Grupo Pão de Açúcar

2Q08 Results Conference Call

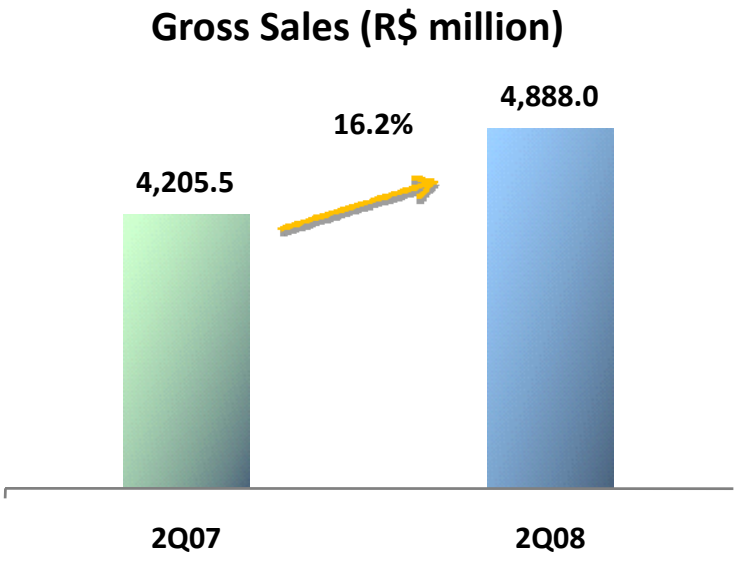
August 7, 2008

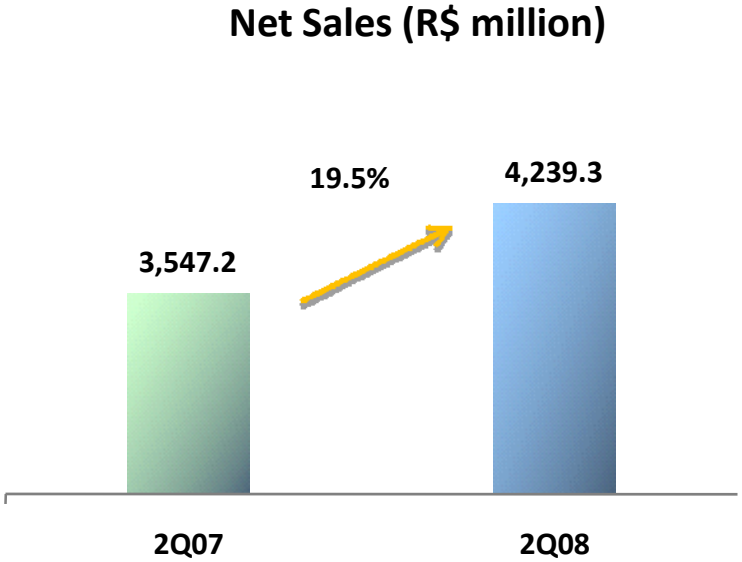
2Q08 Highlights

- **2Q08 gross sales totaled R$ 4.9 billion, 16.2% up on 2Q07, while net sales increased by 19.5% to R$ 4.2 billion;**
- **In the 'same store' concept, gross sales moved up by 4.3% and net sales by 7.4%;**
- **Total operating expenses represented 18.9% of net sales, recording a year-on-year reduction of 280 bps*;**
- **2Q08 EBITDA totaled R$ 303.7 million, 33.0% up year-on-year** (28.9% in the comparison with 2Q07 pro-forma EBITDA), with a 7.2% margin;
- **Sendas Distribuidora recorded year-on-year EBITDA growth of 213.5%**, with a 4.2% margin;
- **Equity income moved up to R$ 1.4 million in 2Q08**, versus a negative R$ 10.9 million in 2Q07;
- **2Q08 Net Income of R$ 60.4 million**, 118.9% up on 2Q07 figure (82.8% on the comparison with 2Q07 pro-forma net income).

*** bps: basis points**

Sales Performance

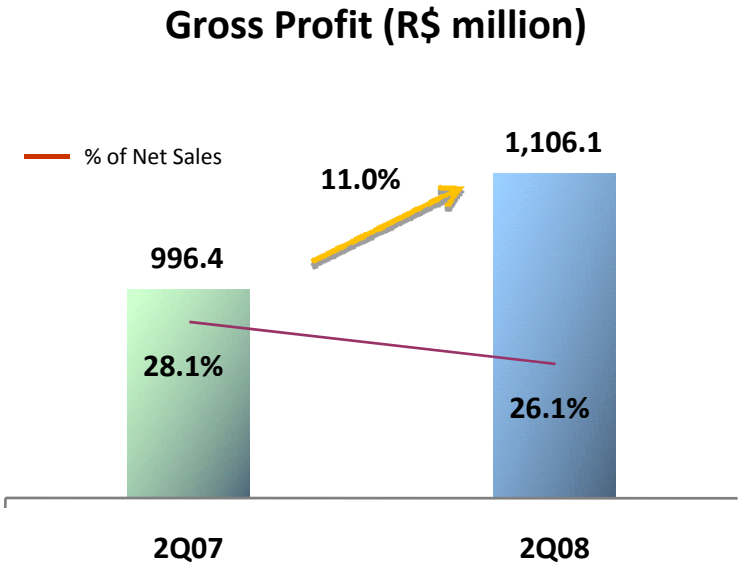




Highlights:

- **Gross and Net Sales growth of 16.2% and 19.5%,** respectively;
- **In the 'same store' concept**, gross sales moved up by 4.3% and net sales by 7.4%;
  - **Food** products: year-on-year growth of 2.4%, impacted by the calendar effect (Easter falling in the first quarter this year);
  - **Non-food** items: 10.4% growth, led by the sub-categories general merchandise ("Mundo Casa") and entertainment ("Mundo Entretenimento");
  - In terms of format, **CompreBem, Extra-Eletro and Extra.com.br**. were the best performers;
  - **Hypermarkets** recorded an increase in market share;
  - **Group sales outperformed the sector averages.**

Gross Profit and Gross Margin

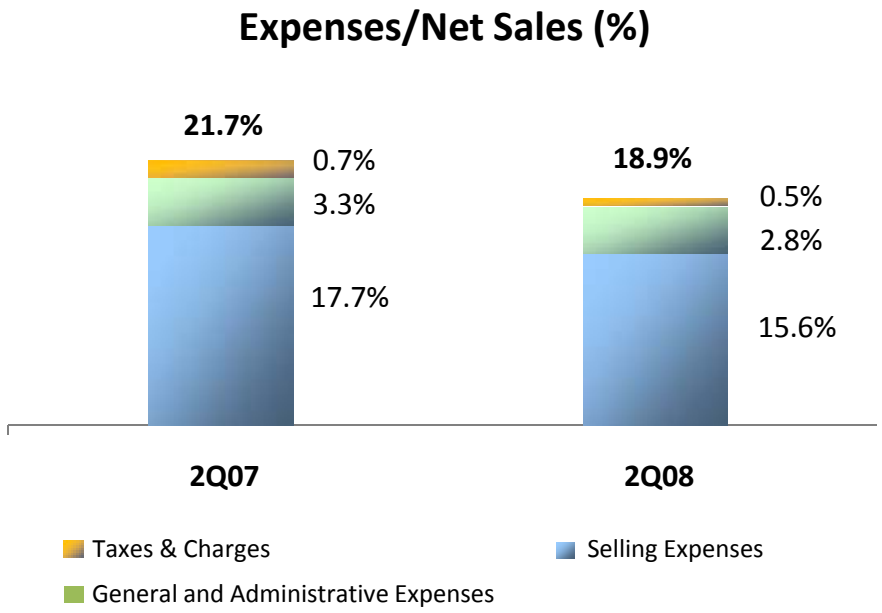


Highlights:

- **2Q08 gross profit moved up 11.0% up year-on-year**;
- **Gross margin of 26.1%,** a year-on-year reduction of 200 basis points due to:
  - Maintenance of the price competitiveness strategy;
  - The increased share of electronics items;
  - The consolidation of the Assai chain;
  - Specific promotions of low-turnover non-food products;
  - The change in the São Paulo ICMS (state VAT) tax system.
- **Assai impacted gross margin by 90 bps*.**

*bps: basis points

Operating Expenses



- **Key rationale for reduction:**
  - Marketing;
  - Revision of contracts;
  - Third-party services.

- **Stricter control in:**
  - Personnel
  - Rent

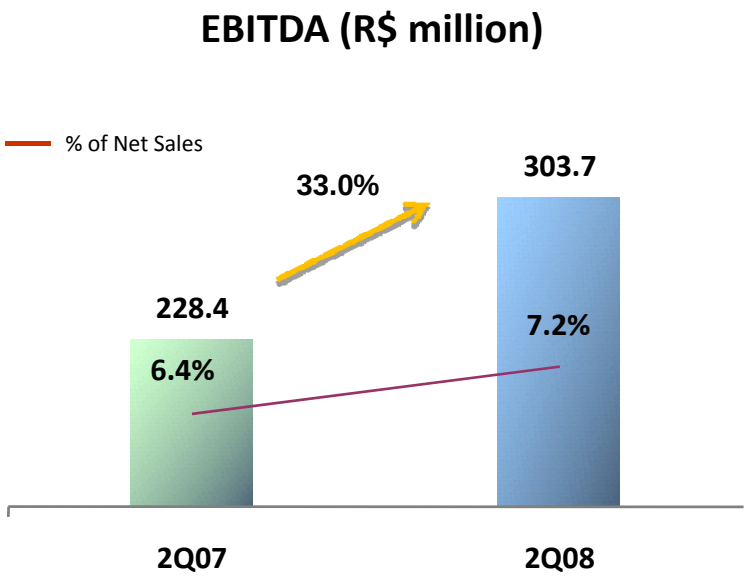
▷ **Expenses grew less than sales**

Highlights:

- **SG&A expenses totaled R$ 779.8 million in 2Q08, 4.9% up year-on-year** (this growth would have come to 5.9% in the comparison with the 2Q07 pro-forma SG&A expenses);
- **Operating expenses represented 18.4% of net sales, recording a year-on-year reduction of 260 basis points:**
  - 210 bps* of reduction in selling expenses;
  - 50 bps* of reduction in general and administrative expenses.
- **Total operating expenses**, including taxes and other charges, **represented 18.9% of net sales**, lower than the annual target of 19% and result of stricter cost control discipline adopted by the expense committee.

*bps: basis points

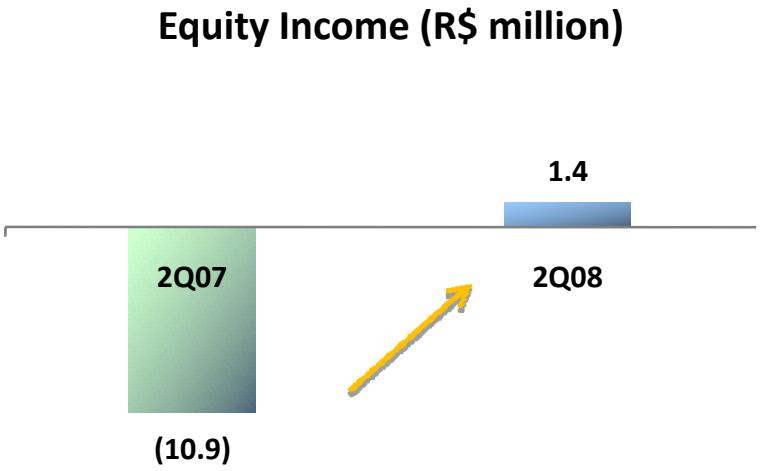
EBITDA and EBITDA Margin



Highlights:

- **2Q08 EBITDA totaled R$ 303.7 million, 33.0% up year-on-year.** In the comparison with 2Q07 pro-forma EBITDA , growth came to 28.9%;
- **The EBITDA margin stood at 7.2%**, an improvement over 1Q08, when Easter pushed quarterly sales;
- **EBITDA margin moved up by 80 basis points year-on-year;**
- **Year-to-date operating results were in line with the Group's period strategy and budget;**
- **Excluding Assai, the EBITDA margin would have come to 7.5%.**

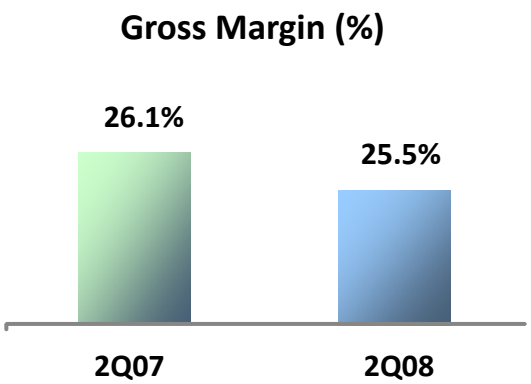
FIC (Financeira Itaú CBD)

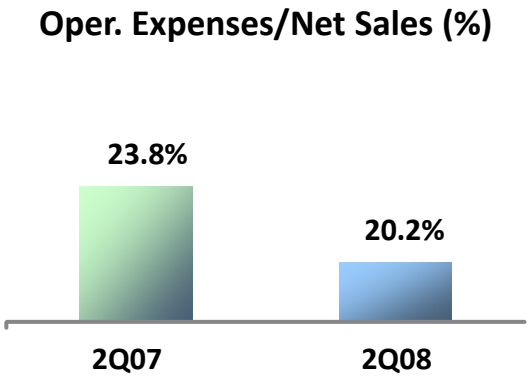


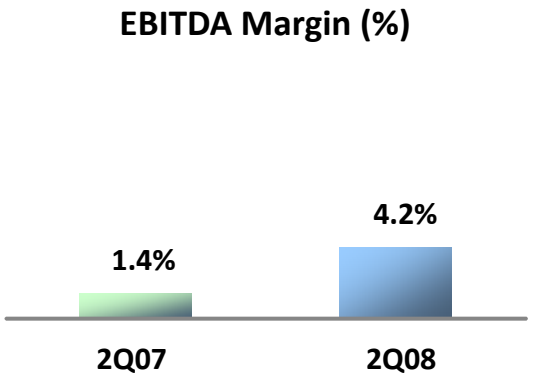
Highlights:

- **FIC - Financeira Itaú CBD generated equity income of R$ 1.4 million, versus a negative R$ 10.9 million in 2Q07;**
- **The client portfolio closed the quarter at 5.7 million and the receivables portfolio at R$ 1.3 billion**;
- The main reasons behind this performance were :
  - Growth in card activation;
  - The migration of private label cards to Mastercard co-branded cards;
  - Growth of extended warranty penetration in electronics sales;
  - Sales team training;
  - Default levels under control.

Sendas Distribuidora







Highlights:

- Gross sales totaled R$ 796.4 million and net sales came to R$ 693.9 million, respectively;
- Operating expenses (SG&A expenses) fell 13.4% year-on-year in absolute terms and 360 bps*, as a percentage of net sales;
- EBITDA growth of 213.5% year-on-year;
- EBITDA margin of 4.2%, a 280 bps* improvement and three times higher than in 2Q07;
- Results were impacted by the absence of the Easter holiday, which in 2007 took place in April (2Q).

*bps: basis points

Highlights:

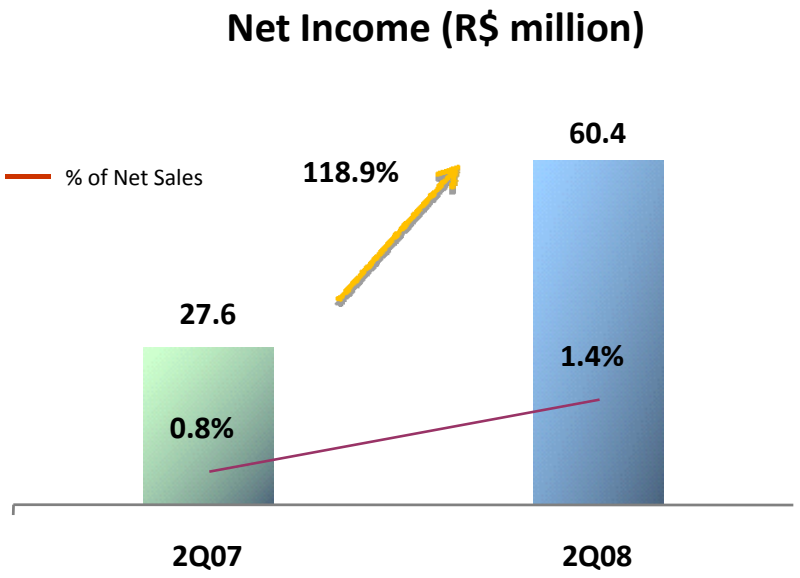
- Gross and net sales totaled **R$ 325.6 million** and **R$ 284.1 million**, respectively, equivalent to **6.7% of the Group total**;
- Gross profit stood at R$ 39.1 million, with a **gross margin of 13.8%**, 60 bps* higher than the 1Q08 figure;
- EBITDA totaled R$ 5.9 million, with a margin of 2.1%;
- The target is the recovery of EBITDA margin as of the second half of the year;
- Net income totaled R$ 2.1 million, generating a negative minority interest of R$ 0.7 million.

Results impacted by:

- Adequacy of controls, systems and accounting methods in accordance to Grupo Pão de Açúcar's standards;
- Consolidation of competitive pricing strategy aiming at increasing market share (Guarulhos and Jundiaí);
- Remodeling of stores which are responsible for high percentages of the banner's total sales.

*bps: basis points

Net Income and Net Margin

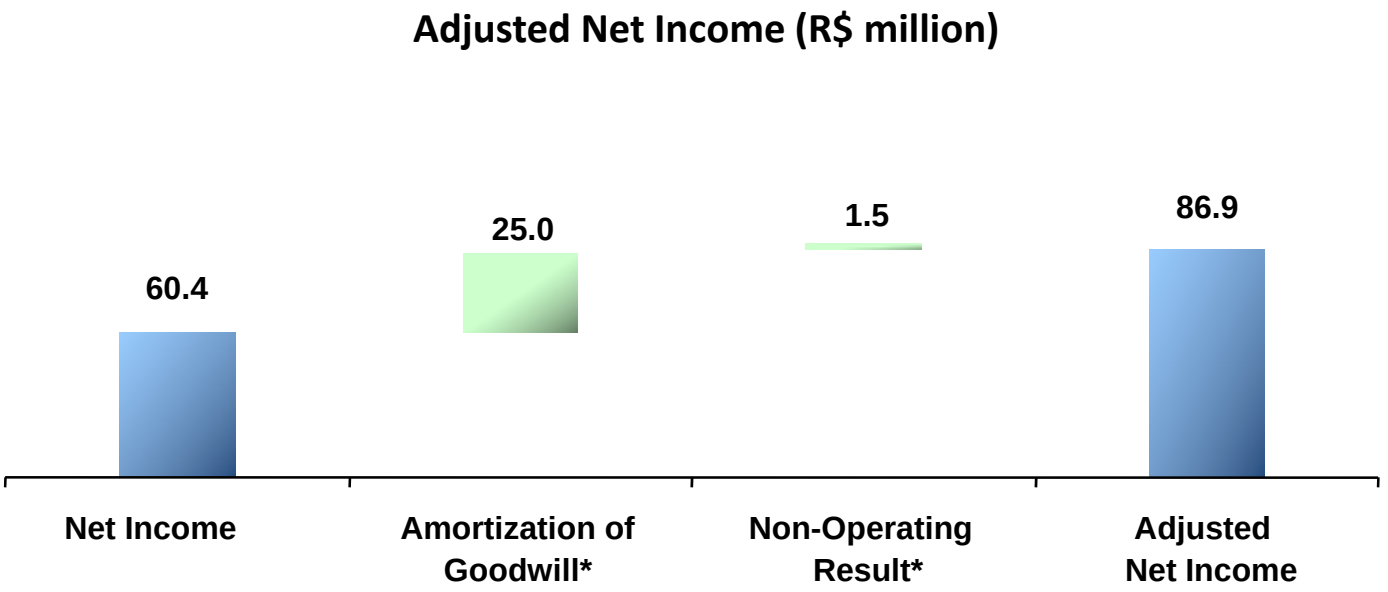


Highlights:

- **The Group posted a second-quarter net income of R$ 60.4 million**, 118.9% up on the 2Q07 figure.

  In the comparison with 2Q07 pro-forma net income, growth came to 82.8%.

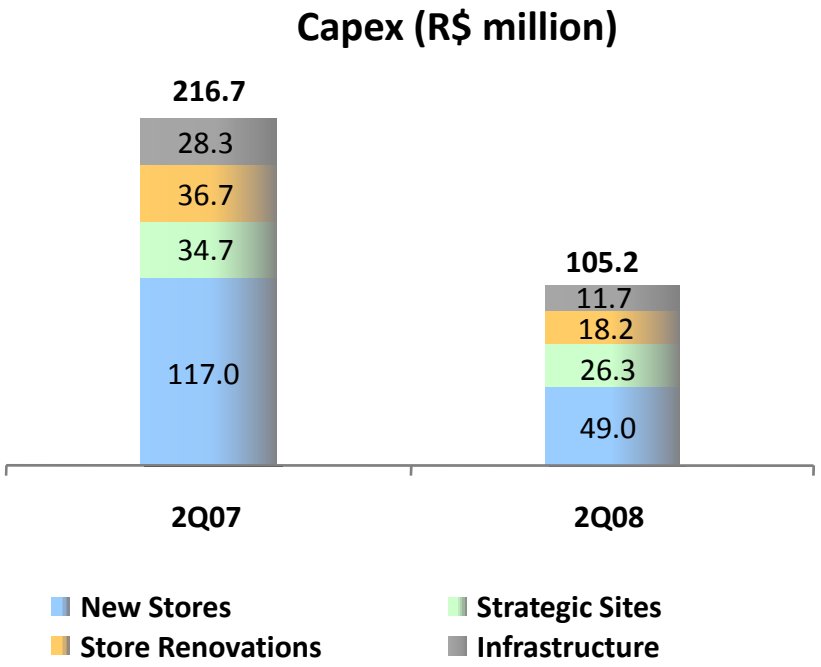
2Q08 Adjusted Net Income



- If non-cash expenses were excluded, **net income would have come to R$ 86.9 million in the 2Q08.**

*Net of income tax

2Q08 Capex



- Opening of two new Extra Fácil and one Pão de Açúcar;
- Construction of one Extra, one Extra Perto and one Extra Fácil;

Stores by format

	Pão de Açúcar	extra Hipermercados	CompreBem	Sendas	extra eletro	extra Fácil	extra Perto	Assaí Atacadista	Grupo Pão de Açúcar
Jun 2008	154	91	173	62	42	22	15	16	575
									1,328,884 m^2

Price Inflation

Inflation - Considerations

The Company's food prices have been following the Amplified Consumer Price Index – General Index (IPCA) instead of the Food IPCA due to the following factors:

Compatibility of Products (baskets)	• The Food IPCA does not comprise the whole product mix traded by GPA. The best example is Personal Care and Cleaning Products, which has no product contemplated by the index. • Also, the brands traded shall be taken into consideration once the products are generically audited (randomly) by the Brazilian Institute of Geography and Statistics (IBGE).
Families' Profile	• The products' weight in the composition of IPCA is determined by the Family Budget Survey (POF), which, in this case, assesses families with income ranging from 1 to 40 minimum wages. • Example: rice accounts for 3.61% of Food IPCA. As for our sales, the same rice represents 1.30% of Food category.
Importance of the Sales Channel / Region	• The weight featured by regions and purchase channels are also incompatible in comparison to GPA.

Inflation - Conclusions

1	• IPCA shall not be directly compared to our sales' performance. • Baskets are not equivalent.
2	• When assessing equivalent baskets, GPA follows the market's inflation.
3	• The price impact on the volume varies depending on the product type.
4	• Generally, the market has not been immediately and totally transferring the cost increase to the consumer, bringing about momentary margin reductions.
5	• The main industries point to cost increases, especially due to raw material, services and export market.
6	• Currently, the pressure placed by suppliers concerning the price increase is lower than it was at the beginning of the year.
7	• There are specific and price increase-related consumption migrations, but there are no relevant changes in the consumption pattern.
8	• Despite inflation / price increase, the Company's volume has been growing.
9	• The reproduction of the Food IPCA's product basket at the Company leads to an inflation rate in line with the Food IPCA (16.7% in GPA vs. 18.45% in IPCA).

Forward-looking Statements

The forward-looking statements contained herein are based on our management's current assumptions and estimates, which may result in material differences regarding future results, performance and events. Actual results, performance and events may differ substantially from those expressed or implied in these forward-looking statements due to a variety of factors, such as general economic conditions in Brazil and other countries, interest and exchange rate levels, legal and regulatory changes and general competitive factors (whether global, regional, or national).

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