padilha, Ponto Frio and Globex's CFO, so he can talk about the results and comment on the company.

Orivaldo Padilha – Good morning. I will quickly comment on Ponto Frio's third quarter results for 2009 and then leave it to Herzog. Starting with sales, on page 20, the chart shows that in the third quarter the Company grew 10.20% with same stores growth of 6.8%. The highlight of this performance is the first half, when the Company had an all-stores decrease of 7.60% and a 10% same-stores decrease, a decrease that was stronger in stores, of 17%. This third quarter result was heavily influenced by the upturn in September that led to the positive increase in sales. On page 21, we will comment on the decrease in the gross margin of around 480 bps, going from 27.0% to 22.2% due to the tax substitution (ST) regime. In our business, some states already have all products under this new tax regime, which started in São Paulo in May, in Rio de Janeiro and in southern Brazil in September. The impact is of 360 bps and there was also another impact that benefited the 2008 margin, which was an appropriated credit for the Company that improved the margin for that quarter by 130 bps.

These two effects combined show a balanced margin between the quarters. In terms of operating expenses, it also presents a positive variation from 22.6% to 22.7%. I would like to mention that we already have approximately R$11 million booked in both integration and restructuration costs, which represents 1.05 of net sales and would actually bring the percentage of expenses for this quarter, for this year, to 21.65%, which would mean a 10 bps reduction. Concerning the EBITDA margin, the decrease was of 490 bps year-on-year. However, in the short term there is a trend toward reversal. If we look at the chart on page 22, we can see in both the first and second quarters, especially in the second one, we operated with a very low EBITIDA margin. In the first half, it was negative 5.6% and this quarter we had negative 0.5%.

On page 24, we have the Investcred income statement only to show how this result is trending toward recovery, which was started by the Company at the end of 2008, when it presented a very negative result. This quarter, it presents a net income of R$7 million, basically due to an improvement in credit processes and financing restriction. We can see that in the allowance for doubtful accounts, in which there is a decrease from R$89.9 million to R$60.6 million this year. Last year, Investcred broke even and this year it earned R$7 million. So, in the quarter-on-quarter comparison Ponto Frio’s income was negative R$40 million against positive R$500,000 in the 3Q08. Another positive point that I would like to comment on, on page 25, is the improvement in inventories and the suppliers account. In the third quarter of 2008, we had the difference of one day for opening the working capital of these two accounts. There were 55 days against 54 in inventories and for this quarter, we made excellent progress, because we reduced inventories to 49 days and the supplier account to 67. Then, we went from one positive day last year to 18 positive days this year. So, I’ll hand it to Jorge.

Jorge Herzog – Good morning, everyone. I will comment on the diagnoses and our perspectives for 2010 and 2012 as well. Four months ago, we took on the Ponto Frio operation and, during this period, we worked on six processes. The first of these processes was the finalization of *due diligence*, which we had already presented when closing our balance sheet for June 30; there are also the turn around and integration processes. The latter is a combined process that we have been working on since we took on Ponto Frio. Also, we still have Extra Fácil and the new dotcom, which will integrate Pontofrio.com and the GPA dotcom as well as the Itaú-Unibanco renegotiation process itself, in which we had a work that impacted Ponto Frio, and the integration of the banks would be the sixth process. Within this period, we had the opportunity to identify positive points, which we paid more attention to and those are mentioned on page 28. So, we are talking about a very strong brand, Ponto Frio, the store network itself, the wholesale business, which is as parallel business, a novelty to us, which could be a great opportunity for us. There are also credit, service sales, Pontofrio.com and all the specialized services in the household appliances sales area, which gives us synergy opportunities. The company had already been for sale for a long time and that has mainly impacted motivation, because it was really only focused on the short term. The credit operation became limited due to the bank’s search for profitability. There was some concern about avoiding direct confrontation either with the main competitors or with the main business competitor and a poor results evaluation.

Based on that, we have defined this new project by using a little of what we did two years ago, the *back to basics* two. On page 29, we can see the points where we think there is work to be done during this period. We are obviously focusing on the client, and by doing that, we will be focusing on the stores, which are the core. This is how business is done. We have six points defined: the client, which is Pão de Açúcar’s strongest point and we want to develop and give all necessary support to our contributors; better purchasing, using our fixed expenses, and that, obviously, will happen with the strength of synergies with GPA. Creating this management culture and all that I have already mentioned will help us sell more and better, and to provide better credit conditions, increase investments in communication and to have better publicity as well; we will also need a prepared and motivated sales team for our clients and an improved asset and store profile.

Moving on to page 30, we highlight here the main synergies that are going to help us meet the results we predicted. The first is the financial synergy. We have the opportunity for a fiscal gain of R$258 million, due to goodwill, and in commercial operations, we have four specific points that we are going to focus on to bring more synergy. The first one is the purchasing power. We will have a single commercial segment responsible for purchasing all GPA household appliances, for all formats. Concerning logistics, in search for synergies, we will be integrating GPA's logistics network with Ponto Frio's for deliveries to both stores and clients. Regarding marketing, there is the opportunity of sharing with crossed campaigns among the formats and, mainly, with the Extra, where we also sell household appliances. And for back office activities, we will share all transactional activities, and we mention here some that will start to be done by GPA's current marketing structure. On page 31, we have basically mentioned all the ongoing processes that are already helping us improve our results, as Abilio Diniz mentioned, but which can still be optimized. As for the commercial part, we have already started negotiating with our main suppliers, standardizing the costs of both companies to the smallest cost, searching for greater product assortment in large purchases and investments. So, this is our main focus at the moment, to put more goods in the stores so that we can actually meet our customers' demands. In logistics, we are already in the process of studying the logistics network. For instance, we are already using crossed DCs in formats where have these goods are available. Pão de Açúcar uses Ponto Frio DCs and vice-versa. In marketing, we already had our transversal campaign in September, with the Group's 60th anniversary, which was very successful. Now are getting ready for our second one that will be Christmas.

As for the credit part, which we practically started together with the integration of the two formats, it's already under unified leadership; the FIC staff that were already leading the business within GPA. With that, we took our big first step towards the credit card integration. Today, we have 7.9 million clients with practically R$10 billion in approved credit, and you can use these cards not only at Ponto Frio, but also at the Grupo Pão de Açúcar stores. At the stores, we are already re-evaluating our store portfolio. We have already started with remodeling the stores where we had seen some major problems that needed solving. However, we will check all the establishments that are not meeting our expectations and propose a store conversion. We will exchange our low-profitability, low-performance stores with stores that are compatible with our internal benchmark. Also, we are working really hard on training sales force, preparing them to be sales and technology specialists, because we recognized this need in our sales and back office staff. We expect to finish the transversal area integration within the first quarter, which will provide an expressive gain. So, for 2010-2012 we proposed the guidances that would impact the same-stores sales growth by a total of 80% for the period. Part of this number will come from e-commerce, which is growing very well. As for organic expansion, as I had previously mentioned, we will work on low-profitability and low-sales stores. They will be converted to stores that are compatible with our internal benchmark. And the synergy guidances, which we had estimated at the time of the acquisition at R$500 million, are now closer to R$1 billion. During all this, we have been pressured to stipulate our expected EBITDA margin. We will be working with an EBITDA margin between 5% and 6%, considering merchandise, service and financial operations.

Daniela Sabbag – We will now begin our Question and Answer session.

Operator – Thank you. We will now begin the question and answer session. Please ask all your questions at once and wait for the Company's answer. To ask questions, please dial *1.

Daniela Bretthauer from Raymond James – Good morning, everyone. I have a lot of questions, but I will ask two so that I don't take over the call. During the third quarter, we saw this tradeoff between sales and EBITDA growth. This inversion raised some questions about the Company's strategy. So, I would like to know: is the strategy, from now on, going to privilege growth, gains in market share or increased margin? Can you give us some insight of how the Company’s strategy will evolve and what will be adopted from now on? This is my first question.

Claudio Galeazzi – Daniela, it’s Claudio. Good morning. I will try to answer you. For every plan we make, we aim at a goal or many goals. During 2009, our goal was very clear from the beginning: take advantage of the opportunities for significant growth in sales with available resources, initially low Capex, low profit and that was how it was predicted and projected, looking for a balance between what is called margin and expenses in the EBITDA. We have mentioned that, for next year, for both Capex and growth, we will seek growth, mainly by consolidating the areas where we already operate, looking not only for growth in sales, but also in results. We now have a new component, Ponto Frio, which first we have to establish, and then consolidate our position in the market to finally become a significant player. We have already managed to do that in some preliminary results. We haven’t outlined smaller goals for 2010 yet, but we must see results, because without them, we will not be able to implement everything that actually requires cash, either on hand or through debt. I believe that in the guidance, we are likely to indicate the path we are on regarding growth in sales and market share, like we did at the beginning of this year. I am not sure I have answered your question.

Daniela Bretthauer from Raymond James – Well, you know I prefer more straight-forward, precise, right? But I understand that you can’t provide this information right now. Is there any EBITDA margin, for example, a magic margin, that you think that lower than this doesn’t make sense for the Company to work with, either because it is not profitable or because it really doesn’t maximize returns? So, for example, lower 6.5% we won’t do, but 7.0% is a good margin for you to work with? Can you be more precise in your answer, Claudio?

Abilio Diniz – I will try to be clear and objective in my answer, so that you understand. There is no tradeoff: “We either have sales or EBITDA.” Maybe at other companies, but not here. Here we deliver everything, we have always tried to deliver everything and when we can't make it, it's simply because we couldn't, so there's no tradeoff. On the other hand, there is no magic EBITDA number, neither for sales or anything similar. We try to do our job the best we can, very efficiently, and try to have the best results. We are not choosing between one and the other. We will try to maximize sales. More and more, what are we looking for, and this symbolizes health for this Company? Competitiveness. We have to be competitive; we always have to offer the lowest prices. Assai is a reference in this country. No store has lower prices than Assai. The margin we try to efficiently seek has to be able to lower costs, either general or product acquisition costs. This is the formula, there is no tradeoff.

Daniela Bretthauer from Raymond James –Thank you very much. I will now ask a lighter question related to Ponto Frio. Right after you bought it, we saw an attempt to make some accounting entries that would limit the balance sheet. So, in the call for last quarter's results, you showed the provisions you recorded for Ponto Frio. Is there any expectation of reversing these provisions? If so, when?

Enéas Pestana – Look, we can't have any expectations related to that, because these provisions, actually, were recorded under the previous management, due to insufficient provisions, eventual contingencies or unrealized assets. For sure, we will always work for these contingencies not to be realized, that all assets become realizable and, eventually, the provisions be reversed. But trying to predict it, or counting on it, wouldn't be reasonable. There is no way of predicting it. We will work hard not to let these provisions to be realized so they can be reversed.

Daniela Bretthauer from Raymond James – Okay, thank you.

Cristina Sarian from Neo Investimentos – Hi. Good morning, everyone. I have two questions: the first one is related to Assai's performance. I would like to know whether there is a good reason or not for its stores in Rio de Janeiro to be in a maturation phase, considering their weak performance. I also would like to know if, outside Rio, you still see the possibility of margin deterioration. What is there, again outside Rio de Janeiro, in terms of new stores versus the total, that could have a negative effect, or what should we understand by this decrease in the margin, without considering the new stores in Rio de Janeiro? This is my first question.

Jose Roberto Tambasco – Hello, Cristina. Good morning. I don't mean to be repetitive, but Assai, until the middle of last year, had only 14 stores. We have a very strong expansion plan coming out from São Paulo. I mean, going towards upstate São Paulo with more strength and that has made us invest, as Abilio said, in creating a strong image for Assai, in terms of pricing. That surely has an impact in São Paulo, even though we have presented this information with Rio de Janeiro isolated in order to show that the Assai's EBITDA margin performance, apart from Rio, remains in line with the guidances we had established for it, in terms of EBITDA.

But we are focused on consolidating these stores in every state we operate in. We still have the year ahead for opening another six new stores in Rio de Janeiro, the northeast and São Paulo, which should bring some kind of impact in terms of results, but should also provide Assai a much more significant market share. This also means making Assai more present in consumer's minds and, especially, in market makers'. We are very confident that the increase these new stores are after is quite positive and strong, especially in Rio de Janeiro, where we believe Assai is a model that serves this market well. There, the stores we have converted present sales three times above what they used to be. But, clearly, it takes some time for you to meet their maturity curve. I can assure you one thing: we have planned, for the end of this year, in Rio de Janeiro, an alignment of the EBITDA margin of the stores that are now completing one year, the first ones, with the other Assai stores.

Cristina Sarian from Investimentos – Thank you. I'm seeing now some slides on the Ponto Frio gains that mention same-stores sales growth above 80% in three years. Is that correct? I don't know whether you have explained or detailed it. Can you go over that again, please?

Jorge Herzog – Hi. That is correct. 80% growth is between 2010 and 2012. It is four years and not three.

Cristina Sarian from Neo Investimentos – So, it is from 2009 to 2012, 80% and that is same store sales and not the total?

Jorge Herzog – Yes, exactly and it includes dotcom.

Cristina Sarian from Neo Investimentos – Thank you.

Juliana Rosenbaum from Itaú – Good morning, everyone. I just would like to know how you justify the idea of not considering REFIS as debt, given that this provision really was recognized and, therefore, renegotiated and very likely, in unfavorable? Thank you.

Enéas Pestana – We consider it as tax installment and not exactly a financial debt. Some people consider their own provisions for contingency as debt; some consider the tax installment debt. And as for the IFRS, neither one nor the other is considered as a debt, because financial debt is treated the way it always has been. Actually, it is a matter of conception. I think we are not here to impose any concept on anyone, but we do consider it as tax installment and we take it from this company for possible losses for a 15 year installment plan. The target overnight interest rate (Selic) is financing that does not exist, I mean, it does not exist and it is not a bank rate, it's now a credit line from any bank. Anyway, if we mix things, you have the feeling that my capacity, in terms of credit limit, was reduced this much, not necessarily – I mean at least not directly. That has actually happened and that's why we let it separated.

Juliana Rosenbaum, from Itaú – And have you had any kind of discount adhering to REFIS?

Enéas Pestana – Of course we have. There were not only big discounts but we also used the consolidated tax credit as payment currency. Yeah, this did happen; yes, that's why we have adhered it and taken to opportunity to significantly reduce our processes, which we consider a REFIS program. I, at least, have never seen anything like it, in terms of term and discount possibilities. Even in 15 years you'll have discounts, the possibility of using tax credits and judicial deposits without losing the discounts. Finally, I have never seen a federal REFIS like this one. Not only our company, but also many others are now adhering to it because it is extremely favorable and provides the possibility of settling important processes and discussions that may have given us a few surprises.

The Company's level of provisions for contingencies was quite reduced, as you can see in the financial statements.

Juliana Rosenbaum from Itaú – My second question is related to what Abilio said in his initial speech about restructuring and segmenting the internet business. I would like to know, what is the plan: are you actually going to separate the company and, maybe, even spin off part of this business? Could you give us some notion of the numbers of this business? Could you also talk a bit of how the margin is going? We have seen some amazing growth numbers, but can you give us an idea of what's the margin in this internet business?

Enéas Pestana – That's a good question because it gives us the opportunity to talk more about it. Yes, we will integrate this business. We see it as a business with a lot of potential for creating value and we believe there is a lot to capitalize on in this segment. We are already working on integrating the business management of both Ponfrio.com and Extra.com. The management has been integrated, we have our Pontofrio.com partners and an agreement to, for now, keep this partnership for the future. We have a lot of respect for their expertise and they understand that there is an excellent opportunity for them here, so the interests of both sides are completely aligned. So, our first step was to integrate the management in terms of commerce, logistics, good practices and back office and we have done all that. Now that the agreement, the tender offering and the final acquisition of Globex stock were concluded, we have to talk about the corporate issue in order to integrate them all, which can happen either through a spin off or a drop down in CBD with a merger and maybe an IPO after that, as decided by our shareholders. But it is a strategic focus, there is a huge potential for creating value in the short term that we will try to take advantage of.

Juliana Rosenbaum from Itaú – In the margins line.

Enéas Pestana – About the margin, I can’t say much right now because we would have to give you the Extra.com disclosure and I don’t have it here with me. So, I think we can give you more details about it after this integration, maybe around the fourth quarter we will have a clearer, more structured situation so we can give you a stronger guidance for this business. But we are already working on it and on ways to capitalize on this segment through a specific company for it.

Juliana Rosenbaum from Itaú – And how is GPA Malls & Properties going?

Enéas Pestana – We have already identified the total assets that will be transferred in this initial phase. We can’t transferr all of them because we are prioritizing those that have the potential for more synergies and to capture value. This amounts close to R$1.8 billion, which should be transferred during in the first stage. All the corporate and tax structures are settled. We will work with the real estate fund and also with a real estate management company to take better advantage of this business. This fund is already in its final stage of being constituted. The company is structured; all the issues related to the organizational structure, processes and physical separation of the management are done. We are finalizing the transfer of these assets. The initial operation is scheduled for the end of this year, beginning of 2010 and it is very likely we will make the first disclosure of the full first quarter together with the first 2010 Quarterly Information disclosure.

Juliana Rosenbaum from Itaú – My last question is related to Globex. I would like to know why the same store sales are so weak.

Is it a price problem? I think there is nothing wrong with financing. Do consumers have to be confident about the brand again and come back to stores? I just would like to understand how you see such weak performance in same store sales. Thank you.

Jorge Herzog – Well, actually, we consider that the sales haven't reached yet the level we want, but the reversal process, in terms of growth, we already consider to be quite positive. For the first quarter, we had -10 (minus ten) in same store sales. If we take only stores, we had -17 (minus seventeen). For the third quarter, Globex already had a growth of 6.8% in same store sales. Even if it's a negative number in the stores, we saw some growth. So, it is indeed a reversal. The company was literally hitting the breaks. So there were a lot of things missing, like goods, credit and even communication. With the actions we took during these first months, we can already see a reversal of this trend.

Juliana Rosenbaum from Itaú – So, do you believe that something in the future, in terms of structure, could cause you more problems? Is this how you put an end to this question, by maintaining these recent solutions?

Jorge Herzog – We know we still have a lot of things to do to meet our goals, which assures us that we will bring the numbers to the level we presented in the guidances, of growing 80% in the next three years.

Juliana Rosenbaum from Itaú – Does any other store need to be closed?

Jorge Herzog – Yes, we will convert the stores we found to be below or very below to our sales average. These stores will be replaced with the stores we will open within our internal benchmark level.

Juliana Rosenbaum from Itaú –Thank you very much, everyone.

Daniela Bretthauer from Raymond James – I have a follow up question. Your detailing of the impacts on gross margin was very good.

Anyway, what will be the gross margin level from now on, given that the Assai format must keep on increasing? Will we be working with this margin of 25.5%, even in the future?

Enéas Pestana – I wanted you to mention this subject for me to talk more about it. We have been trying to talk more and do better with the effect on margin with you. The Company is undergoing a transformation related to its business portfolio, in which it starts investing in business such as wholesale-retail sales and Assai, which works with margins around 15%, a number quite below the Company's historical average margin. And then, gas stations, drugstores and electronics work with a margin quite below that figure. This means if we are not careful and stick only to a horizontal, historical analysis, you'll start saying that the company is no longer so efficient and that it is losing its margin. Actually, this is a natural consequence when a company undergoes a transformation in its business portfolio; it means that the business mix is changing. Businesses have different levels, with different margins, so it is obvious that this will reflect on the consolidated margin. But that doesn't necessarily mean a loss. On the contrary, the fact that Assai works with a 15% margin and with costs around 10% to 11% and has an EBITDA near 4% or a bit above that, in this segment, that looks quite good. It doesn't look so good now, because we are accelerating the expansion plan. We are not reaching 4% or 4.5%, but we are quite sure we're going to meet these numbers. There several things that can cause this impact. In every business there are specific points and characteristics that seem like good business to us and that's why we invest in them. They will bring us major increases in cash, margin, in our return on invested capital and so on. As we are delving into this, I ask you all to consider in your analysis, that this is what we are going through because otherwise, you will look at the higher margin we had last year and will say to us: "you have dropped to 25.4%." But there is also the tax substitution effect that will soon be effective. We will stop talking about that as soon as we have the comparable basis. Again, tax substitution is more like a gift for the Brazilian formal retail market. The Brazilian tax authorities generally support formalization. So we are completely favorable to this move by the tax authority, but it causes this temporary effect that will disappear as soon as the bases are comparable. Concerning our margin, we can say it's around 25.5% and that once recomposed, it could be around 27%. That would help in this historical analysis, but at the same time, it would only reinforce the need for considering changes as the business portfolio evolves. Now we are in a period of high seasonality. We are not making big moves in pricing. As you can see, the impact of promotions in this chart, on page 6, are small and already show some of the effects from the tax substitution regime and Assai's increased participation in revenues. We should not make any big moves regarding the margin that will strongly affect the consolidated. So, the margin level should rise almost linearly, even if still affected by the evolution of these businesses that present different margin levels.

Daniela Bretthauer from Raymond James – I also wanted to clarify things a bit. My question was more to provoke you to give a better explanation and not to have a short-sighted vision of this business, because I think it's very simple to say: "The margin of your company has dropped and this is bad." True, your margin has dropped, but I agree with you when you say the Company is undergoing a transformation. So they way we analyze this situation must also be transformed. Thank you, Enéas.

Enéas Pestana – Thank you very much for the opportunity, Daniela.

Alan Cardoso from Ágora Corretora – Good afternoon, everybody. My question is related to Pontofrio.com. Would you mind commenting more on the Company's strategy and on how you see the online retail market as well?

Caio Matar – The online market is quite active. We are having significant increases in both Extra.com that in the fourth quarter is growing more than 50% and the Pontofrio.com, which is also showing significant growth. What are we doing at the moment? We have an ongoing business related to integrating the e-commerce operations of both companies. At the moment, both teams are more focused on the Christmas operation. So, we have decided to move ahead with this change in the structural part at the beginning of 2010. So, we are already working on negotiations with some suppliers and taking some market actions for the Christmas operations so that can be successful. The structural changes in the logistics systems, for instance, are part of a study that will only take place next year. We will start everything together with it and then we will see all the gain we can from that, but, for now, we are only working on Christmas.

Alan Cardos from Ágora Corretora – Besides the internet integration matter, my biggest doubt is about the commercial policy. How are you dealing with it? Are you more focused on marketing, on a more aggressive expansion, because maybe Pontofrio.com kept a good sales pace for the third quarter?

Jorge Herzog – Actually, the growth in Pontofrio.com has been constant since the first quarter. We have not taken any extra measures either in terms of marketing or communication during this period. What happened is that we began to be more present in the media and that has an impact on the dotcom, but there was no specific measure we took for that. We can see that it comes along with the whole communication process we had to do.

Alan Cardoso from Ágora Corretora – Got it. Thank you for your answer, Herzog.

Irma Sgarz from Goldman Sachs – Hello. Thank you for taking my question. Still talking about the business portfolio, I would like to know your opinion on the return on investment. I think you are focusing on growing through the top line and even on businesses with smaller margins. Now, as you mentioned earlier on, there is nothing wrong, but I would like to know more about your perspectives on return on investment. I figure that some of these businesses with a low margin, like Assai, they have a margin, an even bigger cash margin. But what are your expectations considering the business portfolio as whole? I also would like to know how many operational leverage opportunities you have, considering your focus on top line growth. Thank you.

Enéas Pestana – I will start answering you. Please, feel free to complement my answer. Actually, you should only be careful when stating that our focus is top line. Our focus is top line growth that can provide the Company profitability and return, which means it is not top line for the sake of top line, as Abilio said. We seek a sustainable business, which means having an increase in sales and a gain in market share that can provide us profitability and a return on invested capital. This is our escape plan. Our premise, in terms of management, is guided by that. Concerning return, we have worked really hard these last two years, with the back to basics. I mean, looking back at the results, returns, holding back on investments to restructure things, to start growing again with profitability brought us quite a different level in the return on invested capital. Sometimes we mention the FIC indicator but there are different concepts used by different people. But, regardless of that, in our accounts we came from a return of 8% to 9% on capital employed, to a return of 15%. So, I would say that, regardless to the concept you use, the delta return is be positive and very meaningful, which I believe all of you must have noticed. You could say: “Oh, but that was due to a decrease in Capex." This is partially true, but you also have to consider that it was due to growth and leverage of important results that we had in 2008 and that we are also seeing in 2009. So, it is definitely a sum of both these factors. Regarding Assai, it is true that we work with a much lower EBITDA margin, but we must remember it also has a very low setup cost. It is a brand that does not work with acquired real estate. It works with rentals varying from 1% to 1.5% of sales, at most. So its return is maximized by a decreased investment, in spite of generating a cash margin of approximately 4%. So, it’s still a format that leverages the consolidated return due to this lower setup cost. Again, we are not thinking of the top line, we do think about sales, but with competitiveness and profitability that, at the end of the day, can bring us an increase in return on invested capital and value creation for shareholders.

I believe we see all that broadly, integrated, and today, our budget is a reflection of a strategy that considers all these indicators combined. I am not sure if Roberto wants to complement my answer about Assai.

José Roberto Tambasco – I just want to reinforce what Enéas said. When we talk about investing in Assai, considering a comparative model such as a supermarket, we are talking in investing approximately 50%, 60%, considering just the store, without the site, per month, and the sales performance or sales productivity per square meter is much higher. This is what leads Pão de Açúcar to evaluate, among its models, the possibilities of converting specific supermarket stores into Assai. This way, we can have more sales productivity, which even having a lower EBITDA percentage, can provide us a more significant cash margin.

Irma Sgarz from Goldman Sachs – Great. Thank you very much.

Carolina Rocha from Sete Investimento – Hello. Good morning. My question is still related to the margin issue. The gross margin trend was quite clear, but can we expect the same for the EBITDA margin? I suppose this is going to be different, but what would be the floor for the EBITDA margin? This was not very clear to me.

Enéas Pestana – I understand your need for a more assertive guidance in terms of margin. At least, I try to. First of all, we should be talking about 2009, 2010 or the next three years. I mean, the influence of this transformation can, in terms of the business portfolio, impact this discussion more or less. So, we would have to go deeper into this subject.

Carolina Rocha from Sete Investimento – But I was actually talking about the future. I mean three years from now, assuming that the company is growing. I am not talking about having a quarter to quarter perspective; I am really talking about a sustainable margin.

Enéas Pestana – Look, as business grows, we will see that the superstore and store network base will also grow. I would say that the situation we are going through now is will reflect on it, or at the end of the day, cause a greater impact. Maybe the curve will start stabilizing next year if we consider the growth we will have in this base. So, we don't have a situation like: “Can we picture an EBITDA margin below 5%?” I would say: not at all. I can't even picture this margin below 6.5% or 7%. Of course, it depends on a lot of things. Because we have a very strong expansion process scheduled for the next year, and at the same time, acquisitions are a possibility. We will have to deal with it when it happens.

Carolina Rocha from Sete Investimento – Okay. Thank you, that’s great, you have given me a good idea of it.

Robert Ford from Merrill Lynch – I would like to know more about Globex's reported same store sales performance. I would also like to know what your expectations are for Christmas sales and, to finish, if the future opportunities for the Company, as a whole, should all come from top line, or is there room for restructuring in lines below?

Orivaldo Padilha – I will explain the first part of your question about the inconsistency in Ponto Frio's same store sales.

Actually, in our press release we disclosed both goods and services results, which are included in services sales, such as extended guarantees and insurance, which grew 26.90% in the quarter. So, that causes a small distortion when you evaluate overall growth. If we only take the merchandise sales, we had a contraction of 17% in store, during the first quarter and a regression of approximately 5.80% in merchandise sales, during the third quarter. Also, during the third quarter, in July and August this segment was still contracting and, in September, it presented a growth in stores of approximately 2%, only from the merchandise sales. I believe that now it's possible to clear the Ponto Frio number issue up a bit. Now, about Christmas, would you like to comment on Ponto Frio's prospects for it, Jorge?

Jorge Herzog – We have very good prospects for Christmas, mainly due to all the preparation we have had with suppliers.

We expect double-digit growth in same store sales for December. Actually, this is our expectation for November and December, because we are already seeing some positive results in November, which reinforces the idea that the numbers we are considering for 2010, 2011 and 2012 are totally in line with what we have been achieving for the last two months.

Operator – Thank you. We now end the question and answer session. I would like now to give the floor to the Company, for its final considerations.

## FINAL CONSIDERATIONS

Enéas Pestana – I would like to conclude the conference call with some small, but important highlights. We are very optimistic about the end of this year. It will end quite differently from the way it started; even though the economic crisis hasn't affected us as deeply as some of you may have thought. We end this year much stronger, consolidating our corporate culture, which is completely focused on results, consolidating a process that began last year after efficiency. The Company has really changed and it was a very significant change in this period. Today, we have a very motivated team which is totally in line with our search for results and value creation. For the next year, we believe we will continue growing, because the economy, as opposed to the end of 2008, seems to be much more positive. 2010 will bring us the World Cup and elections. Elections usually mean a year of liquidity, a year when consumers have more money. The real estate segment has impressed us with its quick recovery and it has been, officially, growing in a very positively, also due to what we believe is a very aggressive government program that which will help leverage a lot our consumption increases for the next year. We will begin this next year, again, with a much stronger capital structure, which allows us to accelerate our organic expansion plan quite a bit. It will also allow us to continue open to take advantage of any acquisition opportunity that is in line with our strategy and that can leverage our return. We will start the year with a growth in sales and with positive fundamentals: growth in same store sales, customer traffic and average ticket as well. We intend to accelerate our expansion, especially under the Extra-Fácil, Assai and Extra hypermarket formats, as we have told you. As we have also said, our focus at the end of this year and beginning of next year, is the dotcom. We truly believe in this segment and that it is possible to come out fighting with the integration between Pontofrio.com and Extra.com

This year will also be marked by the beginning of GPA Malls & Properties operations, and we should announce another important development in this area in the next months. And as for Ponto Frio, which should have its turnaround restructuring concluded soon, it already reaches a current synergy value above R$1 billion, considering we had predicted R$500 million. So, we will begin this year with this business completing a restructuring process, a motivated team to realize this synergy and also leverage itself in 2010 that, with the World Cup, will certainly help increase sales in both the household appliances and real estate segments, because we do know that when you buy a house, you want to furnish your house.  So, this increase or boom we expect in the real estate segment will surely bring our business, either Ponto Frio or household appliances, very positive results. Well, with a lot of optimism, confidence in our country and results, we and this conference call, and thank you all for being here today.

Thank you.

Operator – Thank you. This conference call on Grupo Pão de Açúcar's results is closed. The Group's Investor Relations team is available to answer any other questions you may have.  Thank you all for participating in this call and have a nice day.