

BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD
Form 20-F
April 30, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

.. REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES
EXCHANGE ACT OF 1934
OR
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013
OR
.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
OR
.. SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission File Number 1-14626

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

(Exact Name of Registrant as Specified in its Charter)

BRAZILIAN DISTRIBUTION COMPANY

(Translation of Registrant's name into English)

THE FEDERATIVE REPUBLIC OF BRAZIL

(Jurisdiction of incorporation or organization)

Christophe Hidalgo, Chief Financial Officer

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(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Preferred Shares, without par value*	New York Stock Exchange**
American Depositary Shares (as evidenced by American Depositary Receipts), each representing one Preferred Share	New York Stock Exchange

*The Preferred Shares are non-voting, except under limited circumstances.

**Not for trading purposes, but only in connection with the listing on the New York Stock Exchange of American Depositary Shares representing those Preferred Shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the period covered by the annual report:

99,679,851 Common Shares, no par value per share

165,243,572 Preferred Shares, no par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☒ Yes ☐ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☐ Yes ☒ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-accelerated Filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐

**International Financial Reporting Standards as issued
by the International Accounting Standards Board**

Other ☐

x

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 " Item 18 "

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

" Yes x No

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INTRODUCTION

All references in this annual report to (i) “CBD,” “we,” “us,” “our” and “Company” are references to Companhia Brasileira de Distribuição and its consolidated subsidiaries, unless the context requires otherwise, (ii) the “Brazilian government” are references to the federal government of the Federative Republic of Brazil, or Brazil, and (iii) “preferred shares” and “common shares” are references to our authorized and outstanding shares of non-voting preferred stock, designated as *ações preferenciais*, and common stock, designated as *ações ordinárias*, respectively, in each case without par value. All references to “ADSs” are to American depositary shares, each representing one preferred share, without par value. The ADSs are evidenced by American Depositary Receipts, or “ADRs,” issued by The Bank of New York Mellon.

All references herein to the “*real*,” “*reais*” or “R\$” are to Brazilian *reais*, the official currency of Brazil. All references to “US\$,” “dollars” or “U.S. dollars” are to United States dollars.

We have prepared our consolidated financial statements included in this annual report in conformity with accounting practices adopted by the International Financial Reporting Standards, or IFRS, issued by the International Accounting Standards Board, or IASB, in *reais*.

We have translated some of the *real* amounts contained in this annual report into U.S. dollars. The rate used to translate the amounts in respect of the year ended December 31, 2013 was R\$2.343 to US\$1.00, which was the commercial rate for the purchase of U.S. dollars in effect as of December 31, 2013, as reported by the Central Bank of Brazil, or the Central Bank. The U.S. dollar equivalent information presented in this annual report is provided solely for the convenience of investors and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at that rate or at any other rate. See “Item 3A. Selected Financial Data—Exchange Rates” for more detailed information regarding the translation of *reais* into U.S. dollars.

FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements, principally in “Item 3D. Risk Factors,” “Item 4B. Business Overview” and “Item 5. Operating and Financial Review and Prospects.” We have based these forward looking statements largely on our current expectations and projections about future events and financial trends affecting our business. These forward-looking statements are subject to risks, uncertainties and assumptions including, among other things:

- the effects of the global financial and economic crisis in Brazil,
- our ability to sustain or improve our performance,
- competition in the Brazilian retail industry in the sectors in which we operate,
- government regulation and tax matters,
- adverse legal or regulatory disputes or proceedings,
- credit and other risks of lending and investment activities, and
- other risk factors as set forth under “Item 3D. Risk Factors.”

The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar words are intended to forward-looking statements. We undertake no obligation to update publicly or revise any forward-looking statements because of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking information, events and circumstances discussed in this annual report might not occur. Our actual results and performance could differ substantially from those anticipated in our forward-looking statements.

PART I**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS**

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION**3A. Selected Financial Data**

We present in this section summary financial and operating data derived from our audited financial statements as of and for the years ended December 31, 2009, 2010, 2011, 2012 and 2013 included in this annual report and prepared in accordance with IFRS.

The following tables present certain of our summary historical consolidated financial and operating data for each of the periods indicated. Solely for the convenience of the reader, *real* amounts as of and for the year ended December 31, 2013 have been translated into U.S. dollars at the commercial selling rate at closing for the purchase of U.S. dollars, as reported by the Brazilian Central Bank, as of December 31, 2013, of R\$2.343 to US\$1.00 (subject to rounding adjustments).

	As of and for the Year Ended December 31,					
	2009 ⁽¹⁾	2010 ⁽²⁾	2011	2012	2013	2013
	(millions of R\$, except as indicated)					(millions of US\$, except as indicated)
Statement of income data						
Net sales	23,192.8	32,091.7	46,594.5	50,924.4	57,730.3	24,639.5
Cost of sales	(17,493.8)	(24,241.5)	(33,935.1)	(37,167.5)	(42,704.1)	(18,226.2)
Gross profit	5,699.0	7,850.2	12,659.3	13,756.9	15,026.2	6,413.3
Selling, general and administrative expenses	(4,212.1)	(5,817.2)	(9,619.7)	(10,114.0)	(10,664.7)	(4,551.7)
Depreciation and amortization	(459.9)	(446.1)	(678.4)	(751.5)	(787.4)	(336.1)
Other operating expenses, net	(77.9)	(127.9)	(258.7)	(33.0)	(673.1)	(287.3)
Operating profit	949.1	1,459.0	2,102.5	2,858.3	2,901.0	1,238.2
Financial income	246.7	331.7	593.3	593.3	642.7	274.3
Financial expense	(501.2)	(1,154.7)	(1,926.0)	(1,786.2)	(1,836.2)	(783.7)
Equity in an associate	5.4	34.5	34.8	10.8	47.3	20.2
Profit before income and social contribution taxes				1,676.2	1,754.8	749.0
	700.0	670.5	804.7			
Income and social contribution taxes	(94.0)	(84.5)	(85.0)	(519.8)	(358.6)	(153.1)
Net income and comprehensive income	606.0	585.9	719.7	1,156.4	1,396.2	595.9

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Attributable to equity holders of the parent	609.4	618.5	718.2	1,051.2	1,052.5	449.2
Attributable to noncontrolling interest	(3.4)	(32.6)	1.4	105.2	343.7	146.7
Basic earnings per shares						
Common	2.34	2.27	2.61	3.78	3.75	1.6
Preferred	2.59	2.50	2.87	4.15	4.13	1.8
Diluted earnings per shares						
Common	2.34	2.27	2.61	3.78	3.75	1.6
Preferred	2.50	2.48	2.85	4.12	4.11	1.8
Basic earnings per ADS	2.59	2.50	2.87	4.15	4.13	1.8
Diluted earnings per ADS	2.50	2.48	2.85	4.12	4.11	1.8

Weighted average number of shares outstanding (in thousands)

Common	99,680	99,680	99,680	99,680	99,680	99,680
Preferred	145,442	156,873	159,775	162,417	164,773	164,773
Total	245,122	256,553	259,455	262,097	264,453	264,453

Dividends declared and interest on equity per share

Common	0.53	0.63	0.62	0.59	0.89	0.38
Preferred	0.60	0.69	0.68	0.65	0.98	0.42
Dividends declared and interest on shareholders' equity per AD\$ ³⁾	0.60	0.69	0.68	0.65	0.98	0.42

Balance sheet data

Cash and cash equivalents	2,341.9	3,818.0	4,970.0	7,086.2	8,391.6	3,581.56
Property and equipment, net	5,356.6	6,794.3	7,358.3	8,114.4	9,053.6	3,864.11
Total assets ⁽⁴⁾	18,574.1	29,772.3	33,443.4	34,832.1	38,008.3	16,222.07
Short-term debt (including current portion of long-term debt)	687.6	2,915.1	4,917.5	4,211.1	5,171.4	2,207.17
Long-term debt	3,582.6	5,591.9	6,240.9	6,281.1	4,321.8	1,844.56
Shareholders' equity	6,656.7	9,500.6	10,094.4	11,067.9	12,711.9	5,425.48
Share capital	5,374.8	5,579.3	6,129.4	6,710.0	6,764.3	2,887.03

Other financial information

Net cash provided by (used in):

Operating activities	1,842.8	361.4	1,128.1	5,299.3	4,891.9	2,087.88
Investing activities	(1,636.7)	(1,399.4)	(1,356.4)	(1,306.1)	(1,751.5)	(747.5)
Financing activities	512.4	2,514.1	1,380.3	(1,876.8)	(1,859.5)	(793.6)
Capital expenditures	(1,631.7)	(1,521.7)	(1,723.4)	(1,426.1)	(1,849.6)	(789.4)

(1) Includes the result of operations of Via Varejo S.A. (formerly Globex Utilidades S.A.), or "Via Varejo," which operates under the brand name *Pontofrio* as from July 1, 2009.

(2) Includes the results of operations of Nova Casa Bahia S.A., or Nova Casa Bahia, which operates under the brand name *Casas Bahia* as from November 1, 2010.

(3) Each preferred share received a dividend 10% higher than the dividend paid to each common share. See “Item 8A. Consolidated Statements and Other Financial Information—Dividend Policy and Dividends.”

(4) For the financial statements as of and for the years ended December 31, 2012 and 2011, we reclassified balances of receivables related to bonuses that were granted by suppliers under commercial agreements. Pursuant to the terms of these agreements, we were allowed to offset receivables due to us by the suppliers with the outstanding balance to be paid by us to the suppliers. This reclassification aimed at presenting these receivables consistently with their realization. For further information on the reclassification, see note 2 to our financial statements included elsewhere in this annual report. The consolidated balance sheet data as of December 31, 2010 and 2009 were not reclassified due to practical difficulties in obtaining the remaining information for the reclassification of these dates and the fact that the difference would not be considered material.

	As of and for the Year Ended December 31,					
	2009	2010	2011	2012	2013	2013
Operating Data	(millions of R\$, except as indicated)				(millions of US\$, except as indicated)	
Employees at period end ⁽¹⁾	85,244	144,914	149,070	151,037	156,451	156,451
Total square meters of selling area at period end	1,744,653	2,811,103	2,855,851	2,962,009	3,026,815	3,026,815
Number of stores at period end:						
<i>Pão de Açúcar</i>	145	149	159	163	168	168
<i>Extra Hiper</i> ⁽²⁾	103	110	132	138	138	138
<i>Minimercado Extra</i> ⁽³⁾	52	68	72	107	164	164
<i>Extra Supermercado</i> ⁽⁴⁾	238	231	204	207	213	213
<i>Assaí</i>	40	57	59	61	75	75
<i>Pontofrio</i> ⁽⁵⁾	502	506	401	397	397	397
<i>Casas Bahia</i>	-	526	544	568	602	602
<i>Nova Pontocom</i>	-	-	-	-	-	-
Total number of stores at period end	1,080	1,647	1,571	1,641	1,757	1,757
Net sales revenues per employee ⁽¹⁾ :						
<i>Pão de Açúcar</i>	262,547	287,016	288,256	243,825	324,689	138,602
<i>Extra Hiper</i> ⁽²⁾	356,092	431,185	457,355	442,813	458,663	195,792
<i>Minimercado Extra</i> ⁽³⁾	N/A	N/A	270,466	195,418	218,461	93,256
<i>Extra Supermercado</i> ⁽⁴⁾	320,075	316,028	256,486	338,644	370,867	158,314
<i>Assaí</i>	303,361	418,860	486,356	545,787	548,808	234,273
<i>Pontofrio</i> ⁽⁵⁾	273,441	466,002	365,954	542,007	580,086	247,625
<i>Casas Bahia</i> ⁽⁶⁾	-	N/A	464,689	474,760	525,507	224,327
<i>Nova Pontocom</i> ⁽⁷⁾	-	-	-	-	-	-
CBD average net sales revenues per employee	315,055	382,182	393,595	445,366	497,507	212,374
Net sales revenues by store format:						
<i>Pão de Açúcar</i>	3,802	4,287	4,740	5,161	5,761	2,459
<i>Extra Hiper</i> ⁽²⁾	10,402	11,658	12,364	13,504	14,339	6,121
<i>Minimercado Extra</i> ⁽³⁾	N/A	N/A	182	241	451	193
<i>Extra Supermercado</i> ⁽⁴⁾	4,193	4,597	4,390	4,381	4,863	2,076
<i>Assaí</i>	1,982	2,943	3,902	4,639	6,273	2,678
<i>Pontofrio</i> ⁽⁵⁾	2,814	4,455	4,524	4,872	5,341	2,280
<i>Casas Bahia</i> ⁽⁶⁾	-	2,448	13,304	14,566	16,405	7,003
<i>Nova Pontocom</i> ⁽⁷⁾	-	1,704	3,189	3,409	4,297	1,834
<i>GPA Malls</i> ⁽⁸⁾	-	-	-	152	-	-
Total net sales	23,193	32,092	46,594	50,924	57,730	24,644
Average monthly net sales revenue per square meter ⁽⁹⁾ :						
<i>Pão de Açúcar</i>	1,637.2	1,835.1	1,944.6	2,041.7	2,212.9	944.6

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<i>Extra Hiper</i> ⁽²⁾	1,138.0	1,219.4	1,280.0	1,310.6	1,353.3	577.7
<i>Minimercado Extra</i> ⁽³⁾	N/A	N/A	1,027.2	1,149.4	1,118.3	477.4
<i>Extra Supermercado</i> ⁽⁴⁾	1,124.9	1,187.5	1,331.1	1,483.5	1,617.8	690.6
<i>Assaí</i>	1,395.2	1,790.3	1,777.7	2,036.2	2,256.7	963.3
<i>Pontofrio</i> ⁽⁵⁾	1,032.2	1,032.6	1,497.5	1,578.3	1,722.7	735.4
<i>Casas Bahia</i> ⁽⁶⁾	-	N/A	1,480.2	1,573.0	1,708.0	729.1
<i>Nova Pontocom</i> ⁽⁷⁾	-	-	-	-	-	-
CBD average monthly net sales revenue per square meter	1,110.1	1,287.2	1,565.0	1,546.8	1,640.4	700.2
Average ticket amount:						
<i>Pão de Açúcar</i>	29.8	33.2	36.3	39.6	44.6	19.0
<i>Extra Hiper</i> ⁽²⁾	48.5	53.3	64.0	59.3	63.5	27.1
<i>Minimercado Extra</i> ⁽³⁾	N/A	N/A	12.0	12.8	14.6	6.2
<i>Extra Supermercado</i> ⁽⁴⁾	21.9	23.9	25.1	26.7	30.1	12.9
<i>Assaí</i>	74.5	85.0	88.6	103.6	115.5	49.3
<i>Pontofrio</i> ⁽⁵⁾	550.0	563.9	451.2	432.6	486.4	207.6
<i>Casas Bahia</i> ⁽⁶⁾	-	361.3	372.2	391.5	451.3	192.7
<i>Nova Pontocom</i> ⁽⁷⁾	-	538.3	485.6	428.2	419.8	179.2
CBD average ticket amount	41.2	54.1	73.4	79.3	87.6	37.4
Average number of tickets per month (Brazilian reais – R\$):						
<i>Pão de Açúcar</i>	10,607,751	10,765,303	10,882,640	10,862,968	10,770,189	4,597,537
<i>Extra Hiper</i> ⁽²⁾	17,886,223	18,237,819	18,025,561	18,966,815	18,811,073	8,029,998
<i>Minimercado Extra</i> ⁽³⁾	N/A	N/A	1,355,022	1,563,405	2,575,492	1,099,416
<i>Extra Supermercado</i> ⁽⁴⁾	15,924,380	16,026,255	14,588,413	13,693,582	13,461,964	5,746,591
<i>Assaí</i>	2,218,159	2,885,286	3,671,405	3,732,878	4,527,849	1,932,831
<i>Pontofrio</i> ⁽⁵⁾	426,395	658,275	835,446	938,511	915,119	390,642
<i>Casas Bahia</i> ⁽⁶⁾	-	564,626	2,978,613	3,100,208	3,028,962	1,292,991
<i>Nova Pontocom</i> ⁽⁷⁾	-	263,747	547,328	663,300	852,992	364,122
CBD average number of tickets per month	47,062,907	49,401,310	52,884,427	53,521,666	54,943,639	23,454,128

(1) Based on the average of the full-time equivalent number of employees, which is the product of the number of all retail employees (full- and part-time employees) and the ratio of the average monthly hours of all retail employees to the average monthly hours of full-time employees.

(2) In 2009, includes the results of operations of *Extra Hiper* stores, *Extra Supermercado* stores and *Minimercado Extra* stores. In 2010, includes the results of operations of *Extra Hiper* stores and *Minimercado Extra* stores.

(3) In 2009 and 2010, the results of operations of *Minimercado Extra* are included in *Extra Hiper* banner.

(4) In 2009 and 2010, includes the results of operations of *Sendas* and *CompreBem* stores. During 2010 and 2011, we converted the *Sendas* and *CompreBem* stores into *Extra Supermercado* stores.

(5) In 2009, includes the results of operations of *Extra Eletro* stores, *Pontofrio* stores and Pontofrio.com. From 2010 the results of Pontofrio.com are included in Nova Pontocom.

(6) In 2010, includes the results of operations of *Casas Bahia* stores as from November 1, 2010.

(7) Includes all e-commerce assets of the Company. For further information, see “Item 4B. Business Overview—Our Company—E-commerce Operating Segment.”

(8) In 2012, R\$152.0 million net sales revenue (R\$153.0 million gross sales) was recognized from real estate projects through a barter transaction. The barter transaction revenue is the net result of the book value of the assets swapped. For further information on the barter transactions, see note 11(c) to our financial statements

(9) Calculated using the average of square meters of selling area on the last day of each month in the period.

Exchange Rates

Brazil's foreign exchange system allows the purchase and sale of currency and the international transfer of *reais* by any person or legal entity, regardless of amount, subject to certain regulatory procedures.

The Brazilian currency has during the last years experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. Between mid-2003 and 2008 the *real* appreciated significantly against the U.S. dollar and in August 2008 reached R\$1.559 per US\$1.00. Primarily as a result of the crisis in the global financial markets, the *real* depreciated 31.9% against the U.S. dollar and reached R\$2.337 per US\$1.00, at year end 2008. In 2009 and 2010, the *real* appreciated against the U.S. dollar and reached R\$1.666 per US\$1.00 at year end 2010.

During 2011 and 2012 the *real* depreciated against the U.S. dollar and reached at year end 2012 R\$2.044 per US\$1.00. During 2013 the *real* depreciated against the U.S. dollar and on December 31, 2013 the exchange rate was R\$2.343 per US\$1.00.

The Central Bank has intervened occasionally to combat instability in foreign exchange rates. We cannot predict whether the Central Bank or the Brazilian government will continue to allow the *real* to float freely or will intervene in the exchange rate market through a currency band system or otherwise.

The following tables present the selling rate, expressed in reais to the U.S. dollar (R\$/US\$), for the periods indicated:

Year	Exchange Rate of Brazilian Currency per US\$1.00			
	Low	High	Average⁽¹⁾	Year-End
2009	1.702	2.421	1.994	1.741
2010	1.655	1.881	1.759	1.666
2011	1.535	1.902	1.675	1.876
2012	1.702	2.112	1.955	2.044
2013	1.953	2.446	2.161	2.343

Month	Exchange Rate of Brazilian Currency per US\$1.00			
	Low	High	Average⁽¹⁾	Period-End
October 2013	2.161	2.212	2.189	2.203
November 2013	2.243	2.336	2.295	2.325
December 2013	2.310	2.382	2.345	2.343
January 2014	2.334	2.440	2.382	2.426
February 2014	2.333	2.424	2.384	2.345
March 2014	2.260	2.365	2.326	2.263
April 2014 (through April 23, 2014)	2.197	2.281	2.234	2.243

Source: Central Bank

(1) Represents the average of the exchange rates of each trading date using the exchange rates from the first and last day of the month.

3B. Capitalization and Indebtedness

Not applicable.

3C. Reasons for the Offer and Use of Proceeds

Not applicable.

3D. Risk Factors

An investment in the ADSs or our preferred shares involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the ADSs and our preferred shares could decline due to any of these risks or other factors, and you may lose all or part of your investment. The risks described below are those that we currently believe may materially affect us.

Risks Relating to Brazil

The Brazilian government has historically exercised, and continues to exercise, significant influence over the Brazilian economy. Brazilian political and economic conditions may adversely affect us and the trading price of the ADSs and our preferred shares.

The Brazilian government's economic policies may have important effects on Brazilian companies, including us, and on market conditions and prices of Brazilian securities. Our financial condition and results of operations may be adversely affected by the following factors and the Brazilian government's response to these factors:

- interest rates;
- monetary policy;
- exchange rate and currency fluctuations;
- inflation;
- liquidity of the domestic capital and lending markets;
- tax and regulatory policies; and
- other political, social and economic developments in or affecting Brazil.

Uncertainty over whether the Brazilian government will implement changes in policy or regulation affecting these or other factors creates instability in the Brazilian economy, increasing the volatility of the Brazilian securities markets, which may have an adverse effect on us. Recent economic and political instability has led to legislative or regulatory changes that resulted in increased economic uncertainty, a negative perception of the Brazilian economy and outlook and heightened volatility in the Brazilian securities markets, which may adversely affect us and the trading price of the ADSs and our preferred shares.

Political crisis in Brazil in the past has affected the development of the Brazilian economy and the trust of foreign investors, as well as the public in general. Recent popular unrest in Brazil has led to large demonstrations in mid-2013, which serves as an example of the population's growing dissatisfaction with corruption and certain political measures.

Brazilian government efforts to combat inflation may hinder the growth of the Brazilian economy and could harm us and the trading price of the ADSs and our preferred shares.

Brazil has in the past experienced extremely high rates of inflation and has therefore followed monetary policies that have resulted in one of the highest real interest rates in the world. Between 2005 and 2012, the base interest rate (SELIC) in Brazil varied between 19.75% per annum and 7.25% per annum. At the end of 2013, the SELIC rate was 9.5%. Inflation and the Brazilian government's measures to fight it, principally through the Central Bank, have had and may have significant effects on the Brazilian economy and our business. Tight monetary policies with high interest rates may restrict Brazil's growth and the availability of credit. Conversely, more lenient government and Central Bank policies and interest rate decreases may trigger increases in inflation, which could negatively affect our business. We may not be able to adjust the prices we charge our customers to offset the effects of inflation on our cost structure. Furthermore, interest rate decreases may affect our ability to maintain interest margins we charge on installment sales, especially in connection with our home appliance segment, which could have a negative effect on our financial income. Brazilian government measures to combat inflation that result in an increase in interest rates may have an adverse effect on us as our indebtedness is indexed to the interbank deposit certificate, or CDI, rate. Inflationary pressures may also hinder our ability to access foreign financial markets or lead to government policies to combat inflation that could harm us or adversely affect the trading price of the ADSs and our preferred shares.

Exchange rate instability may have a material adverse effect on the Brazilian economy and us.

The Brazilian currency fluctuates in relation to the U.S. dollar and other foreign currencies. The Brazilian government has in the past utilized different exchange rate regimes, including sudden devaluations, periodic mini devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. Since 1999, Brazil has adopted a floating exchange rate system with interventions by the Central Bank in buying or selling foreign currency. From time to time there have been significant fluctuations in the exchange rate between the *real* and the U.S. dollar and other currencies. For example, the *real* appreciated 11.8%, 8.7% and 17.2% against the U.S. dollar in 2005, 2006 and 2007, respectively. In 2008, as a result of the worsening global economic crisis, the *real* depreciated 32% against the U.S. dollar, closing at R\$2.337 to US\$1.00 on December 31, 2008. For the years ended December 31, 2009 and 2010, the *real* appreciated 25.5% and 4.2%, respectively, against the U.S. dollar, closing at R\$1.741 and R\$1.666 to US\$1.00 on December 31, 2009 and 2010, respectively. For the years ended December 31, 2011, 2012 and 2013 the *real* depreciated 12.6%, 8.9% and 14.6%, respectively, against the U.S. dollar, closing at R\$1.876, R\$2.044 and R\$2.343 to US\$1.00, respectively. The *real* may substantially depreciate or appreciate against the U.S. dollar in the future. Exchange rate instability may have a material adverse effect on us. Depreciation of the *real* against the U.S. dollar could create inflationary pressures in Brazil and cause increases in interest rates, which could negatively affect the growth of the Brazilian economy as a whole and result in a material adverse effect on us. Depreciation would also reduce the U.S. dollar value of distributions and dividends and the U.S. dollar equivalent of the trading price of the ADSs and our preferred shares.

Developments and the perception of risk in other countries, especially in the United States, the European Union and in emerging market countries, may adversely affect our business and the market price of Brazilian securities, including the ADSs and our preferred shares.

The market price of securities of Brazilian issuers is affected by economic and market conditions in other countries, including the United States and emerging market countries. Although economic conditions in those countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in other countries may have an adverse effect on the market price of securities of Brazilian issuers. Crises in the United States, the European Union or emerging market countries may diminish investor interest in securities of Brazilian issuers, including ours.

This could adversely affect the market price of our preferred shares and the ADSs, and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

The global financial crisis that began during the second half of 2008 has had significant consequences, including in Brazil, such as stock and credit market volatility, credit retraction, a general economic slowdown, volatile exchange rates and inflationary pressure, among others, which may adversely affect us and the market price of Brazilian securities, including the ADSs and our preferred shares.

Risks Relating to the Retail Industry and Us

We face significant competition, which may adversely affect our market share and net income.

We operate mainly in the food retail and home appliances sectors. The food retail sector in Brazil, including the cash and carry (*atacado de auto serviço*) segment and the home appliances sector, are highly competitive in Brazil. We face intense competition from small retailers, especially from those that operate in the informal segment of the Brazilian economy. In addition, in our markets, and particularly in the São Paulo and Rio de Janeiro city areas, we compete in the food retail sector with a number of large multinational retail food and general merchandise and cash and carry chains, as well as local supermarkets and independent grocery stores. In the home appliances sector, we also compete with large multinational chains and large or specialized Brazilian companies. Acquisitions or consolidations within the industry may also increase competition and adversely affect our market share and net income.

In the e-commerce segment we compete with other large well established players that, similar to us, offer a wide range of products, as well as with specialized retailers that focus on one or a few products. Because barriers to entry are much lower than in traditional retail, competition in the e-commerce market in Brazil is even more intense and if we are unable to respond to changes in that market our market share and net income may be adversely affected.

We may not be successful in integrating and capturing synergies from acquired companies.

As part of our growth strategy, we regularly analyze acquisition opportunities. Acquisitions involve risks and challenges, such as those related to the integration of operations, personnel, products and customer base of the acquired companies with ours, generation of expected return on the investment and exposure to liabilities of the acquired companies. The integration of acquired businesses with our business and our capturing of synergies from acquired companies may require more resources and time than initially expected. In addition, we may be required to obtain approval from Brazilian anti-trust authorities for certain acquisitions. The Brazilian anti-trust authorities may grant the approval subject to restrictive measures, such as sale of part of the assets, or may not grant it in a timely manner.

If we are not able to successfully integrate acquired businesses with ours or to capture synergies as planned, we may be materially and adversely affected.

We are subject to environmental laws and regulations.

We are subject to a number of different national, state and municipal laws and regulations relating to the preservation and protection of the environment, especially in relation to our gas stations. Among other obligations, these laws and regulations establish environmental licensing requirements and standards for the release of effluents, gaseous emissions, management of solid waste and protected areas. We incur expenses for the prevention, control, reduction or elimination of releases into the air, ground and water at our gas stations, as well as in the disposal and handling of wastes at our stores and distribution centers. Any failure to comply with those laws and regulations may subject us to administrative and criminal sanctions, in addition to the obligation to remediate or indemnify others for the damages caused. We cannot ensure that these laws and regulations will not become stricter. In this case, we may be required to increase, perhaps significantly, our capital expenditures and costs to comply with these environmental laws and regulations. Unforeseen environmental investments may reduce available funds for other investments and could materially and adversely affect us and the trading price of the ADSs and our preferred shares.

We may not be able to renew or maintain our stores' lease agreements on acceptable terms, or at all.

Most of our stores are leased. The strategic location of our stores is key to the development of our business strategy and, as a result, we may be adversely affected in case a significant number of our lease agreements is terminated and we fail to renew these lease agreements on acceptable terms, or at all. In addition, as per applicable law, landlords may increase rent periodically, usually every three years. A significant increase in the rent of our leased properties may adversely affect us.

We face risks related to our distribution centers.

Approximately 80% of our products are distributed through our 58 distribution centers located in the southern, southeastern, mid-western and northeastern regions of Brazil. If operations at one of these centers are adversely affected by factors beyond our control, such as fire, natural disasters, power shortages, failures in the systems, among others, and in the event that no other distribution center is able to meet the demand of the region affected, the distribution of products to the stores supplied by the affected distribution center will be impaired, which may adversely affect us. Our growth strategy includes the opening of new stores which may require the opening of new or the expansion of our existing distribution centers to supply and meet the demand of the additional stores. Our operations may be negatively affected if we are not able to open new distribution centers or expand our existing distribution centers in order to meet the supply needs of these new stores.

We are exposed to risks related to customer financing and loans.

We have a financial partnership with Itaú Unibanco Holding S.A., or Itaú Unibanco, through which we have established Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento, or FIC, which exclusively offers credit cards, financial services and insurance at our stores. In addition, installment sales are widely used in the Brazilian home appliance market. FIC is subject to the risks normally associated with providing these types of financing, including risk of default on the payment of principal and interest and any mismatch of cost and maturity of our funding in relation to cost and maturity of financing to its customers, which could have a material adverse effect on us.

Financial institutions in Brazil, including FIC, are subject to changing regulation by the Central Bank.

FIC is a financial institution regulated by the Central Bank and is therefore subject to significant regulation. The regulatory structure of the Brazilian financial system is continuously changing. Brazilian government rules and intervention may adversely affect our operations and profitability more than those of a retailer without financial operations. Existing laws and regulations may be amended, and their application or interpretation may also change, and new laws and regulations may be adopted. FIC and, therefore, we, may be adversely affected by changes in regulations, including those related to:

- minimum capital requirements;
- requirements for investment in fixed capital;
- credit limits and other credit restrictions;
- accounting requirements; and
- intervention, liquidation and/or temporary special management systems.

The retail segment is sensitive to decreases in consumer purchasing power and unfavorable economic cycles.

Historically, the retail segment has experienced periods of economic slowdown that led to declines in consumer expenditures. The success of operations in the home appliances retail sector depends on various factors related to consumer expenditures and consumers' income, including general business conditions, interest rates, inflation, consumer credit availability, taxation, consumer confidence in future economic conditions, employment and salary levels. Reductions in credit availability and more stringent credit policies by us and credit card companies may negatively affect our sales, especially in the home appliance segment. Unfavorable economic conditions in Brazil, or unfavorable economic conditions worldwide reflected in the Brazilian economy, may significantly reduce consumer expenditure and available income, particularly in the lower income classes, who have relatively less credit access than higher income classes, more limited debt refinancing conditions and more susceptibility to increases in the unemployment rate. These conditions may cause a material adverse effect on us.

Because the Brazilian retail industry is perceived as essentially growth-oriented, we are dependent on the growth rate of Brazil's urban population and its different income levels. Any decrease or slowdown in growth may adversely affect our sales and our results of operation.

Unauthorized disclosure of customer data through breach of our computer systems or otherwise could cause a material adverse effect on us.

One of the main e-commerce issues is the safe transmission of confidential information of our customers on our servers and the safe data storage on systems that are connected to our servers. We depend on encryption and authentication technologies of third parties to safely transmit confidential information. Technological advances, new encryption techniques and other developments may result in technological failures related to protection of personal data provided by customers during purchasing. Security breaches by third parties of our computer systems and unauthorized disclosure or use of confidential information of our customers may expose us to claims for fraudulent use of this information, loss of reputation and judicial claims with potentially high liability, which could cause a material adverse effect on us.

We depend on the transportation system and infrastructure to deliver our products to our stores.

Products destined for all of our stores are distributed through our distribution centers located in 14 Brazilian states. The transportation system and infrastructure in Brazil are underdeveloped and need significant investment to work efficiently and to meet our business needs. Any significant interruptions or reduction in the use of transportation infrastructure or in their operations in the cities where our distribution centers are located as a result of natural disasters, fire, accidents, systemic failures or other unexpected causes may delay or affect our ability to distribute products to our stores and may decrease our sales, which may have a material adverse effect on us.

We may not be able to adapt to changing consumer habits.

We compete with other retailers based on price, product mix, store location and layout and services. Consumer habits are constantly changing and we may not be able to anticipate and quickly respond to these changes. If we are unable to adapt our store format mix or layout, identify locations and open stores in preferred areas, quickly adjust our product mix or prices under each of our banners and segments or otherwise adjust to changing consumer preferences our business and results of operation could be materially adversely affected.

Our controlling shareholder has the ability to direct our business and affairs.

Our controlling shareholder, the Casino Guichard-Perrachon Group, or Casino Group, through our holding company, Wilkes Participações S.A., or the Holding Company has the power to, among other things, appoint the majority of the members to our board of directors, who, in turn, appoint our executive officers; determine the outcome of any action requiring shareholder approval, including the timing and payment of any future dividends, provided that we observe the minimum mandatory dividend established by Brazilian corporate law; determine corporate reorganizations, acquisitions, dispositions and the transfer of our control to third parties; enter into new partnerships; and deliberate on financings and similar transactions. Our controlling shareholder may prevail over our other shareholders or holders of ADSs. For a description of our ownership structure, see “Item 7A. Major Shareholders.”

Risks Relating to the Preferred Shares and ADSs

If you exchange the ADSs for preferred shares, as a result of Brazilian regulations you may risk losing the ability to remit foreign currency abroad.

As an ADS holder, you benefit from the electronic certificate of foreign capital registration obtained by the custodian for our preferred shares underlying the ADSs in Brazil, which permits the custodian to convert dividends and other distributions with respect to the preferred shares into non-Brazilian currency and remit the proceeds abroad. If you surrender your ADSs and withdraw preferred shares, you will be entitled to continue to rely on the custodian's electronic certificate of foreign capital registration for only five business days from the date of withdrawal.

Thereafter, upon the disposition of or distributions relating to the preferred shares, you will not be able to remit abroad non-Brazilian currency unless you obtain your own electronic certificate of foreign capital registration or you qualify under Brazilian foreign investment regulations that entitle some foreign investors to buy and sell shares on Brazilian stock exchanges without obtaining separate electronic certificates of foreign capital registration. If you do not qualify under the foreign investment regulations you will generally be subject to less favorable tax treatment of dividends and distributions on, and the proceeds from any sale of, our preferred shares.

If you attempt to obtain your own electronic certificate of foreign capital registration, you may incur expenses or suffer delays in the application process, which could delay your ability to receive dividends or distributions relating to our preferred shares or the return of your capital in a timely manner. The depositary's electronic certificate of foreign capital registration may also be adversely affected by future legislative changes. See "Item 10D. Exchange Controls."

You might be unable to exercise preemptive rights with respect to the preferred shares underlying the ADSs.

You will not be able to exercise the preemptive rights relating to the preferred shares underlying your ADSs unless a registration statement under the United States Securities Act of 1933, or the Securities Act, is effective with respect to those rights, or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement or to take any action to make preemptive rights available to holders of ADSs. Unless we file a registration statement or an exemption from registration applies, you may receive only the net proceeds from the sale of your preemptive rights by the depositary or, if the preemptive rights cannot be sold, they will lapse and you will not receive any value for them. In addition, we may issue a substantial number of preferred shares as consideration for future acquisitions and we may choose not to extend preemptive rights to holders of ADSs.

The relative volatility and illiquidity of the Brazilian securities markets may substantially limit your ability to sell the preferred shares underlying the ADSs at the price and time you desire.

Investing in securities that trade in emerging markets, such as Brazil, often involves greater risk than investing in securities of issuers in more developed markets, and these investments are generally considered to be more speculative in nature. The Brazilian securities market is substantially smaller, less liquid, more concentrated and can be more volatile than more developed securities markets. The top 10 stocks in terms of trading volume accounted for approximately 44%, 39% and 39% of all shares traded on the São Paulo stock exchange (BM&FBovespa S.A. – Bolsa de Valores, Mercadorias e Futuros), or BM&FBOVESPA, in 2011, 2012 and 2013, respectively. Accordingly, although you are entitled to withdraw the preferred shares underlying the ADSs from the depositary at any time, your ability to sell the preferred shares underlying the ADSs at a price and time at which you wish to do so may be substantially limited.

Holders of the ADSs and our preferred shares may not receive any dividends.

According to our by-laws, we must pay our shareholders at least 25% of our annual net income as dividends, as determined and adjusted under Brazilian corporate law. This adjusted income may be used to absorb losses or otherwise appropriated as allowed under the Brazilian corporate law and may not be available to be paid as dividends. We may not pay dividends to our shareholders in any particular fiscal year if our board of directors determines that such distributions would be inadvisable in view of our financial condition.

ITEM 4. INFORMATION ON THE COMPANY

4A. History and Development of the Company

We were incorporated in Brazil under Brazilian law on November 10, 1981 as Companhia Brasileira de Distribuição. Our principal executive offices are located at Avenida Brigadeiro Luis Antonio, 3,142, São Paulo, SP, Brazil (telephone: +55-11-3886-0421). Our agent for service of process in the United States is CT Corporation, 1633 Broadway, New York, New York, 10019.

We have been a pioneer in the Brazilian retail food industry, opening our first store, a pastry shop, in 1948 in the city of São Paulo under the name *Pão de Açúcar*. We established one of the first supermarket chains in Brazil, opening our first supermarket in 1959, and opened the first hypermarket in Brazil in 1971.

Brazilian economic reforms implemented in 1994, including the introduction of the *real* as the Brazilian currency and the drastic reduction of inflation rates, resulted in an unprecedented growth in local consumer markets. This increase in available income and the resulting increase in consumer confidence broadened our potential customer base and provided us with growth opportunities.

We responded to these changes by strengthening our capital structure, increasing our logistics and technology investments and implementing an expansion strategy focused on the different consumer preferences of the Brazilian population. To support our expansion strategy, consisting of acquisitions and organic growth, we defined the format of our stores to tailor them to the expectations, consumption patterns and purchasing power of the different income levels in Brazil. Our stores have operated under different banners targeted at the various income segments of the Brazilian population. For further information on our banners, see “Item 4B. Business Overview—Our Company” and “—Operations.”

In order to implement that strategy and to increase our market share, between 1981 and 2003 we acquired important supermarket chains such as *Coopercitrus*, *Lourenção*, *Barateiro*, *Peralta*, *Paes Mendonça*, *ABC Supermercados*, *Sé Supermercados*, *Sendas* and small chains, such as *São Luiz*, *Nagumo* and *Rosado*. These chains were later and gradually converted into our current banners.

In 2004, we entered into a financial partnership called FIC with Itaú Unibanco. FIC exclusively offers credit cards, financial services and insurance at our stores. For further information on FIC, see “Item 4B. Business Overview—FIC and Investcred.”

In 2007, we acquired a 60% ownership interest in the *Assaí* chain. This acquisition enabled us to enter the cash and carry segment in the State of São Paulo. In 2008, we started cash and carry operations in the State of Rio de Janeiro through *Xantocarpa*, a company that assumed the operation of three *Sendas* stores, which were converted into *Assaí* stores. In July 2009, we purchased the remaining 40% interest in *Assaí* and became owners of 100% of the chain.

In July 2009, we purchased a 70.2% ownership interest in Globex (which later changed its corporate name to Via Varejo), a company which operates in the home appliances sector under the brand name *Pontofrio*. In this annual report, the term “home appliances” refers to sale of durable goods, i.e., electronics, furniture and other items for the home. In a tender offer triggered by the acquisition, our Company increased its ownership interest in Globex to 98.8%.

In 2010, we consolidated our leading position in the retail segment in Brazil and we believe we became the largest home appliance retailer in the country as a result of the association with the partners (represented by the Klein Family)

of Casa Bahia Comercial Ltda., or Casas Bahia, a Brazilian home appliances retailer which operates under the brand name *Casas Bahia*. Pursuant to the association agreement, by means of a corporate reorganization, we and the partners of Casa Bahia Comercial Ltda. merged our respective businesses in the home appliances and e-commerce segments under Via Varejo. As a result we then owned 52.4% of Via Varejo.

In April 2013, we and Via Varejo entered into a term of undertaking (*Termo de Compromisso de Desempenho*), or Term of Undertaking, with the Administrative Council for Economic Defense, or CADE, for the approval of the association agreement between CBD and Casa Bahia Comercial Ltda.

Our main undertaking under the Term of Undertaking was to divest 74 stores, distributed across 54 cities and seven states, representing approximately 3% of Via Varejo's consolidated gross sales in 2013 (3% in 2012). As of December 31, 2013, we had divested 35 stores through sales to other Brazilian retailers. We still have 39 remaining stores located in the states of São Paulo, Rio de Janeiro, Goiás, Minas Gerais and Mato Grosso, which divestment is under discussion with CADE. We provisioned R\$30.4 million for payment of fines that may be imposed on us by CADE and impairment of assets related to these stores.

On October 17, 2013, we, Via Varejo and Nova Pontocom entered into a stock purchase agreement pursuant to which we acquired 6.2% of Nova Pontocom's capital stock from Via Varejo for R\$80.0 million and 1.95% of Nova Pontocom's capital stock from minority shareholders for R\$25.3 million. As a result, Nova Pontocom became our direct subsidiary of which we hold 52.06% of the capital stock, Via Varejo holds 43.9% and the remaining 4.04% is held by minority shareholders. This transaction had no impact in our consolidation of Nova Pontocom's results of operations and financial condition on our financial statements, since we previously held, through Via Varejo, the indirect control of Nova Pontocom.

In addition, Via Varejo and Nova Pontocom entered into (i) an operational agreement that establishes the terms and conditions of their relationship, synergies and complementary operations. Pursuant to this operational agreement, Via Varejo and Nova Pontocom will, among other things, share logistics and marketing costs for their mutual benefit, as well as an electronic catalog of products from which they will negotiate in good faith purchases between them; and (ii) a shareholders' agreement that establishes the corporate governance framework and other property rights for Nova Pontocom.

On December 27, 2013, our subsidiary Via Varejo concluded its public offering in Brazil with selling efforts to qualified institutional buyers in the United States and to institutions and other investors who were not U.S. persons elsewhere, the offering raised approximately R\$2.8 billion in proceeds. The public offering was structured as a secondary public offering of Units, each Unit consisting of one common share and two preferred shares of Via Varejo.

We sold a total of 38.9 million Units for approximately R\$896.8 million, which reduced our shareholding in Via Varejo to 62.25% of the common shares and 43.35% of the total capital stock. No gain was recorded as a result of this transaction. The Klein Family sold more than 23.64% of shares of Via Varejo's capital stock. As of the date of this annual report, the Klein Family owns 27.31% of Via Varejo's total capital stock. Via Varejo has 29.3% of its total stock capital in the free float.

As a consequence of the reduction of its participation in Via Varejo's capital stock, the Klein Family no longer has certain rights under the shareholders' agreement entered into by and among us, the Klein Family and Via Varejo, among which are Mr. Michael Klein's appointment to the position of chairman of the board of directors of Via Varejo and the right to consent with respect to Via Varejo's vote at shareholders' meetings of its subsidiary Nova Pontocom or by members of the board of directors of Nova Pontocom regarding certain matters. In addition, the Klein Family has the right to appoint only two members of the board of directors of Via Varejo.

Capital Expenditures and Investment Plan

As part of our capital expenditures and investment plan, we have invested approximately R\$5,275.5 billion in our operations in the three years ended December 31, 2013. Our capital expenditure and investment plan for 2014 contemplates capital expenditures and investments for 2014 in the total amount of approximately R\$2 billion relating to (i) the opening of new stores, purchase of real estate and conversion of stores, (ii) the renovation of existing stores, and (iii) improvements to information technology, logistic and other infrastructure-related capital expenditures and investments. The Company has historically financed its capital expenditures and investments mainly with cash flow generated from its operations and, to a lesser extent, funded by third parties. The Company plans to continue financing its capital expenditures and investments principally with cash flow from its operations. Our investments in the last three years have included:

Opening of new stores and purchases of real estate – In the food retail sector, we seek real estate properties to open new stores under one of our banners in regions where there are no local supermarket chain acquisition opportunities that suit one of our formats. We have opened 254 new stores from 2011 through 2013, including those in the food retail sector and those in the home appliances retail sector. The total cost of opening these new stores and the purchase of real estate from 2011 through 2013 was R\$1,493.8 million.

Acquisition of retail chains and companies – We have paid an aggregate of R\$585.9 million from 2011 through 2013 for the acquisition of equity interests in Sendas, Assaí, Rede Duque and, more recently, Indústria de Móveis Bartira Ltda., or Bartira, a furniture maker that sells exclusively to Casas Bahia.

Renovation of existing stores – We usually remodel a number of our stores every year. Through our renovation program we add refrigeration equipment to our stores, create a more modern, customer-friendly and efficient environment, and outfit our stores with advanced information technology systems. The total cost of renovating stores from 2011 through 2013 was R\$1,796.4 million.

Improvements to information technology – We view technology as an important tool for efficiency and security in the flow of information among stores, distribution centers, suppliers and corporate headquarters. We have made significant investments in information technology in an aggregate amount of R\$1,022.1 million from 2011 through 2013. For more information on our information technology, see “Item 4B. Business Overview—Technology.”

Expansion of distribution facilities – Since 2009, we have opened distribution centers in the cities of São Paulo, Brasília, Fortaleza, Rio de Janeiro, Recife, Salvador and Curitiba. The increase and improvement in storage space enables us to further centralize purchasing for our stores and, together with improvements to our information technology, improve the overall efficiency of our inventory flow. We have invested an aggregate of R\$337.3 million on our distribution facilities from 2011 through 2013.

The following table provides a summary description of our principal capital expenditures for the three years ended December 31, 2013:

	Year Ended December 31,		
	2011	2012	2013
	(in millions of R\$)		
Opening of new stores	391.5	285.6	520.9
Purchases of real estate	0.2	97.0	198.6
Acquisition of retail chains and companies	277.0	33.2	275.7
Renovation of existing stores	620.6	563.9	611.9

Information technology	313.8	337.5	370.8
Distribution centers	120.3	108.9	148.1
Total	1,723.4	1,426.1	2,126.0

When significant components of property and equipment are replaced, they are recognized as individual assets with specific useful lives and depreciation. Likewise, when a major replacement is performed, its cost is recognized at the carrying amount of the equipment as a replacement, if the recognition criteria are met. All other repair and maintenance costs are recognized in profit or loss for the year as incurred. Leasehold improvements are amortized using the shorter of the lease term and the useful life of the assets.

4B. Business Overview

The Brazilian Retail Industry

The Brazilian retail food industry represented approximately 5.6% of Brazil's GDP (gross domestic product) in 2013. According to the Brazilian Supermarket Association (*Associação Brasileira de Supermercados*), or ABRAS, the food retail industry in Brazil had gross revenues of approximately R\$272.2 billion in 2013, representing a 5.5% increase compared with 2012.

The Brazilian retail food industry is highly fragmented. Despite consolidation within the industry, according to ABRAS, the three largest supermarket chains represented approximately 46.6% of the retail food industry in 2013, as compared to 45.9% in 2012. Our consolidated gross sales represented 23.7% of the gross sales of the entire retail food industry in 2013, also according to ABRAS.

The cash and carry segment (*atacado de auto serviço*) was created in order to serve customers within a market niche that was neither reached by self-service retail nor by direct wholesale. According to the ABRAS, this segment in Brazil had gross revenues of R\$43 billion in 2013, representing an 17.5% increase compared with 2012.

According to data published in February 2014 by the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE, the volume of sales in the food retail sector increased by 4.3% in 2013 compared to 2012. This data mainly reflects the increase in the Brazilian population's purchasing power, mostly driven by the rise in the salaries and number of people employed.

According to the IBGE, the volume of sales in furniture and house appliances sector in Brazil increased by 5.0% in 2013 relation to the previous year. This performance occurred due to the maintenance of the employment and income growth and credit availability.

According to the IBGE, the total population of Brazil was approximately 201 million in 2013, a 18.3% growth since 2000. Given that more than 84% of the population lives in urban areas (where most of our operations are located) and the urban population has been increasing at a greater rate than the population as a whole, our business is particularly well positioned to benefit from Brazil's urban growth and economies of scale related to urban growth. According to an IBGE estimate for 2013, the city of São Paulo has a population of approximately 11.8 million and the city of Rio de Janeiro has a population of approximately 6.4 million. These are the two largest cities in Brazil. The State of São Paulo has a total population in excess of 43.6 million, representing 21.7% of the Brazilian population and is our largest consumer market. The State of Rio de Janeiro is our second largest consumer market.

According to IBGE, per capita income in Brazil increased approximately 1.4%, in real terms, in 2013. During the same period, family consumption increased 2.3%, and Brazil's GDP also increased 2.3%. Among the reasons for the growth are the 2% increase in salaries and the 8.5% increase in the availability of credit.

According to FGV, the social inequality index (Gini) in Brazil has decreased for the 12th consecutive year, in January 2012 reaching the lowest level since the 1960's (0.5190). During the past 10 years, income for the poorest 50% in Brazil increased 68%, while it increased only 10% for the richest 10%.

The Brazilian retail industry is perceived as essentially growth-oriented, because retail margins are substantially more constrained compared to other industries. We are therefore intrinsically dependent on the growth rate of Brazil's urban population and its different income levels. While living expenses in Brazil are lower than those in North America, Western Europe and Japan, Brazilian household income levels are also substantially lower.

The following table sets forth the different income class levels of Brazilian households, according to the Consumption Potential Index (*Índice de Potencial de Consumo – IPC*) Maps 2013.

Class Level	Average Monthly Income (in R\$)
A1	20,957
A2	12,708
B1	74,437
B2	3,729
C1	2,349
C2	1,524
D	1,034
E	668

According to a study by IPC Maps 2013, classes A1 and A2 households will account for only 4.6% of the urban population and classes B1 and B2 households will account for 32.1% of the urban population. Classes C1, C2, D and E will collectively represent 63.3% of all urban households. In recent years, the number of class C, D and E households has increased in terms of total urban households and their average purchasing power has increased.

We expect that increased consumption by the lower income class levels will occur over time as a result of gradual salary increases and a steadily growing population. The Brazilian monthly minimum wage increased 6.8% from R\$678.00 in January 2013 to R\$724.00 in January 2014. Our management believes based on internal data for the years immediately following the introduction of the *real* in 1994, that even small purchasing power increments generally result in significant increases in consumption in absolute terms, as well as increased expenditures in premium-priced food products and other non-food items, including home appliances and consumer electronics.

Our Company

We are the largest retailer in Brazil, with a market share of approximately 23.7% in 2013, according to ABRAS. As of December 31, 2013, our total gross sales, including the food and non-food categories, totaled R\$64.4 billion. On the same date, we operated 1,757 stores, 85 gas stations and 157 drugstores in 19 Brazilian states and the Federal District, in addition to a logistics infrastructure supported by 58 distribution centers located in 13 Brazilian states and the Federal District.

We classify our various business segments into four operating segments as follows:

- *Food retail segment*, which consists of sales of food and non-food products to individual consumers at (i) supermarkets through the banners *Pão de Açúcar* and *Extra Supermercado*, (ii) hypermarkets through the banner *Extra Hiper* and (iii) neighborhood stores through the banner *Minimercado Extra*. The food retail segment also includes GPA Malls transactions.

Food products include non-perishable food products, beverages, fruit, vegetables, meat, bread, cold cuts, dairy products, cleaning products, disposable products, and personal care products. In some cases, these goods are sold in the form of private label products at our food retail stores. We also sell non-food products, which include clothing items, baby items, shoes and accessories, household articles, books, magazines, CDs and DVDs, stationery, handcraft, toys, sports and camping gear, furniture, mattresses, pet products, gardening and also electronics products, such as personal computers, software, computer accessories, and sound and image systems. Some of the products listed above are also offered in the form of our private label products. We also sell our products in the food retail segment through our websites www.paodeacucar.com.br and www.extra.com.br.

In addition, we include in the food retail segment the non-food products we sell at our drugstores, such as medications and cosmetics, and the non-food products we sell and the services we provide at our gas stations.

- *Cash and carry segment*, which consists of sales of food and some non-food products to resellers, intermediate consumers and retail customers through the *Assaí* banner.
- *Home appliances segment*, which consists of sales of durable goods, i.e., electronics, home appliances, furniture and other items for the home, and the provision of products and services, such as specialized and convenient sales and after-sales service through *Casas Bahia* and *Pontofrio* stores.
- *E-commerce segment*, which consists of our e-commerce operations through the websites Extra.com.br, PontoFrio.com.br, CasasBahia.com.br, Barateiro.com.br, PartiuViagens.com.br, wholesale activities and E Hub (B2B activities), owned by Nova Pontocom Comércio Eletrônico S.A., or Nova Pontocom, and its subsidiaries.

In the food retail and home appliance segments we also provide extended warranties to our customers upon the sale of home appliances at our stores.

Segment Revenue and Income Distribution

The table below shows our gross and net revenues from our operating segments and the breakdown of our net revenues by operating segment. Results of the operating segments are presented in conformity with IFRS, the measure used by management in evaluating the performance of and strategy for the four segments listed below.

Operating segment	Year Ended December 31, 2013			
	Gross Sales	Percentage of	Net Sales	Percentage of
	from the Segment (in millions of R\$)	Total Gross Sales	from the Segment (in millions of R\$)	Total Net Sales
Food retail	27,810.7	43%	25,414.3	44%
Cash and carry	6,814.4	11%	6,273.4	11%
Home appliances	24,963.4	39%	21,745.6	38%
E-commerce	4,817.0	7%	4,296.9	7%
Consolidated	64,405.0	100%	57,730.2	100%

The table below shows the net profit from each of the operating segments and their participation in our net income. Results of the operating segments are presented in conformity with IFRS, the measure used by management in evaluating the performance of and strategy for the four segments listed below.

Operating segment	Year Ended December 31, 2013	
	Net Profit (Loss)	Percentage of
	from the Segment (in millions of R\$)	Total Net Income
Food retail	542.3	39%
Cash and carry	112.1	8%
Home appliances	769.7	55%
E-commerce	(27.9)	(2)%
Consolidated	1,396.2	100%

For more information about our revenues and net income from our operating segments, see “Item 5A. Operating Results—Results of Operations for 2013, 2012 and 2011.”

Number of Stores

The following table sets forth the total number of stores at the end of the periods indicated per store format:

<i>Pão de Açúcar</i>	<i>Extra Hiper</i>	<i>Extra Super⁽¹⁾</i>	<i>Mini-mercado Extra</i>	<i>Assaí</i>	<i>Pontofrio⁽²⁾</i>	<i>Casas Bahia</i>	<i>Total</i>
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As of December 31, 2010	150	110	231	68	57	506	526	1,648
During 2011								
Opened	3	3	1	5	2	6	20	41
Closed	-	-	(2)	(1)	-	(111)	(2)	(117)
Transferred (from)/to	7	19	(26)	-	-	-	-	-
Acquired	-	-	-	-	-	-	-	-
As of December 31, 2011	160	132	204	72	59	401	544	1,572
During 2012								
Opened	4	6	3	39	3	8	25	88
Closed	(1)	-	-	(4)	(1)	(12)	(1)	(19)
Transferred (from)/to	-	-	-	-	-	-	-	-
Acquired	-	-	-	-	-	-	-	-
As of December 31, 2012 ⁽³⁾	163	138	207	107	61	397	568	1,641
During 2013								
Opened	5	-	6	57	14	5	36	125
Closed	-	-	-	-	-	(5)	(2)	(11)
Transferred (from)/to	-	-	-	-	-	-	-	-
Acquired	-	-	-	-	-	-	-	-
As of December 31, 2013	168	138	213	164	75	397	602	1,757

(1) In 2009, the *Sendas* and *CompreBem* stores were included in *Extra Supermercado* stores. During 2010 and 2011, we converted the *Sendas* and *CompreBem* stores into other formats.

(2) In 2009, the *Extra Eletro* stores were included in *Pontofrio* stores. During 2010, we converted the *Extra Eletro* into *Pontofrio* stores.

(3) Excludes 85 gas stations and 157 drugstores.

Geographic Distribution of Stores

The Company operates mainly in the Southeast region of Brazil, which consists of the states of São Paulo, Rio de Janeiro, Minas Gerais and Espírito Santo. The Southeast region accounted for 85.5% of the Company's consolidated net revenue for the year ended December 31, 2013, while the other Brazilian regions (North, Northeast, Center West and South regions) in the aggregate accounted for the remaining consolidated net sales for the year ended December 31, 2013. In addition, none of these regions represents individually more than 7.9% of the consolidated net sales.

The following table sets forth the number of our stores by region as of December 31, 2013:

	City of São Paulo	State of São Paulo (excluding the City of São Paulo) ⁽¹⁾	State of Rio de Janeiro	South and Southeast Regions (excluding the States of São Paulo and Rio de Janeiro) ⁽²⁾	North and Northeast Regions ⁽³⁾	Middle-West Region ⁽⁴⁾
<i>Pão de Açúcar</i>	59	48	20	4	22	15
<i>Extra Hiper</i>	28	46	24	7	20	13
<i>Extra Supermercado</i>	69	87	47	-	10	-
<i>Minimercado Extra</i>	127	37	-	-	-	-
<i>Assaí</i>	22	23	11	2	11	6
<i>Pontofrio</i>	49	98	93	126	-	31
<i>Casas Bahia</i>	87	185	102	105	66	57
Total ⁽⁵⁾	441	524	293	245	129	125

(1) Consists of stores in 121 cities, including Campinas, Ribeirão Preto and Santos.

(2) This area comprises the states of Espírito Santo, Minas Gerais, Paraná, Rio Grande do Sul and Santa Catarina.

(3) This area comprises the states of Alagoas, Bahia, Ceará, Paraíba, Pernambuco, Piauí, Rio Grande do Norte, Sergipe and Tocantins.

(4) This area comprises the states of Goiás, Mato Grosso, Mato Grosso do Sul and the Federal District.

(5) Excludes 85 gas stations and 157 drugstores.

Operations

The following table sets forth the number of stores, the total selling area, the average selling area per store, total number of employees and the net sales revenue as a percentage of our total net sales revenue for each of our store formats as of December 31, 2013:

Store Format

		Number of Stores	Total Selling Area (in square meters)	Average Selling Area Per Store (in square meters)	Total Number of Employees (1)	Percentage of Our Net Sales Revenues
<i>Pão de Açúcar</i>	Supermarket	168	221,236	1,317	17,744	10.0%
<i>Extra Hiper</i>	Hypermarket	138	896,346	6,495	31,262	24.8%
<i>Minimercado Extra</i>	Neighborhood store	164	38,607	235	2,065	0.8%
<i>Extra Supermercado</i>	Supermarket	213	242,409	1,138	13,133	8.4%
<i>Assaí</i>	Cash and carry	75	271,632	3,622	11,431	10.9%
<i>Pontofrio</i>	Home appliances store	397	258,783	652	9,207	9.6%
<i>Casas Bahia</i>	Home appliances store	602	823,847	1,369	31,217	28.7%
<i>Nova Pontocom</i> (2)	E-commerce	-	-	-	-	6.7%
Head office & distribution center		55	-	-	40,412	-
Total (3)		1,757	2,752,860	1,567	156,451	100.0%

(1) Based on the average of the full-time equivalent number of employees, which is the product of the number of all retail employees (full- and part-time) and the ratio of the average monthly hours of all retail employees to the average monthly hours of full-time employees.

(2) Nova Pontocom's employees are included in Head office & distribution center.

(3) Excludes 85 gas stations and 157 drugstores.

For a detailed description of net sales revenue for each of our store formats, see "Item 5A. Operating Results."

Food Retail Operating Segment

Pão de Açúcar Stores

Pão de Açúcar operates convenient neighborhood stores, which are predominantly located in large urban areas (with over one-third located in the greater São Paulo metropolitan area). We believe that the locations of our *Pão de Açúcar* stores are a competitive advantage since available sites in these urban areas are scarce. The *Pão de Açúcar* stores target the Brazilian class A and class B household consumers. The stores are characterized by a pleasant shopping environment, a broad mix of quality products, innovative service offerings and high level of customer service. Many of these stores feature specialty areas such as perishables, baked goods, wine, ready-to-eat dishes, meat, cheese and seafood departments. Many stores have shopping advisors that assist customers with inquiries about their particular needs, prices, special discounts and brand information.

As of December 31, 2013, we had 168 *Pão de Açúcar* stores. The *Pão de Açúcar* stores have an average of 1,317 square meters of selling space. Food products represented 95.1% of gross sales revenue attributable to *Pão de Açúcar* in 2013 and non-food products represented 4.9%.

The *Pão de Açúcar* banner recorded gross sales of R\$6,136.1 million in 2013, representing an increase of 10.8% relative to 2012. This increase was mainly a result of our expansion (four new stores were opened), as well as growth in certain categories, such as general merchandise and perishables, particularly sea food.

Extra Hiper Stores

Extra Hiper stores are our largest stores. We introduced the hypermarket format in Brazil with the opening of our first 7,000 square meter store in 1971. The *Extra Hiper* stores offer the widest assortment of products of any of our store formats and had an average selling area of 6,495 square meters as of December 31, 2013. The *Extra Hiper* stores target the Brazilian classes B, C, D and E classes. As of December 31, 2013, we had 138 *Extra Hiper* stores. The sale of food products and non-food products represented 68.6% and 31.4% of *Extra Hiper*'s gross sales in 2013, respectively.

Gross sales of the *Extra Hiper* banner in 2013 reached R\$14,431.2 million, an 4.2% increase compared to 2012. This increase was mainly due to a better assortment of products.

Extra Supermercado Stores

As of December 31, 2013, we operated 213 *Extra Supermercado* stores. Our *Extra Supermercado* banner is characterized by stores with an average sales area of 1,138 square meters and a complete mix of food products and general merchandise. Our *Extra Supermercado* stores are complete neighborhood supermarkets with exceptional meat and bakery products, where families can stock up their pantries rapidly and economically and also acquire a wide range of household items in an easily accessible and pleasant environment with exemplary customer service. The sale of food products and non-food products represented 95.5% and 4.5%, respectively, of *Extra Supermercado*'s gross sales in 2013.

As part of our strategy to increase our operations in this segment and take advantage of the migration of the Brazilian population from lower income class to lower-middle income class, we converted *CompreBem* and *Sendas* stores into *Extra Supermercado* stores to unify our banners that are targeted at lower to middle income consumers. Through this conversion process, we strengthened our position in this increasingly growing segment of the Brazilian population and streamlined our operations.

Gross sales of the *Extra Supermercado* format in 2013 reached R\$5,047.5 million, a 9.2% increase compared to 2012. This increase was mainly due to the opening of six new stores in 2013.

Minimercado Extra Stores

In 2011, we began to re-brand this banner to *Minimercado Extra* (Extra Minimarket), keeping our “umbrella brand” in the name, but specifically emphasizing the neighborhood concept behind these stores. Through this process, the model was improved with some changes to the products and services mix, including a larger offer of customized services on perishable goods such as bakery products, sliced cheese/meat and butchery products. The mean sales area also increased to 246 square meters, with more check-outs and employees. These changes are a response to consumer demand, specifically the demand for healthier food, comfort and convenience. The sale of food products and non-food products represented 97.7% and 2.3%, respectively, of *Minimercado Extra*’s gross sales in 2013.

Gross sales of the *Minimercado Extra* banner in 2013 reached R\$474.9 million, an 87.7% increase compared to 2012, mainly due to our expansion (we opened 59 new stores in 2013), bringing the total of *Minimercado Extra* stores to 164 units as of December 31, 2013. We expect to continue growing this banner in the next couple of years.

Other Businesses

Other businesses include gas stations and drugstores. Gross sales from other businesses increased 7.5%, from R\$1,484.2 million in 2012 to R\$1,591.1 million in 2013.

As of December 31, 2013, we operated 85 gas stations. The vast majority of our gas stations are located within the parking area of certain of our stores, mainly in *Extra Hiper* stores. The location of our gas stations allows our customers to both shop and refuel their cars while they are on our premises. Our strategy for gas stations is based on competitive prices and the reliability and quality of fuel, which is assured by the brand. We expect to increase the number of gas station units, especially in connection with the *Extra* and *Assaí* banners, and increase synergies with drugstores and *Minimercado Extra* stores. We opened one new store in 2013.

As of December 31, 2013, we operated 157 drugstores in 17 states and in the Federal District. Our strategy, in relation to our drugstores, is to provide greater convenience to our customers by providing additional products, mainly in our *Extra Hiper* stores. We opened two new drugstores in 2013.

Food Delivery

Our food delivery has become another sales channel of the Company, including Pão de Açúcar Delivery, or PA Delivery, and the Extra Delivery, launched in 2012. We have consolidated our leadership in food e-commerce through our food delivery formats. Using our food delivery formats, our customers can order their products online and receive them at home (within 24 hours for conventional delivery, or 4 hours for express delivery).

Since January 2013, we made available to our customers new purchasing options with drive-thru in stores operating under the *Pão de Açúcar* banner and since November 2013, pick-up-in-store in stores operating under the *Extra* banner. Through these new operations, our customers are able to order online and either have orders delivered by a *Pão de Açúcar* store or choose the best hour to pick-up their order in their preferred store. On December 31, 2013, we operated six PA Delivery units (conventional delivery) in Brazil, two of which are located in the Greater São Paulo area and the others of which are located in Rio de Janeiro, Brasília, Curitiba and Fortaleza. We operated 16 PA Express Delivery units, 15 of which are located in the Greater São Paulo area and one in the city of Rio de Janeiro.

In the Extra Delivery (conventional delivery) we operated two units, one of which is located in São Paulo and the other one in Rio de Janeiro. We operated three Extra Express Delivery unit, located in the Greater São Paulo area.

Cash and Carry Operating Segment

Assaí Stores

Assaí has been operating in the cash and carry segment for 40 years. In 2013, we consolidated its business and invested in organic growth by opening 14 new stores in five Brazilian states, totaling 75 stores as of December 31, 2013, which strengthened the *Assaí* banner's national footprint. We expect to continue growing this business segment. In 2013, the *Assaí* banner had gross sales of R\$6,813.7 million, an increase of 34.1% compared to 2012.

We also invested in a new store format which is suited to *Assaí*'s target customers, mainly resellers and intermediate consumers. We also introduced a dual pricing strategy, pursuant to which products are offered both at a standard price for unitary purchases and at a lower price per unit for higher quantity purchases.

Home Appliances Operating Segment

Pontofrio Stores

Our *Pontofrio* stores are specialized in home appliances such as consumer electronics. As of December 31, 2013, we operated 397 *Pontofrio* stores as a result of our acquisition of Globex (currently Via Varejo) in July of 2009. In 2013, *Pontofrio* stores had gross sales of R\$6,143.1 million.

Our *Pontofrio* stores target middle- and higher-income customers and our strategy is to open more stores in shopping malls focused on the A and B classes (higher income). We offer these customers customized expert advice on our products, as well as a range of value-added services, during and after sales, such as extended warranties.

Casas Bahia Stores

Our *Casas Bahia* stores are specialized in furniture and home appliances. As of December 31, 2013, we operated 602 stores as a result of the association with Casa Bahia Comercial Ltda. In 2013, *Casas Bahia* stores' gross sales totaled R\$18,820.4 million.

Our *Casas Bahia* stores target middle- and lower-income customers (B and C classes), who are attracted by flexible payment alternatives, including installment plans. *Casas Bahia* stores are generally larger than *Pontofrio* stores. Our *Casas Bahia* stores also offer a range of value-added services, during and after sales, such as extended warranties.

E-commerce Operating Segment

In line with our strategy of expanding our share of the sales of home appliances through e-commerce, in 2010 we consolidated our e-commerce operations by creating a new company called Nova Pontocom. This segment consists of remote sales of a broad product mix through the websites: *Extra.com.br*, *PontoFrio.com.br* and *CasasBahia.com.br*.

In addition, in 2013, we began to offer a marketplace e-commerce solution through our *Extra.com.br* website, by means of which we provide our customers with the possibility of purchasing products from a large number of partners through a single online purchase experience. We also seek to offer other e-commerce related services through *E-hub*, our e-commerce solution, which we sell to specialized retailers, and B2B solutions. In 2012, we launched *Barateiro.com*, a website originally dedicated to selling phased-out products and products with minor flaws. In 2013, we broadened *Barateiro.com*'s assortment in order to include phased-out products under a hard discount model.

In 2013, the e-commerce segment's gross sales totaled R\$4,816.0 million. Nova Pontocom has a market share of slightly less than 20% of the Brazilian e-commerce market, as measured by e-Bit, and is the second largest e-commerce company in Brazil.

Seasonality

We have historically experienced seasonality in our results of operations, principally due to traditionally stronger sales in the fourth quarter holiday season. Sales revenues in December are typically 40% above the average sales revenues in the other months. During the fourth quarter of 2013, sale of electronics and home appliances posted record growth, especially in mobile phone and video lines. Black Friday promotions, which are relatively new in Brazil, also helped to boost sales in the fourth quarter with a record number of non-food sales in a single day.

We also experience strong seasonality in our results for the months of March or April as a result of the Easter holiday where we offer specialized products for the occasion as well as in Soccer World Cup years where some of our products show an increase in sales.

Seasonality relating to the availability of some of our products (such as fruits and vegetables) does not affect our results due to the large and diverse selection of products we offer our customers.

Our Products

Our products in the food retail sector are mostly ready-for-sale products that we purchase and resell to our end user consumers. Only a portion of our products are produced at our stores, which are based on formulations prepared by our technical team for development of perishables. In certain circumstances, we have entered into partnerships with suppliers who deliver semi-finished products that are finished at our stores.

The products manufactured and/or handled at our stores are: (i) fruits and vegetables, cut or packaged at our stores; (ii) meat (beef, pork, chicken and fish) as well as cold cuts and cheeses, which are cut, weighed and packaged at our stores; (iii) ready-to-eat meals sold at our deli counters; and (iv) bread, cakes and sweets made at the bakeries located within our stores.

We do not manufacture the products sold under our own exclusive brands. These products are manufactured by suppliers who are carefully selected by us, after we have thoroughly evaluated the quality of their service and their capacity to meet our demand. The development of products carrying our private label is guided by a detailed process aimed at standardizing our products and ensuring the products' manufacturing and launch within the commercial and strategic targets of our brands and compliance with our quality standards, involving various areas of our Company.

In the home appliances retail sector all our products are ready-for-sale products that we purchase and resell to our end-user consumers. We generally do not sell products in the home appliances segment under our own brands, but we offer value-added services, such as extended warranties.

Suppliers

The purchasing of products for our *Pão de Açúcar*, *Extra Hiper*, *Extra Supermercado*, *Minimercado Extra* and *Assaí* stores is centralized and we purchase substantially on the spot or on a short-term basis from a large number of unaffiliated suppliers. As a result, we are not dependent on any single supplier.

The purchasing of products for our *Pontofrio* and *Casas Bahia* stores and for our e-commerce operating segment is separate and we purchase from a small number of suppliers, mostly Brazilian. We do not depend on any single supplier in our home appliance and e-commerce segments. In 2013, our largest supplier in the home appliance and e-commerce segments represented 16.3% and 17.9% of our respective sales and the ten largest suppliers in these segments represented 66.8% and 62.0% of our respective sales.

Distribution and Logistics

In order to efficiently distribute perishable food products, grocery items and general merchandise, we operate 54 distribution centers strategically located in 14 Brazilian states and the Federal District with a total storage capacity of approximately 1.59 million square meters. The locations of our distribution centers enable us to make frequent shipments to stores, which reduces the need of in-store inventory space, and limits non-productive store inventories.

Our distribution centers are significantly supported by pd@net, a business-to-business technology platform, which links our computer automated ordering system to our distribution centers and suppliers in order to automatically replenish our inventory.

In 2013, we focused on capturing additional synergies in our logistics network, for example sharing the use of physical areas between our different businesses in lower density regions, addressing the specificities of each business with increased focus on reducing losses and working capital through the full implementation of demand planning processes under the Oracle retail platform.

We continue to review organization and processes to meet the needs of all banners and business units to increase the response speed to meet the singularities of each banner while maintaining and using synergy opportunities by sharing physical areas, distribution costs and working capital. In addition, we intend to disseminate actions such as the “electronic catalog” and “store take-out,” by means of which clients would select or purchase our products online and could pick up these products in selected store locations. Both these initiatives are innovative in Brazil and intend to facilitate consumer access to our products.

In 2004, we initiated the Top Log program to certify our suppliers who employ the best policies and practices in logistics and supply ascertained during the year. In 2013, 147 suppliers participated in the Top Log Program, and were evaluated with respect to their service level, suitability to the client and integration. This program has led to several efficiency gains and better interaction between our logistics and that of our suppliers.

Our logistics and distribution processes are organized in accordance with the products and services sold under our banners. Accordingly, our distribution processes are guided by the following procedures:

Stores, Supermarkets and Hypermarkets

As of December 31, 2013, the logistic process to supply our stores, supermarkets, hypermarkets and our cash and carry operation, excluding drugstores and gas stations, included 24 distribution centers located in the states of São Paulo, Rio de Janeiro, Ceará, Pernambuco, Bahia, Paraná and the Federal District, corresponding to a 502,124 square meter area including both our own and outsourced distribution centers. Our distribution process is performed by an outsourced fleet. As of December 31, 2013, our centralization rate (the percentage of revenue from the products supplied at our stores that comes directly from our distribution centers) was 87% excluding our cash and carry operation. Including our cash and carry operation, our centralization rate was 80%.

Orders made for our non-centralized products are made directly by the stores and delivered by the suppliers following the supply model known as “Direct Delivery.” As of December 31, 2013, 13% of our stores sales, excluding our cash and carry operation, corresponded to “Direct Delivery” products, especially ornamental plants, cigarettes, ice creams, yogurts and magazines. Including our cash and carry operation, 20% of our stores’ sales corresponded to “Direct Delivery” products.

Electronic Products and Home Appliances – Casas Bahia and Pontofrio Stores

The logistics process associated with our *Casas Bahia* and *Pontofrio* stores involves an analysis of forecast sales, which we use to submit orders to our suppliers. Once these orders are issued, the delivery of products is managed by Via Varejo's supply chain area, which analyzes inventory levels, sales estimates by store and other variables, and schedules the delivery of the requested products with our suppliers. The products are delivered and distributed among Via Varejo's distribution centers, which as of December 31, 2013 totaled 23 distribution centers located in 13 Brazilian states (São Paulo, Rio de Janeiro, Minas Gerais, Paraná, Bahia, Espírito Santo, Goiás, Mato Grosso, Mato Grosso do Sul, Santa Catarina, Ceará, Rio Grande do Sul and the Federal District), corresponding to an 898,745 square meter area.

Delivery

Our PA and Extra Delivery units share the same inventories with our stores, where our PA and Extra Delivery units are strategically located to optimize logistics and attend to a greater delivery area.

Nova Pontocom

Our non-food products' e-commerce network offers assistance to our clients from a network of fully dedicated distribution centers. These centers are used for storage and handling of goods from the time they are selected and packed until the invoice is issued and the products are shipped. Upon the placement of an order on our website or through our call center and upon confirmation of the payment by the financial institution, the products are selected by a specialized team, are checked and packaged by our quality control department, and the invoice is issued.

Drugstores

Our drugstores are supplied with medications and other products, such as cosmetics. The logistics system varies between centralized deliveries through our warehouses and decentralized deliveries. We have supply agreements with the main pharmaceutical distributors in the country, as well as regional distributors across Brazil. Since 2010, we have had a centralized operation in São Paulo with some pharmaceutical industries delivering to our drugstores in the state of São Paulo.

Gas Stations

Our gas stations are supplied by exclusive suppliers. In 2013, we used four suppliers. Supply orders are made individually by each station, and fuel is requested through purchase orders or pre-agreed daily supplies, pursuant to the service agreements entered into by each gas station. Fuel transportation is carried out exclusively by our suppliers while unloading operations are closely followed by our employees for safety and quality control reasons. The process for compressed natural gas, or GNV, is different. GNV is delivered by regional suppliers directly to the gas stations, through dealers and using pipelines connected to the entrance boxes located at the gas stations and holding fuel meters installed and controlled by the dealers themselves. This equipment regularly measures the GNV volumes supplied. GNV is sold through dispensers attached to these entrance boxes, using specific pipelines.

Marketing

Our marketing policy is aimed at attracting and retaining our customers. To this end, we conduct integrated marketing campaigns that are specific to each store banner in which we operate and are structured and directed at the target market for each store banner. Our marketing teams are media experts dedicated to developing quality marketing campaigns to emphasize our strengths in terms of selection, service and competitive prices. We recognize marketing campaign expenses on sales expenses as they are incurred.

In 2013, we continued our marketing efforts through a series of actions designed to attract more customers. These actions included a number of promotions, for example a Black Friday sale and scheduled clearance sales called *alerta vermelho* (red alert) as well as partnerships with suppliers in joint campaigns to promote specific products.

In 2011, 2012 and 2013, we spent approximately R\$973.9 million, R\$1,006.4 million and R\$912.4 million, respectively, on advertising (approximately 2.1%, 2.0% and 1.6%, respectively, of total net sales revenues in each year) accounted for as sales expenses. Also, 18.2%, 17.7% and 20.4% of our total marketing expenditures in 2011, 2012 and 2013, respectively, we spent on radio, newspaper and magazine advertising. Television advertisements

accounted for 54.1%, 56.1% and 56.6% of advertising expenses in 2011, 2012 and 2013, respectively. We spent 27.2% in 2011, 26.2% in 2012 and 22.8% in 2013 on other promotional activities.

FIC and Investcred

Before our acquisition of Via Varejo, Via Varejo had entered into an association with Unibanco – União de Bancos Brasileiros S.A. (currently, Itaú Unibanco), named Banco Investcred Unibanco S.A., or Investcred. In December 2009, we amended our partnership with Itaú Unibanco to include Investcred in the partnership and to extend the FIC's term for an additional five years. Itaú Unibanco paid us R\$600.0 million, of which R\$550.0 million was related to Itaú Unibanco's breach of the exclusivity clause, which allowed it to obtain the right to enter into similar partnerships with other retailers and R\$50.0 million was related to the extension of term through August 28, 2029.

FIC operates service kiosks in our stores that have exclusive rights to offer credit cards, financial services and insurance, except for extended warranties. FIC has been operating for nine years and as of December 31, 2013 had a portfolio of 3.8 million credit card accounts from customers (including the customer base of Investcred). Each of our Company and Itaú Unibanco holds 50% of FIC's capital stock. The retail segment holds 36% of FIC through CBD, and the home appliance segment holds 14% through Via Varejo. Itaú Unibanco is responsible for the financial and operational policies of FIC, appointing the majority of its officers.

In 2013, FIC had a profit of R\$87.9 million, an increase of 121% in the year-over-year comparison. This increase was mainly due to the improvement in our credit analysis and lower default rates by our customers. This result was also due to a decrease in non-operating expenses related to the decrease in (i) the volume of complaints from customers, (ii) the number of lawsuits filed by customers against us and (iii) the number of defaults for fraudulent reasons.

We maintain our strategy to increase FIC card's share of sales and to make it the best payment option in our stores and e-commerce operations, with exclusive benefits and advantages for card holders.

The table below sets forth the breakdown of FIC's customers in 2011, 2012 and 2013:

Total number of clients (in thousands)	2011	2012	2013
Credit cards	4,855	4,067	3,770
Total	4,855	4,067	3,770

Credit Sales

In 2013, 57.7% of our net sales was represented by credit sales, principally in the form of credit card sales, installment sales and food vouchers, as described below:

Credit card sales. All of our store formats accept payment for purchases with main credit cards, such as MasterCard, Visa, Diners Club, American Express and co-branded credit cards issued by FIC. Sales to customers using credit cards accounted for 48.7%, 47.9% and 47.4% of our consolidated net sales in 2011, 2012 and 2013, respectively. Of this total, sales through our FIC co-branded credit cards accounted for 5% of our net sales revenue in 2013. An allowance for doubtful accounts is not required as credit risks are assumed by credit card companies or issuing banks.

Installment credit card sales. Our *Extra* hypermarkets and *Pontofrio* and *Casas Bahia* stores offer attractive consumer financing conditions to our customers to purchase home appliances on an installment basis through our co-branded and private label credit cards, as well as third-party credit cards. Sales to customers using credit cards on an installment basis accounted for 62%, 59.5% and 59% of our total credit card sales (mentioned above) in 2011, 2012 and 2013, respectively. An allowance for doubtful accounts is not required as credit risks for all installments are assumed by credit card companies or issuing banks.

Installment sales (“Crediário”). Our *Casas Bahia* stores offer access to credit through payment slips (“*cartões*”) to our customers to finance their purchases. Sales to customers using payment slips accounted for 5.6% of our consolidated net sales revenue in 2013. Installment sales are widely used in the Brazilian home appliance market. We usually sell the receivables in connection with these installments to meet working capital needs of the home appliance segment. The cost of sales of receivables is considered as a financial expense.

Food vouchers. We accept as payment in our food stores vouchers issued by third-party agents to participating companies who provide them to their employees as a fringe benefit. Food vouchers accounted for 3.6%, 4.3% and 4.6% of our consolidated net sales revenue in 2011, 2012 and 2013, respectively. We record allowance for doubtful accounts based on average historical losses complemented by our estimates of probable future losses.

Technology

We invested R\$313.8 million, R\$337.5 million and R\$370.8 million in information technology in 2011, 2012 and 2013, respectively. We defined the strategic roadmap for IT evolution considering the technological trends and business needs in four areas: architecture and information systems, infrastructure, information security and governance. Our information technology department is interconnected with our other departments, streamlining our strategic initiatives.

Intellectual Property

We consider our brands to be one of our most valuable assets and we have worked extensively to define the characteristics of each of our banners (*Extra*, *Extra Supermercado*, *Minimercado Extra*, *Pão de Açúcar*, *Pontofrio*, *Casas Bahia* and *Assaí*) with respect to the expectations, consumption patterns and purchasing power of the different income levels in Brazil. We believe that Brazilian consumers associate each of our banners with a specific combination of products, services and price levels.

In Brazil, to acquire a brand it is necessary to officially register it with the *Instituto Nacional de Propriedade Industrial* (National Industrial Property Institute), or INPI. This registration gives the owner the exclusive right to use the trademark throughout Brazil for a renewable period of time.

As of December 31, 2013, our most important trademarks (*Pão de Açúcar*, *Extra*, *Conviva*, *Qualitá*, *Taeq*, *Pontofrio*, *Casas Bahia*, *Assaí*, and *Barateiro*, among others) were duly registered with INPI and we had approximately 3,244 trademarks registered or in the process of being registered in Brazil. We did not have any registered patents as of December 31, 2013.

We own the following domain names, among others: www.extra.com.br, www.grupopaodeacucar.com.br, www.paodeacucar.com.br, www.assaiatacadista.com.br, www.assai.com.br, www.pontofrio.com.br, www.casasbahia.com.br, www.barateiro.com.br and www.partiuviaagens.com.br. Note that these domain names are for informative purposes only and the information contained in these websites is not incorporated by reference in this annual report.

Competition

Brazil's leading retail food companies are controlled by companies headquartered abroad. Foreign presence in the Brazilian retail food industry started with the French retail food chain, *Carrefour*. In the past decade, the U.S. chain *Walmart* has also entered the Brazilian market, mostly through the acquisition of domestic retail food chains, increasing competition in the industry. Thus, the Brazilian retail food industry is highly competitive. Nonetheless, supermarket penetration levels in Brazil, in terms of the number of supermarkets in proportion to the country's population and area, is estimated to be lower than the levels recorded in the United States, several Western European countries and some other South American countries.

Recently, leading retail food companies, including our Company, have pursued the following strategies:

- acquire smaller chains;
- migrate large stores to smaller formats, such as neighborhood banners; and

- increase share of hypermarkets in sales of clothing, general goods, electronic products, furniture and construction materials as well as in other categories of non-food products.

Our competitors vary depending on the regional location of the stores. Our principal competitors in food retail in the state of São Paulo are *Carrefour*, *Futurama*, *Mambo*, *Pastorinho*, *Sonda* and *Walmart*. In Brasília, our principal competitors are *Big Box*, *Carrefour*, *Super Ceia* and *Super Maia*. In the State of Rio de Janeiro, our principal competitors are *Guanabara*, *Mundial*, *Prezunic* and *Zona Sul* supermarkets. In the states of Paraíba, Pernambuco, Ceará and Piauí, our principal competitors are the local supermarkets, in addition to *Bompreço* and *GBarbosa*.

The principal competitor of *Extra* hypermarket is *Carrefour*, which operates stores in the southeastern and southern regions of Brazil, and *Walmart*, which operates through various banners in the southeastern, northeastern and southern regions of Brazil.

Assaí chain competes with *Atacadão*, a cash and carry chain purchased by *Carrefour* in 2007, *Roldão*, *Tenda*, *Makro* and *Maxxi*.

In our other regional markets, we compete not only with the organized food retail sector, but also with various small and medium-sized chains, family companies and food retail businesses.

In the home appliances market, the principal competitors of our *Casas Bahia* and *Pontofrio* stores are *Magazine Luiza*, *Pernambucanas*, *Ricardo Eletro*, *Lojas Insinuante* and *Fast Shop*, as well as hypermarkets such as *Carrefour* and *Walmart*.

In relation to our food products e-commerce, our PA Delivery and Extra Delivery units are market leaders and do not face competition at the national level; however there are relevant competitors in local markets, such as *Zona Sul*, which has a higher market share than us in the city of Rio de Janeiro and *Sonda*, in the city of São Paulo.

In non-food products e-commerce, our competitors are Brazilian and foreign companies, although we believe that the competition from foreign companies is not yet material in this segment. Our main competitors in this segment are B2W, the market leader, which owns *Americanas.com*, *Submarino* and *Shoptime*, among others, *Walmart*, *Magazine Luiza*, *Saraiva*, *Fast Shop* and, more recently, *Amazon*.

Regulatory Matters

We are subject to a wide range of governmental regulation and supervision generally applicable to companies engaged in business in Brazil, including federal, state and municipal regulation, such as labor laws, public health and environmental laws. In order to open and operate our stores, we need a business permit and site approval and an inspection certificate from the local fire department, as well as health and safety permits. Our stores are subject to inspection by city authorities. We believe that we are in compliance in all material respects with all applicable statutory and administrative regulations with respect to our business. In addition, we have internal policies that in some instances go beyond what is required by law, particularly with respect to environmental and sustainability requirements and social and community matters.

Our business is primarily affected by a set of consumer protection rules regulating matters such as advertising, labeling and consumer credit. We believe we are in compliance in all material respects with these consumer protection regulations.

Environmental and Social Matters

We have been engaged in sustainability for years. For example, we initiated our innovative recycling program in 2001. We incorporate sustainability into our operations on a company-wide level, encompassing every sector of the organization. In 2009, we created the Sustainable Development Committee, which is linked to our board of directors. In 2010, the concept of sustainability was incorporated into our strategic management. In 2013, a Department of Corporate Sustainability was created in order to accelerate the implementation of our environmental sustainable commitments, within all our businesses, according to guidelines prepared by the Casino Group.

Sustainable projects that we have adopted in the last few years include:

Retail

- In 2013, 19 of our stores began to operate under renewable energy sources. As of December 31, 2013, 112 stores operated using energy from renewable sources, especially hydroelectricity and biomass. For 2014, we have invested in developing an energy efficiency project that aims to reduce the energy consumption by 15% on *Extra* stores.
- Since 2001, our *Pão de Açúcar* stores, through a partnership with Unilever, and, since 2007, our *Extra* stores through a partnership with P&G, make recycling stations available to customers.
- The Quality Program From Source (QDO) is one of our most important monitoring controls for the quality of the products we sell. Initiated in 2008, our program allows customers to monitor every detail of the origin, production, transportation and storage of the products.

Via Varejo

- *Amigos do Planeta*: This is a recycling and awareness program conducted in the headquarters and administrative offices of Via Varejo and as in 202 stores, distribution centers and contact center of Casas Bahia.
- *Amigos do Planeta na Escola*: This is our stores incentive program for reading, health and environmental education in schools of Brazil. Since 2009, the program was set up in 256 schools, 19 municipalities establishing projects that helped approximately 1.3 million people in the areas of health, arts, education, communication and environment.
- *Amigos do Planeta – inclusão digital*: This program offers an itinerant truck that offers free computer courses and vocational qualification.

Assaí

- The Assaí program intends to raise awareness of small and medium entrepreneurs especially those who contribute with sustainable practices. The second project within the same guideline is Microcredit, a line of credit for low income businesses.
- The “*Recycle More, Pay Less*” program, in partnership with AES Eletropaulo (Power Distributor), consists of the exchange of recyclable materials for a discount on electricity bills of participating consumers.

4C. Organizational Structure

We conduct our operations through Companhia Brasileira de Distribuição. We invest in subsidiaries primarily to acquire the share capital of other retail chains from third parties. In most cases, the retail operations are transferred to retail stores under existing banners or the stores acquired begin operating under our banners. We conduct our food retail segment operations under the *Pão de Açúcar*, *Extra Hiper*, *Minimercado Extra*, *Extra Supermercado* banner and for cash and carry retail segment operations, under the *Assaí* brand. We conduct our home appliances retail segment operations through our *Pontofrio* and *Casas Bahia* brands. The chart below sets forth a summary of our organizational structure based on total capital stock:

For further information on our subsidiaries, see note 3(b) to our financial statements included in this annual report.

4D. Property, Plants and Equipment

We own 137 stores, 16 distribution centers and a portion of the real estate property where our headquarters are located. The remaining 1,620 stores and 42 distribution centers we operate and the remaining portion of the real estate property where our headquarters are located are leased. Leases are usually for a term of five to 25 years, and provide for monthly rent payments based on a percentage of sales above an agreed minimum value. We have 21 leases expiring by the end of 2014. Based on our prior experience and Brazilian law and leasing practices, we do not anticipate any material change in the general terms of our leases or any material difficulty in renewing them. As of December 31, 2013, we leased 16 properties from members of the Diniz Family and 62 stores from Fundo de Investimento Imobiliário Península, which is owned by the Diniz Family. In addition, as of December 31, 2013, we had lease agreements with the Klein Family regarding 314 properties, among distribution centers, stores and administrative buildings. Our management believes that our leases follow market standards. See “Item 7B. Related Party Transactions—Leases” and note 13 to our audited consolidated financial statements included in this annual report.

The following table sets forth the number and total selling area of our owned and leased retail stores by store format, the number and total storage area of our owned and leased warehouses and the total office area of our headquarters that we own and lease as of December 31, 2013:

	Owned		Leased		Total ⁽¹⁾	
	Area		Area		Area	
	Number	(in square meters)	Number	(in square meters)	Number	(in square meters)
<i>Pão de Açúcar</i>	38	48,554	130	168,646	168	217,200
<i>Extra Hiper</i>	43	244,222	95	575,080	138	819,302
<i>Extra Supermercado</i>	31	41,840	182	200,576	213	242,416
<i>Minimercado Extra</i>	1	172	163	37,852	164	38,024
<i>Assaí</i>	12	46,364	63	222,968	75	269,332
<i>Pontofrio</i>	12	11,023	385	247,937	397	258,960
<i>Casas Bahia</i>	-	-	602	822,791	602	822,791
<i>Warehouses</i>	16	138,649	42	1,469,614	58	1,608,262
<i>Headquarters⁽²⁾</i>	4	41,192	12	59,006	16	100,197

(1) Excludes 85 gas stations and 157 drugstores.

(2) Includes 13 commercial warehouses.

For further information on Capital Expenditures, see “Item 4A. History and Development of the Company—Capital Expenditures and Investment Plan.”

ITEM 4E. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read this discussion in conjunction with our consolidated financial statements prepared in accordance with IFRS and the related notes and the other financial information included elsewhere in this annual report.

5A. Operating Results

Brazilian Economic Environment and Factors Affecting Our Results of Operations

Since all of our operations are in Brazil, our results of operations are affected by macroeconomic conditions in Brazil, including inflation rate, interest rate, Brazilian GDP, employment rates, wage levels, consumer confidence and credit availability.

For the period from 2011 through 2013, Brazilian GDP increased by an average of 2.0% annually (2.7% in 2011, 0.9% in 2012 and 2.3% in 2013). Inflation, as measured by the IPCA, was 6.5%, 5.8% and 5.9% in 2011, 2012 and 2013, respectively. From January 2011 through December 2013, the *real* depreciated 40.6% against the U.S. dollar. Unemployment decreased from 5.5% in January 2012 to 4.3% in December 2013. International reserves decreased from US\$378.6 billion to US\$375.8 billion from 2012 to 2013.

In 2008, Brazil received investment grade long-term debt ratings from Standard & Poor's and Fitch and, in September 2009, from Moody's. The upgraded long-term debt ratings reflected a favorable medium-term economic environment for Brazil due to the maturity of its financial institutions and the political structure of the country, as well as advances in fiscal policy and control over public debt. In the following months, the Brazilian government promoted a series of measures to stimulate consumption, including reducing interest rates, expanding credit through federal public banks and cutting taxes on durable goods, such as vehicles and refrigerators. In April 2011, Fitch upgraded Brazil's rating on Brazil's local and foreign currency debt to BBB from BBB-, and its country ceiling to BBB+ from BBB.

In the second half of 2008, global economic conditions worsened significantly, in light of the global financial crisis. The immediate effects on the Brazilian economy included reduced growth and depreciation of the *real*, which decreased 31.6% between August and October 2008 (from R\$1.57/US\$1.00 on August 4, 2008 to R\$2.29/US\$1.00 on October 10, 2008). The crisis also adversely affected the Brazilian capital markets, as reflected by a decrease in the Ibovespa index of 49.0% between May 19, 2008 and December 30, 2008.

After these initial effects, the Brazilian economy resumed its prior growth trend, with rising income levels, stable employment rates and controlled inflation. The increase in GDP in 2010 was 7.5%. In 2011, GDP growth totaled 2.7%, below initial estimates, mainly due to the debt crisis in the Eurozone. In 2011, 2012 and 2013, Brazil's GDP was 2.3%, 0.9% and 2.3%, respectively. According to IBGE, the average real income of Brazil's workforce in 2013 was estimated at R\$1,983.80, the highest since 2003, with a 3.6% growth over 2012. Between 2003 and 2013, the purchasing power related to the average real income of Brazil's workforce increased 40.7% (in 2003 the figure was R\$1,409.84), while unemployment fell from 10.9% in December 2003 to 4.3% in December 2013. The accumulated inflation rate as measured by the IPCA was 5.9% in December 2013, at the top of the targeted range. The Committee on Monetary Policy (*Comitê de Política Monetária*), or COPOM, increased the SELIC rate from 7.25% at the end of 2012 to 9.50% at the end of 2013.

The following table sets forth data on real GDP growth, inflation and interest rates, and the U.S. dollar exchange rate for the indicated periods:

	December 31		
	2011	2012	2013
GDP Growth ⁽¹⁾	2.7%	0.9%	2.3%
Inflation (IGP-M) (%) ⁽²⁾	5.1%	7.8%	5.5%
Inflation (IPCA) (%) ⁽³⁾	6.5%	5.8%	5.9%
CDI (%) ⁽⁴⁾	11.6%	8.4%	8.1%
TJLP (%) ⁽⁵⁾	6.0%	5.5%	5.0%
SELIC rate (%) ⁽⁶⁾	11.0%	7.3%	9.5%
Appreciation (depreciation) of <i>real</i> before USD (%)	(12.6)%	(8.9)%	(14.6)%
Exchange rate (closing) R\$ per USD 1.00 ⁽⁷⁾	1.876	2.044	2.343
Average exchange rate R\$ per USD 1.00 ⁽⁸⁾	1.675	1.955	2.161

(1) Source: IBGE.

(2) Inflation (IGP-M) is a General Market Price Index measured by FGV.

(3) Inflation (IPCA) is a Broad National Consumer Price Index measured by IBGE.

(4) The interbank deposit certificate (CDI) is the average rate of the interbank deposits in Brazil (at the end of each period and year).

(5) Long-term interest rate required by BNDES for long-term financing (end of the period data).

(6) Annual average interest rate. Source: Central Bank.

(7) Exchange rate (for sale) of the last day of the period. Source: Central Bank.

(8) Average of exchange rates (for sale) of the period. Source: Central Bank.

Financial Presentation and Accounting Policies

Presentation of Financial Statements

The preparation of our consolidated financial statements, under the International Financial Reporting Standards – IFRS as issued by IASB, requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Critical Accounting Policies

We discuss below key assumptions and judgments concerning the future, and other key sources of uncertain estimates at the reporting date that have a significant risk of causing a material impact to the carrying amounts of assets and liabilities within the next financial year. They are:

Lease commitments—Company as lessee

We have entered into commercial property leases as part of our operations. We consider the lease as operational based on the agreed terms and conditions, when we do not retain all the significant risks and rewards of ownership of these properties.

Estimated impairment of goodwill and intangibles

We test annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 4 to our financial statements and IAS 36 Impairment of Assets. Other intangible assets, the useful lives of which are indefinite, such as tradenames and commercial rights were submitted to impairment tests according to the same calculation criteria used for goodwill.

As of December 31, 2013, the Company calculated the recoverable amount of goodwill arising from past acquisitions, which balance ceased to be amortized as of January 1, 2008, for the purpose of evaluating if there were changes in the assets' value resulting from events or changes in economic, operating and technological conditions that might indicate impairment.

For impairment testing purposes, the goodwill arising from business combinations and licenses with indefinite useful lives were allocated to our four operating segments, which consists of our retail, home appliances, cash and carry and e-commerce operating segments.

The recoverable amount allocated to each segment was defined by means of a calculation based on the value in use, which was itself based on cash projections arising from financial budgets approved by senior management for the next three years. The discount rate before taxes applied to cash flow projections is 10.8% (10.8% at December 31, 2012), and cash flows exceeding three years are extrapolated by using a growth rate of 6.5% (6.7% at December 31, 2012).

As a result of this analysis, there was no impairment.

For tradenames, the value was subject to impairment testing through the income approach – Relief from Royalty, which consists of determining the value of an asset by measuring the present value of future benefits. Given the indefinite useful life of the tradename, we consider a perpetual growth of 6.5% in the preparation of the discounted cash flow. The royalty rates ranged from 0.4% to 0.9%, depending on which brand was used.

Commercial rights refer to amounts paid to former owners of commercial locations, and amounts calculated as the fair value of these rights in the business combinations of Casa Bahia and Pontofrio. To test for impairment of these assets, we allocated the amounts of identifiable commercial rights by stores and we test them together with the fixed assets as described in note 6 b) to our financial statements.

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the nature and complexity of our business, differences arising between the actual results and the assumptions made, or future changes to those assumptions, could require future adjustments to tax income and expense already recorded. We establish provisions, based on reasonable estimates, for consequences of audits by the tax authorities of the respective jurisdictions in which we operate. The amount of the provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred income and social contribution taxes assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax-planning strategies.

We have tax loss carry forwards amounting to a tax benefit of R\$793.6 million (R\$796.8 million in 2012). These losses do not expire and relate to subsidiaries that have tax-planning opportunities available to support these balances, however, the use of tax loss carry forwards is limited by law to 30% of taxable income in a single fiscal-year.

Supplier Bonuses

Bonuses received from suppliers are measured and recognized based on agreements signed, and the results are recognized in our income statement, insofar as the corresponding inventories are sold. The agreements are based on volume and individual negotiations for the recovery of the margin or marketing expenses, among others.

For the financial statements as of and for the years ended December 31, 2012 and 2011, we reclassified balances of receivables related to bonuses that were granted by suppliers under commercial agreements. Pursuant to the terms of these agreements, we were allowed to offset receivables due to us by the suppliers with the outstanding balance to be paid by us to the suppliers. This reclassification aimed at presenting these receivables consistently with their realization. For further information on the reclassification, see note 2 to our financial statements included elsewhere in this annual report.

The tables below present our reclassification of balances as of December 31, 2012 and December 31, 2011:

December 31, 2012

(in millions of R\$)

	Previously reported balance	Commercial agreements reclassification	Previously reported balance
Assets			
Accounts receivable	3,209.0	(562.9)	2,646.1
Liabilities			
Suppliers	6,803.2	(562.9)	6,240.4

January 1, 2012

(in millions of R\$)

	Previously reported balance	Commercial agreements reclassification	Previously reported balance
Assets			
Accounts receivable	5,437.5	(325.6)	5,112.0
Liabilities			
Suppliers	6,278.8	(325.6)	5,953.2

Fair value of derivatives and other financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash-flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions regarding these factors could affect the reported fair value of financial instruments.

The fair value of financial instruments that are actively traded on organized markets is determined based on the market quotes, on the balance sheet dates, without any deduction for transaction costs. For financial instruments that are not actively traded, the fair value is based on valuation techniques defined by us and compatible with usual market practices. These techniques include the use of recent market transactions between independent parties, benchmarks to the fair value of similar financial instruments, analysis of discounted cash flows and other valuation models.

Share-based payments

We measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. We disclose the assumptions and models used for estimating fair value for share-based payment transactions in note 27(f) to our financial statements included in this annual report.

Revenue – Sales of goods

Revenues are recognized at the fair value of the consideration received or receivable for the sale of goods and services. 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.

Service Revenue

Service revenue mainly derives from services provided in stores, such as photo printing, financial intermediation and extended warranty. Service revenue is recognized when services are rendered. Deferred revenue is recorded as certain targets are met, as set forth in the respective agreement.

Finance service revenue

Customer financing is essential for conducting the business of the Company. Financial revenue obtained from customer's financing is recorded in net sales, based on the agreement executed with the respective customer. Revenue or expense for all financial instruments measured at amortized cost are recorded using the effective interest rate, which discounts the estimated future cash receipts of the expected life of the financial instrument, or a shorter period of time, where applicable, from the net book value of the asset. Interest income is included under financial services, composing the Company's gross profit in the income statement.

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, and offset by rebates received from suppliers, so that inventories are 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 its adequacy.

Business Combinations

Acquisition of Indústria de Móveis Bartira Ltda.

Until November 1, 2013, Via Varejo held a 25% equity interest in Bartira, a furniture manufacturer that sells exclusively to Casas Bahia. The Klein Family held the remaining 75% of the total capital stock of Bartira.

On the same date, Via Varejo exercised an option to purchase Klein Family's equity interest in Bartira for R\$212.3 million. After the exercise of the option, Bartira became a wholly-owned subsidiary of Via Varejo.

Fair Value of Identifiable Assets and Liabilities

The fair value, net of income taxes, of identifiable assets and liabilities acquired from the Klein Family after the exercise of the purchase option amounted to R\$26.5 million, divided as follows:

- (i) "Bartira" tradename, a well-known trademark that is not going to be discontinued, in the amount of R\$45.8 million, measured based on the royalties-relief method considering market compensation for the brand if it had not been acquired by us;
- (ii) fair value of property and equipment in the amount of R\$72.7 million;
- (iii) lease agreement between Klein Family and Via Varejo, with respect to Bartira's industrial plant, at lower than market prices, in the amount of R\$35.9 million, based on the income approach method considering comparable market transactions;
- (iv) fair value of Bartira's inventory as of November 1, 2013, in the amount of R\$3.3 million; and
- (iv) fair value of contingent liabilities, as estimated considering the probability of loss, in the amount of R\$117.6 million. For further information, see note 24 to our financial statements included elsewhere in this annual report.

Allocation of the Purchase Price

After the exercise of the option to purchase the remaining equity interest in Bartira, our provisional purchase price allocation led to a goodwill of R\$603.7 million in 2013.

Overview

In 2013, we faced a challenging macroeconomic environment marked by modest GDP growth in Brazil and rising interest rates, mainly as a mechanism to control inflation.

Despite this adverse scenario, we were able to adjust our strategy to market conditions and deliver strong results accompanied by market share gains in various business segments. In 2013, we consolidated our diversified yet convergent business portfolio, while expanding our competitive advantages. We believe our growth and delivery of positive results have contributed to distinguish our Company in the retail business.

Our strategy was to adopt a multi-channel approach to retail by implementing a series of initiatives focused on integration, capturing synergies and innovative solutions to make the buying experience increasingly more practical, convenient and attractive for our customers. In line with these initiatives, in February 2014, we developed our new

concept *Multivarejo*, which will encompass our food-retail segment.

We also focused on implementing a new pricing strategy in the food retail segment, especially with the *Extra* banner. This strategy focuses on increasing competitiveness by reducing prices while improving efficiency and reducing expenses. Promotional activities are also intensified by enhancing our media coverage and area of influence of our stores. As a result, we had a significant increase in customer traffic at our stores and gained market share. Our competitive pricing strategy aims to obtain efficiency gains, especially by streamlining operating and corporate expenses.

Organic growth was another important factor that allowed us to increase our sales in 2013. We developed our *Assaí* business, consolidated our presence in new markets such as the Brazilian Northeast, through Via Varejo, and expanded our neighborhood store business in the state of São Paulo, through *Minimercado Extra*.

Among our different businesses, *Assaí*'s performance was one of the highlights in 2013. We consolidated its business and invested in organic growth by opening 14 new stores in five Brazilian states, which strengthened the *Assaí* banner's national footprint.

As part of our strategy to increase traffic in our stores to boost sales, we continued to invest in the leasing of commercial spaces. GPA Malls added 45,000 square meters of gross leasable area, or GLA, and, as of December 31, 2013, we had a total GLA of 288,000 square meters.

During 2013, Via Varejo increased sales and adopted a set of measures focused on capturing efficiency gains. Throughout the year, we segregated Via Varejo's business and, on December 27, 2013, concluded a public offering in Brazil, raising approximately R\$2.8 billion in proceeds, from which R\$896 million were proceeds from our sale of Units. This offering strengthened our financial structure and helped us reduce our net debt position at year-end 2013; however, there was no effect on our results of operations as the offering closed in the end of the fiscal year 2013.

With respect to Nova Pontocom, we also adopted a strategy that focused on competitiveness and growth. As a result, we increased our efficiency and market share, especially as of the second quarter of 2013. We also launched Extra Marketplace, a new sales model consisting of products from multiple stores in a variety of segments being offered in a single website.

Results of Operations for 2013, 2012 and 2011

We measure the results of our operating segments in conformity with IFRS using, among other measures, each segment's operating results. At times, our Company revises the measurement of each segment's operating results. When revisions are made, the operating results for each segment affected by the revisions are restated for all periods presented to maintain comparability. Information for the segments is included in the following table:

Segments	Year Ended December 31, 2013					Total
	Food Retail	Cash and Carry	E-commerce	Home Appliances	Elimination	
Statement of operations data						
			(in millions of R\$)			
Net sales	25,414.3	6,273.4	4,296.9	21,745.6	-	57,730.2
Gross profit	7,029.9	913.9	392.6	6,689.8	-	15,026.2
Depreciation and amortization	(594.3)	(56.0)	(6.9)	(130.2)	-	(787.4)
Operating profits	999.0	193.7	96.8	1,611.3	-	2,900.8
Financial expenses	(852.8)	(46.4)	(154.6)	(814.6)	32.3	(1,836.1)
Financial income	374.7	23.0	13.5	263.9	(32.3)	642.8
Equity in an associate	33.2	-	-	14.1	-	47.3
Profit (loss) before income and social contribution taxes	554.1	170.3	(44.3)	1074.7	-	1,754.8
Income and social contribution taxes	(12.8)	(58.2)	16.4	(304)	-	(358.6)
Net income (loss)	541.3	112.1	(27.9)	770.7	-	1,396.2

Segments	Year Ended December 31, 2012					Total
	Food Retail	Cash and Carry	E-commerce	Home Appliances	Elimination ⁽¹⁾	
Statement of operations data						
			(in millions of R\$)			
Net sales	23,439.0	4,639.2	3,408.5	19,437.7	-	50,924.5
Gross profit	6,741.6	674.7	482.7	5,858.0	-	13,756.9
Depreciation and amortization	(553.1)	(43.6)	(1.9)	(152.9)	-	(751.5)
Operating profits	1,498.4	145.6	107.8	1,106.6	-	2,858.4
Financial expenses	(872.3)	(90.1)	(113.0)	(745.0)	34.3	(1,786.1)
Financial income	423.4	23.5	10.0	170.7	(34.3)	593.3
Equity in an associate	11.3	-	-	(0.5)	-	10.8
Profit before income and social contribution taxes	1,060.7	79.0	4.7	531.8	-	1,676.3
Income and social contribution taxes	(287.2)	(18.3)	(1.8)	(212.5)	-	(519.9)
Net income (loss)	773.5	60.8	2.9	319.3	-	1,156.4

(1) Accounts for inter-company transactions.

Segments	Year Ended December 31, 2011					Total
	Food Retail	Cash and Carry	E-commerce	Home Appliances	Elimination ⁽¹⁾	
Statement of operations data						
			(in millions of R\$)			
Net sales	21,675.8	3,902.0	3,189.2	17,827.5	-	46,594.5
Gross profit	6,078.6	534.0	490.5	5,556.4	-	12,659.3
Depreciation and amortization	(515.6)	(31.7)	(7.4)	(123.6)	-	(678.5)
Operating profits	1,193.1	75.2	171.7	662.6	-	2,102.6
Financial expenses	(925.4)	(98.7)	(131.9)	(816.2)	46.2	(1,926.0)
Financial income	372.4	10.9	1.9	254.3	(46.2)	593.3
Equity in an associate	18.9	-	-	15.9	-	34.8
Profit (loss) before income and social contribution taxes	659.0	(12.6)	41.7	116.6	-	804.7
Income and social contribution taxes	(34.6)	4.1	(14.9)	(39.6)	-	(85.0)
Net income (loss)	624.4	(8.5)	26.8	77.0	-	719.7

(1) Accounts for inter-company transactions.

The following table presents the consolidated results of operations in accordance with IFRS, as included in our financial statements.

Results of Operation	Year Ended December 31,					
	2013	%	2012	%	2011	%
			(in millions of R\$)			
Net sales	57,730.3	100.0	50,924.5	100.0	46,594.5	100.0
Cost of sales	(42,704.1)	(74.0)	(37,167.5)	(72.9)	(33,935.1)	(72.8)
Gross profit	15,026.2	26.0	13,756.9	27.1	12,659.3	27.2

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Selling, general and administrative expenses	(10,664.7)	(18.5)	(10,114.0)	(19.9)	(9,619.7)	(20.6)
Depreciation and Amortization	(787.4)	(1.4)	(751.5)	(1.6)	(678.4)	(1.5)
Other operating expenses, net	(673.1)	(1.2)	(33.0)	(0.1)	(258.7)	(0.6)
Operating profit	2,901.0	5.0	2,858.4	5.6	2,102.6	4.5
Financial income	642.7	1.1	593.3	1.2	593.3	1.3
Financial expense	(1,836.2)	(3.2)	(1,786.2)	(3.5)	(1,926.0)	(4.1)
Equity in an associate	47.3	0.1	10.8	0.0	34.8	0.1
Income before income and social contribution taxes	1,754.8	3.0	1,676.3	3.3	804.7	1.7
Income and social contribution taxes	(358.6)	(0.6)	(519.9)	(1.0)	(85.0)	(0.2)
Net income	1,396.2	2.4	1,156.4	2.3	719.7	1.5
Attributable to equity holders of the parent	1,052.5	1.8	1,051.2	2.1	718.2	1.5
Attributable to noncontrolling interest	343.7	0.6	105.2	0.2	1.4	-

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Consolidated

Net sales. Net sales increased by 13.4%, or R\$6,805.8 million, from R\$50,924.5 million in 2012 to R\$57,730.3 million in 2013, mainly due to (i) an increase of R\$5,005.0 million in sales of stores opened for at least one year, or same-store sales, of which R\$2,244.0 million were related to food retail and cash and carry segments, representing an increase of 3.6%, primarily as a result of our strategy in 2013 to reduce price to enhance our competitiveness, and R\$1,873.0 million were related to the home appliances segment, representing an increase of 8.8%, and (ii) an increase of R\$1,800.8 million, or 5.3%, in sales from 128 new stores opened. In 2013, we closed 11 stores. This increase was partially offset by barter transactions (which are transactions without the exchange of money) involving land owned by us and unit apartments, which occurred in 2012, in the amount of R\$152.0 million, and were not recurrent in 2013.

Gross profit. Gross profit increased by 9.2%, or R\$1,269.3 million, from R\$13,756.9 million in 2012 to R\$15,026.2 million in 2013. In the same period, our gross margin decreased to 26.0% of net sales in 2013 from 27.0% in 2012. This variation of 1.0p.p. is in line with our strategy to reduce prices and is mainly due to a 1.1p.p. decrease in the margin of food retail and 4.8p.p. decrease in the margin of e-commerce.

Selling, general and administrative expenses increased by 5.4%, or R\$550.8 million, from R\$10,114.0 million in 2012 to R\$10,664.8 million in 2013. This increase was mainly due to (i) a R\$449.9 million increase in personnel expenses in the food retail and cash and carry segments due to annual salary adjustments and (ii) a R\$148.8 million increase in rent and other operation expenses, which were related to the increase in sales. This increase was partially offset by (i) a R\$47.9 million reduction in marketing expenses, especially in the food retail segment. As a percentage of net sales, these expenses decreased from 19.9% to 18.5% in the year-over-year comparison, which is in line with our strategy to reduce expenses and improve operational efficiency.

Depreciation and Amortization increased by 4.8%, or R\$35.9 million, from R\$751.5 million in 2012 to R\$787.4 million in 2013, mainly due to the depreciation of acquired assets in connection with the opening and renewal of stores.

Other operating expenses, net increased by R\$640.0 million, from R\$33.1 million in 2012 to R\$673.1 million in 2013. This increase was mainly due to (i) additional provisions of R\$392.3 million related to labor liabilities for which we reassessed the risk of loss and increased the amount previously recorded and tax liabilities for which we reassessed the risk of loss due to developments in the legal proceedings, (ii) costs of R\$104.6 million associated with severance costs incurred in optimization of our personnel structure, mainly among our executives, (iii) additional expense of R\$60.6 million related to the write-off of fixed assets in the ordinary course of business and a provision for fines that may be applied by CADE resulting from the Term of Undertaking, (iv) payment of contractual obligations related to our association with Casa Bahia in the amount of R\$147.2 million. This increase in other operating expenses was partially offset by other net positive effects in the amount of R\$31.6 million mainly related to the reevaluation of our equity interest in Bartira. For more information on the Term of Undertaking, see “Item 4A. History and Development of the Company.”

Net financial expenses increased by 0.05%, or R\$0.6 million, from R\$1,192.9 million in 2012 to R\$1,193.4 million in 2013. This increase was mainly due to the 0.5%, or R\$103.1 million, increase in the interest expense over sales of receivables as a result of the increase in the average CDI rate. This increase was partially offset by (i) a 9.5%, or R\$39.8 million, decrease in our financial debt in the year-over-year comparison, (ii) an 18%, or R\$17.5 million,

increase in financial income resulting from (a) an increase in cash generated from our operations and (b) financial instruments that benefited from the increase in the average CDI rate, and (iii) the R\$32.0 million increase in other financial income in 2013.

Equity in an associate increased by 337.3%, or R\$36.5 million, from R\$10.8 million in 2012 to R\$47.3 million in 2013, mainly due to an increase in the net results of FIC as a result of improvements in credit analysis and lower default rates by customers.

Profit before income taxes and social contribution taxes increased by 4.7%, or R\$78.5 million, from R\$1,676.3 million in 2012 to R\$1,754.8 million in 2013, due to the increase in net sales and the reduction of selling, general and administrative expenses, as partially offset by the increase in other operating expenses.

Income and social contribution taxes decreased by 45.0%, or R\$161.3 million, from R\$519.9 million in 2012 to R\$358.6 million in 2013, affecting the effective rate from 31.0% in 2012 to 20.4% in 2013. This variation was mainly due to (i) the reversal of a deferred income tax liability in the amount of R\$104.3 million, which we recorded in connection with the business combination of Nova Casa Bahia in 2010, and reversed to our income statement due to the exercise of the call option to purchase the remaining 75% equity interest in Bartira; and (ii) the R\$71.4 million increase in the evaluation of our equity interest in Bartira, which resulted in a non-taxable income.

Net income increased by 20.7%, or R\$239.8 million, from R\$1,156.4 million in 2012 to R\$1,396.2 million in 2013, mainly due to the increase in net sales, especially in the food retail and home appliance segments, partially offset by an increase in other operating expenses.

Segment Information

We present the results of our operating segments in the same manner management evaluates the performance of and strategy for the four segments listed below. For further information on the segments, see note 35 to our financial statements included in this annual report.

Food Retail Segment

As of December 31, 2013, the food retail segment was comprised of the banners *Pão de Açúcar* and *Extra* (including *Minimercado Extra*, *Extra Supermercado* and *Extra Hiper*).

Net sales increased by 8.4%, or R\$1,975.3 million, from R\$23,439.0 million in 2012 to R\$25,414.3 million in 2013, mainly due to (i) an increase in same-store sales, which resulted from our increased competitiveness and reduction of prices, and to a lesser extent (ii) an increase in sales from 73 new stores, including 59 *Minimercado Extra* store. In 2013, we closed four stores. This increase was partially offset by barter transactions (which are transactions without the exchange of money) involving land owned by us and unit apartments, which occurred in 2012, in the amount of R\$152.0 million, which were not recurrent in 2013.

Gross profit increased by 4.3%, or R\$288.3 million, from R\$6,741.6 million in 2012 to R\$7,029.9 million in 2013. In the same period, our margin over net sales decreased from 28.8% in 2012 to 27.7% in 2013 in line with our strategy to reduce prices. This 1.0p.p. variation was due to an increase in net sales, which was partially offset by an increase in other operating expenses.

Depreciation and amortization increased by 7.5%, or R\$41.2 million, from R\$553.1 million in 2012 to R\$594.3 million in 2013, mainly due to property, plant and equipment acquired during 2013 and 2012.

Operating profit decreased by 33.3%, or R\$499.4 million, from R\$999.0 million in 2012 to R\$1,498.4 million in 2013, mainly due to the increase in other operating expenses, primarily as a result of additional provisions of R\$392.3 million related to labor liabilities for which we reassessed the risk of loss and increased the amount

previously provisioned and tax liabilities for which we reassessed the risk of loss due to developments in the legal proceedings.

Net financial expenses decreased by 6.5%, or R\$29.2 million, from R\$448.9 million in 2012 to R\$478.1 million in 2013, mainly due to (i) the decrease in our revenue from cash investments by R\$68.1 million due to the reduction of the average cash balance of approximately by 23.0%, (ii) the increase in the cost of our financial debt by R\$17.5 million and (iii) the increase in interest over other financial assets and liabilities in the amount of R\$21.4 million.

Profit before income and social contribution taxes decreased by 47.8%, or R\$506.6 million, from R\$1,060.7 million in 2012 to R\$554.1 million in 2013, mainly due to the decrease in our operating profit, as a result of our strategy to reduce prices and become more competitive in the short term. This decrease was partially offset by the R\$392.3 million increase in other operating expenses, as described above under this segment's operating profit.

Cash and Carry Segment

As of December 31, 2013, the *Assaí* banner represented our cash and carry segment.

Net sales increased by 35.2%, or R\$1,634.2 million, from R\$4,639.2 million in 2012 to R\$6,273.4 million in 2013, mainly due to an increase in sales from new stores and, to a lesser extent, an increase in same-store sales, which resulted from our increased competitiveness and reduction of prices. In 2013, we opened 14 new stores and expanded our activities in this segment to an additional five Brazilian states.

Gross profit increased by 35.5%, or R\$239.2 million, from R\$674.7 million in 2012 to R\$913.9 million in 2013, in line with our increase in net sales. Our gross profit over net sales continued to grow steadily since 2012; 14.6% in 2013 and 14.5% in 2012.

Depreciation and amortization increased by 28.4%, or R\$12.4 million, from R\$43.6 million in 2012 to R\$56.0 million in 2013, mainly due to property, plant and equipment acquired during 2013 and the opening of 14 new stores.

Operating profit increased by 33.1%, or R\$48.2 million, from R\$145.6 million in 2012 to R\$193.8 million in 2013, in line with our increase in net sales. In addition, our operating profit over net sales grew at a stable rate in the year-over-year comparison; 3.1% in 2013 and 2012.

Net financial expenses decreased by 64.7%, or R\$43.1 million, from R\$66.6 million in 2012 to R\$23.5 million in 2013. This decrease was mainly due to: (i) a non-recurring transfer of R\$20 million of principal amount of debt to the cash and carry segment in 2012 and (ii) payment of an intercompany loan, which resulted in a decrease of R\$14.0 million in interest expenses in 2013.

Profit before income and social contribution taxes increased by R\$91.3 million, from R\$79.0 million in 2012 to R\$170.3 million in 2013, mainly due to an increase in our operating profit and decrease in our net financial expenses.

Home Appliance Segment

As of December 31, 2013, our home appliance segment was comprised of the banners *Pontofrio* and *Casas Bahia*.

Net sales increased by 11.9%, or R\$2,307.9 million, from R\$19,437.7 million in 2012 to R\$21,745.6 million in 2013, mainly due to a 9.0%, or R\$1,873.0 million, increase in same-store sales and, to a lesser extent, R\$434.9 million, the remaining difference is mainly related to the increase in sales from 41 new stores. In 2013, seven stores closed.

Gross profit increased by 14.2% or R\$831.8 million, from R\$5,858.0 million in 2012 to R\$6,689.8 million in 2013, in line with our increase in net sales. Gross margin increased from 30.1% in 2012 to 30.8% in 2013, in line with our strategy to increase cost-efficiency and capture additional synergies from our association with Casa Bahia. This 0.7p.p. increase is mainly due to our increase in sales and reduction in the cost of sales resulting from (a) our new strategy to use distribution centers which are closer to the delivery point and (b) the restructuring of teams in charge of assembling furniture.

Depreciation and amortization decreased by 14.9%, or R\$22.8 million, from R\$153.0 million in 2012 to R\$130.2 million in 2013, due to the sale of certain assets, mainly trucks.

Operating profit increased by 45.7%, or R\$505.2 million, from R\$1,106.1 million in 2012 to R\$1,611.3 million in 2013, as a result of the increase in our gross margin and net sales. Expenses as a percentage of net sales decreased from 23.8% in 2012 to 22.7% in 2013, mainly due to the decrease in back office personnel expenses and optimization of marketing and IT expenses in line with our strategy to increase cost-efficiency and capture additional synergies.

Net financial expenses decreased by 4.1%, or R\$23.6 million, from R\$574.3 million in 2012 to R\$550.7 million in 2013, mainly due to a R\$88.7 million increase in financial income resulting from an increase in our cash position at year-end 2013 of more than R\$1.0 billion. This increase in financial income was partially offset by a R\$55.5 million increase in the cost of sales of receivables, as a result of the increase in the average CDI rate in 2013.

Profit before income, social contribution taxes and noncontrolling interest increased by 102.1% or R\$542.9 million, from R\$531.8 million in 2012 to R\$1,074.7 million in 2013, due to better operational efficiency and the decrease in our financial expenses.

E-commerce Segment

As of December 31, 2013, our e-commerce segment consisted of our e-commerce operations through the websites Extra.com.br, PontoFrio.com.br, CasasBahia.com.br, Barateiro.com.br, PartiuViagens.com.br; wholesale activities (B2B), and E-Hub.

Net sales increased by 26.1%, or R\$888.4 million, from R\$3,408.5 million in 2012 to R\$4,296.9 million in 2013, due to the gain in market share resulting from increased competitiveness, a broader range of products offered in our websites, which enhanced the market perception of our products and services, and the development of our online market place sales platform.

Gross profit decreased by 18.7%, or R\$90.1 million, from R\$482.7 million in 2012 to R\$392.6 million in 2013, due to reduction of prices and increasing competition in this segment. In the same period, our margin over net sales decreased from 14.2% in 2012 to 9.1% in 2013 in line with our strategy to reduce prices.

Depreciation and amortization increased by 263.2%, or R\$5.0 million, from R\$1.9 million in 2012 to R\$6.9 million in 2013, due to property, plant and equipment acquired during 2013.

Operating profit decreased by 10.2%, or R\$11.0 million, from R\$107.8 million in 2012 to R\$96.8 million in 2013, mainly due to the decrease in our gross margin.

Net financial expenses increased by 36.9%, or R\$38.1 million, from R\$103.1 million in 2012 to R\$141.1 million in 2013, primarily due an increase in the cost of sales of receivables, as a result of the increase in the average CDI rate in 2013.

Profit (loss) before income and social contribution taxes had an income of R\$4.7 million in 2012 compared to a loss of R\$44.3 million in 2013, mainly due to our gain in market share resulting from increased competitiveness and reduction of prices.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Consolidated

Net sales. Net sales increased by 9.3%, or R\$4,330.0 million, from R\$46,594.5 million in 2011 to R\$50,924.5 million in 2012, mainly due to: (i) an increase in the variations of sales of stores open for at least one year, or same-stores sales, of 6.0% in Via Varejo and 6.5% in food retail and cash and carry segments in the amount of R\$3,592.8 million; and (ii) the opening of 88 stores, which increased the sales area by 140,718 square meters.

Gross profit. Gross profit increased by 8.7%, or R\$1,095.4 million, from R\$12,659 million in 2011 to R\$13,756.9 million in 2012, which was in line with net sales growth.

Selling, general and administrative expenses increased by 5.1%, or R\$494.3 million, from R\$9,619.7 million in 2011 to R\$10,114.0 million in 2012. This increase was mainly due to the food retail and cash and carry segments, as follows: (i) salary increases of R\$233.0 million; (ii) an increase of R\$30.0 million in marketing expenses; and (iii) an increase of R\$186.0 million in other expenses including rentals and other expenses variable over sales.

Depreciation and Amortization increased by 10.8%, or R\$73.1 million, from R\$678.4 million in 2011 to R\$751.5 million in 2012, mainly due to the depreciation and amortization related to assets acquired in 2011 and 2012. We invested R\$1,426.1 billion in 2012.

Other operating expenses, net decreased by 87.2%, or R\$225.7 million, from R\$258.7 million in 2011 to R\$33.0 million in 2012. This decrease was mainly due to: (i) payment of contractual obligations due to us by the sellers related to the association with Casa Bahia in the amount of R\$72.0 million; (ii) sales of fixed assets in the amount of R\$59.0 million; (iii) the reduction in severance charges of R\$51.0 million; and (iv) the R\$28.0 million effect of the tax amnesty program in 2011.

Net financial expenses decreased by 10.5%, or R\$139.8 million, from R\$1,332.7 million in 2011 to R\$1,192.9 million in 2012, mainly due to the decrease of the average CDI rate from 11.6% in 2011 to 8.4% in 2012. Despite the 28% decrease in the average CDI rate, cash investments indexed to the CDI rate increased approximately 42%, increasing financial revenue. In December 2012, we deconsolidated PAFIDC and redeemed the senior quotas of Globex FIDC, therefore, our indebtedness was reduced. For more information about the PAFIDC, see “Item 5B. Liquidity and Capital Resources—Securitization Funds.”

Equity in an associate decreased by 69.0%, or R\$24.0 million, from R\$34.8 million in 2011 to R\$10.8 million in 2012, due to a decrease in FIC’s results.

Profit before income and social contribution taxes increased by 108.3%, or R\$871.6 million, from R\$804.7 million in 2011 to R\$1,676.3 million in 2012, due to sales growth in line with the increase in gross profit, partially offset by the increase in operating expenses, as mentioned above.

Income and social contribution taxes increased by 511.6%, or R\$434.9 million, from R\$85.0 million in 2011 to R\$519.9 million in 2012, affecting the effective rate from 10.6% in 2011 to 31% in 2012. This variation was due: (i) growth in profit in 2012, affecting the income tax and social contribution expenses by approximately R\$262.0 million; (ii) the reversal of previous unrecognized deferred tax benefits from Sendas in the amount of R\$106.0 million in 2011; and (iii) the variation in the extemporaneous tax credits of R\$48.0 million.

Net income increased by 60.7%, or R\$436.7 million, from R\$719.7 million in 2011 to R\$1,156.4 million in 2012, mainly due to sales growth partially offset by growth in expenses, as explained above, and an increase in the profitability of Via Varejo, as explained below in the home appliances segment.

Segment Information

We present the results of our operating segments in the same manner management evaluates the performance of and strategy for the four segments listed below. For further information on the segments, see note 35 to our financial statements included in this annual report.

Food Retail Segment

As of December 31, 2012, the food retail segment was comprised of the banners *Pão de Açúcar* and *Extra* (including *Minimercado Extra*, *Extra Supermercado* and *Extra Hiper*).

Net sales increased by 8.1%, or R\$1,763.2 million, from R\$21,675.8 million in 2011 to R\$23,439.0 million in 2012, mainly due to (i) increase in same store sales of 5.3%, or R\$1,127.5 million related to increased sales volume and prices; (ii) the opening of 52 stores, mainly Minimercado Extra stores, which ended the year with over 100 stores; (iii) the opening of three drugstores; and (iv) increased sales in the clothing and beauty products segments.

Gross profit increased by 10.9%, or R\$663.0 million, from R\$6,078.6 million in 2011 to R\$6,741.6 million in 2012, increasing our gross margin from 28.0% in 2011 to 28.8% in 2012, mainly due to (i) the increase in net sales mentioned above; (ii) different mix of products in 2012, with a focus on non-food items; (iii) improved negotiations with suppliers, in line with a commercial strategy which relies on IT systems to assist us in determining price elasticity for our products; and (iv) Oracle Retail's management of inventory levels, which minimizes the impact of shrinkage and excess inventory.

Depreciation and amortization increased by 7.3%, or R\$37.5 million, from R\$515.6 million in 2011 to R\$553.1 million in 2012, mainly due to R\$918.4 million in property, plant and equipment acquired in the period.

Operating profit increased by 26.5%, or R\$316.6 million, from R\$1,193.1 million in 2011 to R\$1,509.7 million in 2012, mainly due to sales growth and better negotiations with suppliers. Expenses as a percentage of net sales remained stable year-over-year, reaching 20.0% in 2012 compared to 20.2% in 2011.

Net financial expenses decreased by 18.8%, or R\$104.1 million, from R\$553.0 million in 2011 to R\$448.9 million in 2012, mainly due to the decrease of the average CDI rate from 11.6% in 2011 to 8.4% in 2012. Despite the 28% decrease in the average CDI rate, cash investments indexed to the CDI rate increased approximately 25%, increasing financial revenue.

Profit before income and social contribution taxes increased by 61.0%, or R\$401.7 million, from R\$659.0 million in 2011 to R\$1,060.7 million in 2012, mainly due to an increase in sales, efficiency gain on inventory management and reduction in financial expenses. This increase was partially offset by the increase in amortization, as mentioned above.

Cash and Carry Segment

As of December 31, 2012, the *Assaí* banner represented our cash and carry segment.

Net sales increased by 18.9%, or R\$737.2 million, from R\$3,902.0 million in 2011 to R\$4,639.2 million in 2012, mainly due to increase in same-store sales of 16.2%, or R\$620.7 million, in light of the successful repositioning of the product mix and the new store format. The bigger stores, bigger parking lots and addition of shelving space resulted in an increase in the average institutional customer ticket (the primary target customers for the segment): food

distributors and processors. There were also gains from the maturation of the stores opened in the last two years, including two stores opened in 2012.

Gross profit increased by 26.3%, or R\$140.7 million, from R\$534.0 million in 2011 to R\$674.7 million in 2012, due to the increase in net sales and better negotiations with suppliers. Our margin increased to 14.5% in 2012 from 13.7% in 2011 mainly as a result of the product mix and the new store format.

Depreciation and amortization increased by 37.5%, or R\$11.9 million, from R\$31.7 million in 2011 to R\$43.6 million in 2012, due to the opening of new stores.

Operating profit increased by 93.6%, or R\$70.4 million, from R\$75.2 million in 2011 to R\$145.6 million in 2012, due to the increase in net sales as explained above. Expenses as a percentage of net sales decreased from 10.9% in 2011 to 10.5% in 2012, due to an increase in same-stores sales, resulting in a dilution of expenses.

Net financial expenses decreased by 24.1%, or R\$21.2 million, from R\$87.8 million in 2011 to R\$66.6 million in 2012, mainly due to the decrease of the average CDI rate from 11.6% in 2011 to 8.4% in 2012.

Profit (loss) before income and social contribution taxes increased by R\$91.6 million, from a loss of R\$12.6 million in 2011 to a profit of R\$79.0 million in 2012, due to the increase in net sales and operating profit as explained above.

Home Appliance Segment

As of December 31, 2012, our home appliance segment was comprised of the banners *Pontofrio* and *Casas Bahia*.

Net sales increased by 9.0%, or R\$1,610.2 million, from R\$17,827.5 million in 2011 to R\$19,437.7 million in 2012, mainly due to: (i) a growth in same-stores sales of 8.8%, or R\$1,539.4 million; (ii) the opening of 16 stores; (iii) the overall increase in sales in light of a decrease in federal value-added tax granted to products such as refrigerators, washing machines, etc, which reduced price to consumers, benefiting the volume of sales; and (iv) increase in sales resulting from the positioning of Pontofrio stores with a new product mix.

Gross profit increased by 5.4% or R\$301.6 million, from R\$5,556.4 million in 2011 to R\$5,858.0 million in 2012 as a result of the increase in sales. Gross margin decreased from 31.2% in 2011 to 30.1% in 2012, mainly due to increased logistic costs. *Depreciation and amortization* increased by 23.7%, or R\$29.3 million, from R\$123.6 million in 2011 to R\$152.9 million in 2012, due to the opening of 16 new stores.

Operating profit increased by R\$443.5 million, from R\$662.6 million in 2011 to R\$1,106.1 million in 2012, due to the increase in net sales as explained above. Expenses as a percentage of net sales decreased from 26.7% in 2011 to 23.7% in 2012, due to (i) a decrease in personnel costs due to rationalization of expenses and stores closing (113 in 2011 and 13 in 2012) and (ii) a restructuring provision recorded in 2011 in the amount of R\$125 million in other expenses.

Net financial expenses increased by 2.2%, or R\$12.4 million, from R\$561.9 million in 2011 to R\$574.3 million in 2012, mainly due to (i) a R\$77 million decrease in financial revenue related to the decrease of the average CDI rate from 11.6% in 2011 to 8.4% in 2012; and (ii) the decrease in financial expenses of R\$89 million related to the decrease of the average CDI rate.

Profit before income and social contribution taxes increased by R\$415.2 million, from R\$116.6 million in 2011 to R\$531.8 million in 2012, due to the increase in net sales and operating profit as explained above.

E-commerce Segment

As of December 31, 2012, our e-commerce segment consisted of our e-commerce operations through the websites Extra.com.br, PontoFrio.com.br, CasasBahia.com.br, Barateiro.com.br, PartiuViagens.com.br; wholesale activities (B2B), and E-Hub.

Net sales increased by 6.9%, or R\$219.3 million, from R\$3,189.2 million in 2011 to R\$3,408.5 million in 2012, due to increased sales volume, partially offset by the decrease in the average ticket, from R\$485.6 million in 2011 to R\$428.2 million in 2012.

Gross profit decreased by 1.6%, or R\$7.8 million, from R\$490.5 million in 2011 to R\$482.7 million in 2012. Gross margin decreased from 15.4% in 2011 to 14.2% in 2012, due to fiercer competition in 2012.

Depreciation and amortization decreased by 74.3%, or R\$5.5 million, from R\$7.4 million in 2011 to R\$1.9 million in 2012, due to tax credits recorded over the amount of our depreciation in 2012.

Operating profit decreased by 37.2%, or R\$63.9 million, from R\$171.7 million in 2011 to R\$107.8 million in 2012, mainly due to the decrease in gross profit, as explained above.

Net financial expenses decreased by 20.7%, or R\$26.9 million, from R\$130.0 million in 2011 to R\$103.1 million in 2012, primarily due to the decrease of the average CDI rate from 11.6% in 2011 to 8.4% in 2012. Additionally, Nova Pontocom issued debentures in April 2012, with interest equivalent to 105.35% of CDI, as a better funding alternative instead of the sales of receivables made during 2011.

Profit before income and social contribution taxes had an income of R\$41.7 million in 2011 compared to R\$4.7 million in 2012, mainly due to the decrease in gross profit, as explained above.

5B. Liquidity and Capital Resources

We have funded our operations and capital expenditures mainly from our operating cash flow and sale of receivables entered into with financial institutions (banks and credit card merchant acquirers). Additionally, we have issued debentures in the local markets and obtained loans from banks and from the Brazilian National Bank for Economic and Social Development (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES.

In 2013, we continued selling our receivables to banks and credit card merchant acquirers without right of recourse or any obligation related therewith. For more information on the sale of receivables, see note 8(a) to our financial statements included elsewhere in this annual report.

As of December 31, 2013, we had R\$8,367.2 million in cash and cash equivalents. We have a policy of maintaining cash and cash equivalents to meet short-term liquidity needs. Historically, a relevant portion of our cash is generated during the fourth quarter of the year, and our cash level decreases between the second and third quarter of each year.

Our main cash needs include:

- the servicing of our indebtedness;
- capital expenditures, including the construction and remodeling of new stores and investments in our infrastructure;
- acquisitions of other supermarket chains; and
- distribution of dividends.

Our primary sources of liquidity have historically been cash flow from our operating activities and borrowings. Net cash from operating activities was R\$4,892.0 million in 2013, R\$5,299.3 million in 2012 and R\$1,128.1 million in 2011. Net cash provided by financing activities was R\$1,859.5 million in 2013, R\$1,876.8 million in 2012 and R\$1,380.3 million in 2011. In 2013, these cash flows were primarily used for investments in the capital expenditures program, totaling R\$2,126.0 million. The average payment term of suppliers increased in 2013 mainly due to renegotiations conducted by Via Varejo and Nova Pontocom with their respective suppliers. The average term of the agreements with suppliers increased approximately 35% in Via Varejo and 20% in Nova Pontocom as compared to 2012.

As of December 31, 2013, our total outstanding debt was R\$9,493.3 million, consisting of:

- R\$9,288.8 million in *real*-denominated loans, and
- R\$204.5 million in U.S. dollar-denominated debt, swapped to *real*-denominated loans.

We have adopted a treasury policy to manage financial exchange risk, principally by entering into swaps in *reais* for 100% of our U.S. dollar-denominated liabilities, which represent less than 10% of our total debt. We engage in cross-currency interest rate swaps under which we enter into an agreement typically with the same counter-party that provides the original U.S. dollar-denominated financing. A separate financial instrument is signed at the time the loan agreement is consummated, pursuant to which we are then effectively liable for amounts in *reais* and interest at a percentage of the CDI rate. The reference amounts and maturity periods of these swaps generally correspond to the original U.S. dollar-denominated loan. This policy protects us against losses resulting from currency devaluations.

Total debt as of December 31, 2013 decreased by 9.5%, or R\$999.0 million, from R\$10,492.3 million in 2012 to R\$9,493.3 million in 2013. Our cash generation allowed us to reduce our gross debt, while maintaining a strong cash position in line with our strategy. Our debt interest expense was R\$867.7 million in 2013 and R\$907.5 million in 2012.

We have two lines of credit outstanding with BNDES, which are denominated in *reais* and subject to official long-term interest rate (*taxa de juros de longo prazo*), or TJLP, indexation plus an annual spread. In addition, we have credit lines outstanding with other financial institutions that are associated with BNDES by means of the Equipment and Machinery Financing (*Financiamento de Máquinas e Equipamentos*), or Finame, platform, which are used in the ordinary course of business for purchase of machinery and equipment financing. Amortizations are in monthly installments after a grace period. BNDES has historically been an important source of financing for new stores and the acquisition of supermarket chains as well as machinery and equipment. For further information on our lines of credit with BNDES and BNDES/Finame, see note 19 to our financial statements included in this annual report.

Under the lines of credit with BNDES, we are prohibited from offering assets as collateral in loans entered into with third parties without the prior consent of BNDES. We also have to comply with the maintenance of covenants measured in accordance with the relevant BNDES agreements: capitalization ratio (shareholders' equity/total assets) equal to or in excess of 0.30 and current ratio (EBITDA/net debt) equal to or in excess of 0.35. As of the date of this annual report, we are in compliance with these financial covenants.

We issued a number of non-convertible debentures in recent years, as follows:

CBD

On December, 2009, the shareholders approved the eighth issuance and public offering of debentures in Brazil. We received proceeds equivalent to R\$500 million, for 500 non-convertible debentures issued as the first series of the eighth issuance. The debentures accrue interest equivalent to 109.5% of the average CDI rate, payable on the thirty-sixth month after the issue date and annually thereafter until December 15, 2014.

On January, 2011, the shareholders approved the ninth issuance and public offering of debentures in Brazil. We received proceeds equivalent to R\$610 million, for 610 non-convertible debentures issued as the first series of the ninth issuance. The debentures accrue interest equivalent to 107.75% of the average CDI rate, which will be payable on the maturity date on January 5, 2014.

On December, 2011, the shareholders approved the tenth issuance and public offering of debentures in Brazil. We received proceeds equivalent to R\$800 million, for 80,000 non-convertible debentures issued as the first series of the tenth issuance. The debentures accrue interest at 108.5% of the average CDI rate, payable annually. Principal will be paid on the maturity date on June 29, 2015.

On May, 2012, the shareholders approved the eleventh issuance and public offering of debentures in Brazil. We received proceeds equivalent to R\$1,200 million, for 120,000 non-convertible debentures issued as the first series of the eleventh issuance. The debentures accrue interest at the average CDI rate plus a spread of 1% per year, which will be payable semi-annually. Principal will be paid on the maturity date on November 2, 2015.

Via Varejo

On January, 2012, the shareholders approved the third issuance and public offering of debentures in Brazil. We received proceeds equivalent to R\$400 million for 40,000 non-convertible debentures issued as the first series of the third issuance. The debentures remuneration is CDI + 1% per year, which will be payable semi-annually and principal

on the maturity date on July 30, 2015.

In June 2012, our shareholders approved the first issuance and public offering of debentures in Brazil of Nova Casa Bahia, which was later merged into Via Varejo. We received proceeds equivalent to R\$400.0 million for 40,000 non-convertible debentures issued as the first (20,000) and second (20,000) series of the first issuance. The debentures accrue interest at the CDI rate plus 0.72% per year, which will be payable semi-annually. The principal amount of the first series matures on December 29, 2014 and of the second series on January 29, 2015.

Consolidated

As of December 31, 2013, we had 281.110 non-convertible debentures outstanding, totaling R\$3,843.4 million. We are subject to certain covenants: net debt (debt less cash and cash equivalents and accounts receivable) no higher than the balance of shareholders' equity, and maintenance of net debt to EBITDA ratio less than or equal to 3.25.

For further information on our non-convertible debentures, see note 19(h) to our financial statements included in this annual report.

Capital expenditures

In 2013, our capital expenditures totaled R\$2,126.0 million. These investment projects were financed with our operating cash flow and by third parties. Our capital expenditures were R\$1,426.1 million in 2012. For specific use of our capital expenditures in 2013, see "Item 4A. History and Development of the Company—Capital Expenditure and Investment Plan."

We believe that existing resources and operating income will be sufficient for our capital expenditure and investment plan and meet our liquidity requirements. However, our capital expenditure and investment plan is subject to a number of contingencies, many of which are beyond our control, including the continued growth and stability of the Brazilian economy. We cannot assure you that we will successfully complete all of or any portion of our capital expenditure and investment plan. In addition, we may participate in acquisitions not budgeted in the capital expenditure and investment plan, and we may modify these plans.

5C. Research and Development, Patents and Licenses, Etc.

We do not have any significant research and development activities.

5D. Trend Information

Based on our good performance in 2013, we expect 2014 to be a year of continued growth for the Company.

For 2014, the Company intends to maintain its strategy to increase competitiveness and consolidate synergies. We also intend to invest in the opening of new stores, remodeling and renovating stores and acquiring land in strategic locations. In addition, we intend to invest in infrastructure related to information technology and distribution.

We believe we are well-positioned to achieve our growth targets. While we will prioritize organic growth through the existing stores and through the opening of new stores, we will also remain alert to any opportunities for strategic acquisitions that will result in operational synergies, leverage the return on invested capital and create value for our shareholders.

In addition, we expect our home appliances segment to grow and to continue financing its operations through the sale of receivables.

5E. Off-balance sheet arrangements

We do not maintain any off-balance sheet transactions, arrangements, obligations or other relationships with unconsolidated entities or others that are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources, except for off-balance sheet arrangements related to operational leases disclosed in note 25 to our financial statements.

5F. Tabular disclosure of contractual obligations

The following table summarizes significant contractual obligations and commitments as of December 31, 2013:

Contractual Obligations	Total	Payment Due by Period			
		Less than one year	One to three years	Three to five years	After five years
		(in millions of R\$)			
Debt	5,281.1	3,768.1	1,062.0	409.4	42.0
Debentures	3,844.0	1,245.0	2,599.0	-	-
Estimated interest payments ⁽¹⁾	114.0	102.0	12.0	-	-
Taxes, taxes paid in installments, other than on income	2,041.5	968.5	288.0	418.0	367.0
Financial lease	253.7	56.3	70.4	72.0	55.0
Operating lease ⁽²⁾	10,229.0	1,270.0	1,936.5	1,936.5	5,086.0
Total contractual obligations	21,763.3	7,409.9	5,967.9	2,835.5	5,550.0

(1) Estimated interest payments include unrealized losses on cross-currency and interest rate swap contracts. Estimated interest payments and foreign currency losses were determined considering the interest rate and exchange rate as of December 31, 2013. However, our debt is subject to variable interest rates and inflation index, and these estimated payments may differ significantly from the payments actually made.

(2) Operating leases include minimum rental obligations.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**6A. Directors and Senior Management****Board of Directors**

The following table sets forth the name and the year of election of each of our board members as of the date of this annual report. A brief biographical description of each of our board members follows the table:

Name	Position	Since	Date of Birth
Jean-Charles Henri Naouri	Chairman	2005	03/08/1949
Arnaud Strasser	Vice-Chairman	2012	07/06/1969
Antoine Marie Remi Lazars Giscard D'Estaing	Director	2009	01/05/1961
Roberto Oliveira de Lima	Director	2012	04/01/1951
Luiz Augusto de Castro Neves	Director	2012	10/29/1943
Eleazar de Carvalho Filho	Director	2012	07/26/1957
Maria Helena dos Santos Fernandes de Santana	Director	2013	06/23/1959
Yves Desjacques	Director	2014	12/23/1967
Luiz Aranha Corrêa do Lago	Director	2014	27/11/1950

Mr. Jean-Charles Henri Naouri has been a member of our board of directors since 2005. Mr. Naouri is chairman and chief executive officer of the Casino Group. Mr. Naouri has a degree in sciences from *Ecole Normale Supérieure*, has

studied at Harvard University and at *Ecole Nationale d'Administration*.

Mr. Arnaud Strasser has been the vice-chairman of our board of directors since 2012 and a member of the board of directors since 2010. Mr. Strasser has worked for the Casino Group since 2007 and was the development and equity interests officer, having previously been responsible for the international development department and was an advisor to the presidency. Mr. Strasser worked in the Cabinet of the Prime Minister of France in 2005 as mission head, and in the Cabinet of Renaud Dutreil, French Minister of Companies and Trade, from 2005 to 2007, as special advisor. He was also a member of the board of directors of *Almacenes Exito* (Colombia), Big C (Thailand) and Super de Boer (Holland), as well as a member of the executive committee of the Casino Group (France).

Mr. Antoine Marie Remi Lazars Giscard D'Estaing has been a member of our board of directors since 2009. Mr. D'Estaing is the financial director of the Casino Group. He was previously financial, strategy and information technology director of the Danone Group, and more recently, partner at Bain & Company. Mr. D'Estaing holds a degree in administration from the HEC Business School and the *École Nationale d'Administration*.

Mr. Roberto Oliveira de Lima has been a member of the board of directors since 2012. Mr. Lima is a member of the board of directors of Telefonica Brasil S.A., and has held several executive positions at Grupo Vivo. He was chief executive officer of Tele Sudeste Celular Participações S.A., of Tele Leste Celular Participações S.A. and of Celular CRT Participações S.A. until February 2006 and Telemig Celular Participações S.A. until November of 2009. He was na executive officer of Telemig Celular Participações S.A., Avista Participações Ltda., Tagilo Participações Ltda., Sudestecel Participações Ltda. and Vivo Brasil Comunicações Ltda., until November 2009. Furthermore, he is a member of the board of directors of Edenred Sarl, headquartered in Paris, France. Mr. Roberto Oliveira was president of the board of directors of Grupo Credicard from 1999 to 2005 and chief executive officer of Banco Credicard S.A. from 2002 to 2005. Moreover, he held executive positions on Accor Brasil S.A., Rhodia Rhone Poulec S.A. and Saint Global S.A. He graduated business school and has an MBA from Fundação Getulio Vargas. He holds a master degree in finance and strategic planning from Institute Superieur des Affaires, Jouy in Josas, in France.

Mr. Luiz Augusto de Castro Neves has been a member of the board of directors since 2012. Mr. Castro Neves was a career diplomat, who joined the diplomatic service of Brazil in March 1967. He served as ambassador of Brazil in Paraguay (2000-2004), China (2004-2008) and Japan (2008-2010) and at the same time, he was ambassador of Brazil in Mongolia and Democratic People's Republic of Korea. He was also chairman of Itaipu Binacional. He was interim Minister of State and Head of the Secretariat of Strategic Affairs of the Presidency. He is currently a founding partner of CN Estudo e Projetos Ltda. and president of the Brazilian Center of Foreign Affairs (*Centro Brasileiro de Relações Internacionais*). He graduated in economic sciences from the *Universidade Federal do Rio de Janeiro* and in diplomacy from *Instituto Rio-Branco* of the Ministry of Foreign Affairs (*Ministério das Relações Exteriores*). He holds a master's degree in economic sciences from University of London. He is also teaches economic sciences at *Instituto Rio Branco* and foreign economic relations at the *Universidade de Brasília*.

Mr. Eleazar de Carvalho Filho has been a member of the board of directors since 2012. Mr. Carvalho Filho was the chief executive officer of Unibanco Banco de Investimentos, Banco Nacional de Desenvolvimento Econômico e Social (BNDES) and Banco UBS – Brasil; Mr. Carvalho Filho was also chairman of BHP Billiton – Brasil and a member of the board of directors of Petrobras, Eletrobrás, Vale, Tele Norte Leste Participações, Alpargatas, Rossi Residencial, Varig, Santista Têxtil and Telemig. He is currently a founding partner of Virtus BR Partners and Iposeira Capital, as well as member of the board of directors of FMC Technologies Inc. and of Brookfield Renewable Energy Partners. He holds a master's degree in foreign affairs from Johns Hopkins University and a graduation degree in economic sciences from New York University.

Mrs. Maria Helena S. F. Santana has been a member of our board of directors since 2013. She is also a director of CPFL Energia S.A. and Totvs S.A. and a trustee of the IFRS Foundation. Mrs. Santana was chairwoman of the Brazilian Securities and Exchange Commission, or CVM, from July 2007 to July 2012. Before being appointed as chairwoman, she was a commissioner of the CVM from July 2006 to July 2007. She worked for the São Paulo Stock Exchange – BOVESPA from 1994 to 2006, acting as head of Listings and Issuer Relations from 2000 to 2006, being responsible for the supervision of listed companies and for attracting new companies to the stock exchange, where she was involved in the creation of the *Novo Mercado* listing segment and in charge of its implementation. Mrs. Santana was vice-chairwoman of the IBGC – Brazilian Institute of Corporate Governance, from 2004 to 2006 and chairwoman of the Executive Committee of IOSCO – International Organization of Securities Commissions from 2011 to 2012. She is a member of the Latin-American roundtable on Corporate Governance (OECD / WB Group). Mrs. Santana holds an economics degree from the *Universidade de São Paulo*.

Mr. Yves Desjacques has a master's degree in international human resources management from the University of Paris II (1992), where he specialized in labor law, corporate relations and human resources. Mr. Desjacques was a human resources officer at the Commercial Union Assurances (1992-1994); human resources manager for France assurances at Generali Assurances (1994-1997), vice president of human resources (1997-2001), and vice president of human resources for shared corporate functions (1998-2001) at Generali. In 2001, Mr. Desjacques was appointed vice-president of human resources and member of the executive committee of Védior France. Mr. Desjacques was

also appointed executive vice-president of human resources of the Casino Group in 2007. Mr. Desjacques serves as a board member of retailer Exito, an affiliate of Casino in Colombia, and as a member of the appointments and remuneration committee of Mercialys, a real estate affiliate of Casino in France. Since 2007, Mr. Desjacques has been chairman of the French Equal Opportunity in Education Association.

Mr. Luiz Aranha Corrêa do Lago holds a degree in economics from *Universidade Federal do Rio de Janeiro* (1971); a master of arts (economics) degree from Duke University (1973); and a master of arts (economics) degree, Harvard University (1975); Additionally, Mr. Lago holds a doctorate degree – Ph.D. in economics from Harvard University (1978). Mr. Lago was a professor at the economic sciences department of *Pontifícia Universidade Católica from Rio de Janeiro* (associate professor from 1979 to 1995 and full professor since 1995). Mr. Lago was a planning and economic consultant and officer for Grupo Lorentzen, a member of the board of directors of Lorentzen Empreendimentos S.A. (1985-2006) and an economic consultant of the Investment Bank Association (*Associação Nacional Dos Bancos De Investimento - ANBID*). Mr. Lago was a technical director of Primus Corretora de Valores e Câmbios S/A, (1986-1987) and worked as a stock market officer of the Brazilian Central Bank (1987-1988). Mr. Lago was also a member of board of directors of Aracruz Celulose S.A. (1988-2008), Veracel S.A. (2006-2008), Arapar S.A. (1988-2009), Companhia de Navegação Norsul (1988-2010). Mr. Lago was also an economist of the Brazilian Institute of Economy (1978-1986) and chief of the Center for Monetary Studies and International Economics (1981-1986).

Executive Officers

The following table sets forth the name, position and the year of election of each of our executive officers as of the date of this annual report. A brief biographical description of each of our executive officers follows the table:

Name	Position	First Year Elected	Date of Birth
Ronaldo Iabrudi dos Santos Pereira	Chief Executive Officer	2014	05/14/1955
Christophe Jose Hidalgo	Chief Financial Officer	2012	10/25/1967
Antonio Salvador	Personnel Vice-President	2013	6/13/1967
José Roberto Coimbra Tambasco	Retail Vice-President	2010	11/04/1956
Belmiro de Figueiredo Gomes	Cash and Carry Officer	2012	08/11/1971
Alexandre Gonçalves Vasconcellos	GPA Malls Officer	2012	07/01/1953
Daniela Sabbag	Investor Relations Officer	2013	04/10/1975

Mr. Ronaldo Iabrudi has been a member of the board of directors since 2013 and our chief executive officer since 2014. Mr. Iabrudi is also chairman of the board of directors of Lupatech S.A., member of the board of directors of Estácio Participações S.A. and a partner of Viaw and Agrobanco. Previously, he was member of the board of directors of Cemar, chief executive officer of Magnesita S.A. from 2007 to 2011, chief executive officer of Telemar Group from 1999 to 2006, chairman of the board of directors of Telemar Operadora and member of the board of directors of other subsidiaries of the Telemar Group, chief executive officer of Ferrovia Centro-Atlântica from 1997 to 1999 and chairman of the board of directors of Porto de Angra and executive officer/financial officer of Gerdaul Group from 1984 to 1997. He is a psychology graduate from *Pontifícia Universidade Católica de Minas Gerais* (1979), a master in adult orientation from the same university (1981), master in business changings (1982) and a doctor of organizational changing (1984) from *Université Paris XIX - Dauphine*.

Mr. Christophe José Hidalgo has been our Chief Financial Officer and Corporate Services Officer since 2012. Mr. Hidalgo served as the chief financial officer of Êxito Group (Colombia), a subsidiary of Casino Group, from 2010 to 2012. After joining Casino in 2000, Mr. Hidalgo held several positions in financing and controllership within the Group. In Brazil, he also worked as the chief financial officer of Castorama from 1996 to 2000. Mr. Christophe Hidalgo is French and holds a bachelor's degree in law and a master's in finance and accounting from the Bordeaux University, France.

Mr. Antonio Salvador has been our personnel vice-president officer since 2013. Mr. Salvador was vice president of human resources for Brazil at Hewlett-Packard between 2010 and 2013. Previously, he was human resources executive director at PricewaterhouseCoopers Brazil from 2007 to 2010, associate partner at IBM Global Business Services from 2003 to 2007, executive director at Promon Tecnologia from 2001 to 2003, senior manager at PricewaterhouseCoopers Brazil from 1997 to 2001 and corporate university manager at Brahma from 1994 to 1997. He holds a bachelor's degree in Social Communication from *Universidade Gama Filho* and an executive MBA from *Fundação Cândido Mendes*. Additionally, he has completed programs in business administration at *Fundação Getúlio Vargas*, INSEAD and Harvard Business School. In 2011 and 2012, Mr. Salvador received the "HR Professional of the Year" award for the technology industry from Voce S.A.

Mr. José Roberto Coimbra Tambasco has been our Retail Vice-President since 2010. Mr. Tambasco began his career with us in 1979 and since then, has worked as our administration trainee, sales assistant, sales manager, commercial manager, commercialization officer, operations officer, supermarket division officer, unity officer, commercial, operational and marketing vice-president. He has been our executive officer since 2003 and has a degree in business administration from *Fundação Getúlio Vargas*.

Mr. Belmiro de Figueiredo Gomes has been our cash and carry officer since 2012. Mr. Gomes joined us in 2010, having also held the position of commercial director. Previously, he worked in several areas of the Atacadão chain for 22 years. In 2007, he coordinated the sale process of the Atacadão chain to the Carrefour Group, subsequently serving as an executive director responsible for the commercial, logistics, marketing and business strategy areas.

Mr. Alexandre Vasconcellos has been our GPA Malls officer since 2012. Mr. Vasconcellos joined us in July 2008, having been responsible for the information technology department, the new store supply model project and the mergers of Pontofrio and Casas Bahia. He has experience in system and process transformation projects in companies including Natura, Unibanco, Directv and Lojas Americanas. He earned a bachelor's degree in business administration from *Pontifícia Universidade Católica do Rio de Janeiro* and an executive MBA in retail from COPPEAD, *Universidade Federal do Rio de Janeiro*.

Ms. Daniela Sabbag has been our investor relations officer since 2013, having joined us 13 years ago. Ms Sabbag was our investor relations non-executive officer from 2006 to 2010, strategic planning, mergers and acquisitions and new business officer from 2010 to 2013. Previously Ms. Sabbag worked on our finance team. Before joining us, Ms. Sabbag worked at Deutsche Bank and the Jeronimo Martins Group. She has a degree in business administration from *Fundação Getulio Vargas* and did her post-graduate studies in capital markets at the *Universidade de São Paulo* and with an MBA program at *Fundação Getulio Vargas*.

6B. Compensation

For the year ended December 31, 2013, the aggregate compensation paid in cash to the directors, executive officers and members of the committees of CBD was R\$82.5 million. Non-cash benefits in 2013 included reimbursements of medical expenses to our executive officers and the use of our cars during working hours. There are no outstanding loans granted by us to our executive officers or members of our board of directors. Under CVM rules, listed companies are required to publicly disclose the lowest, highest and average compensation paid to executive officers and board members. However, our Company, together with other listed companies, has not disclosed this information, based on an injunction obtained by IBEF-RJ on March 2, 2010, that, according to our legal department, supersedes the CVM requirement.

In July 2007, the Company established a supplementary private pension plan of defined contribution to its employees and retained the financial institution, Brasilprev Seguros e Previdência S.A., for management purposes. When establishing the plan, the Company provides monthly contributions on behalf of its employees on account of services rendered to the Company. Contributions made by the Company in the year ended December 31, 2013, amounted to R\$3.7 million and employees' contributions amounted to R\$5.3 million with 1,012 participants.

We have established a profit sharing plan for our management, including our executive officers. The plan and its rules have been approved by our board of directors. The plan does not apply to our board of directors. Under the terms of the plan, each member of our management (including our executive officers) who is beneficiary of the plan is assigned annually a base amount for computation of payments under the profit sharing plan. The final amount of the profit sharing payment to an individual is based on the consolidated results of the Company, the results of the business segment or the department, as the case may be, to which the individual belongs and the individual's performance. This individual amount is determined by multiplying the base amount by an index applicable to all participants. This index depends on our operating performance.

Compensation of the Board of Directors, Executive Officers and Fiscal Council of CBD for 2012, 2013, and 2014

The table below indicates the compensation for members of the board of directors, executive officers and fiscal council for 2012:

	Board of directors	Executive officers	Fiscal council	Total
		(In R\$, when applicable)		
Number of members	14.58	9.58	3.00	26.66
Fixed annual compensation	-	13,552,826	486,000	14,038,826
Benefits	-	2,512,906	-	2,512,906
Variable compensation				
Profit sharing	-	15,937,732	-	15,937,732
Participation in meetings	7,923,797	-	-	7,923,797
Others (invitees' compensation)	-	-	-	-
Post-employment benefit	-	-	-	-
Benefits on ceasing to exercise the position	-	-	-	-
Share-based compensation ¹	-	20,661,745	-	20,661,745
Total compensation	7,923,797	52,665,209	486,000	61,075,006

(1) Compensation referring to achieving the goals established for previous years, to be recognized in the results for the year ended December 31, 2012, in line with current policy.

The table below indicates the compensation for members of the board of directors and members of the committees of the company, executive officers and fiscal council for 2013:

	Board of directors and members of the committees of the board of directors	Executive officers	Fiscal council	Total
		(In R\$, when applicable)		
Number of members	13.75	8.00	3.00	24.75
Fixed annual compensation	6,568,660	15,899,617	504,000	22,972,277
Benefits	-	2,715,698	-	2,715,698
Variable compensation				
Profit sharing	-	18,383,676	-	18,383,676
Participation in meetings	-	-	-	-
Others (invitees' compensation)	-	-	-	-
Post-employment benefit	-	-	-	-
Benefits on ceasing to exercise the position	-	-	-	-
Share-based compensation ¹	-	11,373,000	-	11,373,000
Total compensation	6,568,660	48,371,991	504,000	55,444,651

(1) Compensation referring to achieving the goals established for previous years, to be recognized in the results for the year ended December 31, 2013, in line with current policy.

The table below indicates the estimated compensation for members of the board of directors and members of the committees of the board of directors, executive officers and fiscal council for 2014:

	Board of directors and members of the committees of the board of directors	Executive officers	Fiscal council	Total
		(In R\$, when applicable)		
Number of members	12.00	8.00	5.00	25.00
Fixed annual compensation	5,614,596	51,217,648	840,000	57,672,244
Benefits	-	3,860,980	-	3,860,980
Variable compensation				
Profit sharing	-	21,797,322	-	21,797,322
Participation in meetings	-	-	-	-
Others (invitees' compensation)	-	-	-	-
Post-employment benefit	-	-	-	-
Benefits on ceasing to exercise the position	-	-	-	-
Share-based compensation ¹	-	17,384,208	-	17,384,208
Total compensation	5,614,596	94,260,150	840,000	100,714,754

(1) Compensation referring to achieving the goals established for previous years, to be recognized in the results for the year ending December 31, 2014, in line with current policy.

Variable Compensation 2012, 2013 and 2014

With the exception of the compensation based on the hours actually worked, the members of our board of directors and our fiscal council receive no variable compensation in the exercise of their functions. Below we present the variable compensation of our executive officers paid in 2012 and 2013 and expected to be paid in 2014.

2012	Executive officers (In R\$, when applicable)
Number of members	9.58
Profit sharing	
Minimum expected amount	-
Maximum expected amount	30,732,136
Expected amount – goals achieved	25,610,114
Amount actually recognized	15,937,732
 2013	 Executive officers (In R\$, when applicable)
Number of members	8.00
Profit sharing	
Minimum expected amount	-
Maximum expected amount	40,080,802
Expected amount – goals achieved	18,383,676
 2014	 Executive officers (In R\$, when applicable)
Number of members	8.00
Profit sharing	
Minimum expected amount	-
Maximum expected amount	43,594,645
Expected amount – goals achieved	21,797,322

Stock Option Plan for Board of Directors and Executive Officers

As of December 31, 2013, we had one stock option plan in effect. This plan was approved by our shareholders at the general shareholders' meeting held on December 20, 2006, or Option Plan.

Our Option Plan is managed by the stock option plan management committee, which is elected by our board of directors. This committee is comprised of three to five members and determines which employees should benefit from the stock options based on their duties, responsibilities and performance.

The Option Plan covers only the preferred shares issued by our Company.

General Terms and Conditions

Our stock option plan management committee usually undertakes annual option granting cycles. Each granting cycle is allocated a serial number, whereby the grants from the Option Plan are numbered beginning with the letter A, that is, as from “Series A1.” For the year ended December 31, 2013, the options granted under the Series A5 to A7 of the Option Plan were in effect.

The options granted within the scope of the Option Plan can be classified as “Gold” and “Silver”; this differentiation implies alterations to the option exercise price as explained below.

The Stock Option Committee established the criteria to calculate the reduction and/or increase index (reducer or accelerator) for the number of options granted and classified as “Gold” in each series of the Option Plan, according to the analysis of the concept of return on invested capital (ROIC), under the following terms:

- (a) Accelerator: after 3%, for every 1% more than ROIC, increase by 0.5% the number of shares granted, classified as “Gold.”
- (b) Reducer: after -3%, for each 1% less than the ROIC, reduce by 5.0% the number of shares granted, classified as “Gold.”

That is:

Main Objectives of the Plan

The aim of the Option Plan is to (i) attract and retain highly qualified executive officers and professionals; (ii) enable our managers and employees to participate in our capital and in the equity increases arising from the results these managers and employees have contributed; and (iii) to align the interests of our managers and employees with those of our shareholders, encouraging these professionals to better perform while ensuring continuity in the management of our Company.

Maximum Number of Shares and Options

The maximum number of shares covered by the Option Plan is 15,500,000 preferred shares. The number of shares covered by the Option Plan must always be within our Company’s approved capital limit, which may be amended at any time upon determination of our board of directors. When stock options are exercised, we issue the beneficiaries new shares, with the right to use our treasury shares.

There is no maximum number of options that may be granted within the scope of the Option Plan, provided that the total number of shares arising from the exercise of the options does not exceed the limit discussed above and a limit of 2% of our capital stock per series.

Exercise Price

In the case of options classified as “Silver,” the exercise price per preferred share will correspond to the average closing price of our preferred shares over the last 20 BM&FBOVESPA trading sessions prior to the date on which the stock option plan disbursement committee decides to grant the option. After this average price has been determined, a discount of 20% will be applied. For Gold-type options, the exercise price per preferred share will correspond to R\$0.01.

Vesting

As a general rule the options will vest as from the 36th month to the 48th month following the date of execution of the adhesion agreement, the beneficiary will be entitled to acquire 100% of the Silver-type shares. The exercise of the Gold-type options will occur in the same period, but the percentage of these options subject to exercise will be determined by the stock option plan disbursement committee in the 35th month following the date of execution of the adhesion agreement.

The options granted within the scope of the Option Plan may be exercised in whole or in part.

Restrictions on Transferring Shares

The stock option plan disbursement committee may establish restrictions on the transfer or circulation of the shares resulting from the exercise of the options.

Outstanding Stock Options for Senior Management

The members of our board of directors are not eligible for our stock Option Plan. Below are the outstanding options for the members of our senior management, as of December 31, 2013.

Number of members benefiting from the granting of stock options:

In relation to options not yet exercisable: **Series A5–** **Series A5–** **Series A6–** **Series A6–** **Series A7–** **Series A7–**

	Gold	Silver	Gold	Silver	Gold	Silver
Quantity (in thousand)	72.251	72.278	126.932	126.978	92.196	92.254
Grant date	05/31/2011	05/31/2011	03/15/2012	03/15/2013	03/15/2013	03/15/2013
Vesting date	05/31/2014	05/31/2014	03/31/2015	03/31/2015	03/31/2016	03/31/2016
Maximum deadline for exercising the options	05/31/2015	05/31/2015	03/31/2016	03/31/2016	03/31/2017	03/31/2017
Weighted average exercise price (in R\$, per share)	0.01	54.69	0.01	64.13	0.01	80.00
Grant date fair value of the options (in R\$, per share)	59.75	25.27	79.78	37.98	105.17	46.11
In relation to exercisable options:						
Quantity	N/A	N/A	N/A	N/A	N/A	N/A
Maximum deadline for exercising the options	N/A	N/A	N/A	N/A	N/A	N/A
Weighted average exercise price (in R\$, per share)	N/A	N/A	N/A	N/A	N/A	N/A
Grant date fair value of the options (in R\$, per share)	N/A	N/A	N/A	N/A	N/A	N/A

Stock Options Exercised and Shares Delivered for Senior Management

The table below shows the options exercised and the shares delivered to the members of our senior management in 2013.

Number of members benefiting from the granting of stock options: 8

In relation to the options exercised and the shares delivered:

	Series A4 – Gold	Series A4 – Silver
Number of shares (in thousand)	65,954	16,45
Weighted average exercise price (in R\$, per share)	0.01	46,49
Total amount of the difference between the exercise price and the market price of the shares referring to the options exercised (in R\$, per share)	96.89	50.41

We recognized in our statement of financial position R\$42.7 million, R\$45.0 million and R\$26.9 million as share based payment in 2013, 2012 and 2011, respectively. These amounts included the amounts related to acceleration of vesting of stock options.

Insurance

We have an insurance policy with Itaú Seguros S.A., effective from November 23, 2013 through November 23, 2014, covering all our managers against damages attributed to them in the exercise of their functions. Coverage is limited to US\$50 million, with deductibles of US\$200,000 for all losses and damages arising from one and the same damaging act involving the capital markets, and US\$50,000 for all losses and damages arising from one and the same damaging act of a different nature. The policy is automatically extended to the management of our new subsidiaries, with liability limited to 30% of the total assets of the new subsidiary.

6C. Board Practices

According to our by-laws, our board of directors consists of at least three and up to 12 members. The directors meet ordinarily six times a year, and extraordinarily whenever required. The members of our board of directors are appointed at general shareholders' meetings for a term of office of two years. The board's responsibilities include leading the corporate governance process, electing our executive officers and members of our committees and supervising our management. Our board of directors consists of nine members elected by our shareholders, consisting of 4 representatives of the Casino Group and 5 independent directors, whose terms of office expire in 2017. We are managed by our board of directors and by our board of executive officers. None of our directors and officers is party to an employment agreement providing for benefits upon termination of employment.

Our board of executive officers is composed of at least two and up to 14 members. The general responsibilities of our executive officers are determined pursuant to our by-laws and their specific duties and titles are established by our board of directors. As of April 24, 2014, our board of executive officers was composed of eight members.

The responsibilities of our executive officers include adopting plans related to our management and operations, reporting to shareholders each fiscal year on the status of our business activities, presenting the year-end balance sheets and other legally required financial statements and submitting investment programs and budgets to our board of directors.

Our executive officers are elected by our board of directors for two-year terms, although any executive officer may be removed by our board of directors before the expiration of his or her term. On April 24, 2014, our directors elected our current executive officers. The current term of all executive officers expires on April 24, 2016.

Committees of the Board of Directors

We currently have the following four special committees: (i) human resources and compensation committee; (ii) financial committee; (iii) sustainable development committee; and (iv) corporate governance committee. The attributions of each committee are established by our board of directors. The members of each committee are appointed by our board of directors and the board of directors also designates the chairman of each special committee. The committees may include one member who is not a member of our board of directors. Each special committee is composed of three and up to five members for a term of office of two years, reelection being permitted. In addition to these committees, the board of directors may create other committees with special roles.

Human Resources and Compensation Committee

The human resources and compensation committee holds meetings at least once every two months and has the following duties: (i) to provide guidelines for the selection of our chief executive officer; (ii) to examine candidates for election to our board of directors; (iii) to examine candidates for appointment to our board of executive officers; (iv) to review and discuss management compensation and stock option plan for our officers; (v) to propose criteria for the assessment of the performance of our managers, using comparable Brazilian corporations as benchmark; (vi) to review the recruitment and hiring methods adopted by us and our controlled companies, using comparable Brazilian corporations as benchmark; (vii) to define the compensation and incentive policies for our managers; and (viii) to identify individuals within our Company and our controlled companies who could be our future leaders and follow up the development of their career. Our human resources and compensation committee is composed of Arnaud Strasser, Yves Desjardes and Roberto Oliveira de Lima.

Financial Committee

The financial committee holds meetings at least once every two months and has the following duties: (i) to review the financial/economic viability of our investment plans and programs; (ii) to review and recommend actions for the negotiation of any merger and acquisition or of any similar transaction involving us or any of our controlled companies; (iii) to follow up any such transaction and negotiation referred to in item (ii); (iv) to review our cash flow, indebtedness policy and capital structure; (v) to monitor the implementation and accomplishment of our annual investment plan; (vi) to monitor the average cost of our capital structure and to make suggestions for modifications whenever deemed necessary; and (vii) to review and recommend opportunities related to financing transactions that may improve our capital structure. Our financial committee is currently composed of Eleazar de Carvalho Filho, Antoine Giscard D'Estaing and Arnaud Strasser.

Sustainable Development Committee

The sustainable development committee holds meetings at least once every three months and has the following duties: (i) to increase the value of our business by expanding our sustainable development and environmental matters; (ii) to establish sustainable practices, based on economic, environmental and social elements in order to promote sustainable development and disseminate these practices throughout all of our strategic activities and relationships; (iii) to evaluate and approve projects, proposals and institutional campaigns related to environmental or social issues, including the allocation of resources; (iv) to evaluate investment opportunities and projects from a sustainable perspective; and (v) to approve the social and sustainable development reports. Our sustainability committee is composed of Luiz Augusto Castro Neves, Roberto Oliveira de Lim and Helio Mattar.

Corporate Governance Committee

The corporate governance committee holds meetings at least once every three months and has the following duties: (i) to promote monitoring and ensure the adoption of the best practices of corporate governance and to coordinate the process for implementing and maintaining such practices at the Company, as well the effectiveness of corporate governance processes, suggesting changes, updates and improvements, as necessary; (ii) to review from time to time and to recommend necessary changes to the corporate governance policies and practices adopted by the Company; (iii) to ensure the good operation of the board of directors, the executive management, and the support committees of the Company and the relationship between themselves and the shareholders of the Company, and accordingly, to review from time to time and make recommendations to the board of directors about its operations and authorities, as well as regarding the executive management and the support committees of the Company; (iv) to prepare or review from time to time, as the case may be, the Company's by-laws, and the codes and policies of the company, and the internal regulations of the support committees of the Company, as well as any other document related to the corporate governance of the Company as well as to criticize, make recommendations of modifications and suggestions that it deems necessary to the board of directors, in order to maintain such documents updated according to the highest corporate governance practices, always observing the singular characteristics of the Company; (v) to keep the board of directors informed and updated on rules, regulations and recommendations in force and adopted on the market, including regarding rules that are created and impact the Company's corporate and capital markets activities; (vi) to follow-up on the implementation in respect to of all the requirements stated forth in the Brazilian corporate and capital markets law, and of the stock market inspection agencies the Company is subject to; (vii) to draft, submit and review the related party transaction policy of the Company to the board of directors, as well as any other policies necessary for the adoption, by the Company, of the best practices of management and corporate governance; (viii) to issue an opinion, at the board of directors' or executive management' request, regarding situations where there might be a conflict of interests scenario in the Company's activities; and (ix) to provide an opinion on any matters submitted by the board of directors, as well as on those matters our corporate governance committee determines to be relevant. Our corporate governance committee is composed of Maria Helena Santana, Arnaud Strasser, Luiz Augusto Castro Neves and Roberto Oliveira de Lima.

Audit Committee, Stock Option Plan Management Committee and Fiscal Council

In addition to the four special committees, we also have an audit committee, a stock option plan management committee and, if installed, a fiscal council. We set forth below a description of our audit committee, stock option plan management committee and fiscal council.

Audit Committee

Brazilian publicly-held companies may pursuant to CVM Rule 308, as amended by the CVM Rule 509, adopt a statutory audit committee (*comitê de auditoria estatutário*). According to CVM Rule 308, the statutory audit committee is an advisory body of the board of directors and must have at least three members who shall be appointed by the board of directors, including at least one member who is also a member of the board of directors and not a member of management. A majority of the members must be independent according to the independence requirements of the CVM.

On April 16, 2014, our shareholders approved the establishment of a statutory audit committee, which has the following duties: (a) to recommend the appointment or replacement of independent auditors to our board of

directors; (b) to analyze our management reports and financial statements and make recommendations to the board of directors; (c) to review our annual and quarterly financial statements; (d) to evaluate the effectiveness and adequacy of the structure of our internal controls and our internal and independent audit processes and present recommendations for improvement thereof; (e) to give opinions, at the board of directors' request, on management proposals regarding changes in capital structure, issuance of debentures, guarantees, capital budgets, dividend distribution, corporate transformation, merger or spin-off; (f) to analyze and monitor risk exposure; (g) to evaluate the implementation of recommendations made by internal and independent audits and to make recommendations to the board of directors related to disagreements between internal audit and independent audit and/or management; (h) to participate in meetings with the committees of the board and with the board of directors to discuss policies, practices and procedures; (i) to prepare a summarized annual report to be presented with the financial statements; and (j) to give opinions, at the board of directors' request, on matters referred by the board of directors as well as on other relevant matters.

Our statutory audit committee is composed of at least three and up to five members, of whom at least two must be from outside the Company and independent and one must be a member of our board of directors and not an executive officer of the Company. Members of our statutory audit committee are appointed by our board of directors for a two-year term and must meet certain requirements set forth by our by-laws and the CVM rules.

Our statutory audit committee is not equivalent to or comparable with a U.S. audit committee. Pursuant to Exchange Act Rule 10A-3(c)(3), which provides for an exemption under the rules of the SEC regarding the audit committees of listed companies, a foreign private issuer is not required to have an audit committee equivalent to or comparable with a U.S. audit committee, if the foreign private issuer has a body established and selected pursuant to home country legal or listing provisions expressly requiring or permitting such a body and if the body meets the requirements that (i) it be separate from the full board, (ii) its members not be elected by management, (iii) no executive officer be a member of the body, and (iv) home country legal or listing provisions set forth standards for the independence of the members of the body. In addition, in order to qualify for the exemption, the body must, to the extent permitted by home country law:

- be responsible for the appointment, retention, compensation and oversight of the external auditors (including the resolution of disagreements between management and the external auditors regarding financial reporting);

- be responsible for establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
- have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties; and
- receive appropriate funding from the company for payment of compensation to the external auditors, for any advisors and ordinary administrative expenses.

As a foreign private issuer, we chose to rely on this exemption under Exchange Act Rule 10A-3(c)(3) and we believe that our statutory audit committee complies with the aforementioned exemption requirements.

Because Brazilian corporate law does not permit the board of directors to delegate responsibility for the appointment, retention and compensation of the external auditors and does not provide the board with the authority to resolve disagreements between management and the external auditors regarding financial reporting, our statutory audit committee cannot fulfill these functions. Therefore, our statutory audit committee may only make recommendations to the board of directors with respect to these matters.

On April 24, 2014, the following members were appointed by our board of directors to our statutory audit committee:

Name	Position	First Year Elected	Date of Birth
Eleazar de Carvalho Filho	Member	2014	07/26/1957
Luiz Nelson Guedes de Carvalho	Member	2014	11/18/1945
Pedro Oliva Marcilio de Sousa	Member	2014	03/01/1973

Mr. Eleazar de Carvalho Filho has been a member of the board of directors since 2012. Mr. Carvalho Filho was the CEO of Unibanco Banco de Investimentos, of Banco Nacional de Desenvolvimento Econômico e Social (BNDES), of Banco UBS – Brasil, Chairman of BHP Billiton – Brasil and he was member of the board of directors of Petrobras, Eletrobrás, Vale, Tele Norte Leste Participações, Alpargatas, Rossi Residencial, Varig, Santista Têxtil and Telemig. He is currently a founding partner of Virtus BR Partners and Iposeira Capital, as well as member of the board of directors of FMC Technologies Inc. and of Brookfield Renewable Energy Partners. He holds a master’s degree in foreign affairs from Johns Hopkins University and a graduation degree in Economic Sciences from New York University.

Mr. Luiz Nelson Guedes de Carvalho has been a member of our audit committee since 2013. Mr. Carvalho was a member of the Financial Crisis Advisory Group, the first independent president of the Standards Advisory Council (*Conselho Consultivo de Normas*) of IASB, a member of the Consultative and Advisory Group of the International Federation of Accountants (*Federação Internacional de Contadores*), a vice-director of the Interamerican Accounting Association. Mr. Carvalho was also a member of the board of directors of Banco Nossa Caixa S.A., or Banco Nossa Caixa, Caixa Econômica Federal, Banco Bilbao Vizcaya Argentaria Brasil – BBVA, Banco de Crédito Real de Minas Gerais, Grupo ORSA, Companhia Müller de Bebidas, Vicunha Têxtil S.A., or Vicunha Têxtil, and Banco Fibra S.A., or Banco Fibra. Mr. Carvalho was a member of the audit committees of Banco Nossa Caixa, Vicunha Têxtil, as well as of a member of the internal control committee of Banco Fibra. Mr. Carvalho was the president of the International Institute of Financial Executives (*Associação Internacional dos Institutos de Executivos de Finanças*) for Central and South America; he was also a director of the Brazilian Central Bank and the CVM. Mr. Carvalho is a professor at the School of Economics and Management (*Faculdade de Economia, Administração e Contabilidade*), or FEA, of the *Universidade de São Paulo*. Mr. Carvalho is a member and international relations vice-coordinator of the CPC committee. He is also a representative of the CPC in the Emerging Economies Group of IASB and a member of the International Integrated Reporting Committee (*Comitê Internacional para Relatórios Integrados*). Mr. Carvalho is an independent member of the banking auto-regulation board of the Brazilian Federation of Banks (*Federação Brasileira de Bancos – FEBRABAN*). Mr. Carvalho is an editor for the Accounting and Finance Scientific Magazine (*FIPECAFI, FEA*); chairman of the committee on Capacity Building in the area of International Financial Reporting of the Intergovernmental Group of Experts in International Standards of Accounting and Reporting, part of the UNCTAD, United Nations. Mr. Carvalho is also a member of the board of directors and accounting and finance specialist of BM&FBovespa. Mr. Carvalho is a member of the board of directors Sustainable Amazon Committee (Fundação Amazônia Sustentável) and the Sustainability committee of BM&FBovespa. Mr. Carvalho is also president “at large” of the International Association for Accounting Education and Research and a member of the Brazilian Accounting Academy (*Academia Brasileira De Ciências Contábeis – Abracicon*). *Mr. Luiz Nelson Guedes de Carvalho* holds a degree in economics from FEA and an accounting degree from Faculdades São Judas Tadeu. Mr. Carvalho is also a

master and doctor in accounting and comptrolling with degrees granted by FEA.

Mr. *Pedro Oliva Marcilio de Sousa* has been a member of our audit committee since 2013. Mr. Souza was a director of M&A in Banco Standard de Investimentos S.A., vice-president of the investment bank division of Goldman Sachs do Brasil Banco Múltiplo S.A., director of CVM and a partner at Machado, Meyer, Sendacz e Opice Advogados. Mr. Souza is currently a partner at the private equity and asset management firm, BR Partners Gestão de Recursos Ltda., as well as a member of the audit committee of BM&FBovespa and a member of the fiscal council of Hypermarcas S.A. Mr. Souza holds a law degree from the *Universidade Federal da Bahia*.

Stock Option Plan Management Committee

Our stock option plan management committee has the following duties: (i) to deliberate matters relating to granting, prices, dates and the amount granted in each plan; (ii) to decide when each stock option plan will be granted, considering the possibility of not granting the plan in our Company's interest; (iii) to take into account all the necessary measures in order to appropriately manage the stock option plan, including the interpretation of the general guidelines; (iv) to guide the Company on when to issue new shares or when to use the shares held in treasury; (v) to select, among the eligible personnel, who will take part in the stock option plan according to the attributions, responsibilities and/or their performance based on the goals established by the "Gold" option plan; (vi) to establish the appropriate guidelines for each stock option for each beneficiary, approving the stock option plan agreements, especially regarding the amount of shares and the conditions to exercise each stock option plan; (vii) to establish, for each beneficiary, the alternatives, terms and conditions for each exercise, the share acquisition price and payment; (viii) to extend, generally or in specific cases, the termination date for each stock option plan; (ix) to determine the increase or decrease of the stock option plan lots that were already granted, maintaining its terms and conditions, especially regarding the acquisition rights of its exercise; and (x) to modify unilaterally the terms and conditions of the option granted freely as well as adapting them to amendments in Brazilian corporate law. Our stock option plan management committee is composed of Arnaud Strasser, Roberto Oliveira de Lima, Ronaldo Iabrudi, Belmiro Gomes and Yves Desjacques.

Fiscal Council

According to Brazilian corporate law, the adoption of a fiscal council is voluntary and it may be on a permanent or temporary basis. On October 18, 2012, our shareholders approved an amendment to our by-laws to grant temporary status to our fiscal council. Under Brazilian corporate law, the fiscal council is an independent body from management and the board of directors, elected by shareholders annually to supervise the activities of management and independent auditors. The responsibilities of the fiscal council are established by the Brazilian corporate law and encompass the oversight of management's compliance with the laws and by-laws, the issuance of a report included in the annual and quarterly reports and certain matters submitted for shareholders' approval and calling of shareholders' meetings and the reporting of specific adverse matters arising at those meetings.

Under Brazilian corporate law, the fiscal council may not contain members who are members of the board of directors or management, or who are our employees or employees of a controlled company or of a company of the group, or a spouse or relative of any member of our management. In addition, Brazilian corporate law requires that fiscal council members receive a compensation at least 10% of the average amount paid to each executive officer, not including profit sharing and other benefits. Brazilian corporate law requires a fiscal council to be composed of a minimum of three and a maximum of five members and their respective alternates.

Our fiscal council, if installed, will be composed of at least three and up to five members who are elected at the annual shareholders' meeting, with terms lasting until the next annual shareholders' meeting following their election. Under Brazilian corporate law, minority shareholders have the right to elect separately one member of the fiscal council. In any event, however, our controlling shareholder has the right to elect the majority of the members of the fiscal council.

Our fiscal council exercised the role of our audit committee under Exchange Act Rule 10A-3(c)(3) until April 16, 2014. As of the date of this annual report, a fiscal council has not been installed for 2014.

6D. Employees

As of December 31, 2013, we had 156,451 employees (calculated on a full-time employee equivalent basis). Virtually all of our employees are covered by union agreements. The agreements are renegotiated annually as part of industry-wide negotiations between a management group representing the major participants in the retail food industry, including our management, and unions representing employees in the retail food industry. We believe we compensate our employees on a competitive basis, and we have developed incentive programs to motivate our employees and reduce employee turnover. Our management believes that our relations with our employees and their unions are good.

The following table sets forth the number of our employees as of December 31, 2009, 2010, 2011, 2012 and 2013:

	As of December 31 ⁽¹⁾				
	2009	2010	2011	2012	2013
Operational	73,617	131,534	135,867	137,349	150,056
Administrative	11,627	13,380	13,203	13,688	6,395
Total	85,244	144,914	149,070	151,037	156,451

(1) Based on the average of the full-time equivalent number of employees, which is the product of the number of all retail employees (full- and part-time) and the ratio of the average monthly hours of all retail employees to the average monthly hours of all full-time employees.

6E. Share Ownership

As of December 31, 2013, members of our board of officers directly owned an aggregate amount of 142,270 preferred shares while the members of our board of directors directly held an aggregate amount of 11 preferred shares. None of the members of our board of directors and our board of officers, on an individual basis and as a group, own directly any of our common stock. For further information on direct and indirect share ownership of our board members, see “Item 7A. Major Shareholders.” As of March 31, 2014, our management and some of our employees also owned options to purchase an aggregate amount of 1,580 thousands of preferred shares at per-share weighted average purchase price of R\$34.37. None of the members of our management and our employees holds any options to purchase our common shares. See “Item 6B. Compensation” for a description of our stock option plan applicable to our management and employees, including those of our subsidiaries.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**7A. Major Shareholders**

The following table sets forth information relating to the beneficial ownership of our capital stock as of March 31, 2014 by each person known by us to beneficially own 5% or more of our common shares and our directors and officers as a group. We have also included in the table the number of preferred shares held by each such person and by our directors and officers as a group.

Shareholder	Common Shares		Preferred Shares		Total Shares	
	Number	%	Number	%	Number	%
Wilkes Participações S.A (1)	65,400,000	65.61	-	-	65,400,000	24.69
Sudaco Participações S.A. (1)	28,619,178	28.71	-	-	28,619,178	10.80

Segisor S.A. (1)	-	-	13,460	0.01	13,460	0.01
Casino Guichard Perrachon S.A (1)	5,600,052	5.62	-	-	5,600,052	2.11
King LLC (1)	-	-	852,000	0.52	852,000	0.32
Pincher LLC (1)	-	-	115,235	0.07	115,235	0.04
Cobivia SAS (1)	-	-	3,907,123	2.36	3,907,123	1.47
Jean-Charles Naouri	-	-	1	0.00	1	0.00
Directors and Officers (2)	-	-	135,604	0.08	135,604	0.05
Others	60,521	0.06	159,987,553	96.82	160,048,074	60.41
TOTAL	99,679,851	100.00	165,243,572	100.00	264,923,423	100.00

(1) Wilkes Participações S.A., Sudaco Participações Ltda., Segisor S.A., Casino Guichard-Perrachon S.A., King LLC, Pincher LLC and Cobivia SAS are part of the Casino Group.

(2) Refer to the amount of our shares that directors and officers own directly.

As of the date of this annual report, the Casino Group is the beneficial owner of 39.4% of the total capital stock of CBD. On March 31, 2014, 59,103,729 of our preferred shares were held in the form of ADSs, representing 35.77% of the total of our preferred shares. None of our common shares are held in the form of ADSs.

On September 6, 2013, our controlling shareholder, the Casino Group, and the Diniz Family, represented by Mr. Abilio dos Santos Diniz, entered into an agreement pursuant to which they agreed to settle any and all of their disputes, proceedings or claims related to CBD or the Holding Company. The parties also agreed not to take any action or sue the other party based on contractual rights or understandings between the parties entered into prior to the date of the agreement.

The agreement set forth, among other things: (i) the exchange of 19,375,000 preferred shares of CBD held by the Casino Group for 19,375,000 common shares of the Holding Company held by the Diniz Family, subject to the approval of the Brazilian anti-trust authority, the CADE, with respect to 11,229,075 shares; (ii) the termination of the agreements entered into by and between the Casino Group and the Diniz Family, such as the shareholders' agreements of the Holding Company and CBD as well as the conditional put option agreement; (iii) the resignation by Mr. Abilio dos Santos Diniz from the positions that he held as chairman of the board of directors of CBD, member of the Human Resources and Compensation Committee of CBD and member of the board of directors of the Holding Company as well as resignation by the two members appointed by the Diniz Family to the board of directors and special committees of CBD.

The Casino Group, jointly with its holding company Rallye S.A., has increased its direct and indirect ownership of our company from 35.4% as of January 1, 2011 to 39.4% as of March 31, 2014 as a result of (i) a series of market transactions, (ii) the receipt of newly issued shares of our company in connection with the amortization of goodwill, (iii) the acquisition of 19,375,000 shares of the Holding Company held by the Diniz Family as a result of the exercise of a purchase option and (iv) the aforementioned agreement entered into with the Diniz Family on September 6, 2013.

The Diniz Family has decreased its direct and indirect ownership of our company from 20.8% as of January 1, 2011 to 8.9% (consisting of preferred shares) as of March 31, 2014 as a result of (i) a series of market transactions between December 2012 and January 2013, (ii) the sale of 19,375,000 shares of the Holding Company to the Casino Group as a result of the exercise by the Casino Group of a purchase option and (iii) the aforementioned agreement entered into with the Casino Group on September 6, 2013.

Holding Company Goodwill Contribution of Deferred Tax Benefits

On May 3, 2005, the Casino Group and the Diniz Family formed Vieri Empreendimentos e Participações S.A., or Vieri, which became our parent company. The control of Vieri was shared by the Casino Group and the Diniz Family. The group was reorganized and restructured in 2006, resulting in our current ownership structure. Under the terms of the corporate reorganization, the resulting tax benefit reverts 80% to the benefit of the controlling shareholder that originated the goodwill upon the issuance of new shares and the remaining 20% reverts to the benefit of all shareholders without issuing new shares. The realization of this benefit does not cause any negative effects to our profitability or the flow of dividends to our minority shareholders.

The offsetting entry to the initial recognition of the tax benefit balance is recognized directly in shareholders' equity as a capital reserve (goodwill special reserve), as it represents a realizable asset contribution by the shareholders. Also under the terms of the corporate reorganization, the effective tax benefit realized in each fiscal year will subsequently be capitalized in the proportion described above, and non-controlling shareholders are entitled to a right of preference to acquire a number of shares to be issued by us proportional to their interest in our capital at the time.

On March 31, 2011, our shareholders approved a capital increase in the amount of R\$105.7 million by capitalizing the goodwill special reserve. Out of this total, R\$21.1 million was capitalized without the issuing new shares, to the benefit of all shareholders, and R\$84.5 million was capitalized to the benefit of our Holding Company, pursuant to article 7 of CVM Rule 319/99, through the issuance of 1,354 thousand new preferred shares.

On April 27, 2012, our shareholders approved a capital increase in the amount of R\$200.9 million, by capitalizing the goodwill special reserve. Out of this amount, R\$40.2 million were capitalized without issuing new shares, to the benefit of all shareholders, and R\$160.7 million was capitalized to the benefit of our Holding Company.

On April 17, 2013, our shareholders approved a capital increase in the amount of R\$38.0 million, by capitalizing the goodwill special reserve. Out of this amount, R\$7.6 million were capitalized without issuing new shares, to the benefit of all shareholders, and R\$30.4 million was capitalized to the benefit of our Holding Company.

As of the date of this annual report the goodwill special reserve has been fully capitalized.

7B. Related Party Transactions

From time to time we have entered into transactions with the Casino Group and other related parties for the provision of certain services. The following discussion summarizes certain of the significant agreements and arrangements among us and related parties. For further details regarding our related party transactions, see note 13 to our audited consolidated financial statements included elsewhere in this annual report.

Lease Agreements with the Klein Family

Casa Bahia Comercial Ltda. and Via Varejo entered into operating lease agreements for Casa Bahia Comercial Ltda. properties where some of the stores, distribution centers and buildings of Nova Casa Bahia are located. In addition, as of December 31, 2013, we had lease agreements with the Klein Family regarding 314 properties, among distribution centers, stores and administrative buildings. The rental will be annually adjusted by inflation based on the positive variation of IPCA/IBGE (Extended Consumer Price Index of the Brazilian Institute of Geography and Statistics).

Furniture Supply Agreement with Bartira

Within the scope of the association with Casa Bahia Comercial Ltda., on October 1, 2010, a furniture supply agreement was entered into between Via Varejo and Nova Casa Bahia, on the one hand, and Indústria de Móveis Bartira Ltda., or Bartira, a furniture manufacturer company that was controlled by Casa Bahia Comercial Ltda., on the other hand, to exclusively supply furniture to Nova Casa Bahia. The agreement had a six-year term. Aggregate payments to Bartira in 2013 under this agreement were approximately R\$ 212.3 million.

On November 9, 2010, an agreement was entered into between Nolv Casa Bahia and Casa Bahia Comercial Ltda., pursuant to which a purchase option of 75% of Bartira's capital stock was granted to Nova Casa Bahia, exercisable for a 30-day term as of November 9, 2013. In January 2013, Nova Casa Bahia was merged into Via Varejo and Via Varejo became the legal successor of Nova Casa Bahia's obligations and rights set forth in these agreements.

In November 2013, Via Varejo exercised the purchase option and Bartira became a wholly-owned subsidiary of Via Varejo. See "Item 5A—Operating Results—Business Combinations—Acquisition of Indústria de Móveis Bartira Ltda".

Technical Assistance Agreement with Casino

In July 2005, we entered into a technical assistance service agreement with Casino Group. Pursuant to the agreement, Casino Group provides us with technical assistance in the areas of human resources, trademarks, marketing and communication, global campaigns and administrative assistance, among others. In exchange, we pay to Casino Group a fixed annual fee in *reais* corresponding to US\$1.8 million. The agreement was automatically renewed in 2012 and will thereafter remain in force for an undetermined period of time.

Agreements with the Diniz Family

The following discussion summarizes certain of the significant agreements and arrangements among us and the Diniz Family during 2013, which remain in effect under the same terms and conditions as of the date of this annual report.

We lease properties from some members of the Diniz Family, some of whom are our shareholders, and also lease properties from Fundo de Investimento Imobiliário Península, which is controlled by members of the Diniz Family. These properties include one store from Mrs. Floripes Pires Diniz, four stores from Mr. Arnaldo dos Santos Diniz, four stores from Mrs. Vera Lúcia dos Santos Diniz, seven stores from Mrs. Sonia Maria dos Santos Diniz Bernandini and 62 stores from the Fundo de Investimento Imobiliário Península. Aggregate payments in 2013 under those leases were approximately R\$15.0 million to the Diniz Family and R\$165.1 million to the Fundo de Investimento Imobiliário Península. We believe that all the leases are on terms at least as favorable to us as those which could be obtained from unrelated parties on an arm's-length basis (market conditions). For further information on these leases, see note 13 to our financial statements included in this annual report.

On September 6, 2013, the Diniz Family among other things, terminated the agreements entered into with Casino Group, such as the shareholders' agreements of the Holding Company and CBD as well as the conditional put option agreement and reduced its direct and indirect ownership on us from 20.8% as of January 1, 2011 to 8.9% (consisting of preferred shares) as of March 31, 2014 as a result of a series of market transactions. For further information on this agreement, see "Item 7A. Major Shareholders."

7C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

8A. Consolidated Statements and Other Financial Information

The information included in Item 18 of this annual report is referred to and incorporated by reference into this Item 8A.

Legal Proceedings

We are party to administrative proceedings and lawsuits that are incidental to the normal course of our business. These include general civil, tax and labor litigation and administrative proceedings. We believe that our provisions for legal proceedings are sufficient to meet probable and reasonably estimated losses in the event of unfavorable court decisions to us and to ensure that the outcomes of these legal proceedings have no material effect on our financial condition or results of operations. We cannot estimate the amount of all potential costs that we may incur or penalties that may be imposed on us other than those amounts for which we have made provisions. For further information on our legal proceedings, see note 24 to our financial statements included in this annual report.

Based on the advice of our external legal counsel, we have identified and made provisions for the following probable losses that may result from legal proceedings to which we are a party:

	2011	2012	2013
	(in millions of R\$)		
COFINS ⁽¹⁾ and PIS ⁽²⁾ tax claims	78.1	86.6	272.2
Other tax claims	346.1	364.1	402.7
Labor claims	132.9	190.8	297.5
Civil and other claims	123.1	132.9	175.2
Total accrued liabilities for legal proceedings	680.2	774.4	1,147.6

(1) Social integration (*Programa de Integração Social*), or PIS.

(2) Social security contribution (*Contribuição para o Financiamento da Seguridade Social*), or COFINS.

Tax-related claims

Tax-related claims are indexed to the SELIC rate, which was 7.25% on December 31, 2012 and 7.92% on December 31, 2013 and are also subject, in certain cases, to fines. We have made provisions for interest charges and fines, when applicable.

In addition, tax claims are subject to monthly indexing, which involves adjusting the amount of provisions for litigation in accordance with the indexing rates used by each tax jurisdiction. The indexing is required by law for all tax amounts, including the provision for judicial deposits.

COFINS and PIS taxes

We pay contribution for social integration, (*Programa de Integração Social*), or PIS tax, and social security tax contributions (*Contribuição para o Financiamento da Seguridade Social*), or COFINS tax, at the rates of 1.65% and 7.6% on gross sales revenue, respectively. We adopt the non-cumulative system whereby these tax liabilities can be offset by credits we accrue from taxes previously paid on products we purchase and other expenses. As a result of our application of the non-cumulative system, we and our subsidiaries have requested the right to exclude ICMS from the calculation basis of these two contributions.

In addition, the Company offset certain PIS and COFINS with IPI tax credits acquired from third parties based on a final unappealable court decision. Also in 2013, our management, based on the opinion of our external legal counsel, reassessed the risk of loss in certain PIS and COFINS legal proceedings, in the amount of R\$173.9 million, from possible to probable. The amount involved in these legal proceedings as of December 31, 2013 was R\$91.9 million, compared to R\$86.6 million as of December 31, 2012.

Taxes and other

We have other tax claims that were deemed probable losses by our legal counsel: (i) tax assessment notices related to purchase, industrialization and sale of soybean and byproducts exports (PIS, COFINS and IRPJ); (ii) disagreement on the non-application of Accident Prevention Factor, or FAP, in 2011; (iii) disagreement on the State Government Fund Against Poverty (*Fundo de Combate à Pobreza*), enacted by the State of Rio de Janeiro government; (iv) discussions related to tax losses carry forward; (v) purchases from suppliers considered disqualified before the registration of the relevant State Financing Secretary; (vi) error in application rate, (vii) ancillary obligations by state tax authorities; and (viii) other less relevant issues. The amount we provisioned as of December 31, 2013 was R\$100.1 million (R\$173.7

million as of December 31, 2012).

In 2013, our management, based on the opinion of our external legal counsel, reassessed the risk of loss in certain other tax legal proceedings, in the amount of R\$44.1 million, from probable to possible. In addition, we discussed in court the eligibility to not pay the contributions provided for by Supplementary Law 110/01, referring to the Government Severance Indemnity Fund for Employees, or FGTS, costs. The accrued amount as of December 31, 2013 was R\$38.5 million (R\$31.5 million as of December 31, 2012).

Provisions for tax contingent liabilities were recorded by our subsidiary Via Varejo at the time of the business combination. As of December 31, 2013, the amount recorded was R\$165.3 million in tax contingent liabilities (R\$158.9 million as of December 31, 2012).

For further information on our tax-related claims, see note 24 to our financial statements included in this annual report.

Labor claims

We are party to numerous lawsuits involving disputes with our employees, primarily arising from layoffs in the ordinary course of business. As of December 31, 2013, we recorded a provision of R\$297.5 million (R\$177.7 million as of December 31, 2012) referring to lawsuits which risk of loss was considered probable. Management, assisted by legal counsel, evaluates these claims recording provision for losses when reasonably estimable, taking into account previous experience in relation to the amounts claimed. Labor claims are indexed to the benchmark interest rate (“TR”) of 0.19% accrued as of December 31, 2013 (0.29% as of December 31, 2012) plus 1% monthly interest rates.

We recorded labor provisions in our subsidiary Via Varejo relating to contingent liabilities recognized upon business combination amounting to R\$13.1 million as of December 31, 2013 (the same amount which was recorded as of December 31, 2012).

Civil and other claims

We are defendants in civil lawsuits. Among these lawsuits, we highlight the following:

- We file and respond to various lawsuits requesting the review of lease amounts. In these lawsuits, the judge determines a provisional lease amount, which is then paid by the stores until the final lease amount is defined. The Company recognizes a provision for the difference between the original amount paid by the stores and the amounts pleaded by the adverse party (owner of the property) in the lawsuit, when internal and external legal advisors agree on the likelihood of a change to the lease paid by the entity. As of December 31, 2013, the provision for these lawsuits was R\$42.8 million (R\$36.1 million as of December 31, 2012) to which there are no judicial deposits.
- Via Varejo is party to lawsuits involving consumer relations rights (civil claims and assessments from PROCON-*Fundação de Proteção e Defesa do Consumidor*) and a few lawsuits involving contracts terminated with suppliers in the amount of R\$68.7 million at December 31, 2013, as compared to R\$43.8 million in December 31, 2012.

As of December 31, 2013, including the lawsuits mentioned above, we had provisioned for civil actions in the amount of R\$175.2 million, as compared to R\$132.9 million as of December 31, 2012.

Other contingent liabilities for which there are no provisions

As of December 31, 2013, we were a party to certain legal proceedings for which the probability of loss was deemed possible and, therefore, we have not recorded provisions for these proceedings. See note 24(d) to our audited consolidated financial statements included in this annual report for detailed information on these proceedings.

We are a party to several tax-related legal proceedings with various governmental agencies related to social security taxes (INSS), federal income tax (*Imposto de Renda da Pessoa Jurídica*), or IRPJ, withholding tax (*Imposto de Renda Retido na Fonte*), or IRRF, social contribution on net profits (*Contribuição Social Sobre o Lucro Líquido*), or CSLL, COFINS, PIS, contribution tax on financial transactions, (*Contribuição Provisória sobre Movimentação ou Transmissão de Valores e de Créditos e Direitos de Natureza Financeira*), or CPMF, state value added tax (*Imposto Sobre Circulação de Mercadorias e Serviços*), or ICMS, municipal service tax (*Imposto Sobre Serviços*), or ISS, municipal property tax (*Imposto Predial e Territorial Urbano*), or IPTU and property transfer tax (*Imposto sobre transferência de bens imóveis*), or ITBI. As of December 31, 2013, the aggregate amount of the possible loss regarding these tax-related legal proceedings was R\$7,630.1 million, as compared to R6,706.2 million in 2012.

Other tax contingent liabilities recorded refer to administrative proceedings related to the offset of PIS contribution, under the protection of Decrees 2445/88 and 2449/88, generated in view of credits deriving from legal proceedings

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and the offset of tax debts with contribution credits levied on coffee exports.

Other Legal Proceedings

We are party to certain administrative proceedings and lawsuits related to civil, consumer protection matters and labor claims. As of December 31, 2013, the aggregate amount of the possible loss regarding these proceedings was R\$697.2 million, as compared to R\$638.5 million in 2012.

Federal Tax Installment Payment Program (REFIS)

On May 27, 2009, the Brazilian government enacted Law No. 11,941/09, which amends the federal tax laws related to tax debt payments by installments by allowing certain judicial deposits to be deducted and paid in installments.

Previously, we maintained provisions for judicial proceedings related to certain social security contributions and income taxes. During the third quarter of 2009, our management and legal counsel, adhering to the federal tax installment payment program introduced by Law No. 11,941/09, decided to include tax and social security liabilities from proceedings, in particular those related to the COFINS tax rate, which at the time totaled approximately R\$987.0 million, and other applicable tax liabilities in the federal tax installment payment program. The balance of the consolidated installments on December 31, 2013 was R\$1,217.1 million, as compared to R\$1,359.9 million in 2012.

Refis debts are adjusted by the SELIC rate (7.92% in 2013 and 8.62% in 2012). The amount we paid under REFIS in 2013 was R\$200.1 million, as compared to R\$214.2 million in 2012.

Dividend Policy and Dividends

General

Pursuant to Brazilian corporate law, Brazilian corporations are required to hold an annual shareholders' meeting in the first four months of each fiscal year at which time the allocation of the results of operations in any year and the distribution of an annual dividend are approved. Under Brazilian corporate law, shareholders of a Brazilian corporation have the right to receive, as a mandatory dividend for each fiscal year, a part of the corporation's net profits as established under its by-laws or, if not provided under such by-laws, an amount equal to 50% of the company's adjusted net profits pursuant to Brazilian corporate law. Currently, Brazilian corporate law generally requires that each Brazilian corporation distribute as a mandatory dividend an aggregate amount equal to at least 25% of the adjusted net profits and adjusted according to Brazilian corporate law. Pursuant to Brazilian corporate law, in addition to the mandatory dividend, the board of directors may recommend to the shareholders payment of interim dividends and payment of dividends from other legally available funds. Also pursuant to Brazilian corporate law, a Brazilian company is allowed to suspend the distribution of the mandatory dividends in any year in which its management report to its shareholders' general meeting that the distribution would be incompatible with its financial condition.

For the fiscal year ended 2013, we have not changed the dividend distribution period. Pursuant to our dividend policy created by our board of directors on August 3, 2009, we anticipate our dividend distribution on a quarterly basis. For further information see "Item 10B. Memorandum and Articles of Association—Allocation of Net Profits and Distribution of Dividends—Distribution of Dividends." According to Brazilian corporate law and our by-laws, we must pay declared dividends within 60 days after the approval.

Dividend Policy and History of Dividend Payments

The following table sets forth the distributions paid to holders of our common shares and preferred shares since 2009:

Period	Description	First payment date	R\$ per preferred share	R\$ per common share	Total amount in dividends on shareholders' equity shares (in R\$ millions)
2010	Dividends	May 31, 2010	0.08	0.0727272	19.2
2010	Dividends	August 17, 2010	0.08	0.0727272	19.6
2010 ⁽¹⁾	Dividends	December 1, 2010	0.08	0.0727272	19.6
2010	Dividends	May 30, 2011	0.45827	0.40955	113.2
2011	Dividends	May 27, 2011	0.09	0.0818181	22.5
2011	Dividends	August 10, 2011	0.09	0.0818181	22.6
2011	Dividends	November 28, 2011	0.09	0.0818181	22.6
2011	Dividends	June 26, 2012	0.372950601	0.410245661	102.9
2012	Dividends	June 20, 2012	0.11	0.10	27.8
2012	Dividends	August 13, 2012	0.11	0.10	27.9
2012	Dividends	November 23, 2012	0.11	0.10	27.9
2012	Dividends	June 14, 2013	0.653088073	0.593716430	165.9
2013	Dividends	May 16, 2013	0.13	0.118182	33.1
2013	Dividends	August 13, 2013	0.13	0.118182	33.1
2013	Dividends	November 7, 2013	0.13	0.118182	33.1
2013 ⁽²⁾	Dividends	To be determined	0.5889348796	0.5353953451	150.5

(1) The dividend accrued on December 31, 2010 was approved at the annual shareholders' meeting held on March 31, 2011 and was paid on May 30, 2011. On October 18, 2010, the ratio of our ADR (American Depositary Receipt) program changed, whereby one ADR (CBD) represented one preferred share of CBD (PCAR4). This ratio change resulted in a 2 for 1 split (one additional ADR for each ADR held).

(2) These amounts were approved at the annual shareholders' meeting held on April 16, 2014, to be paid in up to 60 days from the date thereof.

Shareholders who are not residents of Brazil must generally register with the Central Bank to have dividends and/or interest on shareholders' equity, sales proceeds or other amounts with respect to their shares eligible to be remitted in foreign currency outside of Brazil. See "Item 10D. Additional Information—Exchange Controls." The preferred shares underlying the ADSs are held in Brazil by the custodian, as agent for the depositary, the registered owner on the records of the custodian for the preferred shares underlying the ADSs. The current custodian is Banco Itaú Corretora de Valores S.A.

Payments of cash dividends and distributions, if any, will be made in Brazilian currency to the custodian on behalf of the depositary, which will then convert the payments in Brazilian currency into U.S. dollars and thereafter will cause the U.S. dollars to be delivered to the depositary for distribution to holders of ADSs as described above. In the event that the custodian is unable to convert immediately the Brazilian currency received as dividends and/or interest on shareholders' equity into U.S. dollars, the amount of U.S. dollars payable to holders of ADSs may be adversely

affected by devaluations of the Brazilian currency that occur before the distributions are converted and remitted. See “Item 3A. Selected Financial Data—Exchange Rates.” Dividends and interest on shareholders’ equity in respect of the preferred shares paid to shareholders, including holders of ADSs, are subject to the tax treatment outlined in “Item 10E. Taxation — Brazilian Tax Considerations.”

8B. Significant Changes

None.

ITEM 9. THE OFFER AND LISTING**9A. Offer and Listing Details**

Our preferred shares are traded on the BM&FBOVESPA under the trading symbol PCAR4. Our preferred shares in the form of ADSs also trade on the New York Stock Exchange, or NYSE, under the trading symbol “CBD.” We also have ADSs listed on the Luxembourg Stock Exchange.

Our ADSs commenced trading on the NYSE in May 1997. As of December 31, 2013, the ADSs represented 34.36% of our preferred shares. Each ADS represents one preferred share, without par value. The ADSs are evidenced by American Depositary Receipts, or ADRs, issued by The Bank of New York Mellon.

The following table sets forth, for the period indicated, the reported high and low sales prices for the preferred shares on the BM&FBOVESPA:

Calendar Period	High	Low	High	Low	R\$ Average Daily Trading Volume
	R\$		US\$(1)		
2009	65.00	27.96	37.33	16.06	25,598,431
2010	71.18	54.40	42.84	30.14	51,106,841
2011	73.25	56.00	46.92	29.88	52,809,689
2012:					
1st quarter	87.45	66.00	47.99	36.22	45,303,826
2nd quarter	90.90	73.51	44.97	36.37	38,784,515
3rd quarter	90.55	76.79	44.59	37.82	37,872,879
4th quarter	98.19	90.26	48.05	44.17	46,280,542
2013:					
1st quarter	107.89	88.67	53.37	43.86	107,384,479
2nd quarter	114.70	93.03	51.40	41.69	93,416,199
3rd quarter	105.11	92.80	47.41	41.86	64,457,339
4th quarter	111.10	100.30	47.03	42.46	68,738,679

(1) Converted into U.S. dollars at the U.S. dollar-Brazilian *real* exchange rate in effect at the end of each period presented. See “Item 3A. Selected Financial Data—Exchange Rates.”

Preferred share prices for the most recent six months are as follows:

Calendar Period	High	Low	High	Low	(In R\$) Average Daily Trading Volume
	R\$		US\$(1)		
October 2013	111.10	101.49	49.60	45.31	21,181,870
November 2013	110.85	107.30	47.45	45.93	26,884,020

December 2013

106.00