BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD
Form 6-K
February 14, 2014

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

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

For the month of February, 2014

Brazilian Distribution Company
(Translation of Registrant's Name Into English)

Av. Brigadeiro Luiz Antonio,
3142 São Paulo, SP 01402-901
Brazil
(Address of Principal Executive Offices)

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

Form 20-F X Form 40-F___

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

Yes ___ No X

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

Yes ___ No X

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

Yes ___ No X

Companhia Brasileira de Distribuição

Financial Statements for the Year Ended December 31, 2013 and Independent registered Public Accounting Firm on Financial Statements

Deloitte Touche Tohmatsu Auditores Independentes

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITORS' REPORT

To the Shareholders, Board of Directors and Management of

Companhia Brasileira de Distribuição

São Paulo - SP

We have audited the accompanying individual and consolidated financial statements of Companhia Brasileira de Distribuição (the "Company"), identified as Parent Company and Consolidated, respectively, which comprise the balance sheet as of December 31, 2013 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these individual financial statements in accordance with accounting practices adopted in Brazil and the consolidated financial statements in accordance with International Financial Reporting Standards - IFRSs, issued by the International Accounting Standards Board - IASB, and in accordance with accounting practices adopted in Brazil, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the individual financial statements

In our opinion, the individual financial statements present fairly, in all material respects, the financial position of Companhia Brasileira de Distribuição as of December 31, 2013, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Companhia Brasileira de Distribuição as of December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with IFRSs issued by IASB and accounting practices adopted in Brazil.

Emphasis of matter

As described in note 2, the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of the Company, these practices differ from IFRSs, applicable to separate financial statements, only in relation to the valuation of investments in subsidiaries, associates and jointly-controlled entities by the equity method, while for IFRSs purposes should be cost or fair value. Our opinion is not qualified under this matter.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added (“DVA”) for the year ended December 31, 2013, prepared under the responsibility of the Company’s Management, the presentation of which is required by the Brazilian Corporate Law for publicly-traded companies, and as supplemental information for IFRSs, that do not require the presentation of DVA. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Individual and consolidated balance sheets as of December 31, 2011 examined and audited by other independent auditors

The individual and consolidated amounts for the year ended December 31, 2011 were previously audited by other independent auditors, who issued an unqualified report dated February 16, 2012. Due to the reclassification described in note 2, the balance sheet for the year ended December 31, 2011 was considered as beginning balances as of January 1, 2012 and presented for comparison purposes.

As part of our audit of the individual and consolidated financial statements of 2013, we also audited the reclassifications described in note 2, which were recorded to amend the individual and consolidated balance sheet as of January 1, 2012. In our opinion, such reclassifications are appropriate and have been properly recorded. We were not engaged to audit, review or apply any other procedure on the individual and consolidated balance sheet of the Company as of January 1, 2012, and, therefore, we express no opinion or any form of assurance on aforementioned balance sheet taken as a whole.

São Paulo, February 13, 2014

DELOITTE TOUCHE TOHMATSU	Edimar Facco
Auditores Independentes	Engagement Partner

Companhia Brasileira de Distribuição

Financial Statements

Years ended December 31, 2013 and 2012

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MANAGEMENT REPORT

In 2013, we faced a challenging macroeconomic environment marked by modest growth and interest rate hikes as a mechanism to control inflation.

Despite this adverse scenario, GPA demonstrated the capacity and agility to adjust its strategy to market conditions and deliver strong results accompanied by market share gains in its various business segments. In recent years, we have delivered growth and positive results, strengthening GPA as a group poised for sustainable and structured growth going forward, which is an important differential in the retail business.

In 2013, we consolidated our multi-format model with a diversified yet convergent business portfolio, while expanding our competitive advantages. We have definitively selected the multi-channel approach as our strategic priority. For this, we implemented a series of initiatives focused on integration, capturing synergies and creative solutions to make the buying experience increasingly more practical, convenient and attractive for our customers. As a result, we identified opportunities that enable us to act in a coordinated fashion to offer the best buying solution, while ensuring the alignment of processes, synergy gains, financial discipline and consequently lower costs.

During the year, the Company also focused on implementing the competitive pricing strategy in the Food Retail segment, especially in the Extra banner. As a result, we registered a significant increase in customer traffic at our stores and captured market share gains. The competitive pricing strategy is supported by the pursuit of efficiency gains, which we have achieved by streamlining our operating and corporate expenses.

Investment in organic growth was another important guideline that allowed us to achieve strong growth in sales area during the year. The Group entered new markets, mainly through the Assaí model, strengthened its presence in important markets such as the Northeast through Via Varejo and expanded the neighborhood format through Minimercado Extra in the state of São Paulo.

Among the businesses, Assaí's performance was one of the highlights of 2013. During the year, we consolidated the new store model and invested in organic expansion by opening 14 new stores and entering five states, which effectively strengthened the banner's national footprint.

As part of our strategy to increase traffic and make the Group's stores more attractive, while also boosting the Company's results through revenue from the leasing of commercial spaces, GPA Malls added some 45,000 square meters of gross leasable area (GLA) to end the year with total GLA of 288,000 square meters.

For Via Varejo, the year was marked by sales growth, the consolidation of the process to professionalize the business and the adoption of a set of measures focused on capturing efficiency gains. The Company's profitability grew significantly, driven by these measures and by greater discipline. At the end of the year, Via Varejo, the leader in the electronics and home appliance segment, carried out an IPO, which represents an important step towards strengthening its presence in the capital markets. The IPO also strengthened the financial structure of GPA, helping to reduce its net debt position at year-end 2013.

At Nova Pontocom, we adopted a strategy that also focused on competitiveness and growth, which led to efficiency and market share gains as well as positive returns already as of the second quarter. We also launched Extra Marketplace, a new sales model that brings together in a single website offers from multiple stores in a variety of segments, which enabled us to considerably increase our product assortment.

We take immense pride in affirming that these results were achieved thanks to the efforts of our employees, whose drive, determination and professionalism made it possible for GPA to continue overcoming challenges. That is why we will maintain our commitment to increase the satisfaction of our employees by investing in developing their potential so that we will always have well-prepared and happy people who are engaged in the business and its demands for growth, results and sustainability.

Conscious of the fact that sustainable management is a long and never-ending journey, we will continue to invest in dialogue and value creation with our stakeholders and to strengthen the relationship with our customers without abandoning our social and environmental stance, while maintaining our permanent alignment with the international principles to which we are signatories, such as the Global Compact, a United Nations initiative for promoting the adoption by companies of social responsibility and sustainability practices.

Sustainability remains a strategic vector of GPA's strategy, especially given the importance and reach of our business. With over 150,000 employees, we are the largest private employer in Brazil, which further heightens our awareness of the social and environmental responsibility we have to this group and to society as a whole. In addition to balancing the economic, social and environmental aspects of our activities, our role is to engage the entire value chain to build together a better and more sustainable future for all Brazilians.

OPERATING AND FINANCIAL PERFORMANCE

We present here our comments on the operating and financial performance of Grupo Pão de Açúcar in 2013, which refer to the consolidated results of the Group or, where specifically mentioned, of the operating units. The multi-format structure of the Group consists of GPA Food, Via Varejo and Nova Pontocom operations. GPA Food is formed by supermarkets (Pão de Açúcar and Extra Supermercado), hypermarkets (Extra Hiper), neighborhood stores (Minimercado Extra), self-service wholesale stores (Assaí), delivery service (Pão de Açúcar and Extra), GPA Malls (Conviva and commercial centers), fuel stations and drugstores. Via Varejo is formed by brick and mortar stores of electronics, home appliances and furniture (Casas Bahia and Pontofrio). Nova Pontocom is formed by e-commerce operations of Pontofrio.com.br, Extra.com.br, Casasbahia.com.br, Barateiro.com, PartiuViagens.com.br and Atacado Pontofrio.

NET OPERATING INCOME

Net operating income grew 13.4% to R$ 57,730 million, driven by same-store sales growth of 9.0%, or 300 basis points above inflation (IPCA), to close the year with excellent performances and growth in each business. The Company ended 2013 with 128 new stores, of which 87 were GPA Food and 41 were Via Varejo stores.

At GPA Food, all the banners registered growth, with the highlights Minimercado Extra, where same-store revenue growth continues to outperform the average of GPA Food, and Assaí, which continued to register strong growth rates.

At Nova Pontocom, growth outperformed the industry average, pointing to market share gains. This performance was driven by accelerating growth over the year, especially as from 3Q13, when the efficiency gains in processes, strategic investments and advances in service quality were consolidated.

At Via Varejo, apart from sales of goods, sales of services and financial services also made substantial contributions to revenue growth. The highlights were the mobile phone and computer categories, which maintained the strong growth trend of prior quarters, confirming the continuation of the country's technology consumption cycle.

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GROSS PROFIT

Gross profit grew 9.2%, from R$ 13,757 million to R$ 15,026 million. Gross margin ended 2013 at 26.0%, down 100 basis points from 2012, mainly due to the strategy of investing in lowering prices in the Food Retail segment, which was supported by a reduction in selling, general and administrative expenses. Gross margin was also impacted by the Black Friday promotional campaigns at Via Varejo and Nova Pontocom at the end of the year, and by the higher contribution from the e-commerce channel in sales, given that its business model operates with lower margins than those of brick and mortar stores.

OPERATING EXPENSES

Operating expenses increased 11.4%, from R$ 10,136 million to R$ 11,291 million. The ratio of selling, general and administrative expenses to net sales revenue decreased from 19.9% in 2012 to 18.5% in 2013, mainly due to the reduction in corporate expenses, the better control of selling expenses at GPA Food and the operating efficiency gains at Via Varejo.

FINANCIAL PERFORMANCE

The net financial result was an expense of R$ 1,193 million, virtually unchanged from 2012. In 2013, the ratio of net financial expenses to net revenue decreased, from 2.3% in 2012 to 2.1%, mainly reflecting the better financial result at Via Varejo.

INDEBTEDNESS

Net debt, including Via Varejo's payment book operation, stood at R$ 1.102 billion at the end of December. The reduction in net debt was mainly driven by the higher cash flow in the period, which was leveraged in particular by the efforts to improve working capital. In addition, the offering carried out by Via Varejo, which generated a gross cash injection of R$ 896 million, also helped reduce debt.

The Net Debt/EBITDA ratio, including the payment book operation, reached 0.29 times at the end of 4Q13, down significantly from the level in 2012.

At the end of December, the Company held cash reserves of approximately R$ 8.4 billion. For more information, please see the section Cash Flow.

EARNINGS BEFORE INCOME TAX

Earnings before income tax, social contribution and profit sharing increased 4.7% to R$ 1,755 million in 2013.

NET INCOME

Net income amounted to R$ 1,396 million in 2013, representing growth of 20.7% from 2012. Net margin in the period increased by 10 basis points, from 2.3% in 2012 to 2.4% in 2013.

CAPITAL EXPENDITURE

Investments amounted to R$ 1,850 million, growing by 32.8% in relation to 2012. Sales area expanded by 5.3% in the period, significantly higher than in previous years.

BALANCE SHEET

ASSETS

Total current assets on December 31, 2013 stood at R$ 18,610 million. On the same date, the Company's cash balance amounted to R$ 8,392 million. The increase in the Company’s cash reserves was due to the offering at Via Varejo, which generated cash inflow of R$ 896 million. Inventories ended 2013 with a balance of R$ 6,382 million, growing by 10.8%, but lagging sales growth. The improvement in inventory management benefitted from the investments made in logistics and information technology made in recent years.

Total noncurrent assets amounted to R$ 19,399 million. The growth in property, plant and equipment of R$ 940 million was basically related to the investments made in new store openings (construction and equipment acquisitions), lot acquisitions and maintaining existing stores.

LIABILITIES

Total current liabilities on December 31, 2013 amounted to R$ 17,013 million. Noncurrent liabilities came to R$ 8,284 million. Loans and financing decreased by R$ 826 million, without the need to refinance existing debt or take out new debt.

Total liabilities and equity came to R$ 38,008 million.

OWNERSHIP STRUCTURE

The subscribed and paid-up capital on December 31, 2013, was represented by 264,453 thousand registered shares without par value, consisting of 99,680 thousand common shares and 164,773 thousand preferred shares on the same date.

DIVIDENDS DECLARED

Management has proposed the payment of dividends calculated as shown below, which considers the prepayment of dividends to shareholders in the amount of R$ 99.4 million made in fiscal year 2013. The dividends payable for the fiscal year ended December 31, 2013 amount to R$ 150.5 million, which corresponds to R$ 0.535395 per common share and R$ 0.588935 per preferred share.

INDEPENDENT AUDITORS

The individual and consolidated financial statements of GPA were audited by Deloitte Touche Tohmatsu Auditores Independentes (“Deloitte”). The hiring of independent auditors is based on the principles that safeguard the autonomy of the auditor, which are: (a) the auditor should not audit his own work; (b) should not exercise managerial functions; and (c) should not advocate on behalf of GPA or provide any services that may be considered prohibited by the regulations in force.

In compliance with Instruction 381/03 issued by the Securities and Exchange Commission of Brazil (CVM), we hereby declare that Deloitte did not provide any services other than those related to the independent audit.

Fiscal Council Report

The counselor, in the exercise of its legal and corporate functions, examined the Company´s Management´s Report and the Financial Statements related to the year ended at December 31, 2013. Based on the examination performed and the review of the unqualified Independent Registered Public Accounting Firm Report from Deloitte Touche Tohmatsu, the counselors gave a favorable opinion to to the approval of the referred documents by the Shareholders´ General Meeting and remittance to Board of Directors.

São Paulo, February 13, 2014.

COUNSELORS

Fernando Maida Dall Acqua

Mario Probst

Raimundo Lourenço Maria Christians

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Management statement on the financial statements

In accordance with the item V of article 25 of Instruction CVM no. 480, of December 7, 2009, the Directors stated that have reviewed, discussed and agreed with the Company´s Financial Statement related to the year ended December 31, 2013, authorizing the conclusion on this date.

São Paulo, February 13, 2014.

Directors

Ronaldo Iabrudi

President

Christophe José Hidalgo

Vice President of Finance

Daniela Sabbag

Investor’s relationship Director

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Management statement on the independent auditor’s report

In accordance with the item V of article 25 of Instruction CVM no. 480, of December 7, 2009, the Directors stated that have reviewed, discussed and agreed with to the Independent Registered Public Accounting Firm Report over the Company´s Financial Statements for the year ended December 31, 2013, issued on this date.

São Paulo, 13 de fevereiro de 2014.

Directors

Ronaldo Iabrudi

President

Christophe José Hidalgo

Vice President of Finance

Daniela Sabbag

Investor’s relationship Director

Companhia Brasileira de Distribuição

Balance Sheet

December 31, 2013 and 2012

(In thousands of reais)

		Parent Company			Consolidate	
Assets	**Notes**	**12.31.2013**	**12.31.2012**	**01.01.2012**	**12.31.2013**	**12.31.2012**
Current						
Cash and cash equivalents	7	**2,851,220**	2,890,331	2,328,783	**8,367,176**	7,086,251
Marketable securities		**-**	-	-	**24,453**	-
Trade accounts receivable, net	8	**312,471**	492,642	1,437,152	**2,515,666**	2,646,079
Other accounts receivable,net	10	**47,890**	21,141	40,131	**227,367**	211,473
Inventories	11	**2,165,609**	2,132,697	1,914,938	**6,381,544**	5,759,648
Recoverable taxes	12	**148,034**	193,714	413,721	**907,983**	871,021
Assets held for sale	1 (e)	**4,355**	-	-	**39,133**	-
Other receivables		**93,895**	52,738	68,182	**146,413**	105,830
Total current assets		**5,623,474**	5,783,263	6,202,907	**18,609,735**	16,680,302
Noncurrent						
Trade accounts receivable,net	8	**-**	-	-	**114,899**	108,499
Other accounts receivable,net	10	**31,338**	25,740	46,736	**629,935**	556,397
Inventories	11	**-**	-	-	**172,280**	172,280
Recoverable taxes	12	**350,880**	217,651	24,526	**1,429,021**	1,231,642
Financial Instruments	20	**-**	-	-	**-**	359,057
Deferred income and social contribution taxes	22	**120,869**	185,491	225,010	**172,836**	1,078,842
Related parties	13	**646,478**	1,538,567	1,143,031	**149,227**	178,420
Restricted deposits for legal proceedings	24	**427,013**	548,375	386,487	**815,190**	952,294
Other receivables		**37,803**	49,064	31,979	**49,914**	61,892
Investments	14	**7,774,250**	6,736,527	4,301,137	**309,528**	362,429
Property and equipment,net	16	**6,074,815**	5,816,754	5,074,613	**9,053,600**	8,114,498
Intangible assets	17	**1,127,155**	1,108,116	840,436	**5,700,657**	4,975,556
Total noncurrent assets		**16,590,601**	16,226,285	12,073,955	**19,398,617**	18,151,806
Total assets		**22,214,075**	22,009,548	18,276,862	**38,008,352**	34,832,108

The accompanying notes are an integral part of these financial statements.

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Companhia Brasileira de Distribuição

Balance Sheet

December 31, 2013 and 2012

(In thousands of reais)

		Parent Company			Co	
Liabilities	**Notes**	**12.31.2013**	**12.31.2012**	**01.01.2012**	**12.31.2013**	**1**
Current						
Trade accounts payable	18	**2,631,704**	2,357,379	2,244,301	**8,547,544**	
Loans and financing	19	**1,973,889**	1,418,852	1,516,627	**5,171,418**	
Payroll and related charges		**368,584**	330,884	297,300	**796,188**	
Taxes, contributions payable and taxes installments	21	**365,382**	248,680	232,316	**968,462**	
Related parties	13	**2,224,015**	2,246,087	188,272	**32,621**	
Dividends payable	27	**151,480**	166,507	103,387	**151,835**	
Payable related to acquisition of non-controlling interest	23	**-**	-	-	**69,014**	
Financing related to acquisition of real estate		**36,161**	88,181	14,211	**36,161**	
Rent payable		**53,027**	33,258	24,929	**112,439**	
Deferred revenue	26	**-**	-	-	**114,749**	
Pass through liabilities		**8,799**	10,974	6,784	**226,008**	
Other accounts payable		**209,569**	196,797	142,369	**786,315**	
Total current liabilities		**8,022,610**	7,097,599	4,770,496	**17,012,754**	1
Noncurrent						
Loans and financing	19	**3,142,472**	4,903,336	4,429,542	**4,321,850**	
Deferred income and social contribution taxes	22	**-**	-	-	**1,060,852**	
Tax payable in installments	21	**991,717**	1,119,029	1,202,667	**1,072,849**	
Provision for contingencies	24	**495,952**	345,683	236,922	**1,147,522**	
Acquisition of non-controlling interest	23	**-**	-	-	**107,790**	
Deferred revenue	26	**30,000**	-	-	**455,637**	
Other accounts payable		**48,134**	49,176	11,962	**117,134**	
Total noncurrent liabilities		**4,708,275**	6,417,224	5,881,093	**8,283,634**	1
Shareholders equity						
Share capital	27	**6,764,300**	6,710,035	6,129,405	**6,764,300**	
Capital reserves	27	**233,149**	228,459	384,342	**233,149**	
Profit reserves	27	**2,485,741**	1,556,231	1,111,526	**2,485,741**	
		9,483,190	8,494,725	7,625,273	**9,483,190**	8
Non-controlling interest		**-**	-	-	**3,228,774**	2
Total shareholders' equity		**9,483,190**	8,494,725	7,625,273	**12,711,964**	1
Total liabilities and shareholders' equity		**22,214,075**	22,009,548	18,276,862	**38,008,352**	3

The accompanying notes are an integral part of these financial statements.

Companhia Brasileira de Distribuição

Statements of Income

Years ended December 31, 2013 and 2012

(In thousands of reais)

	Parent Company		**Consolidate**	
	12.31.2013	**12.31.2012**	**12.31.2013**	**12.3**
Net sales (Note 28)	**21,579,476**	19,051,959	**57,730,262**	50,9
Cost of sales (Note 29)	**(15,768,589)**	(14,098,519)	**(42,704,079)**	(37,1
Gross profit	**5,810,887**	4,953,440	**15,026,183**	13,7
Operating income (expenses)				
Selling expenses (Note 29)	**(3,217,621)**	(2,798,322)	**(9,180,009)**	(8,3
General and administrative (Note 29)	**(633,474)**	(643,832)	**(1,484,734)**	(1,7
Depreciation and amortization	**(411,414)**	(343,320)	**(787,405)**	(7
Net finance expenses (Note 31)	**(525,769)**	(455,910)	**(1,193,449)**	(1,1
Share of profit in an associate (Note 14)	**654,572**	603,705	**47,310**	
Other operating income (expenses), net (Note 30)	**(517,283)**	(80,119)	**(673,106)**	(
	(4,650,989)	(3,717,798)	**(13,271,393)**	(12,0
Profit before income and social contribution taxes	**1,159,898**	1,235,642	**1,754,790**	1,6
Income and social contribution taxes (Note 22)	**(107,403)**	(184,461)	**(358,583)**	(5
Net income	**1,052,495**	1,051,181	**1,396,207**	1,1
Attributable to:				
Controlling shareholders (Note 32)			**1,052,495**	1,0
Non-controlling interest			**343,712**	1
			1,396,207	1,1
Earnings per share (weighted average for the year – R$) (Note 32)	**2013**	2012		
Basic				
Preferred	**4.13**	4.15		
Common	**3.75**	3.78		
Diluted				
Preferred	**4.11**	4.12		
Common	**3.75**	3.78		

The accompanying notes are an integral part of these financial statements.

Companhia Brasileira de Distribuição

Statements of Comprehensive Income

Years ended December 31, 2013 and 2012

(In thousands of reais)

	Parent Company		**Consolidated**	
	12.31.2013	**12.31.2012**	**12.31.2013**	**12.31.2012**
Net income	**1,052,495**	1,051,181	**1,396,207**	1,156,436
Other comprehensive income	**-**	-	**-**	-
Comprehensive income for the year	**1,052,495**	1,051,181	**1,396,207**	1,156,436
Attributable to:				
Controlling shareholders			**1,052,495**	1,051,181
Non-controlling interest			**343,712**	105,255
			1,396,207	1,156,436

The accompanying notes are an integral part of these financial statements.

Companhia Brasileira de Distribuição

Statements of Changes in Shareholder's Equity
Years ended December 31, 2013 and 2012
(In thousands of reais)

		Capital Reserve			Profit Reserve				
	Capital Share	Special Goodwill Reserve	Other Reserves	Granted Options	Legal	Expansion	Treasury Shares	Retained Earnings	Accumulat Profit
	6,129,405	238,930	7,398	138,014	248,249	783,130	(6,868)	87,015	
	559,320	(200,905)	-	-	-	(322,572)	-	(35,843)	
	21,310	-	-	-	-	-	-	-	
	-	-	-	45,022	-	-	-	-	
	-	-	-	-	-	-	-	-	1,051,1
e 27 (e))	-	-	-	-	52,559	-	-	-	(52,5
	-	-	-	-	-	-	-	-	(249,6
	-	-	-	-	-	-	-	1,502	
	-	-	-	-	-	-	-	748,967	(748,9
	-	-	-	-	-	-	-	92	
	6,710,035	38,025	7,398	183,036	300,808	460,558	(6,868)	801,733	
	38,025	**(38,025)**	**-**	**-**	**-**	**-**	**-**	**-**	
	16,240	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
	-	**-**	**-**	**42,715**	**-**	**-**	**-**	**-**	
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,052,4**
))	**-**	**-**	**-**	**-**	**52,624**	**-**	**-**	**-**	**(52,6**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(249,9**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**650**	
	-	**-**	**-**	**-**	**-**	**-**	**-**	**749,903**	**(749,9**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
		-	**-**	**-**	**-**	**-**	**-**	**126,333**	
	6,764,300	**-**	**7,398**	**225,751**	**353,432**	**460,558**	**(6,868)**	**1,678,619**	

The accompanying notes are an integral part of these financial statements.

Companhia Brasileira de Distribuição

Statements of Cash Flows

Years ended December 31, 2013 and 2012

(In thousands of reais)

	Parent Company		**Consolidated**	
	12.31.2013	**12.31.2012**	**12.31.2013**	**12.31.2012**
Cash flow provided by operating activities	**1,865,676**	646,471	**4,891,950**	5,299,255
Cash generated from operations	**1,963,156**	1,593,096	**4,260,020**	3,577,181
Cash flow provided by operating activities				
Net income for the year	**1,052,495**	1,051,181	**1,396,207**	1,156,436
Adjustment to reconcile net income				
Deferred income tax (Note 22)	**64,622**	39,520	**89,090**	193,348
Depreciation and amortization	**448,341**	377,202	**865,425**	834,109
Share of profit in an associate (Note 14)	**(654,572)**	(603,705)	**(47,310)**	(10,819)
Present value adjustment	**1,352**	(9,987)	**(10,448)**	(13,696)
Financial charges	**566,689**	613,257	**1,000,252**	1,099,034
Provision for contingencies (Note 24)	**145,261**	55,506	**249,183**	83,477
Share-based payment	**42,715**	45,022	**42,715**	45,022
Barter revenue	**-**	-	**-**	(158,280)
Deferred revenue	**-**	-	**(42,619)**	54,418
Gain (loss) on disposal of property and equipment	**(1,585)**	8,796	**44,878**	(11,805)
Allowance for doubtful accounts (Note 8)	**2,519**	5,716	**451,108**	340.652
Provision for obsolescence, losses and breakage (Note11)	**4,249**	1,361	**(1,110)**	(22,683)
Provision for disposals, losses and breakage	**1,608**	6,172	**-**	10,989
Gain in the fair value investment	-	-	**(100,007)**	-
Other operating expenses (Note 30)	**289,462**	3,055	**322,656**	(23,021)
	1,963,156	1,593,096	**4,260,020**	3,577,181
Decrease (increase) in assets and liabilities				
Trade accounts receivable	**151,020**	195,829	**(333,269)**	2,173,848
Marketable securities	**-**	-	**(24,319)**	-
Inventories	**(37,161)**	(126,307)	**(581,776)**	(191,977)
Recoverable taxes	**(88,464)**	(27,233)	**(284,101)**	(575,266)
Related parties	**(390,500)**	(757,634)	**(34,384)**	24,530
Restricted deposits for legal proceedings	**(92,578)**	(78,997)	**(186,175)**	(179,431)
Trade accounts payable	**272,846**	(36,868)	**2,270,264**	261,097
Payroll, related charges and taxes payable	**37,495**	16,603	**59,439**	(29,494)
Taxes, contributions payable and taxes installments	**(196,746)**	(153,930)	**(128,427)**	130,273
Financial instruments	**-**	-	**-**	(50,000)

Other liabilities	**246,608**	21,912	**(125,322)**	158,494
	(97,480)	(946,625)	**631,930**	1,722,074
Net cash provided by operating activities	**1,865,676**	646,471	**4,891,950**	5,299,255

Companhia Brasileira de Distribuição

Statements of Cash Flows – Continued

Years ended December 31, 2013 and 2012

(In thousands of reais)

	Parent Company		Consolidated	
	12.31.2013	**12.31.2012**	**12.31.2013**	**12.31.2012**
Cash flow used in investing activities				
Acquisition of subsidiary	**(80,000)**	-	**(275,710)**	(32,729)
Net cash from acquisitions (Note 1)	**145**	275,636	**737**	-
Capital increase in subsidiaries	**-**	(11,193)	**-**	-
Acquisition of property and equipment (Note 16)	**(709,473)**	(767,861)	**(1,655,827)**	(1,308,951)
Acquisition of intangible assets (Note 17)	**(86,501)**	(25,512)	**(193,785)**	(84,443)
Sales of property and equipment	**30,449**	16,885	**98,055**	87,240
Net cash used by investing activities	**(845,380)**	(512,045)	**(2,026,530)**	(1,338,883)
Cash flow from financing activities				
Capital increase	**16,240**	21,310	**16,240**	21,310
Funding and refinancing	**-**	1,600,699	**5,278,000**	7,210,792
Payments	**(1,270,204)**	(599,517)	**(6,519,347)**	(7,976,686)
Sale of noncontrolling interest (Note 14 (a) (ii))	**878,764**	-	**813,782**	-
Interest paid	**(419,212)**	(408,926)	**(720,506)**	(913,098)
Dividend paid	**(264,995)**	(186,444)	**(452,664)**	(186,394)
Net cash provided by (used in) financing activities	**(1,059,407)**	427,122	**(1,584,495)**	(1,844,076)
Net increase (decrease) in cash and cash equivalents	**(39,111)**	561,548	**1,280,925**	2,116,296
Cash and cash equivalents at the end of the year	**2,851,220**	2,890,331	**8,367,176**	7,086,251
Cash and cash equivalents at the beginning of the year	**2,890,331**	2,328,783	**7,086,251**	4,969,955
Change in cash and cash equivalents	**(39,111)**	561,548	**1,280,925**	2,116,296

The main non-cash transactions are disclosed in the Notes 15 (ii), 16 (b) and (e), 22 (a) and 27 (c) and (e).

The accompanying notes are an integral part of these financial statements.

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Companhia Brasileira de Distribuição

Statements of Value Added

Years ended December 31, 2013 and 2012

(In thousands of reais)

	Parent Company		Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Revenue				
Sales of goods	**23,505,528**	20,931,980	**64,405,476**	57,233,633
Allowance for doubtful accounts	**(2,519)**	(5,716)	**(451,108)**	(340,652)
Other revenues (expenses)	**99,352**	54,861	**329,419**	165,409
	23,602,361	20,981,125	**64,283,787**	57,058,390
Inputs acquired from third parties				
Cost of goods sold	**(16,608,644)**	(15,106,995)	**(44,116,030)**	(39,338,987)
Materials, energy, outsourced services and other	**(2,066,700)**	(1,524,843)	**(5,804,973)**	(4,787,505)
	(18,675,344)	(16,631,838)	**(49,921,003)**	(44,126,492)
Gross added value	**4,927,017**	4,349,287	**14,362,784**	12,931,898
Retentions				
Depreciation and amortization	**(448,341)**	(377,202)	**(865,425)**	(834,109)
Net value added produced by the entity	**4,478,676**	3,972,085	**13,497,359**	12,097,789
Value added received in transfers				
Equity accounting	**654,572**	603,705	**47,310**	10,819
Finance income	**243,366**	314,786	**642,751**	593,287
	897,938	918,491	**690,061**	604,106
Total value added to distribute	**5,376,614**	4,890,576	**14,187,420**	12,701,895
Personnel	**2,161,842**	1,839,642	**5,774,867**	5,604,771
Salaries	**1,446,904**	1,265,138	**4,139,836**	4,111,688
Profit sharing	**12,516**	30,192	**151,500**	160,015
Benefits	**571,688**	435,542	**1,099,151**	986,189
Social security charges	**130,734**	108,770	**384,380**	346,879
Taxes, fees and contributions	**942,102**	847,982	**3,777,014**	2,962,782
Federal	**640,525**	597,458	**2,128,454**	1,773,214
State	**207,098**	156,925	**1,434,086**	981,462
Municipal	**94,479**	93,599	**214,474**	208,106
Value distributed to providers of capital	**1,220,175**	1,151,771	**3,239,332**	2,977,906
Interest	**769,134**	770,696	**1,836,200**	1,786,160
Rentals	**451,041**	381,075	**1,403,132**	1,191,746
Dividends	**249,968**	249,655	**249,968**	249,655

Value distributed to shareholders	**802,527**	801,526	**802,527**	801,526
Non-controlling interest	**-**	-	**343,712**	105,255
Total value added distributed	**5,376,614**	4,890,576	**14,187,420**	12,701,895

The accompanying notes are an integral part of this financial statement.

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Companhia Brasileira de Distribuição

Notes to the financial statements

December 31, 2013 and 2012

(In thousands of Brazilian reais, unless otherwise stated)

1. Corporate information

Companhia Brasileira de Distribuição ("Company" or “GPA”), directly or by its subsidiaries (“Group”) operates in the food retailer, clothing, home appliances, electronics and other products segment through its chain of hypermarkets, supermarkets, specialized and department stores principally under the trade names "Pão de Açúcar, "Extra Hiper", “Extra Super”, “Minimercado Extra”, “Assai”, “Ponto Frio” and “Casas Bahia", in addition to the e-commerce platforms “CasasBahia.com,” “Extra.com”, “Pontofrio.com”, “Barateiro.com” and “Partiuviagens.com”. Its headquarters are located at São Paulo, SP, Brazil.

Founded in 1948, the Company has 156 thousand employees, 1,999 stores in 19 Brazilian states and in the Federal District and a logistics infrastructure comprised of 54 distribution centers located in 13 states and Federal District at December 31, 2013, The Company’s shares are listed in the Level 1 Corporate Governance trading segment of the São Paulo Stock Exchange (“BM&FBovespa”), code “PCAR4” and its shares are also listed on the New York Stock Exchange (ADR level III), code “CBD”, The Company is also listed on the Luxembourg Stock Exchange, however, with no shares traded.

The Company is controlled by Wilkes Participações S.A. ("Wilkes") that on July 2, 2012 became a subsidiary of Casino Guichard Perrachon (“Casino”).

a) Casino Arbitration

During 2011, Casino filed two arbitration proceedings at the International Arbitration Court of the International Chamber of Commerce against Mr. Abílio dos Santos Diniz, Mrs.Ana Maria Falleiros dos Santos Diniz D’Avila, Mrs. Adriana Falleiros dos Santos Diniz, Mr. João Paulo Falleiros dos Santos Diniz, Mr. Pedro Paulo Falleiros dos Santos Diniz and Península Participações Ltda. (“Península”). On April 5, 2013, the arbitral tribunal decided about the exclusion of the Company from the arbitration procedure and, in September 2013, the parties filed a petition at the International Chamber of Commerce (“ICC”) to conclude the procedures.

On September 6, 2013, Groupe Casino and Abilio dos Santos Diniz, jointly with their related parties, entered into a Private Instrument of Transaction and Waiver of Rights. As a consequence of the agreed-upon transaction, the parties filed a petition at the International Chamber of Commerce (“ICC”) for the conclusion of all arbitration procedures requested by the parties under discussion at the moment. The parties also agreed to conclude any and all disputes against each other and any other third party (related to the parties’ disputes), as well as not to practice any act or file any suit based on rights set forth in any agreements previously entered into between the parties or on the understandings between the parties prior to September 6, 2013.

b) Corporate reorganitazion

At December 28, 2012, the Extraordinary Shareholders' Meeting approved a corporate restructuring with the purpose of obtaining administrative, economic and financial benefits for the Group, the base date of the restructuring were the balance sheets of subsidiaries as at December 31, 2012. The restructuring consists of the merger into the Company of the operations of 44 stores of the subsidiary Sé Supermercados Ltda, ("Sé"), with net assets of R$515, and 6 stores of the subsidiary Sendas Distribuidora S.A. ("Sendas"), with net assets of R$504.

Additionally, there was a swap of equivalent amounts of shares between the Company and the subsidiary Novasoc Comercial Ltda, ("Novasoc"), in which the Company assigned 17,25% of Barcelona Comércio Varejista e Atacadista S.A. ("Barcelona"), in exchange for 6,9% of Sé Supermercados. The same meeting also approved a Company's capital increase of R$557,534 in Barcelona, without the issue of new shares, using the Company's credits against this subsidiary. This transaction was carried out between subsidiaries over which the Company already had 100% interest, directly or indirectly.

Companhia Brasileira de Distribuição

Notes to the financial statements

December 31, 2013 and 2012

(In thousands of Brazilian reais, unless otherwise stated)

1. Corporate information – Continued

b) Corporate reorganitazion – Continued

The reorganization had R$7,491 impact on the result for the year ended December 31, 2012, mainly related to the loss of deferred social contribution tax credits in its subsidiaries.

The effects on the statement of financial position at December 31, 2012 of the parent company as a result of the merger of subsidiaries Sé and Sendas, described above, were the following:

Assets	12.31.2012
Cash and cash equivalents	275,636
Trade accounts receivable,net	20,998
Inventories	92,813
Recoverable taxes	5,489
Other receivables	1,257
Total current assets	396,193
Restricted deposits for legal proceedings	62,519
Recoverable taxes	8,829
Investments	801,775
Property and equipment,net	225,297
Intangible assets	173,247
Total noncurrent assets	1,271,667
Total assets	1,667,860
Liabilities	
Trade accounts payable	125,528
Payroll and related charges	16,980
Taxes and contributions payable	8,005
Related parties	1,446,936
Others accounts payable	14,684

Total current liabilities	1,612,133
Provision for contingencies	54,708
Total noncurrent liabilities	54,708
Total liabilities	1,666,841
Net assets	1,019

At January 2, 2013, the Extraordinary Shareholders' Meeting also approved an increase in the Company's interest in Sendas Distribuidora amounting to R$1,100,000, without the issue of new shares, using the Company's credits against this subsidiary.

Companhia Brasileira de Distribuição

Notes to the financial statements

December 31, 2013 and 2012

(In thousands of Brazilian reais, unless otherwise stated)

1. Corporate information – Continued

c) Arbitration request by Morzan

Pursuant to the Material Fact released at June 15, 2012, the Company announced that it received a letter from the International Chamber of Commerce -ICC notifying about the request for the filing of an arbitration proceedings ("Proceedings") submitted by Morzan Empreendimentos e Participações Ltda, ("Morzan"), former controlling shareholder of Globex Utilidades S.A. (Pontofrio banner), currently referred to as Via Varejo S.A. ("Via Varejo").

The Proceedings are associated with issues originating from the Share Purchase Agreement executed between the subsidiary Mandala Empreendimentos e Participações S.A. at June 8, 2009 ("Agreement") for acquisition of 86,962,965 registered common shares with no par value, which then represented 70.2421% of the total and voting capital of Globex Utilidades S.A. previous corporate name of Via Varejo S.A. ("Via Varejo"), subject matter of the Material Fact disclosed by the Company at June 8, 2009. The arbitration terms are subject to confidentiality requirements.

On July 11, 2012, the Company exercised its right to appoint an arbitrator to compose the arbitration court responsible for conducting the Proceedings. After discussions on the Arbitration Court jurisdiction at October 25, 2013, Morzan filed its arguments, which were answered by Company, Wilkes and Via Varejo at January 17, 2014.

The Company, supported by a favourable position of its external counsel understands that the request is unfounded, given that the agreement was fully complied with, as it will be evidenced during the Proceedings.

Until the present date, there were no developments in this arbitration, thus not causing any impact on this financial statement. For the next steps: the parties will have the opportunity to request documents from each other and file the due replies before the preliminary hearing scheduled for June 9 to 13, 2014. The Company will maintain its shareholders and the market informed of any material developments regarding the Proceedings.

d) Appraisal of the net assets of the Association between CBD and Casas Bahia

In regard to the work of the external consultants announced to the market by the Company on October 16, 2012 and by Via Varejo on May 23 and August 7, 2013 and also in relation to legal counsel and experts hired (External consultants), we informe that the work were concluded in October 2013, thereby allowing the management to conduct negotiations to finalize discussions between the parties.

Management analyzed all the corporate, legal and economic aspects and the Company, CB and Via Varejo signed a Private Transaction Agreement that determined the irrevocable settlement of the matters related to the external consultants. As a result Via Varejo and the recognized in the income statement of 2013 the effects of the issues related external consultants (note 30), also as a consequence of the transaction received indemnifications from partners amounting R$85 million, comprising R$27,700 related to amounts receivable recorded by Via Varejo and R$57,300 related to receivables considered as contingent until then and, therefore, not recorded. The Company also wrote off receivables considered as not refundable by the parties totaling R$54,667 and recognized other impacts of R$8,307. Consequently, there will be no additional accounting adjustments In relation to this matter and the amounts receivable of R$134,111 (note 13) on December 31, 2013 are expressly considered as refundable in the association agreement.

Companhia Brasileira de Distribuição

Notes to the financial statements

December 31, 2013 and 2012

(In thousands of Brazilian reais, unless otherwise stated)

1. Corporate information – Continued

e) Performance Commitment Agreement

As per Material Fact released on April 17, 2013, the Via Varejo, the Company, CB (“Casas Bahia”) and the Brazilian antitrust agency ("CADE") entered into the Performance Commitment Agreement ("TCD"), for the approval of the Partnership Agreement concluded between the Company and CB at December 4, 2009 and amended at July 1, 2010, which aims to establish actions that:

(i) prevent the unification of operations involving substantial elimination of competition;

(ii) ensure conditions for the existence of effective competition in the markets affected by the transaction;

(iii) ensure conditions for fast and efficient entry of competitors in these markets;

(iv) ensure that the benefits of the partnership are distributed fairly among the participants on the one hand, and final consumers, on the other, those specific markets.

In order to fulfill the objectives of the TCD, the Via Varejo and its shareholders have a primary obligation to sell 74 stores, located in 54 municipal regions distributed in six States and the Federal District, which together accounted for approximately 3% of consolidated gross sales of Via Varejo at December 31, 2013 (3% at December 31, 2012). Until December 31, 2013, a total of 35 stores were sold .

Until the approval date of these financial statements, the precedent conditions set forth in the agreement defined at the TCD has not been approved by CADE and may impact the sale of the remaining stores. Thus, on December 31, 2013, a provision of R$30,435 for the 39 stores not yet sold was recorded, which covers their fixed assets and the penalty that may be imposed to the Company by CADE if they are not sold.

CADE has inspected the obligations of the TCD, being the Company subject to present data and information that the authority considers necessary.

f) Acquisition of interest in Nova Pontocom

According to the material fact released at October 17, 2013, the subsidiary Via Varejo sold 6.20% of Nova Pontocom's capital stock to the parent company CBD, thus, changing Via Varejo's interest from 52.10% to 43.90%. The amount paid by the Company was R$80.000, paid in cash, generating net effect of R$73,265, recorded directly in the shareholders´equity.

In addition, CBD bought an 1.95% interest in Nova Pontocom held by noncontrolling for R$25,294, being R$7,330 offsetting balances due by noncontrolling shareholders and the remaining in cash. After the transaction, the Company owns 47.21% of direct interest plus 23.88% indirectly.

The abovementioned transactions were classified as "capital transaction" and their effects were recorded directly under the shareholders' equity, in the total amount of (R$73,265), and under non-controlling interest, in the amount of R$23,617.

On this same date, a new shareholders' agreement of Nova Pontocom was signed, which stablished new corporate governance rules.

g) Bartira – Initial classification and acquisition of interest

Until October 31, 2013, Via Varejo held direct interest in a joint operation, classified as joint operation as determined by CPC 19R2 (IFRS 11), named Bartira, wherein partners (Via Varejo with 25% and Casa Bahia with 75%) formalized a partnership agreement which establishes the joint control over this entity's operating activities.

Companhia Brasileira de Distribuição

Notes to the financial statements

December 31, 2013 and 2012

(In thousands of Brazilian reais, unless otherwise stated)

1. Corporate information – Continued

g) Bartira – Initial classification and acquisition of interest - Continued

As per joint venture agreement between Casa Bahia and the Company, at December 2, 2013 the subsidiary Via Varejo exercised the option to acquire the remaining 75% of interest in Bartira, as described in Note 15 (b).

The Company recorded the interest on Bartira as a proportional consolidation. Therefore, consolidated proportionally each asset, liabilities, revenues and expenses related in the financial statements. The financial statements of the joint controlled entities were prepared for the same period and under the same accounting policies adopted by the Company.

The main lines of Bartira's condensed financial statements are shown below for 2012 until October 31, 2013, date when Bartira's classification changed from joint operation to subsidiary

	10.31.2013	**12.31.2012**
	100%	100%
Current assets	**79,525**	157,196
Noncurrent assets	**92,465**	73,244
Total assets	**171,990**	230,440
Current liabilities	**91,097**	111,500
Noncurrent liabilities	**9,451**	16,440
Shareholders' equity	**71,442**	102,500
Total liabilities and equity	**171,990**	230,440
<u>Income:</u>		
Net sales and/or services	**450,919**	464,048
Profit (losses) before income and social contribution taxes	**(40,828)**	5,516
Net income for the year	**(30,987)**	68

2. Basis of preparation

The financial statements comprise:

- The consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the “International Accounting Standards Board (“IASB”), and the accounting practices adopted in Brazil; and

- The parent company financial statements were prepared in accordance with accounting practices adopted in Brazil.

The accounting practices adopted in Brazil include those in Brazilian Corporation Law and the Standards and technical guidelines and interpretations issued by the Accounting Pronouncements Committee - CPC and approved by the CVM.

In the parent company financial statements, investments in subsidiaries are stated at the equity method, which would be based on cost or fair value under IFRS.

Companhia Brasileira de Distribuição

Notes to the financial statements

December 31, 2013 and 2012

(In thousands of Brazilian reais, unless otherwise stated)

2. Basis of preparation - Continued

Since there is no difference between equity and consolidated profit or loss attributable to the Company's shareholders and the Company's equity and profit or loss in the parent company financial statement, the Company opted to disclose the parent company and consolidated financial statements together.

The financial statements have been prepared on the historical cost basis except for certain financial instruments measured at their fair value.

The items included in the financial statements of the parent company and consolidated were measured by adopting the currency of the main economic scenario where the subsidiaries operates ("functional currency"), that is Real ("R$"), which is the reporting currency of this financial statement.

The financial statements for the year ended December 31, 2013 were approved by the Board of Directors at February 13, 2014.

Management considered in the beginning balances of the Parent Company and Consolidated financial statements, the balance of receivables from supplier which the agreement allowed the offset of which allowed offsetting these receivables with suppliers' outstanding balance. This change aims at presenting these receivables consistently with their realization. In addition to and for a better presentation and comparability, the following balances as at December 31, 2012 and 2011 were also reclassified:

	Parent Company			**Consolidated**		
	Previous balance	**Commercial agreements**	**Current balance**	**Previous balance**	**Commercial agreements**	**Current balance**
Balance at 12.31.2012						
Assets:						

Accounts receivable	926,660	(434,018)	492,642	3,208,963	(562,884)	2,646,079
Liabilities:						
Suppliers	2,791,397	(434,018)	2,357,379	6,803,240	(562,884)	6,240,356

	Parent Company			**Consolidated**		
	Previous balance	**Commercial agreements**	**Current balance**	**Previous balance**	**Commercial agreements**	**Current balance**
Balance at 12.31.2011						
Assets:						
Accounts receivable	1,719,763	(282,611)	1,437,152	5,437,500	(325,558)	5,111,942
Liabilities:						
Suppliers	2,526,912	(282,611)	2,244,301	6,278,757	(325,558)	5,953,199

There were no changes in the cash flow statement, since is a reclassification of items included in the operational activity.

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Companhia Brasileira de Distribuição

Notes to the financial statements

December 31, 2013 and 2012

(In thousands of Brazilian reais, unless otherwise stated)

3. Basis for consolidation

a) Interest in subsidiaries, associated companies and joint operations:

	Investment interest - %			
	12.31.2013		**12.31.2012**	
Companies	**Company**	**Indirect interest**	**Company**	**Indirect interest**
Subsidiaries				
Novasoc Comercial Ltda. (“Novasoc”)	**10.00**	**-**	10.00	-
Sé Supermercados Ltda. (“Sé”)	**100.00**	**-**	100.00	-
Sendas Distribuidora S.A. (“Sendas”)	**100.00**	**-**	100.00	-
PA Publicidade Ltda. (“PA Publicidade”)	**100.00**	**-**	100.00	-
Barcelona Comércio Varejista e Atacadista S.A. (“Barcelona”)	**82.75**	**17.25**	82.75	17.25
CBD Holland B.V.	**100.00**	**-**	100.00	-
CBD Panamá Trading Corp.	**-**	**100.00**	-	100.00
Xantocarpa Participações Ltda. (“Xantocarpa”)	**-**	**100.00**	-	100.00
Vedra Empreend. e Participações S.A.	**99.99**	**0.01**	99.99	0.01
Bellamar Empreend. e Participações Ltda.	**100.00**	**-**	100.00	-
Vancouver Empreend. e Participações Ltda.	**100.00**	**-**	100.00	-
Bruxellas Empreend. e Participações S.A.	**99.99**	**0.01**	99.99	0.01
Monte Tardeli Empreendimentos e Participações S.A.	**99.91**	**0.09**	99.91	0.09
GPA Malls & Properties Gestão de Ativos e Serviços Imobiliários Ltda. (“GPA M&P”)	**100.00**	**-**	100.00	-
GPA 2 Empreend. e Participações Ltda.	**99.99**	**0.01**	99.99	0.01
GPA 4 Empreend. e Participações S.A.	**99.91**	**0.09**	99.91	0.09
GPA 5 Empreend. e Participações S.A.	**99.91**	**0.09**	99.91	0.09
GPA 6 Empreend. e Participações Ltda.	**99.99**	**0.01**	99.99	0.01
ECQD Participações Ltda.	**100.00**	**-**	100.00	-
API SPE Planej. e Desenv. de Empreend. Imobiliários Ltda.	**100.00**	**-**	100.00	-
Posto Ciara Ltda.	**-**	**100.00**	-	100.00
Auto Posto Império Ltda.	**-**	**100.00**	-	100.00
Auto Posto Duque Salim Maluf Ltda.	**-**	**100.00**	-	100.00
Auto Posto Duque Santo André Ltda.	**-**	**100.00**	-	100.00
Auto Posto Duque Lapa Ltda.	**-**	**100.00**	-	100.00

Duque Conveniências Ltda.	**-**	**100.00**	-	100.00
Lake Niassa Empreend. e Participações Ltda.	**-**	**43.35**	-	52.41
Via Varejo S.A.	**43.35**	**-**	52.41	-
Indústria de Móveis Bartira Ltda. (“Bartira”)		**43.35**	-	-
Globex Administração e Serviços Ltda. (“GAS”)	**-**	**43.35**	-	52.41
Nova Casa Bahia S.A. (“NCB”)	**-**	**-**	-	52.41

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Companhia Brasileira de Distribuição

Notes to the financial statements

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(In thousands of Brazilian reais, unless otherwise stated)

3. **Basis for consolidation** – Continued

a) Interest in subsidiaries, associated companies and joint operations – Continued

	12.31.2013		12.31.2012	
Companies	Company	Indirect interest	Company	Indirect interest
Ponto Frio Adm. e Importação de Bens Ltda.	**-**	**43.34**	-	52.41
Rio Expresso Com. Atacad. de Eletrodoméstico Ltda.	**-**	**43.35**	-	52.41
Globex Adm. Consórcio Ltda.	**-**	**43.35**	-	52.41
PontoCred Negócio de Varejo Ltda.	**-**	**43.35**	-	52.41
Nova Extra Eletro Comercial Ltda.	**0.10**	**43.31**	0.10	52.36
Nova Pontocom Comércio Eletrônico S.A. ("Nova Pontocom")	**47.21**	**23.88**	39.05	31.11
E-Hub Consult. Particip. e Com. S.A.	**-**	**71.09**	-	70.16
Nova Experiência Pontocom S.A.	**-**	**71.09**	-	70.16
Sabara S.A	**-**	**43.35**	-	52.41
Casa Bahia Contact Center Ltda.	**-**	**43.35**	-	52.41
Globex - Fundo de Investimentos em Direitos Creditórios ("Globex FIDC")	**-**	**-**	-	52.41
Associated companies				
Financeira Itaú CBD S.A. - Crédito. Financiamento e Investimento ("FIC")	**-**	**41.93**	-	43.22
Dunnhumby Brasil Cons. Ltda.	**-**	**-**	2.00	-
Banco Investcred Unibanco S.A. ("BINV")	**-**	**21.67**	-	26.21
FIC Promotora de Vendas Ltda.	**-**	**41.93**	-	43.22
Joint operation				
Indústria de Móveis Bartira Ltda. ("Bartira")	**-**	**-**	-	13.10

All interests were calculated considering the percentages held by the GPA or its subsidiaries, The consolidation not necessarily reflects these percentages, as some companies have shareholders' agreement in which the Company has control and therefore allows the full consolidation.

b) Subsidiaries

The consolidated financial statements include the financial information of all subsidiaries over which the Company exercises control directly or indirectly.

Subsidiaries are all entities over which the Company has the control. The Company controls an entity when it is exposed, or has rights to variable returns as a result of its involvement with the investee and when the returns of the investor due to their involvement has the potential to vary as a result of the performance of the investee. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control and they are excluded from consolidation, when applicable, considering the date in which control ceases.

The financial statements of the subsidiaries are prepared on the same end of the reporting period as those of the Company, using consistent accounting policies, All intragroup balances, including income and expenses, unrealized gains and losses and dividends resulting from intragroup transactions are eliminated in full.

Gains or losses resulting from changes in equity interest in subsidiaries, not resulting in loss of control are directly recorded in equity.

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(In thousands of Brazilian reais, unless otherwise stated)

3. Basis for consolidation – Continued

b) Subsidiaries - continued

Losses are attributed to the non-controlling interest, even if it results in a deficit balance.

The main direct or indirect subsidiaries, included in the consolidation and the percentage of the Company's interest comprise:

(i) Novasoc

Although the Company's interest in Novasoc represents 10% of its shares units, Novasoc is included in the consolidated financial statements, as the Company controls 99.98% of the Novasoc's voting rights, pursuant to the shareholders' agreement. Moreover, under the Novasoc shareholders' agreement, the allocatin of its profit does not require to be proportional to the interest held in the company, or, 99.98%.

(ii) Via Varejo

The Company holds 43.35% of Via Varejo's total shares and holds 62.3% of Via Varejo's voting shares, giving the control of this subsidiary and consolidating fully its financial statements. Via Varejo trades electronic products, under the trade names "Pontofrio" and "Casas Bahia". See Note 14 (a) (ii).

On January 2, 2013 at the Extraordinary Shareholders' Meeting approved the merger of the subsidiary NCB into its parent company Via Varejo. With this merger, there were no impact on the consolidated financial statements.

The merger of NCB into Via Varejo aims at streamlining the organizational and corporate structure of entities, thus, providing a reduction of administrative and operating expenditures.

(iii) Sendas

The Company holds 100.00% of the capital of Sendas, which operates in the retail trade segment, mainly in the State of Rio de Janeiro.

(iv) GPA M&P

The GPA M&P aims to manage and operate the Company's real estate assets.

(v) Nova Pontocom

As described in Note 1 (f), on October 17, 2013, the Company obtained direct control over Nova Pontocom, an e-commerce company that sells products of any type to final customers through the websites: www.extra.com.br, www.pontofrio.com.br, www.casasbahia.com.br, www.barateiro.com.br and www.partiuviagens.com.br.

c) Associates - BINV and FIC

Associates are entities over which the Company has significant influence, but not control, over the activities. The investment is initially recognized at cost or fair value, according to each case, and results are recognized using the equity method.

The income statement for the year represents the portion of the results of operations. When there is a change directly recognized in the sequity of the associates, the Company recognizes its interest in those changes and discloses it in the statement of changes in equity, as appropriate.

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(In thousands of Brazilian reais, unless otherwise stated)

3. Basis for consolidation – Continued

c) Associates - BINV and FIC - continued

Unrealized gain and losses resulting from the operations between the Company and the associates are eliminated according to its interest in the associates.

The financial statements of the associates are prepared in the same reporting date as the Company and when necessary, adjustments are made to harmonize with the Company´s accounting policies.

After applying the equity method, Company determines whether it is necessary to recognize an impairment loss related to the Company's investment in associates. On each reporting date, the Company determines whether there is any evidence that its investments in associates will not be recoverable. If applicable, the Company calculates the impairment amount as the difference between the investment's recoverable amount and its carrying amount and records this loss in the income statement for the year.

The Company's investments in its associated companies Financeira Itaú CBD S.A. – Crédito, Financiamento e Investimento ("FIC") and Banco Investcred Unibanco S.A. ("BINV"), both entities that finance sales directly to GPA and Via Varejo customers are result of an association between Banco Itaú Unibanco S.A. ("Itaú Unibanco") with GPA and Via Varejo. These investments are accounted for under the equity method because these are entities over which the Company exercises significant influence, but not control, since the operation and financial decisions of BINV and FIC belongs to Itaú Unibanco.

The Company has significant influence in operating decisions of FIC through the Board of Directors of this entity.

FIC's summarized financial statements are as follows:

	Consolidated	
	12.31.2013	**12.31.2012**

Current assets	**3,521,684**	3,384,723
Noncurrent assets	**32,209**	43,171
Total assets	**3,553,893**	3,427,894
Current liabilities	**2,826,367**	2,768,570
Noncurrent liabilities	**23,192**	18,710
Shareholders	**704,434**	640,614
Total liabilities and equity	**3,553,893**	3,427,894
Income statement:		
Revenues	**895,101**	897,814
Operating income	**157,764**	66,671
Profit for the year	**87,939**	39,268

For the purposes of calculating the investment, the investee's equity should be deducted from the special goodwill reserve, which is the exclusive right of Itaú Unibanco.

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(In thousands of Brazilian reais, unless otherwise stated)

4. Significant accounting policies

a) Financial instruments

Financial instruments are recognized on the trade date and recorded at fair value plus transaction costs directly attributable to their acquisition or issue. Their subsequent measurement occurs at the end of each reporting period according to the rules established for each category of financial assets and liabilities.

Note 20 analyzes the fair value of the financial instruments and provides additional details on their measurement.

(i) *Financial assets*

Initial recognition and measurement

The financial assets held by the Company and its subsidiaries within the scope of CPC 38 (IAS 39) are classified according the purpose for which they were acquired or contracted for the following categories: (i) assets measured at fair value through profit or loss; (ii) loans and receivables, and (iii) investments held to maturity. The Company determines the classification of their financial assets at inception.

Financial assets are initially recognized at fair value through profit or loss and transaction costs are expensed in the income statement, Loans and receivables are accounted for at amortized cost.

Purchases or sales of financial assets that require the assets to be delivered within a time frame established by regulations or market conventions (negotiations under regular conditions) are recognized on the trade date, i.e., on the date that the Company and its subsidiaries commits to purchase or sell the asset.

The financial assets of the Company and its subsidiaries include cash and cash equivalents, trade accounts receivable, related-party receivables, court deposits and derivative financial instruments.

Subsequent measurement

- Financial assets measured at fair value through profit or loss: they represent assets acquired for short-term realization purposes and are measured at fair value at the end of the reporting period, Interest rates, monetary restatement, exchange rate variation and variations arising from the fair value measurement are recognized in the income statement for the year as financel income or costs, when incurred.

- Loans and receivables: these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After the initial recognition, they are measured using the amortized cost through the effective interest method. Interest income, monetary restatement, exchange rate variation, less any impairment loss, as applicable, are recognized in the income statement as finance income or costs, when incurred; and

- Held-to-maturity financial assets and liabilities: financial assets and liabilities that cannot be classified as loans and receivables as they are quoted in an active market, In this case, these financial assets are acquired with the intent and ability to hold to maturity. They are stated at their acquisition cost plus income earned against profit or loss for the year using the effective interest rate method.

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Notes to the financial statements

December 31, 2013 and 2012

(In thousands of Brazilian reais, unless otherwise stated)

4. Significant accounting policies – Continued

a) Financial instruments – Continued

(i) *Financial assets* – Continued

Derecognition of financial assets

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

- Its right to receive cash flows has expired; and
- The Company and its subsidiaries have transferred their rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full to a third party under an onlending agreement; and (a) the Company has transferred substantially all the risks and rewards related to the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards related to the assets, but has transferred its control.

When the Company has transferred its rights to receive cash flows from an asset or has entered into an onlending agreement, and has neither transferred nor retained substantially all the risks and rewards related to the asset or transferred control of the asset, the asset is maintained and an associated liability is recognized. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations retained by the Company and subsidiaries.

Impairment of financial assets

At the end of the reporting periods, the Company and its subsidiaries assess whether there is any indication of impairment of a financial asset or group of financial assets. The impairment of a financial asset or group of financial assets is only considered when there is objective evidence resulting from one or more events occurred after the asset's initial recognition ("loss event"), and if said event affects the estimated future cash flows of the financial asset or group of financial assets, which can be reliably estimated.The evidence of impairment may include indications that debtors (or group of debtors) are going through relevant financial constraints, moratorium or default in the amortization of interest or principal; likelihood that they will file for bankruptcy or another type of financial reorganization; and when these data indicate a measurable decrease in future cash flows, such as default interest variations or economic conditions related to default.

Specifically in relation to financial assets held to maturity, the Company and its subsidiaries, firstly, verify whether there is objective evidence of impairment individually for financial assets that are individually significant, or collectively for assets that are not individually significant, Should the Company and its subsidiaries determine the nonexistence of objective evidence of impairment of a financial asset measured individually – whether or not this significant loss – the Company classifies it in a group of financial assets with similar credit risk characteristics which are evaluated collectively. The assets individually assessed as to impairment, or for which the impairment is (or continues to be) recognized, are not included in the collective assessment of the loss.

Companhia Brasileira de Distribuição

Notes to the financial statements

December 31, 2013 and 2012

(In thousands of Brazilian reais, unless otherwise stated)

4. Significant accounting policies – Continued

a) Financial instruments – Continued

(i) *Financial assets* – Continued

Impairment is measured as the difference between the carrying amount of an asset and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted by the original effective interest rate of the financial asset. The asset's carrying amount decreases through the use of a provision and the impairment loss is recognized in the income statement, Interest revenue is recorded in the financial statements as part of finance income, In the case of loans or investments held to maturity with a variable interest rate, the Company measures the non-recovery based on the fair value of the instrument adopting an observable market price.

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

(ii) *Financial liabilities*

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

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

The Company's financial liabilities include loans and financing, debentures and derivative financial instruments.

Subsequent measurement

After initial recognition, interest-bearing loans and financings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement for the year when the liabilities are written off, or through amortization according to the effective interest rate method.

Derecognition of financial liabilities

A financial liability is derecognized when the underlying obligation is settled, cancelled or expired.

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

Offsetting of financial instruments

Financial assets and liabilities are offset and stated net in the financial statements only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention of settling them on a net basis or realizing the assets and settling the liabilities simultaneously.

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Notes to the financial statements

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(In thousands of Brazilian reais, unless otherwise stated)

4. Significant accounting policies – Continued

b) Foreign currency transactions

Foreign currency transactions are initially recognized at market value of the corresponding currencies on the date the transaction is qualified for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated to Real according to the market price at the end of the reporting periods. Differences arising on payment or translation of monetary items are recognized in financial result.

c) Hedge accounting

The Company uses derivative financial instruments such as interest rate and exchange rate swaps. These derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at the end of each reporting period. Derivatives are accounted for as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are directly recorded in the income statement.

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

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

The following are recognized as fair value hedges, in accordance with the procedures below:

- The change in the fair value of a derivative financial instrument classified as interest rate hedging is recognized as financial result. The change in the fair value of the hedged item is recorded as a part of the carrying amount of the hedged item and is recognized in the income statement;

- For fair value hedges relating to items accounted for at amortized cost, the adjustment to the carrying amount is amortized in profit or loss over the remaining term to maturity. Effective interest rate amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the hedged risk;

- If the hedge item is derecognized, the unamortized fair value is immediately recognized in profit or loss; and

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(In thousands of Brazilian reais, unless otherwise stated)

4. Significant accounting policies – Continued

c) Hedge accounting – Continued

- In order to calculate the fair value, debts and swaps are measured through rates disclosed in the financial market and projected up to their maturity date. The discount rate used in the calculation by the interpolation method for borrowings loans denominated in foreign currency is arrived at through DDI curves, clean coupon and DI x Yen, indices disclosed by the BM&FBovespa (the Brazilian Securities, Commodities and Futures Exchange), whereas for loans denominated in reais, the Company uses the DI curve, an index published by the CETIP and calculated through the exponential interpolation method.

d) Cash and cash equivalents

Cash and cash equivalents consist of cash, checking account and highly liquid short-term investments that are readily convertible into a known cash amount, and are subject to an insignificant risk of change in value, with intention and possibility to be redeemed in the short term in until 90 days.

e) Trade accounts receivable

Trade receivables are stated and maintained in the balance sheet position at their face sales amounts less allowance for doubtful debts, which is recorded based on the track record of loss and the risk analysis of the entire customer portfolio and the respective likelihood of collection.

Trade receivables refers to non-derivative financial assets with fixed payments or which may be calculated, without quotation in an the active market. After the initial measurement, these financial assets are subsequently measured at amortized cost according to the effective interest method ("EIM"), less impairment. The amortized cost is calculated taking into account eventual discounts or premiums over the acquisition and tariffs or costs comprising the EIM.The EIM amortization is included in net finance income (costs) in the income statement. Impairment expenses are recognized in the income statement.

At the end of each reporting period, the Company assesses if the financial assets or group of financial assets are impaired.

Impairment of receivables are based on historical rates observed in the last 24 months, besides observation of economic events like unemployment rates, consumer trends and past due receivables in the portfolio.

Impairment of receivables is considered uncollectable, therefore, written off definitely after 180 days past due.

f) Inventories

Inventories are accounted for at cost or net realizable value, whichever is lower. Inventories purchased are recorded at average cost, including warehouse and handling costs, to the extent these costs are necessary to make inventories available for sale in the stores, less bonuses received from suppliers.

Companhia Brasileira de Distribuição

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4. Significant accounting policies – Continued

f) Inventories – Continued

Net realizable value is the selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Inventories are reduced by an allowance for losses and breakage, which is periodically reviewed and evaluated as to it is adequacy.

g) Bonuses

Bonuses received from suppliers are measured and recognized based on contracts and agreements signed, and recorded the result insofar as the corresponding inventories are sold.

Comprise purchase volume agreement, logistics services and specific negotiations to recompose margin or marketing agreements, among others, and are deducted from payables to the respective suppliers, once the Company is contractually entitled to settle trade payables net of amounts receivable by way of bonus.

h) Present value adjustment of assets and liabilities

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

Interest rates embedded in revenue, expenses and costs associated with said assets and liabilities are adjusted for appropriate recognition in conformity with the accrual basis of accounting. The present value adjustment is recorded in those items, subject to the application of the rule against the financial result.

Present value adjustment of sales received in installments is initially recognized against “Trade Accounts Receivable” account, and unwinded against net sales over time.

Other accounts over which present value adjustment is recorded, the unwinding is made against financial result.

i) <u>Impairment of non-financial assets</u>

Impairment testing is designed, so the Company can present the net realizable value of an asset. This amount may be realized directly or indirectly, respectively, through the sale of the asset or the cash generated by the use of the asset in the Company and its subsidiaries’ activities.

The Company and its subsidiaries test their tangible or intangible assets for impairment annually or whenever there is internal or external evidence that they may be impaired.

An asset’s recoverable amount is defined as the asset’s fair value or the value in use of its cash generating unit (CGU), whichever is higher, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

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4. **Significant accounting policies** – Continued

i) Impairment of non-financial assets – Continued

If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and an allowance for impairment is recorded to adjust its carrying amount to its recoverable amount, In assessing the recoverable amount, the estimated future cash flow is discounted to present value using a pre-tax discount rate that represents the Company's weighted average cost of capital ("WACC"), reflecting current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in profit or loss for the year in expense categories consistent with the function of the respective impaired asset. Previously recognized impairment losses are only reversed in case of change in the assumptions used to determine the asset's recoverable amount at its initial or most recent recognition, except for goodwill, which cannot be reversed in future years.

j) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or impairment losses, if any.This cost includes the cost of acquisition of equipment and financing costs for long-term construction projects, if the recognition criteria are met. 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.

Asset category	Average annual depreciation rate
Buildings	2.50%
Improvements	4.43%
Data processing equipment	20.14%
Software	12.78%
Facilities	8.04%
Furniture and fixtures	9.92%
Vehicles	23.81%
Machinery and equipment	9.30%
Decoration	20.00%

Property and equipment items and eventual significant parts are written off when sold or when no future economic benefits are expected from its use or sale. Any aventual gains or losses arising from the write off of the assets are included in profit or loss for the year.

The residual value, the useful life of assets and the depreciation methods are reviewed at the end of each financial year end and adjusted prospectively, if applicable. The Company reviewed the useful lives of fixed and intangible assets in fiscal year 2013 and concluded that there are no changes to be made.

k) Capitalization of interest

Interest one loans directly attributable to the acquisition, construction or production of an asset that requires a substantial period of time to be prepared for its intended use or sale (qualifying asset) are capitalized as part of the cost of the respective assets during its construction phase. From the date that the asset is placed in operation, capitalized costs are depreciated over the estimated useful life of the asset.

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4. **Significant accounting policies** – Continued

l) Intangible assets

Intangible assets acquired separately are measured at cost at initial recognition, less amortization and eventual impairment losses. Internally generated intangible assets, excluding capitalized software development costs, are reflected in the income statement in which they were incurred.

Intangible assets consist mainly of software acquired from third parties, software developed for internal use, commercial rights (stores' rights of use), list of customers, advantageous lease agreements, advantageous furniture supply agreements and brands.

Intangible assets with definite useful lives are amortized by the straight-line method, The amortization period and method are reviewed, at least, at the end of each year, Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting assumptions.

Software development costs recognized as assets are amortized over their 10-year definite useful lives.

Intangible assets with indefinite useful lives are not amortized, but tested for recovery at the end of each year or whenever there are indications that their carrying value may be impaired either individually or at the level of the cash generating unit. The assessment is reviewed annually to determine whether indefinite life remains valid. Otherwise, useful life is changed prospectively from indefinite to definite.

Where applicable, gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net proceeds from the sale and the carrying amount of the asset, being recognized in the income statement in the year when the asset is written off.

m) Classification of assets and liabilities as current and noncurrent

Assets (except for deferred income and social contribution taxes) that are expected to be realized in or are intended for sale or consumption within twelve months as of the end of the reporting periods are classified as current assets. Liabilities (except for deferred income and social contribution taxes) that are expected to be settled within twelve months as of the end of the reporting periods are classified as current, All other assets and liabilities (including deferred tax assets and liabilities) are classified as “noncurrent”.

The deferred tax assets and liabilities are classified as “noncurrent”, net by entity, according to the related accounting pronouncement.

n) Leases

The definition of an agreement as lease is based on its initial date, i.e., if compliance with the arrangement depends on the use of a specific asset or assets or the arrangement transfers the right to use the asset.

Company as a lessee

Financial lease agreements, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or at the present value of the minimum lease payments, whichever is lower. Lease payments are allocated between financial charges and reduction of lease liabilities so as to achieve a constant interest rate in the remaining balance of liabilities. Financial charges are recognized as an expense in the year.

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4. Significant accounting policies – Continued

n) Leases - Continued

Leased assets are depreciated over their useful lives. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over its estimated useful life or the lease term, whichever is shorter. The capitalization of store improvements and remodelings are also taken into account.

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

The installment payments of leases (excluding service costs, such as insurance and maintenance) classified as operating lease agreements are recognized as expenses, on an accrual basis, during the lease term.

Contingent rentals are recognized as expenses in the years they are incurred.

Company as a lessor

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

Contingent rentals are recognized as revenue in the years in which they are earned.

o) Provisions

Provisions are recognized when the Company and its subsidiaries have a present obligation (legal or not formalized) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the obligation can be reliably estimated. Where the Company and its subsidiaries expect a provision to be fully or partially reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to the eventual provision is recognized in profit or loss for the year, net of any reimbursement. In cases of attorney's fees in favorable court decisions, the Company's policy is to make a provision when fees are incurred, i.e., upon final judgment on lawsuits, as well as disclose in notes the percentages and amounts involved in lawsuits in progress.

p) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability at the year-end, based on the minimum mandatory dividends established by the Bylaws. Exceeding amounts are only recorded at the date on which said additional dividends are approved by the Company's shareholders.

q) Deferred Revenue

The Company and its subsidiaries record revenue as liability for advance of amounts received from business partners for the exclusivity intermediation services of additional or extended warranties, recognized in income by evidence of the service in the sale of these warranties jointly with the business partners.

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4. **Significant accounting policies** – Continued

r) Equity

Common and preferred shares are classified as equity.

When any related party purchases shares of the Company's equity share capital (treasury shares), the remuneration paid, including any directly attributable incremental costs, is deducted from equity, and are recorded as treasury shares until the shares are cancelled or reissued. When these shares are subsequently reissued, any remuneration received, net of any directly attributable incremental transaction costs, is included in equity. No gain or loss is recognized on the purchase, sale, issue or cancellation of the Company's own equity instruments.

s) Share-based payment

Employees (including the Company's and its subsidiaries' senior executives) receive compensation in the form of share-based payment, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

Equity-settled transactions

The cost of equity-settled transactions is recognized as an expense in the year, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are met. Cumulative expenses recognized for equity instruments at each reporting date until the vesting date reflect the extent to which the vesting period has expired and the Company's and its subsidiaries' best estimate of the number of equity instruments that will ultimately vest.

Each year's expenses or income represent the change in the cumulative expenses recognized at the beginning and the end of that year. No expense is recognized for services that will not complete the vesting period, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is met, provided that all other performance and/or service conditions are met.

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

When an equity instrument is cancelled, it is treated as fully vested on the date of cancellation, and any expense not yet recognized related to the premium are immediately recognized in profit or loss for the year, This includes any premium whose non-vesting conditions within the control of either the Company or the employee are not met. However, if the cancelled plan is replaced by another plan and designated as a replacement grants on the date that it is granted, the cancelled grant and the new plan are treated as if they were a modification of the original grant, as described in the previous paragraph, All cancellations of equity-settled transactions are treated equally.

The dilutive effect of outstanding options is reflected as an additional share dilution in the calculation of diluted earnings per share (See Note 32).

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4. **Significant accounting policies** – Continued

t) Earnings per share

Basic earnings per share are calculated based on the weighted average number of outstanding shares of each category during the year, and treasury shares.

Diluted earnings per share are calculated as follows:

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

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

u) Determination of net income

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and its subsidiaries, and it can be reliably measured, Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements, except for those referring to extended warranties and insurance policy brokerage. Specifically in these cases, the Company operates as an agent, and revenue is recognized on a net basis, which reflects the commission received from insurance companies, The following specific recognition criteria must also be met before revenue is recognized:

(i) *Revenue*

a) *Sale of goods*

Revenue from sale of goods are recognized at their fair value and, when all the risks and benefits inherent to said good are transferred to the buyer, the Company and its subsidiaries cease to hold control or responsibility for the goods sold and the economic benefits generated to the Company and its subsidiaries are probable. No revenue is recognized if their realization is uncertain.

b) *Service revenue*

Due to the Company's action as agent in insurance extended warranty, financial protection insurance, personal accident insurance, sales agent in technical assistance and mobile phone recharge, revenues earned are presented net of related costs and recognized in profit or loss when probable that the economic benefits will flow to the Company and their values can be measured reliably.

c) *Finance service revenue*

As the activity of customer financing is an important part of the Company’s business, for all financial instruments measured at amortized cost, revenue is recorded using the effective interest rate, which discounts exactly the estimated future cash receipts through the expected life of the financial instrument, or a shorter period of time, where applicable, to the net carrying amount of the asset, Interest income is included under financial services, composing the Company's gross profit in the income statement.

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Notes to the financial statements

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4. Significant accounting policies – Continued

u) Determination of net income – Continued

(i) Revenue - Continued

d) *Interest income*

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

e) *Swap revenue*

Revenues are recognized: (i) at the time of conclusion of the swap of land owned by GPA M&P at the fair value of the consideration received on the barter date, (ii) upon delivery of the units sold by GPA M&P. The cost of the units sold comprises the fair value of the initially recognized barter.

f) Returns and cancellations

Returns and cancellations are recognized when incurred.

(ii) *Cost of goods sold*

The cost of goods sold comprises the cost of purchases net discounts and bonuses received from vendors, changes in inventories and logistics costs.Bonuses received from vendors are measured based on contracts and agreements signed with vendors.

The cost of sales includes the cost of logistics operations managed or outsourced by the Company, comprising warehousing, handling and freight costs incurred until the goods are available for sale, Transport costs are included in the acquisition costs.

(iii) *Selling expenses*

Selling expenses comprise all store expenses, such as salaries, marketing, occupancy, maintenance, expenses with credit card companies, etc.

Marketing expenses refer to advertising campaigns for each segment in which the Company operates. The main media used by the Company are: radio, television, newspapers and magazines. These expenses are recognized in profit or loss for the year at the time of realization, net of amounts received from suppliers joining the campaigns.

(iv) *General and administrative expenses*

General and administrative expenses correspond to overhead and the cost of corporate units, including the purchasing and procurement, IT and financial areas.

(v) *Other operating expenses, net*

Other operating income and expenses correspond to the effects of major events occurring during the year that do not meet the definition for the other income statement lines.

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Notes to the financial statements

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4. Significant accounting policies – Continued

u) Determination of net income – Continued

(vi) *Financial result*

Financial expenses include substantially all expenses generated by net debt and receivables sade during the year, offset by capitalized interest, losses related to the measurement of derivatives at fair value, losses on disposals of financial assets, financial charges on lawsuits and taxes and interest charges on financial leases, as well as discount charges.

Finance income includes income generated by cash and cash equivalents and restricted deposits, gains related to the measurement of derivatives at fair value.

v) Taxation

Current income and social contribution taxes

Current income and social contribution tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to calculate taxes are those in force or substantially in force at the end of the balance sheet dates.

Income taxes comprise Corporate Income Tax (“IRPJ”) and Social Contribution on Net Income (“CSLL”), calculated based on taxable income (adjusted income), at the applicable rates set forth in the legislation in force: 15% on taxable income plus a 10% surtax on annual taxable income exceeding R$240 for IRPJ, and 9% for CSLL.

Defered income and social contribution taxes

Deferred income and social contribution taxes are generated by temporary differences at the end of the reporting periods between the tax basis of assets and liabilities and their carrying amounts.

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

Deferred income and social contribution tax liabilities are recognized for all temporary taxable differences, except when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in an transaction other than a business combination and which, at the time of the transaction, affects neither accounting profit nor tax losses,

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

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

Companhia Brasileira de Distribuição

Notes to the financial statements

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4. Significant accounting policies – Continued

v) Taxation – Continued

Deferred income and social contribution tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) in effect or substantively in effect at the end of the reporting period.

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

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

Other taxes

Revenue from sales and services is subject to taxation by State Value-Added Tax (“ICMS”) and Services Tax (“ISS”), calculated based on the rates applicable to each region, as well as contribution for the Social Integration Program (“PIS”) and contribution for Social Security Financing (“COFINS”), and are presented net of sales revenue.

Revenue and expenses are recognized net of taxes, except where the sales tax incurred on the purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

w) Business combinations and goodwill

Business combinations are recorded using the acquisition method. The cost of an acquisition is measured as the sum between the consideration transferred, measured at fair value on the acquisition date, and the remaining amount of non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value or through the proportional interest in the acquiree identifiable net assets. The acquisition costs incurred are treated as an expense and included in administrative expenses.

When the Company acquires a business, it assesses its financial assets and liabilities in order to appropriately classify and designate them in accordance with contractual terms, economic circumstances and relevant conditions on the acquisition date. This includes the separation of derivatives embedded in agreements by the acquiree.

Should the business combination occur in phases, the fair value on the acquisition date of the interest previously held by the acquirer in acquiree is adjusted to fair value on the acquisition date through profit or loss.

Any contingent payment to be transferred by the acquirer will be recognized at fair value on the acquisition date, Subsequent changes in the fair value of the contingent payment considered as an asset or liability will be recognized through profit or loss or as a change in other comprehensive income.

Goodwill is initially measured at cost and is the excess between the consideration transferred and the non-controlling interest in assets and assumed liabilities, If this payment is lower than the fair value of the acquiree's net assets, the difference is recognized in profit or loss as bargain purchase gain.

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4. Significant accounting policies – Continued

w) Business combinations and goodwill - Continued

After initial recognition, goodwill is measured at cost, less any impairment losses, For impairment testing purposes, the goodwill acquired in a business combination is, as of the acquisition date, allocated to each one of the Company's cash generating units that will benefit from the business combination, regardless of whether other assets or liabilities of the acquire will be assigned to these units.

When goodwill is part of a cash generating unit and part of the operation at this unit is sold, the goodwill related to the sold operation is included in the book amount of the operation when calculating profit or loss from the sale of the operation, This goodwill is then measured based on the relative amounts of the sold operation and part of the cash generating unit which was maintained.

x) Pension plan

The pension plan is funded through payments to insurance companies, which are classified as a defined contribution plan according to CPC 33 (IAS 19). A defined contribution plan is a pension plan whereby the Company pays fixed contributions to a separate legal entity. The Company has no legal or constructive obligation to pay additional contributions in relation to the plan’s assets.

y) Customer loyalty programs

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

The Company estimates the fair value of the points granted according to the “Programa Mais” customer loyalty plan, by applying statistical techniques, considering the two-year expiration of the plan defined in the regulations,the percentages of points conversion, and the cost of conversion, which starts by converting 3,000 points into twenty reais (R$20.00) in products.

The Company recognizes the points initially granted and the reversal of points expired under net sales.

z) Statement of value added

This statement is intended to evidence the wealth created by the Company and its distribution in a given year and is presented as required by Brazilian Corporation Law as part of its parent company and consolidated financial statements, as it is neither mandatory nor established by IFRS.

This statement was prepared based on information obtained from accounting records which provide the basis for the preparation of the financial statements, additional records, and in accordance with technical pronouncement CPC 09 – Statement of Value Added, The first part presents the wealth created by the Company, represented by revenue (gross sale revenue, including taxes, other revenue and the effects of the allowance for doubtful accounts), inputs acquired from third parties (cost of sales and acquisition of materials, energy and outsourced services, including taxes at the time of acquisition, the effects of losses and the recovery of assets, and depreciation and amortization) and value added received from third parties (equity in the earnings of subsidiaries, financial income and other revenues). The second part of the statement presents the distribution of wealth among personnel, taxes, fees and contributions; and value distributed to third party creditors and shareholders.

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5. Adoption of new standards, amendments to and interpretations of existing standards issued by the IASB and CPC and standards issued but not yet effective

Adoption of new standards, amendments and interpretations of pronouncements issued by the IASB and the CPC

The following new standards, changes and interpretations of pronouncements, applicable to the Company were issued by the IASB and the CPC and will enter into effect as of January 1, 2013.

- IFRS 10 / CPC 36 (R3): Consolidated Financial Statements – IFRS 10 replaced SIC 12 and IAS 27 and includes a new definition of control that applies to the financial statements when one entity controls one or more entities. The Company evaluated if the conclusion on the consolidation of its subsidiaries under IFRS 10 is different from the one adopted by the Company on January 1, 2012 and December 31, 2012, pursuant to IAS 27 and SIC 12. The Company concluded that the adoption of IFRS 10 does not change the consolidation of its subsidiaries and, therefore, does not impact the financial statements for the fiscal year ended December 31, 2013.

- IFRS 11 / CPC 19 (R2): Joint Arrangements – IFRS 11 replaced SIC 13 and IAS 31 and applies to the jointly controlled businesses and contracts. In accordance with this standard, businesses and contracts controlled jointly with other shareholders are classified as joint arrangements. The accounting treatment will depend on the classification of the joint arrangements and may be recognized under the equity method (joint ventures) or through the consolidation of its interest in the assets, liabilities, revenue and expenses contributed to the joint operation (joint operation). The Company evaluated if the conclusion on the accounting treatment of its joint arrangements under IFRS 11 is different from the one adopted by the Company on January 1, 2012 and December 31, 2012, pursuant to IAS 31 and SIC 13. Under IRFS 11, joint arrangements recognition follows the same accounting treatment adopted for the consolidated financial statements for the fiscal year ended December 31, 2012. The adoption of IFRS 11 has no impact on the financial statements for the fiscal year ended December 31, 2013.

- IFRS 12 / CPC 45: Disclosure of Interests in Other Entities – IFRS 12 deals with the disclosure of interests in other entities, whose purpose is to inform users of the risks, nature and effects of these interests on the financial statements. The disclosures included in the financial statements for the fiscal year ended December 31, 2013 are in compliance with IFRS 12.

- IFRS 13 / CPC 46: Fair Value Measurement – IFRS 13 applies when other IFRS pronouncements require or permit fair value measurements or disclosures (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). The disclosures included in the financial statements for the year ended December 31, 2013 are in compliance with IFRS 13.

There are no other standards and interpretations issued and in effect that have a significant impact on the profit/loss or equity disclosed by the Company.

Standards issued but not yet effective

The Company has not adopted the following new and revised IFRSs that have been issued and are not yet in effect:

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5. Adoption of new standards, amendments and interpretations to existing standards issued by the IASB and CPC and standards issued but not yet effective - Continued

- IFRS 9 – Financial Instruments - Classification and Measurement (CPC 38, 39 and 40) – introduces new requirements for the classification and measurement of financial assets and financial liabilities. IFRS 9 uses a simple approach to determine if a financial asset is measured at amortized cost or fair value, based on the way an entity manages its financial instruments (its business model) and the characteristic contractual cash flow of the financial assets. The standard also requires the adoption of only one method to determine asset impairment losses and the recognition of the change in the fair value of financial liabilities attributable to changes in the credit risk of these liabilities under "Other comprehensive income", pursuant to certain criteria. This standard will be in effect for the fiscal years beginning as of January 1, 2015, and the Company will carry out a detailed review of its financial liabilities recorded at fair value to assess the effects of this adoption.

- Amendments to IAS 32 – Financial Instruments – Presentation (CPC 39) – it adds guidance on the offset between financial assets and financial liabilities, whose amendments will take effect in the fiscal years beginning on or after January 1, 2014, and the Company does not expect any significant impact as a result of their adoption.

- Changes to IFRS 10, IFRS 12 and IAS 27 Investment Entities – these define an investment entity and require that the reporting entity classified as an investment entity does not consolidate its subsidiaries, but, instead, measures its subsidiaries at fair value through profit or loss in its separate and consolidated financial statements, in addition to reporting requirements. This change will enter into effect for the fiscal years beginning on or after January 2014 and the Company does not expect any impacts as a result of its adoption.

- IAS 36 – Impairment of Assets (CPC 01) – adds guidance on the disclosure of the recoverable amounts of non-financial assets, whose change will enter into effect for the fiscal years beginning on or after January 2014, and the Company is assessing the impacts its adoption will have on disclosure.

- IAS 39 – Impairment of Assets – adds guidance clarifying that there is no need to discontinue hedge accounting if the derivative instrument is renewed, provided that certain criteria are met. This change will enter into effect for the fiscal years beginning on or after January 2014 and the Company does not expect any significant impacts as a result of its adoption.

- IFRIC 21 - Fees – provides guidance on when a liability arising from fees imposed by the government should be recognized, in effect as of January 1, 2014, and the Company is assessing the impacts of its adoption on disclosure.

There are no other standards and interpretations issued and not yet in effect, which, according to Management, may have a significant impact on profit/loss or equity disclosed by the Company.

6. Significant accounting judgments, estimates and assumptions

Judgments, estimates and assumptions

The preparation of the parent company and consolidated financial statements requires Management to make judgments, estimates and assumptions that impact the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the year; however, uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amount of the asset or liability impacted in future years, In the process of applying the Company's accounting policies, Management has made the following judgments, which have the most significant impact on the amounts recognized in the parent company and consolidated financial statements:

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6. Significant accounting judgments, estimates and assumptions - Continued

<u>Judgments, estimates and assumptions</u> - Continued

a) *Financial lease commitments – Company as a lessee*

The Company has entered into commercial property lease agreements in its leased property portfolio and, based on an evaluation of the terms and of conditions of the agreements, it retains all the significant risks and of rewards of ownership of these properties and recorded the agreements as financial lease.

b) *Impairment*

According to the method disclosed in note 4 (i), the Company performed test to verify that the assets might not be recoverable and the year ended December 31, 2013, based on those tests, there was no need for the provision.

The procedure for verification of non-recoverability of property and equipments, consisted in allocating operating assets and intangible assets (such as Commercial rights) directly attributable to the Cash Generanting Units – UGC (stores), The steps of the test were as follows:

- Step 1: compared the carrying amount of UGCs with a multiple of sales (15% to 30%), representing transactions between retail companies, For UGCs multiple-valued lower than the carrying amount, we come to a more detailed method, described in Step 2;

- Step 2: we prepare the discounted cash flow of UGC, using sales growth between 6.6% and 6.7% until the 5th year, and growth above inflation for the 6th year onwards, The discount rate used was 10,8%.

For the purposes of impairment test, goodwill acquired through business combinations and licenses with indefinite life was allocated to 4 cash generating units, which are also operational segments that disclose financial information, being Retail, Home Appliances, Wholeservice and E-commerce.

Segments' recoverable value is calculated using the value in use based on estimated cash from financial budgets approved by senior management for the following three years. The discount rate before income tax on cash flow projections is 10.8% (10.8% on December 31, 2012), and the cash flows exceeding three years are extrapolated using a growth rate of 6.5% (6.7% on December 31, 2012). Based on this analysis, a provision for impairment was not necessary.

The self-service wholesale brand refers to "ASSAI", and the home appliance brands refer to "PONTO FRIO" and "CASAS BAHIA". These brands were recorded due to the business combinations with companies that held right over them.

The amount was tested for impairment based on the income approach methodology - relief from royalty, which consists of determining the asset value by measuring the fair value of future benefits. Given the brand's indefinite useful life, we considered a perpetuity growth rate of 6.5% during the preparation of the discounted cash flow. The royalty rate used was 0.4% for "ASSAI" brand, 0.7% for "PONTO FRIO" and 0.9% for "CASAS BAHIA".

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6. Significant accounting judgments, estimates and assumptions - Continued

Judgments, estimates and assumptions - Continued

c) *Income taxes*

Given the nature and complexity of the Company’s business, the differences between actual results and assumptions, or future changes to such assumptions, could result in future adjustments to already recorded tax revenue and expenses. The Company and its subsidiaries record provisions, based on reasonable estimates, for the eventual consequences of audits by the tax authorities of the respective countries in which it operates. The amount of these provisions is based on various factors, such as previous tax audits and different interpretations of tax regulations by the taxpayer and the appropriate tax authority, Such differences in interpretation may refer to a wide range of issues, depending on the conditions prevailing in the respective entity's domicile.

Deferred income and social contribution tax assets are recognized for all unused tax losses to the extent that it is probable that taxable income will be available against which to offset the tax credits. Significant Management judgment is required to determine the amount of deferred income and social contribution tax assets that can be recognized, based on income estimates and future taxable income, based on the annual business plan approved by the Board of Directors.

The Company and its subsidiaries’ tax losses carryforward amounting to a tax benefit of R$793,633 at December 31, 2013 (R$796,771 at December 31, 2012). These losses do not expire, therefore their use is limited by law to 30% of taxable income for each year. The amounts relate to the Company and its subsidiaries that have tax planning opportunities for the use of these balances.

Further details on taxes are disclosed in Note 22.

d) *Fair value of derivatives and other financial instruments*

When the fair value of financial assets and liabilities recorded in the financial statements cannot be obtained in active markets, it is determined according to the hierarchy set by technical pronouncement CPC 38 (IAS39), which establishes certain valuation techniques, including the discounted cash flow model, The data for these models are obtained, whenever possible, from observable markets or from information on comparable operations and transactions in the market, The judgments include the analyses of data, such as liquidity risk, credit risk and volatility, Changes in assumptions about these factors may affect the reported fair value of financial instruments.

The fair value of financial instruments actively traded on organized markets is determined based on market quotes, at the end of the reporting periods, without deducting transaction costs. For financial instruments not actively traded, the fair value is based on valuation techniques defined by the Company and compatible with usual market practices. These techniques include the use of recent market arm’s length transactions, the benchmarking of the fair value of similar financial instruments, the analysis of discounted cash flows or other valuation models.

When the fair value of financial assets and liabilities recorded in the balance sheet cannot be observed in active markets, it is determined by valuation techniques, including the discounted cash flow method. The inputs used by these methods are collected from the market, where applicable, When these inputs are not available, judgment is required to determine the fair value, This judgment considers liquidity risk, credit risk and volatility. Changes in assumptions for these factors may affect the fair value of the financial instruments.

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6. Significant accounting judgments, estimates and assumptions - Continued

Judgments, estimates and assumptions - Continued

e) *Share-based payments*

The Company measures the costs of transactions with employees eligible to share-based remuneration based on the fair value of the equity instruments on the grant date. Estimating the fair value of share-based payment transactions requires determining the most appropriate valuation model, which depends on the terms and conditions of the grant, This estimate also requires determining the most appropriate inputs for the valuation model, including the expected useful life of the stock options, volatility and dividend yield, as well as making assumptions about them, The assumptions and models used to estimate the fair value of share-based payment transactions are disclosed in Note 27 (f).

f) *Provision for contingencies*

The Company and its subsidiaries are parties to several judicial and administrative proceedings, see note n° 24, Provisions for legal claims are recognized for all cases representing reasonably estimated probable losses. The assessment of the likelihood of loss takes into account available evidence, the hierarchy of laws, former court decisions and their legal significance, as well as the legal counsel’s opinion, The Company's management concluded that the provisions for tax, civil and labor claims are adequately presented in the parent company and consolidated financial statements.

g) Provision for losses on accounts receivable

The subsidiary Via Varejo has in its accounts receivable the amount of installment sales to be received by individual customers, over which, the estimation of losses is made in accordance with the expected percentage of losses, obtained through the observation of the historical behavior of the portfolio, as well as, other economic circumstances.

h) Tax recoverable

Company and its subsidiaries have tax recoverable mainly related to ICMS, ICMS from Tax Substitution, PIS and Cofins. The utilization of its taxes is made based on the projections prepared by management, operational issues and the consumption of the credits by the companies in the group. Further details on note 12 of credits and compensation.

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7. Cash and cash equivalents

		Parent Company		Consolidated	
	Rate (a)	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Cash on hand and bank accounts		**115,112**	230,183	**343,114**	490,616
Financial investments:					
Itaú BBA	100.9%	**527,521**	370,448	**778,881**	1,430,672
Itaú – Delta Fund	101.6%	**5,115**	706,458	**181,384**	1,831,692
Banco do Brasil	100.8%	**206,246**	722,665	**1,425,957**	1,376,813
Bradesco	101.0%	**824,736**	684,409	**2,051,130**	1,496,352
Santander	102.0%	**322,548**	61,744	**995,568**	62,692
CEF	101.0%	**99,031**	3,046	**732,424**	4,104
Votorantim	102.3%	**101,436**	2,196	**439,082**	5,850
Safra	101.7%	**356,477**	83,873	**645,197**	337,682
Credit Agricole	102.4%	**127,731**	-	**362,996**	-
BNP	101.1%	**105,100**	-	**279,469**	-
Other	(b)	**60,167**	25,309	**131,974**	49,778
		2,851,220	2,890,331	**8,367,176**	7,086,251

(a) Financial investments at December 31, 2013 and December 31, 2012 earn interest by the Interbank Deposit Certificate (“CDI”) and redeemable in terms of less than 90 days.

(b) Refer to automatic investments at the end of each month.

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8. Trade accounts receivable

	Parent Company			Consolidated		
	12.31.2013	12.31.2012	01.01.2012	12.31.2013	12.31.2012	01.01.2012
Credit card companies (a)	**82,554**	146,114	144,227	**276,262**	421,384	454,648
Sales vouchers	**98,849**	124,845	92,810	**148,101**	181,253	176,917
Consumer finance - CDCI (b)	**-**	-	-	**2,249,407**	2,078,439	1,937,410
Credit sales with post-dated checks	**2,076**	2,537	984	**3,018**	4,004	4,010
Accounts receivable from wholesale customers	**-**	-	-	**18,394**	30,016	49,106
Private label credit card	**13,545**	22,356	19,214	**13,539**	22,360	19,214
Account receivable FIDCs	**-**	-	928,225	**-**	-	2,558,726
Accounts receivable from related parties (Note 13 a)	**105,047**	192,430	197,758	**-**	-	-
Present value adjustment (c)	**-**	-	-	**(7,264)**	(5,488)	(10,823)
Allowance for doubtful accounts (d)	**(2,600)**	(81)	-	**(228,733)**	(189,492)	(210,970)
Accounts receivable from suppliers	**13,000**	4,441	53,934	**18,205**	8,663	121,840
Other		-	-	**24,737**	94,940	11,864
Current	**312,471**	492,642	1,437,152	**2,515,666**	2,646,079	5,111,942
Consumer finance – CDCI (b)	**-**	-	-	**125,219**	117,487	117,783
Allowance for doubtful accounts (d)	**-**	-	-	**(10,320)**	(8,988)	(6,998)
Noncurrent	**-**	-	-	**114,899**	108,499	110,785
	312,471	492,642	1,437,152	**2,630,565**	2,754,578	5,222,727

(a) Credit card companies

The Company and subsidiaries sell credit card receivables to banks or credit card companies without recourse or in order to strengthen their working capital.

In view of the restructuring of receivables funds previously used for credit assignment of accounts receivable with credit cards, which are described in Note 9, in the year ended December 31, 2013, the Company and its subsidiaries sold its receivables from credit card issuers in the amount of R$29,698,080 (27,090,485 at December 31, 2012) to operators or banks directly, without any right of recourse or obligation related.

(b) Consumer finance– CDCI – Via Varejo

It refers to direct consumer credit through an intervening party (CDCI), which can be paid in up to 24 installments, however, the most utilized term is substantially less than 12 months.

The Company maintains agreements with financial institutions where it is referred to as the intervening party of these operations (see Note 19).

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8. Trade accounts receivable - Continued

(c) Adjustment to present value

The discount rate used by the subsidiary Via Varejo, operations banner "Casas Bahia" considers current market valuations of the time value of money and the asset's specific risks, Credit sales with the same cash value were carried to their present value on the transaction date, in view of their terms, adopting the monthly average rate of receivables anticipation with credit card companies, In the year ended December 31, 2013 these rates averaged 0.72% per month (0.72% per month at December 31, 2012).

(d) Allowance for doubtful accounts

The allowance for doubtful accounts is based on average historical losses complemented by Company's estimates of probable future losses:

	Parent Company		**Consolidated**	
	12.31.2013	**12.31.2012**	**12.31.2013**	**12.31.2012**
At the beginning of the year	**(81)**	-	**(198,480)**	(217,968)
Provision recorded in the period	**(2,729)**	(81)	**(475,857)**	(324,462)
Allowance write-off	**210**	-	**435,284**	343,950
At the end of the year	**(2,600)**	(81)	**(239,053)**	(198,480)
Current	**(2,600)**	(81)	**(228,733)**	(189,492)
Noncurrent		-	**(10,230)**	(8,988)

Below, the breakdown consolidated of accounts receivable by gross amount and maturity period:

			Past-due receivables			
	Total	Falling due	<30 days	30-60 days	61-90 days	>90 days
12.31.2013	**2,869,618**	**2,565,483**	**162,755**	**56,635**	**36,265**	**48,480**
12.31.2012	2,953,058	2,775,925	91,796	32,820	21,823	30,694

9. Receivables securitization fund

Due to changes in its policy of sales of receivables, the Company negotiated changes to its receivables funds.

Accordingly, as GPA does not hold any interest in the current Multicredit FIDC and is not obliged to absorb any of the estimated risks of the fund assets, the Fund was excluded from consolidation on December 26, 2012.

a) PAFIDC: There was a change in the bylaw of PAFIDC approved at the Quotaholders' Meeting of December 21, 2012, in which the Company no longer has interest or obligation to the Fund, The Fund had its name changed to denominate Multicredit FIDC and no longer holds, exclusively, GPA receivables.

Therefore, as GPA no longer has any interest in the current FIDC and has no obligation to absorb any of the expected risks of the fund's assets, the Fund ceased to be consolidated at December 26, 2012.

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9. Receivables securitization fund - Continued

b) Globex FIDC: The operations of discounted receivables by credit card through the Globex FIDC were closed at December 14, 2012, in mutual agreement with the senior quotaholders.

Thus, the senior quotas were paid to quotaholders by the fund and at December 31, 2012, remained in the fund balance of cash and obligations in counterpart to subordinated quotas that had been completely redeemed, thus completing the process of liquidation of the Fund during the first quarter of 2013.

With this restructuring the Company and Via Varejo began carrying out the receivables discount, as described in Note 8 (a).

10. Other accounts receivable

	Parent Company		Consolidated	
	12.31.2013	**12.31.2012**	**12.31.2013**	**12.31.2012**
Accounts receivable related to sale of property and equipment	**16,609**	11,345	**55,320**	78,821
Expenses reimbursements (b)	**-**	-	**20,556**	51,939
Advances rentals	**12,521**	7,839	**41,616**	10,396
Amounts to be reimbursed	**25,871**	12,274	**106,269**	93,100
Accounts receivable – Audax	**7,491**	-	**13,028**	-
Trade accounts receivable from services	**-**	-	**2,366**	5,127
Rental receivable	**15,455**	13,110	**22,346**	17,630
Accounts receivable - Paes Mendonça (a)	**-**	-	**514,615**	484,008
Rede Duque (note 15)	**-**	-	**49,255**	-
Other	**1,281**	2,313	**31,932**	26,849
	79,228	46,881	**857,302**	767,870
Current	**47,890**	21,141	**227,367**	211,473
Noncurrent	**31,338**	25,740	**629,935**	556,397

(a) Accounts receivable - Paes Mendonça.

Accounts receivable from Paes Mendonça relate to amounts deriving from the payment of third-party liabilities by the subsidiaries Xantocarpa, Novasoc and Sendas, Pursuant to contractual provisions, these accounts receivable are monetarily restated (General Market Price Index – IGP-M) and guaranteed by commercial lease rights ("Commercial rights") of certain stores currently operated by the Company, Novasoc, Sendas and Xantocarpa, The maturity of the accounts receivable is linked to the lease agreements, which expire in 2014 and were kept on non current, due to the possibility of conversion of payment of intangibles of leased stores.

(b) Expenses reimbursements from suppliers

Derive from the compliance with purchase volume, price protection, and as part of agreements defining the supplier's participation in marketing and advertising expenses.

At June 30, 2013, Via Varejo changed the negotiation with suppliers of goods and services so that the settlement of these amounts occurs by reducing the balance payable. Thus, the receivable of R$58,508 was classified at December 31, 2013 under suppliers account. This new classification does not alter the balances as at December 31, 2012, once the new agreements were entered into in 2013.

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11. Inventories

	Parent Company		Consolidated	
	12.31.2013	**12.31.2012**	**12.31.2013**	**12.31.2012**
Stores	**1,425,069**	1,288,127	**3,597,410**	2,890,345
Distribution centers	**796,061**	892,962	**2,914,980**	3,021,882
Inventories in construction (c)	**-**	-	**172,280**	172,280
Bonus in inventories (a)	**(43,131)**	(40,251)	**(78,830)**	(99,453)
Provision for obsolescence/losses and breakage (b)	**(12,390)**	(8,41)	**(52,016)**	(53,126)
	2,165,609	2,132,697	**6,553,824**	5,931,928
Current	**2,165,609**	2,132,697	**6,381,544**	5,759,648
Noncurrent	**-**	-	**172,280**	172,280

(a) Bonuses in inventories

The Company records bonuses received from vendors in the statement of income as the inventories that gave rise to the bonuses are realized.

(b) Provision for obsolescence/losses and breakage

	Parent Company		Consolidated	
	12.31.2013	**12.31.2012**	**12.31.2013**	**12.31.2012**
At the beginning of the year	**(8,141)**	(6,780)	**(53,126)**	(75,809)
Additions	**(11,219)**	(5,132)	**(64,898)**	(59,311)
Write-offs	**6,970**	3,771	**66,008**	81,994
At the end of the year	**(12,390)**	(8,141)	**(52,016)**	(53,126)

(c) Inventories in construction

The amount of inventories of real estate units under construction refers to the fair value of the barter of land for real estate units, based on the market value of real estate units received, as observed in comparable market transactions

Barter revenue refers to the transaction whereby GPA M&P gave lands in exchange of the real estate units of the projects Thera Faria Lima Pinheiros ("Thera"), Figue and Classic and Carpe Diem, plus one store to be built on the ground floor of the Thera Faria Lima Pinheiros building. Construction and development are being carried out by Cyrela Polinésia Empreendimentos Imobiliários Ltda., Pitangueiras Desenvolvimento Imobiliário SPE Ltda. and Hesa Investimentos Imobiliários Ltda. Barter revenue corresponds to the fair value of the land exchanged, net of its carrying amount. The apartment units of the Thera project are scheduled to be delivered within 52 months from December 18, 2011. For the Figue project the delivery will occur 29 months from April 4, 2012 and for Classic e Carpe Diem (Bosque Maia Project) the delivery will occur between 36 and 48 months from November 11, 2012. The sales deferred revenue and the accounts receivables are recognized on a net basis as deferred revenue (note 26) and when the delivery of the property, the net gain from this transaction will be recognized in the income statement, taking into account the balance of inventory.

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12. Recoverable taxes

	Parent company		Consolidated	
	31.12.2013	**31.12.2012**	**31.12.2013**	**31.12.2012**
Current				
State value-added tax on sales and services – ICMS recoverable (a)	**98,360**	129,898	**769,086**	686,554
Social Integration Program/ Tax for Social Security Financing-PIS/COFINS recoverable	**4,142**	21,752	**20,242**	34,741
Income tax onFinancial investments	**43,112**	36,381	**50,864**	70,157
Income and Social Contribution taxes	**2,420**	3,889	**31,031**	47,842
Social Security Contribution - INSS	**-**	-	**30,796**	29,338
Other	**-**	1,794	**5,964**	2,389
Total current	**148,034**	193,714	**907,983**	871,021
Noncurrent				
ICMS recoverable (a)	**279,457**	150,333	**1,088,787**	1,000,076
PIS/COFINS recoverable	**-**	-	**254,228**	150,713
Social Security Contribution- INSS	**71,423**	67,318	**86,006**	80,853
Total noncurrent	**350,880**	217,651	**1,429,021**	1,231,642
	498,914	411,365	**2,337,004**	2,102,663

(a) The full ICMS realization of this value will occur as follows:

In	**Parent Company**	**Consolidated**
Up to one year (*)	**98,360**	**769,086**
2015	**75,549**	**438,035**
2016	**65,123**	**280,797**
2017	**67,934**	**294,104**
2018	**26,959**	**28,861**
2019	**27,844**	**29,809**

2020	**16,048**	**17,181**
	377,817	**1,857,873**

(*) The realization projection does not consider new credits that will be generated.

Since 2008, the Brazilian States have been substantially changing their laws aiming at implementing and broadening the ICMS (State VAT) tax substitutes system. Referred system implies the prepayment of ICMS throughout the commercial chain, upon goods outflow from manufacturer or importer or their inflow into the State. The creation of such system to a wider range of products traded at retail is based on the assumption that the trading cycle of these products will end in the State, so that ICMS is fully owed thereto.

Companhia Brasileira de Distribuição

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12. Recoverable taxes – Continued

In order to supply its stores, the Company maintains Distribution Centers strategically located in certain States and in the Federal District, which receive goods with ICMS of the entire commercial chain (by force of tax replacement) already prepaid by suppliers or the Company, and then, goods are sent to locations in other States. Such interstate shipment remittance entitles the Company to a refund reimbursement of prepaid ICMS, i.e., the ICMS of the commercial chain paid in acquisition becomes a tax credit to be refunded, pursuant to the State laws.

The refund process requires the evidence through tax documents and digital files referring to the operations that entitled the Company to refund. Only after its previous legal ratification by State Tax Authorities and/or compliance with specific ancillary obligations aiming such evidence then credits may be used by the Company, which occurs in periods after these are generated.

Since the number of items traded at retail, subject to tax replacement, has been continuously increasing, the tax credit to be refunded by the Company has also grown.

The Company has been realizing these credits with authorization for immediate offset with those credits due in view of its operations, for having obtained the Special Regime and also for complying with other procedures contained in the state rulings.

Referring to the credits which still cannot be offset immediately, the Company’s Management based on a technical feasibility study, based on the growth future expectation and offset against debts deriving from its operations, understands its future offset is feasible. These studies were prepared based on information extracted from strategically planning report previously approved by the Company’s Board of Directors.

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13. Related parties

a) Sales, purchases of goods, services and other operations

	Parent Company		Consolidated	
	12.31.2013	**12.31.2012**	**12.31.2013**	**12.31.2012**
Customers				
Subsidiaries:				
Novasoc Comercial	**36,386**	41,395	-	-
Sé Supermercados	**13,166**	91,009	-	-
Sendas Distribuidora	**49,856**	55,121	-	-
Barcelona	**2,577**	1,865	-	-
Via Varejo	**2,197**	1,858	-	-
Nova Pontocom (xii)	**865**	1,182	-	-
Xantocarpa		-	-	-
	105,047	192,430	**-**	-

Suppliers