BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD
Form 20-F/A
January 30, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

Amendment no. 1

¨ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

OR

¨ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-14626

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

(Exact Name of Registrant as Specified in its Charter)

BRAZILIAN DISTRIBUTION COMPANY

(Translation of Registrant’s name into English)

THE FEDERATIVE REPUBLIC OF BRAZIL
(Jurisdiction of incorporation or organization)

Christophe Hidalgo, Chief Financial Officer

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gpa.ri@gpabr.com

Avenida Brigadeiro Luiz Antonio, 3,142

01402-901 São Paulo, SP, Brazil

(Address of principal executive offices)

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

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

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

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

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

None

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

None

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

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

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

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

x Yes ¨ No

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

¨ Yes x No

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

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

x Yes ¨ No

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

¨ Yes x No

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

Large Accelerated Filer x Accelerated Filer ¨ Non-accelerated Filer ¨

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

U.S. GAAP ¨	International Financial Reporting Standards as issued by the International Accounting Standards Board x	Other ¨

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

Item 17 ¨ Item 18 ¨

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

¨ **Yes** x No

EXPLANATORY NOTE

The Company is amending its annual report on Form 20-F for the year ended December 31, 2013 (the "Annual Report") as originally filed with the U.S. Securities and Exchange Commission (the "SEC") on April 30, 2014 to:

(i) revise the disclosure in the Annual Report to correct an editorial error and refer to December 31, 2013 instead of December 31, 2012 in the first paragraph under Item 15. Controls and Procedures, page 96;

(ii) correct certain editorial errors in the names of the financial statements in the headings of the pages of the audited consolidated financial statements for the years ended December 31, 2013 and 2012 (the "Revised Financial Statements") and to make the corresponding revisions to the references to the financial statements in the reports of Deloitte Touche Tohmatsu Auditores Independentes (the "Revised Deloitte Reports"); and

(iii) include, after the consolidated financial statements for the years ended December 31, 2013 and 2012, the audit report of Ernst & Young Terco Auditores Independentes S.S. for the year ended December 31, 2011 (the "E&Y Report").

This Form 20-F/A consists of a cover page, this explanatory note, Item 15. Controls and Procedures, the Revised Financial Statements, the Revised Deloitte Reports, the E&Y Report, the signature page, the exhibit index and the required certifications of the principal executive officer and principal financial officer of the Company.

Other than as set forth above, this Form 20-F/A does not, and does not purport to, amend, update or restate the information in any other item of the Annual Report as originally filed with the SEC. As a result, this Form 20-F/A does not reflect any events that may have occurred after the Annual Report was filed on April 30, 2014.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports that it files or submits, under the Securities Exchange Act of 1934, was recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to provide reasonable assurance that information required to be disclosed by us in such reports is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer, with the participation and assistance of other members of management, have evaluated the effectiveness, as of December 31, 2013, of the Company's "disclosure controls and procedures," as that term is defined in Rule 13a 15(e) under the Securities and Exchange Act of 1934, as amended ("the Exchange Act"). Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the disclosure controls and procedures as of December 31, 2013, are effective at the reasonable assurance level.

Management's Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting did not undergo significant changes in its design or operation during the year.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on this assessment, management believes that, as of December 31, 2013, our internal control over financial reporting is effective based on those criteria. For our management's report on internal control over financial reporting, see page F-1 of this annual report.

The effectiveness of internal controls over financial reporting as of December 31, 2013 has been audited by Deloitte Touche Tohmatsu Auditores Independentes, the independent registered public accounting firm who also audited our consolidated financial statements, as stated in their report appearing on page F-2 of this annual report.

Companhia Brasileira de Distribuição

Consolidated Financial Statements for the
Year Ended December 31, 2013 and 2012

Companhia Brasileira de Distribuição

Consolidated Financial Statements

Years ended December 31, 2013, 2012 and 2011

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Management´s Report on Internal Control over Financial Reporting

The management of Companhia Brasileira de Distribuição is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control (1992) Integrated Framework. Management's assessment included documenting, evaluating and testing of the design and operating effectiveness of its internal control over financial reporting. Based on that assessment, management believes that, as of December 31, 2013, the Company's internal control over financial reporting is effective based on those criteria.

The effectiveness of internal controls over financial reporting as of December 31, 2013 has been audited by Deloitte Touche Tohmatsu Auditores Independentes, the independent registered public accounting firm who also audited the Company's consolidated financial statements. Deloitte's attestation report on the Company's internal controls over financial reporting is included herein.

/s/ Ronaldo Iabrudi dos Santos Pereira
Ronaldo Iabrudi dos Santos Pereira
Chief Executive Officer

/s/ Christophe José Hidalgo

Christophe José Hidalgo

Chief Financial Officer

Date: April 24, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Companhia Brasileira de Distribuição and Subsidiaries

São Paulo, Brazil

We have audited the accompanying consolidated balance sheets of Companhia Brasileira de Distribuição and subsidiaries (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Companhia Brasileira de Distribuição and subsidiaries as of December 31, 2013 and 2012 and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 2013, in conformity with International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB.

As discussed in Note 2 to the financial statements, the consolidated balance sheet as of December 31, 2012 and the consolidated statement of cash flows for the year ended December 31, 2012 have been restated to correct the classification of accounts receivables related to commercial agreements with suppliers (bonuses), whose contract terms provide for the right of offset against accounts payable to suppliers.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company´s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 24, 2014, expressed an unqualified opinion on the Company's internal control over financial reporting.

/S/ DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Auditores Independentes

São Paulo, Brazil

April 24, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Companhia Brasileira de Distribuição and Subsidiaries

São Paulo, Brazil

We have audited the internal control over financial reporting of Companhia Brasileira de Distribuição and subsidiaries (the "Company") as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission - COSO. The Company´s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on Company´s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A Company's internal control over financial reporting is a process designed by, or under the supervision of, the Company´s principal executive and principal financial officers, or persons performing similar functions, and effected by the Company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by Committee of Sponsoring Organizations of the Treadway Commission – COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2013, and the related consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the year then ended and our report dated April 24, 2014, included an explanatory paragraph regarding reclassifications made by the Company in the comparative information presented.

/S/ DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Auditores Independentes

São Paulo, Brazil

April 24, 2014

Companhia Brasileira de Distribuição

Consolidated Statements of income and comprehensive income

Years ended December 31, 2013, 2012 and 2011

(In thousands of reais, except earnings per share)

	Notes	2013	2012
Net sales	28	**57,730,262**	50,924,461
Cost of sales	29	**(42,704,079)**	(37,167,548)
Gross profit		**15,026,183**	13,756,913
Operating expenses			
Selling expenses	29	**(9,180,009)**	(8,360,114)
General and administrative	29	**(1,484,734)**	(1,753,859)
Depreciation and amortization		**(787,405)**	(751,538)
Other operating expenses, net	30	**(673,106)**	(33,014)
Operating profit		**2,900,929**	2,858,388
Net financial expenses	31	**(1,193,449)**	(1,192,873)
Equity in an associate	14	**47,310**	10,819
Profit before income and social contribution taxes		**1,754,790**	1,676,334
Income and social contribution taxes	22	**(358,583)**	(519,898)
Net income and comprehensive income		**1,396,207**	1,156,436
Attributable to equity holders of the parent		**1,052,495**	1,051,181
Attributable to noncontrolling interest		**343,712**	105,255
Net income and comprehensive income		**1,396,207**	1,156,436
Earning per ordinary share	32		
Basic earnings per share attributable to ordinary equity holders of the parent		**3.75**	3.78
Diluted earnings per share attributable to ordinary equity holders of the parent		**3.75**	3.78
Earnings per preferred non-voting share			
Basic earnings per share attributable to ordinary equity holders of the parent		**4.13**	4.15
Diluted earnings per share attributable to ordinary equity holders of the parent		**4.11**	4.12

See accompanying notes.

Companhia Brasileira de Distribuição

Consolidated Balance Sheets

December 31, 2013 and 2012

(In thousands of reais)

Assets	**Notes**	**2013**	**2012**	**01.01.2012**
Current			**reclassified**	**reclassified**
Cash and cash equivalents	7	**8,367,176**	7,086,251	4,969,955
Marketable securities		**24,453**	-	-
Trade accounts receivable, net	8	**2,515,666**	2,646,079	5,111,942
Other accounts receivable, net	10	**227,367**	211,473	279,621
Inventories	11	**6,381,544**	5,759,648	5,552,769
Recoverable taxes	12	**907,983**	871,021	907,702
Assets held for sale	1 (e)	**39,133**	-	-
Other receivables		**146,413**	105,830	128,845
Total current assets		**18,609,735**	16,680,302	16,950,834
Noncurrent assets				
Trade accounts receivable, net	8	**114,899**	108,499	110,785
Other accounts receivable	10	**629,935**	556,397	538,069
Inventories	11	**172,280**	172,280	14,000
Recoverable taxes	12	**1,429,021**	1,231,642	729,998
Financial Instruments	20	**-**	359,057	304,339
Deferred income and social contribution taxes	22	**950,757**	1,078,842	1,249,687
Related parties	13	**172,836**	178,420	133,415
Restricted deposits for legal proceedings	24	**815,190**	952,294	737,688
Other receivables		**49,914**	61,892	36,898
Investments	14	**309,528**	362,429	340,122
Property and equipment, net	16	**9,053,600**	8,114,498	7,358,250
Intangible assets	17	**5,700,657**	4,975,556	4,939,361
Total noncurrent assets		**19,398,617**	18,151,806	16,492,612
Total assets		**38,008,352**	34,832,108	33,443,446

Certain amounts of 2012 and 01.01.2012 were reclassified See note 2.

See accompanying notes.

Companhia Brasileira de Distribuição

Consolidated Balance Sheets

December 31, 2013 and 2012

(In thousands of reais)

Liabilities	**Notes**	**2013**	**2012**
Current			**reclassified**
Trade accounts payable	18	**8,547,544**	6,240,356
Loans and financing	19	**5,171,418**	4,211,150
Payroll and related charges		**796,188**	728,970
Income and social contribution taxes payable and taxes payable in installments	21	**968,462**	806,129
Related parties	13	**32,621**	80,399
Dividends payable	27	**151,835**	168,798
Payable related to acquisition of non-controlling interest		**69,014**	63,021
Financing related to acquisition of real estate		**36,161**	88,181
Rent payable		**112,439**	51,377
Deferred revenue	26	**114,749**	92,120
Pass through liabilities		**226,008**	224,099
Other accounts payable		**786,315**	636,667
Total current liabilities		**17,012,754**	13,391,267
Noncurrent liabilities			
Loans and financing	19	**4,321,850**	6,281,104
Deferred income and social contribution taxes liability	22	**1,060,852**	1,137,376
Income and social contribution taxes payable and taxes payable in installments	21	**1,072,849**	1,204,543
Provision for risks	24	**1,147,522**	774,361
Acquisition of non-controlling interest	23	**107,790**	158,201
Deferred revenue	26	**455,637**	471,665
Other accounts payable		**117,134**	345,640
Total noncurrent liabilities		**8,283,634**	10,372,890
Shareholders' equity			
Share capital	27	**6,764,300**	6,710,035
Capital reserves	27	**233,149**	228,459
Profit reserves	27	**2,485,741**	1,556,231
Equity attributable to owners of the parent		**9,483,190**	8,494,725
Non-controlling interest		**3,228,774**	2,573,226
Total sharholders´equity		**12,711,964**	11,067,951

Total shareholders´ equity and liabilities	**38,008,352**	34,832,108

Certain amounts of 2012 and 01.01.2012 were reclassified for better presentation and comparison. See note 2.

See accompanying notes.

Companhia Brasileira de Distribuição

Consolidated Statements of Changes in Shareholders' Equity

Years ended December 31, 2013, 2012 and 2011

(In thousands of reais)

		Capital Reserves				Profit Reserves			
n	Share capital	Special goodwill reserve	Other equity instruments	Other Reserves	Granted Options	Legal	Expansion	Retained earnings	Eq attril to ov of pa
	5,579,259	344,605	-	7,398	111,145	212,339	701,922	66,654	7,02
) e (e))	527,175	(105,675)	-	-	-	-	(379,350)	(42,150)	
	22,971	-	-	-	-	-	-	-	2
7 (d))	-	-	-	-	26,869	-	-	-	2
holders	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	4,470	
	-	-	-	-	-	-	-	718,219	71
ve (note 27 (e))	-	-	-	-	-	35,910	460,558	(496,468)	
	-	-	-	-	-	-	-	(170,578)	(170
	6,129,405	238,930	-	7,398	138,014	248,249	783,130	80,147	7,62
) e (e))	559,320	(200,905)	-	-	-	-	(322,572)	(35,843)	
	21,310	-	-	-	-	-	-	-	2
7 (d))	-	-	-	-	45,022	-	-	-	4
	-	-	-	-	-	-	-	1,502	
	-	-	-	-	-	-	-	1,051,181	1,05
rve reserve (note 27 (e))	-	-	-	-	-	52,559	674,069	(726,628)	
	-	-	-	-	-	-	-	(249,655)	(249
	-	-	-	-	-	-	-	92	
	6,710,035	38,025	-	7,398	183,036	300,808	1,134,627	120,796	8,49
) e (e))	**38,025**	**(38,025)**	**-**	**-**	**-**	**-**	**-**	**-**	

	16,240	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**
7 (d))	**-**	**-**	**-**	**-**	**42,715**	**-**	**-**	**-**	**4**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**650**	
	-	**-**	**-**	**-**	**-**	**-**	**-**	**1,052,495**	**1,05**
rve (note 27 (e))	**-**	**-**	**-**	**-**	**-**	**52,624**	**674,913**	**(727,537)**	
	-	**-**	**-**	**-**	**-**	**-**	**-**	**(249,968)**	**(249**
ote 27 (h))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**126,333**	**12**
	6,764,300	**-**	**-**	**7,398**	**225,751**	**353,432**	**1,809,540**	**322,769**	**9,48**

See accompanying notes.

Companhia Brasileira de Distribuição

Consolidated Statements of Cash Flows

Years ended December 31, 2013, 2012 and 2011

(In thousands of reais)

Cash flow provided by operating activities	**2013**	**2012 reclassified**	**2011 reclassified**
Net income for the year	**1,396,207**	1,156,436	719,656
Adjustment to reconcile net income			
Deferred income tax (note 22)	**89,090**	193,348	(57,118)
Depreciation and amortization	**865,425**	834,109	706,494
Equity in an associate (note 14)	**(47,310)**	(10,819)	(34,825)
Adjustment to present value on trade accounts receivable	**(10,448)**	(13,696)	22,427
Financial charges	**1,000,252**	1,099,034	965,557
Provision for risks (note 24)	**249,183**	83,477	(4,798)
Share-based payment	**42,715**	45,022	26,869
Barter revenue	**-**	(158,280)	-
Deferred revenue	**(42,619)**	54,418	54,759
Gain (loss) on disposal of property and equipment	**44,878**	(11,805)	48,820
Allowance for doubtful accounts (note 8)	**451,108**	340,652	256,371
Provision for obsolescence and losses and			
Breakage (note 11)	**(1,110)**	(22,683)	23,903
Provision for disposals and losses of fixed assets	**-**	10,989	9,791
Gain in the fair value investment	**(100,007)**	-	-
Others operating expenses (note 30)	**322,656**	(23,021)	-
Decrease (increase) in assets			
Trade accounts receivable, net	**(333,269)**	2,173,848	(1,935,918)
Marketable securities	**(24,319)**	-	634,978
Inventories	**(581,776)**	(191,977)	(776,442)
Recoverable taxes	**(284,101)**	(575,266)	(506,651)
Restricted deposits for legal proceedings	**(186,175)**	(179,431)	(68,116)
Increase (decrease) in liabilities			
Trade accounts payable	**2,270,264**	261,097	972,395
Payroll, related charges and taxes payable	**59,439**	(29,494)	169,477
Taxes, contributions payable and taxes	**(128,427)**	130,273	-
Related parties	**(34,384)**	24,530	(189,360)

Financial instruments	**-**	(50,000)	114,365
Other liabilities	**(125,322)**	158,494	(24,571)
Net cash flow provided by operating activities	**4,891,950**	5,299,255	1,128,063

Companhia Brasileira de Distribuição

Consolidated Statements of Cash Flows - Continued

Years ended December 31, 2013, 2012 and 2011

(In thousands of reais)

	2013	**2012 reclassified**	**2011 reclassified**
Cash flow used in investing activities			
Acquisition of subsidiary	**(211,536)**	-	-
Acquisition of property and equipment (note 16)	**(1,655,827)**	(1,308,951)	(1,262,640)
Acquisition of intangible assets (note 17)	**(193,785)**	(84,443)	(191,635)
Sales of property and equipment	**98,055**	87,240	97,892
Net cash used by investing activities	**(1,963,093)**	(1,306,154)	(1,356,383)
Cash flow from financing activities			
Capital increase	**16,240**	21,310	22,971
Financings:			
Funding and refinancing	**5,278,000**	7,210,792	6,918,179
Payments	**(6,519,347)**	(7,976,686)	(4,772,162)
Interest paid	**(720,506)**	(913,098)	(336,126)
Sale of noncontrolling interest (note 14 (a)(ii))	**813,782**	-	-
Acquisition of noncontrolling interest	**(63,437)**	(32,729)	(269,113)
Dividend paid	**(452,664)**	(186,394)	(183,468)
Net cash provided by (used in) financing activities	**(1,647,932)**	(1,876,805)	1,380,281
Net increase in cash and cash equivalents	**1,280,925**	2,116,296	1,151,961
Cash and cash equivalents at the end of year	**8,367,176**	7,086,251	4,969,955
Cash and cash equivalents at the beginning of year	**7,086,251**	4,969,955	3,817,994

The main non-cash transactions are disclosed in the Notes 2, 15 (ii), 16 (b) and (e), 22 (a) and 27 (c) (e).

See accompanying notes.

F-10

Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2013, 2012 and 2011

(In thousands of Brazilian reais, except when otherwise stated)

1. Corporate information

Companhia Brasileira de Distribuição ("Company" or “GPA”), operates in the food retailing, clothing, home appliances, electronics and other products segment through its chain of hypermarkets, supermarkets, specialized and department stores mainly 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” and neighborhood shopping mall brand “Conviva”. 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 became a controlled company by Casino Guichard Perrachon (“Casino”) on July 2, 2012.

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 Mr. 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 reorganization

At the December 28, 2012 Extraordinary Shareholders' Meeting a corporate restructuring was approved with the purpose of obtaining administrative, economic and financial benefits for GPA , 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. The same meeting also approved a Company's capital increase of R$557,534 in Barcelona, without issuing new shares, using the Company's Intercompany amount due by 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 consolidated financial statements

December 31, 2013, 2012 and 2011

(In thousands of Brazilian reais, except when otherwise stated)

1. **Corporate information –** Continued

b) Corporate reorganitazion – Continued

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

At the January 2, 2013 Extraordinary Shareholders' Meeting, an increase in the Company's interest in Sendas Distribuidora was also approved in the amount of R$1,100,000, without the issuanceof new shares, using the Company's intercompany receivables from this subsidiary.

c) Arbitration request by Morzan

Pursuant to the Material Fact released on June 15, 2012, the Company announced that it received a letter from the International Chamber of Commerce -ICC notifying it about the request for the filing of an arbitration proceeding ("Proceeding") submitted by Morzan Empreendimentos e Participações Ltda, ("Morzan"), the former controlling shareholder of Globex Utilidades S.A. (Pontofrio tradename), currently referred to as Via Varejo S.A. ("Via Varejo"). The Proceeding is associated with issues originating from the Share Purchase Agreement executed between the subsidiary Mandala Empreendimentos e Participações S.A. on June 8, 2009 ("Agreement") for the acquisition of 86,962,965 registered common shares with no par value, which then represented 70.2421% of the total and voting capital of Via Varejo. 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 Proceeding. After discussions in the Arbitration Court jurisdiction on October 25, 2013, Morzan filed its arguments, which were answered by the Company, Wilkes and Via Varejo on January 17, 2014. The Company, supported by a favourable position of its external counsel considering the loss to be remote, understands that the request is unfounded, given that the agreement was fully complied with, as it will be proved during the Proceeding.

The parties will have the opportunity to request documents from each other and file the due replies before the preliminary hearing, which is scheduled to occur between June 9 to 13, 2014.

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

The Company conducted internal procedures to evaluate any eventual rights rising from net assets contributed by the parties in the moment of acquisition of NCB by the Company, as well as, any fact that resulted in a right against the another party, as indemnization after the business combination date. The

work performed was concluded in October 2013, thereby allowing the Management to conduct negotiations to finalize discussions between the parties.

Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2013, 2012 and 2011

(In thousands of Brazilian reais, except when otherwise stated)

1. Corporate information – Continued

d) Appraisal of the net assets of the Association between CBD and Casas Bahia ("CB") – Continued

After detailed analysis conducted by Management on all corporate, legal and economic aspects, the Company, CB and Via Varejo signed a Private Transaction Agreement that determined the irrevocable settlement of the matters related to those procedures. As a result Via Varejo and the Company recognized in the 2013 income statement the effects of the issues included into External consultants reports (note 30); additionaly Via Varejo received indemnifications from CB amounting R$85,000, comprising R$27,700 related to accounts receivable recorded by Via Varejo and R$57,300 related to receivables considered as contingent until then and, therefore, not recorded. It was also wrote off receivables considered as not refundable by the parties totaling R$54,667 and recognized other impacts by the Company of R$8,307. Consequently, there will be no additional accounting adjustments in relation to this matter and the amounts receivable from CB of R$134,111 (note 13) on December 31, 2013 are expressly considered as refundable in the association agreement.

e) Performance Commitment Agreement

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 Association Agreement between the Company and CB dated 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 association are distributed fairly among the participants on the one hand, and final consumers, on the other, in those specific markets.

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

Until the authorization date of these financial statements, the precedent conditions set forth in the agreement defined at the TCD have not been approved by CADE and may impact the sale of the remaining stores. At December 31, 2013, a provision of R$30,435 for the remaining 39 stores to besold 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

On 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 CBD to Via Varejo was R$80,000, paid in cash, which effects were eliminated in the consolidated financial statements.

In addition, CBD bought 1.95% interest in Nova Pontocom held by noncontrolling shareholders 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.

Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2013, 2012 and 2011

(In thousands of Brazilian reais, except when otherwise stated)

1. **Corporate information –** Continued

f) Acquisition of interest in Nova Pontocom – Continued

The aforementioned transactions were classified as “capital transaction” and their effects were recorded directly in equity attributable to owners of the parent, 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 transaction

Until October 31, 2013, the subsidiary Via Varejo held a 25% direct interest in Bartira, a joint operation (as defined by IFRS 11), with Casas Bahia, (remaining 75%) through an Association Agreement which established the joint control over this entity’s operating activities. The Company had recorded the interest on Bartira using the proportional consolidation method. In the Company’s financial statements, the Company consolidated proportionally each asset, liability, revenues and expenses related in the financial statements of the joint operation. The financial statements of Bartira were prepared for the same period and under the same accounting policies adopted by the Company.

As per the Association Agreement,, the subsidiary Via Varejo exercised its option to acquire the remaining 75% of interest in Bartira, as described in Note 15 (b).

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

	10.31.2013	**12.31.2012**

	100%	100%
Income:		
Net sales and/or services	**450,919**	464,048
Profit (losses) before income and social contribution taxes	**(40,828)**	5,516
Net (loss) income	**(30,987)**	68
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 Shareholders' Equity	**171,990**	230,440

Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2013, 2012 and 2011

(In thousands of Brazilian reais, except when otherwise stated)

2. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the “International Accounting Standards Board (“IASB”).

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

The consolidated financial statements are presented in Brazilian Reais, which is the functional and reporting currency of the Company and its subsidiaries.

The consolidated financial statements for the year ended December 31, 2013 were approved by the Board of Directors at April 24, 2014.

Management reclassified the balances of receivables from commercial agreements with suppliers (bonuses), whose contract allows for compensation of the receivables with the balance to be paid to their suppliers. This change aims to present such receivables consistently with its realization. The following balances at December 31, 2012 and January 1, 2012, were reclassified:

	Previously reported balance	Commercial agreements reclassification	Reclassified balance
Balance at 2012			
Assets:			
Accounts receivable	3,208,963	(562,884)	2,646,079
Liabilities:			
Suppliers	6,803,240	(562,884)	6,240,356

	Previously reported balance	Commercial agreements reclassification	Reclassified balance
Balance at January 1, 2012			
Assets:			
Accounts receivable	5,437,500	(325,558)	5,111,942
Liabilities:			
Suppliers	6,278,757	(325,558)	5,953,199

The impact in the cash flow statement is limited to a reclassification between lines of the operating activities.

Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2013, 2012 and 2011

(In thousands of Brazilian reais, except when otherwise stated)

3. Basis for consolidation

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

	Investment interest - %			
	2013		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 Malls”)	**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
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, which is the case of Novasoc, discussed below.

Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2013, 2012 and 2011

(In thousands of Brazilian reais, except when otherwise stated)

3. Basis for consolidation – Continued

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 reporting date 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 fully eliminated in consolidation..

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

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

The main subsidiaries included in the consolidation and the Company's interests 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 allocation 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 sells home applicances products, under the trade names "Pontofrio" and "Casas Bahia". See Note 14 (a) (ii).

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

The merger of NCB into Via Varejo aims to streamline the organizational and corporate structure of the 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 Food retail segment, mainly in the State of Rio de Janeiro.

Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2013, 2012 and 2011

(In thousands of Brazilian reais, except when otherwise stated)

3. Basis for consolidation – Continued

b) Subsidiaries - Continued

(iv) GPA Malls

GPA Malls manages and operates the Company's real estate assets.

(v) Nova Pontocom

As described in Note 1 (f), on October 17, 2013, the Company increased its direct l investment in 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) Associated Companies - BINV and FIC

Associated Companies are entities over which the Company has significant influence, but not control, over their 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 reflects the Company´s interest of the in the results of operations of the entity. Changes recognized directly in the equity of the associated company are recognized by the Company as its interest in those changes and discloses it in the statement of changes in equity, as appropriate.

Gains and losses resulting from transactions between the Company and its associated companiesare eliminated according to the Company´s interest in the associated company.

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

After applying the equity method, the Company determines whether it is necessary to recognize an impairment loss related to the Company’s investment in associated companies. On each reporting date, the Company determines whether there is any evidence that its investments in associated companies 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 FIC and BINV, both entities who finance sales directly to GPA and Via Varejo customers, result from 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 FIC and BINV reside with Itaú Unibanco. BINV is a non-operational entity.

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

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(In thousands of Brazilian reais, except when otherwise stated)

3. **Basis for consolidation** – Continued

c) Associated Companies - BINV and FIC - Continued

FIC's summarized financial statements are as follows:

	2013	**2012**
Income statement:		
Revenues	**895,101**	897,814
Operating income	**157,764**	66,671
Net income	**87,939**	39,268
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
Shareholder's Equity	**704,434**	640,614
Total liabilities and Shareholder's Equity	**3,553,893**	3,427,894

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.

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 include an analysis of 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 IAS 39 are classified according the purpose for which they were acquired or contracted within 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, 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 commits to purchase or sell the asset.

The financial assets of the Company include cash and cash equivalents, trade accounts receivable, related-party receivables, restricted deposits for legal proceedings and derivative financial instruments.

Companhia Brasileira de Distribuição

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December 31, 2013, 2012 and 2011

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4. Significant accounting policies – Continued

a) Financial instruments – Continued

(i) *Financial assets* – Continued

Subsequent measurement

- Financial assets measured at fair value through profit or loss: 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 fair value measurements are recognized in the income statement for the year as financel income or expense, as incurred.

- Loans and receivables: represent non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortized cost using 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 expense, when incurred; and

- Held-to-maturity financial assets and liabilities: represent financial assets and liabilities that cannot be classified as loans and receivables (as they are quoted in an active market), and are acquired with the intent and ability to hold to maturity. They are stated at their acquisition cost plus income earned which is recorded as finance income or expense ofit or loss for the year using the effective interest rate method.

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; or

- The Company has 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.

Impairment of financial assets

At the end of the reporting periods, the Company 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 that have 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 assetsthat 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 this data indicates a measurable decrease in future cash flows, such as default interest variations or economic conditions related to default.

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4. Significant accounting policies – Continued

a) Financial instruments – Continued

(i) *Financial assets* – Continued

Specifically in relation to financial assets held to maturity, the Company, 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 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.

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 that has 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 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.

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4. Significant accounting policies – Continued

a) Financial instruments – Continued

(ii) *Financial liabilities* – Continued

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.

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.

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 the Real according to the market price at the end of the reporting periods. Differences arising on payment or translation of monetary items are recognized as financial income or expense.

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 periods 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;

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4. **Significant accounting policies** – Continued

c) Hedge accounting - Continued

- 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

- 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, bank accounts 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, up to 90 days.

e) Trade accounts receivable

Trade receivables are stated and maintained in the balance sheet at their nominal sales amounts less an allowance for doubtful accounts, which is recorded based on historical loss experience and risk analysis of the entire customer portfolio and the respective likelihood of collection.

Trade accounts receivables refers to non-derivative financial assets with fixed payments or which may be calculated, without quotation in an 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.

Receivables are considered uncollectable, therefore, written off definitely after 180 days past due.

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4. Significant accounting policies – Continued

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.

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) Supplier Bonuses

Bonuses received from suppliers are measured and recognized based on contracts and agreements signed, and recorded in income insofar as the corresponding inventories are sold, and include 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 (note 2).

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, against the financial result.

i) Impairment of non-financial assets

Impairment testing is designedso that 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.

The Company tests its 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 flows are 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.

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 with no significant changes.

k) Capitalization of interest

Interest on 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), customer lists, 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 the indefinite life assumption remains valid. Otherwise, the 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 of the asset and its carrying amount, any gain or loss being recognized in the income statement in the year when the asset is derecognized.

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 standard.

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.

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4. Significant accounting policies – Continued

n) Leases - Continued

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.

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 leasehold improvements and rebuildings also follow the some rule.

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 straight-line 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) <u>Provisions</u>

Provisions are recognized when the Company has a present obligation (legal or not formalized) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and 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) <u>Dividend distribution</u>

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.

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4. Significant accounting policies – Continued

q) Deferred Revenue

The Company records deferred revenue related to amounts received from business partners for the exclusivity intermediation services of additional or extended warranties, recognized in income by evidence of the service rendered in the sale of these warranties jointly with the business partners.

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. Any difference between the carrying amount and the remuneration is recognized in other capital reserves.

s) Share-based payment

Employees (including 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 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 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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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) *Barter revenue*

Revenues are recognized: (i) at the time of conclusion of the swap of land owned by GPA Malls at the fair value of the consideration received on the barter date, (ii) upon delivery of the units sold by GPA Malls. 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 suppliers are measured based on contracts and agreements signed with them.

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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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.

Financial 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 loss carryforwards to the extent that it is probable that taxable income will be available against which to deduct temporary differences and unused tax loss carryforwards, 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.

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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 of goods and services are 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.

If the business combination occurs 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 the operating segment level 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 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.

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

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

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

- IFRS 10: 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: 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: 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 requirements are implemented.

- IFRS 13: 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 requirements are implemented.

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 standards issued but not yet effective - Continued

- IFRS 9 – Financial Instruments - Classification and Measurement – 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 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.

The IASB has issued clarifications and amendments to standards and interpretations of IFRS. Below we describe the main changes, which are not yet effective:

- Changes to IFRS 10, IFRS 12 and IAS 27 – 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 – 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 – Financial Instruments: Recognition and Measurement – 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 - Levies – 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 the financial statements.

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6. Significant accounting judgments, estimates and assumptions

Judgments, estimates and assumptions

The preparation of the 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:

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

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

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 CGUs with a multiple of sales (15% to 30%), representing transactions between Food 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 CGU, 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 operating segments that disclose financial information, being Food Retail, Home Appliances, Cash and Carry and E-commerce.

Segments' recoverable value is calculated using the value in use based on estimated cash flows 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 "Cash and Carry" refers to "ASSAI", and the "home appliance" refers to brands "PONTO FRIO" and "CASAS BAHIA". These brands were recorded due to the business combinations with companies that held right over them.

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6. Significant accounting judgments, estimates and assumptions - Continued

Judgments, estimates and assumptions – Continued

b) *Impairment - Continued*

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".

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 tax impacts to already recorded tax revenue and expenses. The Company records 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 loss loss carryforwards 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 had tax loss carryforwards amounting to a net tax benefit of R$793,633 recorded at December 31, 2013 (R$796,771 at December 31, 2012). These tax loss carryforwards do not expire; however, their use is limited by law to 30% of taxable income for each year. The amounts relate to the Company and its subsidiaries and consider its balances recoverable.

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, 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.

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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 risks (lawsuits)*

The Company is party 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 external legal counsel's opinion.

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

The Company and its subsidiaries have recoverable tax credits related to ICMS, ICMS from Tax Substitution, PIS and Cofins. The estimate of future recoverability of these tax credits is made based on the projections prepared by Management, operational issues and the consumption of the credits by the companies in GPA. Further details on recoverable tax credits and utilization are disclosed on Note 12.

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7. Cash and cash equivalents

	Rate (a)	**2013**	**2012**
Cash on hand and bank accounts		**343,114**	490,616
Financial investments:			
Itaú BBA	100.9%	**778,881**	1,430,672
Itaú – Delta Fund	101.6%	**181,384**	1,831,692
Banco do Brasil	100.8%	**1,425,957**	1,376,813
Bradesco	101.0%	**2,051,130**	1,496,352
Santander	102.0%	**995,568**	62,692
CEF	101.0%	**732,424**	4,104
Votorantim	102.3%	**439,082**	5,850
Safra	101.7%	**645,197**	337,682
Credit Agricole	102.4%	**362,996**	-
BNP	101.1%	**279,469**	-
Other	(b)	**131,974**	49,778
		8,367,176	7,086,251

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

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

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8. Trade accounts receivable

	2013	**2012**	**01.01.2012**
Credit card companies (a)	**276,262**	421,384	454,648
Sales vouchers	**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	**3,018**	4,004	4,010
Accounts receivable from wholesale customers	**18,394**	30,016	49,106
Private label credit card	**13,539**	22,360	19,214
Account receivable FIDCs	**-**	-	2,558,726
Accounts receivable from related parties (Note 13 a)	**-**	-	-
Present value adjustment (c)	**(7,264)**	(5,488)	(10,823)
Allowance for doubtful accounts (d)	**(228,733)**	(189,492)	(210,970)
Accounts receivable from suppliers	**18,205**	8,663	121,840
Other	**24,737**	94,940	11,864
Current	**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
	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 obligation related 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 (R$27,090,485 at December 31, 2012) to operators or banks directly, without any right of recourse or obligation related. The financial result impact of this transaction is included in note 31.

(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.

Via Varejo 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 tradename "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 recorded at 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:

	2013	**2012**
At the beginning of the year	**(198,480)**	(217,968)
Allowance recorded	**(475,857)**	(324,462)
Allowance write-off	**435,284**	343,950
At the end of the year	**(239,053)**	(198,480)
Current	**(228,733)**	(189,492)
Noncurrent	**(10,320)**	(8,988)

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

			Past-due receivables			
	Total	Falling due	<30 days	30-60 days	61-90 days	>90 days
2013	**2,869,618**	**2,565,483**	**162,755**	**56,635**	**36,265**	**48,480**
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 sales, as described in Note 8 (a).

10. Other accounts receivable

	2013	**2012**
Accounts receivable related to sale of fixed assets	**55,320**	78,821
Expenses reimbursements (b)	**20,556**	51,939
Advances rentals	**41,616**	10,396
Amounts to be reimbursed	**106,269**	93,100
Accounts receivable – Audax	**13,028**	-
Trade accounts receivable from services	**2,366**	5,127
Rental receivable	**22,346**	17,630
Accounts receivable - Paes Mendonça (a)	**514,615**	484,008
Rede Duque (note 15)	**49,255**	-
Other	**31,931**	26,849
	857,302	767,870
Current	**227,367**	211,473
Noncurrent	**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 recorded as non current, due to the possibility of conversion of of these receiveables into intangible rights in the leased stores (“fundo de comércio”).

(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 change the balances as at December 31, 2012, once the new agreements were entered and signed in 2013.

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11. Inventories

	2013	2012
Stores	**3,597,410**	2,890,345
Distribution centers	**2,914,980**	3,021,882
Inventories in construction (c)	**172,280**	172,280
Bonus in inventories (a)	**(78,830)**	(99,453)
Provision for obsolescence/losses and breakage (b)	**(52,016)**	(53,126)
	6,553,824	5,931,928
Current	**6,381,544**	5,759,648
Noncurrent	**172,280**	172,280

(a) Bonuses in inventories

The Company records bonuses received from suppliers in the profit or loss as the inventories that gave rise to the bonuses are realized.

(b) Provision for obsolescence/losses and breakage

	2013	2012
At the beginning of the year	**(53,126)**	(75,809)
Additions	**(64,898)**	(59,311)
Write-offs	**66,008**	81,994
At the end of the year	**(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 Malls 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

	2013	2012
Current		
State value-added tax on sales and services – ICMS recoverable (a)	**769,086**	686,554
Social Integration Program/ Tax for Social Security Financing-PIS/COFINS recoverable	**20,242**	34,741
Income tax on Financial investments	**50,864**	70,157
Income and Social Contribution taxes	**31,031**	47,842
Social Security Contribution - INSS	**30,796**	29,338
Other	**5,964**	2,389
Total current	**907,983**	871,021
Noncurrent		
ICMS recoverable (a)	**1,088,787**	1,000,076
PIS/COFINS recoverable	**254,228**	150,713
Social Security Contribution- INSS	**86,006**	80,853
Total noncurrent	**1,429,021**	1,231,642
	2,337,004	2,102,663

(a) The ICMS realization is estimated to occur as follows:

Up to one year (*)	**769,086**
2015	**438,035**
2016	**280,797**
2017	**294,104**
2018	**28,861**
2019	**29,809**
2020	**17,181**
	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 substitution system (ICMS-ST). This 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.

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.

The tax credit to be refunded by the Company has grown, in accordance with the number of items sold in our stores subject to the tax substitution system.

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12. Recoverable taxes – Continued

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 probable. These studies were prepared based on information extracted from strategically planning report previously approved by the Company's Board of Directors.

13. Related parties

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

	2013	**2012**
Suppliers		
Associated Companies:		
FIC	**12,897**	13,673
Dunnhumby (xv)	**-**	20
Joint operation:		
Indústria de Móveis Bartira Ltda. (x)	**-**	62,487
Other related parties:		
Grupo Diniz (iii)(*)	**1,811**	1,858
Globalbev Bebidas e Alimentos (*)	**285**	3,949
Globalfruit (*)	**44**	759
BMS Import	**-**	1,976
Bravo Café (*)	**225**	213
Fazenda da Toca Ltda. (xi) (*)	**205**	560
Sykué Geração Energia (vii) (*)	**-**	341
Indigo Distribuidora	**406**	381
	15,873	86,217
Purchases		
Joint operation:		

Indústria de Móveis Bartira Ltda. (x)	**438,284**	449,392
Other related parties:		
Globalbev Bebidas e Alimentos (*)	**7,840**	17,465
Globalfruit (*)	**4,298**	3,289
Bravo Café (*)	**1,224**	1,615
Sykué Geração de Energia (vii) (*)	**21,249**	24,563
Fazenda da Toca Ltda. (xi) (*)	**5,617**	6,958
BMS Import.	**-**	1,369
Indigo Distribuidora	**3,374**	3,352
	481,886	508,003

(*) Balances were presented until the date of settlement as per note 1 (a).

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13. Related parties – Continued

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

	2013	**2012**
Assets		
Controlling shareholder:		
Casino (i)	**3,404**	6,258
Other related parties:		
Casa Bahia Comercial Ltda. (v)	**134,112**	103,236
Management of Nova Pontocom (vi)	**34,307**	37,082
Audax SP (ix)	**-**	22,335
Audax RJ (ix)	**-**	6,957
Rede Duque (xiv)	**158**	472
Instituto Grupo Pão de Açúcar	**-**	3
Other	**855**	2,077
	172,836	178,420
Liabilities		
Associated companies:		
FIC (iv)	**9,012**	1,742
Joint operation:		
Indústria de Móveis Bartira Ltda. (x)	**-**	62,439
Other related parties:		
Casa Bahia Comercial Ltda (v)	**23,609**	-
Fundo Península (ii)	**-**	16,218
	32,621	80,399

	2013	**2012**
Revenues (Expenses)		
Controlling shareholder:		
Casino (i)	**(12,056)**	(5,511)
Wilkes Participações (xii)	**(2,124)**	(2,803)
Associates:		
FIC (iv)	**15,482**	19,272

Dunnhumby (xv)	**(585)**	(807)
Joint operation:		
Indústria de Móveis Bartira Ltda. (x)	**-**	(139)
Other related parties:		
Fundo Península (ii) (*)	**(112,377)**	(156,707)
Grupo Diniz(iii) (*)	**(14,878)**	(18,974)
Sykué Consultoria em Energia Ltda. (viii) (*)	**(1,019)**	(2,120)
Casa Bahia Comercial Ltda. (v)	**(223,917)**	(152,033)
Management of Nova Pontocom (vi)	**3,054**	2,873
Axialent Consultoria (xiii) (*)	**(4)**	(2,394)
Habile Segurança e Vigilância Ltda.	**(7,324)**	(30,117)
Pão de Açúcar S.A. Indústria e Comércio (xvi) (*)	**(516)**	(8,400)
Audax SP (ix)	**(11,754)**	(13,172)
Audax RJ (ix)	**(7,790)**	(13,834)
Instituto Grupo Pão de Açúcar	**(7,902)**	(7,833)
	(383,710)	(392,699)

(*) Balances were presented until the date of settlement as per note 1 (a).

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(In thousands of Brazilian reais, except when otherwise stated)

13. Related parties – Continued

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

Transactions with related parties refer mainly to transactions between the Company and its subsidiaries and other related entities and were substantially accounted for in accordance with the prices, terms and conditions agreed between the parties, including:

(i) *Casino:* Technical Assistance Agreement, signed between the Company and Casino on July 21, 2005, whereby, in exchange for the annual payment of US$1,818 thousand. This agreement was approved by the Extraordinary Shareholders' Meeting held on August 16, 2005.

(ii) *Fundo Península:* 60 real estate lease agreements with the Company, 1 property with Novasoc and 1 property with Barcelona. Due to the agreement described in note 1 (a), since September 2013, Fundo Peninsula is no longer considered as a related party since September 2013.

(iii) *Grupo Diniz:* lease of 15 properties to the Company and 2 properties to Sendas. Due to the agreement described in note 1a, since September 2013, Grupo Diniz is no longer considered as a related party since September 2013.

(iv) *FIC:* (i) refund of expenses arising from the infrastructure agreement, such as: expenses related to the cashiers' payroll, and commissions on the sale of financial products; (ii) financial expenses related to the sale of receivables (named "financial discount"); (iii) property rental revenue; and (iv) the cost apportionment agreement.

(v) *Casa Bahia Comercial Ltda,:* Via Varejo has an accounts receivable related to the "First Amendment to the Shareholders´ Agreement" between Via Varejo, GPA and CB, which guarantees to Via Varejo the right to be reimbursed by CB for certain contingencies recognized that may be payable by Via Varejo as of June 30, 2010 (see x).

Additionally, besides Via Varejo and its joint operation, until October 31, 2013 – Bartira, CB has lease contracts of 314 properties between distribution centers, commercial buildings and administrative requirements under specific conditions with management of CB.

(vi) *Management of Nova Pontocom:* in November 2010, within the context of the restructuring of GPA's e-commerce business, the Company granted to certain statutory members of Nova Pontocom's Management an updated loan amounting to R$ 10,222 at December 31, 2013 and entered into a swap agreement in the updated amount of R$24,085 at December 31, 2013, both maturing on January 8, 2018.

(vii) *Sykué Geração de Energia:* acquisition of power in the free market to supply several of the Company's consumer units. Due to the agreement described in Note 1 (a), *Sykué Geração de Energia* is no longer considered a related party since September 2013.

(viii) *Sykué Consultoria em Energia Ltda,:* energy supply planning services, including projection of energy consumption for each consumer unit, during 102 months (economic feasibility study of the costs to maintain the stores in the captive market or in the free market) and regulatory advisory services with the Brazilian Electricity Regulatory Agency - ANEEL), the spot market – CCEE and ONS*. Sykué Consultoria em Energia* is no longer considered a related party since September 2013.

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13. Related parties – Continued

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

(ix) *Audax:* loans to the football clubs Audax SP and Audax RJ, in addition to the financial support in training professional athletes, GPA and third parties signed on September 14, 2013 a binding agreement to transfer definitively the maintenance and management of AUDAX SP and AUDAX RJ. The agreement contained for certain conditions precedents, which were met, and the definitive agreements were signed in November, 2013. The remaining balance was reclassified to "Other receivables", as shown in note 10.

(x) *Indústria de Móveis Bartira Ltda*: amounts arising from infrastructure expenses and the purchase and sale of goods.

(xi) *Fazenda da Toca Ltda*: contract for the supply of organic eggs, conventional oranges and organic juices, etc. Due to the agreement described in Note 1 (a), *Fazenda da Toca* is no longer considered a related party since September 2013.

(xii) *Wilkes*: commissions paid related to the Company's loan agreements in which Wilkes is a guarantor.

(xiii) *Axialent Consultoria*: human resources advisory service agreement. Due to the agreement described in Note 1 (a), *Axialent* is no longer considered a related party since September 2013.

(xiv) *Rede Duque*: represents the loan agreement between Vancouver and the gas stations Vereda Tropical, Rebouças and Barueri.

(xv) *Dunnhumby:* information management service agreement. As of July 2013, the Company no longer holds 2% interest in Dunnhumby, negotiating an operational agreement

(xvi) *Pão de Açúcar S.A. Indústria e Comércio*: temporary equipment assignment agreement. Due to the agreement described in Note 1 (a), *Pão de Açúcar S.A Indústria e Comércio* is no longer considered a related party since September 2013.

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13. Related parties – Continued

b) Management and Fiscal Council's compensation

The expenses related to the compensation of senior management (executive/statutory officers appointed pursuant to the Bylaws andthe Board of Directors) and the Fiscal Council, recorded in the Company profit or loss for the years ended December 31, 2013, 2012 and 2011, were as follows:

In relation to total compensation at December 31, 2013

	Remuneration	**Variable Remuneration**	**Stock Option Plan**	**Total**	**% expense share basis payment**
Board of Directors (*)	**6,569**	**-**	**-**	**6,569**	
Board of Executive Officers	**18,615**	**19,014**	**11,373**	**49,002**	
Fiscal Council	**504**	**-**	**-**	**504**	
	25,688	**19,014**	**11,373**	**56,075**	**20.3%**

In relation to total compensation at December 31, 2012

	Remuneration	**Variable Remuneration**	**Stock Option Plan**	**Total**	**% expense share basis payment**
Board of Directors (*)	7,924	-	-	7,924	
Board of Executive Officers	17,002	23,051	20,662	60,715	
Fiscal Council	486	-	-	486	
	25,412	23,051	20,662	69,125	29.9%

In relation to total compensation at December 31, 2011

	Remuneration	**Variable Remuneration**	**Stock Option Plan**	**Total**	**% expense share**

					basis payment
Board of Directors (*)	7,836	-	-	7,836	
Board of Executive Officers	19,176	25,610	16,643	61,429	
Fiscal Council	504	-	-	504	
	27,516	25,610	16,643	69,769	23.9%

(*) Remuneration according to the number of attendance in the meeting.

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Notes to the consolidated financial statements

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(In thousands of Brazilian reais, except when otherwise stated)

14. Investments

a) Breakdown of investments

	FIC	**BINV**	**Bartira (i)**	**Other**	**Total**
Balances at 01.01.2012	233,068	19,722	86,872	460	340,122
Additions	-	-	-	4	4
Share of protif in associate	10,245	575	-	(1)	10,819
Dividends receivable	(11,473)	(1,553)	-	-	(13,026)
Gain on equity interest	24,510	-	-	-	24,510
Balances at 12.31.2012	256,350	18,744	86,872	463	362,429
Share of protif in associate	**46,594**	**716**	**-**	**-**	**47,310**
Dividends receivable	**(13,139)**	**(200)**	**-**	**-**	**(13,339)**
Changes in interest	**-**	**-**	**(86,872)**	**-**	**(86,872)**
Balances at 12.31.2013	**289,805**	**19,260**	**-**	**463**	**309,528**

(i) Fair value of investment held in Bartira

It refers to the measurement of the investment held by Via Varejo of 25% of Bartira's capital stock at fair value. The asset was recognized at the time of the business combination between CB and the Company.

With the acquisition of Bartira in 2013, this amount was reclassified to goodwill and interest was re-measured, previously held at 25%, also against goodwill, resulting in a gain of R$71,364, as per Note 15(b).

(ii) Public offering of shares

At December 27, 2013, the Via Varejo's Secondary Public Offering of Share Certificates or Units (each Unit is composed of one common share and two preferred shares) was concluded. Considering the allotment, a total amount of 123,696,984 Units were offered, with aggregate proceeds totaling R$2,845,030 of which .R$896,803 was received by the Company.

The Company sold a total amount of 38,991,441 Units for R$896,803, so that its interest in Via Varejo decreased to 62.25% of common shares and 43.35% of total capital. The proceeds from such divestment were recorded against equity, as this is a transaction with non-controlling shareholders, less income tax on capital gain, transaction costs and write-off of related investments. The net effect in equity deriving from this transaction was R$199,598.

Also pursuant to Clauses 4.1.3 and 10.1.4.2 of the Shareholders' Agreement, since: (i) CB Group (represented by Messrs. Samuel Klein, Michael Klein and Mrs. Eva Lea Klein, and other entities) sold more than 23.64% of their shares representing Via Varejo's capital stock; and (ii) Via Varejo's total free float reached a level higher than 20% of total capital. On this present date, CB Group holds 27.31% of shares representing Via Varejo's capital and its free float reached 29.34% of total, Klein family went below the minimum interest level to maintain all its rights at Via Varejo.

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(In thousands of Brazilian reais, except when otherwise stated)

14. Investments – Continued

(ii) Public offering of shares - Continued

Accordingly, CB Group lost some rights, such as: (i) Mr. Michael Klein is no longer the Chairman of Via Varejo's Board of Directors; (ii) CB Group's agreement, in previous meeting, with Via Varejo's vote at the shareholders' meetings of its subsidiary Nova Pontocom or by members of Nova Pontocom's Board of Directors, appointed by Via Varejo, in relation to certain matters; (iii) the Migration Right; (iv) GPA's call option; and (v) CB Group's call option. In addition, pursuant to Clause 4.1.2 of the Shareholders' Agreement, as its interest decreased, CB Group now appoints only 2 members for Via Varejo's Board of Directors.

Transaction costs, totaling R$88,996, net of income tax, were fully paid and assumed by Via Varejo, pursuant to the terms of the Shareholders Agreement, and recorded directly in Shareholders Equity.

15. Business combinations

a) Acquisition of Rede Duque

Context of the operation

In 2009, the Company signed an Agreement for Outsourcing Management ("Management Agreement") with Rede Duque for a 20-year term, whereby the Company would conduct the operational and financial management of 39 Rede Duque gas stations through its subsidiary Vancouver, in exchange for payment based on these gas stations' results.

At May 28, 2012, the Management Agreement was terminated and, as part of the termination, pursuant to the Agreement for Share Purchase and Other Covenants, Vancouver acquired all the shares of five gas stations ("Acquired Gas Stations") and established a partnership with Rede Duque in three other gas stations through the acquisition of shares representing 95% of their capital stock ("Partnership Gas Stations"), with a subsequent call option to be exercised by Rede Duque ("Call and Put Option Agreement").

(i) Acquisition of the five gas stations

Through the Agreement for Share Purchase, the Company acquired all the shares of six companies that were part of Rede Duque and operated five gas stations (one of the companies operates a convenience store in one of the acquired gas stations).

Determination of the consideration transferred for the acquisition of five Rede Duque gas stations

Under the Management Agreement, the Company and Vancouver had prepaid R$30,000 for the use of GPA brands in the gas stations and exclusive management of the gas stations. The release of this amount was subject to certain events. This amount was used as part of the payment for the acquisition of the Acquired Gas Stations, plus an additional payment of R$10,000, for a total purchase price of R$40,000.

Goodwill resulting from the acquisition

On June 30, 2013, the Company completed the allocation of the purchase price and measurement of goodwill, being permanently recorded by the Company.

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15. Business combinations – Continued

a) Acquisition of Rede Duque - Continued

(i) Acquisition of the five gas stations - Continued

As a result of: (i) measurement of total consideration transferred for the acquisition of control of the gas stations; and (ii) measurement of the identifiable assets and liabilities at fair value, the Company recorded goodwill in the amount of R$38,702.

(ii) Partnership of the three gas stations

Through the Debt Assumption Agreement, entered into on the same date between the Company, Vancouver and Rede Duque, Vancouver assumed Rede Duque's bank debts in the amount of R$50,000. On the same date, the parties entered into an Agreement for Share Purchase, whereby Vancouver acquired approximately 95% of the shares of the Partnership Gas Stations, which operated three gas stations with net revenue of approximately R$3,500, upon assignment of part of Vancouver's receivables from Rede Duque, acquired as a result of said debt assumption. The acquired gas stations will continue to be managed by Rede Duque, and the Company will have protective vetoes.

Also through the agreement, a Call and Put Option Agreement was executed whereby Vancouver granted Rede Duque an option to purchase its shares of the capital of the Partnership Gas Stations, exercisable in one year, for R$50,000, restated at 110% of CDI and payable in 240 monthly installments Beginning in 2014.

In November 18, 2013, Rede Duque confirmed the exercise of the call option for the current amount of R$56,952 (R$7,697 present value of the receivables) which was transferred to "Other Accounts Receivable". Refer to Note 10.

b) Acquisition of Bartira

Since the association between the Company and CB (November 1, 2010), the Company had a call option of the remaining 75%, to be exercised within three to six years as of the association. Until October 31, 2013, Via Varejo and Casa Bahia Comercial Ltda. ("CB") were partners in Bartira, subsidiary Via Varejo, holding interests of 25% and 75%, respectively.

This option fair value was calculated through the Black & Scholes method, using a volatility of 28% and a risk-free rate of 5.8% p.a., which resulted in a fair value of R$314,456 (R$306,739 on December 31, 2012)

on the exercise date. Up to the exercise date, this option was recorded as financial instrument in the consolidated financial statements.

On October 31, 2013, Via Varejo's Shareholders' Meeting approved the exercise of option to purchase the remaining interest in Bartira ("Purchase Option"), followed by the submission to CB of the exercise notification on November 1, 2013. The quotas of Bartira's capital stock were transferred on December 2, 2013. The price paid for the exercise of the purchase option on November 1, 2013 was R$212,273. After the transaction, the subsidiary Via Varejo holds Bartira's entire capital stock.

As of the date of notification to CB, Via Varejo holds substantive rights on Bartira, and November 1, 2013 was defined as the business combination date.

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(In thousands of Brazilian reais, except when otherwise stated)

15. Business combinations – Continued

b) Acquisition of Bartira - Continued

Prior to the business combination, the subsidiary Via Varejo held a 25% interest in Bartira. The fair value of the previously held interest was measured at fair value on the acquisition date, as defined in IFRS 3 (R), through the discounted cash flow method, and amounted to R$175,676. The fair value of remeasurement of the investment previously held, compared to the book value of the investment, resulted in a gain of R$71,364, recorded in “Other operating expenses and income”.

Thus, the consideration transferred for the execution of the business combination is determined by (i) the exercise price of the call option in the amount of R$212,273 paid in cash; (ii) the fair value of the call options held by the Company prior to the business combination in the amount of R$314,456; and (iii) the remeasurement at fair value of the investment previously held in the amount of R$175,576. Remeasurement of previousloy held interest on Bartira is not taxable.

Below are the fair values of identifiable assets and liabilities acquired from Bartira on the business combination date:

R$ thousand	**11.01.2013**
Assets	
Cash and cash equivalents	980
Inventories	50,925
Deferred income tax	4,142
Other	39,862
Property, plant and equipment	138,516
Intangible assets	82,383
Acquired assets	**316,808**
Liabilities	
Loans and financing	(18,676)
Materials and services	(62,388)
Provision for contingencies	(119,178)
Other	(17,951)
Assumed liabilities	**(218,193)**

Identifiable net assets	**98,615**
Consideration transferred	212,273
Fair value of purchase option held	314,457
Fair value of the interest previously held	175,576
Goodwill on acquisition	**603,691**

For purposes of consolidated cash flow statement, the amount paid must be deducted from the net cash acquired. Thus, the amount recorded will be R$212,273, less 75% of Bartira's cash equivalent, totaling R$211,538. Goodwill on acquisition is supported by the future profitability of the furniture products sold in Via Varejo´s stores. Bartira is significant to the verticalization of the furniture line, in order to maximize its margin.

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15. Business combinations – Continued

b) Acquisition of Bartira - Continued

Subsequent measurement – provisional allocation of the purchase price.

The acquisition of control over Bartira was recognized using the acquisition method, in compliance with IFRS 3 (R).

In relation to the business combination of Bartira (note 15), contingencies were evaluated at fair value, as required by IFRS 3(R), which differs of IAS 37 used for evaluation of other contingencies. The main issue is related to the possibility of non compliance on preparation of calcularion on social contribution, income tax, PIS, COFINS, IPI and ICMS amounting R$95,310 for Social Contribution, Income Tax, PIS, Cofins, IPI and ICMS.

In compliance with IFRS 3(R), the Company will conclude the data collection and the fair value measurement of net assets acquired on November 1, 2013 in the 12 months as of the date of business combination. The Company does not expect significant changes in the evaluation of intangible assets already identified and net assets acquired.

The sales of Bartira are eliminated agains Cost of sales since sales are 100% to Via Varejo. Remaining impacts on the consolidated income statement as a result of consolidation of Bartira are not significant.

16. Property and equipment

				2013			
	Balance at: 12.31.2012	**Additions**	**Depreciation**	**Acquisition of subsidiary(**)**	**Write-offs**	**Transfers (*)**	**Balance at: 12.31.2013**
Land	1,264,764	**141,565**	**-**	**-**	**(4,929)**	**10,482**	**1,411,882**
Buildings	2,056,430	**42,863**	**(66,470)**	**-**	**116**	**(16,487)**	**2,016,452**
Leasehold improvements	2,243,860	**369,587**	**(172,877)**	**113**	**(12,870)**	**359,529**	**2,787,342**
Machinery and equipment	1,107,678	**376,046**	**(231,462)**	**117,522**	**(45,335)**	**119,985**	**1,444,434**

Facilities	285,334	**55,048**	**(31,306)**	**3,105**	**(153)**	**13,843**	**325,871**
Furniture and fixtures	494,371	**140,312**	**(63,862)**	**10,949**	**(7,577)**	**(46,683)**	**527,510**
Vehicles	229,790	**15,865**	**(19,795)**	**597**	**(46,316)**	**(13,560)**	**166,581**
Construction in progress	204,631	**445,867**	**-**	**9,039**	**(394)**	**(450,183)**	**208,960**
Other	79,528	**36,287**	**(21,700)**	**(19,249)**	**(111)**	**(7,348)**	**67,407**
	7,966,386	**1,623,440**	**(607,472)**	**122,076**	**(117,569)**	**(30,422)**	**8,956,439**