BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD
Form 6-K/A
March 13, 2017

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 _X_ Form 40-F___

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

Yes ___ No _X_

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

Yes ___ No _X_

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

Yes ___ No _X_

(FreeTranslation 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

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

Standards - IFRS, issued by the International Accounting Standards Board - IASB.

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.

Realization of recoverable State VAT (ICMS) credits

Why is it a KAM?	How the matter was addressed in our audit
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.	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.

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

Why is it a KAM?	How the matter was addressed in our audit
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.	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.

Divestiture process in Via Varejo S.A.

Why is it a KAM?	How the matter was addressed in our audit
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.	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 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.

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.

• 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 midsized 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), 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.

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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.

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Management statement on the financial statements

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

President

Christophe José Hidalgo

Vice President of Finance

Daniela Sabbag

Investor's relationship Director

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Companhia Brasileira de Distribuição

Balance Sheet

Years ended December 31, 2016 and 2015

(In millions of Reais)

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

The accompanying notes are integral part of these financial statements

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Companhia Brasileira de Distribuição

Balance Sheet

Years ended December 31, 2016 and 2015

(In millions of Reais)

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

	9,860	10,354	**9,860**	10,354
Non-controlling interest	**-**	-	**2,737**	2,998
Total shareholders’ equity	**9,860**	10,354	**12,597**	13,352
Total liabilities and shareholders’ equity	**23,660**	21,399	**45,217**	47,241

The accompanying notes are integral part of these financial statements

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Companhia Brasileira de Distribuição

Statement of Operations

Years ended December 31, 2016 and 2015

(In millions of Reais)

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

Earnings (loss) per share (R$/share)	30	**12.31.2016**	12.31.2015
Basic			

Common - continued and discontinued activities	**(1.81669)**	0.93859
Common - continued activities	**(0.26891)**	2.17964
Preferred - continued and discontinued activities	**(1.81669)**	1.03245
Preferred - continued activities	**(0.26891)**	2.39760
Diluted		
Common - continued and discontinued activities	**(1.81669)**	0.93859
Common - continued activities	**(0.26891)**	2.17964
Preferred - continued and discontinued activities	**(1.81669)**	1.03014
Preferred - continued activities	**(0.26891)**	2.39222

The accompanying notes are integral part of these financial statements

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Companhia Brasileira de Distribuição

Statement of Comprehensive Income

Years ended December 31, 2016 and 2015

(In millions of Reais)

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

The accompanying notes are integral part of these financial statements

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Companhia Brasileira de Distribuição

Statements of Changes in Shareholders' Equity

Years ended December 31, 2016 and 2015

(In millions of Reais)

		Capital reserves			Earnings reser	
	Paid-in Capital	**Other Reserves**	**Stock Options**	**Legal**	**Expansion**	**Treasury S**
Balance at December 31, 2014	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	-	-	-	-	-	
Comprehensive income for the year	-	-	-	-	-	
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)	-	-	-	-	-	
Balance at December 31, 2015	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	**-**	**-**	**-**	**-**	**-**	
Comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	
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)**
Balance at December 31, 2016	**6,811**	**7**	**324**	**426**	**2,299**

The accompanying notes are integral part of these financial statements

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Companhia Brasileira de Distribuição

Statement of Cash Flows

Years ended December 31, 2016 and 2015

(In millions of Reais)

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

	562	765	**(3,894)**	1,743
Net cash provided by (used in) operating activities	**1,901**	2,311	**(1,304)**	4,632

The accompanying notes are integral part of these financial statements

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Companhia Brasileira de Distribuição

Statement of Cash Flows - continued

Years ended December 31, 2016 and 2015

(In millions of Reais)

	Parent Com
	12.31.2016 12.
Cash flow from investing activities	
Acquisition of property and equipment (note 14.3)	**(490)**
Increase in intangible assets (note 15.3)	**(84)**
Sales of property and equipment	**21**
Net cash of subsidiary incorporated	**180**
Net cash of subsidiary sale	**-**
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)	**-**
Net cash used in investment activities	**(373)**
Cash flow from financing activities	
Capital increase	**5**
Proceeds from borrowings and financing obtained (note 17.2)	**2,401**
Payments of borrowings and financing (note 17.2)	**(1,681)**
Dividends paid	**(4)**
Transactions with non-controlling interest	**-**
Paid in subsidiary acquisition	**-**
Financing with related parties	**-**
Net cash flow provided by (used in) financing activities	**721**
Net increase (decrease) in cash and cash equivalents	**2,249**
Exchange rate in cash and cash equivalents	**-**
Cash and cash equivalents at the beginning of the year	**2,247**
Cash and cash equivalents at the end of the year	**4,496**
Net increase (decrease) in cash and cash equivalents	**2,249**

<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

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Companhia Brasileira de Distribuição

Statement of Value Added

Years ended December 31, 2016 and 2015

(In millions of Reais)

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

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

The accompanying notes are integral part of these financial statements

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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

	12.31.2015
Assets	
Cash and cash equivalents	100
Other accounts receivable	56
Inventories	59
Tax recoverable	14
Total current assets	**229**
Other accounts receivable	4
Tax recoverable	3
Related parties	2,707
Property and equipment,net	228
Intangible	2
Total non current assets	**2,944**
Total assets	**3,173**
Liabilities	
Loans	1
Related parties	390
Other accounts payable	45
Total current liabilities	**436**
Loans	21
Other accounts payable	6
Total non current liabilities	**27**

Total liabiliities	**463**
Net assets merged	**2,710**

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.

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

Loans and financing	5
Other accounts payable	2
Total noncurrent liabilities	7
Total liabilities	**1,615**
Net assets merged	**2**

(*) 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.

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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 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:

	Direct and indirect equity interests - %			
	12.31.2016		**12.31.2015**	
Companies	**Company**	**Indirect interest**	**Company**	**Indirect interest**
Subsidiaries				
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") (*****)	**-**	**-**	-	100
Barcelona Comércio Varejista e Atacadista S.A. ("Barcelona") (*)	**-**	**-**	68.86	31.14
Xantocarpa Participações Ltda. ("Xantocarpa") (*)	**-**	**-**	-	100
GPA 2 Empreed. 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. (“VVLuxco”) (***)				
Via Varejo Netherlands Holding B.V. (“VVDutchco”) (***)	**-**	**43.34**	-	-
Indústria de Móveis Bartira Ltda. (“Bartira”) (***)	**-**	**43.34**	-	43.35
VVLOG Logística Ltda. (PontoCred Negócio de Varejo Ltda.) (“VVLOG Logística”) (***)	**-**	**43.34**	-	43.35
Globex Adm. e Serviços Ltda. (“Globex Adm”) (***)	**-**	**43.34**	-	43.35
Lake Niassa Empreend. e Participações Ltda. (“Lake Niassa”) (***)	**-**	**43.34**	-	43.35
Globex Adm. Consórcio Ltda. (“Globex Adm. Consórcio”) (***)	**-**	**43.34**	-	43.35
Cnova Comércio Eletrônico S.A. (”Cnova Brasil”) (***)	**-**	**43.34**	-	36.09
E-Hub Consult. Particip. e Com. S.A. (“E – Hub”) (***)	**-**	**43.34**	-	36.09
Nova Experiência PontoCom S.A. (“Nova Experiência”) (***)	**-**	**43.34**	-	36.09
Marneylectro S.A.R.L (“Luxco”) (****)	**-**	**-**	53.2	19.03
Marneylectro B.V. (“Dutchco”) (****)	**-**	**-**	-	72.23
Companhia Brasileira de Distribuição Luxembourg Holding S.à.r.l. ("CBDLuxco”)	**100**	**-**	-	-
Companhia Brasileira de Distribuição Netherlands Holding B.V. (“CBDDutchco”)	**-**	**100**	-	-
<u>Associates</u>				
Cnova N.V (“Cnova Holanda”) (****)	**-**	**34.05**	-	36.09
Cdiscount Group S.A.S. (“CDiscount”) (****)	**-**	**34.05**	-	36.09
Cnova Finança B.V. (“Cnova Finança”) (****)	**-**	**34.05**	-	36.09
Cdiscount Afrique SAS (“Cdiscount Afrique”) (****)	**-**	**34.05**	-	36.02
Cdiscount International BV The Netherlands (“Cdiscount Internacional”) (****)	**-**	**34.05**	-	36.02
Cnova France SAS (“Cnova France”) (****)	**-**	**34.05**	-	36.09
Cdiscount S.A. (“Cdiscount”) (****)	**-**	**33.93**	-	36.09
3W SAS (“3W”) (****)	**-**	**33.93**	-	35.87
CD Africa SAS (“CD Africa”) (****)	**-**	**28.94**	-	30.62
Cdiscount Côte d'Ivoire SAS Ivory Coast (“Cdiscount Côte”) (****)	**-**	**28.94**	-	30.62
Cdiscount Sénégal SAS (“Cdiscount Sénégal”) (****)	**-**	**28.94**	-	30.62
Cdiscount Cameroun SAS (“Cdiscount Cameroun”) (****)	**-**	**28.94**	-	30.62
CLatam AS Uruguay (“CLatam”) (****)	**-**	**23.84**	-	25.21
Cdiscount Panama S.A. (“Cdiscount Panama”) (****)	**-**	**23.84**	-	25.21
Cdiscount Uruguay S.A. (“Cdiscount Uruguay”) (****)	**-**	**23.84**	-	25.21

Ecdiscoc Comercializadora S.A.(Cdiscount Ecuador) ("Ecdiscoc Comercializadora") (****)	**-**	**23.83**	-	25.21

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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** – Continued

3.1. Interest in subsidiaries and associates – Continued

	Direct and indirect equity interests - %			
	12.31.2016		12.31.2015	
Companies	**Company**	**Indirect interest**	**Company**	**Indirect interest**
Associates – Continued				
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")	-	**41,93**	-	41,93
Banco Investcred Unibanco S.A. ("BINV")	-	**21,67**	-	21,67
FIC Promotora de Vendas Ltda. ("FIC Promotora")	-	**41,93**	-	41,93

(*) See note nº1.3.1
(**) Companies sold in 2016 (see note n°1.3.2)
(***) Companies which balance are classified in "Held for sale and discontinued activities" (see note n°35).
(****) Companies no longer consolidate on October 2016 (see note n°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

December 31, 2016 and 2015

(In millions of Brazilian reais, unless otherwise stated)

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:

	FIC	
	12.31.2016	**12.31.2015**
Current assets	**4,060**	3,894
Noncurrent assets	**43**	38
Total assets	**4,103**	3,932
Current liabilities	**3,050**	3,070
Noncurrent liabilities	**15**	15
Shareholders' equity	**1,038**	847
Total liabilities and shareholders' equity	**4,103**	3,932

Statement of operations:	**12.31.2016**	**12.31.2015**
Revenues	**1,118**	1,118
Operating income	**386**	370
Net income of the year	**236**	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.

	Cdiscount	
	12.31.2016	**12.31.2015**
Current assets	**1,457**	2,596
Noncurrent assets	**501**	766
Total assets	**1,958**	3,362
Current liabilities	**1,948**	3,340
Noncurrent liabilities	**70**	103
Shareholders' equity	**(60)**	(81)
Total liabilities and shareholders' equity	**1,958**	3,362

	12.31.2016	**12.31.2015**
<u>Statement of operations:</u>		
Revenues	**7,187**	6,599
Operating income	**(146)**	(331)
Losses for the year	**(224)**	(319)

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Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2016 and 2015

(In millions of Brazilian reais, unless otherwise stated)

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

December 31, 2016 and 2015

(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.

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Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2016 and 2015

(In millions of Brazilian reais, unless otherwise stated)

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.

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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.

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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.

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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 it is 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.

Asset category	Average annual depreciation rate
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.

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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.

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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.

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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