

## Q2 2011 Earnings Call

### Company Participants

- Francois Bloquiau, IRO

### Other Participants

- Carlos Albano, Analyst
- Irma Sgarz, Analyst
- Juliana Rozenbaum, Analyst
- Philippe Lagayette, Analyst
- Renata Coutinho, Analyst
- Ricardo Boiati, Analyst
- Tobias Stingelin, Analyst

### Presentation

#### Operator

Good afternoon. And thank you for standing by. Welcome to the conference call of B2W Companhia Global Do Varejo to announce the earnings release of the Second Quarter and the first half of 2011. Today with us, we have Mr. Francois Pierre Bloquiau, B2W's Investor Relations Officer and Mr. Marcio Cruz Meirelles, Investor Relations Officer of Lojas Americanas.

This conference call is being recorded and all participants will be connected in listen-only mode during the Company's presentation. We will then start a Q&A session when further instructions will be provided. (Operator Instructions) The audio of this event will be available for a replay right after it's sent for one week. You should also be reminded that today's event has a support presentation available at [www.b2winc.com](http://www.b2winc.com).

Before proceeding, we would like to clarify that any forward-looking statements made during this conference call, regarding B2W's business outlook, projections, operational and financial targets are near beliefs and assumptions of the Company's management and are based on information currently available.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions because they refer to future events and, therefore, depend on circumstances that may, or may not, happen. Investors should be aware that general economic conditions, industry conditions. And other operational factors may affect the future performance of B2W. And may, therefore, lead to results that will be materially different from those expressed in such forward-looking statements.

Now, I would like to turn it over to the speaker who is going to start the presentation. Mr. Francois Bloquiau, you may proceed.

## **Francois Bloquiau** {BIO 17267717 <GO>}

Good afternoon, ladies gentlemen. first of all, I would like to thank you all for your attendance to our conference call to announce the results of the Second Quarter and first half of 2011. B2W, a leading company in electronic commerce in Brazil, that was formed from the merger of Americanas.com and Submarino.

And currently has a portfolio with the brands Americanas.com, Submarino, Shoptime, B2W Viagens, Ingressco.com, Submarino Finance, Blockbuster online and mesaexpress.com.br which offer more than 35 categories of products and services through the following distribution channels, internet, telesales, catalog sales, TV channel and kiosks.

Before we start our presentation, the first semester of 2011 was typical for the Company. The problems with deliveries, that we were faced with in late 2010, required, from us, major mobilization and action to place total focus on customer service as a consequence we implemented important measures that were necessary. And in the short term, limited the growth of our sales. But made it possible for us to provide much better delivery services to our services. To solve, with great speed, the problems we were dealing with.

These measures had an impact, about 80% of this line is formed by and indemnity two [ph] per customers and legal fees. In parallel, we started a revision process of all our customer services processes, including, the restructuring of our operational network, the optimization of logistic processes, with a significant impact or focus on distribution processes. And improvement of our customer service structure.

It was a difficult semester, full of learning. But we learned a lot and improved a lot in terms of customer service, quality of customer service, problem solving. And quality and delivery. This focus on the customer will remain being our top priority over the coming months, because we are sure that these significant improvements will make our company increasingly more competitive. Now, we are going to start our presentation on slide 3.

On slide three, you can see the main highlights of the first semester of 2011. These very important results have been reached, of which we highlight. The net revenue reached BRL2,011.3 million in consolidated and BRL1,867.4 million in the controlling company.

Then the gross profit reached BRL553.9 million in the consolidated and BRL465.9 million in the controlling company. The equity equivalence reached a net gain of BRL7.7 million. There was an approval of a capital increase on June 14th, worth BRL1 billion. BTW has completed the acquisition of the restaurant booking website, MesaExpress.

Submarino Card had a 32% participation, or share, in the sales of the website Submarino. Caixa Expresso or the ATM, in Ingressco.com, is the fastest way to buy on the internet now. Also, available at Ingressco.com.

The consolidated net revenue of the first half of the year reached BRL2,011.3 million, an 8% growth in contrast with BRL1,867.1 in the first semester of 2010. The net revenue of the controlling company reached BRL1,867.4 in the first half of 2011, in contrast with BRL1,767.5 in the first semester of 2010, representing a 6% growth.

Now, on slide five, we will be talking about the net income. In the first half of 2011, the consolidated gross income was BRL553.9 million, a 6% growth, as compared to BRL521.2 million in the first semester of 2010. In the controlling company, the gross profit reached BRL465.9 million in the first semester of 2011, a 1% growth, as compared to the gross profit of BRL460.8 million in the same period in the previous year.

On slide six, you can see the consolidated financial result in the period. In the first semester of 2011, the consolidated financial result was negative by BRL170.8 million, a 24% growth, as compared to BRL138.2 million registered in the same period in the previous year.

As you can see on the table on this slide, the AVP adjustments, in the First Quarter of 2011, were positive by BRL11.2 million whereas, in the first half of 2011, this adjustment was negative by BRL10.5 million. So this PVA adjustment, in the net financial result of the first half of 2011, the increased of 7% as compared to the first semester of 2010.

On slide seven, we will be talking about the Company's capital increase. On June 14th of 2011, it was approved the increase of the share capital of the Company (inaudible) billion reais with the issue of 46,253,470 new shares. Common, nominative book shares, with no par value, at the issue price of BRL21.62 per share.

The capital increase aims to improve the capital structure of the Company, allowing a significant increase in investments meant for technological improvements. And the development of logistics and operations. Allowing us to accelerate the growth and consolidate the leadership position in the market.

The great adoption of this capital increase shows the trust of our shareholders in the Company's business plan. In this table, present in this slide, you can see the participation, or the share, of our controlling shareholders increased from 56.57% to 58.87%.

In slide eight, we'll talk about investment in innovation. Throughout the first semester, B2W invested BRL212.6 million. Such investments were concentrated in the operations, logistics and technology. B2W has been investing, constantly, in the optimization of its logistics systems, in a way to offer its customers an excellent service level.

Throughout the first half of the year, new equipment was installed and several construction works were finalized in the distribution centers, increasing the levels of automation, which decreased the delivery time of goods and errors due to human failure. We also installed new systems and new software to meet tax and legal demands.

Another important investment area is the development of the new service system that allows B2W to operate in a much more effective and assertive way. According to its path of innovation, B2W continues to invest in new functionalities, with the objective to improve the purchasing experience, improving the conversion rate. And reinforcing the brand's positioning.

Among such innovations we highlight the purchase of the website to make reservations for tables MesaExpress. B2W finished the acquisition of the MesaExpress.com.br website, booking management site, that allows customers to ensure their places through the web Caixa Expresso, at Ingresso.com. The fastest way to buy over the web, now is also available to buy tickets. Now, people can buy tickets to movie theaters, theaters. And large events at one click.

The new technological platform of B2W Viagens was launched that allows us to improve the intelligence in payment terms. Recommendation of products at Submarino. Based on the history and browsing and purchasing of the customer, Submarino now recommends products that interest that customer anytime he accesses the virtual store of Submarino.

With this tool, it's impossible to focus on consumers experience and offer products according to the need and desire of each customer. Cross-sells Submarino, with this tool, when accessing the shopping cart, the customer receives recommendations for products related to the selected item. Thus, another tool of, in addition to offering a customized service, this tool encourages impulse purchasing. In addition, a series of new technological features will be launched in the next brands such as, Americanas.com and iPhone, Shoptime at iPhone. And Video on Demand.

In slide nine, we'll talk about the highlights of the subsidiary companies, Ingresso.com. B2W, according to its growth plan, continues to increase its presence in other countries. And it's already present in 294 movie theaters in Mexico, 108 rooms in Chile. And 83 in Argentina. In the partnership with Hajji Cinemark, the network of movie theaters, the Company continues to prospect for new countries to replicate its business model.

In Brazil, Ingresso.com continues with a strong rhythm of growth, boosted by the sales of tickets to large blockbusters, with specific seat. In addition, Ingresso.com operates, exclusively, the sale of tickets to Rock in Rio 2011. It has invested in improvements to increase the comfort and easiness for its customers, such as, Caixa Expresso.com, that renders the purchase processes faster.

B2W Viagens, in line with the growth expansion of the Company, B2W continued in the Second Quarter of 2011 the restructuring of its business model of online travel in Argentina and Brazil. This area has had high growth rates, interesting by the investments in technology that allows us to improve the intelligence in payment terms. In addition, we continue to invest in innovation and quality of service, offering the best services in three brands, Submarino Viagens, Americanas Viagens. And Shoptime Viagens.

Submarino Finance, the share of its own cards, in sales, has been increasing gradually, reaching the rate of 32% in the total sales of the Submarino website in the first half of 2011.

Currently, Submarino has more than 650,000 private label cards.

In slide 10, we would like to reiterate our prospects. The strategy of B2W is always to improve its competitive position in the retail market. Through growth in sales and generation of operating cash flow. Through continuous improvement of our operations. Obtaining of operational synergies and competitive advantages, through the integration of our channels.

Ingresso.com, B2W Viagens and Submarino Finance. Constant upgrading of technology and innovation for all of our business units. Striving for new levels of efficiency in operations and logistics. Training of our associates to deal with the challenges that emerge in the Company, as the Company grows.

Increase our base of active customers. Increase the frequency of purchases by our customers. Innovation and new internet business and, overall, a broader customer service that will continue to be the focus of the Company in the months to come. With this, we've finished the presentation of the Company's results for the Second Quarter, first semester of 2010. Now we move to the Q&A session.

## Questions And Answers

### Operator

Excuse me ladies and gentlemen. we are now going to start our Q&A session. So that everyone has time to participate, we kindly request you to be brief in your comments. (Operator Instructions) Our first question comes from Mr. Philippe Lagayette from JPMorgan.

### Q - Philippe Lagayette {BIO 1440648 <GO>}

Hi. Good morning everyone. I have three questions. The first one is about your growth in net revenue. Could you share with us, in this relatively weak growth, is it because of change of habits in consumers? Do you see any change because of higher inflation? Also, do you believe that the fact that you're having delivery problems in December, have an impact on your top line? If you could, provide us details of the difference and compare your growth in Rio to other regions in Brazil?

### A - Francois Bloquiau {BIO 17267717 <GO>}

Philippe. Good morning, thank you very much for your attendance. Philippe, really, we don't usually talk much about consumer habits and its evolution. In terms of growth, we consider it that we can't really see very clearly this impact, because, there are many factors that may influence our growth. What we can say is, in terms of shopping habits, the behavior agrees with what we usually see.

As to the delivery point, well clearly, as I said during the presentation, the problems that we went through in delivery, yes, they did have an impact on our sales. We had to adopt

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measures to, first of all, provide better services to our customers and to deal with the problems we were faced with.

So those remeasures that somehow, had an impact in our sales in the first half of this year. So much that our growth was not as much as we were originally expecting. For example, we wanted to increase direct [ph] delivery times which is our commitment to our customers. This only made our delivery times different from the conditions offered by other companies in the market. We placed priority on, now, a capacity to meet the delivery times to our customers.

Then, because of that, our sales were, sort of, affected by that. We didn't really notice that Rio de Janeiro had a different performance, as compared to the rest of the country. There was not a significant delta, comparing the city of Rio de Janeiro to other states where we operate.

**Q - Philippe Lagayette** {BIO 1440648 <GO>}

Okay, Francois, as to the acquisition of MesaExpress, could you share with us, in numbers and amounts, I would figure it's a small amount. How much did you pay? What's their customer base?

**A - Francois Bloquiau** {BIO 17267717 <GO>}

You're right, it's a relatively small amount acquisition. We decided not to disclose the amount. Also, we are not going to announce their customer base. Maybe, over the next few months, as we integrate MesaExpress in our platform, Ingresso.com, we will talk more about this operation. For the time being, we don't really want to share this information.

**Q - Philippe Lagayette** {BIO 1440648 <GO>}

Thank you very much, Mr. Bloquiau.

Operator. Excuse me, our next question comes from Mr. Ricardo Boiati from Bradesco.

**Q - Ricardo Boiati** {BIO 16528742 <GO>}

Good morning, everyone. We would like to talk about our problems with logistics problems. Could you detail which were the initiatives to solve these problems? What is your focus to improve customer service? What are you focusing on in order to improve your relationship with customers and the shopping experience of consumers in your platform?

Why did these expenses take place in the Second Quarter if the problem was late last year in December? Couldn't you have done that in the First Quarter? Why did you have to wait until the Second Quarter to implement all these changes for improvements?

**A - Francois Bloquiau** {BIO 17267717 <GO>}

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Good morning, Ricardo, thank you very much for your attendance. Well the initiatives that we took, it's important to highlight, that we did not wait until the Second Quarter to react. Indeed, we had immediate reactions, as soon as the problems came up, which were the initiatives we took. Our top priority was, really, to try to solve the cases when customers were really waiting some product. The product had not been delivered. So we really prioritized the solution of those problems, because of deviation of merchandise, additional deliveries, or resending of goods.

That was, really, to try to solve the customers problems. Other measures that we adopted for the future, was to reinforce our customer service structure and develop a new customer service system in our platform. So this was measures that we took. In fact, they are measures that are still being implemented. We have a short-term project that we're implementing. And are already providing good results, as compared to longer-term measures results you're only going to see over the next few months.

before anything. And above all, the most urgent. And a top priority today in our strategy, is to meet our commitment with our customers. So we want to provide a given product with a given quality, to be delivered within so much time. This is our top priority, above all, before anything, we want to deliver the product, in the time that we promised.

So today. And I mentioned, we are having longer times. Today, in B2W's website, we'll be seeing that the times offered are larger. Sometimes, the customer may even get the product before the time. That's a good surprise. So they may be surprised. We don't want to disappoint them. So that's why we wanted to focus on delivery.

So our focus in on a fast solution and providing prompt responses to customer questions. They're not really sure about delivery time. They are not sure how to exchange some things they bought, or quality of product, whatever. So today we are creating a number of cells [ph] to answer their questions as fast as we can. And to solve as fast as we can any problems that may arise.

Of course, we want to limit the number of problems. Problems will always happen. The result is a small percentage. Our role, in this case, is to have the best performance possible in solving those problems.

Finally, as to your question about expenses, if you pay attention, the flow of logistic problems, you will see that the resolution, when the problem is critical and generates costs, it takes sometimes awhile. The product doesn't arrive. It's not delivered. Then, there is a time, within the transportation company, for the information to be sent back to us. Once we have the information. And we have some time to solve it in the best way -- and sometimes the best way, especially last year, it took a while. So the whole process. And for everything to happen, it takes some time until it generates any expense.

So 80% of our expenses, that are an exception and non-recurring, are related to paying damages to customers and legal fees. So some things that took place after we talked. We had to pay them for the damages they suffered. All of this, also, takes a while. So these

expenses -- it doesn't mean that we only did something about it too late -- appear in the Second Quarter, because, all these processes take a while.

**Q - Ricardo Boiati** {BIO 16528742 <GO>}

Just one follow-up question about your answers. First of all, longer delivery times, what's the affect this may have had? Did it have a negative impact on sales? What is the current situation in logistics? Has the problem been solved? Or is there still improvements until your delivery platform is 100% good? Should we expect any additional expenses related to the problems that occurred?

**A - Francois Bloquiau** {BIO 17267717 <GO>}

Well as for the delivery times, it's hard to measure that in numbers what has been the impact on sales. As we know, the customer behavior, on the web customers go and check the delivery times and the payment term. When the delivery time is longer, then the one offered another websites, you end up with a disadvantage over your competitors.

So in fact, that does have an impact on sales, for sure. We noticed that when you change the number of installments that one can pay, that purchase, or the delivery time or the credit terms, that has an immediate impact on sales. If you ask me how much has been impacted, I'm sure that finance has more details about that. I'm sure that has been an important impact and a significant one.

Well the improvements, in logistics, have been significant throughout the Second Quarter. When we look at placed orders during the Second Quarter, we are very excited about results. We do consider that we have improved this operation quite a lot. Even so, we are never satisfied. We want more. We want a better performance. We're never satisfied with our current performance.

The improvement of logistics is a continuous process. We really want to get back to even more competitive delivery times and offer a more competitive service to our end customers. So this process is a continuous one.

As for expenses, in the future, we believe that the Second Quarter has not been typical. There have been many special events that occurred. In the future, we expect an improvement.

**Q - Ricardo Boiati** {BIO 16528742 <GO>}

Okay. Thank you, Francois.

**Operator**

Excuse me, our next question comes from Irma Sgarz from Goldman Sachs.

**Q - Irma Sgarz** {BIO 15190838 <GO>}



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Good afternoon. Actually, most of my questions have been asked already. I would like to understand, do you still expect these expenses to remain in the Third Quarter? Where do you think that the improvement in the logistics platforms and technological innovations, that you have been implementing recently -- we're trying to understand -- until when will that be shown in results? What are the main lines of operation that will be impacted by that?

For example, or in line on the balance sheet. So we should expect a reaction in sales or a decrease in expenses? Or maybe -- I would like to understand what kind of dynamics you expect, both for the second half of this year. And 2012?

**A - Francois Bloquiau** {BIO 17267717 <GO>}

Irma, thank you very much for your question. Well I'd say that the outlook, considering the first half as not typical, we do expect to have a much better second half of the year. In terms of sales, we want to have a two digit growth rate. Going back to growing, management is not pleased with the growth we had in sales in the first half. We want to improve that. We want to keep our focus on the customers. In addition to that, we will have all the measures implemented. So that, operations may be able to service customers in the best way possible.

That is very important. You can look at the impact of this priority in two ways. In the short-term, there are expenses we've had and we may have in the future, as well, in order to serve our customers. In the long-run, there is a series of investments, in logistics and operations that have improved throughout this year and will remain to do so, until the end of the year, in the most significant way. So we'll have logistics efficiency.

In terms of these expenses, they will be quite positive. Our current challenge is related to our size. So today, we have 20 million orders placed by -- for customers. 99% of orders don't have any problem. If you have 1% of orders with problems, that's 200,000 customers that may have had some trouble, in terms of, being not satisfied with their service or some delivery problems. We are so big a business that we are less and less entitled to make mistakes. Because of that, we have to control expenses very much.

**Q - Irma Sgarz** {BIO 15190838 <GO>}

Okay. Thank you very much, that has been very useful. Only two more questions. With regards to those innovations that you've made, in terms of recommending products and the Submarino website, when is it that you, actually, started to implement this? What has been the first response, or the first feedback -- maybe it's too early to know -- you might have some feedback about customer responses and figures for that?

Secondly, as for MesaExpress, do you have any guidance on sales? I know you're not going to tell how much you paid for it. Anything, maybe, relating to sales or to investments that will demand? Thank you.

**A - Francois Bloquiau** {BIO 17267717 <GO>}

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Well in terms of products, we had a pilot in the beginning of the year to find out if it really worked. Before it goes online, we've tested, widely. So we had a pilot in the First Quarter. In the Second Quarter it was on the air. It was very positive. We have very good reception from customers after it went live which was very successful, in terms of joint purchase of related products.

Of course, this is a process that requires some technological intelligence. We have a scoring that associates products. The type of scoring improves what we see and the behavior of our customers, in real life, for this module to operate.

We already have good results in the second half of the year. This was a product association system. In terms of guidance, we don't really give any guidance right now. We want to grow by more than two digits this year.

**Q - Irma Sgarz** {BIO 15190838 <GO>}

But I was talking about MesaExpress. Can you give us any details about the size and investments?

**A - Francois Bloquiau** {BIO 17267717 <GO>}

Well we are going to invest a lot, that's for sure. You will see that those investments will, actually, provide interesting results for us once they are integrated in the Ingresso.com system. It's very similar to open table, which is, available in the US. It's very successful. It's an operation for restaurant booking. We want to do the same thing. We will try to integrate this functionality as part of our other services that we offer.

We cannot disclose any amounts yet. The investment will be significant. We are also going to invest focusing on the integration with other services we have on our website. Thank you very much.

**Operator**

Excuse me, our next question comes from Mr. Tobias Stingelin from Santander.

**Q - Tobias Stingelin** {BIO 1557190 <GO>}

Good afternoon, everyone. I have the first question. I would like to understand what really happened in December 2010? How can we be sure -- I know it's difficult, you can't ever be 100% sure but how do we know that this will not happen again? For you to grow, you have a combination of price, delivery times and freight prices.

If we look at your gross margin, we are going to see that your gross margin is 300 basis points. So in terms of delivery times. So, it didn't really evolve. Did your problems lead to a perception of a weaker brand that may affect your overall performance? Is it something temporary, passing, or has the damage been more permanent?

**A - Francois Bloquiau** {BIO 17267717 <GO>}

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Thank you very much for your participation. As to 2010, it's precisely the problems we mentioned before. We have widely talked about how they are related to the fact of demand. At the end of 2010 was very hard. Not just for us. But also for the rest of the market. Our logistics structure, of the market, did not have enough suppliers. Also, there was not enough flexibility. From our side, as we said before, we lacked planning. We didn't plan the peak in orders and the type of situation in the market.

So this is what really happened. Many delivery problems came up. Just giving you another example, there was a very high total number of orders with problems that we had to deal with. During the First Quarter, we did our best to solve them. We prioritized speed in solving customer problems.

That ended up having an impact in our operations. As to your question about price, delivery times and freight prices, I don't think that the problem is related to the brand. In fact, the measures that we adopted to improve the quality of our offers to customers, led us to less of an advantage.

So once you have longer delivery times, it's more difficult to bill freight from customers. So we had to resort more to the tool of free freight, although we don't really like that, because, if you offer longer delivery times then on top of everything you still bill the freight -- it's too much. So we prefer to use the free shipping tool.

In terms of payment in installments, we saw that the market is still practicing interest-free installment payments on the internet. It's something that we cannot ignore. So we also had to make an effort to offer good installments with good advantages to customers. As I told you, in the end, we prefer to have an offer that on the whole, looks attractive to our customers. So we had to compensate our longer delivery times.

#### **Q - Tobias Stingelin** {BIO 1557190 <GO>}

Thank you very much. What about your traffic? Can you share anything with us? Any trends, any changes? I know that the market, as a whole, has been growing. Could you disclose any information?

#### **A - Francois Bloquiau** {BIO 17267717 <GO>}

Well in terms of traffic or flow, we didn't have any significant changes. We have had a reasonable growth as compared to the market. The problem is not with site visits. We are okay with that.

#### **Q - Tobias Stingelin** {BIO 1557190 <GO>}

Thank you very much. Just one last question. Actually, it's a request. If we look in the Second Quarter. So again the 20% of EBITDA is defined by you. So the criteria are not excluding what is non-operational. Can we have some disclosure in terms of the profit of these operations? There is not too much information. Do you have any other numbers that you could share with us for us to understand more? Considering that this is an increasingly more relevant piece of information.

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**A - Francois Bloquiau** {BIO 17267717 <GO>}

So far, the disclosure we can give you is what we're telling you here. Today, it's more important to look at B2W in the consolidated way. It is a service company. It's a multi-channel, multi-business, multi-brand company. But the multi-business is very important. And that is well illustrated by the growth in the subsidiary, in tickets and travel businesses. It has grown both in sales and EBIT. I can't give you specific data.

But now, with MesaExpress, that really emphasizes the B2W strategy of broadening the service options provided to customers. That's what we can say for now is for the subsidiaries. You can also view subsidiary by subsidiary. In terms of --

**Q - Tobias Stingelin** {BIO 1557190 <GO>}

Thank you very much.

**Operator**

Excuse me, our next question come from Juliana Rozenbaum from Itau BBA.

**Q - Juliana Rozenbaum** {BIO 2155607 <GO>}

Thank you very much. I would like to explore a bit about the gross margin. What happened in the quarter? Is this margin really lower than what the Company had given us regard to the parent company only? Or was it a market strategy to become more competitive, right?

So since I'm not being able to deliver, since the delivery times are longer, then let's give more promotions and try to gain customers. But it wasn't -- didn't work, because sales didn't increase in the quarter or in the semester? So maybe it's a part of the mix that I'm not seeing. So what has led to this situation in the Second Quarter?

**A - Francois Bloquiau** {BIO 17267717 <GO>}

Good morning, thank you for your question. Well in the gross margin aspect, what happened is that if you look at the history of B2W, which you know quite well, we always operate looking at the balance of variables between sales, gross margin, EBITDA, financial costs and we try to find the best balance within the market conditions we operate in.

This semester was a bit different from our usual operation terms. We had to gather gross margin to maintain sales within a level that was not the one we'd prefer. But was the one that was possible in these conditions. Consequentially, the gross margin was damaged. You have to look at it within the balance of these several variables that were presented to us.

I think that freight did have an impact. Considering that information that I gave you. We plan to continue to work heavily on this balance between variables to get better results. The gross margin can remain at this level, depending on the balance that we seek, in

terms of profitability and sales growth. We'll always try to work on this margin, to seek for the best margin within the gross rates that we want to achieve.

**Q - Juliana Rozenbaum** {BIO 2155607 <GO>}

Okay. But what I would like to understand is that, despite being competitive, despite not reaching a gross margin of the quarter, you weren't able to sell more. Of course, it could have been worse. Your strategy didn't work so well, apparently. Even so, you're saying that from now on, it could still remain as a feasible strategy?

**A - Francois Bloquiau** {BIO 17267717 <GO>}

No. What I'm saying is that the gross margin dropped a bit, for six months, to offset some events we had, especially, because we had to provide longer payment terms to customers in the website. This has been a specific situation, we don't want it to be repeated in the future. The terms that we provide our customers, we want to improve that also.

So when we improve those conditions, we'll be able to charge for shipping again. We'll be able to be in a better competitive situation, also to operate with better prices when compared to the market.

So I'm not saying that we'll keep the gross margin at this level with lower prices, what I'm saying is, right now, we are in a situation that, given the balances we were able to achieve in the First Quarter, we had this gross margin. This balance can change into a more favorable situation until the end of the year. I will take the opportunity in this campaign to have more subsidiaries, a greater disclosure of subsidiaries. It's becoming more and more complicated to understand and to have a transparent, clear view of the data.

**Q - Juliana Rozenbaum** {BIO 2155607 <GO>}

Okay, it's been recorded, thank you very much.

**Operator**

Thank you, our next question from Carlos Albano from Citibank.

**Q - Carlos Albano** {BIO 3757334 <GO>}

Good afternoon, Francois. I have some questions regarding expenses. The expenses you had to solve the problems, that you mentioned, are those in the note BRL14 million? Is that what you're talking about?

**A - Francois Bloquiau** {BIO 17267717 <GO>}

Yes, exactly.

**Q - Carlos Albano** {BIO 3757334 <GO>}

So you mentioned that 80% of this figure was spent on damages paid and the lawyer's fees. So hasn't there been any extra expense with additional freight or any additional

hiring or contracts to make those deliveries stable? If so, what was the amount that has been allocated as sales expenses rather than operating expenses?

**A - Francois Bloquiau** {BIO 17267717 <GO>}

Okay, in terms of additional costs in freight, special freight, to deliver the product at the customer's home, when the goods were resent, yes, that happened. It's under sales expenses because these are operating expenses. The extra amount spent on that was a significant amount. But we don't disclose, exactly, how much. We also had some expenses in operations. We think this will decrease from now on. We can expect a decrease in that figure.

**Q - Carlos Albano** {BIO 3757334 <GO>}

As for working capital, what was your strategy in this quarter? I understand that you discounted less trade receivables, if that's what happened, really. And what should we expect for the future?

**A - Francois Bloquiau** {BIO 17267717 <GO>}

Well in terms of working capital, we have increased a bit. That is the result of payment terms in installments. We have a history of improving, in B2W, the working capital. This quarter has not been typical because it was worse. It's because we provided customers with more installments. We allowed them to pay in more installments. As for the other part of your question, yes, we made less discounts of trade receivables. It's more related to cash management rather than working capital.

**Q - Carlos Albano** {BIO 3757334 <GO>}

Okay. But in terms of cash management, do you plan to continue with this strategy? So you will have more trade receivables but less financial expenses to discount those?

**A - Francois Bloquiau** {BIO 17267717 <GO>}

It all depends on the market conditions. We work on optimization of our financial costs. Considering that the rates that are offered for the discount of receivables and we may use those rates. And this is a way of generating cash, or we may resort to our own cash and other funding sources. So we also have FIDIC [ph]. So it's difficult to tell you what are the strategies that we are going to have until the end of the year, because its heel is very much on the rates that the banks will be offering.

**Q - Carlos Albano** {BIO 3757334 <GO>}

Thank you very much.

**A - Francois Bloquiau** {BIO 17267717 <GO>}

Thank you.

**Operator**

Question from Ms. Renata Coutinho from Deutsche Bank.

**Q - Renata Coutinho** {BIO 15400037 <GO>}

Good afternoon, everyone. It's a question about your CapEx, BRL212 million in the first half of the year. I remember that you have a target of investing BRL350 million. This number for the first half of the year, is quite high considering that we are still in the half of the year. Do you have any guidance for the second half of the year that you going to increase the CapEx, for the year, above BRL350 million? What can you say about that?

**A - Francois Bloquiau** {BIO 17267717 <GO>}

Good morning, Renata, thank you for your participation. Well this CapEx is in line with our plan. Globally, we felt that we should have worked more on logistics after what we saw late last year. So we obviously invested heavily in that aspect. This explains CapEx for the first half of the year. It really agrees with our three-year plan. So just to remind you, investments for this year is just one part of the whole plan. But we are completely in line and we are very excited with the first results of these investments.

**Q - Renata Coutinho** {BIO 15400037 <GO>}

Thank you very much.

**A - Francois Bloquiau** {BIO 17267717 <GO>}

Thank you.

**Operator**

Excuse me, we are now ending our Q&A session. I would like, now, to turn it over to Mr. Francois Bloquiau for his final considerations. Please, Mr. Bloquiau, you may proceed.

**A - Francois Bloquiau** {BIO 17267717 <GO>}

I thank you all for your participation in our webcast and conference call. And would like to (inaudible) our commitment to our customers and shareholders to provide the best level of services and best shopping experiences to our customers. I take the opportunity to invite you to visit Americanas.com website, Submarine and Shoptime, because they have very good offers that you can't miss in more than 35 product categories.

Do not fail to use our travel ticket, movie rental. And restaurant booking websites, all of this, with the convenience, facility and safety that only B2W can offer. Moreover, our investor relations website is available to answer any additional questions you may have. Good afternoon. And thank you very much.

**Operator**

B2W conference call, Companhia Global Do Varejo, has now ended. We thank you all for your attendance, have a good afternoon and thank you very much.

FINAL

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