

BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD

Form 6-K/A

March 13, 2017

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## FORM 6-K/A

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

### Report of Foreign Private Issuer

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

For the month of March, 2017

Brazilian Distribution Company

(Translation of Registrant's Name Into English)

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

Brazil

(Address of Principal Executive Offices)

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

Form 20-F  Form 40-F

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

Yes  No

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

Yes  No

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

Yes  No

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

*Companhia Brasileira  
de Distribuição*

*Individual and Consolidated  
Financial Statements for the  
Year Ended December 31, 2016 and  
Independent Auditor's Report*

*Deloitte Touche Tohmatsu Auditores Independentes*

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## Companhia Brasileira de Distribuição

### Consolidated Financial Statements

Years ended December 31, 2016 and 2015

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Directors and Management of  
Companhia Brasileira de Distribuição

**Opinion**

We have audited the accompanying individual and consolidated financial statements of Companhia Brasileira de Distribuição ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2016 and the related statements of operations, of comprehensive income (loss), of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of Companhia Brasileira de Distribuição as at December 31, 2016, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and International Financial Reporting

## **Basis for opinion**

We conducted our audit in accordance with Brazilian and international standards on auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Federal Accounting Council (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Key audit matters**

Key audit matters ("KAM") are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and, therefore, we do not provide a separate opinion on these matters.

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*Realization of recoverable State VAT (ICMS) credits*

Why is it a KAM?

Due to the specific requirements set out in the State ICMS legislations, especially those prevailing in those States that require ICMS payment under the reverse charge system, and considering the procedures related to the purchase and distribution of products in stores, the Company has recognized accumulated ICMS credits, the realization of which is dependent upon the occurrence of future operating events and compliance with the State legislation requirements. In this regard, based on its internal policies, the Company assesses the technical feasibility analysis on the realization of those credits at least annually.

Such matter was considered a key audit matter in our audit because: (i) the approximate amount of R\$2,700 million, as at December 31, 2016, is considered material for the audit work, of which R\$545 million of "Recoverable taxes" and R\$2,154 million allocated as "Held-for-sale assets"; (ii) it was considered a significant risk in our audit plan; and (iii) the technical feasibility analysis prepared by Management involves a significant degree of judgment and estimate, based on assumptions that are affected by expected future economic and retail market conditions, as well as Management's internal decisions, primarily encompassing changes in the logistic distribution of its products and request for special tax regimes.

How the matter was addressed in our audit

Accordingly, our audit procedures included, but were not limited to: (i) assessing internal control activities designed with respect to the technical feasibility analysis preparation and approval; (ii) using our tax specialists to support the assessment of key assumptions and criteria adopted by the Company so as to comply with the prevailing State legislation and the special tax regimes obtained; and (iii) assessing the potential impact that would arise from reasonable changes in the growth assumptions used by the Company.

In view of the criteria and assumptions adopted to realize recoverable balances, the outcome of our procedures was considered appropriate in the context of the financial statements taken as a whole.

Disclosures on the nature of those credits and their expected realization are described in Note 11.1 to the financial statements.

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*Tax legislation applicable to the taxes on revenue (PIS and COFINS)*

Why is it a KAM?

The tax legislation applicable to taxes on revenue (PIS and COFINS), when applied to the retail segment, brings a certain degree of complexity to the current legislation interpretation, further requiring considerable judgment from Management, especially with respect to the assessment of amounts to be considered as a basis for tax credit utilization and the assessment of products subject to taxation upon the corresponding sale.

In 2016, the Company exercised considerable judgment with respect to the assessed assumptions used to recognize PIS and COFINS credits calculated on ICMS amounts paid upon the acquisition of products for resale and to maintain the tax benefit that eliminated PIS and COFINS rates levied on gross revenue from retail sales of certain technology products, known as “Lei do Bem” (Tax Incentive Law).

Such matter was considered a key audit matter in our audit because: (i) the approximate amounts of R\$641 million (PIS and COFINS calculated on ICMS amounts) and R\$600 million (Tax Incentive Law), as at December 31, 2016, are considered material for the audit work, of which R\$321 million refer to continuing operations and R\$920 million to discontinued operations; and (ii) the technical material prepared by Management required internal assessment containing Management’s considerable judgment on: (a) the interpretation of PIS and COFINS tax legislation; (b) the assessment of its outside legal counsel’s opinion; and (c) judgments at different court levels.

How the matter was addressed in our audit

Our audit procedures included: (i) assessing internal control activities designed with respect to the applicable legislation interpretation; (ii) involving the most senior members of the engagement team in the analysis of documentation comprising important elements that required our considerable judgment, such as the outside legal counsel’s opinions and available court rulings; (iii) analyzing available market inputs and court information, including judgments of similar issues; and (iv) assessing the criteria adopted by Management and the contradictory information, as well as challenging the arguments upon which Management relied to conclude on how PIS and COFINS tax legislation and related tax regulations should be applied, drawing on the support provided by our tax specialists.

In view of the criteria and assumptions adopted in calculating PIS and COFINS, the outcome of our procedures was considered appropriate in the context of the financial statements taken as a whole.

Disclosures on the nature of those credits are described in Note 11.2 to the financial statements.

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*Divestiture process in Via Varejo S.A.*

**Why is it a KAM?**

On November 23, 2016, the Company's Board of Directors authorized the beginning of the divestiture process in Via Varejo S.A. ("Via Varejo") and its subsidiaries. Such process is supported by a formal divestiture plan, including the location and assessment of potential buyers and the schedule of activities. This divestiture process is expected to be completed during 2017.

Such matter was considered a key audit matter in our audit because: (i) it involves the disposal of a substantial portion of operations and represents an important business line within the Company; (ii) the net balance of held-for-sale assets and liabilities, amounting to R\$4,671 million as at December 31, 2016, is considered material for our audit; (iii) it was considered a significant risk in our audit plan, since it involves Management's considerable judgment and estimate to calculate the fair value of assets and liabilities classified as available for sale; and (iv) it caused a material impact on the consolidated financial statements, including the assessment disclosures by business segment and fair value measurement.

**Other matters**

*Statements of value added*

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2016, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the IFRS, were subject to audit procedures performed together with the audit of the Company's financial statements. In forming our opinion, we assess whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these DVA were fairly prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

**How the matter was addressed in our audit**

Our audit procedures included: (i) involving our specialists in technical and professional accounting standards to assist with the assessment and challenge of the technical literature and elements used to conclude that such operations are discontinued; (ii) assessing internal control activities designed with respect to the preparation and approval of fair value measurement, as well as the accounting treatment of the transaction; and (iii) using our financial support specialists to assess the key assumptions and criteria adopted by the Company for fair value measurement purposes. <0 }

In view of the criteria and key assumptions adopted to assess and disclose discontinued operations and available-for-sale assets, the outcome of our procedures was considered appropriate in the context of the financial statements taken as a whole.

Disclosures on the divestiture process of Via Varejo are described in Note 35 to the financial statements.

**Other information accompanying the individual and consolidated financial statements and the independent auditor's report**

Management is responsible for such other information. The other information comprises the "Management Report" and the "Earnings Release", obtained prior to this report date, and also the "2016 Initiatives Report", which should be provided after this report date.

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Our opinion on the individual and consolidated financial statements does not cover the “Management Report”, the “Earnings Release” and the “2016 Initiatives Report” and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the other information referred to above and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information obtained prior to this report date, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and those charged with governance for the individual and consolidated financial statements**

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

In preparing the individual and consolidated financial statements, Management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s and its subsidiaries’ financial reporting process.

### **Auditor’s responsibilities for the audit of the individual and consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Concluded on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as going concerns.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that might reasonably be thought to bear on our independence, and, when applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The accompanying individual and consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 23, 2017

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

Eduardo Franco Tenório  
Engagement Partner

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## MESSAGE FROM MANAGEMENT

As the preceding year, 2016 was marked by a challenging period in which the macroeconomic scenario remained recessionary and consumers more selective, following a decade of accelerated expansion in Brazil's retail industry.

GPA's response to this transformation in market conditions began with a comprehensive review of the key fundamentals of retailing, such as store assortment, how we manage the product mix and our capacity to improve procurement and offer customers more attractive promotions and conditions.

Going back to basics, while capturing efficiency gains and prioritizing agility and simplicity, was one of our guiding principles. This effort extended to include GPA's corporate structure and corporate governance practices: we streamlined our internal structures and made the relationship between our executive Committees and the Board of Directors more robust and effective.

At our businesses, we made progress on analyzing our portfolio from a strategic standpoint, which will ensure more balanced growth, especially in higher-return formats. This led us to prioritize new store openings in models best suited to their environments (Assaí cash & carry, Minuto Pão de Açúcar proximity stores and Pão de Açúcar) and to shut down unprofitable units.

We also began a process to change the banners of existing assets, by converting two Extra Hiper stores into Assaí, whose initial results have surpassed our expectations. For 2017, we will accelerate this timetable by opening approximately 15 new Assaí store conversions. In addition to the 6 to 8 new Assaí stores to be opened, the conversions will help accelerate the expansion of GPA's cash-and-carry banner into new cities and states across Brazil.

Our results in 2016 show that we're on the right path. GPA's food segment posted net sales growth of 11.4% on the prior year, which is even more significant considering the recessionary macro environment. Assaí made the strongest contributions to our consolidated results, with sales growth of 38.6% on 2015. This growth shows that the expansion carried out in 2016, with 13 new stores opened, and was the right choice and that our positioning is aligned with the current economic context.

In the Proximity segment, we were pleased to see our Minuto Pão de Açúcar stores featured by the website Canadian Grocer as one of the 25 grocery stores to visit before you die. We also launched Aliados CompreBem, a partnership between GPA and small and mid-sized retailers that already has reached 102 stores in operation.

At Multivarejo, we adjusted our commercial actions and operations at the Extra banner to improve alignment with consumer trends, who are increasingly sensitive to promotions and to protecting their purchasing power. The new actions launched in 2016 have begun to bear fruit, with growing sales and consistent market share gains.

We took an important strategic decision in 2016: to concentrate our efforts on the food segment (our core business), which led us to announce, at year-end, the divestment of Via Varejo. The proceeds from the transaction, which should be concluded in 2017, will be invested in actions to consolidate and expand GPA's market share in the Food segment, given the opportunities for future investments and the prospects for growth, as well as the expected recovery in food retail consumption over the coming years.

In sustainability, we also made important advances in 2016, which included incorporating diversity and energy efficiency indicators into the variable compensation calculation. We also dedicated greater efforts to fostering diversity, with a focus on the company's strategic stakeholders. And we made progress on reducing the social and environmental impacts of our activities. The group's new Beef Sourcing Policy, which was launched this year, allows us to control 98% of the beef we sell, which ensures social and environmental compliance in terms of the direct product origin. Meanwhile, the project Reutilizar, which allows consumers to shop using their own reusable containers, reduces unnecessary packaging waste, while enabling them to buy just the amount they need.

We begin 2017 facing an economic scenario as challenging as last year's, but with our company now better prepared and structured. We remain cautious, yet confident that the scenario will improve throughout the year, and that the second half will bring a more promising outlook.

We will maintain the same rigor and discipline in our actions and investments to protect the interests of shareholders, ensure the Company's sustainable growth and accomplish our mission: to grow sustainably, with a focus on the customer, while streamlining our operations and adopting best management practices in all our activities.

## **INDEPENDENT AUDITORS**

The parent company and consolidated financial statements of GPA were audited by Deloitte Touche Tohmatsu Auditores Independentes ("Deloitte"). The engagement of independent auditors is based on the following principles that safeguard the independence of the auditor: (a) auditors may not audit their own work; (b) auditors may not exercise managerial functions; and (c) auditors should not advocate on behalf of GPA or provide any services that may be considered prohibited by the regulations in force. In compliance with Instruction 381/03 issued by the Securities and Exchange Commission of Brazil (CVM), we hereby declare that for the fiscal year ended December 31, 2016, Deloitte did not provide any services other than those related to the independent audit of the financial statements.

## **Report of the Audit Committee - Fiscal year 2016**

### **Introductory remarks**

The Audit Committee (the "Committee") of Companhia Brasileira de Distribuição (the "Company") is defined in the bylaws as a statutory advisory body linked directly to the Board of Directors, which was created in the Board of Directors' meeting held on September 27, 2012 and formally included in the Bylaws as approved by the Extraordinary Shareholders' Meeting of October 18, 2012. The Audit Committee started to function effectively from the beginning of 2014.

Such Committee is currently composed of four members; three of them were elected on May 9, 2016, while one of them was elected on July 27, 2016. All of them have a unified term of office of two years, and may be reelected. All members are independent, and one of them also holds the position of Director in the Company. The Audit Committee members are elected by the Company's Board of Directors based on criteria contained in the applicable laws and regulations, as well as best international practices.

### **Duties and Responsibilities**

#### Company's Management (Board of Officers, or "Direx")

The Company's Management is responsible for determining and implementing processes and procedures to collect data to prepare its financial statements in compliance with the Brazilian corporations act, the accounting practices adopted in Brazil, in addition to the standards issued by the International Accounting Standards Board (IASB), the relevant regulatory acts of the Brazilian Securities and Exchange Commission, and be listed on the New York Stock Exchange, the standards set by the US Securities and Exchange Commission (SEC) and the Sarbanes-Oxley Act (SOx).

The Management is also responsible for the processes, policies and internal control procedures to ensure the safeguarding of assets, the timely recognition of liabilities and the elimination of risk factors or the mitigation thereof to acceptable levels.

#### Board of Risks

The Board in charge of managing risks has as mission to identify and monitor, together with the business areas, the main risks that could jeopardize the Company's strategies in achieving its goals, structuring the process to manage such risks and to mitigate their impact on operations. This area also provides the Management with support to manage strategic risks to ensure that they are kept at acceptable levels. At the end of year 2016, after an adjustment of the organizational structure the Company's areas of Risk and Compliance were relocated to the Internal Audit Board, while the Internal Control area, responsible for

coordinating and monitoring internal controls tests to meet the requirements of the Sarbanes-Oxley Act (SOx), came under the Accounting Board management.

### Internal Auditors

The Internal Audit's responsibilities, in addition to newly-assigned task of monitoring the risk and compliance areas as referred to above, consist in checking the quality of the Company's internal control systems and the compliance with policies and procedures determined by the Management (i.e., Executive Officers), including those controls adopted in the main accounting records used for preparing financial reports. For that purpose, the Internal Audit develops its activities widely and independently focusing particularly the areas and activities having the most sensitive risks to operations. The Internal Audit submits to the Audit Committee for review and discussion their work plans, training programs, and conclusions of audits performed.

### Independent Auditors

The Independent Auditors that examine the Company's financial statements since the period ended on December 31, 2012 is Deloitte Touche Tohmatsu Auditores Independentes ("Deloitte"), which is responsible for examining such statements to issue a report containing an opinion about its compliance with the applicable standards. Because of their work, the Independent Auditors also issue a report with recommendations for accounting procedures and internal controls to be adopted by the Company, without prejudice to other reports prepared thereby, as the special reports of the quarterly financial statements. Deloitte is also responsible for auditing the internal controls as required by the Sarbanes-Oxley Act (SOx).

Due to the standards currently in force requiring that all Listed Companies in Brazil adopt a rotation of auditors, the financial statements of Companhia Brasileira de Distribuição (CBD) as of December 31, 2016 will be the last ones audited by Deloitte under the current auditing contract. The Audit Committee took part directly in the selection process of the next auditors that will undertake the audit of CBD starting in the first quarter of 2017, making their hiring recommendations to the Board of Directors.

### Audit Committee

According to the provisions of paragraph 3, Article 20 of the Company's Bylaws and also of Article 13 of the Audit Committee's Internal Regulations (available at [www.gpari.com.br](http://www.gpari.com.br)), among the main functions of this body are to ensure the quality and integrity of the accounting and financial statements, and also the Management's Report, to ensure the compliance with legal and regulatory requirements, the performance, independence and quality of work of both the external auditing companies and the Internal Auditors, the quality and effectiveness of internal control systems, evaluation and monitoring of risks, to take notice and review the adequacy of the Board's annual report to be submitted with the financial statements; finally, the Audit Committee is responsible for checking, within the limits set by the Company, whether the transactions with related parties are proposed to the Board of Directors in compliance with the corresponding policies defined therefor. The Committee also reviews the 20-F Form and the Reference Form in what falls within its responsibilities.

The Audit Committee bases its judgment and form its opinions considering the information received from the Management, the presentations about information systems, financial statements and internal controls, as well as the outcome of the works performed by the Board of Risks and Compliance (which is now under the responsibility of the Internal Audit area), the Accounting Board (which, besides the issues of its own, is also responsible for the Internal Controls area already mentioned above), Legal (Counsel) Board, and Internal and Independent Auditors.

As it is public knowledge, the independent auditors of the Company Deloitte Touche Tohmatsu Auditores Independentes, in Brazil, were subject to revisions of audit procedures by the Public Company Accounting Oversight Board (PCAOB), a fiscal agency of the activities of the audit companies in the United States of America. As a result of such revisions, and as a consequence of the audits performed on specific clients in Brazil, Deloitte has received sanctions, as disclosed in report published on December 05th, 2016 by the PCAOB.

To assure the maintenance and quality of the services provided, and to protect the development of the audit in a context of normality, together with other Company's managers, the Audit Committee has engaged specific discussions, requested additional information, together with those responsible for the Company's audit, and other senior partners of Deloitte in Brazil.

The Committee considers that the adopted procedures are appropriated, due to the conclusions and the report of the Company's independent audit in compliance with the expected standards and the required independence principles, for the fiscal year ended in December 31st, 2016.

### **Audit Committee's Activities in 2016**

The Audit Committee met on 25 regular sessions, in which 108 meetings were held with members of the senior Management, internal and independent auditors, and other members of the Company's Management. The Audit Committee, represented by its Coordinator, periodically reported the main topics discussed at such meetings to the Board of Directors at its regular meetings.

The Company's Audit Committee members take turns to attend the meetings of the Fiscal Council of Via Varejo S.A. as permanent guests, in the capacity of observers (as defined by the Brazilian Corporations Act), seeking to keep informed and updated on relevant issues concerning the financial statements and/or internal controls of the Company, in particular the issues that should be considered upon receipt of the financial and accounting data of that subsidiary of the Company for equity purposes and accounting consolidation. From the end of 2015 the Coordinator of the Audit Committee began a dialogue with managers and members of the Audit Committee of the company CNOVA N.V., a company that was previously - by October 31, 2016 - a subsidiary of the Company, established on May 30, 2014 with headquarters in Amsterdam, Netherlands, and listed on stock exchanges of the USA and France. In addition, such Committee's Coordinator meets regularly with the Internal Audit Director of Casino Group, based in France. On the other hand, the Chairman of the Corporate Governance Committee of the Board of Directors is a permanent guest to the Audit Committee meetings as an observer, and she attends them whenever possible.

At the request of the Audit Committee of CNOVA N.V., the Board of Directors of CBD has authorized its Audit Committee to cooperate with the investigations into inventory issues of CNOVA BRASIL as disclosed in the Notice to the Market of CNOVA N.V. of November 18, 2015 (see "Subsidiaries and affiliated companies - CNOVA NV / CNOVA Brasil" further ahead in this Report).

### **Meetings with the Management (Officers)**

The Committee met in 2016 with the officers and their corresponding teams to discuss the structures and operations of all areas, their work processes, any weaknesses found in the control systems, mitigating mechanisms in place and improvement plans.

Among the issues that required more attention of the Committee are the following:

### Contingencies and Allowances

In line with the work performed in 2015, throughout the entire year 2016 the Committee monitored the amounts of allowances connected to lawsuits and administrative proceedings involving the Company. The Committee has also monitored the implementation of an action plan established by the General Counsel, aiming at adopting more efficient and modern systems and processes to monitor lawsuits in which the Company is a party. Accordingly, the Audit Committee followed up, with the Legal Department (i.e., the General Counsel), the implementation of a new system (including software) that will enable improvements in the management of administrative and judicial proceedings involving the Company, as well as a reduction in tax allowances, since it enables reviewing the basis of such cases. Such system was delivered along with the integration and consolidation of the mass lawsuits control system of the subsidiary Via Varejo, as well as the review of such cases on a macro basis. For year 2017 the Committee was informed that the Legal Department staff intends to implement improvements by customizing the system, as a result of what was learned during the implementation thereof.

Furthermore, based on inferred perceptions over such monitoring, the Committee held meetings with the General Counsel, the Boards of Accounting, Tax, and also with the Independent Auditors in order to resume discussions on the criteria used to rank the estimate of success rates of all lawsuits and administrative proceedings, which could serve as basis for the corresponding accounting allowances at issue, especially with regard to civil and labor lawsuits. Because of such discussions, the Legal Department conducted during year 2016 an extensive work to review and improve the criteria used by Grupo Pão de Açúcar for classification of contingencies between unfavorable, possible, probable, or remote outcome, and it has also formalized the creation of a committee to evaluate contingency process with the participation of the above-mentioned Boards of Officers. The Audit Committee monitored the progress of such study, offering suggestions when appropriate. Early in the second half of 2016 the study was completed and new classification criteria were defined and adopted for the Pão de Açúcar Group as a whole.

The Committee continued monitoring the developments of the arbitration procedure initiated at the request of Morzan Empreendimentos e Participações Ltda., the accounting allowance effects of which were monitored by the Committee.

In addition, during year 2016 the Committee gave special attention to the progress of tax claims and other related risks involving the lease by the Company of goodwill owned by third parties.

#### Transactions with Related Parties

The year 2016 reinforced the progress of the implementation of the Policy on Transactions with Related Parties. Accordingly, pursuant to the procedures and responsibilities described therein, the Audit Committee was responsible for evaluating concrete cases of compliance with the procedures set out in such Policy to discuss and decide on cases subsequently forwarded to the Board of Directors. Furthermore, as requested by the Company's Board of Directors and according to the Policy for Transactions with Related Parties, the Committee reviewed and discussed the procedures for approvals of transactions in force that have a continuous basis.

#### Information Technology and Security

The Committee kept giving priority to monitor the progress of processes and controls involving information technology issues in order to become aware of the action plans in the long and medium terms aiming at improving Information Security. Such works are still in the implementation process. Accordingly, the Committee monitored very closely the auditing process of internal controls connected to Information Security carried out both by the internal auditors and the Independent Auditor.

As regards IT governance at corporate level, several interactions were conducted among the Committee members and the Company's Management, when the tasks carried out by the team concerning the sharing of structures, economies of scale, and harmonization of architecture between the business units were recognized and highlighted. Despite the developments found, the Committee highlights the need for the Company to invest efforts in reviewing and modernizing the definition of roles and responsibilities of the IT management at corporate level; this issue was subject of formal commitments by the Company's executives directly responsible for the IT area about targets and timetables, and will continue to be followed up by the Audit Committee throughout 2017.

Moreover, during year 2016 the Committee's analysis focused on a new topic within the IT area, which relates to the obsolescence of IT assets in the various business units. In this regard, the Committee monitored the obsolescence rates and the corresponding investments made by business units. This issue will continue to be monitored in 2017.

#### Human Resources area

The Committee followed up the implementation and completion of the new system of management and control of information on employees of the entire Pão de Açúcar Group (GPA), which will enable a better control of aspects connected to employment history and documentation of its associates, improving the People Management processes, in addition to assisting the General Counsel in obtaining data and grounds for labor claims, and thereby increasing the Company's chances of success in such claims. After the implementation of such system was completed in 2016, the Committee was committed to monitor the operation of the system after its implementation. The Committee has also followed up the adaptation of such system to the new requirements of e-Social ("e-Social" is an integrated system for Brazilian employers to comply with all labor-related obligations).

#### Accounting

With the Accounting Board, the Committee has reviewed and discussed with the Management, prior to the release of quarterly results and the results for the fiscal year ended on December 31, 2016, the information contained in the Financial Statements and the Notes thereto, and the Independent Auditors have always followed it up.

Furthermore, the Committee followed up in 2016 the implementation of a system designed to consolidate the Company's financial information. In this regard, the Committee noted the progress of the system step by step, as well as the adoption of improvements from the original plan submitted in 2014, in line with the Management's planning; it is expected to be completed during the year 2017. Among the expected benefits of the budget data integration enabled by such system, the following ones are worth highlighting:

The integration of the Company's budget with accounting and financial reports;

The management of Business Units based on projections made, as the projected numbers will be loaded into the consolidation system;

The lack of differentiation between the granularity and details of data between the phases of actual numbers (monthly report showing actual numbers) and budget stages;

Ensuring good-quality information for the budget data;

Automated consistency controls within the system, applicable to the loading of budget balances and that will prevent the process of consolidation progress, so as not to be possible to continue the validation steps without solving the consistency controls; and

The cash flow production having criteria and quality identical to the actual stages.

This project had its scope expanded; accordingly, its completion was postponed to enable interaction and integration with the Group's systems.

Aspects connected to manual journal accounting entries have also been discussed, trying to analyze and discuss the controls used in the quality of corrective entries and/or manual interventions in legacy systems not integrated up to now. In this sense, a reduction in the total volume of manual journal entries was observed, because of the use and improvement of policies on levels of responsibility per criteria of materiality and nature in the different business units of Grupo Pão de Açúcar, as well as the implementation of projects that were not aimed directly at reducing the volume of manual accounting entries, but the implementation of which brought benefits that resulted in the reduction of manual interference. Anyway, Committee members have maintained the close monitoring of manual entries throughout year 2016, with the assistance of the Internal Audit and Independent Auditors to perform validation tests.

### Tax Issues

The Committee monitored throughout year 2016 the development of the system for controlling taxes on purchases, transfers, and sales, which includes an action plan aiming at implementing systemic solutions and the review/creation of processes to standardize and organize the generation of information connected to tax rules, product payment, calculation of taxes, accounting inventory management, and basic registration data. The Committee was informed that such system is still in the design phase, and the delivery schedule of such tool is expected for mid-August 2017. Such delivery will undergo an implementation schedule in all facilities, starting in all Distribution Centers (CDs), and might be extended until mid-2019. It is worth highlighting that such tool and other major deliveries should take place in 2017.

Committee members have also discussed with the Company's Management about the monetization/realization methodology of tax credits, and they also monitor on a quarter basis the compliance of the credit consumption schedule.

In parallel, the Committee kept interactions with the Company's Management to keep up with the solutions developed to manage documentation involving mainly tax matters, an issue that will continue to be followed up by the Committee in 2017.

### Inventory Control, Loss and Breakage, Checking of Products, and Risk Management Related to Logistics

During 2016 the Committee monitored the work Loss Prevention and logistics areas to optimize inventory management involving Distribution Centers, Transfer to Stores, Control in Stores. In this regard, the Committee noted the efforts of the team and also the progress achieved in contemplating significant improvements in matters connected to losses due to inventory shortage, breakage (risk of lack of products on the shelves), checking of amounts between the exit from Distribution Centers and the arrival at the stores, scheduled physical counts and logistics procedures relating to such items, review of perishables value chain and reducing exposure to risk, with cleaning slow-moving inventory, off-line products, and products that are not purchased.

### Property Management Activities ("GPA Malls")

The Committee followed up the work carried out by the new management of GPA Malls, especially the risk management efforts ascribed to such team, monitoring the implementation of the actions required to mitigate such risks. In addition, the Committee dealt with the staff of the main lawsuits faced by the Company with respect to real estate issues and the strategies adopted to conduct them.

### Risk Management and Internal Controls

During year 2016 the Committee kept a constant supervision of the Company's areas of internal controls and risk management, being particularly strict about the Company's adequacy to the Brazilian Anti-Corruption Law (Federal Law No. 12.846), seeking to analyze and discuss, together with the Corporate Governance Committee, all the procedures to be put in place and the corresponding controls thereof, as well as the consolidation of the Compliance area of Pão de Açúcar Group (as in 2016 such area became part of the Internal Audit department), whose duties include assisting the Management in monitoring compliance with laws, regulations, policies, codes, and commitments applicable to the Company in order to ensure the training of the various business areas to fulfill such obligations.

Furthermore, about the issue of internal controls (that at the end of 2016 started to be managed by the Accounting Board), the following matters were monitored and recommendations were made by the Audit Committee throughout year 2016:

- Company's policies and codes, such as the insurance policy, policy for hiring external auditors, and letter of internal controls;
- Company's procedures for full compliance with the Sarbanes-Oxley legislation requirements;
- Receipt of periodic reports received by the Company and submitted by regulatory agencies and public bodies, as well as their corresponding answers given, regarding matters within the Audit Committee's competence.

Finally, the Committee have also monitored the work carried out by the risk team (that at the end of 2016 became part of the Internal Audit Board) regarding the Company's new risk management cycle and also the prioritized risks for year 2016 (top risks) by the Board of Directors for each of the business units and for the Company. The Committee have also discussed with the Company's Management the possibility of adopting a timetable to follow up risk indicators from 2017 on.

### Subsidiaries and affiliates - CNOVA NV / CNOVA Brasil

On December 18, 2015, CNOVA N.V. published a Notice to the Market reporting that problems had been found in the inventories management of CNOVA Comércio Eletrônico S.A. ("CNOVA Brasil"), which gave rise to investigations to detect the extent thereof and possible responsibilities. The conclusion of such investigation led to the need to make adjustments to the financial statements of CNOVA Brasil, with impacts on the financial statements and quarterly information of the Company related to previous years. Accordingly, the Company performed the resubmission of the yearly financial statements for the period ended on December 31, 2015 and also the quarterly financial statements for the first quarter 2015, second quarter 2015, third quarter 2015, and first quarter 2016, which were reviewed by the Committee and submitted to the Board of Directors and to the Company's shareholders for approval.

At the request of the Company's Board of Directors, the Committee has followed up very closely the above-mentioned investigation, promoting discussions about internal controls and "financial reporting" consistency with the Audit Committee of Cnova N.V. and its independent auditors. The investigation was completed in July 2016 and the findings were reported by the Committee coordinator to the Board of Directors at a meeting held on July 27, 2016.

### **Independent Auditors**

Among the work performed by the Independent Auditors which had the strict supervision and monitoring of the Committee, it is worth highlighting the analysis and debate on the review of the draft of the financial statements before being disclosed to the market, with the examination and discussion of the implementation of the recommendations and suggestions made by the Independent Auditors.

Furthermore, the Committee held discussions with the Independent Auditors on fraud risk management, in particular on the financial statements, transactions with related parties, and unusual transactions.

The Committee has also followed up the work of the Independent Auditors regarding the review of the Company's internal controls, and to resubmit the financial statements for the period ended on December 31, 2015 and the quarterly accounting information for the first, second, and third quarters 2015, and first quarter 2016.

Finally, in order to address the demands raised by Committee members from the assessment of the Independent Auditors' performance that they carried out, the Independent Auditors held special meetings with the Committee to discuss specific topics such as Information Technology, Tax matters, and Internal Controls.

## **Internal Auditors**

The Committee had an intensive and constant interaction with the Company's Internal Auditors, who attended much of the Committee meetings during year 2016. Moreover, the Committee approved the Internal Audit's Work Plan for 2016 and over the year it followed up the implementation of remedial measures resulting from the recommendations made by the Internal Auditors.

In addition, representatives of the Internal Audit have also presented to Committee members periodic reports of complaints made by whistle-blowers and received by the Company through the proper internal communication channel (Ombudsman) confidentially and without identifying the whistle-blower. In this sense, in addition to examining the concrete case subject of the complaint itself, the responsible persons analyzed and discussed the flows to investigate such claims and whistle-blowing, the results of investigations and the measures to be taken in the case such events are confirmed, as well as the financial impacts of each confirmed wrongdoing.

Finally, the Officer of Internal Audit followed, together with the Committee, the development of research in Cnova Brasil, presenting, at the request of the latter, the mitigating action plans for the risks identified during the investigation.

## **Recommendations from the Audit Committee**

The Committee recommends to the Executive Officers the following actions:

- Reviewing one more time the potential convenience, from the point of view of organizational structure, to establish a separated board of risks, compliance, and internal controls, reporting to the Company's CEO.
- Intensifying the risk management process, particularly as to the monitoring and reporting of results achieved.
- Systematically monitoring the improvements sought by the Legal Department in the management of the Group's administrative processes and lawsuits.
- Considering and discussing measures for review, modernization and centralization of corporate IT management covering all business units.
- Systematically monitoring all steps from the start to their completion and effective implementation of the Group's consolidated budget and financial information system, when such project is resumed.
- Taking the due measures to complete the current project phase of the system for controlling taxes on purchases, transfers, and sales, so that such system can be implemented in a timely manner.
- Systematically monitoring the improvement plans regarding Document Management.

## **Conclusion**

The Audit Committee is of the opinion that all items featured in the "Recommendations" section hereinabove whose Action Plans are still in progress were subject of and surrounded by satisfactory mitigating procedures aiming at minimizing any Internal Controls risks that might impact the Company's Financial Statements as of December 31, 2016.

The Audit Committee understands further that all relevant facts which came to its knowledge as a result of the works performed as described in this Report are properly disclosed in the Management's Report and the audited Financial Statements as of December 31, 2016; accordingly, the Audit Committee recommends the approval thereof by the Board of Directors.

São Paulo, February 23rd, 2017.

Luiz Nelson Guedes de Carvalho - Coordinator of the Committee; Accounting, Financial and Auditing Specialist.

Celso Clemente Giacometti.

Eleazar de Carvalho Filho, Representative of the Board of Directors on the Audit Committee.

Pedro Oliva Marcilio de Sousa.

### **Management statement on the financial statements**

In accordance with the item V of article 25 of Instruction CVM no. 480, of December 7, 2009, the Directors stated that have reviewed, discussed and agreed with the Company's Financial Statement related to the year ended December 31, 2016, authorizing the conclusion on this date.

São Paulo, February 23, 2017.

Directors

Ronaldo Iabrudi

President

Christophe José Hidalgo

Vice President of Finance

Daniela Sabbag

Investor's relationship Director

**Management statement on the independent auditor's report**

In accordance with the item V of article 25 of Instruction CVM no. 480, of December 7, 2009, the Directors stated that have reviewed, discussed and agreed with to the Independent Registered Public Accounting Firm Report over the Company's Financial Statements for the year ended December 31, 2016, issued on this date.

São Paulo, February 23, 2017.

Directors

Ronaldo labrudi

President

Christophe José Hidalgo

Vice President of Finance

Daniela Sabbag

Investor's relationship Director

**Companhia Brasileira de Distribuição**

## Balance Sheet

Years ended December 31, 2016 and 2015

(In millions of Reais)

| Assets  | Note | Parent Company |            | Consolidated  |            |
|---|------|----------------|------------|---------------|------------|
|   |      | 12.31.2016     | 12.31.2015 | 12.31.2016    | 12.31.2015 |
| Current                                       |      |                |            |               |            |
| Cash and cash equivalents                     | 7    | <b>4,496</b>   | 2,247      | <b>5,112</b>  | 11,015     |
| Trade accounts receivable, net                | 8    | <b>396</b>     | 387        | <b>543</b>    | 3,210      |
| Other accounts receivable, net                | 9    | <b>111</b>     | 133        | <b>126</b>    | 375        |
| Inventories                                   | 10   | <b>3,106</b>   | 2,828      | <b>4,641</b>  | 8,965      |
| Recoverable taxes                             | 11   | <b>557</b>     | 357        | <b>674</b>    | 1,080      |
| Prepaid Expenses                              |      | <b>81</b>      | 74         | <b>97</b>     | 157        |
| Other receivables                             |      | <b>54</b>      | 148        | <b>155</b>    | 143        |
| Noncurrent assets held for sale               | 35   | <b>1,901</b>   | 2          | <b>20,303</b> | 15         |
| Total current assets                          |      | <b>10,702</b>  | 6,176      | <b>31,651</b> | 24,960     |
| Noncurrent                                    |      |                |            |               |            |
| Trade accounts receivable, net                | 8    | -              | -          | -             | 98         |
| Other accounts receivable, net                | 9    | <b>81</b>      | 67         | <b>612</b>    | 625        |
| Recoverable taxes                             | 11   | <b>521</b>     | 534        | <b>632</b>    | 2,467      |
| Deferred income and social contribution taxes | 20   | <b>155</b>     | 50         | <b>170</b>    | 406        |
| Related parties                               | 12   | <b>359</b>     | 1,076      | <b>17</b>     | 309        |
| Restricted deposits for legal proceedings     | 22.7 | <b>534</b>     | 459        | <b>661</b>    | 999        |
| Prepaid Expenses                              |      | <b>13</b>      | 19         | <b>45</b>     | 50         |
| Investments                                   | 13   | <b>3,036</b>   | 5,149      | <b>316</b>    | 382        |
| Investment Properties                         |      | <b>23</b>      | 24         | <b>23</b>     | 25         |
| Property and equipment, net                   | 14   | <b>7,043</b>   | 6,525      | <b>9,182</b>  | 10,377     |
| Intangible assets                             | 15   | <b>1,193</b>   | 1,320      | <b>1,908</b>  | 6,543      |
| Total noncurrent assets                       |      | <b>12,958</b>  | 15,223     | <b>13,566</b> | 22,281     |
| Total assets                                  |      | <b>23,660</b>  | 21,399     | <b>45,217</b> | 47,241     |

The accompanying notes are integral part of these financial statements



**Companhia Brasileira de Distribuição**

## Balance Sheet

Years ended December 31, 2016 and 2015

(In millions of Reais)

| Liabilities   | Note | Parent Company |            | Consolidated  |            |
|---|------|----------------|------------|---------------|------------|
|   |      | 12.31.2016     | 12.31.2015 | 12.31.2016    | 12.31.2015 |
| Current   |      |                |            |               |            |
| Trade accounts payable                                  | 16   | <b>5,091</b>   | 4,103      | <b>7,232</b>  | 15,508     |
| Structured payable program                              | 18.1 | -              | -          | -             | 1,055      |
| Loans and financing                                     | 17   | <b>2,763</b>   | 828        | <b>2,957</b>  | 3,814      |
| Payroll and related charges                             |      | <b>446</b>     | 390        | <b>614</b>    | 1,023      |
| Taxes, contributions payable and taxes installments     | 19   | <b>189</b>     | 135        | <b>254</b>    | 830        |
| Related parties   | 12   | <b>510</b>     | 268        | <b>147</b>    | 563        |
| Accounts payable related to acquisition of companies    | 21   | -              | -          | <b>7</b>      | 76         |
| Financing related to acquisition of real estate         |      | <b>32</b>      | 100        | <b>116</b>    | 114        |
| Rent payable  |      | <b>100</b>     | 83         | <b>110</b>    | 151        |
| Deferred revenue  | 24   | <b>127</b>     | 28         | <b>224</b>    | 420        |
| Pass-through liabilities                                |      | <b>15</b>      | 43         | <b>15</b>     | 398        |
| Loyalty programs  |      | <b>28</b>      | 27         | <b>28</b>     | 30         |
| Other accounts payable                                  |      | <b>209</b>     | 370        | <b>246</b>    | 1,291      |
| Liabilities related to non-current assets held for sale | 35   | -              | -          | <b>15,632</b> | -          |
| Total current liabilities                               |      | <b>9,510</b>   | 6,375      | <b>27,582</b> | 25,273     |
| Noncurrent  |      |                |            |               |            |
| Loans and financing                                     | 17   | <b>2,775</b>   | 3,277      | <b>2,912</b>  | 4,164      |
| Deferred income and social contribution taxes           | 20   | -              | -          | <b>317</b>    | 1,184      |
| Tax payable in installments                             | 19   | <b>540</b>     | 572        | <b>540</b>    | 572        |
| Provision for contingencies                             | 22   | <b>891</b>     | 490        | <b>1,177</b>  | 1,396      |
| Accounts payable related to acquisition of companies    | 21   | -              | -          | -             | 28         |
| Deferred revenue  | 24   | <b>24</b>      | 32         | <b>24</b>     | 1,223      |
| Provision for negative equity                           | 13   | <b>22</b>      | 276        | <b>22</b>     | -          |
| Other accounts payable                                  |      | <b>38</b>      | 23         | <b>46</b>     | 49         |
| Total noncurrent liabilities                            |      | <b>4,290</b>   | 4,670      | <b>5,038</b>  | 8,616      |
| Shareholders equity                                     |      |                |            |               |            |
| Share capital   | 25   | <b>6,811</b>   | 6,806      | <b>6,811</b>  | 6,806      |
| Capital reserves  | 25   | <b>331</b>     | 302        | <b>331</b>    | 302        |
| Earning reserves  | 25   | <b>2,718</b>   | 3,333      | <b>2,718</b>  | 3,333      |
| Accumulated other comprehensive income                  |      | -              | (87)       | -             | (87)       |

|  |               |        |               |        |
|--|---------------|--------|---------------|--------|
|  | <b>9,860</b>  | 10,354 | <b>9,860</b>  | 10,354 |
| Non-controlling interest                   | -             | -      | <b>2,737</b>  | 2,998  |
| Total shareholders' equity                 | <b>9,860</b>  | 10,354 | <b>12,597</b> | 13,352 |
| Total liabilities and shareholders' equity | <b>23,660</b> | 21,399 | <b>45,217</b> | 47,241 |

The accompanying notes are integral part of these financial statements

**Companhia Brasileira de Distribuição**

## Statement of Operations

Years ended December 31, 2016 and 2015

(In millions of Reais)

|   |             | <b>Parent Company</b> |            | <b>Consolidated</b> |            |
|---|-------------|-----------------------|------------|---------------------|------------|
|   | <b>Note</b> | <b>12.31.2016</b>     | 12.31.2015 | <b>12.31.2016</b>   | 12.31.2015 |
| Net sales from goods and services                     | <b>26</b>   | <b>25,527</b>         | 22,465     | <b>41,454</b>       | 37,198     |
| Cost of goods sold and services sold                  | <b>27</b>   | <b>(18,599)</b>       | (16,342)   | <b>(31,933)</b>     | (28,123)   |
| Gross profit  |             | <b>6,928</b>          | 6,123      | <b>9,521</b>        | 9,075      |
| Operating income (expenses)                           |             |                       |            |                     |            |
| Selling costs   | <b>27</b>   | <b>(4,957)</b>        | (3,950)    | <b>(6,567)</b>      | (5,922)    |
| General and administrative expenses                   | <b>27</b>   | <b>(640)</b>          | (483)      | <b>(884)</b>        | (766)      |
| Depreciation and amortization                         |             | <b>(554)</b>          | (479)      | <b>(707)</b>        | (650)      |
| Share of profit of associates                         | <b>13</b>   | <b>30</b>             | 130        | <b>60</b>           | 81         |
| Other operating income (expenses), net                | <b>28</b>   | <b>(496)</b>          | (181)      | <b>(567)</b>        | (206)      |
| Profit before Net financial results                   |             | <b>(6,617)</b>        | (4,963)    | <b>(8,665)</b>      | (7,463)    |
|   |             | <b>311</b>            | 1,160      | <b>856</b>          | 1,612      |
| Net financial results                                 | <b>29</b>   | <b>(800)</b>          | (743)      | <b>(903)</b>        | (768)      |
| Profit before income and social contribution          |             | <b>(489)</b>          | 417        | <b>(47)</b>         | 844        |
| Income and social contribution taxes                  | <b>20</b>   | <b>84</b>             | (78)       | <b>(24)</b>         | (229)      |
| Net income (loss) from continued activities           |             | <b>(405)</b>          | 339        | <b>(71)</b>         | 615        |
| Net income (loss) from discontinued activities        | <b>35</b>   | <b>(77)</b>           | (74)       | <b>(1,005)</b>      | (891)      |
| Net income (loss) for the year                        |             | <b>(482)</b>          | 265        | <b>(1,076)</b>      | (276)      |
| Attributed to:  |             |                       |            |                     |            |
| Controlling shareholders - continued activities       |             | <b>(405)</b>          | 339        | <b>(71)</b>         | 615        |
| Controlling shareholders - discontinued activities    |             | <b>(77)</b>           | (74)       | <b>(411)</b>        | (350)      |
| Total of controlling shareholders                     |             | <b>(482)</b>          | 265        | <b>(482)</b>        | 265        |
| Noncontrolling shareholders - continued activities    |             | -                     | -          | -                   | -          |
| Noncontrolling shareholders - discontinued activities |             | -                     | -          | <b>(594)</b>        | (541)      |
| Total of noncontrolling shareholders                  |             | -                     | -          | <b>(594)</b>        | (541)      |
| <b>Earnings (loss) per share (R\$/share)</b>          | <b>30</b>   | <b>12.31.2016</b>     | 12.31.2015 |                     |            |
| <b>Basic</b>  |             |                       |            |                     |            |

|   |                  |         |
|---|------------------|---------|
| Common - continued and discontinued activities    | <b>(1.81669)</b> | 0.93859 |
| Common - continued activities                     | <b>(0.26891)</b> | 2.17964 |
| Preferred - continued and discontinued activities | <b>(1.81669)</b> | 1.03245 |
| Preferred - continued activities                  | <b>(0.26891)</b> | 2.39760 |
| <b>Diluted</b>                                    |                  |         |
| Common - continued and discontinued activities    | <b>(1.81669)</b> | 0.93859 |
| Common - continued activities                     | <b>(0.26891)</b> | 2.17964 |
| Preferred - continued and discontinued activities | <b>(1.81669)</b> | 1.03014 |
| Preferred - continued activities                  | <b>(0.26891)</b> | 2.39222 |

The accompanying notes are integral part of these financial statements

**Companhia Brasileira de Distribuição**

## Statement of Comprehensive Income

Years ended December 31, 2016 and 2015

(In millions of Reais)

|  | <b>Parent company</b> |                   | <b>Consolidated</b> |                   |
|--|-----------------------|-------------------|---------------------|-------------------|
|  | <b>12.31.2016</b>     | <b>12.31.2015</b> | <b>12.31.2016</b>   | <b>12.31.2015</b> |
| <b>Net income (loss) for the year</b>                                      | <b>(482)</b>          | 265               | <b>(1,076)</b>      | (276)             |
| <i>-Items that will not be subsequently reclassified to profit or loss</i> |                       |                   |                     |                   |
| Defined pension benefit plan - actuarial gain and loss                     | <b>(1)</b>            | (1)               | <b>(3)</b>          | (2)               |
| Adjustments to financial instruments                                       | -                     | (1)               | -                   | (1)               |
| <i>-Items that may be subsequently reclassified to profit or loss:</i>     |                       |                   |                     |                   |
| Accumulated translation adjustment   | <b>88</b>             | (86)              | <b>234</b>          | (219)             |
| <b>Comprehensive income for the year</b>                                   | <b>(395)</b>          | 177               | <b>(845)</b>        | (498)             |
| <b>Attributed to:</b>  |                       |                   |                     |                   |
| <b>Controlling shareholders</b>  |                       |                   | <b>(395)</b>        | 177               |
| <b>Noncontrolling shareholders</b>   |                       |                   | <b>(450)</b>        | (675)             |
|  |                       |                   | <b>(845)</b>        | (498)             |

The accompanying notes are integral part of these financial statements

**Companhia Brasileira de Distribuição**

## Statements of Changes in Shareholders' Equity

Years ended December 31, 2016 and 2015

(In millions of Reais)

|   | Capital reserves   |                   |                  | Earnings reserves |           |            |
|---|--------------------|-------------------|------------------|-------------------|-----------|------------|
|   | Paid-in<br>Capital | Other<br>Reserves | Stock<br>Options | Legal             | Expansion | Treasury S |
| <b>Balance at December 31, 2014</b>                   | 6,792              | 7                 | 275              | 413               | 1,135     |            |
| Capital increase (note 25.1)                          | 14                 | -                 | -                | -                 | -         | -          |
| Transfer to expansion reserve (note 25.4)             | -                  | -                 | -                | -                 | 1,489     | -          |
| Stock options granted (note 25.5)                     | -                  | -                 | 11               | -                 | -         | -          |
| Stock options granted - subsidiaries (note 25.5)      | -                  | -                 | 9                | -                 | -         | -          |
| Profit (loss) for the year                            | -                  | -                 | -                | -                 | -         | -          |
| Other comprehensive income:                           |                    |                   |                  |                   |           |            |
| Translation Adjustment                                | -                  | -                 | -                | -                 | -         | -          |
| Adjustments to financial instruments                  | -                  | -                 | -                | -                 | -         | -          |
| Defined benefit plan - actuarial losses               | -                  | -                 | -                | -                 | -         | -          |
| <b>Comprehensive income for the year</b>              | -                  | -                 | -                | -                 | -         | -          |
| Appropriation of income to legal reserve (note 25.4)  | -                  | -                 | -                | 13                | -         | -          |
| Dividends (note 25.10)                                | -                  | -                 | -                | -                 | -         | -          |
| Dividends - additional (note 25.10)                   | -                  | -                 | -                | -                 | -         | -          |
| Transfer to profit retention reserve                  | -                  | -                 | -                | -                 | -         | -          |
| Transactions with noncontrolling interest (note 25.7) | -                  | -                 | -                | -                 | -         | -          |
| Shares offering - Cnova N.V                           | -                  | -                 | -                | -                 | -         | -          |
| Settlement of Equity Instrument (note 25.9)           | -                  | -                 | -                | -                 | -         | -          |
| Put option - CD Colombia (note 25.8)                  | -                  | -                 | -                | -                 | -         | -          |
| <b>Balance at December 31, 2015</b>                   | 6,806              | 7                 | 295              | 426               | 2,624     |            |
| Capital increase (note 25.1)                          | 5                  | -                 | -                | -                 | -         | -          |
| Stock options granted (note 25.5)                     | -                  | -                 | 21               | -                 | -         | -          |
| Stock options granted - subsidiaries (note 25.5)      | -                  | -                 | 8                | -                 | -         | -          |
| Loss for the year                                     | -                  | -                 | -                | -                 | -         | -          |
| Other comprehensive income:                           |                    |                   |                  |                   |           |            |
| Foreign currency translation                          | -                  | -                 | -                | -                 | -         | -          |
| Defined benefit plan - actuarial losses               | -                  | -                 | -                | -                 | -         | -          |
| <b>Comprehensive income for the year</b>              | -                  | -                 | -                | -                 | -         | -          |
| Appropriation of income to expansion reserve          | -                  | -                 | -                | -                 | 119       | -          |

|   |              |          |            |            |              |
|---|--------------|----------|------------|------------|--------------|
| Proposed dividends - additional (note 25.10)          | -            | -        | -          | -          | -            |
| Transactions with noncontrolling interest (note 25.7) | -            | -        | -          | -          | -            |
| Put option - CD Colombia (note 25.8)                  | -            | -        | -          | -          | -            |
| Reserves achievement                                  | -            | -        | -          | -          | (444)        |
| <b>Balance at December 31, 2016</b>                   | <b>6,811</b> | <b>7</b> | <b>324</b> | <b>426</b> | <b>2,299</b> |

The accompanying notes are integral part of these financial statements

**Companhia Brasileira de Distribuição**

## Statement of Cash Flows

Years ended December 31, 2016 and 2015

(In millions of Reais)

|   | <b>Parent Company</b> |            | <b>Consolidated</b> |            |
|---|-----------------------|------------|---------------------|------------|
|   | <b>12.31.2016</b>     | 12.31.2015 | <b>12.31.2016</b>   | 12.31.2015 |
| Cash flow provided by operating activities                  |                       |            |                     |            |
| Profit (loss) for the year                                  | <b>(482)</b>          | 265        | <b>(1,076)</b>      | (276)      |
| Adjustment to reconcile net income (loss)                   |                       |            |                     |            |
| Deferred income tax (note 20)                               | <b>(105)</b>          | 59         | <b>(113)</b>        | 135        |
| Loss on disposal of property and equipment                  | <b>85</b>             | 36         | <b>203</b>          | 148        |
| Depreciation and amortization                               | <b>601</b>            | 523        | <b>1,089</b>        | 1,102      |
| Financial charges   | <b>706</b>            | 698        | <b>1,272</b>        | 1,154      |
| Share of profit of associates (note 13)                     | <b>(30)</b>           | (130)      | <b>(81)</b>         | (112)      |
| Provision for risk (note 22)                                | <b>366</b>            | 2          | <b>1,080</b>        | 246        |
| Share-based expenses  | <b>29</b>             | 20         | <b>29</b>           | 25         |
| Allowance for doubtful accounts (note 8.3)                  | <b>10</b>             | 2          | <b>609</b>          | 556        |
| Provision for obsolescence, losses and breakage (note 10.2) | <b>27</b>             | 4          | <b>44</b>           | 57         |
| Deferred revenue (note 24)                                  | <b>(12)</b>           | (25)       | <b>(372)</b>        | (161)      |
| Other operating expenses                                    | <b>144</b>            | 92         | <b>-</b>            | 15         |
| Gain in sale of subsidiaries                                | <b>-</b>              | -          | <b>(94)</b>         | -          |
|   | <b>1,339</b>          | 1,546      | <b>2,590</b>        | 2,889      |
| Changes in assets and liabilities                           |                       |            |                     |            |
| Trade receivables   | <b>133</b>            | (84)       | <b>(1,259)</b>      | (434)      |
| Inventories   | <b>203</b>            | (286)      | <b>107</b>          | (261)      |
| Recoverable taxes   | <b>(114)</b>          | (76)       | <b>(709)</b>        | (434)      |
| Other assets  | <b>222</b>            | (71)       | <b>118</b>          | (140)      |
| Related parties   | <b>(369)</b>          | (143)      | <b>(470)</b>        | (324)      |
| Restricted deposits for legal proceedings                   | <b>(42)</b>           | (11)       | <b>(218)</b>        | (82)       |
| Trade payables  | <b>532</b>            | 923        | <b>(1,486)</b>      | 2,503      |
| Payroll, related charges and taxes payable                  | <b>21</b>             | 55         | <b>134</b>          | 159        |
| Taxes and social contributions payable                      | <b>(49)</b>           | (116)      | <b>55</b>           | 42         |
| Taxes and social contributions paid                         | <b>-</b>              | (30)       | <b>(132)</b>        | (234)      |
| Payments of contingencies                                   | <b>(39)</b>           | (62)       | <b>(415)</b>        | (351)      |
| Deferred revenue  | <b>104</b>            | 22         | <b>660</b>          | 750        |
| Other liabilities   | <b>(192)</b>          | 39         | <b>(279)</b>        | 397        |
| Dividends receivable  | <b>152</b>            | 605        | <b>-</b>            | 152        |

|   |              |       |                |       |
|---|--------------|-------|----------------|-------|
|   | <b>562</b>   | 765   | <b>(3,894)</b> | 1,743 |
| Net cash provided by (used in) operating activities | <b>1,901</b> | 2,311 | <b>(1,304)</b> | 4,632 |

The accompanying notes are integral part of these financial statements

**Companhia Brasileira de Distribuição**

## Statement of Cash Flows - continued

Years ended December 31, 2016 and 2015

(In millions of Reais)

|   | <b>Parent Com</b> |
|---|-------------------|
|   | <b>12.31.2016</b> |
| Cash flow from investing activities   |                   |
| Acquisition of property and equipment (note 14.3)   | <b>(490)</b>      |
| Increase in intangible assets (note 15.3)   | <b>(84)</b>       |
| Sales of property and equipment   | <b>21</b>         |
| Net cash of subsidiary incorporated   | <b>180</b>        |
| Net cash of subsidiary sale   | <b>-</b>          |
| Net cash of corporate reorganization in Cnova's N.V. stock changes for Cnova Brasil (note 25.7) |                   |
| Net cash on descnsolidation of subsidiaries – Cdiscount (note 35.1)                             | <b>-</b>          |
| Net cash used in investment activities  | <b>(373)</b>      |
| Cash flow from financing activities   |                   |
| Capital increase  | <b>5</b>          |
| Proceeds from borrowings and financing obtained (note 17.2)                                     | <b>2,401</b>      |
| Payments of borrowings and financing (note 17.2)  | <b>(1,681)</b>    |
| Dividends paid  | <b>(4)</b>        |
| Transactions with non-controlling interest  | <b>-</b>          |
| Paid in subsidiary acquisition  | <b>-</b>          |
| Financing with related parties  | <b>-</b>          |
| Net cash flow provided by (used in) financing activities  | <b>721</b>        |
| Net increase (decrease) in cash and cash equivalents  | <b>2,249</b>      |
| Exchange rate in cash and cash equivalents  | <b>-</b>          |
| Cash and cash equivalents at the beginning of the year  | <b>2,247</b>      |
| Cash and cash equivalents at the end of the year  | <b>4,496</b>      |
| Net increase (decrease) in cash and cash equivalents  | <b>2,249</b>      |
| <u>Cash and cash equivalents reconciliation:</u>  |                   |
| Cash and cash equivalents in accordance to cash flow at 12.31.2016                              | 9,142             |
| Cash and cash equivalents in accordance to balance sheet at 12.31.2016                          | 5,112             |

|   |       |
|---|-------|
| Cash included in “assets held for sale and discontinued activities” | 4,030 |
|---|-------|

The main non-cash transactions are disclosed in note 34.

The accompanying notes are integral part of these financial statements

**Companhia Brasileira de Distribuição**

## Statement of Value Added

Years ended December 31, 2016 and 2015

(In millions of Reais)

|  | <b>Parent Company</b> |                   | <b>Consolidated</b> |                   |
|--|-----------------------|-------------------|---------------------|-------------------|
|  | <b>12.31.2016</b>     | <b>12.31.2015</b> | <b>12.31.2016</b>   | <b>12.31.2015</b> |
| Revenues   |                       |                   |                     |                   |
| Gross sales of Goods,                                    | <b>27,695</b>         | 24,308            | <b>44,969</b>       | 40,242            |
| Allowance for/Reversal of Doubtful Accounts              | <b>(10)</b>           | (11)              | <b>(26)</b>         | (4)               |
| Other Revenues   | <b>41</b>             | -                 | <b>65</b>           | (28)              |
|  | <b>27,726</b>         | 24,297            | <b>45,008</b>       | 40,210            |
| Products Acquired from Third Parties                     |                       |                   |                     |                   |
| Costs of Products, Sold                                  | <b>(18,705)</b>       | (16,722)          | <b>(32,856)</b>     | (28,973)          |
| Materials, Energy, Outsourced Services and Other         | <b>(3,133)</b>        | (2,160)           | <b>(4,073)</b>      | (3,280)           |
|  | <b>(21,838)</b>       | (18,882)          | <b>(36,929)</b>     | (32,253)          |
| Gross Value Added  | <b>5,888</b>          | 5,415             | <b>8,079</b>        | 7,957             |
| Retention  |                       |                   |                     |                   |
| Depreciation and Amortization                            | <b>(601)</b>          | (523)             | <b>(762)</b>        | (707)             |
| Net Value Added Produced                                 | <b>5,287</b>          | 4,892             | <b>7,317</b>        | 7,250             |
| Value Added Received in Transfer                         |                       |                   |                     |                   |
| Share of Profit of Subsidiaries and Associates           | <b>30</b>             | 130               | <b>60</b>           | 81                |
| Financial Income   | <b>207</b>            | 236               | <b>256</b>          | 361               |
| Others (net income of discontinued activities)           | <b>(77)</b>           | (74)              | <b>(1,005)</b>      | (891)             |
| Total Value Added to Distribute                          | <b>160</b>            | 292               | <b>(689)</b>        | (449)             |
| Distribution of Value Added                              | <b>5,447</b>          | 5,184             | <b>6,628</b>        | 6,801             |
| Personnel  | <b>3,028</b>          | 2,638             | <b>3,887</b>        | 3,628             |
| Direct Compensation                                      | <b>1,919</b>          | 1,661             | <b>2,485</b>        | 2,306             |
| Participation  | <b>258</b>            | 216               | <b>277</b>          | 254               |
| Benefits   | <b>670</b>            | 595               | <b>893</b>          | 843               |
| Government Severance Indemnity Fund for Employees (FGTS) | <b>181</b>            | 166               | <b>232</b>          | 225               |
| Taxes, Fees and Contributions                            | <b>1,250</b>          | 793               | <b>1,811</b>        | 1,513             |

|  |              |       |                |       |
|--|--------------|-------|----------------|-------|
| Federal  | <b>711</b>   | 475   | <b>1,017</b>   | 906   |
| State  | <b>355</b>   | 189   | <b>574</b>     | 413   |
| Municipal  | <b>184</b>   | 129   | <b>220</b>     | 194   |
| Value Distributed to Providers of Capital            | <b>1,651</b> | 1,488 | <b>2,006</b>   | 1,936 |
| Interest   | <b>986</b>   | 975   | <b>1,134</b>   | 1,122 |
| Rentals  | <b>665</b>   | 513   | <b>872</b>     | 814   |
| Value Distributed to Shareholders                    | <b>(482)</b> | 265   | <b>(1,076)</b> | (276) |
| Dividends  | <b>4</b>     | 115   | <b>4</b>       | 115   |
| Retained Earnings/ Accumulated Losses for the Period | <b>(486)</b> | 150   | <b>(486)</b>   | 150   |
| Noncontrolling Interest                              | -            | -     | <b>(594)</b>   | (541) |
| Total Value Added Distributed                        | <b>5,447</b> | 5,184 | <b>6,628</b>   | 6,801 |

The accompanying notes are integral part of these financial statements

## Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2016 and 2015

(In millions of Brazilian reais, unless otherwise stated)

### 1. Corporate information

Companhia Brasileira de Distribuição ("Company" or "CBD"), directly or through its subsidiaries ("Group" or "GPA") engages in the retail of food, clothing, home appliances, electronics and other products through its chain of hypermarkets, supermarkets, specialized stores and department stores principally under the trade names "Pão de Açúcar", "Minuto Pão de Açúcar", "Extra Hiper", "Extra Super", "Minimercado Extra", "Assai", and the neighborhood shopping mall brand "Conviva". The activities related to the segments of electronics and e-commerce are presented with discontinued activities (note 35) and represent the stores under the brands "Ponto Frio" and "Casas Bahia", as well as the e-commerce platforms "CasasBahia.com", "Extra.com", "Pontofrio.com", "Barateiro.com", "Partiuviagens.com" and "Cdiscount.com". Its headquarters are located in the city of São Paulo, State of São Paulo, Brazil.

The Company's shares are listed on the São Paulo Stock Exchange ("BM&FBovespa") Level 1 of Corporate Governance under the ticker symbol "PCAR4" and on the New York Stock Exchange (ADR level III), under the ticker symbol "CBD".

The Company is indirectly controlled by Almacenes Exito S.A., through Wilkes Participações S.A. ("Wilkes"), and its ultimate controlling company is Casino Guichard Perrachon ("Casino"), French company listed on Paris Stock Exchange.

#### 1.1. Arbitration request by Morzan

On August 14, 2015, CBD and its controlling shareholder Wilkes were jointly convicted by International Court of Arbitration - ICA, to indemnify Morzan Empreendimentos e Participações Ltda. ("Morzan"). Such decision was amended on January 27, 2016 with no significant changes. The account payable in the amount of R\$233, including legal fees, was fully settled in April 1, 2016.

On October 25, 2016 the Company received a notice from Securities Registration Office ("SRE") of Brazilian Securities Exchange Commission ("CVM") stating that the Company pay the equivalent additional amount 80% of effectively paid to Morzan as indemnification to other shareholders of Globex Utilidades S.A. that applied to Share Purchase Agreement resulting in the sale of control of the Company, in accordance to your OPA, the mix payment option, that defined in public notice of public offer for shares acquisition realized for the Company on January 4, 2010. The Company presented on appeal to CVM's arbitral award and the Company received a suspensive effect of the decision, with the estimated amount in R\$150 and likelihood of loss classified as possible.

1.2. Corporate restructuring in 2015

1.2.1 Sé

The Extraordinary Shareholders' Meeting held on December 22, 2015 approved the merger of subsidiary Sé Supermercados Ltda ("Sé") by the Company, in order to unify these companies' activities and management. This merge will result in substantial administrative, economic and financial benefits.

Effects in individual statements on December 31, 2015 due to merger of Sé subsidiary are summarized below. Since it is a fully consolidated subsidiary merger there is no impact in the consolidated financial statements neither in individual statement of operations:

## Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2016 and 2015

(In millions of Brazilian reais, unless otherwise stated)

### 1. Corporate information - Continued

#### 1.2 .Corporate restructuring in 2015 – Continued

##### 1.2.1 Sé - Continued

|                                      | <b>12.31.2015</b> |
|--------------------------------------|-------------------|
| <b>Assets</b>                        |                   |
| Cash and cash equivalents            | 100               |
| Other accounts receivable            | 56                |
| Inventories                          | 59                |
| Tax recoverable                      | 14                |
| <b>Total current assets</b>          | <b>229</b>        |
| <br>                                 |                   |
| Other accounts receivable            | 4                 |
| Tax recoverable                      | 3                 |
| Related parties                      | 2,707             |
| Property and equipment, net          | 228               |
| Intangible                           | 2                 |
| <b>Total non current assets</b>      | <b>2,944</b>      |
| <br>                                 |                   |
| <b>Total assets</b>                  | <b>3,173</b>      |
| <br>                                 |                   |
| <b>Liabilities</b>                   |                   |
| Loans                                | 1                 |
| Related parties                      | 390               |
| Other accounts payable               | 45                |
| <b>Total current liabilities</b>     | <b>436</b>        |
| <br>                                 |                   |
| Loans                                | 21                |
| Other accounts payable               | 6                 |
| <b>Total non current liabilities</b> | <b>27</b>         |
| <br>                                 |                   |
| Report of Foreign Private Issuer     | 51                |

|                          |              |
|--------------------------|--------------|
| <b>Total liabilities</b> | <b>463</b>   |
| <b>Net assets merged</b> | <b>2,710</b> |

### 1.3. Corporate restructuring in 2016

#### 1.3.1. Corporate restructuring – Barcelona, Sendas and Xantocarpa

On April 27, 2016, was approved in Ordinary and Extraordinary Shareholders' Meeting of CBD, the part of incorporation of the net assets of Sendas Distribuidora. With the objective to consolidate the cash and carry segment in a single entity and to improve operational and financial efficiency, the following corporate actions were taken:

##### (i) Redemption of Barcelona's shares

On February 22, 2016, it was approved at the Extraordinary General Meeting the redemption of all preferred shares issued by Barcelona, that corresponding to 3,722,470 shares held by Novasoc at book value of R\$160. The transaction did not generate impacts on the consolidated financial statements of the Company.

##### (ii) Total merger of Barcelona

At the Ordinary and Extraordinary General Meeting of April 27, 2016 was approved the merger of Barcelona by Sendas.

On April 30, 2016 Barcelona's assets and liabilities were fully merged into Sendas, consequently Barcelona was extinguished. As a result of merge, the Sendas' equity increased in R\$800, amount of difference of the total Barcelona's equity less interest owned by Sendas, upon issuance of new shares.

**Companhia Brasileira de Distribuição**

Notes to the consolidated financial statements

December 31, 2016 and 2015

(In millions of Brazilian reais, unless otherwise stated)

**1. Corporate information – Continued**

1.3. Corporate restructuring - Continued

1.3.1. Corporate restructuring – Barcelona, Sendas and Xantocarpa - Continued

(iii) Partial spin-off of Sendas

Still at the Annual and Extraordinary General Meeting of April 27, 2016 it was approved the spin-off of Sendas. On April 30, 2016, after the total merger and extinction of Barcelona, Sendas was partially spun off and incorporated into CBD. The value of the split assets was R\$2.

| <u>Assets</u>                    | 12.31.2015 (*) |
|----------------------------------|----------------|
| Cash and cash equivalents        | 155            |
| Other accounts receivable,net    | 261            |
| Inventories                      | 509            |
| Recoverable taxes                | 23             |
| <b>Total current assets</b>      | <b>948</b>     |
| Other accounts receivable,net    |                |
| Recoverable taxes                | 29             |
| Related parties                  | 62             |
| Investments                      | -              |
| Property and equipment,net       | 578            |
| Intangible assets                | -              |
| <b>Total noncurrent assets</b>   | <b>669</b>     |
| <b>Total assets</b>              | <b>1,617</b>   |
| <u>Liabilities</u>               |                |
| Trade accounts payable           | 456            |
| Loans and financing              | 1              |
| Related parties                  | 931            |
| Other accounts payable           | 220            |
| <b>Total current liabilities</b> | <b>1,608</b>   |
| Report of Foreign Private Issuer | 53             |

|                              |              |
|------------------------------|--------------|
| Loans and financing          | 5            |
| Other accounts payable       | 2            |
| Total noncurrent liabilities | 7            |
| <b>Total liabilities</b>     | <b>1,615</b> |
| <b>Net assets merged</b>     | <b>2</b>     |
| (*) Spin-off amount          |              |

(iv) In August, 2016 Xantocarpa was merged and consequently extinct, by Sendas Distribuidora.

As a result of this reorganization, there was no effect on the consolidated financial statement of the Company, since the subsidiaries are fully held by Company.

### 1.3.2. Rede Duque disposal

On January 31, 2016, the Company concluded the disposal of subsidiaries Auto Posto Império Ltda., Auto Posto Duque Salim Maluf Ltda., Auto Posto Duque Santo André Ltda., Auto Posto Duque Lapa Ltda and Auto Posto Ciara Ltda., to Rede Duque, referring to the agreement previously signed on December 1, 2015. The amount of sale was R\$8.

Company had no gain or loss over this transaction. The Rede Duque's balances are deconsolidated in financial statements on December 31, 2016.

## Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2016 and 2015

(In millions of Brazilian reais, unless otherwise stated)

### 1. Corporate information – Continued

#### 1.4. Notices from CVM to GPA and subsidiary Via Varejo

On February 18, 2016, the subsidiary Via Varejo received a notice from CVM, the notice 18/2016-CVM/SEP/GEA-5 containing the understanding of the Superintendence of Business Relations – SEP in relation to certain accounting entries related to corporate transactions at Via Varejo level in 2013. Due to the effects in its consolidated financial statements the Company received the notice 19/2016-CVM/SEP/GEA-5.

CVM's technical area notified its understanding on accounting treatment which is different from those applied by Company in its financial statements of that year, in relation to (i) remeasurement of remaining investment held in Nova Pontocom Comércio Eletrônico S.A. ("NPC") due to partial sale of interest to Companhia Brasileira de Distribuição; and (ii) accounting treatment applied on acquisition of additional 75% interest of Indústria de Móveis Bartira ("Bartira") equity.

Via Varejo and the Company presented an appeal to CVM's board of commissioners. At July 26, 2016, Via Varejo published relevant fact announcing the end of Cnova's investigations, and informed that attended partially the requirements on notice 18/2016CVM/SEP/GEA5, specifically to the accounting entries of sale participation on NPC, occurred in 2013. At January 26, 2017 the CVM reported the Company that (i) the appeal was accepted related to Bartira; and (ii) The CVM's Superintendence of Business Relations – SEP will ask reconsideration of the board of commissioner's decision.

#### 1.5. Cnova's investigation

On December 18, 2015, an investigation was conducted at Cnova Brasil on the employee's practices in managing inventories which scope was expanded to investigate other facts.

At the end of the investigation process the total effect of adjustments was R\$557, being R\$357 referring to adjustments arising from investigation procedures, R\$182 refers to impairment evaluation of the deferred tax assets, and R\$18 related to other effects. As these entities were subsidiaries of the Company, included

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in the consolidation process on Company's financial statements, such effects were recorded and presented in restated financial statements for the year-ended December 31, 2015, and in previous years where the adjustments were related to, and such restatement was filed at July 27, 2016.

There are no effects related to this issue on the financial statement for the year-ended December 31, 2016.

## **Companhia Brasileira de Distribuição**

Notes to the consolidated financial statements

December 31, 2016 and 2015

(In millions of Brazilian reais, unless otherwise stated)

### **2. Basis of preparation**

The individual and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standard Board (“IASB”) and accounting practices adopted in Brazil law 6,404/76 and standards issued by Comitê de Pronunciamentos Contábeis (“CPC”) and approved by the Brazilian Securities and Exchange Commission (“CVM”).

The financial statements have been prepared on the historical cost basis except for certain financial instruments measured at their fair value. All the relevant information related to the financial statements, and only the relevant ones, are being disclosed and are the relevant practices used in the management.

The individual and consolidated financial statements is being presented in millions of Brazilian Reais (“R\$”), which is the reporting currency of the Company. The functional currency of subsidiaries located abroad is the local currency of each jurisdiction.

The financial statements for the year ended December 31, 2016 was approved by the Board of Directors on February 23, 2017.

**Companhia Brasileira de Distribuição**

Notes to the consolidated financial statements

December 31, 2016 and 2015

(In millions of Brazilian reais, unless otherwise stated)

**3. Basis of consolidation**

3.1. Interest in subsidiaries and associates:

| <u>Companies</u>  | Direct and indirect equity interests - % |                   |            |                   |
|---|--|-------------------|------------|-------------------|
|   | 12.31.2016                               |                   | 12.31.2015 |                   |
|   | Company                                  | Indirect interest | Company    | Indirect interest |
| <b>Subsidiaries</b>   |  |                   |            |                   |
| Novasoc Comercial Ltda. (“Novasoc”)   | 10                                       | -                 | 10         | -                 |
| Sendas Distribuidora S.A. (“Sendas”)  | 100                                      | -                 | 100        | -                 |
| Bellamar Empreend. e Participações Ltda. (“Bellamar”)                             | 100                                      | -                 | 100        | -                 |
| GPA Malls & Properties Gestão de Ativos e Serviços Imobiliários Ltda. (“GPA M&P”) | 100                                      | -                 | 100        | -                 |
| CBD Holland B.V. (“CBD Holland”)  | 100                                      | -                 | 100        | -                 |
| CBD Panamá Trading Corp. (“CBD Panamá”)<br>(****)                                 | -  | -                 | -          | 100               |
| Barcelona Comércio Varejista e Atacadista S.A. (“Barcelona”) (*)                  | -  | -                 | 68.86      | 31.14             |
| Xantocarpa Participações Ltda. (“Xantocarpa”) (*)                                 | -  | -                 | -          | 100               |
| GPA 2 Empreend. e Participações Ltda. (“GPA 2”)                                   | 100                                      | -                 | 99.99      | 0.01              |
| GPA Logística e Transporte Ltda. (“GPA Logística”)                                | 100                                      | -                 | 100        | -                 |
| Posto Ciara Ltda. (“Posto Ciara”)   | -  | -                 | 100        | -                 |
| Auto Posto Império Ltda. (“Posto Império”) (**)                                   | -  | -                 | 100        | -                 |
| Auto Posto Duque Salim Maluf Ltda. (“Posto Duque Salim Maluf”) (**)               | -  | -                 | 100        | -                 |
| Auto Posto Duque Santo André Ltda. (“Ponto Duque Santo André”) (**)               | -  | -                 | 100        | -                 |
| Auto Posto Duque Lapa Ltda. (“Posto Duque Lapa”) (**)                             | -  | -                 | 100        | -                 |
| Via Varejo S.A. (“Via Varejo”) (***)  | 43.34                                    | -                 | 43.35      | -                 |
|   | -  | 43.34             | -          | -                 |

|  |            |              |      |       |
|--|------------|--------------|------|-------|
| Via Varejo Luxembourg Holding S.à.r.l.<br>("VVLuxco") (***)                            |            |              |      |       |
| Via Varejo Netherlands Holding B.V.<br>("VVDutchco") (***)                             | -          | <b>43.34</b> | -    | -     |
| Indústria de Móveis Bartira Ltda. ("Bartira") (***)                                    | -          | <b>43.34</b> | -    | 43.35 |
| VVLOG Logística Ltda. (PontoCred Negócio<br>de Varejo Ltda.) ("VVLOG Logística") (***) | -          | <b>43.34</b> | -    | 43.35 |
| Globex Adm. e Serviços Ltda. ("Globex Adm")<br>(***)                                   | -          | <b>43.34</b> | -    | 43.35 |
| Lake Niassa Empreend. e Participações Ltda.<br>("Lake Niassa") (***)                   | -          | <b>43.34</b> | -    | 43.35 |
| Globex Adm. Consórcio Ltda. ("Globex Adm.<br>Consórcio") (***)                         | -          | <b>43.34</b> | -    | 43.35 |
| Cnova Comércio Eletrônico S.A. ("Cnova<br>Brasil") (***)                               | -          | <b>43.34</b> | -    | 36.09 |
| E-Hub Consult. Particip. e Com. S.A. ("E – Hub")<br>(***)                              | -          | <b>43.34</b> | -    | 36.09 |
| Nova Experiência PontoCom S.A. ("Nova<br>Experiência") (***)                           | -          | <b>43.34</b> | -    | 36.09 |
| Marneylectro S.A.R.L ("Luxco") (****)  | -          | -            | 53.2 | 19.03 |
| Marneylectro B.V. ("Dutchco") (****)   | -          | -            | -    | 72.23 |
| Companhia Brasileira de Distribuição<br>Luxembourg Holding S.à.r.l. ("CBDLuxco")       | <b>100</b> | -            | -    | -     |
| Companhia Brasileira de Distribuição<br>Netherlands Holding B.V. ("CBDDutchco")        | -          | <b>100</b>   | -    | -     |
| <b><u>Associates</u></b>   |            |              |      |       |
| Cnova N.V ("Cnova Holanda") (****)   | -          | <b>34.05</b> | -    | 36.09 |
| Cdiscount Group S.A.S. ("CDiscount") (****)  | -          | <b>34.05</b> | -    | 36.09 |
| Cnova Finança B.V. ("Cnova Finança") (****)  | -          | <b>34.05</b> | -    | 36.09 |
| Cdiscount Afrique SAS ("Cdiscount Afrique")<br>(****)                                  | -          | <b>34.05</b> | -    | 36.02 |
| Cdiscount International BV The Netherlands<br>("Cdiscount Internacional") (****)       | -          | <b>34.05</b> | -    | 36.02 |
| Cnova France SAS ("Cnova France") (****)   | -          | <b>34.05</b> | -    | 36.09 |
| Cdiscount S.A. ("Cdiscount") (****)  | -          | <b>33.93</b> | -    | 36.09 |
| 3W SAS ("3W") (****)   | -          | <b>33.93</b> | -    | 35.87 |
| CD Africa SAS ("CD Africa") (****)   | -          | <b>28.94</b> | -    | 30.62 |
| Cdiscount Côte d'Ivoire SAS Ivory Coast<br>("Cdiscount Côte") (****)                   | -          | <b>28.94</b> | -    | 30.62 |
| Cdiscount Sénégal SAS ("Cdiscount Sénégal")<br>(****)                                  | -          | <b>28.94</b> | -    | 30.62 |
| Cdiscount Cameroun SAS ("Cdiscount<br>Cameroun") (****)                                | -          | <b>28.94</b> | -    | 30.62 |
| CLatam AS Uruguay ("CLatam") (****)  | -          | <b>23.84</b> | -    | 25.21 |
| Cdiscount Panama S.A. ("Cdiscount Panama")<br>(****)                                   | -          | <b>23.84</b> | -    | 25.21 |
| Cdiscount Uruguay S.A. ("Cdiscount Uruguay")<br>(****)                                 | -          | <b>23.84</b> | -    | 25.21 |

|  |   |              |   |       |
|--|---|--------------|---|-------|
| Ediscoc Comercializadora S.A.(Cdiscount Ecuador) ("Ediscoc Comercializadora") (****) | - | <b>23.83</b> | - | 25.21 |
|--|---|--------------|---|-------|

**Companhia Brasileira de Distribuição**

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(In millions of Brazilian reais, unless otherwise stated)

**3. Basis of consolidation – Continued****3.1. Interest in subsidiaries and associates – Continued**

| <u>Companies</u>  | Direct and indirect equity interests - % |                   |            |                   |
|---|--|-------------------|------------|-------------------|
|   | 12.31.2016                               |                   | 12.31.2015 |                   |
|   | Company                                  | Indirect interest | Company    | Indirect interest |
| <b>Associates – Continued</b>   |  |                   |            |                   |
| Financière MSR SAS (“Financière”) (****)                                | -  | -                 | -          | 36,02             |
| Cdiscount Colombia SAS (“Cdiscount Colombia”) (****)                    | -  | -                 | -          | 18,38             |
| C-Distribution Asia Pte. Ltd. Singapore (“C-Distribution Asia”) (****)  | -  | -                 | -          | 21,61             |
| C Distribution Thailand Ltd. (“C Distribution Thailand”) (****)         | -  | -                 | -          | 15,13             |
| E-Cavi Ltd Hong Kong (“E-Cavi”) (****)                                  | -  | -                 | -          | 17,29             |
| Cdiscount Vietnam Co Ltd. (“Cdiscount Vietnam”) (****)                  | -  | -                 | -          | 17,29             |
| Monconerdeco.com (Cdiscount Moncorner Deco) (“Monconerdeco.com”) (****) | -  | -                 | -          | 27,18             |
| Cdiscount Moncorner (“Cdiscount Moncorner”) (****)                      | -  | -                 | -          | 35,80             |
| 3W Santé SAS (“3W Santé”) (****)  | -  | -                 | -          | 33,18             |
| Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento (“FIC”)  | -  | <b>41,93</b>      | -          | 41,93             |
| Banco Investcred Unibanco S.A. (“BINV”)                                 | -  | <b>21,67</b>      | -          | 21,67             |
| FIC Promotora de Vendas Ltda. (“FIC Promotora”)                         | -  | <b>41,93</b>      | -          | 41,93             |

(\*) See note n<sup>o</sup>1.3.1(\*\*) Companies sold in 2016 (see note n<sup>o</sup> 1.3.2)(\*\*\* ) Companies which balance are classified in “Held for sale and discontinued activities” (see note n<sup>o</sup> 35).(\*\*\*\*) Companies no longer consolidate on October 2016 (see note n<sup>o</sup> 35)

(\*\*\*\*\*) Ended operation on November 2016

In the individual financial statements, equity interests are calculated considering the percentage held by GPA or its subsidiaries. In the consolidated financial statements, the Company fully consolidates all its subsidiaries, keeping noncontrolling interests in a specific line item in shareholders' equity.

Company's interest in some subsidiaries represents less than 50% of interest (common plus preferred shares) but Company's holds control pursuant to the common shares or shareholders' agreement that allows wholly consolidation.

### 3.2. Subsidiaries

The consolidated financial statements include the financial information of all subsidiaries over which the Company exercises control directly or indirectly. The determination of which subsidiary are controlled by the Company and the proceedings of integral consolidation are in accordance with the principles and concepts established by IFRS 10 (CPC 36- R3)

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

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

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

**Companhia Brasileira de Distribuição**

Notes to the consolidated financial statements

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**3. Basis of consolidation – Continued****3.3. Associates**

Investments are accounted for under the equity method because these associates are entities over which the Company exercises significant influence, but not control, since (a) it is a part of the shareholders' agreement, appointing certain officers and having vote rights in certain relevant decisions. The associates at December 31, 2016 are: i) BINV (not operating) and FIC is headed by Banco Itaú Unibanco S.A ("Itaú Unibanco") and ii) Cnova N.V. which holds mainly the investment on e-commerce company denominated Cdiscount located abroad.

The summarized financial statements are as follows:

|  | <b>12.31.2016</b> | <b>FIC</b> | <b>12.31.2015</b> |
|--|-------------------|------------|-------------------|
| Current assets                             | <b>4,060</b>      |            | 3,894             |
| Noncurrent assets                          |                   | <b>43</b>  | 38                |
| Total assets                               | <b>4,103</b>      |            | 3,932             |
| Current liabilities                        | <b>3,050</b>      |            | 3,070             |
| Noncurrent liabilities                     |                   | <b>15</b>  | 15                |
| Shareholders' equity                       | <b>1,038</b>      |            | 847               |
| Total liabilities and shareholders' equity | <b>4,103</b>      |            | 3,932             |
| <u>Statement of operations:</u>            | <b>12.31.2016</b> |            | <b>12.31.2015</b> |
| Revenues                                   | <b>1,118</b>      |            | 1,118             |
| Operating income                           | <b>386</b>        |            | 370               |
| Net income of the year                     | <b>236</b>        |            | 226               |

For the purposes of measurement of the investment in this associate, the special goodwill reserve recorded by FIC shall be deducted from its shareholders' equity, since it is Itaú Unibanco's exclusive right.

|  | <b>Cdiscount</b>  |                   |
|--|-------------------|-------------------|
|  | <b>12.31.2016</b> | <b>12.31.2015</b> |
| Current assets                             | <b>1,457</b>      | 2,596             |
| Noncurrent assets                          | <b>501</b>        | 766               |
| Total assets                               | <b>1,958</b>      | 3,362             |
| Current liabilities                        | <b>1,948</b>      | 3,340             |
| Noncurrent liabilities                     | <b>70</b>         | 103               |
| Shareholders' equity                       | <b>(60)</b>       | (81)              |
| Total liabilities and shareholders' equity | <b>1,958</b>      | 3,362             |
|  | <b>12.31.2016</b> | <b>12.31.2015</b> |
| <u>Statement of operations:</u>            |                   |                   |
| Revenues                                   | <b>7,187</b>      | 6,599             |
| Operating income                           | <b>(146)</b>      | (331)             |
| Losses for the year                        | <b>(224)</b>      | (319)             |

## **Companhia Brasileira de Distribuição**

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### **4. Significant accounting policies**

#### **4.1. Financial instruments**

Financial assets are initially recognized at fair value when the Company or its subsidiaries assume contractual rights to receive cash or other financial asset contracts in which they are part. Financial assets are derecognized when the rights to receive cash linked to the financial asset expire or have been transferred substantially all the risks and benefits to third parties. Assets and liabilities are recognized when rights and obligations are retained by the company.

Financial liabilities are recognized when the Company or its subsidiaries assume contractual obligations for settlement in cash or in the assumption of third-party obligations through a contract in which they are part of. Financial liabilities are initially recognized at fair value and are derecognized when they are settled, extinguished or expired.

Financial instruments measured at amortized cost are subsequently measured at initial recognition at the effective interest rate. Interest income and expenses, monetary and exchange variation, net of estimated losses for not receiving financial assets, are recognized when incurred in the statement of operations as financial income and expenses.

The Company, monthly, evaluates the estimated amount of loss not received financial assets. An estimate of loss is recognized when there is objective evidence that the Company or its subsidiaries will not collect all amounts to receive based on their due dates. For the calculation, the Company considers historical losses, historical statistical data, portfolio aging and the assessment of the likelihood of further deterioration of the portfolio, taking into account macro-economic factors and market. When the collection of accounts receivable is unlikely, both book value and its loss estimate are recognized in the income statement. Subsequent recoveries are recognized when incurred under the caption selling expenses in the income statement for the year.

Note 18 provide detailed information about financial instruments and further details on how it is measured.

(i) *Financial assets*

*Initial recognition and measurement*

The financial assets held by the Company and its subsidiaries within the scope of CPC 38 (IAS 39) are classified according to 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) available-for-sale and (iv) 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 and its subsidiaries includes cash and cash equivalents, trade accounts receivable, related parties receivables and derivative financial instruments.

## Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

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(In millions of Brazilian reais, unless otherwise stated)

### 4. Significant accounting policies - continued

#### 4.1. 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 financial 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.
- Held-to-maturity financial assets: 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 in profit or loss for the year using the effective interest rate method; and
- Available-for-sale financial instruments: items that do not meet the classification criteria in other categories. These items are measured at fair value, however, with an adjustment recognized in a separate account in shareholders' equity.

##### Derecognition of financial assets

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

- Its right to receive cash flows has expired; and
- The Company and its subsidiaries have transferred their rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full to a third party under an on lending 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 and its subsidiaries have transferred their rights to receive cash flows from an asset or have entered into an on lending agreement, and have neither transferred nor retained substantially all the risks and rewards related to the asset or transferred control of the asset, the asset is maintained and an associated liability is recognized. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations retained by the Company and their subsidiaries.

## Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

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### 4. Significant accounting policies - continued

#### 4.1. Financial instruments – continued

##### (i) *Financial assets - continued*

##### *Impairment of financial assets*

At the end of the reporting periods, the Company and its subsidiaries assess whether there is any indication of impairment of a financial asset or group of financial assets. The impairment of a financial asset or group of financial assets is only considered (and only if) 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 assets that 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.

Specifically in relation to loans and receivables, the Company, and its subsidiaries, firstly, verify whether there is objective evidence of impairment individually for financial assets that are individually significant, or collectively for assets that are not individually significant, if Should the Company and its subsidiaries determine the nonexistence of objective evidence of impairment of a financial asset measured individually – whether or not this significant loss – the Company and its subsidiaries classify 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 and its subsidiaries measure 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 (CPC38) are classified as, fair value through profit or loss or other financial liabilities, designated as hedge instruments in an effective hedge relationship, as applicable. The Company defines the classification of its financial liabilities at initial recognition.

## Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

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### 4. Significant accounting policies - continued

#### (ii) *Financial liabilities- continued*

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

The Company and its subsidiaries' financial liabilities include trade accounts payable, loans and financing, debentures, financing related to acquisition of assets and derivative financial instruments.

#### Subsequent measurement

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

#### Derecognition of financial liabilities

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

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

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.

4.2. Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies are translated to Real according to their 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.

4.3. Hedge accounting

The Company uses derivative financial instruments to limit the exposure to variation not related to the local market 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.

## Companhia Brasileira de Distribuição

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### 4. Significant accounting policies - continued

#### 4.3. Hedge accounting - continued

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 fair value 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;
- 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 developed through DDI curves, clean coupon and DI, indexes 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.

#### 4.4. 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.

#### 4.5. 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 refer 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 are 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 and its subsidiaries assess if the financial assets or group of financial assets are impaired.

## **Companhia Brasileira de Distribuição**

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### **4. Significant accounting policies - continued**

#### **4.5. Trade accounts receivable - continued**

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.

#### **4.6. 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 its adequacy.

#### **4.7. Supplier Bonuses**

Bonuses received from suppliers are measured and recognized based on contracts and agreements signed, and recorded in income when the corresponding inventories are sold.

Includes purchase volume agreement, logistics 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.

#### 4.8. Present value adjustment of assets and liabilities

The long term assets and liabilities continue to be adjusted, considering the contractual cash flows and respective interest rate, implicit or explicit.

Short term assets and liabilities are not adjusted to present value.

#### 4.9. Impairment of non-financial assets

Impairment testing is designed so 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 and its subsidiaries activities.

The Company and its subsidiaries 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

#### 4.9. 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 in future periods.

#### 4.10. 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.

| <b>Asset category</b>     | <b>Average annual depreciation rate</b> |
|---------------------------|---|
| Buildings                 | 2.50 %                                  |
| Improvements              | 4.17 %                                  |
| Data processing equipment | 21.14 %                                 |
| Software                  | 10.31 %                                 |

|                         |         |
|-------------------------|---------|
| Facilities              | 8.27 %  |
| Furniture and fixtures  | 10.63 % |
| Vehicles                | 20.00 % |
| Machinery and equipment | 9.31 %  |
| 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 eventual 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 2016 and no significant changes were necessary.

## Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

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(In millions of Brazilian reais, unless otherwise stated)

### 4. Significant accounting policies –Continued

#### 4.11. 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.

#### 4.12. Investments properties

Investment properties are measured at historical cost, including transaction costs. After the initial recognition, they are stated at cost, net of accumulated depreciation and or impairment loss, if is applicable

Investment properties are written off when they are sold or when they are no longer used and no future economic benefit is expected from the sale. An investment property is also transferred when there is an intention to sell it and, in this case, it is classified as a non-current asset held for sale. The difference between the net amount obtained from the sale and the book value of the asset is recognized in the statement of operations for the period in which the asset is written off.

#### 4.13. 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 useful lives (5 a 10 years), accordingly to the amortization rate, mentioned in the note 4.10. Beginning amortization when they become operational.

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.

## Companhia Brasileira de Distribuição

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### 4. Significant accounting policies –Continued

#### 4.14. 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 legal entity, according to the related accounting standard.

#### 4.15. Non current assets held to sale

Noncurrent assets and group of assets are reclassified as held for sale if the carrying amount will be recovered through a sale transaction, instead of continuous use. This condition is considered reached only when the asset is available to sale in the present condition, exposed only the terms that are usual to sales of this assets and the sale is high probable. The management has to be compromised to finish the sale, the estimated deadline to the sale to be completed have to occur in one year.

When the Company are compromised to a sale plan involving the loose of subsidiary control, all the assets and liabilities of this subsidiary are classified as held to sale when the criteria above is achieved, even if the Company keeps non-controlling participation in its old subsidiary after the sale. Additionally, the net income of the entity classified as held to sale is reclassified as discontinued activity in a unique line on statements of operations.

After completed the sale, the Company consider whatever residual participation in associate, or entity under joint control, in accordance to IAS 39, except that the part withheld by the Company make the

associate keep to be associate or entity under joint control, in this case the Company use the equity equivalence.

Non current assets classified as held to sale are measured based on the lower amount between carrying amount and market value less the cost for sale.

#### 4.16. 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.

The company rents equipment and commercial rooms, including stores and distribution centers, through cancelable and non-cancelable lease agreements. The agreements length vary from 5 to 25 years.

#### Company and its subsidiaries as lessees

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

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### 4. Significant accounting policies – Continued

#### 4.16. Leases - continued

Leased assets are depreciated over their useful lives. However, if there is no reasonable certainty that the Company and its subsidiaries 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 rebuilding follow the same 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 and its subsidiaries as lessors

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 periods in which they are earned.

#### 4.17.Provisions

Provisions are recognized when the Company and its subsidiaries have 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 and its subsidiaries' policy is to make a provision when fees are incurred, i.e., upon final judgment on lawsuits, as well as disclose in notes the amounts involved in lawsuits in progress.

#### 4.18.Dividend distribution

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

#### 4.19.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.

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### 4. Significant accounting policies – Continued

#### 4.20. Equity

Common and preferred shares are classified as equity.

When the Company purchases its own shares (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 to the market. 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.

#### 4.21. Share-based payment

Employees and senior executives of the Company (including ours subsidiaries) 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 represents the change in the cumulative expenses recognized at the beginning and the end of that year. No expense is recognized for services that has not completed 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.

When 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 30).

#### 4.22.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:

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### 4. Significant accounting policies –Continued

#### 4.22. Earnings per share

- *numerator*: profit for the year adjusted by dilutive effects from stock options granted by subsidiaries; 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 with the Company and its subsidiaries' shares are only included in the calculation when its settlement has a dilutive impact on earnings per share.

#### 4.23. 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 and its subsidiaries have 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, among others. Specifically in these cases, the Company and its subsidiaries operate as agents, 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 and its subsidiaries' actions as agents in insurance extended warranty, financial protection insurance, personal accident insurance, sales agents 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 and its subsidiaries' 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

#### 4.23. 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 M&P at the fair value of the consideration received on the barter date, (ii) upon delivery of the units sold by GPA M&P. The cost of the units sold comprises the fair value of the initially recognized barter.

f) *Returns and cancellations*

Returns and cancellations are recognized when incurred. When the sale is recorded, the assumptions are based in the volumes of sales and historic of returns in each reporting segment. Revenue is recorded net of returns and cancellations.

(ii) *Cost of goods sold*

The cost of goods sold comprises the cost of purchases net discounts and bonuses received from suppliers, changes in inventories and logistics costs.

Rebates 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 and its subsidiaries', 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 Group operates. The main media used by the Group 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, information technology and financial areas.



## Companhia Brasileira de Distribuição

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### 4. Significant accounting policies – Continued

#### 4.23. Determination of net income – Continued

(v) *Other operating expenses, net*

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

(vi) *Financial result*

Financial expenses include substantially all expenses generated by net debt and receivables sold 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.

#### 4.24. 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 an additional 10% on annual taxable income exceeding R\$240 for IRPJ, and 9% for CSLL.

*Deferred 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 a 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.

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### 4. Significant accounting policies – Continued

#### 4.24. Taxation – Continued

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.

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

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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.

#### 4.25. 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 acquired 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.

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### **4. Significant accounting policies – Continued**

#### **4.25. Business combinations and goodwill - Continued**

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 acquirer's net assets, the difference is recognized in profit or loss as bargain purchase gain.

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.

#### **4.26. Accounting for equity investments at cost deriving from corporate restructuring and performed with related parties**

Company accounts at historical cost the interest deriving from corporate restructuring performed with related parties. Difference between the acquiring value and historical cost is recorded in shareholders' equity, when the interest acquired is from companies under common control. Such transactions do not qualify as business combination in the terms of CPC 15(R1)/ IFRS 3.

#### **4.27. Foreign currency translation**

The financial statements are presented in Reais, the functional currency of the Group's Parent Company. Each entity determines its own functional currency and all their financial transactions are measured in that currency.

The financial statements of foreign subsidiaries that use a different functional currency from the Parent Company are translated into Reais, at closing date according to the following:

- Assets and liabilities, including goodwill and fair value adjustments, are translated into Real at the closing rate;
- Income statement and cash flow items are translated into Real using the average rate unless significant variances occurs, when is used the rate of the transaction date ;
- Equity is recorded into Reais at historical cost and the exchange rate variation is recorded in equity valuation adjustments as other comprehensive income.

Exchange differences are recognized within a separate component of equity. When a foreign operation is sold, the accumulated value of exchange differences on the equity is reclassified to profit or loss.

The resulting exchange differences are recognized directly within a separate component of equity. When a foreign operation is disposed of, the cumulative amount of the exchange differences in equity relating to that operation is reclassified to profit or loss.

Foreign currency transactions (i.e transactions that use currency different from functional currency of entity) are translated using the exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate and the resulting exchange differences are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the transaction date.

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### 4. Significant accounting policies – Continued

#### 4.28. Customer loyalty programs

Used by the Company and its subsidiaries to provide incentives to its customers in the sale of products or services. If customers buy products or services, the Company and its subsidiaries grant 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 and its subsidiaries estimate the fair value of the points granted according to the “Programa Mais” and “Clube Extra” 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) and 750 points into five reais (R\$ 5.00) in products for “Programa Mais” and “Clube Extra”, respectively.

The Company and its subsidiaries recognize the points initially granted and the reversal of points expired under net sales.

#### 4.29. Statement of value added

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

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

from third parties (equity in the earnings of subsidiaries, financial income and other revenues). The second part of the statement presents the distribution of wealth among personnel, taxes, fees and contributions; and value distributed to third party creditors and shareholders.

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

5.1. Changes to IFRS and new interpretations of mandatory application starting at the current year.

In 2016, the Company applied amendments and new interpretations to IFRSs and CPCs issued by IASB and CPC, enter necessarily effective for accounting periods beginning on January 1, 2016. The main changes are:

| Statement  | Description  | Impact   |
|--|--|--|
| Annual improvements to IFRSs: 2012-2014 cycle  | Changes to IFRS 5 – In situations where asset are held for sale or distribution, IFRS 7 – Clarification on whether a service agreement represents continued involvement with a transferred asset, IAS 9 – Considerations on the discount rate of the post-employment benefit and IAS 34. | The applications of these changes had no significant impact on the financial statements  |
| Changes in IAS 16 and IAS 38 – Clarifying of acceptable methods of depreciation and amortization                         | Clarify the use of depreciation and amortization for the revenue curve is inappropriate.   | The applications of these changes had no significant impact on the financial statements. |
| Changes in IAS1 – Disclosure   | Improvements to understand materiality concepts  | The applications of these changes had no significant impact on the financial statements. |
| Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture | The sale or contribution considered as a business (IFRS 3) must be recognized in the investor's financial statements, and must be partially recognized in the statement of operations when it is not considered as a business  | The applications of these changes had no significant impact on the financial statements. |
|  | Clarify the exemption of to prepare consolidated financial statements involving investment activities.   | The applications of these changes had no significant impact on the financial statements. |



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**5. Adoption of new standards, amendments to and interpretations of existing standards issued by the IASB and CPC and standards issued but not yet effective - continued****5.2. New Standards reviewed already issued but not yet adopted**

The Company has not early adopted the following new and revised IFRSs already issued and not yet effective:

| <b>Pronouncement</b>   | <b>Description</b>   | <b>Applicable to<br/>annual periods<br/>beginning on or<br/>after</b> |
|--|--|---|
| IFRS 9 – Financial Instruments                                 | Several changes in classification and measurement, measurement of impairment and hedge accounting.   | 01/01/2018  |
| IFRS 15 – Revenue from contracts with customers                | Implements a principle-based model and a definitive guide as when to recognize revenue. It also introduces new disclosures   | 01/01/2018  |
| IFRS 16 – Leases   | Requires a review on lease arrangements for both lessors and lessees, replacing IAS 17. The definition of finance lease disappear, except for short-term leases and for contracts involving immaterial amounts.. | 01/01/2019  |
| IFRS 2 – Classification and measurement of share based payment | Between other changes describe about modifications of settled options of shares.   | 01/01/2018  |

|  |  |            |
|--|--|------------|
| IFRS 10 and IAS 28 improvements – Sell or asset contribution between investor and associate or Joint Venture | In case of assets sell or contribution between investor and associates or joint venture, the transaction effect only be recognized in profit and loss while the transaction be with a not related third party. | 01/01/2018 |
|--|--|------------|

|   |   |            |
|---|---|------------|
| IAS 7 – Initiatives to improvement the statements | Describes about disclosures that enable users to measure the changes in liabilities related to financing activities | 01/01/2017 |
|---|---|------------|

|  |   |  |
|--|---|--|
| IAS 12 – Deferred tax income recognize for unrealized losses | Describes the treatment of temporary differences. |  |
|--|---|--|

The Company is analyzing the impacts of the standards. However the Company do not expect significant effects at the moment of adoption, except by IFRS15 and IFRS 16 that are being evaluated by the Company. In relation to IFRS16 there are expected relevant impacts in the financial statements when adopting this standard.

There are no other standards and interpretations issued but not yet adopted that, in management's opinion, have a significant impact on net income or equity disclosed by the Company in its individual and consolidated financial statements.

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### 6. Significant accounting judgments, estimates and assumptions

The preparation of the individual and consolidated financial statements of the Company 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 periods. 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:

#### 6.1. Impairment

According to the method disclosed in note 4.9, the Company performed test to verify that the assets might not be recoverable and the year ended December 31, 2016, based on those tests, there was no need for the provision.

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

- Step 1: compared the carrying amount of UGCs with a multiple of sales (30% to 35%), representing transactions between retail companies, For UGCs multiple-valued lower than the carrying amount, we come to a more detailed method, described in Step 3;
- Step 2: for a selection of owned stores of UGCs (owned stores), we considered an evaluation report issued by independent experts and if it had indicated an impairment loss then we applied the same procedures used for third-parties UGCs, described in Step 3; and

- Step 3: we prepare the discounted cash flow of UGC, using sales growth between 6.7% and 10% (6.7% and 8.0% on December 31, 2015) for the next 5 years. The discount rate used was 12.4% vaying to 11.6% in subsequent periods over 3 years.

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

Segments' recoverable value is calculated using the value in use based on estimated cash from financial budgets approved by senior management for the following three years. The discount rate on cash flow projections is 12.4% varying to 11.6% in subsequent periods over 3 years, and the cash flows exceeding three years are extrapolated using a growth rate of 6.5% for retail and home appliances and cash and carry (8% on December 31, 2015). Based on this analysis, no provision for impairment was necessary.

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

The consolidated Via Varejo total net assets, including Cnova Brasil, were tested in accordance to the note 35 description.

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### 6. Significant accounting judgments, estimates and assumptions - continued

#### 6.2. Income taxes

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

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

Continued operations' tax losses carryforward amounting to a deferred tax benefit of R\$112 at December 31, 2016 (R\$232 at December 31, 2015). Company writes-off or constitutes a provision when income tax and social contribution credits fulfillment is not probable. These losses do not expire; therefore their use is limited by law to 30% of taxable income for each year. The amounts relate to the Company and its subsidiaries that have tax planning opportunities for the use of these balances. Further details on taxes are disclosed in Note 20.

#### 6.3. Fair value of derivatives and other financial instruments

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

as liquidity risk, credit risk and volatility. Changes in assumptions about these factors may affect the reported fair value of financial instruments.

The fair value of financial instruments actively traded on organized markets is determined based on market quotes, at the end of the reporting periods. 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

#### 6.4. 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 25.5.

#### 6.5. Provision for risk

The Company and its subsidiaries are parties to several judicial and administrative proceedings, (see note 22), Provisions for legal claims are recognized for all cases representing reasonably estimated probable losses. The assessment of the likelihood of loss takes into account available evidence, the hierarchy of laws, former court decisions and their legal significance, as well as the legal counsel's opinion. The Company's management concluded that the provisions for tax, civil and labor claims are adequately presented in the parent company and consolidated financial statements.

#### 6.6. Estimated losses in allowance for doubtful accounts

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 and updated at each reporting date.

#### 6.7. Tax recoverable

The Company and its subsidiaries have tax recoverable mainly related to ICMS, ICMS from Tax Substitution, PIS and Cofins. The utilization of its taxes is made based on the projections prepared by management, operational issues and the consumption of the credits by the companies in the group. Further details, see note 11 of credits and compensation.

#### 6.8. Inventories

Inventories are measured by the lowest between the acquisition cost and its amount realizable, calculated by the average cost. The realizable net amount is calculated by the average sales price, deducted from: (i) taxes over sales, (ii) personnel expenses directly related to inventories, (iii) purchase cost, and (iv) other costs necessary to bring the product in condition of sales, except for the business e-commerce, which understanding is that such practice is not adopted. Inventories are reduced to its realizable value though the estimations of shrinkage, scrap, slow moving and obsolescence and estimation for merchandise that will be sold with negative gross margin, including for products displayed in the stores.

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**7. Cash and cash equivalents**

|                                | <u>Rate</u> | <u>Parent Company</u> |                   | <u>Consolidated</u> |                   |
|--------------------------------|-------------|-----------------------|-------------------|---------------------|-------------------|
|                                |             | <u>12.31.2016</u>     | <u>12.31.2015</u> | <u>12.31.2016</u>   | <u>12.31.2015</u> |
| Cash and banks - Brazil        |             | <b>255</b>            | 171               | <b>349</b>          | 409               |
| Cash and banks - Abroad        | (*)         | <b>66</b>             | -                 | <b>66</b>           | 131               |
| Financial investments - Brazil | (**)        | <b>4,175</b>          | 2,076             | <b>4,697</b>        | 10,446            |
| Financial investments - Abroad | 1%per year  | -                     | -                 | -                   | 29                |
|                                |             | <b>4,496</b>          | 2,247             | <b>5,112</b>        | 11,015            |

(\*)Refers a resources deposited in United States of America in Unites States Dollars.

(\*\*)Financial investments as December 31, 2016 refer substantially to repurchase agreements, paid a weighted average rate equivalent to 98,26% of the Interbank deposit Certificate ("CDI") and redeemable in terms of less than 90 days as of investment date

**8. Trade receivables**

|  | <u>Parent Company</u> |                   | <u>Consolidated</u> |                   |
|--|-----------------------|-------------------|---------------------|-------------------|
|  | <u>12.31.2016</u>     | <u>12.31.2015</u> | <u>12.31.2016</u>   | <u>12.31.2015</u> |
| Credit card companies (note 8.1)               | <b>178</b>            | 94                | <b>241</b>          | 664               |
| Sales vouchers                                 | <b>94</b>             | 80                | <b>142</b>          | 189               |
| Consumer finance - CDCI (note 8.2)             | -                     | -                 | -                   | 1,877             |
| Trade receivable from cash and carry customers | -                     | -                 | -                   | 355               |
| Private label credit card                      | <b>62</b>             | 35                | <b>62</b>           | 35                |
| Receivables from related parties (note 12.2)   | <b>15</b>             | 59                | <b>5</b>            | 66                |
| Receivables from suppliers                     | <b>48</b>             | 119               | <b>95</b>           | 164               |
| Extended warranties                            | -                     | -                 | -                   | 211               |
| Other trade receivables from customers         | -                     | -                 | -                   | 28                |
| Estimated loss on doubtful accounts (note 8.3) | <b>(1)</b>            | -                 | <b>(2)</b>          | (379)             |
| Current  | <b>396</b>            | 387               | <b>543</b>          | 3,210             |

|  |            |            |            |              |
|--|------------|------------|------------|--------------|
| Consumer finance – CDCI (note 8.2)               | -          | -          | -          | 111          |
| Estimated losses on doubtful accounts (note 8.3) | -          | -          | -          | (13)         |
| Noncurrent                                       | -          | -          | -          | 98           |
|  | <b>396</b> | <b>387</b> | <b>543</b> | <b>3,308</b> |

8.1. Credit card companies

The Company and its subsidiaries, when deemed necessary, sell credit card receivables to banks or credit card companies in order to strengthen their working capital, without right of subrogation or related obligation.

8.2. Consumer finance – CDCI – Via Varejo

Refers to direct consumer credit through an intervening party (CDCI), which can be paid in up to 24 installments, however, the most frequent term is less than 12 months. Over these amounts are calculated contractual interests, which financial revenue is recognized by the method of appropriation of the interest, over the time.

Via Varejo maintains agreements with financial institutions where it is designated as the intervening party of these operations (see note 17). Total liabilities balance on December 31, 2016 is R\$3,002 (R\$2,475 at December 31, 2015) and is presented without other assets in the account “assets held for sale and discontinued activities”.

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**8. Trade receivables -Continued**

## 8.3. Estimated losses on doubtful accounts

|  | <b>Parent Company</b>    |                          | <b>Consolidated</b>      |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | <b><u>12.31.2016</u></b> | <b><u>12.31.2015</u></b> | <b><u>12.31.2016</u></b> | <b><u>12.31.2015</u></b> |
| At the beginning of the period                             | -                        | -                        | <b>(392)</b>             | (354)                    |
| Loss/reversal in the period                                | <b>(10)</b>              | (2)                      | <b>(609)</b>             | (556)                    |
| Write-off of receivables                                   | <b>9</b>                 | 2                        | <b>561</b>               | 544                      |
| Assets held for sale and discontinued activities (note 35) | -                        | -                        | <b>422</b>               | -                        |
| Exchange rate changes                                      | -                        | -                        | <b>16</b>                | (26)                     |
| At the end of the period                                   | <b>(1)</b>               | -                        | <b>(2)</b>               | (392)                    |
| Current  | <b>(1)</b>               | -                        | <b>(2)</b>               | (379)                    |
| Noncurrent   | -                        | -                        | -                        | (13)                     |

Below is the aging list of consolidated gross receivables, by maturity period:

|                   | Overdue receivables - Consolidated |             |           |            |            |          |
|-------------------|------------------------------------|-------------|-----------|------------|------------|----------|
|                   | Total                              | Not overdue | <30 days  | 30-60 days | 61-90 days | >90 days |
| <b>12.31.2016</b> | <b>545</b>                         | <b>524</b>  | <b>13</b> | <b>6</b>   | <b>1</b>   | <b>1</b> |
| 12.31.2015        | <b>3,700</b>                       | 3,252       | 133       | 82         | 52         | 181      |

**9. Other receivables**

|                                       | <b>Parent Company</b>    |                          | <b>Consolidated</b>      |                          |
|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                       | <b><u>12.31.2016</u></b> | <b><u>12.31.2015</u></b> | <b><u>12.31.2016</u></b> | <b><u>12.31.2015</u></b> |
| Receivables from sale of fixed assets | <b>6</b>                 | 20                       | <b>6</b>                 | 38                       |
| Supplier receivables                  | -                        | -                        | -                        | 21                       |
| Rental advances                       | <b>3</b>                 | 11                       | <b>3</b>                 | 11                       |

|  |            |     |            |       |
|--|------------|-----|------------|-------|
| Amounts to be reimbursed                     | <b>29</b>  | 20  | <b>29</b>  | 54    |
| Accounts receivable from insurers            | <b>10</b>  | 17  | <b>10</b>  | 17    |
| Freight reimbursement                        | -          | -   | -          | 44    |
| Rental receivable                            | <b>60</b>  | 68  | <b>61</b>  | 86    |
| Receivable from Paes Mendonça (note 9.1)     | -          | -   | <b>532</b> | 532   |
| Receivable from sale of companies (note 9.2) | <b>69</b>  | 52  | <b>69</b>  | 105   |
| Other  | <b>15</b>  | 12  | <b>28</b>  | 92    |
|  | <b>192</b> | 200 | <b>738</b> | 1,000 |
| Current                                      | <b>111</b> | 133 | <b>126</b> | 375   |
| Noncurrent                                   | <b>81</b>  | 67  | <b>612</b> | 625   |

## Companhia Brasileira de Distribuição

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### 9. Other receivables

#### 9.1. Accounts receivable – Paes Mendonça.

Accounts receivable from Paes Mendonça relate to amounts deriving from the payment of third-party liabilities by the subsidiaries, Novasoc and Sendas. Pursuant to contractual provisions, these accounts receivable are 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 and is currently tacitly renewed and were kept on non current, due to the possibility of conversion of payment of intangibles of leased stores.

#### 9.2. Accounts receivable from the sale of companies

Accounts receivable related to the exercise by the counter party, of an option to buy gas stations. The original amount of this receivable was R\$50, subsequently monetary updated since the signature of the agreement on May 28, 2012, at a rate of 110% of the CDI, with payment in 240 monthly installments. In January, 2016 were sold 5 gas stations for the amount of R\$8, in 120 installments to 110% of CDI.

### 10. Inventories

|   | Parent Company |            | Consolidated |            |
|---|----------------|------------|--------------|------------|
|   | 12.31.2016     | 12.31.2015 | 12.31.2016   | 12.31.2015 |
| Stores (note 10.1)  | <b>2,032</b>   | 1,703      | <b>3,400</b> | 4,323      |
| Distribution centers (note 10.1)                          | <b>1,115</b>   | 1,139      | <b>1,255</b> | 4,627      |
| Real estate inventories under construction (note 10.3)    | -              | -          | <b>61</b>    | 165        |
| Estimated losses on obsolescence and breakage (note 10.2) | <b>(41)</b>    | (14)       | <b>(75)</b>  | (150)      |
|   | <b>3,106</b>   | 2,828      | <b>4,641</b> | 8,965      |

#### 10.1. Bonuses in inventories and storage cost

The Company and subsidiaries record bonuses received from vendors and the storage costs in the statement of operations as the inventories that gave rise to the bonuses and the stored costs are realized.

## 10.2. Estimated losses on obsolescence and breakage

|   | <b>Parent Company</b>    |                          | <b>Consolidated</b>      |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | <b><u>12.31.2016</u></b> | <b><u>12.31.2015</u></b> | <b><u>12.31.2016</u></b> | <b><u>12.31.2015</u></b> |
| <b>At the beginning of the period</b>                     | <b>(14)</b>              | (10)                     | <b>(150)</b>             | (91)                     |
| Additions   | <b>(60)</b>              | (14)                     | <b>(208)</b>             | (129)                    |
| Write-offs / reversal                                     | <b>33</b>                | 10                       | <b>164</b>               | 72                       |
| Exchange rate changes                                     | -                        | -                        | <b>1</b>                 | (2)                      |
| Assets held to sale and discontinued activities (note 35) | -                        | -                        | <b>118</b>               | -                        |
| <b>At the end of the period</b>                           | <b>(41)</b>              | (14)                     | <b>(75)</b>              | (150)                    |

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**10. Inventories****10.3. Inventories under 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.

This balance refers to 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.

The apartment units of the Thera project, started in December, 2011, and for Classic e Carpe Diem, started in November, 2012, both projects were concluded on 2016 and some units are still in inventory.

**11. Recoverable taxes**

|  | <b>Parent Company</b>    |                          | <b>Consolidated</b>      |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | <b><u>12.31.2016</u></b> | <b><u>12.31.2015</u></b> | <b><u>12.31.2016</u></b> | <b><u>12.31.2015</u></b> |
| <b>Current</b>   |                          |                          |                          |                          |
| State value-added tax on sales and services – ICMS (note 11.1)                               | <b>132</b>               | 78                       | <b>184</b>               | 481                      |
| Social Integration Program/Contribution for Social Security Financing-PIS/COFINS (note 11.2) | <b>315</b>               | 224                      | <b>358</b>               | 372                      |
| Income tax on Financial investments  | <b>38</b>                | 22                       | <b>45</b>                | 32                       |
| Income tax and Social Contribution   | <b>71</b>                | 15                       | <b>80</b>                | 34                       |
| Social Security Contribution - INSS  | -                        | 17                       | -                        | 21                       |
| Value-Added Tax - France   | -                        | -                        | -                        | 65                       |
| Other  | <b>1</b>                 | 1                        | <b>7</b>                 | 75                       |
| Total current  | <b>557</b>               | 357                      | <b>674</b>               | 1,080                    |
| <b>Noncurrent</b>  |                          |                          |                          |                          |
| ICMS (note 11.1)   | <b>304</b>               | 412                      | <b>361</b>               | 2,256                    |
| PIS/COFINS (note 11.2)   | <b>23</b>                | -                        | <b>60</b>                | 5                        |
| Social Security Contribution- INSS   | <b>194</b>               | 122                      | <b>211</b>               | 206                      |

|                  |              |     |              |       |
|------------------|--------------|-----|--------------|-------|
| Total noncurrent | <b>521</b>   | 534 | <b>632</b>   | 2,467 |
| Total            | <b>1,078</b> | 891 | <b>1,306</b> | 3,547 |

### 11.1. ICMS (State VAT)

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

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### 11. Recoverable taxes - continued

#### 11.1. ICMS (State VAT) - continued

In order to supply its stores, the Company and its subsidiaries maintain 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 subsidiaries, and then, goods are sent to locations in other States. Such interstate shipment remittance entitles the Company and subsidiaries to a refund reimbursement of prepaid ICMS, i.e., the ICMS of the commercial chain paid in acquisition becomes a tax credit to be refunded, pursuant to the State laws.

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

Since the number of items traded at retail, subject to tax replacement, has been continuously increasing, the tax credits to be refunded by the Company and subsidiaries have also grown. The Company and its subsidiaries have been realizing these credits with authorization for immediate offset with those credits due in view of its operations, for having obtained the Special Regime and also for complying with other procedures contained in the state rulings.

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

| <b>In</b>      | <b><u>Parent Company</u></b> | <b><u>Consolidated</u></b> |
|----------------|------------------------------|----------------------------|
| Up to one year | <b>132</b>                   | <b>184</b>                 |
| 2018           |                              |                            |
| 2019           | <b>112</b>                   | <b>134</b>                 |
| 2020           |                              |                            |

|      |            |            |
|------|------------|------------|
| 2021 | <b>44</b>  | <b>62</b>  |
| 2022 |            |            |
| 2023 | <b>53</b>  | <b>70</b>  |
|      | <b>40</b>  | <b>40</b>  |
|      | <b>44</b>  | <b>44</b>  |
|      | <b>11</b>  | <b>11</b>  |
|      | <b>436</b> | <b>545</b> |

The Company record ICMS credits, every time based on legal opinion, documental and factual about the credits that be able recognize, including the realizing estimate, considering how redactor the “god sales cost”.

#### 11.2. PIS and COFINS credit

Following ICMS criteria, the Company records PIS and COFINS credits, when the Company obtain evidences to conclude about the rights of the credit. Evidences include i) Interpretation of tax legislation, ii) internal and external factors as legal practices and interpretation of the market and iii) accounting evaluation about the matter. These credits are recorded as a reduction of profit and loss accounts containing the basis of such credits.

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**11. Recoverable taxes - continued****11.2. PIS and COFINS credit - continued**

In 2016, it was recognized PIS/COFINS credits calculated on taxes subject to tax substitution that complement the purchase cost of products for resale in the amount of R\$641, (R\$353 related to discontinued activities and R\$288 to continued activities), and the Company maintained in 2016 the application of tax benefit (also in 2015) that reduced to zero the rate of PIS/COFINS on gross sale of certain electronic products (Lei do Bem or MP 690/2014 converted to law 13.241/15), in the amount of R\$600, recorded as a reduction of sales taxes (R\$567 in discontinued operations and R\$33 in continued operations).

**12. Related parties****12.1. 12.1. Management and Advisory Committees compensation**

The expenses related to management compensation (officers appointed pursuant to the Bylaws including members of the Board of Directors and the related support committees) recorded in the Company's statement of operations for the periods ended December 31, 2016 and 2015, were as follows:

|                        | <b>Base salary</b> |             | <b>Variable compensation</b> |             | <b>Stock option plan</b> |             | <b>Total</b> |             |
|------------------------|--------------------|-------------|------------------------------|-------------|--------------------------|-------------|--------------|-------------|
|                        | <b>2016</b>        | <b>2015</b> | <b>2016</b>                  | <b>2015</b> | <b>2016</b>              | <b>2015</b> | <b>2016</b>  | <b>2015</b> |
| Board of directors (*) | <b>7</b>           | 4           | -                            | -           | -                        | -           | <b>7</b>     | 4           |
| Executive officers     | <b>26</b>          | 34          | <b>17</b>                    | 13          | <b>23</b>                | 5           | <b>66</b>    | 52          |
|                        | <b>33</b>          | 38          | <b>17</b>                    | 13          | <b>23</b>                | 5           | <b>73</b>    | 56          |

(\*) The compensation of the Board of Directors advisory committees (Human Resources and Compensation, Audit, Finance, Sustainable Development and Corporate Governance) is included in this line.



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**12. Related parties – Continued**

12.2. Balances and transactions with related parties.

|   | Parent company |        |          |             |       |      |              |      |       |      |           |      |            |      |
|---|----------------|--------|----------|-------------|-------|------|--------------|------|-------|------|-----------|------|------------|------|
|   | Balances       |        |          |             |       |      | Transactions |      |       |      |           |      |            |      |
|   | Trade          |        | Other    |             | Trade |      | Other        |      | Sales |      | Purchases |      | Revenues   |      |
|   | receivables    | assets | payables | liabilities | 2016  | 2015 | 2016         | 2015 | 2016  | 2015 | 2016      | 2015 | (expenses) |      |
|   | 2016           | 2015   | 2016     | 2015        | 2016  | 2015 | 2016         | 2015 | 2016  | 2015 | 2016      | 2015 | 2016       | 2015 |
| <b><u>Controlling shareholders:</u></b> |                |        |          |             |       |      |              |      |       |      |           |      |            |      |
| Casino (i)                              | 5              | -      | 1        | -           | -     | 3    | -            | 5    | -     | -    | -         | -    | (64)       | (76) |
| Wilkes Participações (v)                | -              | -      | -        | -           | -     | -    | -            | -    | -     | -    | -         | -    | -          | (1)  |
| Euris (i)                               | -              | -      | -        | -           | -     | -    | 1            | 3    | -     | -    | -         | -    | (4)        | (6)  |
| Helicco Participações (i)               | -              | -      | -        | -           | -     | -    | -            | -    | -     | -    | -         | -    | (1)        | -    |
| <b><u>Subsidiaries:</u></b>             |                |        |          |             |       |      |              |      |       |      |           |      |            |      |
| Novasoc Comercial                       | -              | -      | 197      | 382         | 1     | -    | -            | -    | 1     | 1    | -         | -    | 1          | 2    |
| Sé Supermercados                        | -              | -      | -        | -           | -     | -    | -            | -    | -     | 488  | -         | 5    | -          | 22   |
| Sendas Distribuidora (*)                | 3              | 55     | 123      | 583         | 4     | 40   | -            | -104 | 366   | 89   | 255       | 38   | 103        |      |
| Barcelona                               | -              | 1      | -        | 29          | -     | 6    | -            | -    | -     | -    | -         | -    | -          | -    |
| Via Varejo (vii)                        | 7              | 3      | -        | -           | 4     | 2    | 230          | 146  | -     | -    | -         | -    | (181)      | (5)  |
| VVLOG Logística Ltda.                   | -              | -      | -        | -           | -     | -    | 2            | 1    | -     | -    | -         | -    | (1)        | -    |
| Cnova Brasil (viii)                     | -              | -      | 4        | 22          | -     | -    | -            | -    | -     | -    | -         | -    | 84         | 35   |
| Xantocarpa                              | -              | -      | -        | 15          | -     | 1    | -            | -    | -     | -    | -         | -    | -          | -    |
| GPA M&P                                 | -              | -      | -        | -           | -     | -    | 2            | 1    | -     | -    | -         | -    | -          | -    |
| GPA Logística                           | -              | -      | 19       | 23          | 17    | 20   | -            | -    | -     | -    | -         | -    | -          | -    |
| Posto Duque - Salim Maluf               | -              | -      | -        | 6           | -     | -    | -            | -    | -     | -    | -         | -    | -          | -    |
| Posto GPA - Santo André                 | -              | -      | -        | 2           | -     | -    | -            | -    | -     | -    | -         | -    | -          | -    |
| Posto GPA – Império                     | -              | -      | -        | 4           | -     | -    | -            | -    | -     | -    | -         | -    | -          | -    |
| Posto Duque – Lapa                      | -              | -      | -        | 2           | -     | -    | -            | -    | -     | -    | -         | -    | -          | -    |
| Posto GPA – Ciara                       | -              | -      | -        | 2           | -     | -    | -            | -    | -     | -    | -         | -    | -          | -    |
| Bellamar                                | -              | -      | -        | -           | -     | -    | 128          | 108  | -     | -    | -         | -    | -          | -    |
| Outros                                  | -              | -      | -        | -           | -     | -    | 1            | 2    | -     | -    | -         | -    | -          | -    |
| Subtotal                                | 15             | 59     | 344      | 1,070       | 26    | 72   | 364          | 266  | 105   | 855  | 89        | 260  | (128)      | 74   |

(\* ) Part of Senda's net assets was merged in CBD, eliminating the balance, in accordance to note 1.3.1.

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**Companhia Brasileira de Distribuição**

Notes to the consolidated financial statements

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(In millions of Brazilian reais, unless otherwise stated)

**12. Related parties – Continued**

## 12.2. Balances and transactions with related parties - Continued

|   | Parent company    |           |              |              |                |           |                   |            |                     |            |           |            |              |           |
|---|-------------------|-----------|--------------|--------------|----------------|-----------|-------------------|------------|---------------------|------------|-----------|------------|--------------|-----------|
|   | Balances          |           |              |              | Transactions   |           |                   |            | Revenues (expenses) |            |           |            |              |           |
|   | Trade receivables |           | Other assets |              | Trade payables |           | Other liabilities |            | Sales               |            | Purchases |            |              |           |
| 2016  | 2015              | 2016      | 2015         | 2016         | 2015           | 2016      | 2015              | 2016       | 2015                | 2016       | 2015      | 2016       | 2015         |           |
| <b><u>Associates</u></b>  |                   |           |              |              |                |           |                   |            |                     |            |           |            |              |           |
| FIC(ii)   | -                 | -         | 14           | -            | 14             | 7         | -                 | 1          | -                   | -          | -         | -          | 55           | 28        |
| <b><u>Other related parties</u></b>                                   |                   |           |              |              |                |           |                   |            |                     |            |           |            |              |           |
| Management of Nova Pontocom (x)                                       | -                 | -         | -            | -            | -              | -         | -                 | -          | -                   | -          | -         | -          | -            | 4         |
| Instituto Grupo Pão de Açúcar   | -                 | -         | -            | -            | -              | -         | -                 | -          | -                   | -          | -         | -          | (1)          | (7)       |
| Greenyellow do Brasil Energia e Serviços Ltda("Greenyellow") (iv) (*) | -                 | -         | -            | -            | -              | -         | 146               | -          | -                   | -          | -         | -          | (26)         | (8)       |
| Others  | -                 | -         | 1            | 6            | -              | 1         | -                 | 1          | -                   | -          | -         | -          | (2)          | (3)       |
| Subtotal  | -                 | -         | 15           | 6            | 14             | 8         | 146               | 2          | -                   | -          | -         | -          | 26           | 14        |
| <b>Total</b>  | <b>15</b>         | <b>59</b> | <b>359</b>   | <b>1,076</b> | <b>40</b>      | <b>80</b> | <b>510</b>        | <b>268</b> | <b>105</b>          | <b>855</b> | <b>89</b> | <b>260</b> | <b>(102)</b> | <b>88</b> |

(\*)The amount refers to products and services acquisition aiming the energy efficiency of the Company.



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**12. Related parties – Continued**

## 12.2. Balances and transactions with related parties – Continued

|  | Trade receivables |      | Other assets |      | Consolidated Trade payables |      | Other liabilities |      | Revenues (expenses) |      |
|--|-------------------|------|--------------|------|-----------------------------|------|-------------------|------|---------------------|------|
|  | 2016              | 2015 | 2016         | 2015 | 2016                        | 2015 | 2016              | 2015 | 2016                | 2015 |
| <b><u>Controlling shareholders</u></b>                         |                   |      |              |      |                             |      |                   |      |                     |      |
| Casino (i)   | 5                 | 8    | 1            | -    | -                           | 23   | -                 | 86   | (64)                | (76) |
| Distribution Casino France (xii)                               | -                 | 32   | -            | -    | -                           | 28   | -                 | -    | -                   | -    |
| Wilkes Participações (v)                                       | -                 | -    | -            | -    | -                           | -    | -                 | -    | -                   | (1)  |
| Euris (i)  | -                 | -    | -            | -    | -                           | -    | 1                 | 2    | (4)                 | (6)  |
| Hélico (i)   | -                 | -    | -            | -    | -                           | -    | -                 | -    | (1)                 | -    |
| Exito(ii)  | -                 | 2    | -            | -    | -                           | 24   | -                 | -    | -                   | -    |
| <b><u>Subsidiaries</u></b>                                     |                   |      |              |      |                             |      |                   |      |                     |      |
| Casino Finance International S.A. (“Polca Empréstimos”) (xi)   | -                 | -    | -            | -    | -                           | -    | -                 | 364  | -                   | -    |
| C’est chez vous Société en Nom Collectif (“C’chez Vous”) (xii) | -                 | 7    | -            | -    | -                           | 37   | -                 | -    | -                   | -    |
| EMC Distribution Société par Actions Simplifiée (“EMC”) (xii)  | -                 | -    | -            | -    | -                           | 43   | -                 | -    | -                   | -    |
| Big C Supercenter S.A. (“Big C-Thailandia)                     | -                 | 2    | -            | -    | -                           | 2    | -                 | 39   | -                   | -    |
| Easydis Société par Actions Simplifiée (“Easydis”) (xii)       | -                 | -    | -            | -    | -                           | 58   | -                 | -    | -                   | -    |
| Franprix-Leader Price Holding AS                               | -                 | 12   | -            | -    | -                           | 6    | -                 | -    | -                   | -    |
| Others   | -                 | 3    | 1            | -    | -                           | 4    | -                 | 69   | -                   | 1    |
| <b><u>Associates</u></b>                                       |                   |      |              |      |                             |      |                   |      |                     |      |
| FIC (iii)  | -                 | -    | 14           | 10   | 14                          | 9    | -                 | 3    | 55                  | 34   |
| <b><u>Other related parties</u></b>                            |                   |      |              |      |                             |      |                   |      |                     |      |
| Casas Bahia Comercial Ltda. (*) (ix)                           | -                 | -    | -            | 291  | -                           | -    | -                 | -    | -                   | -    |
| Management of Nova Pontocom (x)                                | -                 | -    | -            | -    | -                           | -    | -                 | -    | -                   | 4    |

|                               |          |           |           |            |           |            |            |            |             |             |
|-------------------------------|----------|-----------|-----------|------------|-----------|------------|------------|------------|-------------|-------------|
| Instituto Grupo Pão de Açúcar | -        | -         | -         | -          | -         | -          | -          | -          | (1)         | (7)         |
| Viaw Consultoria Ltda. (vi)   | -        | -         | -         | -          | -         | -          | -          | -          | (1)         | (3)         |
| Greenyellow (iv)              | -        | -         | -         | -          | -         | -          | <b>146</b> | -          | <b>(26)</b> | (10)        |
| Others                        | -        | -         | <b>1</b>  | <b>8</b>   | -         | <b>1</b>   | -          | -          | <b>(1)</b>  | -           |
| Total                         | <b>5</b> | <b>66</b> | <b>17</b> | <b>309</b> | <b>14</b> | <b>235</b> | <b>147</b> | <b>563</b> | <b>(43)</b> | <b>(64)</b> |

(\* ) Via Varejo's related parties balances are classified in the line "Held for sale and discontinued activities", in accordance to note 35.

## Companhia Brasileira de Distribuição

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(In millions of Brazilian reais, unless otherwise stated)

### 12. Related parties – 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. The main operations are:

(i) *Casino*: “Cost Sharing Agreement”: Agreement signed between the Company, Helicco Participações Ltda., Foncière Euris e Casino, Guichard-Perrachon S.A. in August, 10 2014 to legitimate the reimbursement for the Company of incurred expenses for the Casino Group companies related to activities involving “know-how” to the Company for support your development.

“Agency Agreement”: Celebrated between the Company, Sendas Distribuidora S.A and Groupe Casino Limited on July, 25 2016 to legitimate the services provided “global sourcing” (prospecting of global suppliers and mediates in the purchase) for the Casino.

“Cost Reimbursement Agreement”: Celebrated between the Company and Casino, Guichard-Perrachon S.A. on July, 25 2016 to legitimate the reimbursement for the Company of French employees expenses of the Company related to the French social contributions paid by Casino in France.

Reimbursement agreement celebrated between the company, Guichard-Perrachon S.A. and Via Varejo to legitimate the reimbursement for the Company and Via Varejo of Cnova’s N.V. IPO costs.

(ii) *Éxito*: “Agreement on Establishment of Business Relations”: Celebrated between the Company, Sendas Distribuidora S.A., Exito, Supermercados Disco del Uruguay S.A., Devoto Hnos S.A., Libertad S.A., Odaler S.A. and Ameluz S.A. on July, 27 2016 to legitimate the prospection of suppliers in home country for made new commercial relationships. The operations of 2015 refer to amounts kept with Cdiscount.

“Commercial Agreement” Celebrated between the Company and Exito on July, 27 2016 to legitimate the implementation of synergies process between the companies operations.

(iii) *FIC*: Celebration of commercial contracts to legitimate the rules for promotion and sale of financing services provided by FIC in the Company stores for implementation the financing partnership between the Company and Itau Unibanco S.A. in association agreement celebrated between the Company and Itau, among them: (i) Brazil bank correspondent; (ii) agreement of indemnification that FIC compromised to keep the Company safe of loses due the services; and FIC and Company compromised, with each other, to

compensate each other for contingences related your responsibilities; (iii) software license agreement for the FIC to the Company for offer the services; and (iv) agreement to providing for the Company to the FIC, and vice versa, of information and access to the systems for offering services.

(iv) *Greenyellow*: Eficiência Energética Agreement celebrated between the Company, Sendas Distribuidora S.A. and Greenyellow on May, 8 2015 for legitimate the energy efficiency services provided by Greenyellow for “Multivarejo” segment.

(v) *Wilkes*: Warranty term celebrated between the Company and Wilkes at July 06, 2009 to legitimate the charge of commissions paid by the Company for the guarantee in financing terms of the Company.

(vi) *Viaw Consultoria Ltda.*: Celebration of services term between the Company and Viaw at September 27, 2013 for consulting services of telephony costs reduction.

## Companhia Brasileira de Distribuição

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### 12. Related parties – Continued

Operations with related parties “held to sale and discontinued activities”.

(vii) Via Varejo: The entity has an amount to pay referring to “Primeiro Aditivo ao Acordo de Associação” between Via Varejo and Casas Bahia, that warrant the right to indemnify of some legal demands and the reimbursement of recognized expenses as of June, 30 2010 (see ix), and commercial commission agreement.

(viii) Nova Pontocom e Cnova: Amounts due to utilization of shared central services, for example treasury, accounting, legal, among others, and mutual agreements remunerated to 105% of CDI.

(ix) As per the "Primeiro Aditivo do Acordo de Associação", after six years to the closing of the transaction, or November 8, 2016, it was closed the procedures to notify new legal claims that could result in loss, which should be indemnified from one part to another. Additionally, the “Primeiro Aditivo do Acordo de Associação” describes procedures to estimate, based on the same date, the potential contingencies related to legal claims in progress, aiming the retention of collaterals to cover potential risk. The obligation to indemnify is in force until such claims are closed. This contractual procedure has been observed to follow the contractual rights signed between the parties.

The balance of “Receivable trades” is paid for the parties, and the remaining balance refers substantially to expense reimbursement and contingences. In 2015 Via Varejo, together CB, review specific items and conclude that was not sufficient elements to require the compensation for CB, related to such items. Therefore was reversed R\$32 from trade receivable to exercise profit and loss.

Additionally, Via Varejo and your subsidiary Bartira have rent agreements of 307 properties among them distribution centers, commercial and administrative buildings established in specific conditions with CBD, with CB managements and other companies of the same economic group.

(x) Nova Pontocom's management: on November, 2010, in context of e-commerce activities restructuring of GPA. The balance was paid on 2015 with Cnova Comércio Eletrônico's market value shares.

(xi) Polca: Casino Group entity have cash centralization agreement with the Cdiscount group entities. The cash balance is remunerated by rate "Euro OverNight Index Average-EONIA", plus 0.5% annual inside the rest of cash balance, in favor of Polca or the Cdiscount Group.

(xii) Cdiscount: Cdiscount has borrowings to pay and receive with Casino Guichard Perrachon and others Casino Group entities. Additionally, Cdiscount has to pay and receive of transactions with Casino Group entities, in example products buy and selling (Exito and Distribution Casino France), central negotiation with suppliers (IRTS), logistic (Easydis), home delivery (Cchez Vous) and central purchases (EMC). Due to the loose of the control of Cdiscount on October, 2016, these amounts are not classified in related parties in 2016, but in 2015 were classified.

In 2016, Via Varejo consolidated has an accounts payable related to purchase of operating right of some insurances with FIC R\$64; and a receivable from Casas Bahia Comercial R\$334, due to mainly assets indemnity. In combined income statement of Via Varejo and Cnova Brasil, the balance of expenses with FIC is R\$24 (R\$45 in December, 31 2015), expenses with Casas Bahia Comercial R\$276 (R\$289 in December, 31 2015) expenses with Cnova N.V. R\$54 (R\$31 in December, 31 2015) and expenses with Cnova Finança B.V. R\$8 (R\$3 in December, 31 2015). Theses balances are recorded in the line "assets held to sale and discontinued activities".

**Companhia Brasileira de Distribuição**

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(In millions of Brazilian reais, unless otherwise stated)

**13. Investments**

## 13.1. Breakdown of investments

|   |         |              | Via    |               | Parent com |       |
|---|---------|--------------|--------|---------------|------------|-------|
|   | Sé      | Sendas Novas | Varejo | Nova Pontocom | (*)        | L     |
| <b>Balances at 12.31.2014</b>                             | 2,806   | 1,709        | 144    | 1,862         | 83         | 507   |
| Share of profit(loss) of subsidiaries and associates      | 13      | 142          | 29     | 6             | (107)      | (6)   |
| Dividends to receive                                      | -       | (503)        | -      | -             | -          | -     |
| Share based payment                                       | -       | 1            | 1      | 4             | -          | -     |
| Merge (note 1.2.1 and 13.1(i))                            | (2,710) | -            | -      | -             | 9          | -     |
| Goodwill (note 15)  | (109)   | -            | -      | -             | -          | -     |
| Exchange rate   | -       | -            | -      | (21)          | (59)       | -     |
| Other movements (**)                                      | -       | -            | -      | (7)           | 74         | -     |
| <b>Balances at 12.31.2015</b>                             | -       | 1,349        | 174    | 1,844         | -          | 501   |
| Share of profit(loss) of subsidiaries and associates      | -       | 259          | (6)    | (39)          | -          | (6)   |
| Dividends and interest of own capital to receive          | -       | (140)        | -      | (1)           | -          | -     |
| Stock option  | -       | 3            | -      | 3             | -          | -     |
| Equity increase with property and equipment               | -       | 61           | -      | -             | -          | -     |
| Merge (note 1.3 (ii))                                     | -       | 800          | -      | -             | -          | -     |
| Spin-off (note 1.3.1 (iii))                               | -       | (2)          | -      | -             | -          | -     |
| Write-off   | -       | -            | -      | -             | -          | -     |
| Exchange rate   | -       | -            | -      | 22            | -          | -     |
| Other movements (**)                                      | -       | -            | -      | 3             | -          | -     |
| Company reorganization (note 35)                          | -       | -            | -      | (605)         | -          | -     |
| Assets held to sale and discontinued activities (note 35) | -       | -            | -      | (1,227)       | -          | (495) |
| <b>Balances at 31.12.2016</b>                             | -       | 2,330        | 168    | -             | -          | -     |

(\*) In the case of NCB, the investment amount refers to the effects of the fair value measurements of the business. For Via Varejo, the fair value effects were considered together with the accounting investment

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held in this subsidiary.

(\*\*) Includes the effects of the other comprehensive income in the cases of Nova Pontocom and Luxco.

(\*\*\*) Includes the effect of loss on investment in Luxco, in the amount of R\$ 22.

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Notes to the consolidated financial statements

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(In millions of Brazilian reais, unless otherwise stated)

**13. Investments – Continued**

## 13.1. Breakdown of investments – Continued

|  | <b>Consolidated</b> |             |              |              |              |
|--|---------------------|-------------|--------------|--------------|--------------|
|  | <b>FIC</b>          | <b>BINV</b> | <b>Luxco</b> | <b>Other</b> | <b>Total</b> |
| <b>Balances at 12.31.2014</b>  | 373                 | 21          | -            | 7            | 401          |
| Share of profit(loss) of subsidiaries and associates – continued activities    | 81                  | -           | -            | -            | 81           |
| Share of profit(loss) of subsidiaries and associates – discontinued activities | 32                  | (1)         | -            | -            | 31           |
| Write-offs   | -                   | -           | -            | (7)          | (7)          |
| Dividends  | (125)               | -           | -            | -            | (125)        |
| Exchange rate changes  | -                   | -           | -            | 1            | 1            |
| <b>Balances at 12.31.2015</b>  | 361                 | 20          | -            | 1            | 382          |
| Share of profit(loss) of subsidiaries and associates                           | 76                  | -           | (16)         | -            | 60           |
| Share of profit(loss) of subsidiaries and associates – discontinued activities | 29                  | 1           | -            | -            | 30           |
| Dividends  | (28)                | -           | -            | -            | (28)         |
| Other movements  | -                   | -           | (9)          | -            | (9)          |
| Exchange rates   | -                   | -           | 5            | -            | 5            |
| Company reorganization (note 35)   | -                   | -           | 7            | -            | 7            |
| Reclassification Held for sale (note 35)                                       | (123)               | (21)        | (9)          | -            | (153)        |
| <b>Balances at 12.31.2016</b>  | 315                 | -           | (22)         | 1            | 294          |

## (i) Company reorganization and Nova Pontocom's debt

In extraordinary meeting, held on December 22, 2015, was approved the merge of Nova "Holding" into the Company, aiming to unify the activities and management. The Nova "Holding" was used as e-commerce business "holding". This merge will result in finance benefits and will optimize the group corporate structure.

The effects on Parent Company balance ended on December 31, 2015, due to merge, are resumed at the following chart. There are no impact on consolidated financial statements and no impacts in the individual

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**Companhia Brasileira de Distribuição**

Notes to the consolidated financial statements

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**13. Investments – Continued**

## 13.1. Breakdown of investments – Continued

(i) Company reorganization and Nova Pontocom's debt – continued

| <u>Assets</u>             | <b>12.31.2015</b> |
|---------------------------|-------------------|
| Other accounts receivable | 3                 |
| Tax recoverable           | 29                |
| Current assets total      | 32                |
| Other accounts receivable |                   |
| Tax recoverable           | 262               |
| Related parties           | 2                 |
| Investments               | (65)              |
| Non current assets total  | 199               |
| Assets total              | 231               |
| <u>Liabilities</u>        |                   |
| Related parties           | 226               |
| Other accounts payable    | 5                 |
| Current liabilities total | 231               |
| Liabilities total         | 231               |
| Incorporated net assets   | -                 |

(ii) Casino initiated on December 27, 2016 an acquisition offering of all available ordinary shares at "Nasdaq Global Select Market" and "Euronext" of our subsidiary Cnova N.V.. The other Casino's subsidiaries, including GPA, holders of 10.37% of Cnova's equity will not participate of the offering.

The offering will occur with a value of US\$5.50 per net share to owners' shares, without interest and less any withholding tax applicable. With the finalization of offering at January 31, 2017, the Casino held, direct

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and indirectly, 98.88% of total shares and 99.41% of voting rights.

**Companhia Brasileira de Distribuição**

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**14. Property and equipment**

|                          | <b>Balance at</b> |                  |                     |                   | <b>Merger</b> |                  | <b>Parent Company</b> |                  |  |
|--------------------------|-------------------|------------------|---------------------|-------------------|---------------|------------------|-----------------------|------------------|--|
|                          | <b>12.31.2014</b> | <b>Additions</b> | <b>Depreciation</b> | <b>Write-offs</b> | <b>(*)</b>    | <b>Transfers</b> | <b>12.31.2015</b>     | <b>Additions</b> |  |
| Land                     | 1,213             | 9                | -                   | 61                | 5             | (16)             | 1,272                 | -                |  |
| Buildings                | 1,853             | 4                | (60)                | 3                 | -             | (1)              | 1,799                 | 4                |  |
| Leasehold improvements   | 1,635             | 10               | (131)               | 101               | 266           | (23)             | 1,858                 | 23               |  |
| Machinery and equipment  | 806               | 211              | (145)               | 31                | -             | (11)             | 892                   | 165              |  |
| Facilities               | 161               | 14               | (17)                | 13                | 9             | (1)              | 179                   | 129              |  |
| Furniture and fixtures   | 312               | 98               | (47)                | 13                | 1             | (2)              | 375                   | 24               |  |
| Vehicles                 | 17                | 4                | (3)                 | 2                 | -             | (17)             | 3                     | 1                |  |
| Construction in progress | 65                | 293              | -                   | 1                 | (283)         | (3)              | 73                    | 234              |  |
| Other                    | 38                | 26               | (15)                | 3                 | (2)           | -                | 50                    | 12               |  |
| <b>Total</b>             | <b>6,100</b>      | <b>669</b>       | <b>(418)</b>        | <b>228</b>        | <b>(4)</b>    | <b>(74)</b>      | <b>6,501</b>          | <b>592</b>       |  |
| <b>Finance lease</b>     |                   |                  |                     |                   |               |                  |                       |                  |  |
| IT equipment             | 7                 | 5                | (5)                 | -                 | -             | -                | 7                     | -                |  |
| Buildings                | 18                | -                | (1)                 | -                 | -             | -                | 17                    | -                |  |
|                          | 25                | 5                | (6)                 | -                 | -             | -                | 24                    | -                |  |
| <b>Total</b>             | <b>6,125</b>      | <b>674</b>       | <b>(424)</b>        | <b>228</b>        | <b>(4)</b>    | <b>(74)</b>      | <b>6,525</b>          | <b>592</b>       |  |

(\*)See note 1.2.1

(\*\*)See note 1.3.1 (iii)

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**Companhia Brasileira de Distribuição**

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(In millions of Brazilian reais, unless otherwise stated)

**14. Property and equipment - Continued**

|                          | <b>Balance at 12.31.2016</b> |  |                   | <b>Balance at 12.31.2015</b> |  |                   |
|--------------------------|------------------------------|--|-------------------|------------------------------|--|-------------------|
|                          | <b><u>Cost</u></b>           | <b><u>Accumulated<br/>depreciation</u></b> | <b><u>Net</u></b> | <b><u>Cost</u></b>           | <b><u>Accumulated<br/>depreciation</u></b> | <b><u>Net</u></b> |
| Land                     | 1,261                        | -  | 1,261             | 1,272                        | -  | 1,272             |
| Buildings                | 2,555                        | (944)                                      | 1,611             | 2,759                        | (960)                                      | 1,799             |
| Leasehold improvements   | 3,685                        | (1,459)                                    | 2,226             | 3,208                        | (1,350)                                    | 1,858             |
| Machinery and equipment  | 2,345                        | (1,298)                                    | 1,047             | 2,005                        | (1,113)                                    | 892               |
| Facilities               | 589                          | (270)                                      | 319               | 410                          | (231)                                      | 179               |
| Furniture and fixtures   | 959                          | (563)                                      | 396               | 823                          | (448)                                      | 375               |
| Vehicles                 | 9                            | (6)  | 3                 | 10                           | (7)  | 3                 |
| Construction in progress | 113                          | -  | 113               | 73                           | -  | 73                |
| Other                    | 126                          | (81)                                       | 45                | 131                          | (81)                                       | 50                |
|                          | <b>11,642</b>                | <b>(4,621)</b>                             | <b>7,021</b>      | <b>10,691</b>                | <b>(4,190)</b>                             | <b>6,501</b>      |
| <u>Finance lease</u>     |                              |  |                   |                              |  |                   |
| IT equipment             | 38                           | (33)                                       | 5                 | 38                           | (31)                                       | 7                 |
| Buildings                | 41                           | (24)                                       | 17                | 34                           | (17)                                       | 17                |
|                          | 79                           | (57)                                       | 22                | 72                           | (48)                                       | 24                |
| Total                    | <b>11,721</b>                | <b>(4,678)</b>                             | <b>7,043</b>      | <b>10,763</b>                | <b>(4,238)</b>                             | <b>6,525</b>      |

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**Companhia Brasileira de Distribuição**

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(In millions of Brazilian reais, unless otherwise stated)

**14. Property and equipment -Continued**

|                          |                          |              |                     |              |           |                             | Consolidated             |           |
|--------------------------|--------------------------|--------------|---------------------|--------------|-----------|-----------------------------|--------------------------|-----------|
|                          | Balance at<br>12.31.2014 | Additions    | Depreciation<br>(a) | Write-offs   | Transfers | Exchange<br>rate<br>changes | Balance at<br>12.31.2015 | Additions |
| Land                     | 1,449                    | 9            | -                   | (16)         | 22        | -                           | 1,464                    |           |
| Buildings                | 2,047                    | 42           | (66)                | (2)          | 2         | -                           | 2,023                    |           |
| Leasehold improvements   | 3,182                    | 344          | (239)               | (49)         | 437       | -                           | 3,675                    |           |
| Machinery and equipment  | 1,605                    | 380          | (296)               | (37)         | 23        | 1                           | 1,676                    |           |
| Facilities               | 381                      | 62           | (45)                | (6)          | 25        | 5                           | 422                      |           |
| Furniture and fixtures   | 601                      | 190          | (90)                | (14)         | 9         | 5                           | 701                      |           |
| Vehicles                 | 121                      | 8            | (15)                | (40)         | 1         | -                           | 75                       |           |
| Construction in progress | 166                      | 519          | -                   | (4)          | (510)     | 1                           | 172                      |           |
| Other                    | 73                       | 59           | (30)                | (1)          | (4)       | -                           | 97                       |           |
| <b>Total</b>             | <b>9,625</b>             | <b>1,613</b> | <b>(781)</b>        | <b>(169)</b> | <b>5</b>  | <b>12</b>                   | <b>10,305</b>            | <b>1</b>  |
| <u>Finance lease</u>     |                          |              |                     |              |           |                             |                          |           |
| Equipment                | 16                       | -            | (3)                 | -            | -         | -                           | 13                       |           |
| IT equipment             | 26                       | 24           | (21)                | -            | 2         | -                           | 31                       |           |
| Facilities               | 1                        | -            | -                   | -            | -         | -                           | 1                        |           |
| Furniture and fixtures   | 7                        | -            | (1)                 | -            | -         | -                           | 6                        |           |
| Vehicles                 | 1                        | -            | -                   | (1)          | -         | -                           | -                        |           |
| Buildings                | 23                       | -            | (1)                 | (1)          | -         | -                           | 21                       |           |
|                          | 74                       | 24           | (26)                | (2)          | 2         | -                           | 72                       |           |
| <b>Total</b>             | <b>9,699</b>             | <b>1,637</b> | <b>(807)</b>        | <b>(171)</b> | <b>7</b>  | <b>12</b>                   | <b>10,377</b>            | <b>1</b>  |

(\*) See note 35

a) Continued operations correspond to R\$(604) and discontinued operations correspond to R\$(203).

b) Continued operations correspond to R\$(638) and discontinued operations correspond to R\$(164).



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**14. Property and equipment -Continued**

|                          | Balance at 12.31.2016 |                                 |              | Balance at 12.31.2015 |                                 |               |
|--------------------------|-----------------------|---------------------------------|--------------|-----------------------|---------------------------------|---------------|
|                          | <u>Cost</u>           | <u>Accumulated depreciation</u> | <u>Net</u>   | <u>Cost</u>           | <u>Accumulated depreciation</u> | <u>Net</u>    |
| Land                     | 1,414                 | -                               | 1,414        | 1,464                 | -                               | 1,464         |
| Buildings                | 2,823                 | (967)                           | 1,856        | 3,036                 | (1,013)                         | 2,023         |
| Leasehold improvements   | 4,926                 | (1,642)                         | 3,284        | 5,548                 | (1,873)                         | 3,675         |
| Machinery and equipment  | 2,779                 | (1,439)                         | 1,340        | 3,454                 | (1,778)                         | 1,676         |
| Facilities               | 723                   | (290)                           | 433          | 799                   | (377)                           | 422           |
| Furniture and fixtures   | 1,159                 | (616)                           | 543          | 1,349                 | (648)                           | 701           |
| Vehicles                 | 8                     | (6)                             | 2            | 111                   | (36)                            | 75            |
| Construction in progress | 204                   | -                               | 204          | 172                   | -                               | 172           |
| Other                    | 168                   | (105)                           | 63           | 227                   | (130)                           | 97            |
|                          | <b>14,204</b>         | <b>(5,065)</b>                  | <b>9,139</b> | <b>16,160</b>         | <b>(5,855)</b>                  | <b>10,305</b> |
| <u>Finance lease</u>     |                       |                                 |              |                       |                                 |               |
| Equipment                | 30                    | (21)                            | 9            | 36                    | (23)                            | 13            |
| IT equipment             | 46                    | (38)                            | 8            | 199                   | (168)                           | 31            |
| Facilities               | 1                     | (1)                             | -            | 2                     | (1)                             | 1             |
| Furniture and fixtures   | 14                    | (8)                             | 6            | 15                    | (9)                             | 6             |
| Buildings                | 43                    | (23)                            | 20           | 43                    | (22)                            | 21            |
|                          | <b>134</b>            | <b>(91)</b>                     | <b>43</b>    | <b>295</b>            | <b>(223)</b>                    | <b>72</b>     |
| Total                    | <b>14,338</b>         | <b>(5,156)</b>                  | <b>9,182</b> | <b>16,455</b>         | <b>(6,078)</b>                  | <b>10,377</b> |

**14.1. Guarantees**

At December 31, 2016 and 2015, the Company and its subsidiaries had collateralized property and equipment items for some legal claims, as disclosed in note 22.8.

**14.2. Capitalized borrowing costs**

The consolidated borrowing costs for the year ended December 31, 2016 were R\$14 (R\$18 for the year ended December 31, 2015). The rate used to determine the borrowing costs eligible for capitalization was 104.53% of the CDI (104.5 % of the CDI for the period ended December 31, 2015), corresponding to the effective interest rate on the Company's borrowings.

**14.3. Additions to property and equipment**

|   | <b>Parent Company</b>    |                          | <b>Consolidated</b>      |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | <b><u>12.31.2016</u></b> | <b><u>12.31.2015</u></b> | <b><u>12.31.2016</u></b> | <b><u>12.31.2015</u></b> |
| Additions (i)                                     | <b>592</b>               | 674                      | <b>1,387</b>             | 1,637                    |
| Finance lease                                     | -                        | (5)                      | <b>(5)</b>               | (24)                     |
| Capitalized interest                              | <b>(5)</b>               | (8)                      | <b>(14)</b>              | (18)                     |
| Property and equipment financing - Additions (ii) | <b>(430)</b>             | (600)                    | <b>(802)</b>             | (734)                    |
| Property and equipment financing - Payments (ii)  | <b>333</b>               | 581                      | <b>699</b>               | 720                      |
| Total   | <b>490</b>               | 642                      | <b>1,265</b>             | 1,581                    |

## Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2016 and 2015

(In millions of Brazilian reais, unless otherwise stated)

### 14. Property and equipment –Continued

#### 14.3. Additions to property and equipment – continued

(i) The additions made by the Company are related to the purchase of operating assets, acquisition of land and buildings to expand activities, building of new stores, improvements of existing distribution centers and stores and investments in equipment and information technology.

(ii) The additions to property and equipment above are presented to demonstrate the acquisitions during the year, in order to reconcile as shown as in the statement of cash flows and the total additions presented above.

#### 14.4. Other information

At December 31, 2016, the Company and its subsidiaries recorded in cost of sales and services the amount of R\$48 in the parent company (R\$45 at December 31, 2015) and R\$55 (R\$57 at December 31, 2015) in consolidated related to the depreciation of its fleet of trucks, machinery, buildings and facilities related to the distribution centers.

At December 31, 2016 and 2015, there was no loss related to impairment. The recoverable amount was calculated based on the value in use and was determined relative to the cash-generating unit. See more explanation at note 6.1.

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**15. Intangible assets**

|  | <b>Parent company</b>            |                  |                     |                       |                                  |                  |                 |
|--|----------------------------------|------------------|---------------------|-----------------------|----------------------------------|------------------|-----------------|
|  | <b>Balance at<br/>12.31.2014</b> | <b>Additions</b> | <b>Amortization</b> | <b>Merger<br/>(*)</b> | <b>Balance at<br/>12.31.2015</b> | <b>Additions</b> | <b>Amortiza</b> |
| Goodwill - home appliances             | 179                              | -                | -                   | -                     | 179                              | -                | -               |
| Goodwill - retail (note 1.2.1)         | 394                              | -                | -                   | 109                   | 503                              | -                | -               |
| Commercial rights - retail (note 15.2) | 43                               | -                | -                   | 3                     | 46                               | -                | -               |
| Software and implementation            | 579                              | 102              | (99)                | 1                     | 583                              | <b>82</b>        |                 |
| Software capital leasing               | -                                | 9                | -                   | -                     | 9                                | <b>88</b>        |                 |
| <b>Total</b>                           | <b>1,195</b>                     | <b>111</b>       | <b>(99)</b>         | <b>113</b>            | <b>1,320</b>                     | <b>170</b>       |                 |

(\*) Includes goodwill of Sé acquisition, merged in 2015, as per note 1.2.1.

(\*\*) See note 35

|                                    | <b>Balance at 12.31.2016</b> |                                     |              | <b>Balance at 12.31.2015</b> |                                     |            |
|------------------------------------|------------------------------|-------------------------------------|--------------|------------------------------|-------------------------------------|------------|
|                                    | <b>Cost</b>                  | <b>Accumulated<br/>amortization</b> | <b>Net</b>   | <b>Cost</b>                  | <b>Accumulated<br/>amortization</b> | <b>Net</b> |
| Goodwill - home appliances         | -                            | -                                   | -            | 179                          | -                                   | 179        |
| Goodwill - retail                  | <b>1,359</b>                 | <b>(858)</b>                        | <b>501</b>   | 1,361                        | (858)                               | 503        |
| Commercial rights - retail         | <b>46</b>                    | -                                   | <b>46</b>    | 46                           | -                                   | 46         |
| <i>Software and implementation</i> | <b>878</b>                   | <b>(390)</b>                        | <b>488</b>   | 1,046                        | (463)                               | 583        |
| <i>Software capital leasing</i>    | <b>348</b>                   | <b>(190)</b>                        | <b>158</b>   | 9                            | -                                   | 9          |
|                                    | <b>2,631</b>                 | <b>(1,438)</b>                      | <b>1,193</b> | 2,641                        | (1,321)                             | 1,320      |

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**15. Intangible assets** -Continued

|  |                          |           |                          |           |                |                                    |                       | Consolidated             |
|--|--------------------------|-----------|--------------------------|-----------|----------------|------------------------------------|-----------------------|--------------------------|
|  | Balance at<br>12.31.2014 | Additions | Amorti-<br>zation<br>(a) | Write-off | Trans-<br>fers | Corporate<br>reorganization<br>(*) | Exchange<br>variation | Balance at<br>12.31.2015 |
| Goodwill -<br>cash and carry                     | 362                      | -         | -                        | -         | -              | -                                  | -                     | 362                      |
| Goodwill -<br>home<br>appliances                 | 920                      | -         | -                        | -         | -              | -                                  | -                     | 920                      |
| Goodwill -<br>retail                             | 747                      | -         | -                        | -         | -              | -                                  | -                     | 747                      |
| Goodwill -<br>e-commerce                         | 254                      | -         | -                        | -         | (4)            | (79)                               | 72                    | 243                      |
| Brand - cash<br>and carry                        | 39                       | -         | -                        | -         | -              | -                                  | -                     | 39                       |
| Brand - home<br>appliances                       | 2,061                    | -         | -                        | -         | -              | -                                  | -                     | 2,061                    |
| Brand -<br>e-commerce                            | 30                       | -         | -                        | -         | 1              | (17)                               | 7                     | 21                       |
| Commercial<br>rights - home<br>appliances        | 574                      | 1         | (5)                      | -         | -              | -                                  | -                     | 570                      |
| Commercial<br>rights - retail                    | 46                       | -         | -                        | -         | -              | -                                  | -                     | 46                       |
| Commercial<br>rights - cash<br>and carry         | 34                       | -         | -                        | -         | -              | -                                  | -                     | 34                       |
| Costumer<br>relationship -<br>home<br>appliances | 2                        | -         | (2)                      | -         | -              | -                                  | -                     | -                        |
| Lease<br>agreement –<br>under                    | 97                       | -         | (27)                     | -         | -              | -                                  | -                     | 70                       |

advantageous  
condition -  
NCB

Contractual

|                 |       |     |       |      |      |       |     |       |
|-----------------|-------|-----|-------|------|------|-------|-----|-------|
| Rights          | 179   | -   | (31)  | -    | -    | -     | -   | 148   |
| Software        | 965   | 270 | (217) | (40) | 94   | (2)   | 57  | 1,127 |
| Software        |       |     |       |      |      |       |     |       |
| capital leasing | 91    | 10  | (11)  | (1)  | -    | -     | -   | 89    |
| Other           | 47    | 119 | (2)   | (18) | (91) | (5)   | 16  | 66    |
| Total           | 6,448 | 400 | (295) | (59) | -    | (103) | 152 | 6,543 |

(\*) Related to sale of interest in subsidiary E-trend by Cdiscount as per note 3.1.

(\*\*) See note 35.

a) Continued operations correspond to R\$(103) and discontinued operations correspond to R\$(192).

b) Continued operations correspond to R\$(124) and discontinued operations correspond to R\$(163).

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**15. Intangible assets** –Continued

|  | Balance at 12.31.2016 |                                     |            | Balance at 12.31.2015 |                                     |            |
|--|-----------------------|-------------------------------------|------------|-----------------------|-------------------------------------|------------|
|  | <u>Cost</u>           | <u>Accumulated<br/>amortization</u> | <u>Net</u> | <u>Cost</u>           | <u>Accumulated<br/>amortization</u> | <u>Net</u> |
| Goodwill - cash and carry (note 15.1)              | 371                   | (9)                                 | 362        | 371                   | (9)                                 | 362        |
| Goodwill - home appliances (note 15.1)             | -                     | -                                   | -          | 920                   | -                                   | 920        |
| Goodwill - retail (note 15.1)                      | 1,846                 | (1,101)                             | 745        | 1,848                 | (1,101)                             | 747        |
| Goodwill - e-commerce (note 15.1)                  | -                     | -                                   | -          | 243                   | -                                   | 243        |
| Tradename - cash and carry                         | 39                    | -                                   | 39         | 39                    | -                                   | 39         |
| Tradename - home appliances                        | -                     | -                                   | -          | 2,061                 | -                                   | 2,061      |
| Tradename - e-commerce                             | -                     | -                                   | -          | 21                    | -                                   | 21         |
| Commercial rights - home appliances (note 15.2)    | -                     | -                                   | -          | 637                   | (67)                                | 570        |
| Commercial rights - retail (note 15.2)             | 46                    | -                                   | 46         | 46                    | -                                   | 46         |
| Commercial rights - cash and carry (note 15.2)     | 34                    | -                                   | 34         | 34                    | -                                   | 34         |
| Customer relationship - home appliances            | -                     | -                                   | -          | 35                    | (35)                                | -          |
| Lease agreement under advantageous condition - NCB | -                     | -                                   | -          | 290                   | (220)                               | 70         |
| Contractual Rights                                 | -                     | -                                   | -          | 187                   | (39)                                | 148        |
| Software   | 929                   | (406)                               | 523        | 1,932                 | (805)                               | 1,127      |
| Software capital leasing                           | 349                   | (190)                               | 159        | 122                   | (33)                                | 89         |
| Other  | -                     | -                                   | -          | 81                    | (15)                                | 66         |
| Total intangibles                                  | 3,614                 | (1,706)                             | 1,908      | 8,867                 | (2,324)                             | 6,543      |

**15.1. Impairment testing of goodwill, brands and intangible assets with indefinite useful life**

On December 31, 2016, for impairment testing purposes, the goodwill acquired through business combinations and brands with indefinite useful lives was allocated to two cash generating units, which are also operating segments that disclose information: retail and cash and carry.

The recoverable amount of the segments was defined by means of a calculation based on the value in use based on cash projections arising from the financial budgets approved by senior management for the next three years. The discount rate applied to cash flow projections is 12.4% varying to 11.6% in subsequent periods over 3 years, and cash flows exceeding 3 years are extrapolated by expected growing for each segment. Based on this analysis, no impairment was necessary.

#### 15.2. Commercial rights

Commercial rights are the right to operate the stores referred to acquired rights, or allocated on business combinations.

Management understands that commercial rights are considered recoverable, considering its recovery by cash flows return or the possibility of negotiating with third parties.

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**15. Intangible assets – Continued****15.3. Additions to intangible assets**

|   | <b>Parent Company</b>    |                          | <b>Consolidated</b>      |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | <b><u>12.31.2016</u></b> | <b><u>12.31.2015</u></b> | <b><u>12.31.2016</u></b> | <b><u>12.31.2015</u></b> |
| Additions                               | <b>170</b>               | 111                      | <b>436</b>               | 400                      |
| Finance lease                           | <b>(88)</b>              | (9)                      | <b>(94)</b>              | (10)                     |
| Other accounts Payable                  | -                        | -                        | -                        | 11                       |
| Contractual rights                      | -                        | -                        | <b>(65)</b>              | -                        |
| Intangible assets financing - Additions | -                        | (3)                      | -                        | (3)                      |
| Intangible assets financing - Payments  | <b>2</b>                 | 6                        | <b>2</b>                 | 6                        |
| Total                                   | <b>84</b>                | 105                      | <b>279</b>               | 404                      |

**16. Trade payables**

|                     | <b>Parent Company</b>    |                          | <b>Consolidated</b>      |                          |
|---------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                     | <b><u>12.31.2016</u></b> | <b><u>12.31.2015</u></b> | <b><u>12.31.2016</u></b> | <b><u>12.31.2015</u></b> |
| Product suppliers   | <b>5,492</b>             | 4,446                    | <b>7,763</b>             | 15,590                   |
| Service suppliers   | <b>278</b>               | 142                      | <b>320</b>               | 772                      |
| Rebates (note 16.2) | <b>(679)</b>             | (485)                    | <b>(851)</b>             | (854)                    |
|                     | <b>5,091</b>             | 4,103                    | <b>7,232</b>             | 15,508                   |

**16.1. Agreement between suppliers, the Company and banks**

The Company and its subsidiaries have agreements with financial institutions in order to allow their suppliers to use the Company's lines of credit for prepayment of receivables arising from the sale of goods and services, which allows suppliers to anticipate receivables in the normal course of purchases made.

These transactions were evaluated by the management concluding having commercial characteristics, since there are no changes in price and / or term previously commercially established and is solely the supplier's discretion in performing the anticipation of its Company's receivables.

The Company also has commercial transactions increasing payment terms, routinely as part of its commercial activity, without financial charges.

16.2. Accounts receivable from vendors

It includes bonuses and discounts obtained from suppliers. These amounts are established in agreements and include amounts for discounts on purchase volumes, joint marketing programs, freight reimbursements, and other similar programs. The receipt of these receivables is by offsetting the amounts payable to suppliers, according to supply agreements conditions so that the settlement occur at the net amount.

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**17. Borrowings and financing**

## 17.1. Debt breakdown

|   | <u>Weighted average rate</u> | <u>Parent Company</u> | <u>Consolidated</u> |
|---|------------------------------|-----------------------|---------------------|
|   |                              | <u>12.31.2016</u>     | <u>12.31.2015</u>   |
| <u>Current</u>                                      |                              |                       |                     |
| <u>Debentures and promissory note</u>               |                              |                       |                     |
| Debentures (note 17.4)                              | 107% of CDI                  | <b>39</b>             | <b>39</b>           |
| Certificate of Agribusiness Receivables (note 17.4) | 97.5% of CDI                 | <b>4</b>              | <b>-</b>            |
| Promissory Note, net (note 17.4)                    | 108% of CDI                  | <b>530</b>            | <b>-</b>            |
| Borrowing cost                                      |                              | <b>(5)</b>            | <b>(1)</b>          |
|   |                              | <b>568</b>            | <b>38</b>           |
| <u>Borrowings and financing</u>                     |                              |                       |                     |
| <u>Local currency</u>                               |                              |                       |                     |
| BNDES (note 17.6)                                   | TJLP(*) + 3.60% per year     | <b>-</b>              | <b>82</b>           |
| BNDES (note 17.6)                                   | 2.89% per year               | <b>1</b>              | <b>9</b>            |
| IBM   | CDI - 0.71% per year         | <b>-</b>              | <b>-</b>            |
| Working capital                                     | 107.70% of CDI               | <b>870</b>            | <b>111</b>          |
| Working capital (i)                                 | 15.57% per year              | <b>-</b>              | <b>-</b>            |
| Working capital                                     | TR + 9.80% per year          | <b>2</b>              | <b>1</b>            |
| Sale of receivables                                 | 109% of CDI                  | <b>-</b>              | <b>-</b>            |
| Finance lease (note 23)                             |                              | <b>38</b>             | <b>30</b>           |
| Borrowing cost                                      |                              | <b>(1)</b>            | <b>(1)</b>          |
|   |                              | <b>910</b>            | <b>232</b>          |
| <u>Foreign currency (note 17.5)</u>                 |                              |                       |                     |
| Working capital                                     | USD + 2.60% per year         | <b>1,196</b>          | <b>856</b>          |
| Working capital                                     | EURO + 1.94% per year        | <b>1</b>              | <b>1</b>            |
| Swap contracts (note 17.7)                          | 103.32% of CDI               | <b>88</b>             | <b>(299)</b>        |
|   |                              | <b>1,285</b>          | <b>558</b>          |
| Total current                                       |                              | <b>2,763</b>          | <b>828</b>          |

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(In millions of Brazilian reais, unless otherwise stated)

**17. Borrowings and financing - continued**

## 17.1. Debt breakdown - continued

| <u>Noncurrent</u>                                   | <u>Weighted average rate</u> | <u>Parent Company</u> |                   | <u>Consolidated</u> |
|---|------------------------------|-----------------------|-------------------|---------------------|
|   |                              | <u>12.31.2016</u>     | <u>12.31.2015</u> | <u>12.31.2016</u>   |
| <u>Debtentures</u>                                  |                              |                       |                   |                     |
| Debtentures, net (note 17.4)                        | 107% of CDI                  | <b>900</b>            | 900               | <b>900</b>          |
| Certificate of Agribusiness Receivables (note 17.4) | 97.5% of CDI                 | <b>1,013</b>          | -                 | <b>1,013</b>        |
| Borrowing cost                                      |                              | <b>(9)</b>            | (3)               | <b>(9)</b>          |
|   |                              | <b>1,904</b>          | 897               | <b>1,904</b>        |
| <u>Borrowings and financing</u>                     |                              |                       |                   |                     |
| <u>Local currency</u>                               |                              |                       |                   |                     |
| BNDES   | 3.80% per year               | <b>7</b>              | 9                 | <b>44</b>           |
| IBM   | CDI - 0.71% per year         | -                     | -                 | -                   |
| Working capital (i)                                 | 15.57% per year              | -                     | -                 | -                   |
| Working capital                                     | 105.44% of CDI               | <b>259</b>            | 980               | <b>258</b>          |
| Working capital                                     | TR + 9.80 % per year         | <b>19</b>             | 20                | <b>122</b>          |
| Finance lease (note 23)                             |                              | <b>165</b>            | 117               | <b>174</b>          |
| Swap contracts (note 17.7)                          | 101.44% of CDI               | <b>(2)</b>            | -                 | <b>(10)</b>         |
| Borrowing cost                                      |                              | <b>(2)</b>            | (3)               | <b>(5)</b>          |
|   |                              | <b>446</b>            | 1,123             | <b>583</b>          |
| <u>Foreign currency</u>                             |                              |                       |                   |                     |
| Working capital                                     | USD + 2.78% per year         | <b>164</b>            | 1,236             | <b>165</b>          |
| Working capital                                     | EURO + 1.94% per year        | <b>172</b>            | 207               | <b>171</b>          |
| Swap contracts (note 17.7)                          | 101.21% of CDI               | <b>89</b>             | (186)             | <b>89</b>           |
|   |                              | <b>425</b>            | 1,257             | <b>425</b>          |
| Total noncurrent                                    |                              | <b>2,775</b>          | 3,277             | <b>2,912</b>        |
| <b>Total of Borrowings and financing</b>            |                              | <b>5,538</b>          | 4,105             | <b>5,869</b>        |

(i) Referring to direct consumer credit (CDCI), in 2016 the corresponding amount is shown at “liabilities related to assets held for sale”.

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**17. Borrowings and financing - continued**

## 17.2. Changes in borrowings

|   | Parent Company | Consolidated |
|---|----------------|--------------|
| <b>At December 31, 2014</b>                           | <b>5,526</b>   | <b>9,728</b> |
| Additions - working capital                           | 1,154          | 6,389        |
| Additions - finance lease                             | 14             | 35           |
| Accrued interest                                      | 503            | 927          |
| Accrued swap  | (351)          | (534)        |
| Mark-to-market  | (4)            | (5)          |
| Monetary and exchange rate changes                    | 468            | 734          |
| Borrowing cost  | 5              | 5            |
| Interest paid   | (511)          | (947)        |
| Payments  | (2,663)        | (8,255)      |
| Swap paid   | (59)           | (99)         |
| Corporate restructuring (note 1.2.1)                  | 23             | -            |
| <b>At December 31, 2015</b>                           | <b>4,105</b>   | <b>7,978</b> |
| Additions - working capital                           | 2,401          | 8,082        |
| Additions - finance lease                             | 88             | 100          |
| Accrued interest                                      | 409            | 862          |
| Accrued swap  | 643            | 920          |
| Mark-to-market  | (18)           | (22)         |
| Monetary and exchange rate changes                    | (417)          | (635)        |
| Borrowing cost  | 3              | 4            |
| Interest paid   | (248)          | (624)        |
| Payments  | (1,447)        | (6,876)      |
| Swap paid   | 14             | 19           |
| Merger  | 5              | -            |
| Liabilities related to assets held for sale (note 35) | -              | (3,939)      |
| <b>At December 31, 2016</b>                           | <b>5,538</b>   | <b>5,869</b> |

## 17.3. Maturity schedule of borrowings and financing recorded in noncurrent liabilities

| Year              | Parent Company | Consolidated |
|-------------------|----------------|--------------|
| In 2 years        | 1,157          | 1,177        |
| From 2 to 3 years | 1,518          | 1,538        |
| From 3 to 5 years | 43             | 62           |

|                 |              |              |
|-----------------|--------------|--------------|
| After 5 years   | <b>68</b>    | <b>149</b>   |
| Subtotal        | <b>2,786</b> | <b>2,926</b> |
| <br>            |              |              |
| Borrowing costs | <b>(11)</b>  | <b>(14)</b>  |
| Total           | <b>2,775</b> | <b>2,912</b> |

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**17. Borrowings and financing –Continued**

17.4. Debentures, Promissory Note and Certificate of Agribusiness Receivables

|  |               | <b>Issue</b>                 |                               | <b>Date</b>  |                 |
|--|---------------|------------------------------|-------------------------------|--------------|-----------------|
|  | <b>Type</b>   | <b>Amount (in thousands)</b> | <b>Outstanding debentures</b> | <b>Issue</b> | <b>Maturity</b> |
| <u>Parent Company</u>                  |               |                              |                               |              |                 |
| 12th Issue of Debentures – CBD         | No preference | 900.000                      | 900.000                       | 9/12/14      | 9/12/16         |
| 13th Issue of Debentures – CBD and CRA | No preference | 1.012.500                    | 1.012.500                     | 12/20/16     | 12/20/18        |
| 2nd Issue of Promissory Note – CBD     | No preference | 500.000                      |                               | 2008/01/16   | 01/30/18        |

Borrowing cost

**Parent Company/Consolidated - current and noncurrent**

Current liabilities

Noncurrent liabilities

## Companhia Brasileira de Distribuição

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### 17. Borrowings and financing –Continued

#### 17.4. Debentures, Promissory Note and Certificate of Agribusiness Receivables – continued

GPA uses the issue of debentures to strengthen its working capital, maintain its cash strategy, lengthen its debt profile and make investments. The debentures issued are unsecured, without renegotiation clauses and not convertible into shares, except for the debentures issued by the subsidiaries, which are guaranteed by the Company.

The amortization occurs in (i) annual installments starting in the 4<sup>th</sup> year of issuance (12<sup>th</sup> issue of CBD) semi-annually interest payments: (ii) Exclusive payment at the maturity date with semi-annually interest payment remuneration (13<sup>th</sup> issue of CBD).

The 12<sup>th</sup> and 13<sup>th</sup> issues are entitled to early redemption, at any time, in accordance with the conditions established in the issue.

On August 1st, 2016, CBD performed the 2<sup>nd</sup> issuance of commercial promissory notes of the Company. Were-it was issued 200 promissory notes with unitary value of R\$2.50 totaling R\$500. The net amount obtained was fully used to strengthen the working capital.

On December 20, 2016 CBD performed the 13<sup>th</sup> issuance of simple debentures, non-convertible into shares, unsecured, in a unique series, which was placed privately with Ares Serviços Imobiliários Ltda., which was later assigned and transferred to Ápice Securitizadora S.A., that acquired the Debentures and the Agribusiness Credit Rights with the purpose to bind with the 2<sup>nd</sup> series of the 1<sup>st</sup> issuance of Certificate of Agribusiness Receivables (CRA). The resources will be used exclusively for purchasing agribusiness products, such as fruits, vegetables, dairy, and animal's protein *in natura* directly from rural producers and cooperatives.

The total amount of the issuance was R\$ 1,013 with interest at 97,5% of the average CDI rate, payable semi-annually. Principal will be paid at the maturity date on December 20<sup>th</sup>, 2019.

GPA is required to maintain certain debt financial covenants in connection with the issues made. These ratios are calculated based on consolidated financial statements of the Company prepared in accordance with accounting practices adopted in Brazil, in the respective issuing Company as follows: (i) net debt (debt minus cash and cash equivalents and trade accounts receivable) not greater than equity and (ii) consolidated net debt/EBITDA ratio lower than or equal to 3.25. At December 31, 2016, GPA complied with these ratios.

17.5. Borrowings in foreign currencies

On December 31, 2015 GPA had loans in foreign currencies (dollar and euro) to strengthen its working capital, maintain its cash strategy, lengthen its debt profile and make investments, being the last due date in October, 2018

For some of these operations, GPA is required to maintain certain debt financial covenants. These ratios are calculated based on consolidated financial statements of the Company prepared in accordance with accounting practices adopted in Brazil, in the respective issuing Company as follows: (i) net debt (debt minus cash and cash equivalents and trade accounts receivable) not greater than equity and (ii) consolidated net debt/EBITDA ratio lower than or equal to 3.25. At December 31, 2015, GPA complied with these ratios.

## Companhia Brasileira de Distribuição

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### 17. Borrowings and financing –continued

#### 17.6. Guarantees

The Company signed promissory notes and letters of guarantee for borrowings and financing with the banks.

#### 17.7. Swap contracts

The Company and its Brazilian subsidiaries use swap transactions for 100% of its borrowings denominated in euros, US dollars and fixed interest rates, exchanging these obligations for Real linked to CDI (floating) interest rates. These contracts have a total debt term and protect the interest and the principal and are signed, generally, with the same due dates and with same counterparty. The weighted average annual rate of CDI in 2016 was 14.00% (13.24% in 2015).

#### 17.8. Credit facilities

The Company and its subsidiaries entered into credit facility agreements, in the amount of R\$1,350. These agreements were entered into under market conditions and are effective for 2016 and 2017.

### 18. Financial instruments

The Company uses financial instruments only for protecting identified risks, limited to 100% of the risks. Derivative transactions have the sole purpose of reducing the exposure to the interest rate and foreign currency fluctuations and maintaining a balanced capital structure.

The main financial instruments and their carrying amounts in the financial statements, by category, are as follows:

|  | <b>Parent Company</b>         |                          | <b>Consolidated</b>           |                          |
|--|-------------------------------|--------------------------|-------------------------------|--------------------------|
|  | <b><u>Carrying amount</u></b> |                          | <b><u>Carrying amount</u></b> |                          |
|  | <b><u>12.31.2016</u></b>      | <b><u>12.31.2015</u></b> | <b><u>12.31.2016</u></b>      | <b><u>12.31.2015</u></b> |

#### Financial assets:

##### Loans and receivables (including cash)

|   |              |       |              |        |
|---|--------------|-------|--------------|--------|
| Cash and cash equivalents               | <b>4,496</b> | 2,247 | <b>5,112</b> | 11,015 |
| Trade receivables and other receivables | <b>588</b>   | 587   | <b>1,281</b> | 4,308  |

|  |                |         |                |          |
|--|----------------|---------|----------------|----------|
| Related parties - assets                   | <b>359</b>     | 1,076   | <b>17</b>      | 309      |
| <u>Financial liabilities:</u>              |                |         |                |          |
| <u>Amortized cost</u>                      |                |         |                |          |
| Related parties - liabilities              | <b>(510)</b>   | (268)   | <b>(147)</b>   | (563)    |
| Trade payables                             | <b>(5,091)</b> | (4,103) | <b>(7,232)</b> | (15,508) |
| Financing for purchase of assets           | <b>(36)</b>    | (104)   | <b>(120)</b>   | (118)    |
| Acquisition of non-controlling interest    | -              | -       | <b>(7)</b>     | (104)    |
| Debentures                                 | <b>(2,472)</b> | (935)   | <b>(2,472)</b> | (935)    |
| Borrowings and financing                   | <b>(1,336)</b> | (1,355) | <b>(1,562)</b> | (4,222)  |
| Suppliers - structured                     | -              | -       | -              | (1,055)  |
| <u>Fair value through profit or loss</u>   |                |         |                |          |
| Loans and financing, including derivatives | <b>(1,730)</b> | (1,815) | <b>(1,835)</b> | (2,821)  |

## Companhia Brasileira de Distribuição

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### 18. Financial instruments - continued

The fair value of other financial instruments detailed in table above approximates the carrying amount based on the existing terms and conditions. The financial instruments measured at amortized cost, the related fair values of which differ from the carrying amounts, are disclosed in note 18.3.

#### 18.1. Considerations on risk factors that may affect the business of the Company and its subsidiaries

##### (i) Credit risk

- Cash and cash equivalents: in order to minimize credit risk of these investments, the Company adopts investment policies at financial institutions approved by the Company's Cash Flow Committee, also taking into consideration monetary limits and financial institution evaluations, which are frequently updated.
- Accounts receivable: credit risk related to accounts receivable is minimized by the fact that big portion of the sales are paid with credit cards, and the Company sells these receivables to banks and credit card companies itself, aiming strength working capital. The sales of receivables result in derecognition of the accounts receivable due to the transfer of the credit risk, benefits and control of such assets. Additionally, mainly to the accounts receivable paid in installments, the company monitor the risk through the credit concession to customers and by the constant analysis of the provision for losses.
- The Company also has counterparty risk related to the derivative instruments; such risk is mitigated by the Company's policy of carrying out transactions, according to policies approved by governance boards.
- Financed sales CDCI (classified on assets held for sale and discontinued activities of Via Varejo): sales are made through operating agreements (credit lines) with banks Bradesco, Safra and Banco do Brasil for granting loans to their customers, through intervention with their financial institutions, with the aim of enabling and encouraging the sale of goods in their stores. In this type of sale, the subsidiary Via Varejo has ultimate responsibility for the settlement of loans and the credit risk of the operation.
- There are no amounts receivable that are individually, higher than 5% of accounts receivable or sales, respectively.

##### (ii) Interest rate risk

The Company and its subsidiaries raise loans and financing with major financial institutions for cash needs for investments and growth. As a result, the Company and its subsidiaries are, mainly, exposed to relevant

interest rates fluctuation risk, especially in view of derivatives liabilities (foreign currency exposure hedge) and CDI-pegged debt, The balance of cash and cash equivalents, indexed to CDI, partially offsets the interest rate risk.

(iii) Exchange rate risk

The Company and its subsidiaries are exposed to exchange rate fluctuations, which may increase outstanding balances of foreign currency-denominated borrowings. The Company and its subsidiaries use derivatives, such as swaps, with a view to mitigating the exchange exposure risk, converting the cost of debt into currency and domestic interest rates.

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**18. Financial instruments –Continued**

18.1. Considerations on risk factors that may affect the business of the Company and its subsidiaries – continued

## (iv) Capital risk management

The main objective of the Company's capital management is to ensure that the Company sustains its credit rating and a well-defined equity ratio, in order to support businesses and maximize shareholder value. The Company manages the capital structure and makes adjustments taking into account changes in the economic conditions.

There were no changes as to objectives, policies or processes during the year ended December 31, 2016.

|   | <b>Parent company</b> |                   | <b>Consolidated</b> |                   |
|---|-----------------------|-------------------|---------------------|-------------------|
|   | <b>12.31.2016</b>     | <b>12.31.2015</b> | <b>12.31.2016</b>   | <b>12.31.2015</b> |
| Cash and cash equivalents                                       | <b>4,496</b>          | 2,247             | <b>5,112</b>        | 11,015            |
| Suppliers - structured program (**)                             | -                     | -                 | -                   | (1,055)           |
| Borrowings and financing  | <b>(5,538)</b>        | (4,105)           | <b>(5,869)</b>      | (7,978)           |
| Other liabilities with related parties (note 12.2 and 18.2 (i)) |                       |                   |                     |                   |
| (*)   | <b>(149)</b>          | -                 | <b>(149)</b>        | (364)             |

(\*)On 2015 represents loans of CDiscount with Casino Finance International S.A. ("Polca"), and on 2016 represents loans with Greenyellow.

(\*\*)Suppliers – structured program refers to financial liabilities with suppliers which due dates were extended during the year ended at December 31, 2016 and 2015. Due to characteristics of commercial negotiations between suppliers and Via Varejo, these financial liabilities were included in anticipation of receivables' programs with banks, utilizing Via Varejo's credit lines, with implied financial cost of 112.3% of CDI (108.4% of CDI at December 31, 2015). The management understands that this transaction has specific nature and classifies separately from the "Suppliers" account.

## (v) Liquidity risk management

The Company manages liquidity risk through the daily follow-up of cash flows, control of maturities of financial assets and liabilities, and a close relationship with the main financial institutions.

The table below summarizes the aging profile of the Company's financial liabilities as at December 31, 2016 and December 31, 2015.

## a) Parent company

|                            | <b>Up to 1 Year</b> | <b>1 – 5 years</b> | <b>More than 5 years</b> | <b>Total</b>  |
|----------------------------|---------------------|--------------------|--------------------------|---------------|
| Borrowings and financing   | <b>2,105</b>        | <b>670</b>         | <b>17</b>                | <b>2,792</b>  |
| Debtentures and Promissory |                     |                    |                          |               |
| Note                       | <b>778</b>          | <b>2,302</b>       | <b>-</b>                 | <b>3,080</b>  |
| Derivatives                | <b>183</b>          | <b>119</b>         | <b>(1)</b>               | <b>301</b>    |
| Finance lease              | <b>57</b>           | <b>181</b>         | <b>160</b>               | <b>398</b>    |
| Trade payables             | <b>5,091</b>        | <b>-</b>           | <b>-</b>                 | <b>5,091</b>  |
| <b>Total</b>               | <b>8,214</b>        | <b>3,272</b>       | <b>176</b>               | <b>11,662</b> |

**Companhia Brasileira de Distribuição**

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**18. Financial instruments – Continued**

18.1. Considerations on risk factors that may affect the business of the Company and its subsidiaries – Continued

(v) Liquidity management risk – Continued

b) Consolidated

|   | <b>Up to 1 Year</b> | <b>1 – 5 years</b> | <b>More than 5 years</b> | <b>Total</b>  |
|---|---------------------|--------------------|--------------------------|---------------|
| Borrowings and financing                                  | 2,307               | 775                | 115                      | 3,197         |
| Debtures and Promissory Note                              | 778                 | 2,302              | -                        | 3,080         |
| Derivatives   | 186                 | 125                | (1)                      | 310           |
| Finance lease   | 61                  | 192                | 169                      | 422           |
| Trade payables  | 7,232               | -                  | -                        | 7,232         |
| Acquisition of non-controlling shareholders participation | 7                   | -                  | -                        | 7             |
| <b>Total</b>  | <b>10,571</b>       | <b>3,394</b>       | <b>283</b>               | <b>14,248</b> |

(vi) Derivative financial instruments

Certain swap operations are classified as fair value hedge, whose objective is to hedge against foreign exchange exposure (Euros and U.S. dollars) and fixed interest rates, converting the debt into domestic interest rates and currency.

At December 31, 2016 the reference value of these contracts were R\$1,768 (R\$2,760 at December 31, 2015). These operations are usually contracted under the same terms of amounts, maturities and fees, and carried out with the same financial institution, observing the limits set by Management.

According to the Company's treasury policies, swaps cannot be contracted with restrictions ("caps"), margins, as well as return clauses, double index, flexible options or any other types of transactions different from traditional "swap" operations to hedge against debts.

The Company's internal controls were designed to ensure that transactions are conducted in compliance with this treasury policy.

The Company calculates the effectiveness of operations where hedge accounting is applied on inception date and on continuing basis. Hedge operations contracted in the year ended December 31, 2016 were effective in relation to the covered risk. For derivative transactions qualified as hedge accounting, according to technical pronouncement CPC 38 (IAS 39), the debt, which is the hedge object, is also adjusted at fair value.

|                              |                   | <b>Consolidated</b>   |            |                   |            |
|------------------------------|-------------------|-----------------------|------------|-------------------|------------|
|                              |                   | <b>Notional value</b> |            | <b>Fair value</b> |            |
|                              |                   | <b>12.31.2016</b>     | 12.31.2015 | <b>12.31.2016</b> | 12.31.2015 |
| <i>Fair value hedge</i>      |                   |                       |            |                   |            |
| Purpose of hedge             |                   |                       |            |                   |            |
| (debt)                       |                   | <b>1,768</b>          | 2,760      | <b>1,666</b>      | 3,512      |
| <u>Long position (buy)</u>   |                   |                       |            |                   |            |
| Prefix rate                  | TR+9.80% per year | <b>127</b>            | 131        | <b>134</b>        | 131        |
| US\$ + fixed                 | 2.63% per year    | <b>1,421</b>          | 2,410      | <b>1,362</b>      | 3,219      |
| EUR + fixed                  | 1.94% per year    | <b>220</b>            | 219        | <b>176</b>        | 208        |
|                              |                   | <b>1,768</b>          | 2,760      | <b>1,672</b>      | 3,558      |
| <u>Short position (sell)</u> |                   |                       |            |                   |            |
|                              | 102.69% per year  | <b>(1,768)</b>        | (2,760)    | <b>(1,839)</b>    | (2,838)    |
| Net hedge position           |                   | -                     | -          | <b>(167)</b>      | 720        |

## Companhia Brasileira de Distribuição

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### 18. Financial instruments –Continued

18.1. Considerations on risk factors that may affect the business of the Company and its subsidiaries – Continued

(vi) Derivative financial instruments - continued

Realized and unrealized gains and losses on these contracts during the year ended December 31, 2016 are recorded in financial income (expenses), net and the balance payable at fair value is R\$167 (R\$720 as at December 31, 2015), recorded in line item “Borrowings and financing”.

The effects of the fair value hedge recorded in the statement of operations for the year ended December 31, 2016 were a gain of R\$722 (gain of R\$462 as at December 31, 2015).

(vii) Fair values of derivative financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Fair values are calculated by projecting the future cash flows of operations, using the curves of CDI and discounting them to present value, using CDI market rates for swaps both disclosed by BM&FBovespa.

The market value of exchange coupon swaps versus CDI rate was obtained applying market exchange rates effective on the date of financial statements are drawn up and rates are projected by the market calculated based on currency coupon curves. In order to calculate the coupon of foreign currency indexed-positions, the straight-line convention - 360 consecutive days was adopted and to calculate the coupon of CDI indexed-positions, the exponential convention - 252 business days was adopted.

18.2. Sensitivity analysis of financial instruments

According to the Management's assessment, the most probable scenario is what the market has been estimating through market curves (currency and interest rates) of BM&FBovespa, on the maturity dates of each operation. Therefore, in the probable scenario (I), there is no impact on the fair value of financial instruments. For scenarios (II) and (III), for the sensitivity analysis effect, according to CVM rules, a deterioration of 25% and 50% was taken into account, respectively, on risk variables, up to one year of the financial instruments.

For the probable scenario, exchange rate weighted was R\$3.44 on the due date, and the interest rate weighted was 12.35% per year.

In case of derivative financial instruments (aiming at hedging the financial debt), changes in scenarios are accompanied by respective hedges, indicating effects are not significant, see note 18.2 (i).

The Company disclosed the net exposure of the derivatives financial instruments, corresponding financial instruments and certain financial instruments in the sensitivity analysis chart below, for each of the scenarios mentioned:

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**18. Financial instruments – Continued**

## 18.2. Sensitivity analysis of financial instruments - continued

## (i) Other financial instruments

| <u>Operations</u>                       | <u>Risk (CDI variation)</u> | <u>Market projection</u>     |                   |                    |
|---|-----------------------------|------------------------------|-------------------|--------------------|
|   |                             | <u>Balance at 12.31.2016</u> | <u>Scenario I</u> | <u>Scenario II</u> |
| Fair value hedge (fixed rate)           | 101.44% do CDI              | (125)                        | (182)             | (187)              |
| Fair value hedge (exchange rate)        | 102.69% do CDI              | (1,714)                      | (2,126)           | (2,160)            |
| Debentures                              | 107% do CDI                 | (939)                        | (1,055)           | (1,084)            |
| Certificate of Agribusiness Receivables | 97.50% do CDI               | (1,017)                      | (1,138)           | (1,169)            |
| Promissory note                         | 108.00% do CDI              | (530)                        | (606)             | (625)              |
| Bank loans - CBD                        | 107.16% do CDI              | (1,128)                      | (1,283)           | (1,322)            |
| Leases                                  | 100.19% do CDI              | (74)                         | (83)              | (85)               |
| Leases                                  | 95.31% do CDI               | (88)                         | (99)              | (102)              |
| Leases                                  | 100.00% do CDI              | (8)                          | (9)               | (9)                |
| Bank loans - Barcelona                  | 108.00% do CDI              | (174)                        | (199)             | (206)              |
| Total borrowings and financing exposure |                             | (5,797)                      | (6,780)           | (6,949)            |
| Cash and cash equivalents (*)           | 98.26% do CDI               | 4,697                        | 5,277             | 5,422              |
| Net exposure                            |                             | (1,100)                      | (1,503)           | (1,527)            |
| Net effect - gain (loss)                |                             |                              | (403)             | (427)              |
| (*) Weighted average                    |                             |                              |                   |                    |

In addition the Company has the following transaction that don't represent significant risks for sensitive test:

§ The Company has a net exposure of US\$15 million American dollars (between foreign suppliers and cash applied abroad) and EUR€11 million euros, besides the negative investment balance at foreigner subsidiaries at EUR€6 million euros. The Company management do not prepared the sensitivity analyses related to cambial exposition because understand that the involving amounts there are no representative.

§ In 2015 Company, through subsidiaries for which the functional currency is Euro, has a borrowing of R\$ 364 with Casino's group company Polca, this balance yields EONIA + 0.5% per year. Considering that part of that interest rate is post-fixed and not representative, Company is not exposed to relevant variation of this interest rate, with no sensibility analysis required.

§ The Company has accounts payable to Greenyellow of R\$149, referring to the acquisition of property aiming the energy efficiency of the Company. The payment will occur in 96 instalments with pre-fixed interest of 9% per year.

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**18. Financial instruments – Continued****18.3. Fair value measurements**

The Company discloses the fair value of financial instruments measured at fair value and of financial instruments measured at amortized cost, the fair value of which differ from the carrying amount, in accordance with CPC 46 (“IFRS13”), which refer to the concepts of measurement and disclosure requirements.

The fair values of cash and cash equivalents, trade receivables, short and long-term debt and trade payables are equivalent to their carrying amounts.

The table below presents the fair value hierarchy of financial assets and liabilities measured at fair value and of financial instruments measured at amortized cost, the fair value of which is disclosed in the financial statements:

|   | <b>Carrying amount<br/>at 12.31.2016</b> | <b>Fair value at<br/>12.31.2016</b> | <b>(*) Level</b> |
|---|--|-------------------------------------|------------------|
| Financial instruments at fair value through profit (loss) |  |                                     |                  |
| Cross-currency interest rate swaps                        | (177)                                    | (177)                               | <b>Level 2</b>   |
| Interest rate swaps                                       | 10                                       | 10                                  | <b>Level 2</b>   |
| Borrowings and financing (fair value)                     | (1,668)                                  | (1,668)                             | <b>Level 2</b>   |
| Borrowings and financing (amortized cost)                 | (4,034)                                  | (3,986)                             | <b>Level 2</b>   |
| <b>Total</b>  | <b>(1,169)</b>                           | <b>(1,121)</b>                      |                  |

(\*) **Level 2**: Fair value measurement at the end of the reporting period using other significant observable assumptions.

There were no changes between the fair value measurements levels in the year ended December 31, 2016.

Cross-currency and interest rate swaps and borrowings and financing are classified in level 2 since the fair value of such financial instruments was determined based on readily observable market inputs, such as expected interest rate and current and future foreign exchange rate.



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**18. Financial instruments –Continued****18.4. Consolidated position of derivative transactions**

The consolidated position of outstanding derivative transactions is presented in the table below:

| Outstanding | Description            | Counterparties | Notional Contractual |            | Amount payable or receivable |            | Fair value |            |
|-------------|------------------------|----------------|----------------------|------------|------------------------------|------------|------------|------------|
|             |                        |                | value                | date       | Maturity                     | 12.31.2016 | 12.31.2015 | 12.31.2016 |
|             | <i>Exchange swaps</i>  |                |                      |            |                              |            |            |            |
|             | registered with        |                |                      |            |                              |            |            |            |
|             | CETIP                  |                |                      |            |                              |            |            |            |
|             | (US\$ x CDI)           |                |                      |            |                              |            |            |            |
|             | Banco Tokyo            | US\$ 75        | 1/14/2014            | 1/10/2017  | 61                           | 110        | 59         |            |
|             | Banco JP Morgan        | US\$ 50        | 3/19/2014            | 3/21/2016  | -                            | 77         | -          |            |
|             | Mizuho                 | US\$ 50        | 10/31/2014           | 10/31/2017 | 38                           | 70         | 37         |            |
|             | Citibank               | US\$ 85        | 11/21/2014           | 11/21/2016 | -                            | 109        | -          |            |
|             | Banco Tokyo            | US\$ 75        | 1/2/2015             | 12/29/2016 | -                            | 94         | -          |            |
|             | Citibank               | US\$ 5         | 1/28/2015            | 1/28/2016  | -                            | 6          | -          |            |
|             | HSBC                   | US\$ 100       | 2/25/2015            | 11/25/2016 | -                            | 100        | -          |            |
|             | Bradesco               | US\$ 100       | 4/27/2015            | 4/27/2016  | -                            | 66         | -          |            |
|             | Citibank (*)           | US\$ 50        | 4/10/2015            | 4/10/2017  | -                            | 38         | -          |            |
|             | Citibank (*)           | US\$ 30        | 4/14/2015            | 4/17/2017  | -                            | 22         | -          |            |
|             | Bank of America        | US\$ 40        | 9/14/2015            | 9/14/2017  | (26)                         | (1)        | (25)       |            |
|             | Banco Tokyo            | US\$ 50        | 7/31/2015            | 7/31/2017  | (6)                          | 26         | (6)        |            |
|             | Scotiabank             | US\$ 50        | 9/30/2015            | 9/29/2017  | (39)                         | (7)        | (37)       |            |
|             | Agricole               | EUR 50         | 10/7/2015            | 10/8/2018  | (54)                         | (13)       | (42)       |            |
|             | Itaú BBA               | US\$ 50        | 10/27/2015           | 1/17/2017  | (60)                         | (3)        | (61)       |            |
|             | Bradesco               | US\$ 50        | 3/3/2016             | 3/6/2017   | (53)                         | -          | (54)       |            |
|             | Scotiabank             | US\$ 50        | 1/15/2016            | 1/16/2018  | (50)                         | -          | (47)       |            |
|             | Interest rate swap     |                |                      |            |                              |            |            |            |
|             | registered with        |                |                      |            |                              |            |            |            |
|             | CETIP                  |                |                      |            |                              |            |            |            |
|             | (pre-fixed rate x CDI) |                |                      |            |                              |            |            |            |
|             | Itaú BBA               | R\$ 21         | 11/11/2014           | 11/5/2026  | 1                            | -          | 2          |            |
|             | Itaú BBA               | R\$ 54         | 1/14/2015            | 1/5/2027   | 1                            | (1)        | 3          |            |

|          |        |           |          |              |     |              |
|----------|--------|-----------|----------|--------------|-----|--------------|
| Itaú BBA | R\$ 52 | 5/26/2015 | 5/5/2027 | <b>2</b>     | -   | <b>4</b>     |
|          |        |           |          | <b>(185)</b> | 693 | <b>(167)</b> |

(\*) At December 31, 2016 the balances of Via Varejo were presented in “assets held for sale and discontinued activities”, in accordance to note 35.

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**19. Taxes and contributions payable and taxes payable in installments**

## 19.1. Taxes and contributions payable and taxes payable in installments

|  | <b>Parent Company</b> |            | <b>Consolidated</b> |            |
|--|-----------------------|------------|---------------------|------------|
|  | <b>12.31.2016</b>     | 12.31.2015 | <b>12.31.2016</b>   | 12.31.2015 |
| PIS and COFINS                                   | <b>46</b>             | 16         | <b>49</b>           | 396        |
| Provision for income tax and social contribution | -                     | 3          | <b>10</b>           | 52         |
| ICMS   | <b>48</b>             | 27         | <b>75</b>           | 154        |
| Withholding Income Tax                           | -                     | 2          | <b>22</b>           | 12         |
| INSS   | <b>8</b>              | -          | <b>9</b>            | 1          |
| Others   | <b>1</b>              | 9          | <b>3</b>            | 135        |
|  | <b>103</b>            | 55         | <b>168</b>          | 750        |
| Taxes payable in installments - Law 11,941/09    | <b>621</b>            | 644        | <b>624</b>          | 644        |
| Other  | <b>5</b>              | 8          | <b>2</b>            | 8          |
|  | <b>626</b>            | 652        | <b>626</b>          | 652        |
| Current  | <b>189</b>            | 135        | <b>254</b>          | 830        |
| Noncurrent                                       | <b>540</b>            | 572        | <b>540</b>          | 572        |

(i) Federal tax installment payment, Law 11,941/09 – The Law 11,941, was enacted on May 27, 2009, a special federal tax and social security debt installment program, for debts overdue until November 2008, and gave several benefits to its participants, such as reduction of fines, interest rates and legal charges, the possibility of utilization of accumulated tax losses to settle penalties and interest and payment in 180 months, use of restricted deposits linked to the claim to reduce the balance, besides of the fact that such reduction gains are not subject to IRPJ/CSLL/PIS/COFINS.

(ii) Other – the Company filed request for tax installment payment according to the Incentive Tax Installment Payment Program (PPI). These taxes are adjusted by Special System for Settlement and Custody - SELIC and are payable in 120 months.

## 19.2. Maturity schedule of taxes payable in installments in noncurrent liabilities:

| In        | <b><u>Parent Company and Consolidated</u></b> |
|-----------|---|
| 2018      | <b>89</b>                                     |
| 2019      | <b>82</b>                                     |
| 2020      | <b>82</b>                                     |
| 2021      | <b>82</b>                                     |
| 2022      | <b>82</b>                                     |
| 2023      | <b>82</b>                                     |
| Over 2024 | <b>41</b>                                     |
| Total     | <b>540</b>                                    |

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**20. Income tax and social contribution**

## 20.1. Income and social contribution tax expense reconciliation

|  | <b>Parent Company</b> |            | <b>Consolidated</b> |            |
|--|-----------------------|------------|---------------------|------------|
|  | <b>12.31.2016</b>     | 12.31.2015 | <b>12.31.2016</b>   | 12.31.2015 |
| Profit (loss) before income tax and social contribution  | <b>(489)</b>          | 417        | <b>(47)</b>         | 844        |
| Credit (expense) of income tax and social contribution at the nominal rate of 25% for the Company and 34% for subsidiaries | <b>122</b>            | (104)      | <b>(29)</b>         | (259)      |
| Tax penalties  | <b>(19)</b>           | (7)        | <b>(26)</b>         | (11)       |
| Share of profit of subsidiaries and associates   | <b>8</b>              | 33         | <b>21</b>           | 28         |
| Interest on own capital (*)  | <b>(35)</b>           | -          | <b>13</b>           | -          |
| Other permanent differences (nondeductible)  | <b>8</b>              | -          | <b>(3)</b>          | 13         |
| Effective income tax and social contribution   | <b>84</b>             | (78)       | <b>(24)</b>         | (229)      |
| Income tax and social contribution for the period:   |                       |            |                     |            |
| Current  | <b>(21)</b>           | (19)       | <b>(126)</b>        | (156)      |
| Deferred   | <b>105</b>            | (59)       | <b>102</b>          | (73)       |
| Deferred income tax and social contribution expense  | <b>84</b>             | (78)       | <b>(24)</b>         | (229)      |
| Effective rate   | <b>17.18%</b>         | 18.71%     | <b>-51.06%</b>      | 27.13%     |

CBD does not pay social contribution based on a final and un-appeal court decision in the past; therefore its nominal rate is 25%.

(\*) Effect of income tax on interest on own capital paid by Sendas.

## 20.2. Breakdown of deferred income tax and social contribution

|   | <b>Parent Company</b> |            | <b>Consolidated</b> |            |
|---|-----------------------|------------|---------------------|------------|
|   | <b>12.31.2016</b>     | 12.31.2015 | <b>12.31.2016</b>   | 12.31.2015 |
| Tax losses  | <b>32</b>             | -          | <b>112</b>          | 232        |
| Provision for risks   | <b>251</b>            | 141        | <b>347</b>          | 344        |
| Provision for temporary difference write-off                | <b>-</b>              | -          | <b>-</b>            | (59)       |
| Provision for derivative transactions taxed on a cash basis | <b>(18)</b>           | (107)      | <b>(5)</b>          | (100)      |

|   |             |      |              |         |
|---|-------------|------|--------------|---------|
| Estimated loss on doubtful accounts                   | <b>2</b>    | 1    | <b>2</b>     | 106     |
| Provision for current expenses                        | <b>11</b>   | 5    | <b>23</b>    | 68      |
| Goodwill tax amortization                             | <b>(37)</b> | (10) | <b>(531)</b> | (595)   |
| Present value adjustment                              | <b>1</b>    | 1    | <b>1</b>     | (12)    |
| Lease adjustment                                      | <b>7</b>    | 5    | <b>2</b>     | (48)    |
| Mark-to-market adjustment                             | <b>(6)</b>  | (2)  | <b>(8)</b>   | (2)     |
| Fair value of assets acquired in business combination | -           | -    | -            | (790)   |
| Technological innovation – future realization         | <b>(16)</b> | (18) | <b>(16)</b>  | (18)    |
| Depreciation of fixed assets as per tax rates         | <b>(80)</b> | (25) | <b>(81)</b>  | (20)    |
| Provision of Morzan arbitration                       | -           | 50   | -            | 50      |
| Other   | <b>8</b>    | 9    | <b>7</b>     | 66      |
| Deferred income tax and social contribution           | <b>155</b>  | 50   | <b>(147)</b> | (778)   |
|   |             |      |              |         |
| Noncurrent assets                                     | <b>155</b>  | 50   | <b>170</b>   | 406     |
| Noncurrent liabilities                                | -           | -    | <b>(317)</b> | (1.184) |
| Deferred income tax and social contribution           | <b>155</b>  | 50   | <b>(147)</b> | (778)   |

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**20. Income tax and social contribution – Continued****20.2. Breakdown of deferred income tax and social contribution – Continued**

Management has prepared a technical feasibility study on the future realization of deferred tax assets, considering the probable capacity to generate taxable income in the context of the main variables of their business. This study was prepared based on information extracted from the strategic planning report previously approved by the Company's Board of Directors.

The Company estimates to recover these deferred tax assets as follows:

| <u>Year</u> | <u>Parent Company</u> | <u>Consolidated</u> |
|-------------|-----------------------|---------------------|
| 2017        | 124                   | 136                 |
| 2018        | 31                    | 34                  |
|             | 155                   | 170                 |

**20.3. Movements in deferred income tax and social contribution**

|   | <u>Parent Company</u> |                   | <u>Consolidated</u> |                   |
|---|-----------------------|-------------------|---------------------|-------------------|
|   | <u>12.31.2016</u>     | <u>12.31.2015</u> | <u>12.31.2016</u>   | <u>12.31.2015</u> |
| <b>At the beginning of the period</b>                         | <b>50</b>             | 56                | <b>(778)</b>        | (642)             |
| Expense for the period – Continued activities                 | <b>105</b>            | (59)              | <b>102</b>          | (73)              |
| Expense for the period – Discontinued activities              | -                     | -                 | <b>11</b>           | (63)              |
| Morzan arbitration (note 1.1)                                 | -                     | <b>50</b>         | -                   | 50                |
| Corporate restructuring                                       | -                     | -                 | <b>(4)</b>          | -                 |
| Cnova NV IPO cost   | -                     | <b>3</b>          | -                   | (46)              |
| Exchange rate changes   | -                     | -                 | <b>(10)</b>         | 29                |
| Assets held to sale and discontinued activities (see note 35) | -                     | -                 | <b>522</b>          | -                 |
| Other   | -                     | -                 | <b>10</b>           | (33)              |
| <b>At the end of the period</b>                               | <b>155</b>            | 50                | <b>(147)</b>        | (778)             |



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**21. Accounts payable related to acquisition of companies**

|   | <b>Consolidated</b> |                   |
|---|---------------------|-------------------|
|   | <b>12.31.2016</b>   | <b>12.31.2015</b> |
| Interest acquisition in Assaí (a)       | 7                   | 7                 |
| Interest acquisition in Sendas (b)      | -                   | 69                |
| Interest acquisition in CD Colombia (c) | -                   | 28                |
|   | <b>7</b>            | <b>104</b>        |
| Current liabilities                     | 7                   | 76                |
| Noncurrent liabilities                  | -                   | 28                |

a) Refers to accounts payable due to the acquisition of non-controlling interest in Assaí, subsidiary that operates in the “cash and carry” segment for the Group.

b) Refers to accounts payable for the acquisition of non-controlling interest in Sendas in December 2010, corresponding to 42.57% of the capital at that time in the total amount of R\$377. At December 31, 2015 one annual installment was remaining, recorded at present value, estimated to be adjusted by the IPCA, the last amortization will occur in July 2016.

c) Refers to options put and call between subsidiary Cnova N.V and non-controlling shareholders that own 29% of e-commerce operation in Colombia. There are calculation rules for option price that points to the higher among market quotation, multiples and discounted cash flow. The vesting is on November 1, 2017. This option was cancelled at December 31, 2016, according to note 25.8.

**22. Provision for risks**

The provision for risks is estimated by the Company’s management, supported by its legal counsel. The provision was recognized in an amount considered sufficient to cover probable losses.

**22.1. Parent Company**

|  | <b>PIS/COFINS</b> | <b>Taxes and<br/>other</b> | <b>Social<br/>security<br/>and labor</b> | <b>Civil</b> | <b>Regulatory</b> | <b>Total</b> |
|--|-------------------|----------------------------|--|--------------|-------------------|--------------|
|--|-------------------|----------------------------|--|--------------|-------------------|--------------|

|                                     |            |            |            |           |           |            |
|-------------------------------------|------------|------------|------------|-----------|-----------|------------|
| <b>Balance at December 31, 2014</b> | 40         | 190        | 168        | 72        | 13        | 483        |
| Additions                           | 15         | 10         | 23         | 42        | 22        | 112        |
| Payments                            | -          | -          | (59)       | (10)      | (6)       | (75)       |
| Reversals                           | -          | (34)       | (6)        | (54)      | (16)      | (110)      |
| Monetary adjustment                 | 3          | 21         | 24         | 16        | 3         | 67         |
| Payment of installments             | 5          | -          | 2          | 5         | 1         | 13         |
| <b>Balance at December 31, 2015</b> | 63         | 187        | 152        | 71        | 17        | 490        |
| Additions                           | <b>36</b>  | <b>227</b> | <b>117</b> | <b>44</b> | <b>20</b> | <b>444</b> |
| Payments                            | -          | -          | (21)       | (13)      | (5)       | (39)       |
| Reversals                           | -          | (9)        | (18)       | (35)      | (16)      | (78)       |
| Monetary adjustment                 | <b>10</b>  | <b>23</b>  | <b>24</b>  | <b>13</b> | <b>4</b>  | <b>74</b>  |
| <b>Balance at December 31, 2016</b> | <b>109</b> | <b>428</b> | <b>254</b> | <b>80</b> | <b>20</b> | <b>891</b> |

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**22. Provision for risks - continued**

## 22.2. Consolidated

|   | PIS/COFINS | Taxes securi<br>and<br>other | Social securi<br>and<br>labor |
|---|------------|------------------------------|-------------------------------|
| <b>Balance at December 31, 2014</b>   | 79         | 510                          | 5                             |
| Additions   | 25         | 23                           | 3                             |
| Payments  | -          | (10)                         | (18)                          |
| Reversals   | (8)        | (138)                        | (17)                          |
| Monetary adjustment   | 7          | 33                           |                               |
| Transfers   | -          | (9)                          |                               |
| Exchange rate changes   | -          | 5                            |                               |
| <b>Balance at December 31, 2015</b>   | 103        | 414                          | 5                             |
| Additions   | 91         | 325                          | 6                             |
| Payments  | -          | (29)                         | (25)                          |
| Reversals   | (4)        | (19)                         | (15)                          |
| Monetary adjustment   | 14         | 38                           |                               |
| Exchange rate changes   | -          | (2)                          |                               |
| Liabilities related to assets available to sell and discontinued operations (see Note 35) | (56)       | (141)                        | (64)                          |
| <b>Balance at December 31, 2016</b>   | 148        | 586                          | 3                             |

## 22.3. Tax

As per prevailing legislation, tax claims are subject to monetary indexation, which refers to an adjustment to the provision for tax risks according to the indexation rates used by each tax jurisdiction. In all cases, both the interest charges and fines, when applicable, were computed and fully provisioned with respect to unpaid amounts.

The main provisioned tax claims are as follows:

## 22.3.1. COFINS and PIS

Since the noncumulative regime to calculate PIS and COFINS has been used, the Company and its subsidiaries have challenged the right to deduct ICMS from the base of these two contributions and other less important matters. The amount accrued as at December 31, 2016 is R\$204, being R\$148 for continued activities and R\$56 for discontinued activities (R\$103 as at December 31, 2015).

#### 22.3.2. Tax

The Company and its subsidiaries have other tax claims, which after analysis by its legal counsel, were considered as probable losses and accrued by the Company. These refer to: (i) tax assessment notices related to purchase, industrialization and sale of soybean and byproducts exports (PIS, COFINS and IRPJ); (ii) challenge on the non-application of the Accident Prevention Factor - FAP for 2011; (iii) challenge on the Poverty Fighting Fund established by the Rio de Janeiro State Government; (iv) challenges on purchases from suppliers considered not qualified in the State Finance Department registry, error in application of rate and accessory obligations by State tax authorities; (v) no compensation of homologation (vi) other less relevant issues.

The amount accrued for these matters as at December 31, 2016 is R\$408, being R\$356 for continued activities and R\$52 for discontinued activities (R\$121 as at December 31, 2015).

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### 22. Provision for risks –Continued

#### 22.3.2. Tax - continued

##### ICMS

The Federal Supreme Court ("STF") on October 16, 2014 decided that ICMS taxpayers that trade products included in the “basked of food staples” have no right to fully utilize the ICMS credits. The Company, with the assistance of its legal counsel, decided that it would be an appropriate procedure to record a provision for this matter amounting to R\$153 as at December 31, 2016 (R\$128 as at December 31, 2015) since this claim is considered a “probable” loss. The amounts accrued represent Management’s best estimate of the probable cash disbursement to settle this claim.

Additionally, among the contingent liabilities not accrued there are cases assessed by São Paulo State tax authorities related to the refund of ICMS over tax substitution without proper compliance with accessory tax obligations introduced by CAT Administrative Rule 17. Considering the last court judgments the Company accrued R\$138 in 2016 related to Management estimative of probable loss, related to proof aspect of the process.

#### 22.3.3. Supplementary Law 110/2001

The Company claims in court the eligibility to not pay the contributions provided for by Supplementary Law 110/01, referring to the FGTS (Government Severance Indemnity Fund for Employees) costs. The accrued amount as at December 31, 2016 is R\$77 (R\$62 as at December 31, 2015).

#### 22.3.4. Others contingent tax liabilities - Via Varejo

Provisions for contingent tax liabilities were recorded as a result of the business combination with Via Varejo, as required by CPC 15 (IFRS 3). As at December 31, 2016, the recorded amount related to contingent tax liabilities is R\$89 (R\$84 as at December 31, 2015).

These accrued claims refer to administrative proceedings related to the offset of tax debts against credits from the contribution levied on coffee exports.

#### 22.3.5. Others contingent tax liabilities - Bartira

On the third quarter 2016, the Company reversed most of its contingencies arising from business combination of Bartira, in 2013. The amount reversed is composed for R\$6 of tax contingency and R\$11 of labor contingency, totalizing R\$17. The remaining balance at December 31, 2016 is R\$1 (R\$18 in



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### 22. Provision for risks – Continued

#### 22.4. Labor

The Company and its subsidiaries are parties to various labor lawsuits mainly due to termination of employees in the ordinary course of business. At December 31, 2016, the Company recorded a provision amount of R\$950, being R\$302 for continued activities and R\$648 for discontinued activities (R\$597 as at December 31, 2015) related to the potential risk of loss on these lawsuits. Management, with the assistance of its legal counsel, assesses these claims recording a provision for losses when reasonably estimable, based on past experiences in relation to the amounts claimed. Labor claims are indexed to rate according to a table available by TST (“the Brazilian Supreme Labor Court”), plus monthly interest of 1%.

#### 22.5. Civil and others

The Company and its subsidiaries are parties to civil lawsuits at several court levels (indemnities and collections, among others) and at different courts. The Company’s management records provisions in amounts considered sufficient to cover unfavorable court decisions, when its legal counsel considers the loss as probable.

Among these lawsuits, we point out the following:

- The Company and its subsidiaries are parties to various lawsuits requesting the renewal of rental agreements and the review of the current rent paid. The Company recognizes a provision for the difference between the amount originally paid by the stores and the amounts pleaded by the adverse party (owner of the property) in the lawsuit, when internal and external legal counsel consider that it is probable that the rent amount will be changed by the entity. As at December 31, 2016, the amount accrued for these lawsuits is R\$121, being R\$49 for continued activities and R\$72 for discontinued activities (R\$45 as at December 31, 2015), for which there are no escrow deposits.
- Company and its subsidiaries answer to legal claims related to penalties applied by regulatory agencies, from the federal, state and municipal administrations, among which Consumer Protection Agencies ( Procon ) , National Institute of Metrology, Standardization and Industrial Quality (INMETRO) and Municipalities. Company supported by its legal counsel, revises that claims, recording a provision according to probable cash expending and estimative of loss .On December 31, 2016 the amount of this provision is R\$ 39, being R\$32 for continued activities and R\$7 for discontinued activities (R\$34 on December 31,2015).

- The subsidiary Via Varejo is a party to lawsuits involving consumer relationship rights (civil actions and assessments from PROCON) and lawsuits involving contracts terminated with suppliers and the amount claimed in these lawsuits total R\$58 as at December 31, 2016 (R\$64 as at December 31, 2015).

Total civil lawsuits and others as at December 31, 2016 amount to R\$343, being R\$141 for continued activities and R\$202 for discontinued activities (R\$282 as at December 31, 2015).

#### 22.6. Other non-accrued contingent liabilities

The Company has other litigations which have been analyzed by the legal counsel and considered as possible, therefore, have not been accrued. In this process, there are litigations related to charges of differences in IRPJ payment, for which the Company, based on management and legal assessment, has the right of compensation from its former and actual shareholders, supposedly due related to years from 2007 to 2013, under allegation that had improper deduction of goodwill amortizations paid.

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### 22. Provision for risks – Continued

#### 22.6. Other non-accrued contingent liabilities – Continued

The involved amount is R\$1,141 in December 31, 2016 (R\$1,046 in December 31, 2015), classified at possible loss and exist other part classified at remote loss. Additionally, the possible litigations balance without compensation is an updated amount of R\$12,221, being R\$10,736 for continued activities and R\$1,485 for discontinued activities at December 31, 2016 (R\$11,671 in December 31, 2015), and are principally related to:

- INSS (Social Security Contribution) – GPA was assessed for non-levy of payroll charges on benefits granted to its employees, among other matters, for which possible loss amounts to R\$421, being R\$389 for continued activities and R\$32 for discontinued activities as December 31, 2016 (R\$410 as at December 31, 2015). The lawsuits are under administrative and court discussions.
- IRPJ, withholding income tax - IRRF, CSLL, tax on financial transactions - IOF, withholding income tax on net income, ILL – GPA has several assessment notices regarding offsetting proceedings, rules on the deductibility of provisions, payment divergences and overpayments; fine for failure to comply with accessory obligations, among other less significant taxes. Among those claims, there are one tax assessment related to the tax deduction of goodwill in the years of 2012 and 2013, originated by the acquisition of Ponto Frio (goodwill Mandala) accrued in the year of 2009. The restated amount of the assessment notice correspond to R\$79 of income tax and social contribution (R\$72 at December 31, 2015). The lawsuits await administrative and court ruling. The amount involved is R\$1,192, being R\$1,052 for continued activities and R\$140 for discontinued activities as December 31, 2016 (R\$1,010 as at December 31, 2015).
- COFINS, PIS, provisional contribution on financial transactions – CPMF and IPI – the Company has been challenged about offsets of COFINS and PIS against IPI credits – inputs subject to zero rate or exempt – acquired from third parties with a final and un-appeal decision, other requests for offset, collection of taxes on soybean export operations, tax payment divergences and overpayments; fine for failure to comply with accessory obligations, disallowance of COFINS and PIS credits on one-phase products, among other less significant taxes. These lawsuits await decision at the administrative and court levels. The amount involved in these assessments is R\$2,532, being R\$2,140 for continued activities and R\$392 for discontinued activities as December 31, 2016 (R\$2,270 as at December 31, 2015).
- ICMS – GPA received tax assessment notices by the State tax authorities regarding: (i) utilization of electric energy credits; (ii) purchases from suppliers considered not qualified in the State Finance Department registry; (iii) levied on its own operation of merchandise purchase (own ICMS) – article 271 of ICMS by-law; (iv) resulting from sale of extended warranty, (v) resulting from financed sales; and (vi)

among other matters. The total amount of these assessments is R\$6,832, being R\$6,269 for continued activities and R\$563 for discontinued activities as December 31, 2016 (R\$6,765 as at December 31, 2015), which await a final decision at the administrative and court levels.

- Municipal service tax - ISS, Municipal Real Estate Tax ("IPTU"), Fees, and others – these refer to assessments on withholdings of third parties, IPTU payment divergences, fines for failure to comply with accessory obligations, ISS – reimbursement of advertising expenses and sundry taxes, in the amount of R\$292, being R\$165 for continued activities and R\$127 for discontinued activities as December 31, 2016 (R\$387 as at December 31, 2015), which await decision at the administrative and court levels.

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**22. Provision for risks – Continued****22.6. Other non-accrued contingent liabilities – Continued**

• Other litigations – these refer to administrative proceedings and lawsuits in which the Company pleads the renewal of rental agreements and setting of rents according to market values and actions in the civil court, special civil court, Consumer Protection Agency - PROCON (in many States), Institute of Weights and Measure - IPEM, National Institute of Metrology, Standardization and Industrial Quality - INMETRO and National Health Surveillance Agency - ANVISA, among others, amounting to R\$952, being R\$721 for continued activities and R\$231 for discontinued activities as December 31, 2016 (R\$829 as at December 31, 2015).

• The Company engages external attorneys to represent it in the tax assessments received, whose fees are contingent upon a percentage to be applied to the amount of success in the final outcome of these lawsuits. This percentage may vary according to qualitative and quantitative factors of each claim, and as at December 31, 2016 the estimated amount, in case of success in all lawsuits, is approximately R\$168, being R\$155 for continued activities and R\$13 for discontinued activities (R\$100 as at December 31, 2015).

**22.7. Restricted deposits for legal proceedings**

The Company is challenging the payment of certain taxes, contributions and labor-related obligations and has made court restricted deposits in the corresponding amounts, as well as escrow deposits related to the provision for legal proceedings.

The Company has recorded judicial deposits in the assets.

| <u>Judicial deposits</u> | <b>Parent Company</b>    |                          | <b>Consolidated</b>      |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                          | <b><u>12.31.2016</u></b> | <b><u>12.31.2015</u></b> | <b><u>12.31.2016</u></b> | <b><u>12.31.2015</u></b> |
| Tax                      | <b>120</b>               | 101                      | <b>181</b>               | 210                      |
| Labor                    | <b>383</b>               | 329                      | <b>414</b>               | 711                      |
| Civil and other          | <b>17</b>                | 18                       | <b>26</b>                | 44                       |
| Regulatory               | <b>14</b>                | 11                       | <b>40</b>                | 34                       |
| Total                    | <b>534</b>               | 459                      | <b>661</b>               | 999                      |

**22.8. Guarantees**

|          | <b>Real estate</b> | <b>Guarantee</b> | <b>Total</b> |
|----------|--------------------|------------------|--------------|
| Lawsuits | <b>851</b>         | <b>6,867</b>     | <b>7,718</b> |

|                 |            |              |              |
|-----------------|------------|--------------|--------------|
|                 | <b>3</b>   | <b>26</b>    | <b>29</b>    |
| Tax             |            |              |              |
| Labor           | -          | <b>53</b>    | <b>53</b>    |
| Civil and other |            |              |              |
| Regulatory      | <b>9</b>   | <b>111</b>   | <b>120</b>   |
| Total           | <b>863</b> | <b>7,057</b> | <b>7,920</b> |

The cost of guarantees is approximately 0.93% per year of the amount of the lawsuits and is recorded as expense.

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### 22. Provision for risks – Continued

#### 22.9. Share of Cnova N.V. minorities

The associate Cnova. N.V., some of yours old and actual directors, and the subscribers of the initial public offer of Cnova N.V. – IPO, was mentioned in a lawsuit at South District Court of New York – United States, related to the internal revision, concluded in July 22, 2016, conducted by Cnova N.V., Cnova Brasil and yours assessors, mentioned at note 1.5. As result of this lawsuit, Cnova N.V., could incur in expenses (including, no limiting, legal fees and others fees of consultants and obligation to indemnify some old and actual directors, and the subscribers of the share public offer that are, or can be part or involving this subject). The Company and its subsidiary Cnova are unable, at this moment, to predict the extension of potential responsibility in these subjects, including, if any, parallel lawsuit that can be taking by Securities and Exchange Commission as result of the facts of this subject or of internal review conducted by Cnova N.V., Cnova Brasil and its assessors.

### 23. Leasing transactions

#### 23.1. Operating lease

##### (i) Non-cancellable minimum payments

Via Varejo has rental lease agreements that based on the Company's management assessment are considered as non-cancelable in the amount of R\$666 in the year ended at December 31, 2016 (R\$599 at December 31, 2015)

##### (ii) Minimum rental payment on termination of lease agreements

The Company analyzed and concluded that the rental agreements are cancelable over their duration. In case of termination, minimum payments will be due as a termination fee, which can vary from 1 to 12 months of rental or a fixed percentage of the contractual balance.

|  | Parent Company |            | Consolidated |            |
|--|----------------|------------|--------------|------------|
|  | 12.31.2016     | 12.31.2015 | 12.31.2016   | 12.31.2015 |
| Minimum rental payments                      |                |            |              |            |
| Minimum payments on the termination date (*) | <b>309</b>     | 245        | <b>339</b>   | 746        |
|  | <b>309</b>     | 245        | <b>339</b>   | 746        |

(\*) Via Varejo has lease agreements with minimum payout in the amount of R\$473 at December 31, 2016 (R\$441 at December 31, 2015). Only the amount of 2015 is presented in the table above.

## (iii) Contingent payments

Management considers the payment of additional rents as contingent payments, which vary between 0.1% and 4.5% of sales.

|                                  | <b>Parent Company</b> |            | <b>Consolidated</b> |            |
|----------------------------------|-----------------------|------------|---------------------|------------|
| Expenses (Income) for the period | <b>12.31.2016</b>     | 12.31.2015 | <b>12.31.2016</b>   | 12.31.2015 |
| Contingent payments              | <b>437</b>            | 352        | <b>504</b>          | 531        |
| Non contingent payments          | <b>228</b>            | 137        | <b>368</b>          | 230        |
| Sublease rentals (*)             | <b>(127)</b>          | (147)      | <b>(145)</b>        | (215)      |

(\*) Refers to lease agreements receivable from commercial shopping malls.

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**23. Leasing transactions – Continued****23.2. Finance lease**

Finance lease agreements amounted to R\$215 as at December 31, 2016 (R\$264 as at December 31, 2015), as shown in the table below:

|   | <b>Parent Company</b> |            | <b>Consolidated</b> |            |
|---|-----------------------|------------|---------------------|------------|
|   | <b>12.31.2016</b>     | 12.31.2015 | <b>12.31.2016</b>   | 12.31.2015 |
| Financial lease liability –minimum rental payments: |                       |            |                     |            |
| Up to 1 year  | <b>38</b>             | 30         | <b>41</b>           | 44         |
| 1 - 5 years   | <b>138</b>            | 91         | <b>144</b>          | 157        |
| Over 5 years  | <b>27</b>             | 26         | <b>30</b>           | 63         |
| Present value of finance lease agreements           | <b>203</b>            | 147        | <b>215</b>          | 264        |
| Future financing charges                            | <b>195</b>            | 179        | <b>207</b>          | 238        |
| Gross amount of finance lease agreements            | <b>398</b>            | 326        | <b>422</b>          | 502        |

**24. Deferred revenue**

The Company and its subsidiary Via Varejo received in advance amounts from business partners on exclusivity in the intermediation of additional or extended warranties services, and the subsidiary Barcelona received in advance amounts for the rental of back lights for exhibition of products from its suppliers.

The amounts related Via Varejo are presented in the line “assets held to sale and discontinued activities”.

|   | <b>Parent Company</b> |            | <b>Consolidated</b> |            |
|---|-----------------------|------------|---------------------|------------|
|   | <b>12.31.2016</b>     | 12.31.2015 | <b>12.31.2016</b>   | 12.31.2015 |
| Additional or extended warranties (note 24.2)     | <b>35</b>             | 42         | <b>35</b>           | 777        |
| Bradesco agreement (note 24.3)                    | -                     | -          | -                   | 699        |
| Swap agreement                                    | -                     | -          | <b>12</b>           | 65         |
| Services rendering agreement - Allpark            | <b>15</b>             | 16         | <b>15</b>           | 16         |
| Back lights                                       | -                     | -          | <b>85</b>           | 36         |
| Spread BCA - Customers base exclusivity (5 years) | -                     | -          | -                   | 6          |
| Future revenue term (note 24.1)                   | <b>100</b>            | -          | <b>100</b>          | -          |
| Others  | <b>1</b>              | 2          | <b>1</b>            | 44         |

|            |            |    |            |       |
|------------|------------|----|------------|-------|
|            | <b>151</b> | 60 | <b>248</b> | 1,643 |
| Current    | <b>127</b> | 28 | <b>224</b> | 420   |
| Noncurrent | <b>24</b>  | 32 | <b>24</b>  | 1,223 |

24.1. Future revenue agreement

Company signed an agreement to sell a distribution center receiving R\$100 as an advance payment. Once contingent conditions are fulfilled the sale will be recognized as R\$176 of net sale and R\$40 in net income.

Assets held to sale and discontinued activities; whose liabilities were reclassified:

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### 24. Deferred revenue - continued

#### 24.2. Agreement entered into with Zurich Minas Brasil Seguros S.A. ("Zurich")

On August 29, 2014, the subsidiary Via Varejo entered into new agreements with Zurich for the sale of extended warranty at Casas Bahia and Ponto Frio stores. The agreement is effective until 2022.

On December 16, 2016 the subsidiary Via Varejo entered into new agreement with Zurich for the sale of insurance as defined in clauses, the anticipated amount received by Via Varejo was R\$ 254 and R\$ 16 to Cnova Brasil. The agreement is effective until 2024.

On November 9, 2016 the subsidiary Via Varejo entered into new agreement with Zurich for the rendering multiples services intermediated by USS, which paid R\$57 to Via Varejo and R\$3 to Cnova Brasil as consideration by the exclusivity clause. The agreement is effective until November 14, 2022.

#### 24.3. Agreement entered into with Bradesco

On December 4, 2015, Via Varejo signed in a financial rendering services agreement with Banco Bradesco S.A and Banco Bradescard S.A (jointly, "Bradesco") effective until August 28, 2029. The agreement amends and includes clauses in the former signed agreement between the parties, at that time Casa Bahia Comercial and Bradesco, on November 10, 2006. The agreement establishes (i) conditions on co-branded credit cards offering and other related financial services related to "Casas Bahia" brand; and (ii) general rules applicable to financial rendering services, bank agency, and direct credit to consumer. The total amount of R\$ 704 corresponding to the transaction is part anticipated commission in the amount of R\$550 and additional remuneration of R\$ 154.

The amount received of R\$ 550 will be recognized when the contractual performance conditions are fulfilled and must be settled in the next 9 years, as well as additional remuneration of R\$ 154, as determined by the agreement, will be recognized at R\$74 until 2020 and R\$80 until 2021.

On September 22, 2016, Cnova Brasil signed in a financial rendering services agreement with Bradesco effective until August 28, 2029. The agreement establishes conditions on co-branded credit cards offering and other related financial services related to "Casas Bahia" brand on e-commerce. At the agreement date the total amount of R\$ 60 was anticipated and will be recognized when the contractual performance conditions are fulfilled.



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### 25. Shareholders' equity

#### 25.1. Capital stock

The subscribed and paid-up capital as at December 31, 2016 is represented by 266,076 (265,702 as at December 31, 2015) in thousands of registered shares with no par value, of which 99,680 in thousands of common shares as at December 31, 2016 (99,680 as at December 31, 2015) and 166,396 in thousands of preferred shares as at December 31, 2016 (166,022 as at December 31, 2015).

The Company is authorized to increase its capital stock up to the limit of 400,000 (in thousands of shares), regardless of any amendment to the Company's Bylaws, upon resolution of the Board of Directors, which will establish the issue conditions.

- At the Board of Directors' Meetings held on February 23, 2016, March 22, 2016, May 9, 2016, July 27, 2016, October 27, 2016 and December 15, 2016 were approved capital increases in the amount R\$5 (R\$14 on December 31, 2015) through the issue of 374 thousands preferred shares (418 thousands of preferred shares on December 31, 2015).

#### 25.2. Share rights

The preferred shares do not have voting rights, assuring to its owners the following rights and advantages: (i) priority in the capital reimbursement in case of Company's liquidation, (ii) priority in the receipt of annual minimum dividend in the amount of R\$0.08 per share, non-cumulative; (iii) priority in the receipt of dividend 10% higher than the dividend attributed to the common shares, including for the purposes of the calculation the amount paid in item (ii) above.

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.

#### 25.3. Granted options

The "options granted" account recognizes the effects of the Company's executives' share-based payments under technical pronouncement CPC 10 (R1) (IFRS 2) – Share-based payment.

#### 25.4. Earnings reserve

(i) *Legal reserve*: this is created based on appropriations of 5% of net income of each year, limited to 20% of the capital.

(ii) *Expansion reserve*: this is created based on appropriations of the amount determined by shareholders to reserve funds to finance additional fixed and working capital investment through the allocation of up to 100% of the net income remaining after the appropriations determined by law and supported by capital budget, approved at shareholders' meeting.

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### 25. Shareholders' equity - Continued

#### 25.5. Stock option plan for preferred shares

On May 9, 2014, our shareholders approved at the Extraordinary General Meeting (i) the discontinuation of Plan Shares Option "Actions with Sugar" ("Former Stock Option Plan"), approved in the Extraordinary General Meeting held on December 20th 2006, for new grants of options, subject to the options already granted to remain in force under the same terms and conditions; (ii) the creation of the Stock Option Plan and its respective standard grant agreement ("Option Plan"); and (iii) the creation of the Remuneration Plan Share Purchase Option and its standard grant agreement ("Compensation Plan" and, together with the Former Option Plan and the Stock Option Plan, the "Plans")

The following describes our compensation plans that were in effect in the last fiscal year ended December 31, 2013 (with current options at December 31, 2016) and the two plans of the current fiscal year:

#### Former Option Plan

Our Former Option Plan is administered by a committee elected by our Board of Directors, called Stock Option Plan Administration Committee of Stock Option ("Stock Option Committee"). This committee determined the employees to be included with stock options, based on their roles, responsibilities and performance, defining the applicable conditions.

Our Stock Option Committee developed annual series of grant of options. Each grant series received a serial number beginning with the letter A. For the fiscal year ended December 31, 2016, were in force options granted of Series A7 Former Option Plan.

Options were classified as follows: "Silver" and "Gold", which means that they could have different exercise prices.

The exercise price for the Silver-type option will correspond to the average of closing price of the Company preferred shares occurred over the last 20 trading sessions of BM&FBOVESPA, prior to the date on which the Committee resolves on the granting of option. After calculating the exercise price a 20% discount was applied on it. The price for the Gold-type option will correspond to R\$0.01. In both cases, the prices are not adjusted.

The Stock Option Committee approved new criteria to calculate the reducer or accelerator index of the number of options granted classified as "Gold" in each series of the Stock Option Plan, according to the

analysis of compliance with the concept of return on invested capital (ROIC). In accordance to item 3.3 of former option plan, the committee decided that the reducer or accelerator index of number of options classified as "GOLD" of series A6 and A7 would be calculated according Return on Capital Employed (ROCE) of CBD.

There is no limit for reduction or acceleration in this new criterion approved. Upon option vesting, the average ROIC/ROCE of the last three fiscal years will be calculated, compared to ROIC/ROCE calculated upon granting of each series.

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### 25. Shareholders' equity - Continued

#### 25.5. Stock option plan for preferred shares - continued

##### Former Option Plan - continued

As a general rule of the Former Stock Option Plan, which may be altered by the Stock Option Committee in each series, the option vesting right will be granted between 36<sup>th</sup> and the 48<sup>th</sup> month as of the signature date of related adherence agreement and the beneficiary will be entitled to acquire 100% of shares whose option was granted (considering, the reducer or accelerator of "Gold" options approved by the Stock Option Plan Committee at 35<sup>th</sup> month after grant options).

The options granted under the Stock Option Plan may be exercised in whole or in part, it is worth noting that "Gold" options are additional to "Silver" and thus the "Gold" options may only be exercised jointly with "Silver" options.

The price on the exercise of options granted under the Stock Option Plan shall be fully paid in local currency by beneficiary, and the exercise price must be paid in one installment, 30 days after the subscription date of their shares.

##### Compensation Plan

The Compensation Plan is administered by the Board of Directors, which established the Human Resources Committee and the Company's Compensation the grant attribution and the administration of the Compensation Plan (the "Committee").

Committee members will meet for the option grant Compensation Plan series and whenever necessary, decide on questions arising on the Compensation Plan. Each series of the granting of stock options will receive the letter "B" followed by a number. In the fiscal year ended December 31<sup>st</sup>, 2016, were in force options granted B1, B2 and B3 Series of the Compensation Plan.

The options granted to a participant will not be exercisable for a period of 36 (thirty six) months from the date of grant ("Grace Period"), and may only be exercised in the period beginning on the first day of the 37 (thirty-seventh) month from the date of grant, and ends on the last day of the 42 (forty-second) month from the date of grant ("Exercise Period").

The participant may exercise their total purchase options or in part, in one or more times, if for each year, the option exercise term is submitted during the Exercise Period.

The exercise price of each stock option granted under the Compensation Plan should correspond to R\$0.01 (one cent) ("Exercise Price").

The exercise price of the options shall be paid in full in local currency by check or wire transfer available to the bank account held by the Company, in the tenth (10th) day preceding the date of acquisition of the shares.

The Participant shall be disqualified for a period of 180 (one hundred and eighty) days from the date of acquisition of the shares, directly or indirectly, sell, assign, exchange, dispose of, transfer, grant to the capital of another company, grant option, or even celebrate any act or agreement which results or may result in the sale, directly or indirectly, costly or free, all or any of the shares acquired by the exercise of the purchase option under the option Plan.

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### 25. Shareholders' equity - Continued

#### 25.5. Stock option plan for preferred shares - continued

##### Compensation Plan - continued

The Company will promote the withholding of any applicable tax under Brazilian tax law, less the number of shares delivered to the participant amount equivalent to taxes withheld.

##### Option Plan

The Stock Option Plan will be administered by the Board of Directors, which established the Human Resources Committee and Compensation the grant attribution and the administration of the Stock Option Plan (the "Committee").

Committee members will meet for the option grant of the Option Plan series and, where necessary, to decide on the questions regarding the Stock Option Plan. Each series of the granting of stock options will receive the letter "C" followed by a number. In the fiscal year ended December 31<sup>st</sup>, 2016, was in force options granted C1, C2 and C3 Series Option Plan.

For each series of stock options granted under the Option Plan, the exercise price of each stock option shall be equivalent to 80% of the closing price of the trading average of the Company's preferred shares issued carried out in recent twenty (20) the BM&FBOVESPA SA - Securities, Commodities and Futures prior to the date of convening of the Committee meeting that decides upon the granting of the options that series ("Exercise Price").

Options granted to a Participant shall be exercisable for a period of 36 (thirty six) months from the Date of Grant ("Grace Period"), and may only be exercised in the period beginning on the first day of the 37 (thirty-seventh) months as from the date of the Grant, and ends on the last day of the 42 (forty-second) month as of the Date of Grant ("Exercise Period"), provided the exceptions included at the compensation plan.

The Participant may exercise their total purchase options or in part, in one or more times, if for each year the Option Exercise Agreement is submitted during the Exercise Period.

The exercise price of the options shall be paid in full in local currency by check or wire transfer available to the bank account held by the Company, provided that the payment deadline will always be the tenth (10th)

day preceding the date to acquire the shares.

Information on the former stock option plan, stock option plan and compensation plan is summarized below:

| <u>Series granted</u>               | <u>Grant date</u> | <u>1st date of exercise</u> | <u>Expiration date</u> | <u>Price</u>             |                        | <u>Number of shares granted (in thousands)</u> | <u>Lot of shares</u> |                                   |                        |  |
|-------------------------------------|-------------------|-----------------------------|------------------------|--------------------------|------------------------|--|----------------------|-----------------------------------|------------------------|--|
|                                     |                   |                             |                        | <u>At the grant date</u> | <u>End of the year</u> |  | <u>Exercised</u>     | <u>Not exercised by dismissal</u> | <u>Total in effect</u> |  |
| <b>Balance at December 31, 2015</b> |                   |                             |                        |                          |                        |  |                      |                                   |                        |  |
| Series A5 -                         |                   |                             |                        |                          |                        |  |                      |                                   |                        |  |
| Gold                                | 5/31/2011         | 5/31/2014                   | 5/31/2015              | 0,01                     | 0,01                   | 299  | (285)                | (14)                              | -                      |  |
| Series A5 -                         |                   |                             |                        |                          |                        |  |                      |                                   |                        |  |
| Silver                              | 5/31/2011         | 5/31/2014                   | 5/31/2015              | 54,69                    | 54,69                  | 299  | (285)                | (14)                              | -                      |  |
| Series A6 -                         |                   |                             |                        |                          |                        |  |                      |                                   |                        |  |
| Gold                                | 3/15/2012         | 3/31/2015                   | 3/31/2016              | 0,01                     | 0,01                   | 526  | (490)                | (36)                              | -                      |  |
| Series A6 -                         |                   |                             |                        |                          |                        |  |                      |                                   |                        |  |
| Silver                              | 3/15/2012         | 3/31/2015                   | 3/31/2016              | 64,13                    | 64,13                  | 526  | (490)                | (36)                              | -                      |  |
| Series A7 -                         |                   |                             |                        |                          |                        |  |                      |                                   |                        |  |
| Gold                                | 3/15/2013         | 3/31/2016                   | 3/31/2017              | 0,01                     | 0,01                   | 358  | (171)                | (35)                              | 152                    |  |
| Series A7 -                         |                   |                             |                        |                          |                        |  |                      |                                   |                        |  |
| Silver                              | 3/15/2013         | 3/31/2016                   | 3/31/2017              | 80                       | 80                     | 358  | (171)                | (35)                              | 152                    |  |
| Series B1                           | 5/30/2014         | 5/30/2017                   | 11/30/2017             | 0,01                     | 0,01                   | 239  | (16)                 | (54)                              | 169                    |  |
| Series C1                           | 5/30/2014         | 5/30/2017                   | 11/30/2017             | 83,22                    | 83,22                  | 239  | (11)                 | (64)                              | 164                    |  |
| Series B2                           | 5/29/2015         | 6/1/2018                    | 11/30/2018             | 0,01                     | 0,01                   | 337  | (5)                  | (16)                              | 316                    |  |
| Series C2                           | 5/29/2015         | 6/1/2018                    | 11/30/2018             | 77,27                    | 77,27                  | 337  | -                    | (23)                              | 314                    |  |
|                                     |                   |                             |                        |                          |                        | 3,518  | (1,924)              | (327)                             | 1,267                  |  |

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**25. Shareholders' equity - Continued**

25.5. Stock option plan for preferred shares - continued

Option Plan – continued

| <b>Series granted</b>               | <b>Grant date</b> | <b>1st date<br/>of<br/>exercise</b> | <b>Expiration<br/>date</b> | <b>Price</b>           |                                | <b>Number of<br/>shares<br/>granted<br/>(in<br/>thousands)</b> | <b>Lot of shares</b> |   | <b>Total<br/>in<br/>effect</b> |
|-------------------------------------|-------------------|-------------------------------------|----------------------------|------------------------|--------------------------------|--|----------------------|---|--------------------------------|
|                                     |                   |                                     |                            | <b>At the<br/>date</b> | <b>End<br/>of the<br/>year</b> |  | <b>Exercised</b>     | <b>Not<br/>exercised<br/>by<br/>dismissal</b> |                                |
| <b>Balance at December 31, 2016</b> |                   |                                     |                            |                        |                                |  |                      |   |                                |
| Series A6 - Gold                    | 3/15/2012         | 3/31/2015                           | 3/31/2016                  | 0,01                   | 0,01                           | 526  | (490)                | (36)  | -                              |
| Series A6 - Silver                  | 3/15/2012         | 3/31/2015                           | 3/31/2016                  | 64,13                  | 64,13                          | 526  | (490)                | (36)  | -                              |
| Series A7 - Gold                    | 3/15/2013         | 3/31/2016                           | 3/31/2017                  | 0,01                   | 0,01                           | 358  | (231)                | (43)  | 84                             |
| Series A7 - Silver                  | 3/15/2013         | 3/31/2016                           | 3/31/2017                  | 80                     | 80                             | 358  | (230)                | (43)  | 85                             |
| Series B1                           | 5/30/2014         | 6/1/2017                            | 11/30/2017                 | 0,01                   | 0,01                           | 239  | (27)                 | (58)  | 154                            |
| Series C1                           | 5/30/2014         | 6/1/2017                            | 11/30/2017                 | 83,22                  | 83,22                          | 239  | (11)                 | (84)  | 144                            |
| Series B2                           | 5/29/2015         | 6/1/2018                            | 11/30/2018                 | 0,01                   | 0,01                           | 337  | (75)                 | (32)  | 230                            |
| Series C2                           | 5/29/2015         | 6/1/2018                            | 11/30/2018                 | 77,27                  | 77,27                          | 337  | -                    | (55)  | 282                            |
| Series B3                           | 5/30/2016         | 5/30/2019                           | 11/30/2019                 | 0,01                   | 0,01                           | 823  | (165)                | (28)  | 630                            |
| Series C3                           | 5/30/2016         | 5/30/2019                           | 11/30/2019                 | 37,21                  | 37,21                          | 823  | (10)                 | (28)  | 785                            |
|                                     |                   |                                     |                            |                        |                                | 4,566  | (1,729)              | (433)   | 2,394                          |

Consolidated information of share-based payment plans – GPA

Company implemented two new shared based plans, B3 and C3 series, approved by the shareholders meeting on May 31, 2016.

According to the terms of the plans, each option offers to the beneficiary the right to acquire a preferred share. On both plans, there is a vesting period of 36 months from the date the Board of Directors approved the issuance of the series. The plans will be exercisable in until 36 months from the grant date. The

condition to exercise the options is the beneficiary to stay as an employee. The series are different, exclusively, in the exercise price of the options and in the existence or not of a restriction of selling after vesting.

According to the plans, the options granted in each of the series may represent maximum 0.7% of the total shares issued by the Company. For these new series were granted 1,646 thousands options of shares.

At December 31, 2016 there were 233 treasury-preferred shares which may be used as guarantee for the options granted in the plan. The preferred share price at BM&FBovespa was R\$54.75 per share.

The chart below shows the maximum percentage of interest dilution to which current shareholders will eventually be subject to in the event that all options granted are exercised until 2016:

|  | <b>12.31.2016</b> | 12.31.2015 |
|--|-------------------|------------|
| Number of shares                           | <b>266,076</b>    | 265,702    |
| Balance of effective stock options granted | <b>2,394</b>      | 1,267      |
| Maximum percentage of dilution             | <b>0.90%</b>      | 0.48%      |

The fair value of each option granted is estimated on the granting date, by using the options pricing model "Black&Scholes" taking into account the following assumptions for the series B1 and C1: (a) expectation of dividends of 0.96%, (b) expectation of volatility of nearly 22.09% and (c) the weighted average interest rate of 11.70%.

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**25. Shareholders' equity - Continued**Consolidated information of share-based payment plans – GPA - continued

The fair value of each option granted is estimated in the grant date using the Black & Scholes model, considering the following assumptions in series B2 and C2: (a) Dividends expectations of 1.37%; (b) volatility expectation of 24.34% and (c) the weighted average interest rate of 12.72%.

The fair value of each option granted is estimated in the grant date using the Black & Scholes model, considering the following assumptions in series B3 and C3: (a) Dividends expectations of 2.50%; (b) volatility expectation of 30.20% and (c) the weighted average interest rate of 13.25%.

The expectation of remaining average life of the series outstanding at December 31, 2016 is 1.84 year (1.75 year at December 31, 2015). The weighted average fair value of options granted at December 31, 2016 was R\$43.06 (R\$67.35 at December 31, 2015).

|  | Shares | Weighted average of exercise price | Weighted average of remaining contractual term | Intrinsic value added |
|--|--------|------------------------------------|--|-----------------------|
| <b>At December 31, 2015</b>                |        |                                    |  |                       |
| Granted during the year                    | 674    | 38.64                              |  |                       |
| Cancelled during the year                  | (117)  | 45.53                              |  |                       |
| Exercised during the year                  | (418)  | 32.62                              |  |                       |
| Outstanding at the end of the year         | 1,267  | 39.57                              | 1.75   | 26,586                |
| Total to be exercised at December 31, 2015 | 1,267  | 39.57                              | 1.75   | 26,586                |
| <b>At December 31, 2016</b>                |        |                                    |  |                       |
| Granted during the period                  | 1,645  | 18.61                              |  |                       |
| Cancelled during the period                | (144)  | 40.40                              |  |                       |
| Exercised during the period                | (374)  | 13.39                              |  |                       |
| Outstanding at the end of the period       | 2,394  | 29.21                              | 1.84   | 69,198                |
|  | 2,394  | 29.21                              | 1.84   | 69,198                |

Total to be exercised at December 31,  
2016

As at December 31, 2016 there were options to be exercised in Series A7.

The amounts recorded in the Parent Company and Consolidated statement of operations, as at December 31, 2016 were R\$21 (R\$11 as at December 31, 2015).

#### 25.6. Cumulative other comprehensive income

Cumulative other comprehensive income refers to : (i) Cumulative Translation Reserve, corresponding to cumulative effect of exchange gains and losses on the translation of assets, liabilities and profit (loss) in Brazilian Real, corresponding to the investment of CBD in subsidiary CDiscount. The effect in the Parent Company was R\$88 and R\$146 for non-controlling interests (R\$86 in Parent Company and R\$133 for non-controlling on December 31,2015).

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**25. Shareholders' equity - Continued****25.7. Transactions with non-controlling shareholders**

In 2016 and 2015, the amounts recorded in the consolidated statement of changes in shareholders' equity, as transactions with non-controlling interest referred to:

|  | <b>Parent<br/>company</b> | <b>Non-controlling<br/>interest</b> | <b>Consolidated</b> |
|--|---------------------------|-------------------------------------|---------------------|
| <b>12.31.2016 (*)</b>  |                           |                                     |                     |
| Change in Cnova's Brasil interest                                  | (127)                     | 127                                 | -                   |
| Change in Cdiscount's interest                                     | 1                         | 7                                   | <b>8</b>            |
| Payment in shares exchange between Cnova N.V. by Cnova Brasil      | (20)                      | (27)                                | <b>(47)</b>         |
| Share of profit of associates on shares change effect at Cdiscount | 14                        | -                                   | <b>14</b>           |
| Sale of subsidiary Cdiscount                                       | (11)                      | 45                                  | <b>34</b>           |
| Other transactions with non-controlling interest                   | 5                         | 13                                  | <b>18</b>           |
|  | <b>(138)</b>              | <b>165</b>                          | <b>27</b>           |

(\*) See note 35

|  | <b>Parent<br/>company</b> | <b>Non-controlling<br/>participation</b> | <b>Consolidated</b> |
|--|---------------------------|--|---------------------|
| <b>12.31.2015</b>                                  |                           |  |                     |
| Company reorganization and NPC debt (note 13.1(i)) | (36)                      | -  | (36)                |
| Other transactions with non-controlling interest   | (7)                       | (1)                                      | (8)                 |
|  | (43)                      | (1)                                      | (44)                |

**25.8. Acquisition of participation in Cdiscount Colômbia**

On July, 2016, the subsidiary Cnova N.V and its minority shareholders (Almacênes Éxito, holding 29%) entered into a new agreement in which Éxito will buy the remaining interest. As a consequence the amount

of reciprocal call/put option were cancelled, resulting an impact on Company's equity of R\$28 (R\$ 9 in parent company and R\$ 19 in non-controlling shareholders).

#### 25.9. Effect in equity related to arbitral decision payment

As mentioned in note 1.1, in 2015, as per ICA decision the Company indemnified Morzan the amount of R\$200 (with R\$150 effect in shareholders' equity and R\$50 of income tax effect), as a consequence of not complying the terms of Share Purchase Agreement ("SPA"), signed in the acquisition of Globex, which provided the settlement of part of acquisition price in warrants (shares), with the guarantee over market price variation, which is determined in specific lock-up period. The amount was recorded as a debit in the shareholders' equity, since it relates to a settlement (which will be made in cash) of an indirect repurchase of an equity instrument (warranty) (guarantee of market price variation of the shares) granted to the previous controlling shareholders' of Globex Utilidades S.A (Morzan) in connection with the SPA. In accordance with IAS 32, a reclassification of an equity instrument to liability should be accounted for based on fair value and any difference to the amounts previously recorded into the financial statements, should be recorded in shareholders' equity.

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**25. Shareholders' equity – Continued**

## 25.10. Dividends

At Annual and Extraordinary Shareholders' Meeting (AGOE) held on April 27, 2016, the shareholders approved management proposal of dividends payment related to the year ended December 31, 2015 in the amount of R\$ 119, including anticipated dividends already declared. The amount correspond to R\$0.4227404801 for a common share and R\$0.4650142281 for preferred share.

Company's bylaw establishes a minimum dividend of 25% of profit for the year. Company's management proposed supplementary dividends except by anticipated dividends paid during 2015, thus Company approved on April 27, 2016, AGOE's base date, the amount of R\$4 corresponding to remaining dividends of the year 2015. The amount correspond to R\$0.013703 for a common share and R\$0.015073 for a preferred share. All the shares were entitled to dividends on April 27, 2016. As of April 28, 2016 the shares were negotiated "ex-rights" to the dividends payment date.

|                                   | <b>Proposed dividends</b> |                   |
|-----------------------------------|---------------------------|-------------------|
|                                   | <b>12.31.2016</b>         | <b>12.31.2015</b> |
| Profit (loss), net for the year   | <b>(482)</b>              | 265               |
| Legal reserve                     | -                         | (13)              |
| Basis of dividends calculation    | -                         | 252               |
| Mandatory minimum dividends – 25% | -                         | 63                |
| Additional proposed dividends     | -                         | 52                |
| Payment of interim dividends      | -                         | (115)             |
| Dividends payable                 | -                         | -                 |

## 25.11. Subsidiaries stock option plans

### Plans – Via Varejo

Via Varejo has three programs purchase still existing stock options. The awarded program in 2014 includes (i) A1 and A2 series with an exercise price of R \$ 19.98 and (ii) B1 and B2 series with an exercise price of R\$ 0.01 . For the granted program in 2015, included plans are (i) A3 series with an exercise price of R\$ 15.00 and (ii) B3 series with an exercise price of R\$ 0.01. For the granted program in 2016, included plans are (i) A4 series with an exercise price of R\$ 5.28, (ii) B4 series with an exercise price of R\$ 0.01 and (iii) C1 series with an exercise price of R\$ 0.01. A1, A2, B1, B2, A3, B3, A4 and B4 programs have vesting period of 36 months and C1 has vesting period of 25 months.

The total of expenses related to the programs of shares for the year ended December 31, 2016 relating to the plans was R\$ 11 (R\$9 at December 31, 2015).

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**26. Net sales of goods and/or services**

|                                 | <b>Parent Company</b> |                   | <b>Consolidated</b> |                   |
|---------------------------------|-----------------------|-------------------|---------------------|-------------------|
|                                 | <b>12.31.2016</b>     | <b>12.31.2015</b> | <b>12.31.2016</b>   | <b>12.31.2015</b> |
| Gross sales                     |                       |                   |                     |                   |
| Goods                           | <b>27,950</b>         | 24,537            | <b>45,267</b>       | 40,519            |
| Services rendered               | <b>274</b>            | 272               | <b>294</b>          | 355               |
| Sales returns and cancellations | <b>(529)</b>          | (501)             | <b>(592)</b>        | (632)             |
|                                 | <b>27,695</b>         | 24,308            | <b>44,969</b>       | 40,242            |
| Taxes                           | <b>(2,168)</b>        | (1,843)           | <b>(3,515)</b>      | (3,044)           |
| Net sales                       | <b>25,527</b>         | 22,465            | <b>41,454</b>       | 37,198            |

**27. Expenses by nature**

|                                     | <b>Parent Company</b> |                   | <b>Consolidated</b> |                   |
|-------------------------------------|-----------------------|-------------------|---------------------|-------------------|
|                                     | <b>12.31.2016</b>     | <b>12.31.2015</b> | <b>12.31.2016</b>   | <b>12.31.2015</b> |
| Cost of inventories                 | <b>(17,337)</b>       | (15,327)          | <b>(30,473)</b>     | (26,817)          |
| Personnel expenses                  | <b>(3,477)</b>        | (2,861)           | <b>(4,503)</b>      | (4,011)           |
| Outsourced services                 | <b>(453)</b>          | (305)             | <b>(587)</b>        | (523)             |
| Functional expenses                 | <b>(1,778)</b>        | (1,354)           | <b>(2,304)</b>      | (2,079)           |
| Selling expenses                    | <b>(704)</b>          | (643)             | <b>(953)</b>        | (951)             |
| Other expenses                      | <b>(447)</b>          | (285)             | <b>(564)</b>        | (430)             |
|                                     | <b>(24,196)</b>       | (20,775)          | <b>(39,384)</b>     | (34,811)          |
| Cost of goods and/or services sold  | <b>(18,599)</b>       | (16,342)          | <b>(31,933)</b>     | (28,123)          |
| Selling expenses                    | <b>(4,957)</b>        | (3,950)           | <b>(6,567)</b>      | (5,922)           |
| General and administrative expenses | <b>(640)</b>          | (483)             | <b>(884)</b>        | (766)             |
|                                     | <b>(24,196)</b>       | (20,775)          | <b>(39,384)</b>     | (34,811)          |

**28. Other operating income (expenses), net**

|                                   | <b>Parent Company</b> |                   | <b>Consolidated</b> |                   |
|-----------------------------------|-----------------------|-------------------|---------------------|-------------------|
|                                   | <b>12.31.2016</b>     | <b>12.31.2015</b> | <b>12.31.2016</b>   | <b>12.31.2015</b> |
| Provision for judicial claims (a) | <b>(278)</b>          | 34                | <b>(317)</b>        | 36                |
| Morzan fees                       | <b>(8)</b>            | (22)              | <b>(8)</b>          | (22)              |

|  |              |       |              |       |
|--|--------------|-------|--------------|-------|
| Tax installments and other tax risks   | <b>(40)</b>  | (51)  | <b>(40)</b>  | (58)  |
| Integration/restructuring expenses (b) | <b>(81)</b>  | (105) | <b>(99)</b>  | (116) |
| Loss(gain) on disposal of fixed assets | <b>(85)</b>  | (36)  | <b>(99)</b>  | (44)  |
| Others                                 | <b>(4)</b>   | (1)   | <b>(4)</b>   | (2)   |
|  | <b>(496)</b> | (181) | <b>(567)</b> | (206) |

a) In 2016, the Company accrued R\$317 related to income tax litigations, ICMS, PIS/COFINS and fine application for legal auxiliary obligations reclassified from possible to probable.

b) The Company implemented a series of additional policies to adept the company expense structure, comprising all operation and administrative areas, with the objective of mitigating the fixed cost inflation effects and the reduced expense dilution.

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**29. Financial income (expenses), net**

|                                       | <b>Parent Company</b> |            | <b>Consolidated</b> |            |
|---------------------------------------|-----------------------|------------|---------------------|------------|
|                                       | <b>12.31.2016</b>     | 12.31.2015 | <b>12.31.2016</b>   | 12.31.2015 |
| Finance expenses:                     |                       |            |                     |            |
| Cost of debt                          | <b>(638)</b>          | (631)      | <b>(705)</b>        | (698)      |
| Cost of sales of receivables          | <b>(124)</b>          | (79)       | <b>(163)</b>        | (120)      |
| Monetary loss                         | <b>(146)</b>          | (200)      | <b>(174)</b>        | (213)      |
| Other finance expenses                | <b>(78)</b>           | (65)       | <b>(92)</b>         | (91)       |
| Total financial expenses              | <b>(986)</b>          | (975)      | <b>(1,134)</b>      | (1,122)    |
| Financial income:                     |                       |            |                     |            |
| Income from cash and cash equivalents | <b>61</b>             | 86         | <b>84</b>           | 171        |
| Monetary gain                         | <b>123</b>            | 144        | <b>137</b>          | 182        |
| Other financial income                | <b>2</b>              | 2          | <b>10</b>           | 1          |
| Total financial income                | <b>186</b>            | 232        | <b>231</b>          | 354        |
| Total                                 | <b>(800)</b>          | (743)      | <b>(903)</b>        | (768)      |

The hedge effects in the years ended December 31, 2016 and 2015 are disclosed in Note 18.

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**30. Earnings per share**

The table below presents the determination of net income available to holders of common and preferred shares and the weighted average number of common and preferred shares outstanding used to calculate basic and diluted earnings per share in each reporting exercise:

|  | <b>12.31.2016</b> |                  |
|--|-------------------|------------------|
|  | <b>Preferred</b>  | <b>Common</b>    |
| <b>Basic numerator</b>   |                   |                  |
| Net income (loss) allocated to common and preferred shareholders - continued operations    | (44)              | (27)             |
| Net income (loss) allocated to common and preferred shareholders - discontinued operations | (257)             | (154)            |
| Net income (loss) allocated to common and preferred shareholders                           | (301)             | (181)            |
| <b>Basic denominator (millions of shares)</b>  |                   |                  |
| Weighted average of shares   | 166               | 100              |
| Basic earnings per millions of shares (R\$) - continued operations                         | (0.26891)         | (0.26891)        |
| Basic earnings per millions of shares (R\$) - discontinued operations                      | (1.54778)         | (1.54778)        |
| Basic earnings per millions of shares (R\$) - total  | (1.81669)         | (1.81669)        |
| <b>Diluted numerator</b>   |                   |                  |
| Net income (loss) allocated to common and preferred shareholders - continued operations    | (44)              | (27)             |
| Net income (loss) allocated to common and preferred shareholders - discontinued operations | (257)             | (154)            |
| Net income (loss) allocated to common and preferred shareholders                           | (301)             | (181)            |
| <b>Diluted denominator</b>   |                   |                  |
| Weighted average of shares<br>(in millions)  | 166               | 100              |
| Stock call option  | -                 | -                |
| Diluted weighted average of shares (millions)  | 166               | 100              |
| <b>Diluted earnings per millions of shares (R\$) – continued operations</b>                | <b>(0.26891)</b>  | <b>(0.26891)</b> |
| <b>Diluted earnings per millions of shares (R\$) – discontinued operations</b>             | <b>(1.54778)</b>  | <b>(1.54778)</b> |
| <b>Diluted earnings per millions of shares (R\$) – total</b>                               | <b>(1.81669)</b>  | <b>(1.81669)</b> |

For the year ended at December 31, 2016, the stock option has no dilution effect because of its loss in the year.

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### 31. Benefit plan

In July 2007, the Company established a supplementary defined contribution private pension plan on behalf of its employees to be managed by the financial institution BrasilPrev Seguros e Previdência S.A. The Company pays monthly contributions on behalf of its employees, and the amount paid for the year ended December 31, 2016 is R\$3 (R\$4 as at December 31, 2015), and employees contribution is R\$5 (R\$4 as at December 31, 2015). The plan had 715 participants as at December 31, 2016 (859 as at December 31, 2015).

### 32. Insurance coverage

The insurance coverage as at December 31, 2016 is summarized as follows:

| Insured assets                         | Covered risks    | Amount insured |              |
|--|------------------|----------------|--------------|
|  |                  | Parent Company | Consolidated |
| Property and equipment and inventories | Assigning profit | 11,400         | 15,324       |
| Profit                                 | Loss of profits  | 8,035          | 10,152       |
| Cars and Others (*)                    | Damages          | 364            | 386          |

The Company maintains specific policies for general civil liability of R\$100 and civil responsibility of R\$134, amounting the total of R\$234 on all covered risks.

(\*) The value reported above does not include coverage of the hooves, which are insured by the value of 100% of the Foundation Institute of Economic Research – FIPE table.

## Companhia Brasileira de Distribuição

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### 33. Segment information

Management considers the following segments:

- Retail – includes the banners “Pão de Açúcar”, “Minuto Pão de Açúcar”, “Extra Hiper”, “Extra Supermercado”, “Minimercado Extra”, “Posto Extra”, “Drogaria Extra” and “GPA Malls & Properties”.
- Cash & Carry – includes the brand “ASSAÍ”.

Management monitors the operating results of its business units separately making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income and is measured consistently with operating income in the financial statements, GPA financing (including finance expenses and finance income) and the income taxes are managed on a segment basis.

The Company is engaged in operations of retail stores located in 19 states and the Federal District of Brazil. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who has been identified as the Chief Executive Officer.

The chief operating decision-maker allocates resources and assesses performance by reviewing results and other information related to four segments.

The Company deems irrelevant the disclosure of information on sales per product category, given that similar products are sold based on each business' strategies and each segment has its own management controls. Thus, any aggregation product for disclosure is practically impossible.

The Company measures the results of segments using the accounting practices adopted in Brazil and IFRS, among other measures, each segment's operating profit, which includes certain corporate overhead allocations. At times, the Company reviews the measurement of each segment's operating profit, including any corporate overhead allocations, as dictated by the information regularly reviewed by the chief operating decision-maker. When revisions are made, the operating results of each segment affected by the revisions are corrected for all years presented to maintain comparability.

Home appliances and e-commerce segments were reclassified to discontinued operations for the years 2016 and 2015 (as per note 35). Foreign e-commerce operations became associates as per note 35.

Information on the Company's segments is included in the table below:



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**33. Segment information – Continued**

| Description  | Retail (a)    |        | Cash & Carry  |        | Assets held for sale and discontinued activities (*) |        | Subtotal       |        | Eliminations      |
|--|---------------|--------|---------------|--------|--|--------|----------------|--------|-------------------|
|  | 2016          | 2015   | 2016          | 2015   | 2016   | 2015   | 2016           | 2015   | Others(2016 2015) |
|  |               |        |               |        |  |        |                |        |                   |
| Net sales  | <b>26,967</b> | 26,745 | <b>14,487</b> | 10,453 | -  | -      | <b>41,454</b>  | 37,198 | -                 |
| Gross profit   | <b>7,351</b>  | 7,538  | <b>2,170</b>  | 1,537  | -  | -      | <b>9,521</b>   | 9,075  | -                 |
| Depreciation and amortization                          | <b>(576)</b>  | (552)  | <b>(131)</b>  | (98)   | -  | -      | <b>(707)</b>   | (650)  | -                 |
| Share of profit of subsidiaries and associates         | <b>77</b>     | 81     | -             | -      | -  | -      | <b>77</b>      | 81     | <b>(17)</b>       |
| Operating income                                       | <b>396</b>    | 1,275  | <b>477</b>    | 337    | -  | -      | <b>873</b>     | 1,612  | <b>(17)</b>       |
| Net financial expenses                                 | <b>(808)</b>  | (691)  | <b>(95)</b>   | (77)   | -  | -      | <b>(903)</b>   | (768)  | -                 |
| Profit(loss) before income tax and social contribution | <b>(413)</b>  | 584    | <b>383</b>    | 260    | -  | -      | <b>(30)</b>    | 844    | <b>(17)</b>       |
| Income tax and social contribution                     | <b>76</b>     | (140)  | <b>(100)</b>  | (89)   | -  | -      | <b>(24)</b>    | (229)  | -                 |
| Profit (loss) for continued activities                 | <b>(337)</b>  | 444    | <b>283</b>    | 171    | -  | -      | <b>(54)</b>    | 615    | <b>(17)</b>       |
| Profit (loss) for discontinued activities              | <b>(78)</b>   | (74)   | -             | -      | <b>(927)</b>   | (817)  | <b>(1,005)</b> | (891)  | -                 |
| Profit (loss) of year end                              | <b>(415)</b>  | 370    | <b>283</b>    | 171    | <b>(927)</b>   | (817)  | <b>(1,059)</b> | (276)  | <b>(17)</b>       |
| Current assets   | <b>8,938</b>  | 7,394  | <b>2,417</b>  | 2,187  | <b>20,538</b>  | 15,379 | <b>31,893</b>  | 24,960 | <b>(242)</b>      |
| Noncurrent assets                                      | <b>10,955</b> | 13,935 | <b>2,620</b>  | 1,868  | -  | 6,850  | <b>13,575</b>  | 22,653 | <b>(9)</b> (3)    |
| Current liabilities                                    | <b>9,171</b>  | 6,910  | <b>3,020</b>  | 2,409  | <b>15,642</b>  | 16,326 | <b>27,833</b>  | 25,645 | <b>(251)</b> (3)  |
| Noncurrent liabilities                                 | <b>4,747</b>  | 5,766  | <b>291</b>    | 372    | -  | 2,478  | <b>5,038</b>   | 8,616  | -                 |
| Shareholders' equity                                   | <b>5,975</b>  | 8,653  | <b>1,726</b>  | 1,274  | <b>4,896</b>   | 3,425  | <b>12,597</b>  | 13,352 | -                 |

(\*) See note 35.

(\*\*) The eliminations consist of intercompany balances. In the management's view, the net earnings eliminations are made inside of own segment, besides, the equity pickup of the Company in Cnova.N.V.

a) Retail includes GPA Malls &amp; Properties.

b) The variation of equity of the retail referring reallocation of the Via Varejo's buying price to discontinued activities.

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### 33. Segment information –Continued

#### Company general information

The Company and its subsidiaries operate primarily as a retailer of food, clothing, home appliances and other products. Total revenues are composed of the following brands:

|                 | <b>12.31.2016</b> | <b>12.31.2015</b> |
|-----------------|-------------------|-------------------|
| Extra           | <b>16,776</b>     | 17,032            |
| Assaí           | <b>14,487</b>     | 10,454            |
| Pão de Açúcar   | <b>6,711</b>      | 6,491             |
| Proximidade     | <b>1,131</b>      | 946               |
| Other business  | <b>2,349</b>      | 2,275             |
| Total net sales | <b>41,454</b>     | 37,198            |

### 34. Non cash transactions

During 2016 and 2015 the Company had transactions that was not presented at the statement of cash flow, as presented below:

- Merger of subsidiaries and company reorganizations as per note 1.2 and 1.3;
- Interest on subsidiaries booked at cost as per note 13.1 items (ii) and (iii);
- Purchase of fixed assets not paid yet as note 14.3
- Purchase of intangible assets not paid yet as per note 15.3
- Deferred income tax as per note 20
- Additions/reversals to provisions for risk as per note 22;
- Transactions with non-controlling interest as per note 25.7;
- Capital increase at Sendas with property and equipment as per note 13.



## Companhia Brasileira de Distribuição

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### 35. Non current assets held for sale and discontinued activities

#### 35.1 Interest change on Cnova N.V Investment

Preceding the corporate restructuring of e-commerce segment, at July 24, 2016 was completed the reorganization of Holdings in order to separate the Holdings of Via Varejo and CBD on Cnova N.V., with no participation effect nor effects in the financial statements.

The next step of the restructuring process, and with the objective to concentrate the business Non Food in a specific entity, it was concluded and approved at all instances, the corporate reorganization with participation of final controller Casino, GPA, Via Varejo, Cnova N.V. and Cnova Brasil.

As a result of the transaction on October 31, 2016, the Cnova's Brasil equity became exclusively held by Via Varejo, which hold no participation on Cnova N.V. anymore. According to current loans contracts terms and conditions between Cnova Brasil and Cnova N.V. (approximately evaluated in US\$160 million at the end of September 2016), the process resulted in an anticipated payment obligation of such loans, which were paid to Cnova N.V. by Via Varejo.

Consequently, GPA is not holding majority votes rights share at Cnova N.V., losing the control on this subsidiary and, cease to consolidate the subsidiaries which represent the e-commerce overseas segment.

According to CPC 31 – Noncurrent assets held for sale and discontinued operation (IFRS 5), on October 31, 2016, the Company disclosed the net results of subsidiaries which represents e-commerce segment overseas (mainly Cdiscount France) after taxes in a single line in the statement of operations (the same way for December 31, 2015), and the assets and liabilities balances as assets held for sale. After October 31, 2016, the balances of assets and liabilities were written-off on equity and the e-commerce segment overseas have been recorded by equity method, due to the significant influence held by the Company.

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**35. Non current assets held for sale and discontinued activities - continued****35.1 Interest change on Cnova N.V Investment – continued**

See below the summary of the statement of operations, balance sheet and cash flow statement of Cdiscount before the eliminations:

**Balance sheet:**

|   | <b>10.31.2016</b> |
|---|-------------------|
| <b>Assets</b>                                 |                   |
| <b>Current</b>                                |                   |
| Cash and cash equivalents                     | 621               |
| Trade accounts receivable, net                | 365               |
| Inventories                                   | 900               |
| Other receivables                             | 129               |
| <b>Total current assets</b>                   | <b>2,015</b>      |
| <b>Noncurrent</b>                             |                   |
| Deferred income and social contribution taxes | 38                |
| Related parties                               | 520               |
| Other credits                                 | 14                |
| Property and equipment, net                   | 46                |
| Intangible assets                             | 423               |
| <b>Total noncurrent assets</b>                | <b>1,041</b>      |
| <b>Total assets</b>                           | <b>3,056</b>      |
| <b>Liabilities</b>                            |                   |
| <b>Current</b>                                |                   |
| Trade accounts payable                        | 1,319             |
| Related parties                               | 1,300             |
| Other accounts payable                        | 363               |
| <b>Total current liabilities</b>              | <b>2,982</b>      |
| <b>Noncurrent</b>                             |                   |
| Provision for contingencies                   | 52                |
| Other accounts payable                        | 17                |
| <b>Total noncurrent liabilities</b>           | <b>69</b>         |
| Equity  | 5                 |
| Report of Foreign Private Issuer              | 229               |

**Total liabilities**

**3,056**

120

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**Companhia Brasileira de Distribuição**

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**35. Non current assets held for sale and discontinued activities** – continued

## 35.1 Interest change on Cnova N.V Investment – continued

| <b>Statement of operations</b>                   | <b>10.31.2016</b> | <b>12.31.2015</b> |
|--|-------------------|-------------------|
| Net sales from goods and services                | <b>5,509</b>      | 6,598             |
| Cost of goods sold and services sold             | <b>(4,973)</b>    | (6,025)           |
| Gross profit                                     | <b>536</b>        | 573               |
| Operating income (expenses)                      |                   |                   |
| General and administrative                       | <b>(527)</b>      | (662)             |
| Depreciation and amortization                    | <b>(63)</b>       | (74)              |
| Other operating income (expenses), net           | <b>(69)</b>       | (168)             |
|  | <b>(659)</b>      | (904)             |
| Loss before Net finance income                   | <b>(123)</b>      | (331)             |
| Net financial expenses                           | <b>(9)</b>        | 27                |
| Loss before income and social contribution taxes | <b>(132)</b>      | (304)             |
| Income and social contribution taxes             | <b>(24)</b>       | (61)              |
| Net income (loss) from discontinued operations   | <b>(156)</b>      | (365)             |
| Attributed to:                                   |                   |                   |
| Controlling shareholders                         | <b>(48)</b>       | (113)             |
| Noncontrolling shareholders                      | <b>(108)</b>      | (252)             |

In addition to statements of operations of October 31, 2016, the net loss of discontinued activities consider R\$(9) related to the November and December net loss, totalling R\$(165).

| <b>Statement of cash flows</b>                       | <b>10.31.2016</b> | <b>12.31.2015</b> |
|--|-------------------|-------------------|
| Cash flow used in operating activities               | <b>(998)</b>      | (730)             |
| Cash flow provided by (used in) investing activities | <b>54</b>         | (112)             |
| Report of Foreign Private Issuer                     |                   | 231               |

|   |             |       |
|---|-------------|-------|
| Cash flow from financing activities                         | <b>950</b>  | 404   |
| Exchange rate in cash and cash equivalents                  | <b>(24)</b> | 92    |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>(18)</b> | (346) |

## Companhia Brasileira de Distribuição

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### 35. Non current assets held for sale and discontinued activities – continued

#### 35.2 Ongoing transaction to dispose of Via Varejo subsidiary

The Board of Directors held on November 23, 2016 approved a process to disposed of the Company's interest in Via Varejo's capital stock, in line with its long-term strategy of focusing on the development of the food activity.

As per CPC 31 – Non-current assets held for sale and discontinued activities (IFRS 5), Company consider highly probable the sale of Via Varejo due to the efforts made. As a consequence, Via Varejo (and it subsidiary Cnova Brasil) net results, after tax, is disclosed in statement of operations as a single line, and assets and liabilities balances are disclosed as held for sale and discontinued activities. Statement of operations and statement of value added on December 31, 2015 also discloses the discontinued operations in single line, but for cash flows there were no effects as per IFRS5 being disclosed at this note the effect of discontinued operations . Non current assets and liabilities held for sale on December 31, 2016 were R\$20,303 and R\$15,632, respectively. The net effects on discontinued operations were a loss of R\$1,005 in 2016 (loss of R\$891 at December 31, 2015).

Via Varejo shares are listed on BM&FBovespa under ticker symbol "VVAR11" and "VVAR3".

See below the summary of the consolidated statement of operations, balance sheet and cash flow statement of Via Varejo before the eliminations, including effects of the purchase price allocation of Globex and Casa Bahia acquisition.

#### Balance sheet (\*):

|                                  | <b>12.31.2016</b> |
|----------------------------------|-------------------|
| <b>Assets</b>                    |                   |
| <b>Current</b>                   |                   |
| Cash and cash equivalents        | 4,030             |
| Trade accounts receivable, net   | 2,782             |
| Inventories                      | 3,054             |
| Other receivables                | 704               |
| Total current assets             | <b>10,570</b>     |
| <b>Noncurrent</b>                |                   |
| Trade accounts receivable, net   | 204               |
| Report of Foreign Private Issuer | 233               |

|   |               |
|---|---------------|
| Other accounts receivable, net                | 2,932         |
| Deferred income and social contribution taxes | 289           |
| Related parties                               | 681           |
| Investment Properties                         | 144           |
| Property and equipment, net                   | 1,550         |
| Intangible assets                             | 4,170         |
| <b>Total noncurrent assets</b>                | <b>9,970</b>  |
| <b>Total assets</b>                           | <b>20,540</b> |

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**35. Non current assets held for sale and discontinued activities** – continued

## 35.2 Ongoing transaction to dispose of Via Varejo subsidiary – continued

**Balance sheet (\*):**

|   | <b>12.31.2016</b> |
|---|-------------------|
| <b>Liabilities</b>                                |                   |
| <b>Current</b>                                    |                   |
| Trade accounts payable                            | 5,618             |
| Suppliers - structured program                    | 489               |
| Loans and financing                               | 3,532             |
| Related parties                                   | 189               |
| Other accounts payable                            | 2,231             |
| <b>Total current liabilities</b>                  | <b>12,059</b>     |
| <b>Noncurrent</b>                                 |                   |
| Loans and financing                               | 407               |
| Deferred income and social contribution taxes     | 849               |
| Other accounts payable                            | 2,329             |
| <b>Total noncurrent liabilities</b>               | <b>3,585</b>      |
| Equity  | 4,896             |
| <b>Total liabilities and shareholders' equity</b> | <b>20,540</b>     |

(\*)Before related parties eliminations with GPA in the amount R\$ 237 of assets and R\$ 11 of liabilities.

|   | <b>Note</b> | <b>2016</b>  |
|---|-------------|--------------|
| <b>Parent Company's effects</b>                         |             |              |
| Reclassification of investment for held to sale         | 13.1        | 1,722        |
| Reclassification of goodwill for held to sale           | 15          | 179          |
| <b>Assets held for sale and discontinued activities</b> |             | <b>1,901</b> |



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**35. Non current assets held for sale and discontinued activities** – continued

## 35.2 Ongoing transaction to dispose of Via Varejo subsidiary – continued

| <b>Combined statement of operations (*)</b>             | <b>12.31.2016</b> | <b>12.31.2015</b> |
|---|-------------------|-------------------|
| Net sales from goods and services                       | <b>23,215</b>     | 25,447            |
| Cost of goods sold and services sold                    | <b>(16,201)</b>   | (18,780)          |
| <b>Gross profit</b>                                     | <b>7,014</b>      | 6,667             |
| Operating income (expenses)                             |                   |                   |
| General and administrative                              | <b>(6,084)</b>    | (5,680)           |
| Depreciation and amortization                           | <b>(207)</b>      | (237)             |
| Equity pickup   | <b>30</b>         | 31                |
| Other operating income (expenses), net                  | <b>(389)</b>      | (231)             |
|   | <b>(6,650)</b>    | (6,117)           |
| <b>Loss before Net finance income result</b>            | <b>364</b>        | 550               |
| Net financial result                                    | <b>(1,075)</b>    | (899)             |
| <b>Loss before income and social contribution taxes</b> | <b>(711)</b>      | (349)             |
| Income and social contribution taxes                    | <b>(34)</b>       | (87)              |
| <b>Net loss for the year</b>                            | <b>(745)</b>      | (436)             |
| Attributed to:  |                   |                   |
| Controlling shareholders                                | <b>(268)</b>      | (148)             |
| Non-controlling shareholders                            | <b>(477)</b>      | (288)             |

(\*)Via Varejo began to consolidate Cnova Brasil at October 31, 2016, as such the net loss above is combined, considering the results of Via Varejo and Cnova Brasil combined from January 1st, 2015. Before eliminations of amounts of related parties with GPA.

| <b>Description</b> | <b>12.31.2016</b> | <b>12.31.2015</b> |
|--------------------|-------------------|-------------------|
| Sales net income   | <b>(22)</b>       | (24)              |
| Cost of goods sold | <b>(7)</b>        | (6)               |
| Selling costs      | <b>1</b>          | 2                 |
| Financial result   | <b>5</b>          | 6                 |

|                                      |             |             |
|--------------------------------------|-------------|-------------|
| Income and social contribution taxes | 6           | 6           |
| <b>Total</b>                         | <b>(17)</b> | <b>(16)</b> |

Additionally a reclassification was made of incurred costs on Parent Company basically related to indemnity costs of contingences form prior periods to acquisition, paid to Via Varejo. According to IFRS 5, these costs were reclassified to discontinued activities in the amount of R\$77 in 2016 (R\$74 in 2015).

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**35. Non current assets held for sale and discontinued activities** – continued

## 35.2 Ongoing transaction to dispose of Via Varejo subsidiary – continued

| <b>Cash flow</b>  | <b>12.31.2016</b> | <b>12.31.2015</b> |
|---|-------------------|-------------------|
| <b>Cash flow provided by operating activities</b>             | <b>(2,636)</b>    | <b>2,445</b>      |
| Loss for the year   | (745)             | (436)             |
| Depreciation and amortization                                 | 260               | 307               |
| Interest and exchange rate                                    | 461               | 368               |
| Share of profit of associates                                 | (30)              | (31)              |
| Provision for risks   | 505               | 188               |
| Allowance for doubtful accounts                               | 627               | 571               |
| Provision for obsolescence, losses and breakage               | (104)             | 110               |
| Deferred revenue  | (211)             | (99)              |
| Other operating expenses and revenues                         | 6                 | 80                |
| <b>Changes in assets and liabilities</b>                      |                   |                   |
| Accounts receivable, inventories, related parties             | (1,659)           | 177               |
| Other assets  | (497)             | (362)             |
| Accounts payable, charges, tax and other liabilities          | (1,354)           | 1,169             |
| Risks   | (309)             | (276)             |
| Deferred revenue  | 414               | 679               |
| <b>Net cash provided by (used in) investing activities</b>    | <b>(237)</b>      | <b>(420)</b>      |
| Acquisition of property and equipment and intangible increase | (190)             | (420)             |
| Payment at company reorganization                             | (47)              | -                 |
| <b>Net cash provided by (used in) financing activities</b>    | <b>226</b>        | <b>(658)</b>      |
| Addition, refinancing and payments                            | 227               | (435)             |
| Payment of dividends  | (1)               | (223)             |
| <b>Cash variation in the period</b>                           | <b>(2,647)</b>    | <b>1,367</b>      |

## 35.3 Fair value of Via Varejo

In accordance to CPC 31 (IFRS 5) the investment of Via Varejo must be recognized considering the lower amount between the carrying amount of net assets and market value less cost of sale.

The Company estimate the market value less cost of sale based of Via Varejo is greater than carrying amount of net assets, based on weighting different valuation methods including: i) multiple of P/E (price/earnings), considering local companies traded in stock exchange, with operations at the same segment of Via Varejo, ii) discounted cash flow prepared by external assessors, using assumptions of 15.7% of discount rate and perpetuity growth of 5.5%, iii) Average of control premium paid on the price of share before the announcement in transaction of acquisition of companies listed on the stock market; and iv) target price of financial analysts per share.

For all methods described above the carrying amount is between the reasonable range of valuation, as such, this valuation is not highly sensitive to changes in the assumption applied in the methods.

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**35. Non current assets held for sale and discontinued activities** – continued

## 35.4 Effects in 2015

Below the consolidated statement of operations of the Company on December 31, 2015, before and after considering subsidiaries that represent e-commerce and home appliance segments, disclosed as discontinued operations.

| Statement of<br>income                       | Discontinued activities Cdiscount |            | Discontinued<br>activities Via<br>Varejo and<br>Cnova |      | Discontinued<br>activities<br>Multivarejo |  |
|--|-----------------------------------|------------|---|------|---|--|
|  | 12.31.2015                        | (*)        | (*)   | (**) | 12.31.2015                                |  |
| Net sales from<br>goods and<br>services      | 69,220                            | 6,598      | 25,424  | -    | 37,198                                    |  |
| Cost of goods<br>sold and services<br>sold   | (52,934)                          | (6,025)    | (18,786)  | -    | (28,123)                                  |  |
| <b>Gross profit</b>                          | <b>16,286</b>                     | <b>573</b> | <b>6,638</b>  | -    | <b>9,075</b>                              |  |
| Operating income<br>(expenses)               |                                   |            |   |      |   |  |
| Selling costs                                | (11,313)                          | (481)      | (4,910)   | -    | (5,922)                                   |  |
| General and<br>administrative                | (1,717)                           | (181)      | (770)   | -    | (766)                                     |  |
| Depreciation and<br>amortization             | (961)                             | (74)       | (237)   | -    | (650)                                     |  |
| Equity pickup                                | 112                               | -          | 31  | -    | 81  |  |
| Other operating<br>income<br>(expenses), net | (684)                             | (168)      | (231)   | (79) | (206)                                     |  |

|   |              |              |              |             |              |
|---|--------------|--------------|--------------|-------------|--------------|
|   | (14,563)     | (904)        | (6,117)      | (79)        | (7,463)      |
| <b>Profit before Net<br/>finance result</b>   | <b>1,723</b> | <b>(331)</b> | <b>521</b>   | <b>(79)</b> | <b>1,612</b> |
| Net financial<br>results  | (1,653)      | 27           | (892)        | (20)        | (768)        |
| <b>Profit (loss)<br/>before income<br/>and social<br/>contribution<br/>taxes</b>      | <b>70</b>    | <b>(304)</b> | <b>(371)</b> | <b>(99)</b> | <b>844</b>   |
| Income and<br>social<br>contribution taxes  | (346)        | (61)         | (81)         | 25          | (229)        |
| <b>Net income<br/>(loss) for the<br/>year related to<br/>continued<br/>operations</b> | <b>(276)</b> | <b>(365)</b> | <b>(452)</b> | <b>(74)</b> | <b>615</b>   |
| <b>Attributed to:</b>   |              |              |              |             |              |
| Controlling<br>shareholders   | <b>265</b>   | <b>(113)</b> | <b>(163)</b> | <b>(74)</b> | <b>615</b>   |
| Non-controlling<br>shareholders   | <b>(541)</b> | <b>(252)</b> | <b>(289)</b> | -           | -            |

(\*)After related parties elimination.

(\*\*)Expenses related directly to discontinued operations.

**Companhia Brasileira de Distribuição**

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(In millions of Brazilian reais, unless otherwise stated)

**35. Non current assets held for sale and discontinued activities** – continued

## 35.5 Segments

Following the segment breakdown of assets held for sale and discontinued operations:

| Description  | Home appliances | E-commerce<br>abroad | Total   |
|--|-----------------|----------------------|---------|
| Net sales  | 23,215          | 5,509                | 28,724  |
| Gross profit   | 7,014           | 536                  | 7,750   |
| Depreciation and amortization                              | (207)           | (63)                 | (270)   |
| Share of profit of subsidiaries and associates             | 30              | -                    | 30      |
| Operating income   | 364             | (132)                | 232     |
| Net financial expenses                                     | (1,075)         | (9)                  | (1,084) |
| Profit (loss) before income tax and social contribution    | (711)           | (141)                | (852)   |
| Income tax and social contribution                         | (34)            | (24)                 | (58)    |
| Net income (loss) for the period – discontinued activities | -               | -                    | -       |
| Net income (loss) for the period                           | (745)           | (165)                | (910)   |
| Current assets   | 10,570          | -                    | 10,570  |
| Noncurrent assets  | 9,968           | -                    | 9,968   |
| Current liabilities  | 12,057          | -                    | 12,057  |
| Noncurrent liabilities                                     | 3,585           | -                    | 3,585   |
| Shareholders' equity                                       | 4,896           | -                    | 4,896   |

## **Companhia Brasileira de Distribuição**

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### **36. Subsequent Events**

#### **36.1 Issuance of promissory note**

On January 10, 2017 the board of directors approved the 3rd public issuance of 320 promissory notes with unit amount BRL 2.50, totaling R\$800.

#### **36.2 Issuance of Certificate of Agribusiness Receivables**

On February 23, 2017 the board of directors approved an offer Certificate of Agribusiness Receivables (CRA) by Ápice Securitizadora, represented by debentures issued by the Company, no convertible in shares, unsecured, in a single series, with face value of R\$1,000.00 and interest of 96.5% of CDI rate. The offer is being coordinated by Banco Bradesco BBI S.A., Banco Safra S.A. and Banco BNP Paribas Brasil S.A., with initial value of R\$800, and could be increased, totally or partially, up to 20%. Additionally, could be increased up to 15% in accordance with demand observed for the coordinating banks at the “bookbuilding” procedure.

**SIGNATURES**

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

Date: March 10, 2017

By: /s/ Ronaldo Iabrudi  
Name: Ronaldo Iabrudi  
Title: Chief Executive Officer

By: /s/ Daniela Sabbag  
Name: Daniela Sabbag  
Title: Investor Relations Officer

**FORWARD-LOOKING STATEMENTS**

This press release may contain forward-looking statements. These statements are statements that are not historical facts, and are based on management's current view and estimates of future economic circumstances, industry conditions, company performance and financial results. The words "anticipates", "believes", "estimates", "expects", "plans" and similar expressions, as they relate to the company, are intended to identify forward-looking statements. Statements regarding the declaration or payment of dividends, the implementation of principal operating and financing strategies and capital expenditure plans, the direction of future operations and the factors or trends affecting financial condition, liquidity or results of operations are examples of forward-looking statements. Such statements reflect the current views of management and are subject to a number of risks and uncertainties. There is no guarantee that the expected events, trends or results will actually occur. The statements are based on many assumptions and factors, including general economic and market conditions, industry conditions, and operating factors. Any changes in such assumptions or factors could cause actual results to differ materially from current expectations.

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