BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD
Form 20-F
April 30, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

OR

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

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

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

Phone: +55 11 3886-0421 Fax: +55 11 3884-2677

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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

*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

165,625,332 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

INTRODUCTION

All references in this annual report to (i) “CBD,” “we,” “us,” “our” and “Company” are references to Companhia Brasileira de Distribuição and its consolidated subsidiaries, unless the context requires otherwise, (ii) “Nova HoldCo” are to Nova Pontocom Comércio Eletrônico S.A. and its subsidiaries prior to the e-commerce reorganization as described herein, (iii) “Cnova” are to Cnova N.V., which owns, directly or indirectly, or has the right to use substantially all of the assets that were used, or held for use, in the e-commerce business of the Casino Guichard-Perrachon Group, or the Casino Group and its affiliates entities in France, Latin America (including Brazil) and Asia, (iv) “Cnova Brazil” are to Cnova Comércio Eletrônico S.A., a wholly-owned subsidiary of Cnova, owning the Brazilian e-commerce businesses of CBD and Via Varejo S.A., or Via Varejo, following the completion of the e-commerce reorganization described herein, (v) the “Brazilian government” are references to the federal government of the Federative Republic of Brazil, or Brazil, and (vi) “preferred shares” and “common shares” are references to our authorized and outstanding shares of non-voting preferred stock, designated as *ações preferenciais*, and common stock, designated as *ações ordinárias*, respectively, in each case without par value. All references to “ADSs” are to American depositary shares, each representing one preferred share, without par value. The ADSs are evidenced by American Depositary Receipts, or “ADRs,” issued by The Bank of New York Mellon.

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

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

We have translated some of the *real* amounts contained in this annual report into U.S. dollars. The rate used to translate the amounts in respect of the year ended December 31, 2014 was R$2.656 to US$1.00, which was the commercial rate for the purchase of U.S. dollars in effect as of December 31, 2014, as reported by the Central Bank of Brazil, or the Central Bank. The U.S. dollar equivalent information presented in this annual report is provided solely for the convenience of investors and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at that rate or at any other rate. See “Item 3A. Selected Financial Data—Exchange Rates” for more detailed information regarding the translation of *reais* into U.S. dollars.

FORWARD-LOOKING STATEMENTS

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

- global economic conditions and their impact on consumer spending patterns, particularly in Brazil and France;
- our ability to sustain or improve our performance;
- competition in the Brazilian and French retail industry in the sectors in which we operate;
- government regulation and tax matters;

- adverse legal or regulatory disputes or proceedings;
- credit and other risks of lending and investment activities;
- ability to expand our operations outside of our existing markets; and
- other risk factors as set forth under “Item 3D. Risk Factors.”

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3A. Selected Financial Data

We present in this section summary financial and operating data derived from our audited consolidated financial statements as of December 31, 2013 and 2014 and for the years ended December 31, 2012, 2013 and 2014 included in this annual report and prepared in accordance with IFRS. The consolidated balance sheet data as of December 31, 2010, 2011 and 2012 and consolidated statement of income data for the years ended December 31, 2010 and 2011 have been derived from our audited consolidated financial statements which are not included in this annual report.

The following tables present certain of our summary historical consolidated financial and operating data for each of the periods indicated. Solely for the convenience of the reader, *real* amounts as of and for the year ended December 31, 2014 have been translated into U.S. dollars at the commercial selling rate at closing for the purchase of U.S. dollars, as reported by the Central Bank, as of December 31, 2014, of R$2.656 to US$1.00 (subject to rounding adjustments).

	As of and for the Year Ended December 31,					
	2010[(1)]	**2011**	**2012**[(2)] **(reclassified)**	**2013**[(2)] **(reclassified)**	**2014**	**2014**
	(millions of R$, except as indicated)					(millions of US$, except as indicated)
Statement of income data						
Net operating revenue	32,092	46,594	51,016	57,854	65,525	24,671
Cost of sales	(24,241)	(33,935)	(37,210)	(42,750)	(48,580)	(18,291)
Gross profit	7,851	12,659	13,806	15,104	16,945	6,380
Selling, general and administrative expenses	(5,817)	(9,620)	(10,164)	(10,742)	(11,787)	(4,438)

Depreciation and amortization	(446)	(678)	(751)	(787)	(821)	(309)
Other operating expenses, net	(128)	(259)	(33)	(673)	(441)	(166)
Operating expenses, net	(6,391)	(10,557)	(10,948)	(12,202)	(13,049)	(4,913)
Profit from operations before financial income (expenses) and share of profit of associates..	1,460	2,102	2,858	2,902	3,896	1,467
Financial income	332	593	593	643	688	259
Financial expenses	(1,155)	(1,926)	(1,786)	(1,836)	(2,195)	(826)
Financial expenses, net	(823)	(1,333)	(1,193)	(1,193)	(1,508)	(567)
Share of profit of associates	35	35	11	47	108	41
Profit before income tax and social contribution.	671	805	1,676	1,756	2,496	940
Income tax and social contribution	(85)	(85)	(520)	(360)	(736)	(277)
Net income for the year	**586**	**719**	**1,156**	**1,396**	**1,760**	**663**
Attributed to controlling shareholders	619	718	1,051	1,052	1,270	479
Attributed to noncontrolling shareholders	(33)	1	105	344	490	186
Other comprehensive income for the year, net of income tax	—	—	—	—	4	2
Total comprehensive income for the year	**586**	**719**	**1,156**	**1,396**	**1,764**	**664**
Attributed to controlling shareholders	619	718	1,051	1,052	1,271	479
Attributed to noncontrolling shareholders	(33)	1	105	344	493	186
Basic earnings per share (weighted average for the year) (in R$)						
Preferred	2.50	2.87	4.15	4.13	4.97	1.87
Common	2.27	2.61	3.78	3.75	4.51	1.70
Diluted earnings per share (weighted average for the year) (in R$)						
Preferred	2.48	2.85	4.12	4.11	4.95	1.86
Common	2.27	2.61	3.78	3.75	4.51	1.70
Basic earnings per ADS (in R$)	2.50	2.87	4.15	4.12	4.97	1.87
Diluted earnings per ADS (in R$)	2.48	2.85	4.12	4.11	4.95	1.86
Weighted average number of shares outstanding (in thousands)						
Preferred	156,873	159,775	162,417	164,773	165,603	165,603
Common	99,680	99,680	99,680	99,680	99,680	99,680
Total	256,553	259,455	262,097	264,453	265,283	265,283
Dividends declared (in R$)						
Preferred	0.69	0.68	0.65	0.98	0.98	0.37
Common	0.63	0.62	0.59	0.89	0.89	0.34
Dividends declared (in R$)(3)	0.69	0.68	0.65	0.98	0.98	0.37
Balance sheet data						
Cash and cash equivalents	3,818	4,970	7,086	8,367	11,149	4,198
Property and equipment	6,794	7,358	8,114	9,053	9,699	3,652
Total assets (4)	29,772	33,443	34,832	38,007	45,500	17,131
Current borrowings and financing	2,915	4,918	4,211	5,172	6,594	2,483

Noncurrent borrowings and financing	5,592	6,241	6,281	4,323	3,134	1,180
Shareholders' equity	9,501	10,094	11,068	12,712	14,482	5,453
Share capital(5)	5,580	6,129	6,710	6,764	6,792	2,557
Other financial Information						
Net cash provided by (used in):						
Operating activities	361	1,128	5,299	4,892	5,016	1,889
Investing activities	(1,399)	(1,356)	(1,306)	(1,963)	(1,650)	(621)
Financing activities	2,514	1,380	(1,877)	(1,648)	(636)	(239)
Capital expenditures	(1,522)	(1,723)	(1,426)	(2,127)	(1,963)	(738)

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

(2) In 2014, we began to record revenues and costs associated with rentals of commercial spaces as "sales revenue of goods and/or services" and "cost of goods sold and/or services", respectively, as a result of the increased participation of this activity in the *Multivarejo* segment, better displaying this activity in the Company's financial statements. Our management believes it is best to proceed with the current classification as to allow comparability and a final classification of revenues and costs. Previously, we had recorded such net revenues and costs as selling expenses recovery. In order to make our financial statements for the years ended December 31, 2013 and 2012 comparable to our financial statements for the year ended December 31, 2014, we reclassified our revenues and costs associated with rentals of commercial spaces for the years ended December 31, 2013 and 2012 in line with this new accounting policy. For further information on the reclassification, see note 2 to our audited consolidated financial statements included elsewhere in this annual report. We have not reclassified our financial statements for the years ended December 31, 2011 and 2010 to account for these changes in accounting policy because we cannot provide this information without unreasonable effort and expense and the changes are not considered material for these periods.

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

(4) For our financial statements as of and for the years ended December 31, 2012 and 2011, we reclassified balances of receivables related to bonuses that were granted by suppliers under commercial agreements – See Note 2 to December 31, 2014 financial statements. Pursuant to the terms of these agreements, we were allowed to offset receivables due to us by the suppliers with the outstanding balance to be paid by us to the suppliers. This reclassification aimed at presenting these receivables consistently with their realization. We have not retrospectively revised our consolidated balance sheet data as of December 31, 2010 due to practical difficulties in obtaining the remaining information for the reclassification of this date and the fact that the difference would not be considered material.

(5) On February 12, 2015, our board of directors approved a capital increase in connection with our new stock option plan. See "Item 6B. Compensation—Employee Stock Option Plans." The capital increase will be in the amount of R$1 million and our subscribed capital after the increase will total R$6,793 million.

	As of and for the Year Ended December 31,					
	2010	2011	2012	2013	2014	2014
Operating Data						(US$, except as indicated)
	(R$, except as indicated)					
Employees at period end[1]	144,914	149,070	151,037	156,451	159,829	
Total square meters of selling area at period end	2,811,103	2,855,851	2520,373	2657,403	2,771,460	
Number of stores at period end:						
Pão de Açúcar	149	159	163	168	181	
Extra Hiper[2]	110	132	138	138	137	
Minimercado Extra and Minuto Pão de Açúcar	68	72	107	164	256	
Extra Supermercado[4]	231	204	207	213	207	
Assaí	57	59	61	75	84	
Pontofrio	506	401	397	397	374	
Casas Bahia	526	544	568	602	663	
Cnova	—	—	—	—	—	
Total number of stores at period end	1,647	1,571	1,641	1,757	1,902	
Net operating revenue per employee[1]:						
Pão de Açúcar	287,016	288,256	243,825	324,689	346,472	130,449
Extra Hiper [2]	431,185	457,355	442,813	458,663	496,126	186,794
Minimercado Extra and Minuto Pão de Açúcar [3]	N/A	270,466	195,418	218,461	179,230	67,481
Extra Supermercado[4]	316,028	256,486	338,644	370,867	396,860	149,420
Assaí	418,860	486,356	545,787	548,808	610,144	229,723
Pontofrio	466,002	365,954	542,007	580,086	590,149	222,195
Casas Bahia[5]	N/A	464,689	474,760	525,507	547,875	206,278
Cnova[6]	—	—	—	—	—	—
CBD average net operating revenue per employee	383,818	369,937	397,608	432,440	452,408	170,334
Net operating revenue by store format:						
Pão de Açúcar	4,287	4,740	5,252	5,761	6,327	2,382
Extra Hiper [2]	11,658	12,364	13,504	14,463	14,490	5,456
Minimercado Extra and Minuto Pão de Açúcar[3]	N/A	182	241	451	638	240
Extra Supermercado[4]	4,597	4,390	4,381	4,863	4,959	1,867
Assaí	2,943	3,902	4,639	6,273	8,326	3,135
Pontofrio	4,455	4,524	4,872	5,341	5,222	1,966
Casas Bahia[5]	2,448	13,304	14,566	16,405	17,390	6,547
Cnova[6]	1,704	3,189	3,409	4,297	8,172	2,163
Real Estate Projects[7]	–	–	152	–	–	–
Total net operating revenue	32,092	46,594	51,016	57,854	65,524	24,671

Average monthly net operating revenue per square meter[8]:						
Pão de Açúcar	1,835	1,945	2,042	2,213	2,362	889
Extra Hiper [2]	1,219	1,280	1,311	1,353	1,341	504
Minimercado Extra and Minuto Pão de Açúcar[3]	N/A	1,027	1,149	1,118	1,143	430
Extra Supermercado[4]	1,188	1,331	1,484	1,618	1,624	611
Assaí	1,790	1,778	2,036	2,257	2,367	891
Pontofrio	1,033	1,498	1,578	1,723	1,765	664
Casas Bahia[5]	N/A	1,480	1,573	1,708	1,737	653
Cnova[6]	—	—	—	—	—	—
CBD average monthly net operating revenue per square meter	1,287	1,565	1,547	1,640	1,957	736
Average ticket amount:						
Pão de Açúcar	33	36	40	45	50	19
Extra Hiper [2]	53	64	59	64	70	26
Minimercado Extra and Minuto Pão de Açúcar[3]	N/A	12	13	15	15	6
Extra Supermercado[4]	24	25	27	30	33	12
Assaí	85	89	104	116	134	51
Pontofrio	564	451	433	486	517	195
Casas Bahia[5]	361	372	392	451	489	184
Cnova[6]	538	486	428	420	419	158
CBD average ticket amount	54	73	79	88	97	37
Average number of tickets per month (Brazilian *reais* – R$):						
Pão de Açúcar	10,765,303	10,882,640	10,862,968	10,770,189	10,502,201	
Extra Hiper [2]	18,237,819	18,025,561	18,966,815	18,811,073	17,273,270	
Minimercado Extra and Minuto Pão de Açúcar [3]	N/A	1,355,022	1,563,405	2,575,492	3,463,884	
Extra Supermercado[4]	16,026,255	14,588,413	13,693,582	13,461,964	12,595,001	
Assaí	2,885,286	3,671,405	3,732,878	4,527,849	5,164,456	
Pontofrio	658,275	835,446	938,511	915,119	841,098	
Casas Bahia[5]	564,626	2,978,613	3,100,208	3,028,962	2,962,453	
Cnova[6]	263,747	547,328	663,300	852,992	1,142,718	
CBD average number of tickets per month	49,401,310	52,884,427	53,521,666	54,943,639	53,909,401	

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

(2) In 2010, includes the results of operations of *Extra Hiper* stores and *Minimercado Extra* stores. Includes revenues associated with rentals of commercial spaces in 2012, 2013 and 2014. Revenues of gas stations, drugstores, food delivery and in-store pick-up are included in the respective banner.

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

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

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

(6) Includes all e-commerce assets of the Company, which, following the reorganization described in "Item 4B. Business Overview—Our Company—E-commerce Operating Segment," includes our e-commerce operations in France, Latin America (including Brazil) and Asia. We began consolidating Cnova's e-commerce operations in France, Latin America (excluding Brazil, which we already consolidated) and Asia on July 31, 2014. For further information, see "Item 4B. Business Overview—Operations—E-commerce Operating Segment."

(7) In 2012, R$152 million net operating revenue (R$153 million gross operating revenue) was recognized from real estate projects through a barter transaction. The barter transaction revenue is the net result of the book value of the assets swapped. For further information on the barter transactions, see note 11(c) to our audited consolidated financial statements included elsewhere in this annual report.

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

Exchange Rates

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

The Brazilian currency has during the last years experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. Between mid-2003 and 2008 the *real* appreciated significantly against the U.S. dollar and in August 2008 reached R$1.559 per US$1.00. Primarily as a result of the crisis in the global financial markets, the *real* depreciated 31.9% against the U.S. dollar and reached R$2.337 per US$1.00, at year end 2008. In 2009 and 2010, the *real* appreciated against the U.S. dollar and reached R$1.666 per US$1.00 at year end 2010. During 2011, 2012 and 2013 the *real* depreciated against the U.S. dollar and reached at year end 2013 R$2.343 per US$1.00. During 2014 the *real* depreciated against the U.S. dollar and on December 31, 2014 the exchange rate was R$2.656 per US$1.00.

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

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

	Exchange Rate of Brazilian Currency per US$1.00			
Year	**Low**	**High**	**Average(1)**	**Year-End**
2010	1.655	1.881	1.759	1.666
2011	1.535	1.902	1.675	1.876
2012	1.702	2.112	1.955	2.044
2013	1.953	2.446	2.161	2.343
2014	2.197	2.740	2.355	2.656

	Exchange Rate of Brazilian Currency per US$1.00			
Month	**Low**	**High**	**Average(1)**	**Period-End**
October 2014	2.391	2.534	2.448	2.444
November 2014	2.484	2.614	2.548	2.560
December 2014	2.561	2.740	2.639	2.656
January 2015	2.575	2.711	2.634	2.662
February 2015	2.689	2.881	2.816	2.878
March 2015	2.866	3.268	3.139	3.208
April 2015 (through 23, 2015)	3.008	3.156	3.076	3.008

Source: Central Bank

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

3B. Capitalization and Indebtedness

Not applicable.

3C. Reasons for the Offer and Use of Proceeds

Not applicable.

3D. Risk Factors

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

Risks Relating to Brazil and other Markets in Which We Operate

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

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

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

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

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

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

Brazil has in the past experienced extremely high rates of inflation and has therefore followed monetary policies that have resulted in one of the highest real interest rates in the world. Between 2005 and 2014, the base interest rate (*Sistema Especial de Liquidação e de Custódia*), or SELIC rate, in Brazil varied between 19.75% per annum and 7.25% per annum. Inflation and the Brazilian government's measures to fight it, principally through the Central Bank, have had and may have significant effects on the Brazilian economy and our business. Tight monetary policies with high interest rates may restrict Brazil's growth and the availability of credit. Conversely, more lenient government and Central Bank policies and interest rate decreases may trigger increases in inflation, which could negatively affect our business. We may not be able to adjust the prices we charge our customers to offset the effects of inflation on our cost structure. Furthermore, interest rate decreases may affect our ability to maintain interest margins we charge on installment sales, especially in connection with our home appliance segment, which could have a negative effect on our financial income. Brazilian government measures to combat inflation that result in an increase in interest rates may have an adverse effect on us as our indebtedness is indexed to the interbank deposit certificate (*Certificados de Depósito Interbancário*), or CDI, rate. Inflationary pressures may also hinder our ability to access foreign financial markets or lead to government policies to combat inflation that could harm us or adversely affect the trading price of the ADSs and our preferred shares.

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

The Brazilian currency fluctuates in relation to the U.S. dollar and other foreign currencies. The Brazilian government has in the past utilized different exchange rate regimes, including sudden devaluations, periodic mini devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. Since 1999, Brazil has adopted a floating exchange rate system with interventions by the Central Bank in buying or selling foreign currency. From time to time there have been significant fluctuations in the exchange rate between the *real* and the U.S. dollar and other currencies. For example, the *real* appreciated 11.8%, 8.7% and 17.2% against the U.S. dollar in 2005, 2006 and 2007, respectively. In 2008, as a result of the worsening global economic crisis, the *real* depreciated 32% against the U.S. dollar, closing at R$2.337 to US$1.00 on December 31, 2008. For the years ended December 31, 2009 and 2010, the *real* appreciated 25.5% and 4.2%, respectively, against the U.S. dollar, closing at R$1.741 and R$1.666 to US$1.00 on December 31, 2009 and 2010, respectively. For the years ended December 31, 2011, 2012, 2013 and 2014 the *real* depreciated 12.6%, 8.9%, 14.6% and 13.4%, respectively, against the U.S. dollar, closing at R$1.876, R$2.044, R$2.343 and R$2.656 to US$1.00, respectively. The *real* may substantially depreciate or appreciate against the U.S. dollar in the future. Exchange rate instability may have a material adverse effect on us. Depreciation of the *real* against the U.S. dollar could create inflationary pressures in Brazil and cause increases in interest rates, which could negatively affect the growth of the Brazilian economy as a whole and result in a material adverse effect on us. Depreciation would also reduce the U.S. dollar value of distributions and dividends and the U.S. dollar equivalent of the trading price of the

ADSs and our preferred shares.

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

The market price of securities of Brazilian issuers is affected by economic and market conditions in other countries, including the United States and emerging market countries. Although economic conditions in those countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in other countries may have an adverse effect on the market price of securities of Brazilian issuers. Crises in the United States, the European Union or emerging market countries may diminish investor interest in securities of Brazilian issuers, including ours. This could adversely affect the market price of our preferred shares and the ADSs, and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

A substantial part of the population in emerging markets relies on cash payments, which may impact our ability to grow our e-commerce business in those markets.

In emerging markets, including certain Latin American countries, African countries and certain Asian countries, a substantial part of the population relies on cash payments, rather than credit and debit card payments or electronic banking. Since our e-commerce business is dependent on customers' use of electronic payment methods, a reliance of cash in any of the markets in which we operate could impact our ability to grow our business in such market. Although we expect that over time the prevalence of cash payments will decline as a greater percentage of the population in emerging markets adopts credit and debit card payments and electronic banking, this may not happen quickly or at all.

Risks Relating to our Industries and Us

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

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

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

Our business depends on strong brands. We may not be able to maintain and enhance our brands, or we may receive unfavorable customer complaints or negative publicity, which could adversely affect our brands.

We believe that our *Pão de Açúcar*, *Minuto Pão de Açúcar*, Cdiscount, *Extra*, *Extra Supermercado*, *Minimercado Extra*, *Casas Bahia*, *Pontofrio*, and *Assaí* brands contribute significantly to the success of our business. We also believe that maintaining and enhancing those brands is critical to maintaining and expanding our base of customers, vendors and marketplace sellers. Maintaining and enhancing our brands will also depend largely on our ability to continue to create the best customer experience, based on our competitive pricing, our large assortment of products, the range and convenience of the delivery options we offer and providing a user-friendly buying experience, including having dedicated customer service teams available, and our ability to provide a reliable, trustworthy and profitable market to our vendors and marketplace sellers.

Customer complaints or negative publicity about our sites, product offerings, services, delivery times, customer data handling and security practices or customer support could harm our reputation and diminish consumer use of our sites, and consumer, vendor and marketplace seller confidence in us. A diminution in the strength of our brands and reputation could have a material adverse effect on our business, financial condition and operating results.

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

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

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

We are subject to environmental laws and regulations.

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

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

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

We face risks related to our distribution centers.

Approximately 80% of our products are distributed through our 61 distribution centers and depots located in the southern, southeastern, mid-western and northeastern regions of Brazil. If operations at one of these centers are adversely affected by factors beyond our control, such as fire, natural disasters, power shortages, failures in the systems, among others, and in the event that no other distribution center is able to meet the demand of the region affected, the distribution of products to the stores supplied by the affected distribution center will be impaired, which may adversely affect us. Our growth strategy includes the opening of new stores which may require the opening of new or the expansion of our existing distribution centers to supply and meet the demand of the additional stores. Our operations may be negatively affected if we are not able to open new distribution centers or expand our existing distribution centers in order to meet the supply needs of these new stores.

In our e-commerce segment, fulfillment is essential to our ability to provide a high level of service to our customers. If we do not optimize and operate our distribution centers successfully and efficiently, it could result in excess or insufficient fulfillment capacity, an increase in costs or impairment charges and a reduction in our gross profit margin, excluding shipping cost, or harm our business in other ways. If we do not have sufficient fulfillment capacity or experience a problem fulfilling orders in a timely manner, such as due to a failure of mechanized equipment at our distribution centers, or if certain products are out of stock, our customers may experience delays in receiving their purchases, which could harm our reputation and our relationship with our customers.

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

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

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

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

ℜ• minimum capital requirements;

ℜ• requirements for investment in fixed capital;

ℜ• credit limits and other credit restrictions;

ℜ• accounting requirements; and

ℜ• intervention, liquidation and/or temporary special management systems.

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

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

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

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

One of the main e-commerce issues is the safe transmission of confidential information of our customers on our servers and the safe data storage on systems that are connected to our servers. We depend on the efficient and uninterrupted operation of numerous systems, including our computer systems and software, as well as the data centers through which we collect, maintain, transmit and store data about our customers, vendors, marketplace sellers and others, including payment information and personally identifiable information, as well as other confidential and proprietary information. Because our technology systems are highly complex, they are subject to failure.

Our cybersecurity measures may not detect or prevent all attempts to compromise our systems. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of client information, or a denial-of-service or other interruption to our business operations, which could result in a shutdown of our sites for a short or extended period and have an adverse and material effect on our business. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we may be unable to anticipate or implement adequate measures to protect against these attacks.

We have in the past been, and are likely again in the future to be, subject to these types of attacks, although to date no such attack has resulted in any breach of our systems, material damages or remediation costs. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation would be harmed and we could sustain substantial revenue loss from lost sales and customer dissatisfaction. We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Cyber-attacks may target us, our sellers, buyers or other participants, or the communication infrastructure on which we depend. In addition, security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breaches by our employees or by persons with whom we have commercial relationships. Any compromise or breach of our security measures, or those of our third-party service providers, could result in us violating applicable privacy, data security and other laws, and cause significant legal and financial exposure, adverse publicity and a loss of confidence in our security measures, which could have an adverse and material effect on our business, financial condition and operating results.

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

Products destined for all of our stores are distributed through our distribution centers located in 17 Brazilian states and the Federal District. The transportation system and infrastructure in Brazil are underdeveloped and need significant investment to work efficiently and to meet our business needs. In our e-commerce segment, our reputation and ability to retain, acquire and serve our customers are dependent upon the reliable uninterrupted performance of our sites and the underlying infrastructure of the Internet, including fixed-line and mobile communications networks operated by third parties over which we have no control.

Any significant interruptions or reduction in the use of transportation infrastructure or in their operations in the cities where our distribution centers are located, as a result of natural disasters, fire, accidents, systemic failures or other unexpected causes, may delay or affect our ability to distribute products to our stores and may decrease our sales, which may have a material adverse effect on us. Furthermore, any damage to, or failure of, our third-party communication networks or data centers, whether due to system failures, computer viruses, physical or electronic break-ins or other unexpected events or disruptions, could cause system interruption, delays and loss of critical data, prevent us from providing our services on a timely basis or limit or prevent access to our sites and cause partial or complete shutdowns of our sites, which could have a material adverse effect on our business, financial condition and operating results.

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

We compete with other retailers based on price, product mix, store location and layout and services. Consumer habits are constantly changing and we may not be able to anticipate and quickly respond to these changes.

If we are unable to adapt our store format mix or layout, identify locations and open stores in preferred areas, quickly adjust our product mix or prices under each of our banners and segments or otherwise adjust to changing consumer preferences, such as shopping on mobile devices, our business and results of operation could be materially adversely affected.

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

Our controlling shareholder, the Casino Guichard-Perrachon Group, or the Casino Group, through our holding company, Wilkes ParticipaÃ§Ãµes S.A., or the Holding Company, has the power to, among other things, appoint the majority of the members to our board of directors, who, in turn, appoint our executive officers; determine the outcome of any action requiring shareholder approval, including the timing and payment of any future dividends, provided that we observe the minimum mandatory dividend established by Law No. 6,404, dated December 15, 1976, as amended, or Brazilian corporate law; determine corporate reorganizations, acquisitions, dispositions and the transfer of our control to third parties; enter into new partnerships; and deliberate on financings and similar transactions. Our controlling shareholder may prevail over our other shareholders or holders of ADSs. For a description of our ownership structure, see â€œItem 7A. Major Shareholders.â€

Severe drought conditions could have a material adverse effect on our overall business.

Approximately 70% of Brazilâ€™s installed electric generation capacity is currently dependent upon hydroelectric generation facilities. A severe drought in certain regions of Brazil has reduced hydrogenation in the affected regions. In response, the Brazilian government has considered instituting a rationing program; however, no such program has yet been instituted. If the amount of water available to energy producers becomes increasingly scarce due to drought affecting or diversion for other uses, the Brazilian government could institute a rationing program and the cost of energy, which represented approximately 1.0% of our total cost of goods sold in 2014, may increase. Such conditions could have a material adverse effect on our sales and margins.

Risks Relating to the Preferred Shares and ADSs

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

As an ADS holder, you benefit from the electronic certificate of foreign capital registration obtained by the Banco ItaÃº Corretora de Valores S.A., or the Custodian, for our preferred shares underlying the ADSs in Brazil, which permits the Custodian to convert dividends and other distributions with respect to the preferred shares into non-Brazilian currency and remit the proceeds abroad. If you surrender your ADSs and withdraw preferred shares, you will be entitled to continue to rely on the Custodianâ€™s electronic certificate of foreign capital registration for only five business days from the date of withdrawal. Thereafter, upon the disposition of or distributions relating to the preferred shares, you will not be able to remit abroad non-Brazilian currency unless you obtain your own electronic certificate of foreign capital registration or you qualify under Brazilian foreign investment regulations that entitle some foreign investors to buy and sell shares on Brazilian stock exchanges without obtaining separate electronic certificates of foreign capital registration. If you do not qualify under the foreign investment regulations you will generally be subject to less favorable tax treatment of dividends and distributions on, and the proceeds from any sale of, our preferred shares.

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

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

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

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

Investing in securities that trade in emerging markets, such as Brazil, often involves greater risk than investing in securities of issuers in more developed markets, and these investments are generally considered to be more speculative in nature. The Brazilian securities market is substantially smaller, less liquid, more concentrated and can be more volatile than more developed securities markets. The top 10 stocks in terms of trading volume accounted for approximately 39%, 39% and 46% of all shares traded on the São Paulo stock exchange (*BM&FBovespa S.A. – Bolsa de Valores*, *Mercadorias e Futuros*), or BM&FBOVESPA, in 2012, 2013 and 2014, respectively. Accordingly, although you are entitled to withdraw the preferred shares underlying the ADSs from the depositary at any time, your ability to sell the preferred shares underlying the ADSs at a price and time at which you wish to do so may be substantially limited.

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

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

ITEM 4. INFORMATION ON THE COMPANY

4A. History and Development of the Company

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

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

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

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

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

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

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

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

In 2010, we consolidated our leading position in the retail segment in Brazil and we believe we became the largest home appliance retailer in the country as a result of our association with the partners (represented by the Klein Family) of Casa Bahia Comercial Ltda., or Casa Bahia Comercial, a Brazilian home appliances retailer which operates under the brand name *Casas Bahia*, or the Casas Bahia association. Pursuant to the association agreement, by means of a corporate reorganization, we and the partners of Casa Bahia Comercial merged our respective businesses in the home appliances and e-commerce segments under Via Varejo. As a result we then owned 52.4% of Via Varejo.

In April 2013, we and Via Varejo entered into a term of undertaking (*Termo de Compromisso de Desempenho*), or the Term of Undertaking, with the Brazilian antitrust authority (*Conselho Administrativo de Defesa Econômica*), or CADE, for the approval of the Casas Bahia association.

Our main undertaking under the Term of Undertaking was to divest 74 stores, distributed across 54 cities and seven states, representing approximately 3% of Via Varejo's consolidated gross sales in 2013. As of December 31, 2014, we had divested 40 stores and still had 34 remaining stores located in the states of São Paulo, Rio de Janeiro, Goiás, Minas Gerais and Mato Grosso, which still await the compliance with the precedent condition of the agreement to divest. As a result of not selling these remaining stores, we paid a total fine of R$12 million.

On October 17, 2013, we, Via Varejo and Nova HoldCo entered into a stock purchase agreement pursuant to which we acquired 6.2% of Nova HoldCo's capital stock from Via Varejo for R$80.0 million and 1.95% of Nova HoldCo's capital stock from minority shareholders for R$25 million. As a result, Nova HoldCo became our direct subsidiary of which we hold 52.06% of the capital stock, Via Varejo holds 43.9% and the remaining 4.04% is held by minority shareholders. This transaction had no impact on our consolidation of Nova HoldCo's results of operations and financial condition on our financial statements, since we previously held, through Via Varejo, the indirect control of Nova HoldCo.

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

On December 27, 2013, our subsidiary, Via Varejo, concluded its public offering in Brazil with selling efforts to qualified institutional buyers in the United States and to institutions and other investors who were not U.S. persons elsewhere. The offering raised approximately R$3 billion in proceeds. The public offering was structured as a secondary public offering of Units, each Unit consisting of one common share and two preferred shares of Via Varejo.

We sold a total of 38.9 million Units for approximately R$897 million, which reduced our shareholding in Via Varejo to 62.25% of the common shares and 43.35% of the total capital stock. No gain was recorded as a result of this transaction. The Klein Family sold more than 23.64% of shares of Via Varejo's capital stock. As of the date of this annual report, the Klein Family owns 27.31% of Via Varejo's total capital stock. Via Varejo has 29.3% of its total stock capital in the free float.

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

On July 11, 2014, we, the Casino Group, Via Varejo, Nova HoldCo and Cnova Brazil entered into a Framework and IPO Agreement, or the Cnova Framework and IPO Agreement. Subsequently, Cnova, Almacenes Ã‰xito S.A., or Ã‰xito, CDiscount Group S.A.S., or Cdiscount, GermÃ¡n Quiroga and another founder of Nova HoldCo also became parties to the Cnova Framework and IPO Agreement, which provided for the reorganization of the e-commerce business of the Casino Group and its affiliates in France, Latin America (including Brazil) and Asia under the common ownership and/or control of Cnova. The reorganization was effected in accordance with the Cnova Framework and IPO Agreement through the steps described below.

On or shortly prior to July 24, 2014 (except for clause (v) below, which was completed on November 17, 2014):

(i) the Casino Group effected a contribution in kind of all issued and outstanding shares it held in Cdiscount, the holding company through which the Casino Group conducted its e-commerce business in France, Colombia and Asia to Cnova, as a result of which Cnova now owns the majority (approximately 99.8%) of the shares of Cdiscount and as a result controls the Cdiscount business in France and abroad;

(ii) Nova HoldCo effected a contribution in kind of substantially all of its assets and liabilities to a wholly-owned Brazilian subsidiary, Cnova Brazil, as a result of which Cnova Brazil owns our and Via Varejoâ€™s Brazilian e-commerce businesses;

(iii) Nova HoldCo reorganized the ownership structure of Cnova Brazil, such that, prior to the completion of step (iv), 100% of the share capital of Cnova Brazil was held by Marneylectro B.V. (a Dutch holding company), or DutchCo, which is in turn a wholly-owned subsidiary of Marneylectro S.Ã .r.l. (a Luxembourg holding company), or LuxCo, which is in turn a wholly-owned subsidiary of Nova HoldCo;

(iv) Following the completion of the preceding steps, DutchCo contributed all of the issued and outstanding shares in Cnova Brazil to Cnova, as a result of which Cnova owns our and Via Varejoâ€™s Brazilian e-commerce businesses;

(v) the Casino Group transferred 30% of its indirect interest in C-Distribution Asia Pte. Ltd, or C-Asia, which controls the Casino Groupâ€™s e-commerce subsidiaries operating in Thailand and Vietnam to a subsidiary of Cdiscount, resulting in Cnova acquiring indirectly 60% of the equity interests in C-Asia; and

(vi) Cnova obtained control over the e-commerce business of the Casino Group in Colombia, operated through Cdiscount Colombia S.A., or Cdiscount Colombia. In connection with this step, Ã‰xito contributed 21% of its equity interest in Cdiscount Colombia to Cnova in consideration for 0.16% of Cnovaâ€™s share capital.

Following the reorganization, Cnova owns, directly or indirectly, or has the right to use substantially all of the assets that were used, or held for use, in the e-commerce business of the Casino Group and its affiliated entities in France, Latin America (including Brazil) and Asia.

On November 25, 2014, our subsidiary, Cnova, concluded its initial public offering of ordinary shares on the Nasdaq Global Select Market and raised approximately US$204.1 million in gross proceeds. On January 23, 2015, Cnova also listed its ordinary shares on the Euronext Paris.

On December 30, 2014, Nova Holdco transferred 5,838,233 shares in the capital of LuxCo to us and 4,902,270 shares in the capital of LuxCo to Via Varejo in connection with a restructuring of an intercompany debt owed by Nova Holdco. As a result of those transfers, CBD, Via Varejo and Nova Holdco directly hold approximately 2.65%, 2.22% and 95.13%, respectively, of the issued and outstanding shares in the capital of LuxCo and CBD, Via Varejo and certain minority shareholders indirectly hold approximately 26.1%, 21.9% and 1.80%, respectively, of the issued and outstanding shares in the capital of Cnova.

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In 2014 it was approved by the Board of Directors, as recommended by the Corporate Governance Committee, a policy for Related Party Transactions. Under such policy it was determined that the Audit Committee is required to assess whether the guidance contemplated in said policy was observed in certain transactions of this nature to be brought to the Board of Directors for approval. In several Audit Committee meetings such transactions among related parties were analyzed to ensure the policy had been complied with.

Capital Expenditures and Investment Plan

As part of our capital expenditures and investment plan, we have invested approximately R$5,515 million in our operations in the three years ended December 31, 2014. Our capital expenditure and investment plan for 2015 contemplates capital expenditures and investments for 2015 in the total amount of approximately R$2 billion relating to (i) the opening of new stores, purchase of real estate and conversion of stores, (ii) the renovation of existing stores, and (iii) improvements to information technology, logistic and other infrastructureâ€‘related capital expenditures and investments. The Company has historically financed its capital expenditures and investments mainly with cash flow generated from its operations and, to a lesser extent, funded by third parties. The Company plans to continue financing its capital expenditures and investments principally with cash flow from its operations. Our investments in the last three years have included:

Opening of new stores and purchases of real estate â€“ In the food retail sector, we seek real estate properties to open new stores under one of our banners in regions or local supermarket chain acquisition opportunities that suit one of our formats. We have opened 444 new stores from 2012 through 2014, including those in the food retail sector and those in the home appliances retail sector. The total cost of opening these new stores and the purchase of real estate from 2012 through 2014 was R$1,654 million.

Acquisition of retail chains and companies â€“ We have paid an aggregate of R$376 million from 2012 through 2014 for the acquisition of equity interests in other companies, including Sendas, AssaÃ–, and, more recently, IndÃºstria de MÃ³veis Bartira Ltda., or Bartira, a furniture maker that sells exclusively to Casas Bahia.

Renovation of existing stores â€“ We usually remodel a number of our stores every year. Through our renovation program we modernized refrigeration equipment in our stores, create a more modern, customer-friendly and efficient environment, and outfit our stores with advanced information technology systems. The total cost of renovating stores from 2012 through 2014 was R$1,740 million.

Improvements to information technology â€“ We view technology as an important tool for efficiency and security in the flow of information among stores, distribution centers, suppliers and corporate headquarters. We have made significant investments in information technology in an aggregate amount of R$1,118 million from 2012 through 2014. For more information on our information technology, see â€œItem 4B. Business Overviewâ€”Technology.â€

Expansion of distribution facilities â€“ Since 2009, we have opened distribution centers in the cities of SÃ£o Paulo, BrasÃ–lia, Fortaleza, Rio de Janeiro, Recife, Salvador and Curitiba. The increase and improvement in storage space enables us to further centralize purchasing for our stores and, together with improvements to our information technology, improve the overall efficiency of our inventory flow. We have invested an aggregate of R$627 million on our distribution facilities from 2012 through 2014.

The following table provides a summary description of our principal capital expenditures for the three years ended December 31, 2014:

	Year Ended December 31,		
	2012	**2013**	**2014**
	(in millions of R$)		
Opening of new stores	286	521	513
Purchases of real estate	97	199	38
Acquisition of retail chains and companies	33	276	67
Renovation of existing stores	564	612	565
Information technology	338	371	410
Distribution centers	109	148	370
Total	**1,426**	**2,127**	**1,963**

4B. Business Overview

The Brazilian Retail Industry

The Brazilian retail food industry represented approximately 5.3% of Brazil's gross domestic product, or GDP, in 2014. According to the Brazilian Supermarket Association (*Associação Brasileira de Supermercados*), or ABRAS, the food retail industry in Brazil had gross revenues of approximately R$295 billion in 2014, representing a 8.3% nominal increase compared with 2013.

The Brazilian retail food industry is highly fragmented. Despite consolidation within the industry, according to ABRAS, the five largest supermarket chains represented approximately 52.2% of the retail food industry in 2014, as compared to 46.6% in 2013. Our consolidated gross sales represented 24.7% of the gross sales of the entire retail food industry in 2014, also according to ABRAS.

The cash and carry segment was created in order to serve customers within a market niche that was neither reached by self-service retail nor by direct wholesale. According to the Brazilian Association of Wholesalers and Distributors of Industrial Products *(Associação Brasileira da Atacadistas e Distribuidores de Produtos Industrializados)* the cash and carry sector in Brazil had gross revenues of approximately R$212 billion in 2014, representing a nominal increase of 7.3% over the previous year.

According to data published in February 2015 by the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or IBGE, the volume of sales in the food retail sector increased by 1.3% in 2014 compared to 2013. This data mainly reflects the increase in the Brazilian population's purchasing power, mostly driven by the rise in the salaries and number of people employed.

According to the IBGE, the volume of sales in furniture and house appliances sector in Brazil increased by 7.2% in 2014 relation to the previous year. This performance occurred due to the maintenance of the employment and income growth and credit availability.

According to the IBGE, the total population of Brazil was approximately 203 million in 2014, a 17.6% growth since 2001. Given that more than 84% of the population lives in urban areas (where most of our operations are located) and the urban population has been increasing at a greater rate than the population as a whole, our business is particularly well positioned to benefit from Brazil's urban growth and economies of scale related to urban growth. According to an

IBGE estimate for 2014, the city of São Paulo has a population of approximately 11.9 million and the city of Rio de Janeiro has a population of approximately 6.5 million. These are the two largest cities in Brazil. The State of São Paulo has a total population in excess of 44.0 million, representing 21.7% of the Brazilian population and is our largest consumer market. The State of Rio de Janeiro is our second largest consumer market, with approximately 336 stores.

According to IBGE, gross income in Brazil increased approximately 4.4% in 2014 compared to 2013. During the same period, private consumption increased 0.9%, and Brazil's GDP also increased 0.1%. Among the reasons for the growth are the 2.7% increase in average real income and the 7.2% increase in household credit as a percentage of GDP.

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

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

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

Class Level	**Average Monthly Income (in R$)**
A1	24,770
A2	13,261
B1	11,110
B2	4,335
C1	2,321
C2	1,470
D	1,070
E	732

According to a study by IPC Maps 2013, classes A1 and A2 households will account for only 4.6% of the urban population and classes B1 and B2 households will account for 33.4% of the urban population. Classes C1, C2, D and E will collectively represent 62.0% of all urban households. In recent years, the number of class C, D and E households has increased in terms of total urban households and their average purchasing power has increased.

We expect that increased consumption by the lower income class levels will occur over time as a result of gradual salary increases and a steadily growing population. The Brazilian monthly minimum wage increased 8.8% from R$724.00 in January 2014 to R$788.00 in January 2015. Our management believes based on internal data for the years immediately following the introduction of the *real* in 1994, that even small purchasing power increments generally result in significant increases in consumption in absolute terms, as well as increased expenditures in premium-priced food products and other non-food items, including home appliances and consumer electronics.

Our Company

We are the largest retailer in Brazil, with a market share of approximately 24.7% in 2014, according to ABRAS. As of December 31, 2014, our total gross sales, including the food and non-food categories, totaled R$73 billion. On the same date, we operated 1,902 stores, 83 gas stations and 158 drugstores in 20 Brazilian states and the Federal District, in addition to a logistics infrastructure supported by 61 distribution centers and depots located in 17 Brazilian states and the Federal District.

We classify our various business segments into four operating segments as follows (see note 34 to our audited consolidated financial statements included elsewhere in this annual report):

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

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

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

- *Cash and carry segment*, which consists of sales of food and some non-food products to resellers, intermediate consumers and retail customers through the *Assaí* banner.

- *Home appliances segment*, which consists of sales of durable goods (i.e., electronics, home appliances, furniture and other items for the home) and the provision of products and services, such as specialized and convenient sales and after-sales service through *Casas Bahia* and *Pontofrio* stores and "mobile stores," a new format focused on selling mobile phones, tablets, accessories, services and post-paid plans of Brazil's leading mobile carriers.

- *E-commerce segment*, which consists of Cnova operations through Cdiscount websites in France and Brazil, and operations in Colombia, Thailand, Vietnam, Ivory Coast, Ecuador, Belgium, Senegal and Cameroon (launched in 2014) and in Panama (launched in 2015), and operations in Brazil under the sites Extra.com.br, Pontofrio.com.br and Casasbahia.com.br. Cnova also operates specialty sites both in France and Brazil, including Comptoirsante.com, Moncornerdeco.com, Monshowroom.com, Barateiro.com.br and PartiuViagens.com.br, as well as B2B solutions, such as eHub, an e-commerce platform solution for third parties.

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

Segment Revenue and Income Distribution

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

	Year Ended December 31, 2014			
Operating segment	**Gross Operating Revenue from the Segment** (in millions of R$)	**Percentage of Total Gross Operating Revenue**	**Net Operating Revenue from the Segment** (in millions of R$)	**Percentage of Total Net Operating Revenue**
Food retail	28,677	39.4%	26,415	40.3%
Cash and carry	8,983	12.3%	8,326	12.7%
Home appliances	25,753	35.4%	22,674	34.6%
E-commerce	9,461	13.0%	8,175	12.5%
Eliminations (1)	(70)	(0.1)%	(65)	(0.1)%
Total	**72,804**	**100.0%**	**65,525**	**100.0%**

(1) Eliminations consist of intercompany balances.

Apart from revenues generated by the e-commerce segment, all of our operating revenue is generated in Brazil. In the e-commerce segment, Brazil is our largest market. The table below shows the percentage breakdown of Cnova's net operating revenue by geographic region for the period from July 31, 2014 to December 31, 2014.

Geographic region	**Percentage of Total Net Operating Revenue**
Brazil	70.3%
Other countries	29.7%
Total	**100.0%**

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

	Year Ended December 31, 2014	
Operating segment	**Net Income (Loss) from the Segment** (in millions of R$)	**Percentage of Total Net Income**
Food retail	752	42.7%
Cash and carry	120	6.8%
Home appliances	969	55.1%
E-commerce	(81)	(4.6)%
Total	**1,760**	**100.0%**

For more information about our net operating revenues and net income by operating segment, see "Item 5A. Operating Results—Results of Operations for 2014, 2013 and 2012."

Number of Stores

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

	Pão de Açúcar	*Extra Hiper*	*Extra Super(1)*	*Mini-mercado Extra*	*Minuto Pão de Açúcar*	*Assaí*	*Pontofrio(2)*	*Casas Bahia*	*Total(3)*
As of December 31, 2011	160	132	204	72		59	401	544	1,572
During 2012					–				
Opened	4	6	3	39	–	3	8	25	88
Closed	(1)	–	–	(4)	–	(1)	(12)	(1)	(19)
Converted (from)/to	–	–	–	–	–	–	–	–	–
Acquired	–	–	–	–	–	–	–	–	–
As of December 31, 2012(3)	163	138	207	107	–	61	397	568	1,641
During 2013									
Opened	5	–	6	57	–	14	5		