BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD
Form 6-K/A
February 26, 2018

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 February, 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, 2017 and Independent Auditor's Report

Ernst &Young auditores Independentes

Companhia Brasileira de Distribuição

Consolidated Financial Statements

Years ended December 31, 2017 and 2016

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Financial statements

São Paulo Corporate Towers

Av. Presidente Juscelino Kubitschek, 1.909

Vila Nova Conceição

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A free translation from Portuguese into English of Independent Auditor's Report on Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)

Independent auditor's report on individual and consolidated financial statements

The Shareholders, Board of Directors and Officers

Companhia Brasileira de Distribuição

São Paulo – SP

Opinion

We have audited the individual and consolidated financial statements of Companhia Brasileira de Distribuição ("Company"), identified as Parent Company and Consolidated, respectively, which comprise the balance sheets as at December 31, 2017 and the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting practices.

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Companhia Brasileira de Distribuição as at December 31, 2017, its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) as 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 ethical requirements provided for in the Code of Ethics for Professional Accountants and in the professional standards issued by Brazil's National Association of State Boards of Accountancy, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to support our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the current year. 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 on these individual and consolidated financial statements. Therefore, we did not express a separate opinion on these matters. For each matter below, our description of how our audit has addressed the matter, including any comments on the results of our procedures, is presented in the context of the overall financial statements.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report, including in relation to these key audit matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying individual and consolidated financial statements.

Measurement, recognition and realization of tax credits – State Value-Added Tax – ICMS

As disclosed in Note 11, the Company records tax credits on the State Value-Added Tax (ICMS) whenever it obtains sufficient evidence to conclude that its tax theses have legal grounds. Such evidence includes i) interpretation of the tax legislation based on an analysis of case law and interpretations of the Brazilian retail market on tax theses, ii) obtaining legal opinion from the Company's external legal advisors on tax theses; and iii) evaluation of the accounting impacts on the measurement and recognition of tax credits in the financial statements. The Company management also analyzes the recoverability of tax credits, based on its monetization plan. As disclosed in Note 11, on December 31, 2017, the balance of ICMS tax credits was R$1,187 million for the Parent Company and R$1,517 million for Consolidated, net of provision for non-realization, equivalent to 5% and 3% of total assets of the Parent Company and Consolidated, respectively. For the year ended December 31, 2017, credits arising from ICMS under the tax substitution regime, amounting to R$723 million, were recognized, net of provision for non-realization of R$369 million, recorded as reduction of cost of goods sold, in accordance with the accounting practice adopted by the Company. In addition, as described in note 21.3.1, the Company disclosed ICMS credits ranging from R$1,300 million to R$1,850 million, which have not yet met the recognition criteria set forth in CPC 25 – Provisions, Contingent Liabilities and Contingent Assets (equivalent to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets).

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We considered it as a key audit matter due to the following aspects: i) the relevance of the ICMS credit balance as at December 31, 2017 and the credit amounts that are expected to be recognized in the future; ii) the complexity of the ICMS legislation and taxation system; iii) the fact that the tax credit recognition process involves judgment by the Company management based on the opinions of its external legal advisors on the interpretations of the applicable legislation, case law and recent court decisions, in order to assist it in the development of tax theses and in determining when tax credits should be recognized; and iv) the preparation of the annual monetization plan by the Company management involves a significant degree of judgment and estimation in determining the sales projections of stores and the calculation of ICMS debts to be offset against tax credits recorded at December 31, 2017.

How our audit addressed this matter:

Our audit procedures included: i) evaluation of the design and operational effectiveness of key internal controls implemented by the Company in the tax credit recognition process; ii) involvement of our specialists in indirect tax to assist us in analyzing the legal opinions of external legal advisors and the reasonableness of the tax theses developed by the Company management, as well as in evaluating the assumptions and criteria used in the sales projections of stores and calculation of ICMS debts, considered in the preparation of the annual monetization plan; and iii) involvement of specialists in corporate finance to assist us in evaluating the assumptions and criteria used by the Company Management in preparing financial projections and the potential impact of a reasonable change in such projections on the annual study on tax credit recoverability.

Additionally, we analyzed the adequacy of the disclosure of this matter in Notes 11 and 21.3.1 to the financial statements as at December 31, 2017.

Based on the results of the audit procedures performed on ICMS tax credits, which are consistent with management's assessment, we consider that the criteria and assumptions relating to the measurement, recognition and recoverability of ICMS tax credits adopted by management, as well as the respective disclosures in notes 11 and 21.3.1, are appropriate, considering the financial statements taken as a whole.

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Identification, measurement and recognition of rebates

The Company receives significant rebates relating to certain specific negotiations, based on contracts or agreements entered into with its suppliers. Such commercial agreements have various different conditions that require that the Company maintain an internal control structure to identify, measure and recognize the trade discounts adequately when the conditions determined in the contracts or agreements entered into with the suppliers are complied with. These rebates discounts represent a significant component in determining the purchase price of goods for resale and, consequently, in determining the cost value and the gross margin on sales of such goods. As disclosed in Note 10, as at December 31, 2017, the consolidated balance of inventories was presented net of R$244 million, relating to the value of rebates not yet realized on that date. In addition, the value of rebates presented as reduction of trade accounts payable balance totaled R$517 million in the Parent Company and R$838 million in Consolidated at December 31, 2017, as disclosed in Note 16.

We considered it a key audit matter due to: i) the high volume of transactions, ii) the risk that the various different conditions negotiated with the suppliers are not identified by the internal controls implemented by management and impact the determination of the amount and timing of recognition of rebates in the financial statements; and iii) the significance of the amounts involved in relation to inventory, cost of goods sold and gross margin balances.

How our audit addressed this matter:

Our audit procedures included: i) evaluating the design and operational effectiveness of key internal controls implemented by the Company in the procurement and commercial agreement processes, and in determining the time of recognition of the rebates amounts; ii) testing on a selected sample of commercial contracts and agreements entered into with suppliers, focusing on identifying whether the conditions set forth in such contracts and agreements have been complied with, and on determining the amounts recognized by the Company on an accrual basis; iii) sending of confirmation letters for a sample of contracts and agreements entered into with suppliers, in order to validate their existence; and iv) specific subsequent collection tests for a sample of rebates amounts recorded by the Company.

Additionally, we analyzed the adequacy of the disclosures made by the Company about this matter in Notes 10 and 16 to the financial statements as at December 31, 2017.

Based on the results of our audit procedures, which are consistent with the management's assessment, we considered appropriate the policies relating to the identification, recognition and measurement of rebates provided for in contracts with suppliers to support the information included in the financial statements taken as a whole.

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Assets held for sale and discontinued operations

On November 23, 2016, the Board of Directors authorized the beginning of the sale of the interest held by the Company in Via Varejo S.A. and subsidiaries (“Via Varejo”), which resulted in the presentation of Via Varejo’s operations as discontinued operations, and of the related assets as assets held for sale in the financial statements for the year ended December 31, 2016. The disposal process was supported by a formal sale plan, including the identification of potential buyers and the schedule of activities, among other considerations. As disclosed in note 32.2, the selling process had not been completed at December 31, 2017, although the Company management is committed to the sale plan. As a result, the Company maintained the presentation of Via Varejo's operations as discontinued operations, in accordance with the requirements of CPC 31 - Noncurrent Assets Held for Sale and Discontinued Operations (equivalent to IFRS 5 - Noncurrent assets held for sale and discontinued operations).

This matter was considered a key audit matter due to the following aspects: i) at December 31, 2017, in consolidated, the balance of assets held for sale, of R$22,961 million, equivalent to 48% of total assets and liabilities relating to assets held for sale of R$17,824, equivalent to 37% of total liabilities and net income from discontinued operations of R$383 million, equivalent to 44% of net income for 2017, were considered relevant in relation to the financial statements taken as a whole; ii) the measurement of assets held for sale by the lower of their book value and fair value less cost to sell involves significant judgments and estimates by the Company management to determine the recoverable amount of these assets; iii) the presentation of Via Varejo's operations as discontinued operations had a material impact on the consolidated financial statements, including disclosures detailed in the accompanying notes on the statements of financial position, of profit or loss and of cash flows of Via Varejo; and iv) maintaining the presentation of Via Varejo's operations as discontinued operations as at December 31, 2017, even if the sale did not take place within one year, required a higher level of judgment by the Company management in the preparation of the documentation that supports such classification, including considerations regarding the specific requirements of CPC 31 and IFRS 5 for disclosures of this matter in the notes to the financial statements.

How our audit addressed this matter:

Our audit procedures included: i) evaluation of the design and operational effectiveness of key internal controls implemented by the Company on the supervision and monitoring of management on the preparation of the financial statements and determination of amounts relating to Via Varejo's discontinued operations; ii) evaluation of the adequacy of maintaining the presentation of discontinued operations in the financial statements; and iii) involvement of our specialists in corporate finance to assist us in evaluating the assumptions and criteria adopted by the Company to measure the fair value less costs to sell the assets held for sale and determine the recoverable amount of these assets.

Additionally, we analyzed the adequacy of the disclosures made by the Company about this matter in Note 32.2 to the financial statements as at December 31, 2017.

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Based on the results of our audit procedures, which are consistent with management's assessment, we consider the policies relating to the presentation of assets of discontinued operations and their P&L for the year appropriate to support the judgments, estimates and information included in the context of the financial statements taken as a whole.

Annual goodwill impairment test

As disclosed in note 15, the Company has recorded goodwill of R$1,107 million (Consolidated) as at December 31, 2017, which represents 2% of the Company's total assets at that date. Under the accounting practices adopted in Brazil and the IFRS, the Company must test goodwill for impairment on an annual basis in order to determine whether there is any impairment loss.

This impairment test was considered a key audit matter due to significance of the amount involved and to the fact that it was performed based on various assumptions and criteria, including market projections such as growth rates of sales at stores, discount rates and margin estimates to determine the value in use, which are complex and subjective and require use of judgment by the Company management.

How our audit addressed this matter:

Our audit procedures included: i) evaluation of the design and operational effectiveness of key internal controls implemented by the Company in the processes of preparing financial projections and testing goodwill for impairment on an annual basis; and ii) evaluation of the criteria used to identify and measure the recoverable amount of the Company's cash generating units. We involved our specialists in corporate finance to assist us in evaluating the discounted cash flow model and the assumptions and methodologies used by the Company, specifically the growth expectation, discount rate, results and projected margins, comparing them with macroeconomic and industry information, analyst reports and public information of the Company's competitors. We compared the budgets prepared in the prior year with their actual amounts in order to evaluate the historical accuracy of the budgeting process conducted by the Company management. We also focused on the adequacy of the Company disclosures of more sensitive assumptions used in the impairment test, i.e. those more significantly affecting the determination of the goodwill recoverable amount.

Additionally, we compared the recoverable amount determined by the Company management based on the discounted cash flows, per cash generating unit, with the corresponding book value of the goodwill and of other assets of the cash-generating unit, and we evaluated the adequacy of the disclosures in note 15 to the financial statements as at December 31, 2017.

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Based on the results of the audit procedures performed on the annual impairment testing of goodwill, which are consistent with management's assessment, we consider that the criteria and assumptions relating to the goodwill recoverable amount adopted by management, as well as the respective disclosures in note 15, are appropriate, considering the financial statements taken as a whole.

Tax contingencies assessed as possible losses

As disclosed in note 21, the Company is a party to administrative and legal proceedings arising from various tax contingencies totaling R$11,778 million, which were assessed as possible losses and, therefore, no provision was recorded at December 31, 2017.

We consider it a key audit matter due to the significance of the amounts involved, the degree of judgment by the Company management, supported by the legal opinions of external legal advisors, in determining whether a provision should be recorded, in addition to the complexity of the tax environment in Brazil. In addition, there is a risk that changes in the assessment of the likelihood of loss in tax claims will not be identified on a timely basis and, consequently, will not be reflected in the financial statements.

How our audit addressed this matter:

Our audit procedures included: i) evaluation of the design and operational effectiveness of key internal controls implemented by the Company for the identification, monitoring and evaluation of tax proceedings; ii) sending confirmation letters to external legal advisors, including a comparison of the opinions reported by them on the assessment of the likelihood of loss in these claims with the opinions reported by the Company management; and iii) involvement of tax specialists in the analysis of the reasonableness of the judgments associated with tax contingencies whose likelihood of loss was assessed as possible by the Company management, based on the legal opinions of its external legal advisors.

In addition, we evaluated whether the disclosures for the most significant contingencies were adequately included in Note 21 to the financial statements as at December 31, 2017.

Based on the results of the audit procedures performed on tax contingencies assessed as possible losses, which are consistent with management's assessment, we consider that the criteria and assumptions relating to the estimated likelihood of loss of the referred to claims, as well as the respective disclosures in note 21, are appropriate, considering the financial statements taken as a whole.

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Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2017, prepared under the responsibility of the Company management, and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purpose of forming our opinion, we evaluated 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 forth in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria set forth in this Accounting Pronouncement, and are consistent with the overall individual and consolidated financial statements.

Audit of individual and consolidated financial statements for the year ended December 31, 2016

The individual and consolidated financial statements for the year ended December 31, 2016, presented for comparison purposes, were audited by other independent auditors, who issued an unmodified opinion on those financial statements on February 23, 2017.

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

The Company management is responsible for such other information, including the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion on this report.

In connection with the audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the report is significantly inconsistent with the individual and consolidated financial statements or with our knowledge obtained in the audit, or otherwise seems to contain material misstatements. If, based on our work, we conclude that there are material misstatements in the Management Report, we are required to communicate this matter. We have nothing to report in this regard.

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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 these individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal controls as management determines is necessary to enable the preparation of individual and consolidated 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 individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the overall individual and consolidated financial statements 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 individual and consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions or misrepresentations.

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- Obtain 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 internal control of Company and its subsidiaries.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the 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 a going concern. 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 a going concern.

- Evaluate the overall presentation, structure and content of the individual and consolidated financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the corresponding transactions and events in a manner that achieves fair presentation.

- Obtain 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 communicate 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 controls that we identify during our audit.

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

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From the matters communicated with those charged with governance, we are required to determine those matters that were of most significance in the audit of the individual and consolidated financial statements of the current year 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.

São Paulo, February 19, 2018.

ERNST & YOUNG

Auditores Independentes S.S.

CRC-2SP034519/O-6

Antonio Humberto Barros dos Santos

Accountant CRC-1SP161745/O-3

MESSAGE FROM MANAGEMENT

The year 2017 proved challenging, but brought important signs of improvement in the business environment, while GPA continued to build on the efforts that it began three years ago. Although the effects from improving macroeconomic indicators are still incipient, we ended the year with important progress at our business units resulting from the strategic management of our store portfolio, the more pragmatic use of our database and the continued discipline employed in our financial management and streamlining of structures.

The results for the year attest to this effective management: net sales advanced 8.2%(*) to R$44.6 billion, a performance to be celebrated given the still-recessionary economy marked by strong deflation, especially in food categories. Staying focused on higher-return formats through store openings, closures and, especially, conversions, proved the right strategy, which generated profitability gains(**) of 20 bps at Multivarejo and of 140 bps at Assaí.

The Cash & Carry format has been making a strong contribution to this improvement in results, growing 123% in the last three years, with this performance gaining even greater significance once we consider the 6.3% contraction in the country’s GDP during the period. Assaí is Brazil’s fastest growing cash-and-carry chain, according to Nielsen, with gross sales in the year growing 28.0%(*) to R$20.1 billion, leveraged by the expansion plan, with a total of 20 store openings in the period, of which 15 were conversions and five new stores. At Multivarejo, which remained heavily affected by food deflation, the highlights were the stable margins at Pão de Açúcar a banner in which we have embarked on an important store renovation project, with 50 units renovated in 2017, and improvement at Extra Hiper driven by the performance of non-food categories. We also ended the year with important market share gains in all measurements conducted by Nielsen during the year.

In our ongoing digital transformation process, we launched the My Discount platform at Multivarejo, which in just seven months already has reached 4 million downloads through the applications of the Pão de Açúcar Mais and Clube Extra loyalty programs. The total base of loyal customers expanded from 12 million to 14 million, with this representing just one phase of a process in which we increasingly want to forge personal relationships with consumers to ensure their needs and convenience. Attentive to the transformations in consumer relations, the Company’s digital transformation process will remain a priority driver in 2018.

GPA’s achievements in 2017 reflect the capacity of our team. In a complex economic environment for the country, we reinforced important pillars in our people management, which led to an increase in the engagement index. Well qualified teams at the company’s many different levels are raising it to the level of excellence, as shown by a study conducted by LinkedIn in 2017 that indicated GPA as the first preference of Brazilian consumers.

From the standpoint of sustainability, we made important advances in the issues of cultural and social diversity, with the realization of our first Diversity Week, in which we debated viewpoints on diversity in the corporate and retail environment. At the event, we signed the “10 Commitments to LGBT Rights,” which we consider an important advance in the promotion of gender equity at GPA. All initiatives remain closely aligned with the principles of the United Nations Global Compact.

The results achieved in the last year demonstrate the scale of the deliveries defined in our strategic planning. All of what we have accomplished so far and what we are planning for 2018 leave us feeling more confident, believing in a recovery in the country’s macroeconomic scenario. We maintain our commitment to the continued sustainable growth of our businesses, with a total focus on our customers and best management practices in all of our businesses.

(*) Growth adjusted by calendar effect. (**) EBITDA adjusted by Other Operating Income and Expense and non-recurring effects on gross margin.

INDEPENDENT AUDITORS

The individual and consolidated financial statements of GPA were reviewed by Ernst & Young. The hiring of independent auditors is based on principles that safeguard the independence of the auditor, which are: (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, 2017, E&Y did not provide any services other than those related to the independent audit.

Report of the Audit Committee - Fiscal year 2017

Introductory remarks

The Audit Committee ("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.

Such Committee is currently composed of three members; two 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 two of them also hold the position of Director in the Company. The Audit Committee members are elected by the Company's Board of Directors based on the set forth in the applicable laws and regulations, as well as international best practices.

With the resignation of an external member on December 15, 2017, the appointment of a substitute is being considered.

On April 26, 2017, at the request of the Company's minority shareholders, a Fiscal Council was established.

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.

<u>Risk Area</u>

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 in order to ensure that they are kept at acceptable levels.

At the end of 2016, after an adequacy of the organizational structure, the Risk Area was reassigned to the Internal Audit Board of Officers; the Internal Controls area came under the management of the Accounting Department, and the Compliance area is now integrated with the Corporate Governance Management.

Internal Auditors

The Internal Audit is responsible, in addition of monitoring the Risk Area, for checking both the quality of the Company's internal control systems and the compliance with policies and procedures determined by the Management, 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 Audit that conducts the examination of the Company's Financial Statements as of December 31, 2017 is EY Brasil ("EY"), which is responsible for examining such statements with a view to issuing a report containing an opinion on their adherence to the applicable standards. As a result 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. EY is also responsible for auditing the internal controls as required by the Sarbanes-Oxley Act (SOx).

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 Independent Auditores 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. In addition, the Audit Committee is responsible for verifying, within the limits determined by the Company, whether or not transactions with related parties are proposed to the Board of Directors in adherence to the policies so defined. The Committee also reviews the 20-F Form and the Reference Form in what falls within its responsibilities.

In addition to the responsibilities mentioned above, the Internal Regulation also provides for the monitoring of the Company's suitability to Brazilian Law 12.846/13, as well as its control mechanisms and verification of compliance thereof.

The Audit Committee bases its judgment and forms its opinions, considering the information received from the Management, the presentations made about information systems, financial statements and internal controls, as well as the results of the work performed by the Accounting Board (which, in addition of taking care of the issues of its own, is also responsible for the Internal Controls area), Legal (Counsel) Board, Internal Audit (which, in addition to its own affairs, is also responsible for the Risk Area), and Independent Auditors.

Audit Committee's Activities in 2017

The Audit Committee met on 14 regular sessions, in which 78 meetings were held with members of the senior Management, internal and independent auditors, and other members of the Company's Management. The Audit Committee, whether jointly or individually through its members, held dedicated sessions with the Officers responsible for the Company's Business Units. The Audit Committee's Coordinator, who is also a member of the Board of Directors, periodically reported the main topics discussed at those meetings to the other members of the Board of Directors at their 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. Such Committee's Coordinator meets regularly with the Internal Audit Director of Casino Group, based in France.

Beginning in 2017, the members of the Fiscal Council usually take part in the Audit Committee's meetings, in which quarterly or annual Financial Statement issues are discussed, as well as issues related to the corresponding audits performed by EY.

Meetings with the Management (Officers)

The Committee met in 2017 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:

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- Contingencies and Allowances

Throughout the entire year 2017 the Audit Committee monitored the amounts of allowances connected to lawsuits and administrative procedures 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 monitored, along with the Legal Department (i.e., the General Counsel), the progress of the implementation of a new system (including software) for an optimized management of the Company's lawsuits and administrative procedures. Such new system will enable closer control of allowances and review of the base of lawsuits/procedures, with the potential of generating reductions in the amounts involved. Such system was submitted to the Internal Audit's analysis during the fourth quarter of 2017, and then some opportunities for improvement in its management and operationalization were found, which resulted in a diagnosis; so, the Committee recommended that the Company should study the need to review the procedures currently used for making allowances connected to labor and civil cases. The evolution of such issue will be monitored by the Audit Committee in 2018.

Still on the subject, in view of the significant increase in the volume of labor claims in court, and in order to assess whether the relevant allowances are in line with such new reality, the Audit Committee recommended to the Legal, Labor and Human Resources teams of Multivarejo, which is the Business Unit managed by the Company that is the one most affected by the increase in the number of labor claims, to discuss the main causes and the rationale of the labor lawsuits involving the Company and the corresponding action plans developed by the Human Resources area aiming at reducing the number of new labor claims. The main conclusion of such debate is the intrinsic relationship between the increase in the number of new labor lawsuits and the challenging macroeconomic scenario experienced in Brazil over the last years. The risk rating criteria to define whether it is required or not to make allowances had already been reviewed in 2016, and the adjustments required at that time have already been implemented.

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 2017 the Committee kept 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

Pursuant to the procedures and responsibilities described in the Policy on Transactions with Related Parties, the Audit Committee evaluated concrete cases of compliance with the procedures set out in such Policy to discuss and decide on cases that are subsequently forwarded to the Board of Directors' resolution. 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 to become aware of the action plans in the long and medium terms aiming at improving IT governance. In this sense, the Committee kept informed about the development of the IT governance theme at corporate level, with various interactions being carried out between the members of the Audit Committee and the Company's Management, which presented, among other topics, the new organizational structure of the Information Technology Board in the scope of the Vice-Presidency of Management and People, and the global strategy of the Information Technology Board for the next three years. Despite the improvements that took place, the issue, due to their sensitivity and relevance to the Group's business, deserves and will continue to be monitored by the Audit Committee over the next few years.

In addition to the IT governance issue at corporate level, the Audit Committee also closely monitors the IT asset obsolescence rates and the corresponding investments therein made by the business units, being highlighted a mapping of all equipment that must be replaced, which resulted in a schedule prepared to replace such obsolete equipment as certain equipment are associated with the improvement actions planned for the Company's technological park.

In addition, the Committee monitored the process of auditing the internal controls related to the issue of Information Security.

- Human Resources area

At the beginning of 2017 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 enabled 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 in court. Once the implementation of such system was completed, the Committee focused on monitoring the operation of the system after its implementation, in addition to monitoring the adaptation of such system to the new requirements of e-Social (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, 2017, the information contained in the Financial Statements and the Notes thereto, and the Independent Auditors have always followed it up.

Furthermore, the Committee kept following up in 2017 the implementation of a system designed to consolidate the Company's financial information. In this regard, the Committee monitored the development of the corresponding system with the Accounting Board, as well as the adoption of improvements based on the original plan presented in 2014, in line with the Management's planning, so that its completion is expected in the course of year 2018.

In spite of a reduction already experienced in the total volume of manual entries, this subject continues to be constantly monitored by the Audit Committee.

Other aspects that have also been discussed were the ones related to the new accounting pronouncements harmonized with the IFRS (International Financial Reporting Standards) that should be adopted by the Company in the coming years (Translator's Note: in 2007 the Brazilian Law 11.638 of Dec. 28, 2007 brought significant changes for the whole Brazilian accounting system, as it started to demand that the Brazilian accounting standards are harmonized with the internacional accounting standards, aiming at an improved transparency and honesty of financial reporting in general), namely IFRS 9 (Financial Instruments), IFRS 15 (Revenue Recognition) and IFRS 16 (Leases). Together with the Accounting Board, the Audit Committee analyzed and discussed the potential impacts that will result from the application of such IFRS pronouncements in the Company's financial reporting. To the extent that part of IFRS pronouncements will become effective and required as of January 1st, 2018, the Audit Committee will continue to monitor this issue over 2018.

- Tax Issues

The Committee kept monitoring over year 2017 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 the agenda to implement such system began in 2017 and should be extended by mid 2019, as the implementation will be carried out gradually.

In addition, during year 2017, the Audit Committee discussed with the Company's Management about the monetization/realization methodology of tax credits, as well as it monitored on a quarterly basis the compliance with the credit consumption schedule. In particular, the Audit Committee focused on the analysis of the speed of monetization/realization of ICMS tax credits generated in the performance of the Company's and Via Varejo's main activity by virtue of the monetization/realization plan set by the Management of both companies. In this regard, the Audit Committee was informed that a unified tax credit monetization/realization corporate policy is being prepared.

- Property Management Activities ("GPA Malls")

The Audit Committee followed up the work carried out by the team 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.

- Activity of Wholesaler ("Assaí")

The Committee met with the Chief Executive Officer and the Chief Financial Officer of Assaí to discuss the suitability of the process of obtaining and maintaining all the varied permits from the public authorities for the stores to operate, as well as the procedures adopted by the company for contracting and managing service providers, especially regarding new stores inaugurated in the scope of the expansion project of the Assaí Business Unit.

- Business Continuity Planning (BCP)

The Committee monitored the efforts undertaken by the Company in the event of a fire at the Distribution Center 02 on December 27, 2017 and ensured that all appropriate measures and initiatives were taken in a timely manner.

Compliance

The Committee supervised the activities of the Company's *Compliance* area (from mid-2017 onwards under the management of the Corporate Governance and *Compliance* Board), treating with a particular strictness the compliance with the Brazilian Anti-Corruption Act (Brazilian Law No. 12,846).

The process of implementing the Company's Compliance Program (as provided for in Law 12,846 - the Brazilian Anti-Corruption Act) carried out by the Company has been completed, with the follow-up of the Audit and Corporate Governance Committees, which have analyzed and discussed all the procedures to be implemented and the corresponding controls.

Thus, since the beginning of 2017 the Audit Committee became the one responsible for monitoring the evolution of such Compliance Program directly and exclusively, in accordance with its Internal Rules.

Risk Management and Internal Controls

O Committee kept supervising constantly the works carried out by the responsible area over year 2017, especially from the second half of the year, aiming at monitoring any significant deficiencies that might arise regarding the financial statements for the period ended on December 31, 2017. Accordingly, throughout year 2017 the Audit Committee monitored and made recommendations about the following topics:

- Company's internal policies and regulations/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 sent to the Company by public agencies responsible for regulating the securities exchange markets, as well as the corresponding answers given thereto, regarding matters within the Audit Committee's competence.

Lastly, the Committee also followed up more closely the work of the Risk team about the new risk management cycle for year 2017, approaching in its analysis the main risks mapped for each of the business units and for the Company as a whole. The result of such analysis was discussed by the Company's Board of Directors, which defined the priority risks to be monitored by both governance areas. For such purpose, a meeting agenda was established for 2018 to present the mitigation actions adopted by the Company's management regarding prioritized risks.

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 2017.

The Audit Committee discusses the Internal Audit's Annual Work Plan, any special work required, the professional training programs of the technical team, the corresponding composition and qualification thereof, and the results of each audit work performed. The Audit Committee receives the reports and descriptions of all corrective actions recommended for those topics of Internal Audit that require a longer implementation term.

Whistle-blowing Channel

Representatives of the Internal Audit team have also submitted to the Audit 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 any 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.

Performance Assessment

Every year the Audit Committee carries out a self-assessment of its performance, as it also assesses the performance of both the Internal and Independent Auditors. Such assessments find improvement points and the corresponding action plans, which are reported to the Board of Directors.

Discontinued Operations

The Audit Committee has been following up the discussions involving the Company's divestiture plans in Via Varejo S.A. and its implications for financial reporting purposes.

Recommendations from the Audit Committee

The Committee recommends to the Executive Officers the following actions:

- Reviewing one more time whether it is convenient or not, from the point of view of organizational structure, to establish a separated Board of Risks, Compliance, and Internal Controls, which would report to the Company's CEO.

- Systematically monitor the improvements sought by the Legal Department in the management of the Group's administrative procedures and lawsuits (of civil, labor and regulatory nature).

- 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.

- Complete the studies aiming at the adoption of a corporate policy of monetization of unified tax credits.

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 mitigative procedures aiming at minimizing any Internal Controls risks that might impact the Company's Financial Statements as of December 31, 2017.

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, 2017; accordingly, the Audit Committee recommends the approval thereof by the Board of Directors.

São Paulo (SP, Brazil), February 16th, 2018.

Luiz Nelson Guedes de Carvalho, Coordinator of the Committee and Accounting, Financial and Audit Specialist, and Representative of the Board of Directors in the Audit Committee.

Celso Clemente Giacometti.

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

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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, 2017, authorizing the conclusion on this date.

São Paulo, February 19, 2018.

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, 2017, issued on this date.

São Paulo, February 19, 2017.

Directors

Ronaldo Iabrudi

President

Christophe José Hidalgo

Vice President of Finance

Daniela Sabbag

Investor's relationship Director

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FISCAL COUNCIL'S REPORT

The Company's Fiscal Council, in compliance with legal and statutory requirements, has examined the Management Report and the Financial Statements for the year ended December 31, 2017. Based on the examinations made, considering also the opinion of the independent auditors – ERNST & YOUNG Auditores Independentes S.S. – dated February 19th, 2018, as well as on the information and clarifications received during the year, the Fiscal Council states that such documents are in conditions to be submitted for the appreciation of the General Meeting of Shareholders.

São Paulo, February 19th, 2018.

Fernando Dal-Ri Murcia
Chairman

Eduardo Flores
Board Member

Gerlando Lima
Board Member

Companhia Brasileira de Distribuição

Balance Sheets

December 31, 2017 and 2016

(In millions of Reais)

		Parent Company		Consolidated	
	Note	**12.31.2017**	**12.31.2016**	**12.31.2017**	**12.31.2016**
Current Assets					
Cash and cash equivalents	7	**2,868**	4,496	**3,792**	5,112
Trade accounts receivable, net	8	**440**	396	**632**	543
Other accounts receivable	9	**256**	111	**271**	126
Inventories	10	**3,042**	3,106	**4,822**	4,641
Recoverable taxes	11	**360**	557	**596**	674
Prepaid expenses		**86**	81	**112**	97
Other current assets		**33**	54	**34**	155
Noncurrent assets held for sale	32	**2,090**	1,901	**22,961**	20,303
Total current assets		**9,175**	10,702	**33,220**	31,651
Noncurrent Assets					
Trade accounts receivable, net	8	**80**	-	**80**	-
Other accounts receivable	9	**447**	81	**642**	612
Recoverable taxes	11	**1,465**	521	**1,747**	632
Derivative financial instruments	17.1	**12**	-	**28**	-
Deferred income and social contribution taxes	20	**108**	155	**121**	170
Related parties	12	**206**	359	**25**	17
Judicial deposits	21.7	**609**	534	**762**	661
Prepaid expenses		**8**	13	**43**	

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Investments	13	**3,368**	3,036	**177**	316
Investment properties		**21**	23	**21**	23
Property and equipment, net	14	**6,286**	7,043	**9,138**	9,182
Intangible assets	15	**1,193**	1,193	**1,924**	1,908
Total noncurrent assets		**13,803**	12,958	**14,708**	13,566
Total assets		**22,978**	23,660	**47,928**	45,217

The accompanying notes are integral part of these financial statements.

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Companhia Brasileira de Distribuição

Balance Sheets

Years ended December 31, 2017 and 2016

(In millions of Reais)

		Parent Company		Consolidated	
	Note	**12.31.2017**	**12.31.2016**	**12.31.2017**	**12.31.2016**
Current liabilities					
Trade accounts payable	16	**5,377**	5,091	**8,128**	7,232
Loans and financing	17	**1,223**	2,763	**1,251**	2,957
Payroll and related charges		**441**	446	**640**	614
Taxes, contributions payable	19	**228**	189	**301**	254
Related parties	12	**387**	510	**153**	147
Dividends payable	24.9	**78**	-	**78**	-
Financing related to acquisition of real estate		**95**	32	**116**	116
Rent payable		**120**	100	**128**	110
Deferred revenue	23	**28**	127	**146**	224
Pass-through liabilities		**14**	15	**14**	15
Loyalty programs		**-**	28	**-**	28
Other current liabilities		**171**	209	**213**	253
Liabilities related to non-current assets held for sale	32	**-**	-	**17,824**	15,632
Total current liabilities		**8,162**	9,510	**28,992**	27,582
Noncurrent liabilities					
Loans and financing	17	**2,876**	2,775	**3,337**	2,912
Deferred income and social contribution taxes	20	**-**	-	**394**	317
Tax payable in installments	19	**566**	540	**566**	540
Provision for contingencies	21	**812**	891	**1,107**	1,177
Deferred revenue	23	**22**	24	**22**	24
Provision for negative equity in associates	13	**165**	22	**165**	22
Other current liabilities		**42**	38	**53**	46
Total noncurrent liabilities		**4,483**	4,290	**5,644**	5,038
Shareholders' equity					
Share capital	24	**6,822**	6,811	**6,822**	6,811
Capital reserves		**355**	331	**355**	331
Earning reserves		**3,174**	2,718	**3,174**	2,718
Other comprehensive loss		**(18)**	-	**(18)**	-
		10,333	9,860	**10,333**	9,860
Non-controlling interest		**-**	-	**2,959**	2,737
Total shareholders' equity		**10,333**	9,860	**13,292**	12,597

Total liabilities and shareholders’ equity	**22,978**	23,660	**47,928**	45,217

The accompanying notes are integral part of these financial statements.

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Companhia Brasileira de Distribuição

Statements of Operations

Years ended December 31, 2017 and 2016

(In millions of Reais)

		Parent Company		**Consolidated**	
	Note	**12.31.2017**	**12.31.2016**	**12.31.2017**	**12.31.2016**
Net operation revenue	25	**25,990**	25,527	**44,634**	41,454
Cost of sales	26	**(18,290)**	(18,599)	**(33,931)**	(31,933)
Gross profit		**7,700**	6,928	**10,703**	9,521
Operating income (expenses)					
Selling expenses	26	**(5,124)**	(4,957)	**(6,804)**	(6,567)
Selling, general and administrative expenses	26	**(732)**	(640)	**(972)**	(884)
Depreciation and amortization		**(602)**	(554)	**(779)**	(707)
Share of profit of associates	13	**633**	30	**(60)**	60
Other operating expenses, net	27	**(507)**	(496)	**(579)**	(567)
		(6,332)	(6,617)	**(9,194)**	(8,665)
Operating income before net financial results		**1,368**	311	**1,509**	856
Net financial results	28	**(660)**	(800)	**(730)**	(903)
Income (loss) before income and social contribution taxes		**708**	(489)	**779**	(47)
Income and social contribution taxes	20	**(57)**	84	**(297)**	(24)
Net income (loss) from continued activities		**651**	(405)	**482**	(71)
Net income (loss) from discontinued activities		**(32)**	(77)	**383**	(1,005)
Net income (loss) for the year		**619**	(482)	**865**	(1,076)
Attributed to:					
Controlling shareholders – Continued activities		**651**	(405)	**482**	(71)
Controlling shareholders - discontinued activities		**(32)**	(77)	**137**	(411)
Total of controlling shareholders		**619**	(482)	**619**	(482)
		-	-	**246**	(594)

Non-controlling shareholders - discontinued activities					
Total of non-controlling shareholders		**-**	-	**246**	(594)

Earnings (loss) per share (R$/share)	29	**12.31.2017**	12.31.2016
Basic			
Common – Continued and discontinued activities		**2.18810**	(1.81669)
Common – Continued activities		**1.70324**	(0.26891)
Preferred – Continued and discontinued activities		**2.40692**	(1.81669)
Preferred – Continued activities		**1.87356**	(0.26891)
Diluted			
Common – Continued and discontinued activities		**2.18073**	(1.81669)
Common – Continued activities		**1.69955**	(0.26891)
Preferred – Continued and discontinued activities		**2.39074**	(1.81669)
Preferred – Continued activities		**1.86188**	(0.26891)

The accompanying notes are integral part of these financial statements.

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Companhia Brasileira de Distribuição

Statements of Comprehensive Income

Years ended December 31, 2017 and 2016

(In millions of Reais)

	Parent company		Consolidated	
	12.31.2017	**12.31.2016**	**12.31.2017**	**12.31.2016**
Net income (loss) for the year	**619**	(482)	**865**	(1,076)
-Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation	**(17)**	88	**(17)**	234
-Items that will not be subsequently reclassified to profit or loss				
Other comprehensive income	**(1)**	(1)	**(1)**	(3)
Comprehensive income for the year	**601**	(395)	**847**	(845)
Attributed to:				
Controlling shareholders			**601**	(395)
Non-controlling shareholders			**246**	(450)
			847	(845)

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, 2017 and 2016

(In millions of Reais)

		Capital reserves		**Earnings reserves**					
	Share Capital	**Other Reserves**	**Stock Options**	**Legal**	**Expan-sion**	**Treasury Shares**	**Earnings Retention**	**Accumulated Profit/Loss**	**Oth compreh Inco**
Balance at December 31, 2015	6,806	7	295	426	2,624	(7)	290	-	
Other comprehensive income:									
Loss for the year	-	-	-	-		-		(482)	
Foreign currency translation	-	-	-	-	-	-	-	-	
Other comprehensive income	-	-	-	-	-	-	-	-	
Comprehensive income for the year	-	-	-	-	-	-	-	(482)	
Capital increase (note 24.1)	5	-	-	-	-	-	-	-	
Stock options granted (note 24.5)	-	-	21	-	-	-	-	-	
Stock options granted - subsidiaries (note 24.5)	-	-	8	-	-	-	-	-	
Appropriation of income to expansion reserve	-	-	-	-	119	-	(119)	-	

Proposed dividends - additional (note 24.9)	-	-	-	-	-	-	(4)	-
Transactions with noncontrolling interest (note 24.7)	-	-	-	-	-	-	(138)	-
Put option - CD Colombia (note 24.8)	-	-	-	-	-	-	9	-
Reserves achievement	-	-	-	-	(444)	-	(38)	482
Balance at December 31, 2016	6,811	7	324	426	2,299	(7)	-	-

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, 2017 and 2016

(In millions of Reais)

		Capital reserves		Earnings reserves					
	Share Capital	Other Reserves	Stock Options	Legal	Expan-sion	Treasury Shares	Earnings Retention	Accumulated Profit/Loss	Oth compreh Inco
Balance at December 31, 2016	6,811	7	324	426	2,299	(7)	-	-	
Other comprehensive income:									
Net income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**619**	
Foreign currency translation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**619**	
Capital increase (note 24.1)	**11**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Stock options granted (note 24.5)	**-**	**-**	**16**	**-**	**-**	**-**	**-**	**-**	
Stock options granted - subsidiaries (note 24.5)	**-**	**-**	**8**	**-**	**-**	**-**	**-**	**-**	
Appropriation of income to legal reserve	**-**	**-**	**-**	**31**	**-**	**-**	**-**	**(31)**	
Interest on own capital	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(81)**	

Gain (loss) equity interest	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**-**
Appropriation of income to expansion reserve	**-**	**-**	**-**	**-**	**429**	**-**	**-**	**(429)**
Proposed dividends - additional (note 24.9)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(78)**
Transactions with noncontrolling interest (note 24.7)	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**-**
Balance at December 31, 2017	**6,822**	**7**	**348**	**457**	**2,728**	**(7)**	**(4)**	**-**

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, 2017 and 2016

(In millions of Reais)

	Parent Company		Consolidated	
	12.31.2017	**12.31.2016**	**12.31.2017**	**12.31.2016**
Cash flow provided by operating activities				
Net income (loss) for the year	**619**	(482)	**865**	(1,076)
Adjustment to reconcile net income (loss)				
Deferred income tax (note 20)	**47**	(105)	**(38)**	(113)
Loss on disposal of property and equipment	**187**	85	**247**	203
Depreciation and amortization	**650**	601	**833**	1,089
Financial charges	**534**	706	**947**	1,272
Share of profit of associates (note 13)	**(633)**	(30)	**34**	(81)
Provision for contingencies	**27**	366	**675**	1,080
Share-based expenses	**24**	29	**24**	29
Allowance for doubtful accounts (note 8.3)	**2**	10	**722**	609
Provision for obsolescence, losses and breakage (note 10.2)	**(5)**	27	**(1)**	44
Deferred revenue (note 23)	**(11)**	(12)	**(394)**	(372)
Other operating expenses	**(709)**	144	**(723)**	-
Gain in sale of subsidiaries	**-**	-	**-**	(94)
	732	1,339	**3,191**	2,590
Changes in assets and liabilities				
Trade receivables	**(125)**	133	**(2,115)**	(1,259)
Inventories	**70**	203	**(1,505)**	107
Recoverable taxes	**(10)**	(114)	**(321)**	(709)
Other assets	**(408)**	222	**(60)**	118
Related parties	**210**	(369)	**153**	(470)
Judicial deposits	**(57)**	(42)	**(366)**	(218)
Trade payables	**286**	532	**3,059**	(1,486)
Payroll, related charges and taxes payable	**(5)**	21	**103**	134
Taxes and social contributions payable	**(55)**	(49)	**(127)**	55
Income tax payments	**-**	-	**(119)**	(132)
Payments of contingencies	**(69)**	(39)	**(447)**	(415)
Deferred revenue	**10**	104	**(8)**	660
Other liabilities	**(49)**	(192)	**148**	(279)
Dividends receivable	**445**	152	**309**	-
	243	562	**(1,296)**	(3,894)

Net cash provided by (applied in) the operating activities	**975**	1,901	**1,895**	(1,304)

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, 2017 and 2016

(In millions of Reais)

	Parent Company		**Consolidated**	
	12.31.2017	**12.31.2016**	**12.31.2017**	**12.31.2016**
Cash flow from investing activities				
Capital increase in subsidiaries	**(81)**	-	**-**	-
Acquisition of property and equipment (note 14.3)	**(508)**	(490)	**(1,402)**	(1,265)
Acquisitionf of intangible assets (note 15.3)	**(106)**	(84)	**(311)**	(279)
Sales of property and equipment	**95**	21	**112**	55
Net cash of subsidiary incorporated	**-**	180	**-**	-
Net cash of subsidiary sale	**-**	-	**-**	137
Payment by Via Varejo to Cnova N.V. for the exchange of shares	**-**	-	**-**	(47)
Net cash on deconsolidation of subsidiaries – Cdiscount (note 32.1)	**-**	-	**-**	(621)
Net cash used in investment activities	**(600)**	(373)	**(1,592)**	(2,020)
Cash flow from financing activities				
Capital increase	**11**	5	**11**	5
Proceeds from borrowings and financing (note 17.2)	**2,024**	2,401	**7,789**	8,082
Payments of borrowings and financing (note 17.2)	**(3,957)**	(1,681)	**(9,785)**	(7,481)
Dividends paid	**(81)**	(4)	**(101)**	(4)
Paid in subsidiary acquisition	**-**	-	**(8)**	(79)
Financing with related parties	**-**	-	**-**	952
Net cash flow provided by (applied in) the financing activities	**(2,003)**	721	**(2,094)**	1,475
Net increase (decrease) in cash and cash equivalents	**(1,628)**	2,249	**(1,791)**	(1,849)
Exchange rate in cash and cash equivalents	**-**	-	**-**	(24)
Cash and cash equivalents at the beginning of the year	**4,496**	2,247	**9,142**	11,015
	2,868	4,496	**7,351**	9,142

Cash and cash equivalents at the end of the year				
Net increase (decrease) in cash and cash equivalents	**(1,628)**	2,249	**(1,791)**	(1,873)

	12.31.2017	**12.31.2016**
Cash and cash equivalents reconciliation:		
Cash and cash equivalents as per the cash flow	**7,351**	9,142
Cash and cash equivalents as per the balance sheet	**3,792**	5,112
Cash included in “assets held for sale and discontinued activities”	**3,559**	4,030

The main non-cash transactions are disclosed in note 31.

The accompanying notes are integral part of these financial statements.

Companhia Brasileira de Distribuição

Statement of Value Added

Years ended December 31, 2017 and 2016

(In millions of Reais)

	Parent Company		Consolidated	
	12.31.2017	12.31.2016	**12.31.2017**	12.31.2016
Revenues				
Gross sales of Goods	**28,164**	27,695	**48,439**	44,969
Allowance for/Reversal of Doubtful Accounts	**(9)**	(10)	**(10)**	(26)
Other Revenues	**371**	41	**383**	65
	28,526	27,726	**48,812**	45,008
Products Acquired from Third Parties				
Costs of Products Sold	**(18,704)**	(18,705)	**(35,492)**	(32,856)
Materials, Energy, Outsourced Services and Other	**(3,235)**	(3,133)	**(4,140)**	(4,073)
	(21,939)	(21,838)	**(39,632)**	(36,929)
Gross Value Added	**6,587**	5,888	**9,180**	8,079
Retention				
Depreciation and Amortization	**(650)**	(601)	**(833)**	(762)
Net Value Added Produced	**5,937**	5,287	**8,347**	7,317
Value Added Received in Transfer				
Share of Profit of Associates	**633**	30	**(60)**	60
Financial Income	**167**	207	**199**	256
Others (net income of discontinued activities)	**(32)**	(77)	**383**	(1,005)
	768	160	**522**	(689)
Total Value Added Distributed	**6,705**	5,447	**8,869**	6,628
Personnel	**3,287**	3,028	**4,244**	3,887
Direct Compensation	**1,990**	1,919	**2,640**	2,485
Participation	**412**	258	**415**	277
Benefits	**714**	670	**964**	893
Government Severance Indemnity Fund for Employees (FGTS)	**171**	181	**225**	232
Taxes, Fees and Contributions	**1,241**	1,250	**1,909**	1,811

Federal	**795**	711	**1,138**	1,017
State	**226**	355	**521**	574
Municipal	**220**	184	**250**	220
Value Distributed to Providers of Capital	**1,558**	1,651	**1,851**	2,006
Interest	**815**	986	**914**	1,134
Rentals	**743**	665	**937**	872
Value Distributed to Shareholders	**619**	(482)	**865**	(1,076)
Dividends and interest on own capital	**159**	4	**159**	4
Retained Earnings/ Accumulated Losses for the year	**460**	(486)	**460**	(486)
Non-controlling Interest	-	-	**246**	(594)
Total Value Added Distributed	**6,705**	5,447	**8,869**	6,628

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, 2017 and 2016

(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 32) 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 (“B3”) 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 and CVM notice about 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”) former controller of Globex Utilidades S.A. 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, about such indemnity that had estimated amount in R$150 and likelihood of loss classified as possible.

On October 3, 2017 the Panel of the CVM analyzed the appeal filed by the Company and unanimously decided to fully amend the SRE Decision, understanding that the CVM could not extend the indemnification provided for in the Arbitration Award to Globex's minority shareholders, as provided for in the Code of Civil Procedure, in line with the constitutional guarantees. Considering the favorable decision of CVM Panel, any discussion about this indemnity.

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Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2017 and 2016

(In millions of Brazilian reais, unless otherwise stated)

1. Corporate information – Continued

1.2. Corporate restructuring in 2016

1.2.1. 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.

(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, as summarized below:

Current assets	948
Noncurrent assets	669

Total assets	**1,617**
Current liabilities	1,608
Noncurrent liabilities	7
Total liabilities	**1,615**
Net assets merged	**2**

(iv) In August 2016 there was the total merger and consequent extinction of Xantocarpa Participações 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.

Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2017 and 2016

(In millions of Brazilian reais, unless otherwise stated)

1. Corporate information – Continued

1.2. Corporate restructuring in 2016 - Continued

1.2.2. Sale of the fuel filling stations

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 determined no gain or loss over.

1.3. 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 by Via Varejo.

Via Varejo and the Company filed 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 asked reconsideration of the board of commissioner's decision. On April 20, 2017, Via Varejo and the Company received the final determination of the board of commissioner informing that kept the decision after reconsideration asked by SEP. Therefore, there is not effectadditional to be considered related to this item.

1.4. Agreement between CBD, Via Varejo and Grupo Casas Bahia

In July 4, 2017, the Via Varejo celebrated a agreement together with the Company, for the settlement of losses and damages related to the "Acordo de Associação" celebrated in July 1, 2010, incurred until November 8, 2016, as well established warrants for the obligation of Grupo Casas Bahia to indemnify potential risks, therefore grasped which not materialized until November 8, 2016.

In this agreement, the Via Varejo and the Grupo Casas Bahia compensate funds due from part to part, remaining a balance of R$13 to be paid by the Grupo Casas Bahia to Via Varejo during the 2018 financial year.

As warrant of potential risk indemnifies was kept, beyond personal guarantee of Grupo Casas Bahia shareholders, mortgage on property at total amount of potential risks notified.

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Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2017 and 2016

(In millions of Brazilian reais, unless otherwise stated)

1. Corporate information – Continued

1.4. Agreement between CBD, Via Varejo and Grupo Casas Bahia - Continued

In a board of director’s meeting occurred in July 24, 2017, in the terms of the related parties policy, the special committee favorably recommended to the board of directors the approval of execution of the Term of Agreement by the Company. As the special committee considerations, the board of directors approved the celebration of Term of Agreement.

As a result of this agreement, the Company recognized on its financial statements for the year ended in December 31, 2017, at item “descontinued operations” a loss of R$97.

1.5. Arbitration Península

On September 12, 2017, the Company received a notice from the Brazil-Canada Chamber of Commerce regarding a request for arbitration filed by Banco Ourinvest S.A., a financial institution, in its capacity of fund manager and acting in the exclusively interest of the quotaholders of Fundo de Investimento Imobiliário Península ("Península" and the "Proceeding").

The Proceeding aims to discuss the calculation of the rental fees and other operational matters related to the stores owned by Peninsula, which are under several lease agreements and contracts entered into between the Company and Peninsula during 2005 (the "Agreements"). The Agreements assure to CBD the rent of the stores for a period of twenty (20) years as from their respective execution, which may be extended for an additional 20-year term, at CBD’s exclusive criteria, and which rule the calculation of the rental fees.

The Proceeding refers to matters with the application of the Agreements and does not affect the continuity of the leases, which are contractually assured. The Company and its legal advisors understands that the Proceeding will be decided favorably to CBD.

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 accounting pronouncements 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 fair value. All relevant information in the financial statements is being evidenced and corresponds to that used by the Adminstration in the conduct of the Company.

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, 2017 was approved by the Board of Directors on February 19, 2018.

As a result of the ongoing process for the sale of the subsidiary Via Varejo S.A. (note 32) and in accordance to the CPC 31 / IFRS 5 – Non current assets held for sale and discontinued operation, the individual and consolidated financial statement of the operations and the statement of the added value for the year ended on December 31, 2017 and December 31, 2016 were presented with the effects of the transaction.

Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2017 and 2016

(In millions of Brazilian reais, unless otherwise stated)

3. Basis of consolidation

3.1. Interest in subsidiaries and associates:

	Direct and indirect equity interests - %			
	12.31.2017		12.31.2016	
Companies	**Company**	**Indirect interest**	**Company**	**Indirect interest**
Subsidiaries				
Novasoc Comercial Ltda. (“Novasoc”) (****)	**100.00**	**-**	**10.00**	**-**
Sendas Distribuidora S.A. (“Sendas”)	**100.00**	**-**	**100.00**	**-**
Bellamar Empreend. e Participações Ltda. (“Bellamar”)	**100.00**	**-**	**100.00**	**-**
GPA Malls & Properties Gestão de Ativos e Serviços Imobiliários Ltda. (“GPA M&P”)	**100.00**	**-**	**100.00**	**-**
CBD Holland B.V. (“CBD Holland”)	**100.00**	**-**	**100.00**	**-**
GPA 2 Empreed. e Participações Ltda. (“GPA 2”)	**100.00**	**-**	**100.00**	**-**
GPA Logística e Transporte Ltda. (“GPA Logística”)	**100.00**	**-**	**100.00**	**-**
Via Varejo S.A. (“Via Varejo”) (*)	**43.31**		**43.34**	**-**
Via Varejo Luxembourg Holding S.à.r.l. (“VVLuxco”) (*)	**-**	**43.31**	**-**	**43.34**
Via Varejo Netherlands Holding B.V. (“VVDutchco”) (*)	**-**	**43.31**	**-**	**43.34**
Indústria de Móveis Bartira Ltda. (“Bartira”) (*)	**-**	**43.31**	**-**	**43.34**
VVLOG Logística Ltda. (PontoCred Negócio de Varejo Ltda.) (“VVLOG Logística”) (*)	**-**	**43.31**	**-**	**43.34**
Globex Adm. e Serviços Ltda. (“Globex Adm”) (*)	**-**	**43.31**	**-**	**43.34**
Lake Niassa Empreend. e Participações Ltda. (“Lake Niassa”) (*)	**-**	**43.31**	**-**	**43.34**
Globex Adm. Consórcio Ltda. (“Globex Adm. Consórcio”) (*)	**-**	**43.31**	**-**	**43.34**
Cnova Comércio Eletrônico S.A. (”Cnova Brasil”) (*)	**-**	**43.31**	**-**	**43.34**
E-Hub Consult. Particip. e Com. S.A. (“E – Hub”) (*)	**-**	**43.31**	**-**	**43.34**

Nova Experiência PontoCom S.A. (“Nova Experiência”) (*)	**-**	**43.31**	**-**	**43.34**
Companhia Brasileira de Distribuição Luxembourg Holding S.à.r.l. ("CBDLuxco”)	**100.00**	**-**	**100.00**	**-**
Companhia Brasileira de Distribuição Netherlands Holding B.V. (“CBDDutchco”)	**-**	**100.00**	**-**	**100.00**
Associates				
Cnova N.V (“Cnova Holanda”) (**)	**-**	**34.05**	**-**	**34.05**
Cdiscount Group S.A.S. (“CDiscount”) (**)	**-**	**34.05**	**-**	**34.05**
Cnova Finança B.V. (“Cnova Finança”) (**)	**-**	**34.05**	**-**	**34.05**
Cdiscount Afrique SAS (“Cdiscount Afrique”) (**)	**-**	**34.05**	**-**	**34.05**
Cdiscount International BV The Netherlands (“Cdiscount Internacional”) (**)	**-**	**34.05**	**-**	**34.05**
Cnova France SAS (“Cnova France”) (**)	**-**	**34.05**	**-**	**34.05**
Cdiscount S.A. (“Cdiscount”) (**)	**-**	**33.94**	**-**	**33.93**
3W SAS (“3W”) (**) (***)	**-**	**-**	**-**	**33.93**
CD Africa SAS (“CD Africa”) (**) (***)	**-**	**-**	**-**	**28.94**
Cdiscount Côte d'Ivoire SAS Ivory Coast (“Cdiscount Côte”) (**)	**-**	**34.05**	**-**	**28.94**
Cdiscount Sénégal SAS (“Cdiscount Sénégal”) (**)	**-**	**34.05**	**-**	**28.94**
Cdiscount Cameroun SAS (“Cdiscount Cameroun”) (**)	**-**	**34.05**	**-**	**28.94**
CLatam AS Uruguay (“CLatam”) (**)	**-**	**23.84**	**-**	**23.84**
Cdiscount Panama S.A. (“Cdiscount Panama”) (**)	**-**	**23.84**	**-**	**23.84**
Cdiscount Uruguay S.A. (“Cdiscount Uruguay”) (**)	**-**	**23.84**	**-**	**23.84**
Ecdiscoc Comercializadora S.A.(Cdiscount Ecuador) (“Ecdiscoc Comercializadora”) (**)	**-**	**23.83**	**-**	**23.83**
Cnova Pay (“Cnova Pay”)	**-**	**34.05**	**-**	**-**
BeezUP SAS (“BezzUp”)	**-**	**20.43**	**-**	**-**
Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento (“FIC”)	**-**	**41.93**	**-**	**41.93**
Banco Investcred Unibanco S.A. (“BINV”)	**-**	**21.65**	**-**	**21.67**
FIC Promotora de Vendas Ltda. (“FIC Promotora”)	**-**	**41.93**	**-**	**41.93**

(*) Companies which balance are classified in “Held for sale and discontinued activities” (see note n°32)**.**

(**) Companies no longer consolidate on October 2016 (see note n°32)

(***) Companies merged in 2017.

(****) In 2017 the former partners of Novasoc transferred to CBD the quotas they held in society.

Companhia Brasileira de Distribuição

Notes to the consolidated financial statements

December 31, 2017 and 2016

(In millions of Brazilian reais, unless otherwise stated)

3. Basis of consolidation – Continued

3.1. Interest in subsidiaries and associates – Continued

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 non-controlling 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.

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, 2017 are: i) BINV (not operating) and FIC is managed 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	
	12.31.2017	**12.31.2016**
Current assets	**4,621**	4,060
Noncurrent assets	**69**	43
Total assets	**4,690**	4,103
Current liabilities	**4,026**	3,050
Noncurrent liabilities	**11**	15
Shareholders' equity	**653**	1,038
Total liabilities and shareholders' equity	**4,690**	4,103

Statement of operations:	**12.31.2017**	**12.31.2016**
Revenues	**988**	1,118
Operating income	**321**	386
Net income of the year	**184**	236

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3. Basis of consolidation – Continued

3.3. Associates – Continued

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	
	12.31.2017	**12.31.2016**
Current assets	**2,836**	1,457
Noncurrent assets	**796**	501
Total assets	**3,632**	1,958
Current liabilities	**3,941**	1,948
Noncurrent liabilities	**174**	70
Shareholders' equity	**(483)**	(60)
Total liabilities and shareholders' equity	**3,632**	1,958

Statement of operations:	**12.31.2017**	**12.31.2016**
Revenues	**7,651**	7,187
Operating income	**(72)**	(146)
Losses for the year	**(367)**	(224)

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.

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4. Significant accounting policies - Continued

4.1. Financial instruments – Continued

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.

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.

- 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.

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4. Significant accounting policies - Continued

4.1. Financial instruments – Continued

(i) *Financial assets* – Continued

Derecognition of financial assets

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

- Its right to receive cash flows has expired.

- 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.

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.

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4. Significant accounting policies – Continued

4.1. Financial instruments – Continued

(i) *Financial assets* – Continued

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 (CPC 38) 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.

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

The 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.

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4. Significant accounting policies – Continued

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. Derivative financial instruments

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.

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.

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 B3 (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.

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4. Significant accounting policies - Continued

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.

The annual closing of each reporting period, the Company and its subsidiaries assets if the financial assets or group of financial assets are impaired.

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

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

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.

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4. Significant accounting policies – Continued

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.

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	21.13 %
Software	10.27 %
Facilities	8.65 %
Furniture and fixtures	10.77 %
Vehicles	20.00 %
Machinery and equipment	9.43 %
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.

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4. Significant accounting policies – Continued

4.10.Property and equipment – Continued

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 2017 and no significant changes were necessary.

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), 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 above. 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.

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4. Significant accounting policies – Continued

4.13.Intangible assets – Continued

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.

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.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 for 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 substantially from 5 to 25 years.

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4. Significant accounting policies – Continued

4.16.Leases – Continued

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 financial expense in the year.

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