

BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD

Form 6-K

April 09, 2012

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of April, 2012

Brazilian Distribution Company

(Translation of Registrant's Name Into English)

Av. Brigadeiro Luiz Antonio,
3142 São Paulo, SP 01402-901

Brazil

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F)

Form 20-F Form 40-F

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b) (1)):

Yes No

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b) (7)):

Yes No

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

Corporate Taxpayer's Registry (CNPJ/MF) number 47.508.411/0001-56

Company Number at the Commercial Registry (NIRE) 35.300.089.901

São Paulo, March 27, 2012.

MANAGEMENT PROPOSALS FOR THE ANNUAL SHAREHOLDERS MEETING ON APRIL 27, 2012

Content

PROPOSAL FOR DESIGNATION OF RETAINED EARNINGS

CAPITAL BUDGETING

COMMENTS OF THE ADMINISTRATORS ABOUT THE COMPANY'S FINANCIAL SITUATION

FISCAL COUNCIL NOMINATION

ITEMS 12.6 TO 12.10 OF REFERENCE FORM, INSTRUCTION CVM 480/2009

PROPOSAL OF MANAGEMENT GLOBAL REMMUNERATION (ITEM 13 OF THE REFERENCE FORM, ICVM 480/2009)

Proposal for Designation of Retained Earnings for the fiscal year

(Article 9 of ICVM 481/2009)

To the Shareholders: The Management of **COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO** hereby proposes to the Annual and Special Shareholders meeting of 2012, according to Annex 9-1-II of CVM Instruction 481/2009 the following:

1. Net income for the fiscal year

The Company's Net Income on December 31, 2011 totals R\$ 718,218,236.65. From this amount, R\$ 365,910,911.83 will be designated for Legal Reserve.

2. Overall amount and the value per share of the dividends, including advanced dividends and interest on the Company capital already declared

	Advanced Dividends	Proposal for Distribution of Dividends	TOTAL
Total Gross Amount	67,628,057.67	102,948,773.53	170,576,831.20
Amount per Common Share	0.244994903	0.372950601	0.617945504
Amount per Preferred Share	0.269494393	0.410245661	0.679740054

3. Percentage of net income distributed for the exercise

Management proposes the distribution of twenty-five percent (25%) of the Company's net income, provided for in Article 35 of the Company Bylaws.

4. Overall amount and the amount per share of the dividends distributed based on income from previous fiscal years

There is no proposal for distribution of dividends based on income from previous years.

5. Inform, upon deduction of advanced dividends and interest on the Company capital already declared:

a. The gross amount of the dividend and interests on the Company capital, separately, per share of each type and class

The amount of the proposed dividends is R\$ 0.372950601 per common share and R\$ 0.410245661 per preferred share, upon deduction of the amount of the advanced dividends already distributed. There was no declaration of interests on the Company capital.

b. Terms and deadline for payment of dividends and interest on the Company capital

As permitted by the Bylaws, the Management proposes that the dividends proposed for the Annual Shareholders' Meeting shall be paid within up to sixty (60) days after its approval at the Meeting.

c. Possible adjustment and interests on the dividends and interests on the Company capital

The dividends shall be paid within the above mentioned deadline, without any monetary adjustment between the date of its declaration and the date of its actual payment.

d. Date of declaration of payment of the dividends and interests on the Company capital considered for identification of the shareholders entitled to be paid

	Advanced Distribution re. 1st quarter	Advanced Distribution re. 2st quarter	Advanced Distribution re. 3rd quarter	Proposal for Distribution of Dividends
Share Base for the Distribution	May 19, 2011	August 1, 2011	November 14, 2011	April 27, 2012
Date of Beginning of Negotiations Ex-Rights	May 20, 2011	August 2, 2010	November 16, 2011	April 30, 2012

6. Declaration of dividends or interests on the Company capital based on income calculated on six-month balance sheets or balance sheets for shorter periods

There is no declaration of dividends or interests on the Company capital based on income calculated on six-month balance sheets or balance sheets for shorter periods.

7. Comparative table indicating the following amounts per share of each type and class:

	2009	2010	2011
Net earnings for the fiscal year	591,579,628.27	722,421,870.97	718,218,236.65
Total dividend total distributed	140,500,161.71	171,575,194.36	170,576,831.20
Dividend related to Preferred Shares	0.587931773	0.690501017	0.679740054
Dividend related to Preferred Shares Class B	0.01	-	-
Dividend related to Common Shares	0.534483430	0.627728197	0.617945504

8. Designation of income for the legal reserve

a. Identify the amount designed for the legal reserve

Pursuant to Law 6,404/76, the management proposes the designation of R\$ 35,910,911.83 to legal reserve.

b. Provide details as concerns the calculation of the legal reserve

Earnings before Taxes/Interest in the Company capital	803,297,985.61
Taxes/ Interest in the Company capital	(85,079,748.96)
Net Income	718,218,236.65
Legal Reserve (5% of the Net Income)	35,910,911.83

9. If the Company has preferred shares entitled to fixed or minimum dividends

a. Describe the calculation of the fixed or minimum dividends

The owners of the Company preferred shares have priority on the payment of an annual minimum dividend in the amount of R\$ 0.08 per one (1) share, non-cumulative. In addition, to each preferred share, a dividend ten percent (10%) higher than that granted to each common share is granted, in accordance with Section 17, Paragraph 1, of Law 6,404/76, as amended by Law 10,303/01, including, for purposes of this calculation, in the sum of the total dividend paid to the preferred shares, the amount paid as minimum annual dividend.

b. Inform whether the income for the fiscal year is sufficient for full payment of the fixed or minimum dividends

Yes, it is sufficient.

c. Inform whether an unpaid part is cumulative

There is no unpaid part of fixed or minimum dividends.

d. Identify the overall amount of the fixed or minimum dividends to be paid to each class of preferred shares

Overall amount of the dividend paid <u>in advance</u> to the holders of preferred shares	Preferred Shares R\$ 43,207,002.26
Overall amount of the dividend <u>to be paid</u> to the holders of preferred shares	R\$ 65,773,113.18
Overall amount of the dividend paid to the holders of preferred shares	R\$ 108,980,115.44

e. Identify the fixed or minimum dividends to be paid per preferred share of each class

	Preferred Shares
Amount of the dividend paid <u>in advance</u> to each class of preferred share	R\$ 0.269494393
Overall amount of the dividend <u>to be paid</u> to each class of preferred share	R\$ 0.410245661
Overall amount of the dividend paid to each class of preferred share	R\$ 0.679740054

10. With respect to the mandatory dividend

a. Describe the calculation stipulated by the Bylaws

In accordance with Article 35, Paragraph 1 of the Company Bylaws, the shareholders shall have the right to receive, in each fiscal year, as dividends, a mandatory percentage of twenty-five percent (25%) on the net income for the fiscal year, with the following adjustments: (a) the deduction of the amounts designed for, in the fiscal year, legal reserve and contingencies reserve; and (b) the addition of the amounts resulting from reversion, in the fiscal year, of contingencies reserve previously composed.

The payment of dividend stipulated under the abovementioned terms may be limited to the amount of net income for the fiscal year in which it was realized under the law, provided that the difference be registered as reserve of income to be realized.

The earnings registered under the reserve of income to be realized, whenever realized and if they are not absorbed by losses incurred in subsequent fiscal years, shall be added to the first dividend declared following realization.

b. Inform whether it is being fully paid

The mandatory dividend is being fully paid.

c. Inform the amount occasionally retained

There is no retention of mandatory dividend as a result of the financial situation of the Company.

11. Retained mandatory dividend as a result of the financial situation of the Company

There is no retention of mandatory dividend as a result of the financial situation of the Company.

12. Designation of income for contingencies reserve

There is no designation of income for the contingencies reserve.

13. Designation of income for the reserve of income to be realized

There is no designation of income for the reserve of income to be realized.

14. Designation of income for reserves stipulated by the Bylaws

a Describe the Articles contained in the Bylaws providing for the reserve

The reserve for expansion is provided for by Article 35, Paragraph 2 of the Company Bylaws, to wit:

“Article 35 – (...) Paragraph 2 – The Reserve for Expansion is created and has the purpose of ensuring funds to finance additional applications of fixed and working capital and shall be formed with up to one hundred percent (100%) of the remaining net income after the designations stipulated by letters "a" [legal reserve], "b" [contingencies reserve], and "c" [dividend] of item IV, in that the total amount of such reserve may not exceed the amount of the Company's Capital Stock.”

b. Identify the amount designated for the reserve

The Management proposes the retained earnings designated for the reserve for expansion in the amount of R\$ 460,557,444.25.

c. Describe the calculation

The amount designated for the Reserve for Expansion is equivalent to 90% of the Adjusted Net Income for the fiscal year ended on December 31, 2011. The Adjusted Income is calculated as follows:

Net Income for the Fiscal Year	R\$ 718,218,236.65
Legal Reserve (5%)	R\$ (35,910,911.83)
Tax Base for Dividends	R\$ 682,307,324.82
Dividends (25%)	R\$ (170,576,831.20)
Adjusted Net Income	R\$ 511,730,493.61
Reserve for Expansion (90%)	R\$ 460,557,444.25

15. Retained earnings provided for by capital budgeting

a. Identify the amount of retained earnings

Management proposes that earnings be retained in the amount of R\$ 511,730,493.61, in that R\$ 460,557,444.25 for the reserve for expansion (under Article 35, Paragraph 2 of the Company Bylaws) and R\$ 51,173,049.36 based on capital budgeting under Section 196, Paragraph 2 of Law 6,404/76.

b. Provide a copy of the capital budgeting

See next document.

16. Designation of the income for the tax incentives reserve

There is no designation of income for any tax incentives reserves.

São Paulo, February 16, 2012

BOARD OF OFFICERS

Capital Budgeting

To the Shareholders: In accordance with Section 196 of Law 6,404/76, the Management of **COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO** does hereby:

1. Inform the designation of the Retained Earnings for 2010 (Reserve for Expansion and Capital Budgeting) as approved at the 2011 Annual and Special Shareholders' Meeting, as follows:

(i) The Company's Investment Plan for 2011 amounted to R\$ 1,410,000,000.00. However, the investment made by the Company totaled R\$ 1,582,723,505.47, that is R\$ 245,778,959.24 for the opening of new stores and purchase of land, R\$ 660,803,408.08 for refurbishment of stores and R\$ 676,141,138.15 for infrastructure (IT, Logistics and others).

(ii) The Reserve for Expansion and the Budgeting Capital approved at the 2011 Annual and Special Shareholders' Meeting were used to support those investments. The difference was borne both with funds from the very Company, resulting from the Company's operational activity, and with funds raised from third parties.

(iii) The Management will propose to the shareholders at the 2012 Annual and Special Shareholders' Meeting the capital increase in the amount correspondent to the Reserve for Expansion and the Budgeting Capital, without emission of new shares by the Company. This proposal detailing the capital increase will be submitted to the Fiscal Council, to the Board of Directors and to the Annual and Special Shareholders Meeting.

2. Propose that retention of R\$ 511,730,493.61 from the earnings of 2011 in order to borne the Investment Plan of 2012, to be approved by the Board of Directors and by the shareholders, in that 460,557,444.25 to the Reserve for Expansion (Article 35 – Paragraph 2 of the Company Bylaws) and R\$ 51,173,049.36 to the Capital Budgeting (Section 196 of Law 6,404/76);

This is our proposal.

São Paulo, February 16, 2012.

THE MANAGEMENT

Comments of the Administrators about the Company's Financial Situation

(Item 10 of Reference Form, ICVM 480/2009)

Section 10.1

(a) general financial and equity conditions

The Group's operating and financial information, presented herein, includes the effects of the partnership between Globex Utilidades S.A. and Nova Casas Bahia (currently referred to as "Via Varejo," as approved at the Extraordinary Shareholders Meeting held on January 15, 2011), which took place in December 2009, and their financial statements were consolidated as of November 2010. Therefore, the consolidation of results related to all months only occurred in 2011.

We believe that the Company presents the financial and equity conditions required for the execution of its plans for capital expansion and investment, while also meeting all liquidity requirements and complying with short and long-term obligations. Even so, these conditions are subject to certain events beyond our control, such as the stability and behavior of the Brazilian economy.

Our understanding of the Company's financial and equity conditions is based on the following economic and financial fundamentals, considering our consolidated financial statements for the fiscal year ended December 31, 2011:

- gross revenue of R\$52.681 billion and net sales of R\$46.594 billion, up 45.8% and 45.2%, respectively, compared with the same period in 2010;
- gross profit of R\$12.662 billion, with a gross margin of 27.2%;
- total operating expenses accounted for 20.6% of net sales, totaling R\$9.620 billion in absolute terms;

- EBITDA of R\$3.042 billion, with an EBITDA margin of 6.5%;
 - net financial result of R\$1.333 billion, accounting for 2.9% of net sales;
 - net debt of R\$3.768 billion;
 - net income of R\$718 million, with a net margin of 1.5%; and
 - shareholders' equity of R\$10.094 billion, up 6.2% over the shareholders' equity of R\$9.501 billion recorded in 2010. Therefore, our Net Debt/Shareholders' Equity ratio stood at 37.3%.
-

(b) capital structure and eventual redemption of shares

We understand that our current capital structure, mainly measured by the Net Debt/EBITDA ratio of 1.24 times, shows a leverage level compatible with the Company's policies, which project a Financial Net Debt/ EBITDA ratio of around 1x. See below:

(R\$ million)	Consolidated	
	31.12.2011	31.12.2010
Short Term Debt	(2,654)	(1,632)
Loans and Financing - short term	(2,153)	(1,111)
Debentures - short term	(502)	(521)
Long Term Debt	(3,691)	(4,423)
Loans and Financing- long term	(1,554)	(2,142)
Debentures - long term	(2,138)	(2,281)
Total Gross Debt	(6,346)	(6,055)
Cash and Marketable Securities	4,970	4,419
Net Debt	(1,376)	(1,636)
Net Debt / EBITDA⁽¹⁾	0.45x	0.45x
Payment book - short term	(2,263)	(1,283)
Payment book - long term	(129)	(102)
Net Debt with payment book⁽²⁾	(3,768)	(3,021)
Net Debt / EBITDA⁽¹⁾	1.24x	1.49x

(1) EBITDA for the last 12 months

(2) For debt calculation purposes, the amount of R\$2.420 in 2011, referring to Receivables Fund (FIDC), was not considered.

There is no assumption of share redemption.

(c) ability to pay financial commitments

On December 31, 2011, EBITDA was R\$3.042 billion, while net financial result was a negative R\$1.333 billion. Therefore, EBITDA reported an interest coverage ratio of 2.3 times in relation to our financial expenses in the fiscal year ended December 31, 2011.

The aforementioned results evidence that our cash flow, as well as available funds our ability to pay is appropriate in order to deal with our short and long-term financial commitments.

(d) sources of financing for working capital and investments in non-current assets utilized by the Company

The Company may raise funds through: (A) financial agreements that represent: (i) Brazilian reais-denominated loans with obligation to payment principal and DI (interbank deposit)-pegged interest rates; (ii) foreign currency-denominated loans, which are immediately and fully “swapped,” with Brazilian reais-denominated payment obligations with DI-pegged interest rates, through swap operations; and (iii) loans with the Brazilian Development Bank (“BNDES”), partially denominated in reais and partially pegged to a foreign currency basket (also “swapped” with payment obligations denominated in reais with DI-pegged interest rates), plus annual interest rates; and (B) funding on capital markets, through the issue of debentures or securitization operations.

In 2011, we had no difficulties in obtaining loans or refinancing our current debt. For more information on agreements signed by the Company and the BNDES, see “Relevant Loan and Financing Agreements,” item “f,” below.

(e) sources of financing for working capital and investments in non-current assets that the Company plans to utilize to cover liquidity deficiencies

For more information on our funding sources for working capital and investments in non-current assets we plan to utilize to cover any liquidity deficiencies, see item “d,” above.

(f) *debt levels and debt characteristics*

Relevant loans and financing agreements

Debt breakdown (including Loans and Financing, Debentures and payment vouchers – consumer finance – CDCI).

In R\$ thousand

	Consolidated	
	12.31.2011	12.31.2010
Debentures (i)		
Debentures	506,122	523,574
Swap contracts (c), (g)	68	598
Funding fees	(4,346)	(3,497)
	501,844	520,675
Local currency		
BNDES (e)	152,629	80,905
IBM (Note 24)	6,815	6,810
Working capital (c)	126,892	259,077
Consume finance – CDCI (c)	2,263,122	1,283,059
PAFIDC (Note 11)	1,235,934	-
Financial leasing (Note 24)	81,643	64,467
Swap contracts (c), (g)	(882)	(439)
Funding fees	(8,670)	(8,855)
Anticipation of receivables	-	249,997
Other	2,346	2,085
	3,859,829	1,937,106
Foreign currency		
Working capital (c)	537,023	414,140
Swap contracts (c), (g)	19,163	43,856
Funding fees	(361)	(661)

Total current	555,825	457,335
	4,917,498	2,915,116
Debtures	2,145,886	1,075,538
Funding fees	(8,368)	(8,066)
	2,137,518	1,067,472
Local currency		
BNDES (e)	405,515	381,372
IBM (Note 24)	5,112	11,917
Working capital (c)	1,406,575	972,988
		102,106
Consume finance – CDCI (c)	129,300	
FIDCs (Note 11)	1,184,522	2,280,517
Financial leasing (Note 24)	194,788	101,244
Swap contracts (c), (g)	(25,779)	8,134
Funding fees	(7,780)	(12,272)
	3,292,253	3,846,006
Foreign currency		
Working capital (c)	832,657	615,867
Swap contracts (c), (g)	(21,399)	63,059
Funding fees	(129)	(468)
	811,129	678,458
Total noncurrent	6,240,900	5,591,936
Total	11,158,398	8,507,052

Working capital, swap and consumer finance with intervening parties

In R\$ thousand

Debt	Rate	Consolidated	
		12.31.2011	12.31.2010
<u>Local currency</u>			
Itaú Unibanco		-	14
Banco do Brasil	11.8% per year	1,856,869	1,188,303
Banco do Brasil	98.5% CDI	327,026	-
Bradesco	12.6% per year	1,041,287	657,967
Alfa	CDI + 1.5% per year	-	11,040
HSBC	10.3% per year	-	4,811
Santander	104% CDI	88,830	190,317
Safra	10.4% per year	611,877	564,778
		3,925,889	2,617,230
Current		2,390,014	1,542,136
Noncurrent		1,535,875	1,075,094
<u>Foreign currency</u>			
Itaú BBA	USD + 3.2% per year	534,989	296,147
Banco do Brasil	USD + 3.9% per year and 2.3% per year	317,373	143,612
Bradesco	USD + 2.7% and 3.9% per year	115,017	-
Santander	USD + 2.1% per year	116,239	337,693
ABN AMRO	YEN + 4.9% per year	89,086	252,555
HSBC	USD + 2.4% per year	196,976	-
		1,369,680	1,030,007
Current		537,023	414,140
Noncurrent		832,657	615,867
<u>Swap contracts</u>			
Itaú Unibanco	CDI 105.0%	-	598
Itaú BBA	CDI 102.8%	(901)	35,055
Banco do Brasil	CDI 103.2%	(15,681)	18,808
Bradesco	CDI 103.9%	(4,348)	-
Santander	CDI 110.7%	18,058	56,560

ABN AMRO	CDI 104.3%	68	4,187
HSBC	CDI 99.0%	(26,025)	-
		(28,829)	115,208
Current		18,349	44,015
Noncurrent		(47,178)	71,193
		5,266,740	3,762,445

Swap

For operations in foreign currency, the Company uses swap operations to swap liabilities denominated in U.S. dollars and Yen and fixed interest rates with Real pegged to CDI floating interest rates. The CDI annual benchmark rate at December 31, 2011 was 11.60%.

BNDES

The line of credit from BNDES is indexed by TJLP (long-term interest rates), plus spread, resulting in the final interest rate.

Financing is paid in monthly installments after a grace period, as mentioned below.

The Company cannot offer any asset as collateral for loans to other parties without the prior authorization of BNDES and it must comply with certain financial ratios, calculated based on the consolidated balance sheet, as follows: (i) maintenance of a capitalization ratio (shareholders' equity/total assets) equal to or in excess of 0.30 (on December 31, 2011, the Company stood at 0.30) and (ii) EBITDA/Net Debt ratio of equal to or in excess of 0.35 (on December 31, 2011, the Company stood at 0.81). The Company controls and monitors these indexes.

In R\$ thousand

Annual financial charges	Number of monthly installments	Maturity	Consolidated	
			12.31.2011	12.31.2010
TJLP + 9.2%	46	Nov/12	30,285	63,339
TJLP + 8.7%	46	Nov/12	4,375	9,150
TJLP + 9.6%	60	Dec/16	410,327	324,663
TJLP + 4.5%	60	Dec/16	39,797	-
TJLP + 4.5%	24	Jan/11	-	147
TJLP + 4.5%	11	Nov/11	-	8,889
TJLP + 2.3%	11	Nov/11	-	1,109
TJLP + 2.8%	48	Nov/11	-	4,459
TJLP + 2.3%	48	Jun/13	4,127	43,591
TJLP + 2.3%	48	May/12	2,112	4,183
TJLP + 2.8%	48	May/12	-	2,725
TJLP + 1.9%	30	Jun/14	28,234	-
7% per year	24	Oct/12	16,687	-
TJLP + 1.9% + 1%	30	Jun/14	12,105	-

TJLP + 3.5% + 1%	30	Jun/14	10,095	22
			558,144	462,277
Current			152,629	80,905
Noncurrent			405,515	381,372

*Debentures****In R\$ thousand*****Parent Company and Consolidated**

	Type	Outstanding debentures	Annual financial charges	Unit price	12.31.2011
6 th Issue – 1 st Series	No preference	54,000	CDI + 0.5%	6,917	373,529
6 th Issue – 2 nd Series	No preference	23,965	CDI + 0.5%	6,917	165,771
6 th issue – 1 st and 2 nd Series	Interest rate swap	-	104.96% CDI	6,917	68
7 th Issue – 1 st Series	No preference	-	119% of CDI	1,056,320	-
8 th Issue – 1 st Series	No preference	500	109.5% of CDI	1,253,411	626,706
9 th Issue – 1 st Series	No preference	610	107.7%% CDI	1,024,010	685,647
10 th Issue – 1 st Series	No preference	80,000	108.5% CDI	10,004	800,355
Funding fees					(12,714)
					2,639,362
Current					501,844
Noncurrent					2,137,518

The following table shows a breakdown of debentures issued on December 31, 2011:

In R\$ thousand

	Number of debentures	Amount
At 12.31.2010	78,665	1,588,147
Interest rate net of payments and fair value of swap	-	105,746

Amortisation of issue 6 ^a	(25,988)	(259,883)
Amortisation of issue 7 ^a	(200)	(200,000)
9 ^a Issue of Debentures	610	610,000
10 ^a Issue of Debentures	80,000	800,000
Funding fees of issue 10 ^a	-	(4,648)
At 12.31.2011	133,087	2,639,362

Financial Lease Obligations

Financial lease agreements, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are allocated between finance charges and reduction of leasing liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the income statement. Leased assets are depreciated during their useful life. However, if there is no reasonable certainty that the Company will own the leased item upon the end of the lease term, the asset is depreciated over its estimated useful life or lease term, whichever is shorter.

Lease agreements classified as financial lease are listed below:

In R\$ thousand

	Consolidated	
	12.31.2011	12.31.2010
Finance leasing liability –minimum rental payments		
Up to 1 year	81,643	64,467
1 - 5 years	152,944	63,262
More than 5 years	41,844	37,982
Actual value of financial lease agreements	276,431	165,711
Future borrowing charges	119,919	127,184
Gross amount of financial lease agreements	396,350	292,895

Receivable Securitization Fund – Pão de Açúcar (“PAFIDC”)

PAFIDC is a receivables securitization fund created for the purpose of acquiring the Company and its subsidiaries’ trade receivables, arising from sales of products and services to their customers, except for receivables from installment sales and post-dated checks. The fund has a defined term until December 7, 2012.

The fund’s capital structure on December 31, 2011 was composed of 10,295 senior quotas held by third parties in the amount of R\$1,235,901 (R\$1,096,130 in December 31, 2010), which represent 89.90% of the fund’s equity (89.30% in 2010) and 2,864 subordinated quotas (also in December 31, 2010), held by the Company and subsidiaries in the amount of R\$138,849, which represent 10.10% of the fund’s equity (10.70% on December 31, 2010).

The subordinated quotas were imputed to the Company and are recorded in non-current assets of controlling entity, as interest in the receivables securitization fund, with a balance of R\$124,304 at December 31, 2011 (R\$117,613 on December 31, 2010). The interest held in subordinated quotas represents the maximum exposure to the securitization operations losses.

The compensation of senior quotas is as follows:

In R\$ thousand

Quotaholders	12.31.2011		12.31.2010		
	Amount	CDI Rate	Balance redeemable	CDI Rate	Balance redeemable
Senior A	5,826	108.0%	758,660	109.5%	672,861
Senior B	4,300	108.0%	207,614	109.5%	184,135
Senior C	169	108.0%	269,627	109.5%	239,134
			1,235,901		1,096,130

Subordinated quotas are registered and non-transferable, and were issued in a single series. The Company will redeem the subordinated quotas only after the redemption of senior quotas or at the end of the fund's term. Once the senior quotas have been remunerated, the subordinated quotas will receive the balance of the fund's net assets after absorbing any losses on receivables transferred and any losses attributed to the fund. Their redemption value is subject to credit, prepayment, and interest rate risks on the transferred financial assets.

The holders of senior quotas have no recourse against the other assets of the Company in the event customers' default on the amounts due. As defined in the agreement between the Company and PAFIDC, the transfer of receivables is irrevocable, irreversible and definitive.

"Globex Receivable Securitization Fund – Globex FIDC"

Globex FIDC is a receivables securitization fund created to acquire the accounts receivable from Via Varejo and its subsidiaries, including Nova Casa Bahia S.A. and Nova Pontocom Comércio Eletrônico S.A. (mainly credit card), originated from the sale of products and services to its customers. This fund was created at May 26, 2010 with indeterminate duration.

The fund equity structure at December 31, 2011 is composed of 11,666 senior quotas held by third parties, amounting to R\$1,184,522 (R\$1,184,387 on December 31, 2010), representing 85% of the fund's equity (87.5% on December 31, 2010) and 1,910 subordinated quotas (1,691 on December 31, 2010), held by the Company and its subsidiaries, amounting to R\$209,068 (R\$169,332 on December 31, 2010), accounting for 15% of the fund's equity (12.5% on December 31, 2010).

Subordinated quotas were imputed to Via varejo and are recorded as noncurrent assets, such as participation in the securitization fund, with balance of R\$209,068 at December 31, 2011 (R\$169,332 on December 31, 2010). The interest held in subordinated quotas represents the maximum exposure to the securitization operations losses.

Below, the interest rates of senior quotaholders:

Quotaholder	Amount	12.31.2011		12.31.2010	
		CDI Rate	Balance redeemable	CDI Rate	Balance redeemable
Senior - 1 st Series	11,666	107.75%	1,184,522	107.75%	1,184,387

Subordinated and senior quotas of Globex FIDC are subject to the same conditions as PAFIDC.

Other long-term relations with financial institutions

Except for the aforementioned operations, the Company has no other relevant long-term relations with financial institutions.

Level of subordination in our debt

There is no subordination in our debt.

Restrictions imposed on indebtedness limits and new debt contracting, the distribution of dividends, the sale of assets, the issue of new securities and the sale of controlling interest

Agreements signed with the BNDES are subject to "Provisions Applicable to BNDES Agreements." According to the "Provisions Applicable to BNDES Agreements" borrowers of the BNDES, including the Company, without previous authorization from BNDES cannot: (i) give priority to other credits; (ii) amortize shares; (iii) issue debentures above the established limit; (iv) issue profit-sharing bonds; (v) taking on new debt; and (vi) sell or encumber permanent assets, in observance to the reservations expressly mentioned in the "Provisions Applicable to BNDES Agreements."

In accordance with documents related to its 6th issue of debentures, the Company is subject to the following restrictions: **(a)** the Company is prevented from paying dividends to its shareholders, including early dividends and/or earnings, such as, interest on equity, if the Company is in default with the 6th issue debentures, except for, however, the payment of mandatory dividend provided for in Article 35, IV, item "c" of the Company's Bylaws; **(b)** the Company is prevented from conducting any restructuring to result in the spin-off, merger or, also incorporation by another company, without the previous and express authorization of the debenture holders of the 6th issue, except if the spin-off, merger or incorporation complies with the requirements of Article 231 of the Brazilian Corporation Law, or, also, the transfer of the Company's controlling interest to third parties, except for the assumptions of: (1) transfer

of interest between our current controlling shareholders; or (2) transfer of our direct or indirect control to a food sector company with an investment grade risk rating on a global scale or similar rating assigned by Standard & Poor's, Moody's or Fitch Ratings, or, in the event the acquirer of our direct or indirect control does not have said investment grade risk rating on a global scale or similar rating, the risk rating of the 6th issue debentures is not downgraded; and **(c)** while the Company has outstanding debentures of the 6th issue, it shall maintain financial ratios and limits, i.e., Consolidated Net Debt cannot exceed Shareholders' Equity and the Consolidated Net Debt/EBITDA ratio must be less than or equal to 3.25, as established in the indenture of 6th issue debentures, which will be calculated on the last day of each quarter based on the 12 months prior to the respective date of calculation.

Our 7th issue of debentures ended in June 2011.

In accordance with documents related to our 8th issue of debentures, the Company is subject to the following restrictions: **(a)** the Company is prevented from conducting any restructuring to result in the spin-off, merger or also, incorporation by another company, without the previous and express authorization of the debenture holders of the 8th issue, in observance to the resolution quorum established in the indenture of the 8th issue debentures, except if the spin-off, merger or incorporation complies with the requirements of Article 231 of the Brazilian Corporation Law, or, also the transfer of our controlling interest to third parties, except for the assumptions of : (i) transfer of interest between our current controlling shareholders; or (ii) transfer of our direct or indirect control to a retail sector company; (l) amendment of the Company's corporate purpose, so that our main activity is no longer the trade of food products; and **(b)** while the Company has outstanding debentures of the 8th issue, it shall maintain financial ratios and limits, i.e., Consolidated Net Debt cannot exceed Shareholders' Equity and the Consolidated Net Debt/EBITDA ratio must be less than or equal to 3.25, as established in the indenture of 8th issue debentures, which will be calculated on the last day of each quarter based on the 12 months prior to the respective date of calculation and the first calculation was made in our consolidated financial statements for the quarter ended September 30, 2009.

In accordance with documents related to our 9th issue of debentures, the Company is subject to the following restrictions: **(a)** the Company is prevented from conducting any restructuring to result in the spin-off, merger or also, incorporation by another company, without the previous and express authorization of the debenture holders of the 9th issue, in observance to the resolution quorum established in the indenture of the 8th issue debentures, except if the spin-off, merger or incorporation complies with the requirements of Article 231 of the Brazilian Corporation Law, or, also the transfer of our controlling interest to third parties, except for the assumptions of : (i) transfer of interest between our current controlling shareholders; or (ii) transfer of our direct or indirect control to a retail sector company; (l) amendment of the Company's corporate purpose, so that our main activity is no longer the trade of food products; and **(b)** while the Company has outstanding debentures of the 9th issue, it shall maintain financial ratios and limits, i.e., Consolidated Net Debt cannot exceed Shareholders' Equity and the Consolidated Net Debt/EBITDA ratio must be less than or equal to 3.25, as established in the indenture of 9th issue debentures, which will be calculated on the last day of each quarter based on the 12 months prior to the respective date of calculation and the first calculation was made in our consolidated financial statements for the quarter ended September 30, 2010.

In accordance with documents related to our 10th issue of debentures, the Company is subject to the following restrictions: **(a)** the Company is prevented from conducting any

restructuring to result in the spin-off, merger or also, incorporation by another company, without the previous and express authorization of the debenture holders of the 10th issue, in observance to the resolution quorum established in the indenture of the 10th issue debentures, except if the spin-off, merger or incorporation complies with the requirements of Article 231 of the Brazilian Corporation Law, or, also the transfer of our controlling interest to third parties, except for the assumptions of : (i) transfer of interest between our current controlling shareholders; or (ii) transfer of our direct or indirect control to a retail sector company; (l) amendment of the Company's corporate purpose, so that our main activity is no longer the trade of food products; and **(b)** while the Company has outstanding debentures of the 10th issue, it shall maintain financial ratios and limits, i.e., Consolidated Net Debt cannot exceed Shareholders' Equity and the Consolidated Net Debt/EBITDA ratio must be less than or equal to 3.25, as established in the indenture of 10th issue debentures, which will be calculated on the last day of each quarter based on the 12 months prior to the respective date of calculation and the first calculation was made in our consolidated financial statements for the quarter ended September 30, 2010.

(g) limits on the use of the financing already contracted

On December 31, 2011, capital stock stood at R\$6.129 billion and outstanding debentures were R\$2.640 billion, according to “Relevant Loan and Financing Agreements,” item “f” above. Therefore, pursuant to Article 60 of the Brazilian Corporation Law, our debentures/capital stock ratio, on December 31, 2011, was 43.1%, therefore, observing the legal limit and allowing new funding through the issue of long-term debt on the capital market.

The Company has a credit limit of approximately R\$900 million approved with the BNDES to partially finance the Company’s expansion and renovation plan from 2009 to 2011. On December 31, 2010, R\$600 million had been used by the Company. All other loans took out by the Company have been already released.

(h) relevant changes in each item of the financial statements

Consolidated financial statements were prepared and are reported according to the accounting practices adopted in Brazil, which include standards issued by the Brazilian Securities and Exchange Commission (CVM) and pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), in compliance with the international financial reporting standards (IFRS) issued by International Accounting Standard Board (“IASB”).

For a better presentation and comparability, certain balances of December 31, 2010 were reclassified.

Income StatementFiscal Years Ended December 31, 2011 and 2010**INCOME STATEMENT**

	Consolidated		
R\$ - Million	2011	2010	Δ%
Gross Sales Revenue	52,681	36,144	45.8%
Net Sales Revenue	46,594	32,092	45.2%
Cost of Goods Sold	(33,933)	(24,241)	40.0%
Gross Profit	12,662	7,850	61.3%
Selling Expenses	(7,937)	(4,866)	63.1%
General and Administrative Expenses	(1,683)	(951)	77.0%
Total Operating Expenses	(9,620)	(5,817)	65.4%
Earnings before Interest, Taxes, Depreciation, Amortization - EBITDA	3,042	2,033	49.6%
Depreciation and Amortization	(681)	(446)	52.5%
Earnings before interest and Taxes - EBIT	2,361	1,587	48.8%
Financial Revenue	593	323	83.6%
Financial Expenses	(1,926)	(1,146)	68.0%
Net Financial Revenue (Expenses)	(1,333)	(823)	61.9%
Equity Income	35	34	0.9%
Result from Permanent Assets	(49)	(21)	130.5%
Nonrecurring Result	(99)	(105)	-5.2%
Other Operating Revenue (Expenses)	(110)	(2)	
Income Before Income Tax	805	670	20.0%
Income Tax	(85)	(85)	0.6%
Minority Interest - Noncontrolling	(1)	33	
Net Income - Controlling Shareholders ⁽¹⁾	718	618	16.1%
Net Income per Share	2.76	2.40	14.9%
Nº of shares (million) ex-treasury shares	260	257	

Consolidated

% Net Sales Revenue

	2011	2010
Gross Profit	27.2%	24.5%
Selling Expenses	17.0%	15.2%
General and Administrative Expenses	3.6%	3.0%
Total Operating Expenses	20.6%	18.1%
EBITDA	6.5%	6.3%
Depreciation and Amortization	1.5%	1.4%
EBIT	5.1%	4.9%
Net Financial Revenue (Expenses)	2.9%	2.6%
Result from Permanent Assets and Others	0.6%	0.4%
Income Before Income Tax	1.7%	2.1%
Income Tax	-0.2%	-0.3%
Minority Interest - noncontrolling	0.0%	0.1%
Net Income - Controlling Shareholders ⁽¹⁾	1.5%	1.9%

Net sales revenues

Net sales revenue increased 45.2% in 2011, from R\$32.092 billion in 2010 to R\$46.594 billion in 2011.

Among the factors that contributed to increase our net sales revenue in 2011 were mainly: (i) the consolidation of results from Novas Casas Bahia, (ii) the opening of 41 stores,

(iii) the completion of the conversion of CompreBem and Sendas to Extra Supermercado (which represents higher growth than previous formats), (iv) the repositioning of Assaí and Mini Mercado Extra, (v) and Nova Pontocom (with high growth levels and the inclusion of new categories into its portfolio).

Gross Profit

Gross Profit went up 61.3%, from R\$7.850 billion in 2010 to R\$12.662 billion in 2011. This increase was chiefly due to: (i) better negotiations with suppliers, in line with a business strategy that applies specific IT systems, thus, enabling improved business management; (ii) consolidation of Nova Casas Bahia's results, which, together with Ponto Frio and Nova Pontocom operations, mainly allowed scale gains with suppliers and access to a wider range of products.

Operating Revenue (Expenses)

Total operating expenses came to R\$9.620 billion in 2011, up 65.4% compared to R\$5.817 billion in 2010. This increase was mainly due to: (i) the consolidation of Nova Casas Bahia's results, particularly its furniture operations that contributed to an increase in operating expenses as percentage of net sales compared to other brands.

Depreciation and Amortization

Depreciation and amortization came to R\$681 million in 2011, up 52.5% compared to a total of R\$446 million in 2010, mainly due to : (i) the amortization of intangibles deriving from the business combination with Nova Casas Bahia; (ii) the consolidation of Novas Casas Bahia's results.

Net Financial Result

Net financial result went up 61.9% in 2011, from R\$823 million in 2010 to R\$1.333 billion in 2011. This increase was chiefly due to: (i) an increase in debt to finance business growth; (ii) an increase in receivables discount due to the growth of home appliance segment.

Net debt came to R\$3.768 billion, down R\$547 million from 2010, mainly due to (i) greater cash generation, (ii) higher volume of discounted receivables at the year's end.

Operating Result

Operating result increased 48.8% in 2011, from R\$1.587 billion in 2010 to R\$2.361 billion in 2011. This increase was basically due to (i) 45.2% growth in net sales revenue, in line with improved negotiations with suppliers, and partially impacted by higher operating expenses.

Net Income from Controlling Shareholders

Due to the reasons mentioned above, net income was up 16.1% in 2011, from R\$618 million in 2010 to R\$718 million in 2011.

Balance SheetFiscal Years Ended December 31, 2011 and 2010*Balance Sheet – Consolidated Assets***BALANCE SHEET****ASSETS**

(R\$ million)	GPA Consolidated	
	12.31.2011	12.31.2010
Current Assets	17,276	14,673
Cash and Marketable Securities	4,970	4,419
Accounts Receivable	2,431	1,808
Credit Cards	478	274
Payment book	1,985	1,499
Sales Vouchers and Others	175	201
Post-Dated Checks	4	6
Allowance for Doubtful Accounts	(211)	(173)
Resulting from Commercial Agreements	447	421
Receivables Fund (FIDC)	2,559	1,818
Inventories	5,553	4,824
Recoverable Taxes	908	888
Expenses in Advance and Other Accounts Receivables	408	495
Noncurrent Assets	16,493	15,099
Long-Term Assets	3,855	3,156
Marketable Securities	-	7
Accounts Receivables	556	528
Paes Mendonça	445	421
Payment Book	118	115
Allowance for Doubtful Accounts	(7)	(8)
Recoverable Taxes	730	214
Fair Value Bartira	304	304

Deferred Income Tax and Social Contribution	1,250	1,136
Amounts Receivable from Related Parties	133	176
Judicial Deposits	738	646
Expenses in Advance and Others	144	145
Investments	253	233
Property and Equipment	7,358	6,794
Intangible Assets	5,026	4,916
TOTAL ASSETS	33,769	29,772

*Balance Sheet – Consolidated Liabilities***LIABILITIES**

	GPA Consolidated	
	12.31.2011	12.31.2010
Current Liabilities	13,501	10,923
Suppliers	6,279	5,369
Loans and Financing	2,153	1,111
Payment Book (CDCI)	2,263	1,283
Debentures	502	521
Payroll and Related Charges	759	589
Taxes and Social Contribution Payable	332	293
Dividends Proposed	103	116
Financing for Purchase of Fixed Assets	14	14
Rents	49	68
Acquisition of Companies	55	297
Debt with Related Parties	28	274
Advertisement	90	34
Provision for Restructuring	13	6
Tax Payments	171	54
Advanced Revenue	82	63
Others	609	830
Long-Term Liabilities	10,173	9,348
Loans and Financing	1,554	2,142
Payment Book (CDCI)	129	102
Receivables Fund (FIDC)	2,420	2,281
Debentures	2,138	1,067
Acquisition of Companies	189	215
Deferred Income Tax and Social Contribution	1,115	1,029
Tax Installments	1,292	1,378
Provision for Contingencies	680	809
Advanced Revenue	381	187
Others	276	138
Shareholders' Equity	10,094	9,501

Capital	6,129	5,579
Capital Reserves	384	463
Profit Reserves	1,112	981
Minority Interest	2,469	2,477
TOTAL LIABILITIES	33,769	29,772

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents were up 12.5% in 2011, from R\$4.419 billion in 2010 to R\$4.970 billion in 2011.

On December 31, 2011, cash and cash equivalents accounted for 14.7% of total assets, against 14.8% on December 31, 2010.

Credits

Credits, which include the following: accounts receivable, commercial agreements and receivable securitization funds, recoverable taxes, prepaid expenses and other, increased 24.4% in 2011, from R\$5.430 billion in 2010 to R\$6.753 billion in 2011. Our credits increased mainly due to increase in sales via credit card and installment sales, which recorded an increase justified by higher sales revenue. This increase in sales was mainly due to the consolidation of Nova Casas Bahia's results.

On December 31, 2011, credits accounted for 20.0% of total assets, against 18.2% on December 31, 2010.

Inventories

Inventories were up 15.1% in 2011, from R\$4.824 billion in 2010 to R\$5.553 billion in 2011, due to the consolidation of Nova Casas Bahia's results and the organic growth of our Group.

On December 31, 2011, inventories accounted for 16.4% of total assets, against 16.2% on December 31, 2010.

Assets

Noncurrent Assets

Long-term assets

Long-term assets were up 22.1% in 2011, from R\$3.156 billion to R\$3.855 billion in 2011. This increase was mainly due to higher Recoverable Taxes – ICMS (State VAT). The Management of the subsidiary Via Varejo has prepared a technical feasibility study on the future realization of ICMS, considering the future expected offset of debt deriving from operations of Via Varejo and subsidiaries, within the context of main variables of their business. This study was examined based on information from the strategic planning report previously approved by the Company's Board of Directors.

On December 31, 2011, long-term assets accounted for 11.4% of total assets, against 10.6% on December 31, 2010.

Investments

Our investments were up 8.6% in 2011, from R\$233 million in 2010 to R\$253 million in 2011. This increase is only justified by the positive result of FIC and BINV, as no additions occurred in 2011. On December 31, 2011, investments accounted for 0.7% of total assets, in line with 0.7% on December 31, 2010.

Property and equipment

Property and equipment were up 8.3% in the year, from R\$6.794 billion in 2010 to R\$7.358 billion in 2011. This increase was due to the opening of new stores and the conversion of stores.

On December 31, 2011, property and equipment accounted for 21.8% of total assets, against 22.8% on December 31, 2010.

Intangible assets

Intangible assets were up 2.2% in 2011, from R\$4.916 billion in 2010 to R\$5.026 billion in 2011. This variation was chiefly due to software additions.

On December 31, 2011, intangible assets accounted for 14.9% of total assets, against 16.5% on December 31, 2010.

LIABILITIES

Current Liabilities

Suppliers

Liabilities with suppliers were up 16.9% in 2011, from R\$5.369 billion in 2010 to R\$6.279 billion in 2011. This variation was due to our sales growth and the consolidation of Nova Casas Bahia's results.

On December 31, 2011, liabilities with suppliers accounted for 18.6% of total liabilities, against 18.0% on December 31, 2010.

Loans and Financing – short term

Short-term loans and financing include: Loans and Financing and payment vouchers (consumer finance – “CDCI”), which were up 84.5% in 2011, from R\$2.394 billion in 2010 to R\$4.416 billion. This variation was basically due to higher debt to finance the Company’s operating activities.

On December 31, 2011, short-term loans and financing accounted for 13.1% of total liabilities, against 8.0% on December 31, 2010.

Debentures – short term

Short-term debt represented by debentures issued by the Company was down 3.6% in 2011, from R\$521 million in 2010 to R\$502 million in 2011. This variation was mainly due to the settlement of the 7th Issue of Debentures.

On December 31, 2011, short-term debentures accounted for 1.5% of total liabilities, against 1.7% on December 31, 2010.

Payroll and Labor Liabilities

Payroll and labor liabilities were up 28.9% in 2011, from R\$589 million to R\$759 million. This increase was due to collective bargaining agreements related to labor liabilities.

On December 31, 2011, payroll and labor liabilities accounted for 2.2% of total liabilities, against 2.0% on December 31, 2010.

Taxes, Fees and Contributions

Taxes, Fees and Contributions were up 13.3% in 2011, from R\$293 million to R\$332 million. This variation was mainly due to provision for income and social contribution taxes payable related to subsidiary Via Varejo.

Taxes, fees and contributions accounted for 1.0% of total liabilities in 2011 and 2010.

LIABILITIES

Noncurrent Liabilities

Loans and Financing – long term

Long-term loans and financing, which include loans and financing, payment vouchers (Consumer Finance – “CDCI”) and receivables securitization fund were down 9.3% in 2011, from R\$4.525 billion in 2010 to R\$4.103 billion in 2011, mainly due to transfers from long to short term, domestic currency of the subsidiary Barcelona and PAFIDC, to mature on December 4, 2012. On December 31, 2011, long-term loans and financing accounted for 12.2% of total liabilities, against 15.2% on December 31, 2010.

Debentures – long term

Long-term indebtedness represented by debentures issued by the Company was up 100.4% in 2011, from R\$1.067 billion in 2010 to R\$2.138 billion in 2011. This variation was mainly due to the 10th issue of debentures, in the amount of R\$800 million, which aimed at lengthening the Company’s debt profile from short term to long term.

On December 31, 2011, long-term debentures accounted for 6.3% of total liabilities, against 3.6% on December 31, 2010.

Deferred Income and Social Contribution Taxes

Deferred income and social contribution taxes were up 8.4% in 2011, from R\$1.029 billion in 2010 to R\$1.115 billion in 2011, due to the realization of income tax on Vieri's goodwill, which was incorporated on December 20, 2006.

On December 31, 2011, deferred income and social contribution taxes accounted for 3.8% of total liabilities, against 4.6% on December 31, 2010.

Taxes Payable by Installments

Taxes payable by installments, including REFIS (tax installment payment program), were down 6.2% in 2011, from R\$1.378 billion in 2010 to R\$1.292 billion in 2011. This decrease was due to the transfer from long term to short term.

On December 31, 2011, taxes installment payment accounted for 3.8% of total liabilities, against 4.6% on December 31, 2010.

Provision for contingencies

Provisions for contingencies were down 15.9% in 2011, from R\$809 million in 2010 to R\$680 million in 2011. This decrease was due to payments and installment payment of contingencies.

On December 31, 2011, provisions for contingencies accounted for 2.0% of total liabilities, against 2.7% on December 31, 2010.

Shareholders' Equity

Shareholders' Equity increased 6.2% in 2011, from R\$9.501 billion in 2010 to R\$10.094 billion in 2011. This variation was mainly due to the profit generated in the fiscal year of R\$718 million.

On December 31, 2011, shareholders' equity accounted for 29.9% of total liabilities, against 31.9% on December 31, 2010.

Other Equity Accounts

Equity accounts not mentioned above did not record relevant variations between the balances of December 31, 2010 and December 31, 2011.

Section 10.2

(a) results of operations, particularly: (i) description of any relevant component of our revenue; and (ii) factors that adversely affect our results of operations

Gross revenue increased 45.2% in 2011, as follows:

- 54.9%, i.e., R\$25.577 billion derived from the sale of products classified under the GPA food product category, including grocery and perishable food products. Among the Group's brands, the sales growth of Assaí and Extra Supermercado stood out; and
- 45.1%, i.e., R\$21.017 billion, derived from the sale of Viavarejo (Globex), pointing out the consolidation of Nova Casa Bahia and Nova Pontocom results (with higher sales growth levels and the inclusion of new categories into its portfolio).

On a 'same store' basis, gross sales in nominal terms were up 8.8% over 2010. Furthermore, we point out the Company's solid position in the non-food segment with the consolidation of Nova Casas Bahia's results, while in 2010, only the months of November and December were considered. In 2011, all months were considered.

(b) revenue variations due to changes in prices, exchange rates, inflation, volume changes and the launching of new products and services

The Company depends on the Brazilian macro-economic situation and other factors, such as unemployment rate, credit availability and average salaries growth in Brazil to define its financial condition and results of its operations.

Operating expenses, as well as cash expenditures (i.e., others rather than depreciation and amortization), are realized in Reais and vary according to inflation. In this regard, any increase in interest rates or inflation may raise the price of products at our stores. On the

other hand, as our negotiations with suppliers are based on a large volume, our exposure to the aforementioned variations may decrease.

(c) impact of inflation, variations in the price of our main inputs and products, foreign exchange and interest rates on our operating and financial results

In addition to item “b,” above, the Company believes that depreciation or appreciation of Real against the US dollar affects and may continue affecting the results of its operations referring to imports, which approximately accounted for 2.6% of our sales in 2011.

In 2011, our financial result was mainly affected by charges on net bank debt and the cost of discounting receivables.

Section 10.3

(a) *introduction or sale of an operating segment*

As of November 2010, we began to consolidate the operations of Nova Casas Bahia into the Company's results, with relevant effect on our financial statements and results due to the relevance of its operations, especially in 2011, as this was the first year of consolidation of entire year of operations. <0} Nova Casas Bahia accounted for 29.6% of sales in 2011.

(b) *creation, acquisition or sale of shareholding*

Non-Food retail sector - Viavarejo

The Company strengthened its position in the non-food retail sector through the adoption of two significant actions in 2009: the acquisition of Globex and the partnership with Nova Casas Bahia. With the aforementioned actions, we then complemented our positioning in the durable goods market through services to consumers in different social classes, broadening our knowledge of the sector, thus, capturing synergies, seeking excellence in services and offering a series of benefits to consumers, such as: greater product assortment, better prices and easy access to credit.

The operation also benefitted from the structuring of an e-commerce business, which knowingly grows at a faster rate than sales at physical stores. The Company endeavored efforts to combine operational platforms and systems of Extra.com, Casasbahia.com and Pontofrio.com and has invested in logistics and distribution.

Our performance in the non-food retail sector will also be reinforced by gains deriving from the integration of Nova Casas Bahia, which was designed at the end of 2010 and should extend over the upcoming years. Part of synergies has already been captured, particularly those related to business practices, while the Company believes that other gains will derive from the revision of structure and processes.

(c) *unusual events or operations*

There were no unusual events or operations.

Section 10.4

(a) significant changes in accounting practices

In all previous periods, including the fiscal year ended December 31, 2009, the Company prepared its financial statements pursuant to accounting practices adopted in Brazil (BRGAAP). Financial statements for the fiscal year ended December 31, 2010 were the first ones to be prepared in accordance with all pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC) and IFRS. Therefore, the Company prepared its financial statements pursuant to CPCs standards for the periods beginning on or after January 1, 2009, as described in its accounting policies.

For these financial statements, the opening balance is dated January 1, 2009, the transition date of CPCs.

Below, the main adjustments made by the Company to restate the opening balance sheet in BRGAAP on January 1, 2009, and the balance sheet prepared pursuant to BRGAAP for the fiscal year ended December 31, 2009.

Exemptions adopted

CPC 37 – First-time adoption of the international accounting standards allows for certain exemptions in the retrospective application of CPC requirements for the fiscal year ended December 2010. The following exemptions were applied:

- CPC 15 – Business combinations – not applied to acquisitions occurred before January 1, 2007.
- The Company applied temporary provisions of ICPC 03 – Determination of Leasing in an Operation evaluating all agreements on the transition date.

(i) Hedge Accounting

On the date of adoption, the Company had interest rate swaps related to debt instruments at variable rates. In accordance with CPC 38, these swaps may be accounted for as fair value hedge, and changes are recognized in retained earnings. The hedge was recorded in the opening balance sheet, considering the type of financial instrument which is qualified as hedge accounting under the CPCs. In this context, the amounts of R\$(7.5) million and R\$15.8 million were recognized under shareholders' equity on December 31, 2009 and January 1, 2009, respectively, and R\$23.4 million were recognized in the statement of income for the fiscal year ended December 31, 2009.

(ii) Recognition of adjustment revenues referring to the transaction with Banco Itaú in 2004

In December 2005, the Company signed an agreement with Banco Itaú, providing for the receipt on the signature date of the agreement of R\$380 million in exchange for the installation of service kiosks at CBD stores and the volume of the customer portfolio for a 5-year period. According to the accounting practices previously adopted, the amount had been fully recognized as revenue, however, under the CPC 30, the amount of R\$41,554 million should have been deferred in view of the condition of goals established every 5 years. The effect recorded in the opening balance sheet, thus, on January 1, 2009, was fully recorded in the income for the fiscal year ended December 31, 2009.

(iii) Miravalles adjustments to adopt CPC

The differences between accounting practices adopted prior to the amendments introduced by Law 11,638/07 ("Former BR GAAP") and CPCs, which are adjusted under shareholders' equity and in the statement of income of FIC, are stated under the Company's equity adjustment. The effect on shareholders' equity was R\$(21.2) million on January 1, 2009, R\$(40.0) million on December 31, 2009 and R\$(18.7) million on the statement of income for the fiscal year ended December 31, 2009.

(iv) Accounts payable related to investments in AIG

The effect on shareholders' equity was R\$(134.8) million on January 1, 2009 and December 31, 2009, related to the reversal of goodwill generated by non-controlling shareholders' acquisition under former BR GAAP, while there was no effect on the 2009 statement of income.

(v) Assai Business Combination

As authorized by CPC 43, the Company chose the business combinations exemption for all transactions that occurred before January 1, 2007. Therefore, the acquisition of Assaí, on November 1, 2007, was recorded as a business combination, according to CPC 15. The effects on shareholders' equity on January 1, 2009, were R\$30.6 million and R\$29.9 million on December 31, 2009. In the statement of income for the fiscal year ended December 31, 2009, the effect of adjustment was R\$(4.6) million.

(vi) Rossi Business Combination

As authorized by CPC 43, the Company chose the business combinations exemption for all transactions that occurred before January 1, 2007. Therefore, the acquisition of Rossi, on July 27, 2007, was recorded as business combination according to CPC 15. The effects on shareholders' equity on January 1, 2009, were R\$12.1 million and R\$20.8 million on December 31, 2009. In the statement of income for the fiscal year ended December 31, 2009, the effect of the adjustment was R\$8.7 million.

(vii) Elimination of Sendas' non-controlling shareholders

Sendas Distribuidora was consolidated pursuant to CPC 36, with the elimination of minority shareholders in Sendas Distribuidora. The effect on shareholders' equity was R\$75.7million on January 1, 2009, R\$83.0 million on December 31, 2009 and R\$7.2 million in the statement of income for the fiscal year ended December 31, 2009.

(viii) Deferred Income and Social Contribution Taxes

Changes in deferred income and social contribution taxes represent the deferred taxes effects on adjustments required in the adoption of CPCs, which amounted to R\$20.5 million on January 1, 2009 and R\$41.6 million on December 31, 2009, and R\$(87.6) million in the statement of income for the fiscal year ended December 31, 2009.

(b) *significant effects of changes in accounting practices*

2010 financial statements were prepared pursuant to the accounting practices adopted in Brazil. Regarding our Company, these practices differ from IFRS, applicable to separate financial statements, only to the equity method valuation applied for investments in subsidiaries, associates and joint ventures. For IFRS, these investments would be measured at cost or fair value.

(c) *reservations and emphasis in the independent auditor's report*

There were no reservations in the report issued by our independent auditor on the financial statements for the fiscal years ended December 31, 2009, 2010 and 2011, noting however that they contain the following matters of emphasis.

2010

The independent auditor's report on the financial statements for the fiscal years ended December 31, 2010 included the following matter of emphasis related to the adjustments in previous periods, as transcribed below:

"As mentioned in Note 2, the individual financial statements were prepared in accordance with the accounting practices adopted in Brazil. In the case of Via varejo, the practices differ from IFRS, applicable to separate financial statements, only to the equity method valuation

Edgar Filing: BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD - Form 6-K
applied for investments in subsidiaries, associates and joint ventures. For IFRS, these investments would be measured at cost or fair value.”

2008

The independent auditor’s report issued on the financial statements for the fiscal year ended December 31, 2008, include a paragraph emphasizing that due to changes in the accounting practices adopted in Brazil in 2008, the financial statements for the fiscal year ended December 31, 2007, which were presented for comparison purposes, were adjusted and have been restated pursuant to NPC 12 – Accounting Practices, Changes and Accounting Estimates and Correction of Errors.

Section 10.5

(i) Officers must indicate and comment on the critical accounting policies adopted by the issuer, especially discussing accounting estimates made by Management on uncertain and relevant issues in the description of the Company's financial condition and its results that require subjective or complex judgments, such as: provisions, contingencies, revenue recognition, tax assets, long-lived assets, useful life of non-current assets, pension plans, foreign currency translation adjustments, environmental recovery costs, impairment test criteria and financial instruments.

Financial Instruments

Financial instruments are recognized as of the date on which the Company enters into the contract. When recognized, these are recorded at their fair value plus the transaction costs that are directly attributable to their acquisition or issuance. Their subsequent measurement occurs every balance sheet date according to the rules established for each type of financial asset or liability.

Financial Assets

Initial recognition and measurement

Financial assets held by the Company within the scope of CPC 38 (IAS 39), are classified as financial assets measured at their fair value through income statement, loans, receivables and derivative financial instruments designated as hedge instruments and investments held to maturity. The Company determines the classification of its financial assets at initial recognition.

The Company defines the classification of all financial assets and they are recognized initially at fair value, and in the case of investments not recognized at fair value through the income statement, plus directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (negotiations under regular conditions) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash equivalents, trade accounts receivable and other accounts receivable, related party receivables, escrow deposits and derivative financial instruments.

Subsequent Measurement

Assets are classified among categories mentioned below, according to the purpose to which they were acquired or issued:

- Financial assets at fair value through profit or loss: are measured at their fair value at each balance sheet date. Interest rates, monetary restatement, exchange variation and variations deriving from the valuation at fair value are recognized in the statement of income for the period when incurred as financial revenues or expenses. The financial assets are classified as financial assets by fair value through profit or loss if acquired for the purposes of selling or repurchasing in the near term, with changes recognized in financial income or financial expense. Balances of cash and cash equivalents held by the Company are classified into this category;
- Loans and receivables: these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After the initial recognition, these are measured using amortized cost through the effective interest rate method. Interest income, monetary restatement, exchange variation, less impairment losses, where applicable, are recognized in the income statement when incurred as financial income or expenses; and
- Assets and liabilities held to maturity: are financial assets and liabilities which cannot be classified as loans and receivables, for being marketable in the active market. In this case, these financial assets are acquired with the intention and financial capacity to their maintenance in the Company portfolio until maturity. They are measured at acquisition cost, plus monetary restatement through income, using the effective interest rate.

Derecognition of Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full to a third party under a “pass-through”

arrangement; and either (a) the Company has transferred substantially all the risks and benefits of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and benefits of the asset, but has transferred its control. When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and benefits of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations retained by the Company.

Impairment of Financial Assets

On the balance sheets dates, the Company verifies if there is any sign of impairment of an asset or group of financial assets. The impairment of an asset or group of financial assets is only considered if there are objective pieces of evidence resulting from one or more events occurred after the asset initial recognition ("loss event"), and if said event affects the estimated future cash flows of asset or group of financial assets, which can be safely estimated. The evidence of impairment may include signs that debtors (or group of debtors) are going through relevant financial constraints, moratorium or default in the amortization of interest or principal, probability of filing for bankruptcy or another type of financial reorganization and when these data point a measurable drop in future cash flows, such as, default interest variations or economic conditions related to defaults.

The loss amount is measured as the difference between the carrying amount of asset and the present value of the estimated future cash flows (excluding future credit losses not incurred) discounted by the original effective interest rate of the financial asset. The asset's carrying amount decreases when provision is used and the loss is recognized in the income statement. Interest income is recorded in the financial statements as part of the financial income.

If, in subsequent period, the impairment decreases and this reduction can be objectively associated with an event occurred after the recognition of the provision (such as an improved debtor's credit rating), the reversal of impairment previously recognized is recognized in the consolidated statement of income. If the write-off is later recovered, this recovery is also recognized in the statement of income.

Held-to-maturity Financial Assets

Referring to the held-to-maturity financial assets, the Company firstly verifies if there is objective evidence of impairment individually for the financial assets which are individually relevant or collectively for the assets, which individually, are not relevant. If the Company determines the non-existence of objective evidence of impairment of a financial asset evaluated on an individual basis, whether or not this loss is material, the Company classifies it into a group of financial assets with similar credit risk characteristics, which are evaluated collectively. The assets evaluated on an individual basis as to impairment or to which the impairment is (or still is) recognized are not included in the overall losses evaluation.

In the event of objective evidence of impairment, the corresponding loss amount is calculated as the difference between the carrying amount of assets and the present value of estimated cash flows (excluding estimated credit losses and not incurred yet). The present value of estimated cash flows is discounted at the financial assets original interest rate. If a financial asset bears variable interest rates, the discount to measure eventual impairment will be the interest rate effective at the present date.

The asset's carrying amount of the asset is reduced through an allowance and the amount of the loss is recognized in the statement of income. The financial income is still accumulated over the carrying amount less the interest rate used to discount the future cash flows in order to measure the impairment. In addition, the interest income is recorded as part of the financial result in the statement of income. Loans and receivables, together with respective provisions, are written off when there is no real prospect of future recovery and all guarantees have been realized or transferred to the Company. If in the subsequent year, the amount of estimated loss of recoverable value suffers any variation due to an event occurred after its recognition, an adjustment is made in the allowance account. If a write-off is later recovered, it is recorded a revenue to financial results in the statement of income for the year.

Trade Accounts Receivable

Trade accounts receivable are non-derivative financial assets with fixed payments or that may be calculated, without quote on the active market. After initial measurement, these financial assets are subsequently measured at the amortized cost according to the effective interest rate method ("TEJ"), less impairment. The amortized cost is calculated taking into account eventual discounts or premiums over the acquisition and tariffs or costs composing the TEJ. The TEJ amortization is included in the net financial result under the statement of income for the year. Impairment expenses are recognized in the statement of income for the year.

The Company securitizes its accounts receivable through special purpose entities, the PAFIDC and Globex FIDC.

Accounts receivable deriving from business agreements are related to cash considerations received from trade payables, contractually established and calculated over purchase volumes, marketing actions, freight cost reimbursements, etc.

Financial Liabilities

The financial liabilities under the scope of CPC 38 (IAS 39) are classified as loans or borrowing or derivatives financial instruments designated as hedge instruments in an effective hedge relationship, where applicable. The Company defines the classification of financial liabilities in the initial recognition.

All financial liabilities are recognized initially at fair value, and in the case of loans and borrowing, plus directly attributable transaction cost.

The Company's financial liabilities include trade and other payables, bank overdraft accounts, loans and borrowings, debentures and derivative financial instruments.

Subsequent Measurement

Measurement depends on the classification of liabilities, as follows:

- Loans and borrowings: After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of income for the year when the liabilities are derecognized as well as through the effective interest rate method amortization process.
-

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and stated net in the financial statement only if recognized amounts can be offset and if there is an intention of settling them on a net basis or realize the assets and settle the liabilities simultaneously.

Put Options Granted to Non-Controlling Shareholders

- The classification of equity instruments issued by the Company in equity or debt depends on each instrument's specific characteristics. An instrument is deemed to be an equity instrument when the following two conditions are met: (i) the instrument does not contain a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; and (ii) in the case of a contract that will or may be settled in the Company's own debt instruments, it is either a non-derivative that does not

include a contractual obligation to deliver a variable number of the Company's own equity instruments, or a derivative that should be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

Accordingly, instruments that are redeemable at the Company's discretion and for which the remuneration depends on the payment of a dividend are classified in shareholders' equity.

When the Company has a present ownership interest in the shares subject to an option agreement, no non-controlling interest is recorded and the shares subject to the instrument are accounted for as own shares. The Company's policy is to treat any liability associated with the instrument as a liability under CPC 15 (IFRS 3) with changes recognized as contingent consideration against goodwill. Changes to the liability related to the passage of time such as the unwinding of a discount rate or monetary restatement are recognized as financial expense.

Reclassification of Debt and Equity Instruments

In order to reclassify debt and equity instruments, the Company shall record them as follows:

- reclassify an equity instrument (shareholders' equity) as debt instrument (financial liability) as of the date the instrument no longer shows all its characteristics and conditions necessary to support its recognition. The financial liability shall be measured by fair value of instrument on the reclassification date. The Company shall recognize in shareholders' equity any difference between the carrying amount of equity instrument and the fair value of financial liability on the reclassification date; and
-

- reclassify a debt instrument as equity instrument (shareholders' equity) as of the date it shows all the characteristics and meets all the conditions related to its recognition, as set forth by CPC 39 (IAS 32). The equity instrument shall be measured by carrying amount of debt instrument on the reclassification date.

Hedge Accounting

The Company uses derivative financial instruments such as, interest rate swaps and exchange variation. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are taken directly to income statement.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting, and its risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine if they actually have been highly effective throughout the periods of the financial reports for which they were designated.

For the purposes of hedge accounting, hedges are classified as fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability.

Hedges which meet the criteria for hedge accounting are accounted, for the transactions held by the Company, as fair value hedges, adopting the following procedures:

- The change in the fair value of a derivative financial instrument classified as interest rate hedging is recognized as financial result. The change in the fair value of the hedged item is recorded as a part of the carrying amount of the hedged item and is recognized in the income statement for the year;
 - For fair value hedges relating to items carried at amortized cost, the adjustment to carrying amount is amortized in the income statement over the remaining term to maturity. Effective interest rate amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged; and
 - If the hedge item is derecognized, the unamortized fair value is recognized immediately in the income statement.
-

Cash and Cash Equivalents

In accordance with CPC 03 (IAS 7), cash and cash equivalents consist of cash, investments that are short-term, highly liquid, readily convertible to known amounts of cash and subject to an insignificant risk of changes in value with intention and possibility of rescued in short term. Bank overdrafts are included within current liabilities in the financial statements.

Inventories

Inventories are carried at the lower of cost or net realizable value. The cost of inventories purchased is recorded at average cost, including warehouse and handling costs, to the extent these costs are necessary so that make inventories available for sale in the Company's stores.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Inventories are also reduced by an allowance for losses and breakage, which are periodically reviewed and evaluated as to it is adequacy.

Present Value Adjustment of Assets and Liabilities

Non-Current monetary assets and liabilities and current assets and liabilities, when relevant, and noncurrent assets and liabilities, are adjusted to their present value. The present value adjustment is calculated taking into account contractual cash flows and the respective explicit or implied interest rates.

Embedded interest rates on revenues, expenses and costs associated with said assets and liabilities are adjusted to the appropriate recognition in conformity with the accrual basis of accounting. The present value adjustment is recorded in those items, subject to the application of rule and “financial result” as corresponding entry.

Impairment of Non-Financial Assets

The impairment test intends to provide the actual net realizable value of asset. This realizable can be directly or indirectly, respectively, by sale or by the cash-generation through the asset’s use in the Company's activities.

Annually the Company assesses the impairment test in their tangible or intangible assets or when there is any internal or external evidence that the asset may have a loss of recoverable amount.

An asset’s recoverable amount is the highest between the asset’s fair value or the value in use of its cash-generating units (CGU), unless the asset does not generate cash inflows that are largely independent from cash inflows of other assets or groups of assets.

Where the carrying amount of an assets or CGU exceeds its recoverable amount, the asset is considered non-recoverable and is written down to its recoverable amount. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value, "except to impairment test of deferred taxes", using a pre-tax discount, which represents the Company's cost of capital ("WACC"), before taxes, that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in the statement of income in those expense categories consistent with the function of the impaired asset. A previously recognized impairment loss is reversed, "except to the goodwill that cannot be reverted in future period", if has been a change in the assumptions used to determine the asset's recoverable amount in its mostly recent initial recognition.

In the future period the asset has increased its value after a new assessment of impairment, there will be need for reversal the provision initially established, "except to the impairment of goodwill that once established, can no longer be reversed". This reversal is limited on initial recognition at cost, net of accumulated depreciation and/or amortization. Such reversal is recognized in the income for the year.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such amount includes the cost of replacing a component of the equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant components of property and equipment are replaced, the Company recognizes such components as individual assets with specific useful lives and depreciation.

Likewise, when a major replacement is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other

Edgar Filing: BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD - Form 6-K
repair and maintenance costs are recognized in the income statement as incurred.

Items of property and equipment and any significant part are derecognized when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Borrowing Costs

In accordance with CPC08 - Transaction Costs and Premium on the Issuance of Debt and Equity, borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale (qualifying asset) are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the year that they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized software development costs, are not capitalized and the expenditure is reflected in the statement of income for the year when incurred.

Intangible assets consist mainly of purchased software acquired, software developed for internal use and commercial rights (stores' right to use), list of customers, profitable lease agreements, profitable supply agreements of furniture and trade names.

Intangible assets with definite useful lives are amortized by the straight-line method. Assets with definite useful lives represented by profitable lease agreement and profitable supply agreement of furniture are amortized according to the economic benefits raised by agreements and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method are reviewed, at least, at the end of each year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting assumptions. The amortization expense on intangible assets with definite useful lives is recognized in the

Edgar Filing: BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD - Form 6-K
income statement for the year in the corresponding category consistent with the function of the intangible asset.

Software development costs recognized as assets are amortized over their estimated useful lives, which is 10 years.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment at each year-end or whenever there is an indication that their carrying amount cannot be recovered, either individually or at the cash generating unit level. The assessment is reviewed annually to determine whether the indefinite useful life continues to be valid. If not, the change in useful life from the indefinite to definite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, being recognized in the income statement for the year.

Classification of Assets and Liabilities as Current and Non-Current

Assets (excluding deferred income and social contribution tax) that are expected to be realized in or are intended for sale or consumption within twelve months after the balance sheet date, are classified as current assets. Liabilities (excluding deferred income and social contribution tax) that are expected to be settled within twelve months as of the balance sheet date are classified as current. All others assets and liabilities (including deferred taxes) are classified as “noncurrent”.

All deferred tax assets and liabilities are classified as noncurrent assets or liabilities, net by consolidated entity.

Leasing

The determination of whether an arrangement is, or contains leasing, is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Distinguish between financial and operational leasing

The Company as lessee - Financial

Financial lease agreements, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are allocated between finance charges and reduction of leasing liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the duration of its estimated useful life or lease term, whichever is shorter.

Lease agreements are classified as operating leasing when there is no transfer of risk and benefits incidental to ownership of the leased item.

The installment payments of leasing (excluding costs of services, such as insurance and maintenance) classified as operating lease agreements are recognized as expenses, according to their accrual basis, during the lease term.

The Company as lessor - Operational

Lease agreements where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the agreement term on the same bases as rental income.

Contingent rents are recognized as revenue in the period in which they are earned.

Provisions

Provisions are recognized when the Company has a present obligation (legal or not formalized) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the result, net of any reimbursement.

Dividend Distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements at the year-end, based on the minimum mandatory dividends established by the statutory law. Any amount above of that amount is only recorded at the date on which such

Edgar Filing: BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD - Form 6-K
incremental dividends are approved by the Company's shareholders.

Prepaid Revenue

Prepaid revenue is recognized by the Company through the anticipation of amounts received from business partners for exclusivity intermediation service of additional or extended guarantees and recognized in income by the evidence service in the sale of these guarantees with the business partners.

Shareholders' Equity

Common and preferred shares are classified as shareholders' equity. When any related party purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from capital of Company's shareholders until the shares are cancelled or reissued. When such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in capital to the Company's shareholders. No gain or loss is recognized on the purchase, sale, issuance or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized in other capital reserves.

Share-based Payment

Employees (including senior executives) of the Company receive remuneration in the form of share-based payment, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some of the goods or services received by the Company as a counter-provision cannot be specifically identified, the identified goods or services not received (or to be received) are measured as the difference between the fair value of operation of share-based payment and the fair value of any identifiable goods or services received at the grant date. Then, the value is capitalized or released as expense, as appropriate.

Equity-settled Transactions

When any related party purchase the Company's shares (treasury shares), the consideration paid including any directly attributable cost is deducted from equity until the shares are canceled or reissued. When such shares are subsequently reissued, any consideration paid, net of costs attributable transaction are included in equity. No gain or loss recognized in the purchase or sales issue or cancellation of equity instruments. Any difference between book value and the consideration paid is recorded as capital reserve.

The cost of equity-settled transactions is recognized in the result, together with a corresponding increase in shareholders' equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity instruments at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments to be acquired.

The expense or income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period. No expense is recognized for services that will not complete its acquisition period, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where an equity instrument is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity instrument is cancelled, it is treated as if it totally vested on the date of cancellation, and any expense not yet recognized for the premium, recognized immediately in the income statement. This includes any premium where non-vesting conditions within the control of either the Company or the employee are not met. However, if the cancelled plan is replaced by another plan and designated as a replacement grants on the date that it is granted, the cancelled grant and new plan are treated as if they were a modification of the original grant, as described in the previous paragraph. All cancellations of equity-settled transaction are treated equally. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Earnings per Share

Basic earnings per share are calculated based on the weighted average number of shares of each category outstanding during the period, excluding shares issued in payment of dividends and treasury shares.

Diluted earnings per share are calculated by the treasury stock method, as follows:

- numerator: earnings for the year; and
- denominator: the number of shares of each category is adjusted to include potential shares corresponding to dilutive instruments (stock options), less the number of shares that could be bought back at market, if applicable.

Equity instruments that will or may be settled in Company's shares are included in the calculation only when their settlement would have a dilutive impact on earnings per share.

Determination of Net Income

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements, except for those referring to extended warranties. Specifically in this case, the Company operates as an agent, and revenue is recognized on a net basis, which reflects the commission received from insurance companies. The following specific recognition criteria must also be met before revenue is recognized:

(i) Revenue

a) Sales of goods

Revenues are recognized at the fair value of the consideration received or receivable for the sale of goods and service. Revenues from the sale of products are recognized when their value can be measured reliably, all risks and benefits inherent to the product are transferred to the buyer, the Company no longer has the control or responsibility over the goods sold and the economic benefits generated to the Company are probable. Revenues are not recognized if their realization is uncertain.

b) Interest Income

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest rate, which is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in the financial result under the statement of income.

(ii) Gross Profit

Gross profit corresponds to the difference between net sales and the cost of goods sold. The cost of goods sold comprises the cost of purchases net of discounts and bonuses received from trade payables, changes in inventory and logistics costs.

Bonus received from trade payables is measured based on contracts and agreements signed with trade payables.

Cost of sales includes the cost of logistics operations managed or outsourced by the Company, comprising warehousing, handling and freight costs incurred after the initial delivery of merchandise to stores or the Company's warehouses. Transport costs are included in the acquisition costs.

(iii) Selling Expenses

Selling expenses consist of all store expenses, such as salaries, marketing, occupancy, maintenance, etc.

(iv) General and Administrative Expenses

General and administrative expenses correspond to overheads and the cost of corporate units, including the purchasing and procurement, IT and finance functions.

(v) Other Operating Expenses, Net

Other operating income and expense correspond to the effects of major events occurring during the period that do not meet the Company's definition for the other income statement lines.

(vi) Financial Result

Finance expenses include, substantially, all expenses generated by net debt and the receivables securitization during the period offset by capitalized interest, losses related to the measurement of derivatives at fair value, losses on disposals of financial assets, finance charges on lawsuits and taxes interest charges on financial lease, and discounting adjustments.

Finance income includes income generated by cash and cash equivalents and escrow deposits, gains related to the measurement of derivatives at fair value, purchase discounts obtained from trade payables, and revenues referring to discounts.

Current Income and Social Contribution Taxes

Current income and social contribution tax assets and liabilities, for the current and prior periods, are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the tax are those that are enacted or substantially enacted, at the balance sheet dates.

The taxation on income comprises the Corporate Income Tax (“IRPJ”) and Social Contribution on Net Income (“CSLL”), being calculated based on taxable income (adjusted income), at rates applicable in the prevailing laws – 15% over taxable income and 10% surcharge over the amount exceeding R\$240,000 in taxable income yearly for IRPJ and 9% for CSLL.

Deferred income and social contribution taxes

Deferred taxes are generated by temporary differences at the balance sheet date, between the tax basis of assets and liabilities and their carrying amounts.

Deferred income tax and social contribution tax assets are recognized for all deductible temporary differences, and unused tax losses, to the extent that it is probable that taxable profit will be available against which to deduct the temporary differences and unused tax losses except where the deferred income and social contribution tax assets relating to the deductible temporary difference arise from the initial recognition of an asset or liability in a

transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor tax profit or loss.

Deferred income and social contribution tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent it is probable that taxable profit will be available against which to deduct temporary differences and unused tax losses not utilized, except where the deferred income and social contribution tax assets relating to the deductible temporary difference arise from the initial recognition of an asset or liability in transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor tax loss.

With respect to deductible temporary differences associated with investments in subsidiaries and associates, deferred income and social contribution taxes are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Pension Plan

The carrying amount of deferred income and social contribution tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income and social contribution taxes to be utilized. Unrecognized deferred income and social contribution tax assets are reassessed at the balance sheet date and are recognized to the extent that it has become probable that future taxable profits will allow these assets to be recovered.

Deferred income and social contribution tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet dates.

Deferred taxes related to items directly recognized in shareholders' equity are also recognized in shareholders' equity and not in the income statement.

Deferred income and social contribution tax assets and liabilities are presented net if there is a legal or contractual right to offset the tax assets against the tax liability and deferred taxes refer to the same taxpayer entity and to the same tax authority.

Other Taxes

Revenues from sales and services are subject to taxation by State Value-Added Tax ("ICMS"), Services Tax ("ISS"), Social Contribution Tax on Gross Revenue for the Social Integration Program ("PIS") and Social Contribution Tax on Gross Revenue for Social Security Financing ("COFINS") at rates prevailing in each region and are presented as deductions from sales in the income statement.

Tax credits derived from non-cumulative ICMS, PIS and COFINS are deducted from cost of goods sold.

Taxes recoverable or prepaid taxes are shown in the current and noncurrent assets, in accordance with the estimated timing of their realization.

Sales Taxes

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
 - Receivables and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the balance sheets.
-

Business Combinations and Goodwill

Business combinations are recorded using the acquisition method. The cost of an acquisition is measured as the sum between the consideration transferred, measured at fair value on the acquisition date and the amount of any non-controlling interest in the acquired company.

For each business combination, the acquirer measures the non-controlling interest in the acquired company at fair value or through the proportional interest in acquired company's identifiable net assets. The acquisition costs incurred are treated as expense and included in the administrative expenses.

When the Company acquires a business, it assesses financial assets and liabilities to the appropriate classification and designation according to contractual terms, economic circumstances and relevant conditions on the acquisition date. This includes the separation of derivatives embedded in agreements by the acquired company.

If the business combination occurs in phases, the fair value on the acquisition date of interest previously held by acquirer in acquired company is adjusted to fair value on the acquisition date through income statement.

Any contingent payment to be transferred by acquirer will be recognized at fair value on the acquisition date. Subsequent changes in fair value of contingent payment considered as an asset or liability will be recognized under CPC 38 (IAS 39) through income statement or as change in other comprehensive income. If the contingent payment is classified as equity, it will not be adjusted until it is finally settled under shareholders' equity.

Goodwill is initially measured at cost and the excess between the payment transferred and the amount recognized for non-controlling interest over identified net assets acquired and

liabilities assumed. If this payment is lower than the fair value of net assets of acquired subsidiary, the difference is recognized in the income statement as gain due to profitable purchase.

After initial recognition, the goodwill is measured at cost, less eventual impairment losses. For the purposes of impairment test, the goodwill acquired in a business combination is, as of the acquisition date, allocated to each one of the Company's cash generating units which shall reap the business combination benefits, regardless if other assets or liabilities of the acquired company will be assigned to these units.

In cases the goodwill composes a cash generating unit and part of the operation at this unit is sold, the goodwill related to the sold operation is included in the book amount of the operation when profit or loss earned with the sale of operation is calculated. This goodwill is then measured based on the sold operation-related amounts and part of the cash generating unit which was allocated.

The pension plan is funded through payments to insurance companies, which are classified as defined contribution plan according to CPC 33 (IAS 19). A defined contribution plan is a pension plan through which the Company pays fixed contributions to a separate legal entity. The Company has no legal or constructive obligation to pay additional contributions if the fund does not have sufficient assets to pay the benefits to all employees referring to length of service in current and previous years.

Customer Loyalty Programs

These are used by the Company to provide incentives to its customers in the sale of products or services. If customer buys products or services, the Company grants them credits. Customer may redeem the credits free of charge as a discount in the amount of products or services.

The Company estimates the fair value of scores granted according to the customer loyalty program, applying statistical techniques, considering the maturity of the plan defined in the regulation.

Section 10.6

(a) efficiency level of these controls, indicating any failures and measures adopted to correct them

Management is liable for establishing and maintaining effective internal controls over the preparation and disclosure of the financial information, noting that said internal controls are destined to offer reasonable guarantees to our Board of Directors with regards to the

Edgar Filing: BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD - Form 6-K
adequate preparation and presentation of our financial statements.

After evaluating the effectiveness of our controls on procedures for preparation and reporting at the end of the fiscal year ended December 31, 2011, the Management concluded that, on that date, controls and procedures for preparation and reporting were efficient to provide a reasonable guarantee that information required to be disclosed by us in reports filed or presented in accordance with applicable legislation and applicable regulations is registered, processed, summarized and reported within specific terms laid out by standards and CVM forms, while also accumulated and reported to Management so that to allow appropriate decisions in relation to the required preparation and reporting.

The Fiscal Council also plays an important role of evaluating our internal control systems and examining procedures for auditing, accounting and management through discussions with Management and the internal and external auditors.

(b) deficiencies and recommendations for internal controls mentioned in the independent auditor's report

Ernst & Young Auditores Independentes S.S. attests the effectiveness of the Company's internal controls in relation to the preparation and reporting of financial statements at every fiscal year ended.

Section 10.7

(a) *how proceeds obtained with the offer have been used*

The proceeds resulting from the Company's issue of debentures over the last 3 fiscal years were allocated as follows:

8th issue: the proceeds obtained with the 8th issue of debentures were utilized by the Company to maintain its cash strategy and strengthen its working capital.

9th issue: the proceeds obtained with the 9th issue of debentures were utilized by the Company to maintain its cash strategy and strengthen its working capital.

10th issue: the proceeds obtained with the 10th issue were used by the Company to lengthen its debt profile.

(b) *if there were any relevant deviations between the effective application of resources and application proposals disclosed in the prospectus of the respective offering*

There were no deviations.

(c) *if there were any deviations, please mention the reasons*

Not applicable.

Section 10.8

(a) assets and liabilities held by the Company, directly and indirectly, not included in the balance sheet (off-balance sheet items), such as: (i) operational leasing, assets and liabilities; (ii) derecognized receivables portfolios over which the entity maintains risks and responsibilities, indicating respective liabilities; (iii) futures contracts for the purchase or sale of products or services; (iv) unfinished construction agreements; and (v) future loan agreements

Payments of leasing installments (excluding the cost of services, such as insurance and maintenance) classified as operational leasing are recognized as expenses, on a straight-line basis, during the lease term. Management considers as operational leasing the lease of stores (rentals) when there is no transfer of risks or benefits to the Company.

Leased assets are depreciated during their useful lives. However, if there is no reasonable certainty that the Company will own the lease item upon the end of the lease term, the asset is depreciated over its estimated useful life or lease term, whichever is shorter.

Payments of leasing installments (except for costs of services, such as insurance and maintenance) classified as Operational leasing agreements are recognized as expenses by the straight-line method during lease term.

For leasing operations that cannot be cancelled with purchase option clause at residual value, option of which is reasonably certain to be exercised, the Company considers for the purposes of calculating the monthly amortization, the value required to exercise said option, considering depreciation rates varying between 5% and 20%. Values are measured in accordance with CPC 06.

(b) Other items were not evidenced in the financial statements

Not applicable.

Section 10.9

(a) how these items alter or may change revenues, expenses, result of operations, financial expenses or other items of the Company's financial statements;

Management considers as contingent payments the additional amounts paid as variable rental, defined in the lease agreement clause, whose amount corresponds from 0.5% to 2.5% over store's sales.

(b) *nature and purpose of the operation;*

The nature of operational leasing agreements is to utilize real properties destined to the sale of the Company's products.

(c) *nature and amount of the obligations assumed and the rights generated on the Company's behalf as a result of the operation.*

The Company's lease agreement terms vary from 5 to 25 years, and may be renewed in accordance with specific legislation. The values of the agreements are adjusted periodically according to inflation indexes.

Section 10.10

(a) *investments, including: (i) quantitative and qualitative description of investments in progress and planned investments; (ii) sources of financing for investments; and (iii) relevant divestments in progress and planned divestments.*

In 2011, the Company invested a total of R\$1.583 billion, up 32.9% over 2010, as follows:

- R\$246 million invested in the opening and construction of stores and the acquisition of strategic sites;
- R\$661 million invested in store renovations and conversions; and
- R\$676 million invested in infrastructure and other items.

On March 30, 2012, Management will submit a proposal for the 2012 Investment Plan to shareholders, in the amount of up to R\$1.966 billion, covering (i) the opening of stores, acquisition of land and store conversions; (ii) store renovations; and (iii) IT, logistics infrastructure and other. This proposal will be submitted for approval at the Annual and Extraordinary Shareholders' Meeting to be held on April 30, 2012.

The Company's investment plan reflects its positive outlook regarding the performance of Brazil's economy and reiterates its commitment towards the creation of jobs and development of the country. The Company will prioritize organic growth, with the inauguration of new stores, while also analyzing acquisition opportunities that could bring synergies to our operations and the effective creation of value for the Company.

We raised funds for our operations and investments, mainly through our operating cash flow, bank loans, receivables securitization, financing from the BNDES and funding on the capital markets through the issue of debentures.

On December 31, 2011, the Company had R\$4.970 billion in cash and cash equivalents. The Company has adopted a policy of maintaining considerable cash and cash equivalents so as to ensure us conditions to immediately meeting our liquidity needs.

(b) provided that already disclosed, indicate the acquisition of plants, equipment, patents or other assets that may adversely affect our production capacity

In 2011, we indirectly acquired the controlling interest of Sendas Distribuidora S.A., which was already indirectly controlled by the Company.

(c) new products and services, indicating: (i) description of researches in progress; (ii) total amounts spent on research for development of new products or services; (iii) projects under development already disclosed; and (iv) total amounts spent on the development of new products or services.

Not applicable.

Section 10.11

The Company is not aware of any other factors that may adversely affect our operating performance which have neither been identified nor discussed in other items of this section 10.

Fiscal Council Nomination

(according to CVM Instruction 481/09, articles 10)

Pursuant to CVM Instruction 481/09, article 10, some information on the candidates to our Fiscal Council is shown below, which will be decided by our shareholders at the Annual Shareholders' Meeting to be held on March 27, 2012.

Conselho fiscal

1) **Fernando Maida Dall'Acqua** (nominated by the controlling group to effective member of the fiscal council), born in 1949, he has been Chairman of the Fiscal Council since 2009. He is currently a Board member at Via Varejo S.A., Board member and Audit Committee member at ISA-CTEEP and Audit Committee member at the O Estado de São Paulo newspaper, in addition to providing consulting services to major companies on mergers and acquisitions, economic and financial valuation and tax advisory services. He was Finance Secretary to the São Paulo state government, has held financial, tax, budget and strategic management positions, besides serving as a member of the São Paulo State Privatization Council. He was also member of the Board of Directors and the Sarbanes-Oxley Audit Committee at Sabesp, and member of the Boards of CESP, PRODESP, DERSA, Banco Nossa Caixa and Banespa, besides serving on the Advisory Board of Grupo Pão de Açúcar. He holds a master's degree in business administration from the Getulio Vargas Foundation, a PhD in Economic Development from the University of Wisconsin-Madison, USA, and received the post-doctoral title of "Livre Docente" in Business Administration from the Getulio Vargas Foundation, and Professor of the School of Administration of São Paulo (Getulio Vargas Foundation). He was also a Fellow at Michigan State University, U.S.A.

Antonio Luiz de Campos Gurgel (nominated by the controlling group to substitute member of the fiscal council), born in 1940, he has been an alternate member of the Fiscal Council since 2009. Currently, he is a member of the Fiscal Council of Via Varejo S.A. He served as Fiscal Auditor of the Brazilian Internal Revenue Service, and, as advisor, he worked with companies such as Cargill Agrícola S.A., Companhia Energética do Estado de São Paulo - CESP, Hewlett-Packard Brasil Ltda., IBM Brasil Indústria, Máquinas e Serviços Ltda., TELESP - Telecomunicações de São Paulo S.A., Volkswagen do Brasil Indústria de

Veículos Automotores Ltda., Banco Bradesco S.A., Banco Itaú Unibanco S.A. and Banco Real ABN Amro S.A. He worked as associate professor in the Accounting, Finance and Control Department of FGV/EAESP. He graduated in Business Administration from FGV/EAESP and holds an MBA from the Michigan State University, U.S.A.

2) **Mario Probst** (nominated by the controlling group to effective member of the fiscal council), born in 1953, he has been a member of the Fiscal Council since 2009. Mr. Probst was partner of KPMG Auditores Independentes and is currently a member of the Fiscal Council of Via Varejo S.A., member of the Audit Committee of Odontoprev S.A. and Ultrapar Participações S.A. He graduated in Business Administration from the Getulio Vargas Foundation and in Accounting Sciences from the College of Political and Economic Sciences of Rio de Janeiro.

John Michel Pimenta de Moraes Streithorst (nominated by the controlling group to substitute member of the fiscal council), born in 1970, he has been an alternate member of the Fiscal Council since 2009. He is currently a member of the Fiscal Council of Via Varejo S.A., and member of the Investment Committee of Capital Mezanino FIP. He was member of the Investment Committee and director of Icatu Equity Partners and member of the Investment Committee of AIG Latin American Equity Partners. He holds a computer engineering degree from the Campinas State University (UNICAMP).

3) **Raimundo Lourenço Maria Christians** (nominated to effective member of the fiscal council), born in 1957, he has been a member of the Fiscal Council since 2011, when he was appointed by preferred shareholders. He began his career at PricewaterhouseCoopers from 1979 to march 25, 2011, when he retired. In 32 years, worked on accounting and financial areas and lately on fiscal matters. Became parent in 1994 and was elected member of the Global Governance Board (2001 to 2005) and Oversight Board to South America (2000 to 2005) from PwC. Currently is a member of Board of Directors of General Shopping do Brasil S.A., chairman of the Audit Committee of Dasa - Diagnósticos da América S.A. and chairman of Fiscal Council of Kroton Educacional S.A.. He is also Officer at Holland-Brazil Commerce Chamber and member of Finance, Accounting and Financial markets commission at Brazilian Corporate Governance Institute. He holds a bachelor's degree in accounting of Universidade Católica de Campinas - PUC.

Eduardo Cysneiros de Morais (nominated to substitute member of the fiscal council), born in 1974, started his career in 1998 at Matrix Bank, as buy-side analyst. Worked for Claritas in March 2002 as Portfolio Manager, variable income analyst and became partner in 2005. He is currently member of the fiscal council of Taesa, Cremer and OHL and held in 2009 the same position in Medial and Cremer. He is also member of the AMEC's technical committee. He holds bachelor in economics at UFRJ and is certified at AMBIMA (CGA) and CFA.

Items 12.6 to 12.10 of Reference Form, Instruction CVM 480/2009

12.6. With respect to each of the officers, directors and members of the fiscal council, indicate in table form: (a) name; (b) age; (c) profession; (d) CPF (tax registration number) pr passport number; (e) office held; (f) date of election or appointment; (g) date of investiture into office; (e) term of office; (f) other positions or functions held in the issuer; and (g) wheter elected or appointed by the controlling shareholder, or not.

(a) name	Fernando Maida Dall'Acqua
(b) age	62
(c) profession	College Teacher
(d) CPF (tax registration number) pr passport number	655.722.978-87
(e) office held	Chairman of the Fiscal Council
(f) date of election or appointment	03/31/2011
(g) date of investiture into office	03/31/2011
(e) term of office	1 year
(f) other positions or functions held in the issuer	-
(g) wheter elected or appointed by the controller, or not	Yes

(a) name	Antonio Luiz de Campos Gurgel
(b) age	71
(c) profession	Business Administrator
(d) CPF (tax registration number) pr passport number	030.703.368-68
(e) office held	Substitute Member of the Fiscal Council
(f) date of election or appointment	03/31/2011
(g) date of investiture into office	03/31/2011

- (e) term of office 1 year
 - (f) other positions or functions held in -
the issuer
 - (g) wheter elected or appointed by Yes
the controlling shareholder, or not
-

(a) name Mario Probst
(b) age 58
(c) profession Business Administrator
(d) CPF (tax registration number) pr 029.415.318-74
passport number
(e) office held Effective Member of the Fiscal Council
(f) date of election or appointment 03/31/2011
(g) date of investiture into office 03/31/2011
(e) term of office 1 year
(f) other positions or functions held in -
the issuer
(g) wheter elected or appointed by Yes
the controlling shareholder, or not

(a) name John Michel Pimenta de Moraes Streithorst
(b) age 41
(c) profession Computer Engineer
(d) CPF (tax registration number) pr 001.186.767-17
passport number
(e) office held Substitute Member of the Fiscal Council
(f) date of election or appointment 03/31/2011
(g) date of investiture into office 03/31/2011
(e) term of office 1 year
(f) other positions or functions held in -
the issuer
(g) wheter elected or appointed by Yes
the controlling shareholder, or not

(a) name Raimundo Lourenço Maria Christians
 (b) age 55
 (c) profession Accountant
 (d) CPF (tax registration number) pr 033.848.668-27
 passport number
 (e) office held Effective Member of the Fiscal Council
 (f) date of election or appointment 03/31/2011
 (g) date of investiture into office 03/31/2011
 (e) term of office 1 year
 (f) other positions or functions held in -
 the issuer
 (g) wheter elected or appointed by No
 the controlling shareholder, or not

(a) name Eduardo Cysneiros de Morais
 (b) age 38
 (c) profession Economist
 (d) CPF (tax registration number) pr 017.971.487-29
 passport number
 (e) office held Substitute Member of the Fiscal Council
 (f) date of election or appointment 03/31/2011
 (g) date of investiture into office 03/31/2011
 (e) term of office 1 year
 (f) other positions or functions held in -
 the issuer
 (g) wheter elected or appointed by No
 the controlling shareholder, or not

12.7. Provide the information mentioned in item 12.6 for the members of committees provided for in the issuer's bylaws, and of audit, risk, financial and compensation committees or structures are not provided for in the bylaws

Not applicable

12.8. For each of the officers, directors and members of the fiscal council, provide:: a. résumé, containing the following informations: i. main Professional experience over the last five years, indicating: name of the company, position and duties inherent in the position, principal activity of the company in which such experience occurred, identifying companies or organizations that belong (i) to the issuer's economic group, or (ii) to shareholders who hold, directly or indirectly, 5% or more of a single kind or class of the issuer's securities; ii. all management positions that the individual holds or has held in publicly-traded companies; b. a description of any of the following events, if they occurred in the last five years: i. any criminal conviction; ii. any conviction in an administrative proceeding before the CVM and the penalties applied; iii. any conviction under an administrative or judicial decision that has become final and that suspends or disqualified the individual from the practice of any professional or commercial activity.

Mr. Fernando Maida Dall'Acqua is currently a Board member at Via Varejo S.A., Board member and Audit Committee member at ISA-CTEEP and Audit Committee member at the O Estado de São Paulo newspaper, in addition to providing consulting services to major companies on mergers and acquisitions, economic and financial valuation and tax advisory services. He was Finance Secretary to the São Paulo state government, has held financial, tax, budget and strategic management positions, besides serving as a member of the São Paulo State Privatization Council. He was also member of the Board of Directors and the Sarbanes-Oxley Audit Committee at Sabesp, and member of the Boards of CESP, PRODESP, DERSA, Banco Nossa Caixa and Banespa, besides serving on the Advisory Board of Grupo Pão de Açúcar. He holds a master's degree in business administration from the Getulio Vargas Foundation, a PhD in Economic Development from the University of Wisconsin-Madison, USA, and received the post-doctoral title of "Livre Docente" in Business Administration from the Getulio Vargas Foundation, and Professor of the School of Administration of São Paulo (Getulio Vargas Foundation). He was also a Fellow at Michigan State University, U.S.A.

Mr. Antonio Luiz de Campos Gurgel served as Fiscal Auditor of the Brazilian Internal Revenue Service, and, as advisor, he worked with companies such as Cargill Agrícola S.A., Companhia Energética do Estado de São Paulo - CESP, Hewlett-Packard Brasil Ltda., IBM Brasil Indústria, Máquinas e Serviços Ltda., TELESP - Telecomunicações de São Paulo S.A., Volkswagen do Brasil Indústria de Veículos Automotores Ltda., Banco Bradesco S.A., Banco Itaú Unibanco S.A. and Banco Real ABN Amro S.A. He worked as associate professor in the Accounting, Finance and Control Department of FGV/EAESP. He graduated in Business Administration from FGV/EAESP and holds an MBA from the Michigan State University, U.S.A.

Mr. Mario Probst was partner of KPMG Auditores Independentes and is currently a member of the Fiscal Council of Via Varejo S.A., member of the Audit Committee of Odontoprev S.A. and Ultrapar Participações S.A. He graduated in Business Administration from the Getulio Vargas Foundation and in Accounting Sciences from the College of Political and Economic Sciences of Rio de Janeiro.

Mr. John Michel Pimenta de Moraes Streithorst was member of the Investment Committee and director of Icatu Equity Partners and member of the Investment Committee of AIG Latin American Equity Partners. He holds a computer engineering degree from the Campinas State University (UNICAMP).

Mr. Raimundo Lourenço Maria Christians began his career at PricewaterhouseCoopers from 1979 to march 25, 2011, when he retired. In 32 years, worked on accounting and financial areas and lately on fiscal matters. Became parent in 1994 and was elected member of the Global Governance Board (2001 to 2005) and Oversight Board to South America (2000 to 2005) from PwC. Currently is a member of Board of Directors of General Shopping do Brasil S.A., chairman of the Audit Committee of Dasa - Diagnósticos da América S.A. and chairman of Fiscal Council of Kroton Educacional S.A.. He is also Officer at Holland-Brazil Commerce Chamber and member of Finance, Accounting and Financial markets commission at Brazilian Corporate Governance Institute. He holds a bachelor's degree in accounting of Universidade Católica de Campinas - PUCC.

Mr. Eduardo Cysneiros de Moraes started his career in 1998 at Matrix Bank, as buy-side analyst. Worked for Claritas in March 2002 as Portfolio Manager, variable income analyst and became partner in 2005. He is currently member of the fiscal council of Taesa, Cremer and OHL and held in 2009 the same position in Medial and Cremer. He is also member of the AMEC's technical committee. He holds bachelor in economics at UFRJ and is certified at AMBIMA (CGA) and CFA.

12.9. State the existence of a spousal relationship, stable union or kinship to the second degree between: (a) the issuer's officers and directors; (b) (i) the issuer's officers and directors and (ii) the officers and directors of companies controlled directly or indirectly by the issuer; (c) (i) the officers and directors of the issuer or of companies controlled and (ii) the direct or indirect controlling shareholders of the issuers; and (d) (i) the issuer's officers and directors and (ii) the officers and directors of companies that control the issuer, directly and indirectly.

Not Applicable

12.10. Describe relationships of subordination (employment), provision of services or control existing in the last three fiscal years between the issuer's officers and directors and: a. any company controlled directly and indirectly by the issuer; b. the issuer's direct or indirect controlling shareholder; and c. where relevant, any supplier, customer, debtor or creditor of the issuer, or its controlled or controlling companies, or controlled or controlling companies of any of such persons

Name of our administrator	Position in our Company	Controlled company	Position in the controlled company
Fernando Maida Dall'Acqua	Chairman of the fiscal council	Via Varejo S.A.	Chairman of the fiscal council
Antonio Luiz de Campos Gurgel	Substitute member of the fiscal council		