BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD
Form 20-F
June 30, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

1	REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
	OR
T	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2009
	OR
1	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	OR
1	SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-14626

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

(Exact Name of Registrant as Specified in its Charter)

BRAZILIAN DISTRIBUTION COMPANY
(Translation of Registrant s name into English)

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

José Antônio de Almeida Filippo, Chief Financial Officer
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Avenida Brigadeiro Luiz Antonio, 3,142
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(Address of principal executive offices)

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

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

*The Preferred Shares are non-voting, except under limited circumstances.
**Not for trading purposes, but only in connection with the listing on the New York Stock Exchange of American Depositary Shares representing those Preferred Shares.

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

None

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

None

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

99,679,851 Common Shares, no par value per share
143,878,318 Preferred Shares A, no par value per share

11,293,819 Preferred Shares B, no par value per share

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

T Yes 1 No

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

1 Yes T No

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

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

T Yes **1** No

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

1 Yes T No

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

Large Accelerated Filer T **Accelerated Filer 1** **Non-accelerated Filer 1**

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

U.S. GAAP 1 **International Financial Reporting Standards as issued by the International Accounting Standards Board T** **Other 1**

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

Item 17 1 Item 18 1

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

1 Yes **T** No

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INTRODUCTION

All references in this annual report to (i) CBD, we, us, our or Company are references to Companhia Brasileira de Distribuição and its consolidated subsidiaries, (ii) the Brazilian government are references to the federal government of the Federative Republic of Brazil, or Brazil, and (iii) preferred shares and common shares are references to our authorized and outstanding shares of non-voting preferred stock, designated as *ações preferenciais*, and common stock, designated as *ações ordinárias*, respectively, in each case without par value. All references to ADSs are to American depositary shares, each representing two preferred shares. All references herein to the *real*, *reais* or R$ are to Brazilian reais, the official currency of Brazil. All references to US$, dollars or U.S. dollars are to United States dollars.

We have prepared our consolidated financial statements included in this annual report in conformity with accounting practices adopted by the International Financial Reporting Standards, or IFRS, issued by the International Accounting Standards Board, or IASB, in *reais*. We prepare Brazilian GAAP financial information for certain purposes, included for the calculation of dividends and certain segment information.

We have translated some of the *real* amounts contained in this annual report into U.S. dollars. The rate used to translate the amounts in respect of the year ended December 31, 2009 was R$1.741 to US$1.00, which was the commercial rate for the purchase of U.S. dollars in effect as of December 31, 2009, as reported by the Central Bank of Brazil, or the Central Bank. The U.S. dollar equivalent information presented in this annual report is provided solely for the convenience of investors and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See Item 3A. Selected Financial Data Exchange Rates for more detailed information regarding the translation of *reais* into U.S. dollars.

FORWARD-LOOKING STATEMENTS

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

- the effects of the global financial and economic crisis in Brazil,
- our ability to sustain or improve our performance,
- competition in the Brazilian retail food industry,
- government regulation and tax matters,
- adverse legal or regulatory disputes or proceedings,
- credit and other risks of lending and investment activities, and
- other risk factors as set forth under Item 3D. Key Information Risk Factors.

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

performance could differ substantially from those anticipated in our forward-looking statements.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

3A. Selected Financial Data

We changed our financial reporting from Brazilian GAAP to IFRS, beginning with the financial statements as of and for the year ended December 31, 2009. Therefore, we present in this section summary financial and operating data derived from our audited financial statements as of and for the years ended December 31, 2009 and 2008, included herein and prepared in accordance with IFRS.

For a reconciliation of net income and shareholders equity of our audited financial statements in Brazilian GAAP to our audited financial statements in IFRS at January 1, 2008 and December 31, 2008 and for the year then ended, see note 31 under the caption "Reconciliation between IFRS and BR GAAP" to our financial statements included in this annual report.

The following tables present certain of our summary historical consolidated financial and operating data for each of the periods indicated. Solely for the convenience of the reader, *real* amounts as of and for the year ended December 31, 2009 have been translated into U.S. dollars at the commercial market rate in effect as of December 31, 2009 as reported by the Brazilian Central Bank of R$1.741 to US$1.00.

We prepare Brazilian GAAP financial information for certain purposes, included for the calculation of dividends and certain segment information.

	At and for the Year Ended December 31,		
	2008	2009 (1)	2009 (1)
	(millions of R$, except share, per share and per ADS amounts)		(millions of US$, except share, per share and per ADS amounts)
Statement of operations data			
Net sales revenue	18,032.0	23,240.5	13,348.9
Cost of sales	(13,279.5)	(17,493.8)	(10,048.1)
Gross profit	4,752.5	5,746.7	3,300.8
Selling, general and administrative expenses	(3,447.9)	(4,176.3)	(2,398.8)
Depreciation and amortization	(442.7)	(461.6)	(265.1)
Other operating expenses, net	(19.1)	(77.8)	(44.7)
Operating proft	842.8	1,030.3	591.8
Financial income	292.1	290.4	166.8
Financial expense	(623.7)	(590.2)	(339.0)
Equity results	(0.5)	7.0	4.0
Income before income and social contribution taxes and employees' profit sharing and noncontrolling interest	510.7	738.2	424.0

Income tax (expense) benefit:			
Current	(36.3)	(68.1)	(39.1)
Deferred	(110.9)	(27.8)	(16.0)
Employee profit sharing	(22.2)	(32.5)	(18.7)
Net income	341.3	609.8	350.3
Attributable to equity hoders the parent	341.3	609.0	349.8
Attributable to noncontrolling interest	0.0	0.8	0.5
Basic earnings per 1,000 shares			
Preferred	1.54	2.59	1.49
Common	1.39	2.34	1.34
Diluted earnings per 1,000 shares			
Preferred	1.49	2.50	1.44
Common	1.39	2.34	1.34
Basic earnings (loss) per ADS	1.39	2.59	1.48
Diluted earnings (loss) per ADS	1.49	2.50	1.44
Weighted average number of shares outstanding (in thousands)			
Preferred	132,170	145,442	145,442
Common	99,680	99,680	99,680
Total	227,690	245,122	245,122
Dividends declared and interest on equity per 1,000 shares (2)			
Preferred	0.28	0.60	0.34
Common	0.25	0.53	0.31
Dividends declared and interest on shareholders' equity per ADS (2)	0.28	0.60	0.34
Balance sheet data			
Cash and cash equivalents	1,623.5	2,341.9	1,345.1
Property and equipment, net	4,867.0	5,252.7	3,017.1
Total assets	13,718.6	18,030.1	10,356.2
Short-term debt (including current portion of long-term debt)	334.6	529.7	304.3
Long-term debt	3,092.6	3,582.6	2,057.8
Shareholders equity	5,454.2	6,643.2	3,815.7
Capital stock	4,450.7	5,374.8	3,087.2
Other financial information			
Net cash provided by (used in):			
Operating activities	1,256.0	1,842.8	1,058.5
Investing activities	(484.7)	(1,636.8)	(940.1)
Financing activities	(206.8)	512.4	294.3
Capital expenditures	(488.3)	(1,631.8)	(937.3)

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(1) Includes the result of operations of Globex Utilidades S.A., or Globex (Ponto Frio), from July 1, 2009. For further information on the acquisition of Globex (Ponto Frio) see Item 4A. History and Recent Development of the Company Acquisition of Globex (Ponto Frio).

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

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	At and for the Year Ended December 31,		
	2008	2009(7)	2009(7)
Operating Data	(in millions of R$, except as indicated)		(in millions of US$, except as indicated
Employees at end of period	70,656	85,244	85,244
Total square meters of selling area at end of period	1,360,706	1,744,653	1,744,653
Number of stores at end of period:			
Pão de Açúcar	145	145	145
CompreBem	165	157	157
Extra (1)	139	168	168
Extra Eletro	47	47	47
Assaí (6)	28	40	40
Sendas (2)	73	68	68
Ponto Frio (3)(7)	-	455	455
Total number of stores at end of period	597	1,080	1,080
Net sales revenues per employee (4):			
Pão de Açúcar	229,076	262,276	150,647
CompreBem	325,737	335,961	192,970
Extra (1)	339,614	356,219	204,606
Extra Eletro	409,722	548,133	314,838
Assaí (6)	437,538	303,395	174,265
Sendas (2)	244,060	297,486	170,871
Ponto Frio (3)(7)	-	258,144	148,274
Average net sales revenues per employee	297,536	315,690	181,327
Net sales revenues by store format:			
Pão de Açúcar	3,378	3,798	2,182
CompreBem	2,573	2,585	1,485
Extra (1)	9,120	10,406	5,977
Extra Eletro	295	386	222
Assaí	1,269	1,982	1,138
Sendas (2)	1,397	1,608	923
Ponto Frio (3)(7)	-	2,475	1,422
Total net sales	18,032	23,240	13,349
Average monthly net sales revenue per square meter (5):			
Pão de Açúcar	1,481.1	1,637.2	940.4
CompreBem	1,085.4	1,148.7	659.8
Extra (1)	1,025.3	1,138.0	653.7
Extra Eletro	881.1	1,154.1	662.9
Assaí (6)	2,486.1	1,395.2	801.4
Sendas (2)	897.1	1,088.6	625.3
Ponto Frio (3)(7)	-	620.4	356.3
CBD average monthly net sales revenue per square meter	1,104.3	1,110.1	637.6
Average ticket amount:			

Pão de Açúcar	26.1	29.8	17.1
CompreBem	19.3	20.7	11.9
Extra (1)	43.7	48.5	27.9
Extra Eletro	299.1	346.6	199.1
Sendas (2)	21.9	24.2	13.9
Assaí (6)	78.9	74.5	42.8
Ponto Frio (3)(7)	-	618.4	355.2
CBD average ticket amount	32.6	41.2	23.6
Average number of tickets per month:			
Pão de Açúcar	10,769,076	10,607,751	10,607,751
CompreBem	11,128,328	10,387,308	10,387,308
Extra (1)	17,406,079	17,886,223	17,886,223
Extra Eletro	82,185	92,908	92,908
Sendas (2)	5,315,750	5,537,072	5,537,072
Assaí (6)	1,340,148	2,218,159	2,218,159
Ponto Frio (3)(7)	-	333,487	333,487
CBD average number of tickets per month	46,041,566	47,062,907	47,062,907

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(1) Includes 52 *Extra Fácil* convenience stores and 13 *Extra Supermercado* stores.

(2) Sendas stores, which are part of Sendas Distribuidora.

(3) Includes the result of operations of Globex (Ponto Frio) from July 1, 2009. For further information on the acquisition of Globex (Ponto Frio) see Item 4A. History and Recent Development of the Company Acquisition of Globex (Ponto Frio).

(4) Based on the average of the full-time equivalent number of employees calculated by dividing the total number of hours worked by all employees at the end of each month in the period presented by 220 hours.

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

(6) In 2008, the figure were calculated based on the Assaí stores in operation under the Assaí banner.

(7) Includes the result of operations of Globex (Ponto Frio) from July 1, 2009.

Exchange Rates

The Brazilian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of *reais* by any person or legal entity, regardless of the amount, subject to certain regulatory procedures. The Brazilian currency has during the last decades experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. Between 2000 and 2002, the *real* depreciated significantly against the U.S. dollar, reaching an exchange rate of R$3.53 per US$1.00 at the end of 2002. Between 2003 and mid-2008, the *real* appreciated significantly against the U.S. dollar due to the stabilization of the macro-economic environment and a strong increase in foreign investment in Brazil, with the exchange rate reaching R$1.56 per US$1.00 in August 2008. With the crisis in the global financial markets beginning in mid-2008, the *real* depreciated 33.3% against the U.S. dollar over the year 2008, reaching R$2.34 per US$1.00 on December 31, 2008. On December 31, 2009 the exchange rate was R$1.74 per US$1.00. The Central Bank has intervened occasionally to control instability in foreign exchange rates.

The following tables set forth the commercial selling rate, expressed in *reais* per U.S. dollar (R$/US$), for the periods indicated.

	Exchange Rate of Brazilian Currency per US$1.00			
Year	**Low**	**High**	**Average(1)**	**Year-End**
2005	2.163	2.762	2.413	2.341
2006	2.059	2.371	2.177	2.138
2007	1.733	2.156	1.948	1.771
2008	1.559	2.500	1.838	2.337
2009	1.702	2.421	1.994	1.741

	Exchange Rate of Brazilian Currency per US$1.00			
Month	**Low**	**High**	**Average(1)**	**Year-End**
December 2009	1.709	1.787	1.750	1.740
January 2010	1.723	1.875	1.780	1.875
February 2010	1.805	1.877	1.842	1.811
March 2010	1.764	1.823	1.786	1.781
April 2010	1.731	1.781	1.757	1.731
May 2010	1.732	1.835	1.787	1.805
June 2010 (through June 25)	1.766	1.863	1.808	1.778

Source: Central Bank

(1) Represents the average of the exchange rates of each trading date.

3B. Capitalization and Indebtedness

Not applicable.

3C. Reasons for the Offer and Use of Proceeds

Not applicable.

3D. Risk Factors

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

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Risks Relating to Brazil

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

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

- interest rates;
- monetary policy;
- εξχηανγε ρατε φλυχτυατιον;
- currency fluctuations;
- inflation;
- liquidity of the domestic capital and lending markets;
- tax and regulatory policies;
- presidential elections will be held in Brazil in October 2010 and speculation about the new government s economic, monetary and tax policies may create market instability and volatility; and
- other political, social and economic developments in or affecting Brazil.

Although the Brazilian government has implemented sound economic policies over the last few years, uncertainty over whether the Brazilian government will implement changes in policies or regulations affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and securities issued abroad by Brazilian issuers.

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

Brazil has in the past experienced extremely high rates of inflation and has therefore followed monetary policies that have resulted in one of the highest *real* interest rates in the world. Between 2005 and 2009, the base interest rate (SELIC) in Brazil varied between 19.77% p.a. and 8.64% p.a. Inflation and the Brazilian government s measures to fight it, principally through the Central Bank, have had and may have significant effects on the Brazilian economy and our business. Tight monetary policies with high interest rates may restrict Brazil s growth and the availability of credit. Conversely, more lenient government and Central Bank policies and interest rate decreases may trigger increases in inflation, which could negatively affect our business. We may not be able to adjust the prices we charge our customers to offset the effects of inflation on our cost structure. In addition, Brazilian government measures to combat inflation that result in an increase in interest rates may have an adverse affect on us as our indebtedness is indexed to the CDI rate. Inflationary pressures may also hinder our ability to access foreign financial markets or lead to government policies to combat inflation that could harm our business or adversely affect the market price of our preferred shares and, as a result, the ADSs.

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

The Brazilian currency fluctuates in relation to the U.S. dollar and other foreign currencies. The Brazilian government has in the past utilized different exchange rate regimes, including sudden devaluations, periodic mini-devaluations (during which the frequency of adjustments has ranged from daily to monthly), exchange controls, dual exchange rate markets and a floating exchange rate system. Since 1999, Brazil has adopted a floating exchange rate system with interventions by the Central Bank in buying or selling foreign currency. From time to time there have been significant fluctuations in the exchange rate between the real and the U.S. dollar and other currencies. For example, the real appreciated 11.8%, 8.7% and 17.2% against the U.S. dollar in 2005, 2006 and 2007, respectively.

In 2008, as a result of the worsening global economic crisis, the real depreciated 32% against the U.S. dollar, closing at R$2.34 to US$1.00 on December 31, 2008. For the year ended December 31, 2009, the real appreciated 25.5% against the U.S. dollar, closing at R$1.74 to US$1.00 on December 31, 2009. Our imports, which represent approximately 3.5% of our gross sales are indexed to the U.S. dollar. A depreciation of the *real* in relation to the U.S. dollar may result in a decrease in our net income as result of the increase in the price of imports. The *real* may substantially depreciate or appreciate against the U.S. dollar in the future. We cannot assure you that the appreciation trend of the real will persist. Exchange rate instability may have a material adverse effect on us.

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

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

The global financial crisis which began during the second half of 2008 has had significant consequences, including in Brazil, such as stock and credit market volatility, higher interest rates, a general economic slowdown, volatile exchange rates and inflationary pressure, among others, which may, directly or indirectly, adversely affect us and the market price of Brazilian securities, including the ADSs and our preferred shares. Although the scenario has improved significantly since the second half of 2009, it is still not clear that the global economy has efficiently recovered.

Risks Relating to the Food Retail Industry and Us

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

The food retail industry in Brazil, including the cash and carry segment (*atacarejo*), a wholesale format in the retail food sector, is highly competitive. We face intense competition from small food retailers that often benefit from inefficiencies in the Brazilian tax collection system. These small food retailers also frequently have access to merchandise from informal distribution channels at lower prices than those charged by manufacturers and stores in the conventional supply chain of the organized retail food sector. In addition, in our markets, and particularly in the São Paulo and Rio de Janeiro city areas, we compete with a number of large multinational retail food and general merchandise and cash and carry chains, as well as local supermarkets and independent grocery stores. Some of these international competitors have greater financial resources than we have. Acquisitions or consolidations within the industry may also increase competition and adversely affect our market share and net income.

We are co-controlled by two groups of shareholders who may have different interests than other shareholders.

The group composed of Mr. Abilio dos Santos Diniz and other members of the Diniz family, or Diniz Group, and the Casino Guichard Perrachon Group, or Casino Group, share our control through our holding company, Wilkes Participações S.A., which owns 65.6% of our voting shares. This holding company is also referred to herein as the

Holding Company. See Item 7A. Major Shareholders and Related Party Transactions Major Shareholders. Consequently, our two indirect co-controlling shareholders have the power to control our Company, including the power to:

- appoint the members to our board of directors, who, in turn, appoint our executive officers,

- determine the outcome of any action requiring shareholder approval, including the timing and payment of any future dividends, and

- transfer our control.

Although you are entitled to tag-along rights in connection with a change of control of our Company and you will have specific protections in connection with transactions between our controlling shareholders and related parties, our controlling shareholders may have an interest in pursuing acquisitions, dispositions, financings or similar transactions that could conflict with your interests as a holder of the ADSs or our preferred shares. In addition, the co-control of our Company could result in deadlocks with respect to certain important issues, which may negatively affect our operations, financing and reputation. For additional information on shared decision-making, see Item 7A. Major Shareholders and Related Party Transactions Major Shareholders Shareholders Transactions.

We may not be able to successfully implement our acquisition strategy.

We intend to grow partially through acquisitions. However, we may not be able to successfully identify, negotiate or conclude acquisitions. Additionally, the integration of acquired companies may be more expensive and complicated than expected.

Moreover, we may not be able to successfully integrate the acquired companies or their assets into our business. This may result in loss of resources and time spent by senior management and other employees analyzing and implementing an unsuccessful acquisition. We also may not be able to identify potential liabilities in the acquired companies even through proper diligence. The failure of our acquisition strategy could have an adverse effect on our growth perspectives, financial condition and results.

In addition, any large acquisitions may be subject to approval by Brazilian antitrust authorities and other government agencies, and we may be unable to obtain this approval, or to obtain it on a timely basis.

Change in control of the Holding Company may bring changes to our corporate governance structure.

Mr. Abilio Diniz has been Chairman of both the Holding Company and us since 2003. According to the terms of the Holding Company Shareholders Agreement, the Diniz Group granted a purchase option of one common share of the Holding Company to the Casino Group exercisable after June 22, 2012. If exercised, this purchase option will allow the Casino Group to obtain indirect control of our Company, resulting in the alteration in the control of the Holding Company, which may change our corporate governance structure.

Our operations are subject to environmental risks.

We are subject to a number of different national, state and municipal laws and regulations relating to the preservation and protection of the environment and specially related to our gas stations. Among other obligations, these laws and regulations establish environmental licensing requirements and standards for the release of effluents, gaseous emissions, management of solid waste and specially protected areas. Costs are incurred for prevention, control, reduction or elimination of releases into the air, ground and water at our gas stations, as well as in the disposal and handling of wastes at our stores and distribution centers. A violation of applicable environmental laws may subject us to administrative and criminal sanctions, in addition to the obligation to repair or indemnify the damages caused to the environment and third parties. The increase in environmental protection and control costs related to our gas station operation and other potentially polluting activities could adversely affect us and the market value of our preferred shares and the ADSs.

We may not be able to renew or maintain our stores lease agreements.

Most of our stores operate in leased properties. The strategic location of our stores is highly relevant for the development of our commercial strategy and, as a result, we may be adversely affected in case a significant number of our lease agreements is terminated or fail to be renewed.

Problems with our distribution centers, which are a vital part of our operations, that result in the disruption of our operations may adversely affect our business.

Approximately 85% of our products are distributed through our distribution centers located in the southern, southeastern, mid-western and northeastern regions of Brazil. If operations at one of these centers are affected, and in the event that no other distribution center is able to meet the demands of the region affected, the distribution of products to the stores supplied by the affected distribution center will be impaired, which may adversely affect our Company. Our growth strategy includes the opening of new stores which may require the opening of new or the expansion of our current distribution centers to supply and meet the demands of the additional stores. Our operations may be negatively affected if we are not able to open new distribution centers or expand our existing distribution centers in order to meet the supply needs of these new stores.

We are subject to the risks normally associated with providing financing.

We maintain a financial partnership with Itaú Unibanco Holding S.A., or Itaú Unibanco, through which we have established Financeira Itaú CBD S.A. Crédito, Financiamento e Investimento, or FIC, which exclusively offers private label and co-branded credit cards, personal and consumer credit, extended warranties and insurance at our stores. See Item 4A. History and Recent Development of the Company Restructuring of our Association with Itaú Unibanco. In addition, FIC raises funds from financial institutions in order to finance credit sales to our clients. We are subject to the risks normally associated with providing this type of financing, including risk of default on the payment of principal and interest and any mismatch of cost and maturity of our funding in relation to cost and maturity of financing to our clients, either of which could adversely affect our cash flow and have a material adverse affect on us.

Risks Relating to the Preferred Shares and ADSs

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

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

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

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

You will not be able to exercise the preemptive rights relating to the preferred shares underlying your ADSs unless a registration statement under the Securities Act of 1933 is effective with respect to those rights, or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement or to take any action to make preemptive rights available to holders of ADSs. Unless we file a registration statement or an exemption from registration applies, you may receive only the net proceeds from the sale of your preemptive rights by the depositary or, if the preemptive rights cannot be sold, they will lapse and you will not receive any value for them. In addition, we may pay for future acquisitions, like the acquisition of Globex (Ponto Frio) in 2009, through the issuance a substantial number of preferred shares which could negatively affect the market price of the preferred shares and dilute your shareholdings in us, for which preemptive rights may not be extended to holders of ADSs.

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

Investing in securities that trade in emerging markets, such as Brazil, often involves greater risk than investing in securities of issuers in more developed markets, and such investments are generally considered to be more speculative in nature. The Brazilian securities market is substantially smaller, less liquid, more concentrated and can be more volatile than more developed securities markets. Accordingly, although you are entitled to withdraw the preferred shares underlying the ADSs from the depositary at any time, your ability to sell the preferred shares underlying the ADSs at a price and time at which you wish to do so may be substantially limited. There is also significantly greater concentration in the Brazilian securities market than in more developed securities markets. The top ten stocks in terms of trading volume accounted for approximately, 50%, 53% and 58% of all shares traded on the São Paulo Stock Exchange (*BM&FBOVESPA S.A. Bolsa de Valores, Mercadorias e Futuros*), or BM&FBOVESPA, in 2007, 2008 and 2009, respectively.

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

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

ITEM 4. INFORMATION ON THE COMPANY

4A. History and Recent Development of the Company

We were incorporated in Brazil under Brazilian law on November 10, 1981 as Companhia Brasileira de Distribuição. Our principal executive offices are located at Avenida Brigadeiro Luis Antonio, 3,142, CEP 01402-901 São Paulo, SP, Brazil (telephone: 55-11-3886-0421). Our agent for service of process in the United States is CT Corporation, 1633 Broadway, New York, New York, 10019.

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

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

We responded to these changes by strengthening our capital structure, increasing our logistics and technology investments and implementing an expansion strategy focused on the different consumer preferences of the Brazilian population. To support our expansion strategy, consisting of acquisitions and organic growth, we defined the format of our stores in terms of the expectations, consumption patterns and purchasing power of the different income levels in Brazil. In order to implement that strategy and to increase our market share, between 1981 and 2002, we acquired important supermarket chains such as *Coopercitrus*, *Lourenção*, *Barateiro* (we operate these stores under the *CompreBem* banner), *Peralta*, *Paes Mendonça*, *ABC Supermercados*, *Sé Supermercados* and other small chains, such as *São Luiz*, *Nagumo* and *Rosado*.

In December 2003, we entered into an association called *Sendas Distribuidora S.A.*, or the *Sendas* Association, with *Sendas S.A.* (of which we currently hold 57.4%) and investment funds of the AIG Group in order to acquire the *Sendas* chain. The *Sendas* chain operates retail stores in the State of Rio de Janeiro. For further information on the *Sendas* Association, see Item 10C. Additional Information Material Contracts The *Sendas* Shareholders Agreement.

On July 27, 2004, we entered into a financial partnership called FIC with Itaú Unibanco. FIC exclusively offers private label and co-branded credit cards, personal and consumer credit, extended warranties and insurance at our stores. For more information, see Restructuring of our Association with Itaú Unibanco.

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In November 2007, we acquired a 60% ownership interest in the Assaí chain by purchasing 60% of the capital stock of Barcelona Comércio Varejista e Atacadista S.A., or Barcelona, a company holding of all the operating assets of the Assaí chain. This acquisition enabled us to enter the cash and carry segment, a wholesale format in the retail food sector, in the State of São Paulo.

On October 16, 2008, we started cash and carry operations in the State of Rio de Janeiro through Xantocarpa, a company that assumed the operation of three stores of Sendas Distribuidora which were converted into Assaí stores.

On July 7, 2009, we purchased a 70.2% ownership interest in Globex (Ponto Frio), a company which operates in the non-food durable goods retail sector under the brand name Ponto Frio. In a tender offer triggered by the acquisition, our Company increased its ownership interest in Globex (Ponto Frio) to 98.8%. For more information see Acquisition of Globex (Ponto Frio).

On July 25, 2009, we purchased Barcelona s remaining stock, equivalent to 40% of its capital stock and accordingly, we currently own 100% of the Assaí chain. The total amount for this acquisition was R$175 million, of which we have already paid R$50 million and we will pay R$125 million on January 15, 2011 in cash. Subject to certain conditions, we will pay to the sellers an additional amount of R$25 million on January 15, 2011.

On December 4, 2009, we entered into a business combination agreement with Casas Bahia Comercial Ltda., or Casas Bahia, a Brazilian durable goods retailer. Pursuant to the agreement, by means of a re-organization we and Casas Bahia will integrate our respective businesses in the durable goods retail sector, and unify the e-commerce durable goods operations currently conducted by our subsidiary, Globex (Ponto Frio). The agreement was approved by our shareholders at our General Shareholders Meeting held on January 11, 2010. Our Company and Casas Bahia are in the process of reviewing the agreement in order to reach an understanding on certain terms of the agreement. For the year ended December 31, 2009, this transaction did not generate any impact on our accounting records, with the exception of expenses related to the transaction, or cause any material changes in our ownership structure. Until the conclusion of the re-organization, we cannot determine the effects of this transaction in the results for the year ended December 31, 2010. For more information, see Business Combination Agreement with Casas Bahia.

Acquisition of Globex (Ponto Frio)

On June 7, 2009, we entered into a share purchase agreement with the majority shareholders of Globex (Ponto Frio), a company operating in the Brazilian non-food retail sector under the brand name Ponto Frio for over 60 years, for 70.2% of its total voting shares. We paid a portion of the purchase price, R$373.4 million, in cash on July 7, 2009 and the majority shareholders of Globex (Ponto Frio) had the option of receiving the remaining R$451.1 million either in cash, at the fourth anniversary of the closing, or by subscribing for class B preferred shares issued at R$40.00 per share. In the latter case, the majority shareholders of Globex (Ponto Frio) were to receive the shares in the amount due in cash plus 10%.

We also offered the minority shareholders of Globex (Ponto Frio) the right to sell us their shares under the share purchase agreement for 80% of the purchase price paid to the majority shareholders of Globex (Ponto Frio) under the same conditions. One hundred and twenty (120) minority shareholders of Globex (Ponto Frio) agreed to sell us their shares, corresponding to approximately 25% of the total voting shares of Globex (Ponto Frio), for R$236.8 million.

Pursuant to the Globex (Ponto Frio) share purchase agreement, we increased our capital stock through the issuance of 16,609,046 class B preferred shares at a price of $40.00 per share. This capital increase triggered the preemptive rights of our shareholders to subscribe for the new class B preferred shares, in accordance with Brazilian law. Our controlling shareholders transferred their rights to subscribe for class B preferred shares to the Globex (Ponto Frio)

shareholders. Due to the increase in the trading price of our shares, a larger than expected number of our minority shareholders subscribed for the class B preferred shares. As a result of the unexpected demand for class B preferred shares, the preemptive rights transferred to the Globex (Ponto Frio) shareholders were not sufficient to settle our entire purchase price payment obligations. The Globex (Ponto Frio) shareholders were only able to subscribe to 4,673,600 class B preferred shares and were paid the remaining outstanding balance of the purchase price for their Globex (Ponto Frio) shares, R$451.8 million, in cash, on October 2, 2009. The total amount paid in cash and class B preferred shares were R$1,155.8 million.

On December 22, 2009, we launched a tender offer for the remaining approximately 5% interest in Globex (Ponto Frio), in accordance with Brazilian regulation, under the same terms as the offer accepted by the initial 120 Globex (Ponto Frio) minority shareholders. The tender offer was concluded on February 3, 2010 and we acquired approximately 3.3% of Globex s (Ponto Frio) capital stock for R$28.4 million and 137,014 class B preferred shares, resulting in us becoming holders of 98.8% of Globex s (Ponto Frio) capital stock.

For further information on the acquisition of Globex (Ponto Frio), see note 15 (b) to our financial statements included in this annual report.

Restructuring of our Business Combination with Itaú Unibanco

On October 27, 2004, we entered into a partnership agreement with Banco Itaú Holding Financeira S.A., or Partnership, for the creation of a financial institution named FIC, with the aim of structuring and making available to our clients exclusive financial products and services, such as, private label credit cards to be used exclusively at our stores, widely accepted card brands, direct consumer credit and personal loans, through financial service units installed within our stores. The Partnership has an initial term of 20 years. Initially, the Partnership did not result in relevant investments by our Company. When we acquired Globex (Ponto Frio), it had a similar association agreement with Unibanco União de Bancos Brasileiros S.A., or Unibanco, which resulted in the creation of Banco Investcred Unibanco S.A., or Investcred. On February 18, 2009, the Central Bank approved the merger between Banco Itaú S.A. and Unibanco, which created Itaú Unibanco.

In this context, we restructured the Partnership and the association of Globex (Ponto Frio) with Unibanco on December 30, 2009, extending the partnership for another five years and amending certain other aspects of our Partnership, which resulted in the payment of R$600.0 million by Itaú Unibanco to our Company. See note 14 to our financial statements included in this annual report.

Business Combination Agreement with Casas Bahia

On December 4, 2009, we entered into a business combination agreement with Casas Bahia, a Brazilian durable goods retailer, whereby our Company and Casas Bahia will integrate their respective business in the durable goods retail sector, including their e-commerce activities. The transaction is subject to the approval of Brazilian antitrust authorities.

As of the date of this annual report, this transaction did not generate any impact on our accounting records, with the exception of expenses related to the transaction, or cause any material changes in our ownership structure.

Capital Expansion and Investment Plan

As part of our capital expansion and investment plan, we have invested approximately R$ 1,631.8 million in our operations for the three years ended December 31, 2009. Our investments included:

Acquisitions of retail chains When entering new geographic markets, we have generally sought to acquire local supermarket chains to benefit from existing know-how in the geographic region. For expansion within urban areas where we already have a presence, our preference has been to open new stores. Our main focus is to expand organically, but we may continue carrying out strategic acquisitions, to the extent that they result in synergies and added value. Since 2007, we have acquired 476 stores. We have spent an aggregate of R$ 3,414.0 million on acquisitions from 2007 through 2009.

The following table presents information regarding our acquisitions and the regional distribution of the stores we acquired since 2007:

Number of Year	Chains Acquired	Stores	Geographic Distribution
2007	Rossi	5	São Paulo
2007	Assaí	14	São Paulo
2009	Ponto Frio[1]	457	São Paulo, Rio de Janeiro, Distrito Federal, Espírito Santo, Minas Gerais, Mato Grosso, Paraná, Bahia, Goiás, Rio Grande do Sul and Santa Catarina
	Total	476	

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(1) acquired in July 2009.

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Opening of new stores We usually seek real estate properties to open new stores under one of our banners in regions where there are no local supermarket chain acquisition opportunities that suit one of our formats. We have opened 77 new stores from 2007 through 2009, including six *Pão de Açúcar* stores, one *CompreBem* store, four *Extra Hipermercado* stores, 35 *Extra Fácil* convenience stores, six *Extra Eletro* stores, 11 *Ponto Frio* stores and 14 *Assaí* stores. The total cost of opening these new stores was R$716.8 million.

Renovation of existing stores We usually remodel some of our *Pão de Açúcar*, *CompreBem*, *Extra* stores, *Sendas* and *Extra Eletro* stores every year. Through our renovation program we add refrigeration equipment to our stores, create a more modern, customer-friendly and efficient environment, and outfit our stores with advanced information technology systems. The total cost of renovating stores from 2007 through 2009 was R$857.6 million.

Improvements to information technology We are committed to technology as an important component in our pursuit of greater efficiency and security in the flow of information among stores, distribution centers, suppliers and corporate headquarters. The information technology area has received significant investments in new technological solutions aimed at modernization, simplicity and reliability. We have spent an aggregate of R$387.7 million on information technology from 2007 through 2009. For more information on our information technology, see Item 4B. Business Overview Technology.

Expansion of distribution facilities Since 2007, we have opened distribution centers in the cities of São Paulo, Brasília, Fortaleza, Rio de Janeiro, Recife, Salvador and Curitiba. The increase and improvement in storage space enables us to further centralize purchasing for our stores and, together with improvements to our information technology, improve the overall efficiency of our inventory flow. We have spent an aggregate of R$29.9 million on our distribution facilities from 2007 through 2009.

The following table provides a summary description of our principal capital expenditures disbursed for the three years ended December 31, 2009:

	Year Ended December 31,					
	2009		2008		2007	
	(millions of *reais*)					
Opening of new stores	R$	228.3	R$	138.3	R$	350.2
Acquisition of retail chain		885.1				284.8
Purchases of real estate		36.2		94.9		121.0
Renovations		334.3		143.0		380.3
Information technology		144.2		101.8		141.7
Distribution centers		3.7		10.3		15.9
Total	R$	1,631.8	R$	488.3	R$	1,293.9

4B. Business Overview

The Brazilian Retail Food Industry

The Brazilian retail food industry represented approximately 5.6% of Brazil s GDP (gross domestic product) in 2009. According to the Brazilian Supermarket Association (*Associação Brasileira de Supermercados*), or ABRAS, the food retail industry in Brazil had gross revenues of R$177.0 billion in 2009, representing a 11.7% increase compared with 2008.

The Brazilian retail food industry is highly fragmented. Despite consolidation within the Brazilian retail food industry, in 2009, the three largest supermarket chains represented only approximately 40.4% of the retail food industry, as compared to 38.1% in 2008. We believe that future acquisitions will mainly involve smaller sized-stores. Another trend in the retail food industry is large chains migrating to smaller formats such as neighborhood banners, like Tesco Express and Sainsbury s Local. According to ABRAS, our gross sales represented 14.8% of the gross sales of the entire retail food industry in 2009.

The cash and carry segment (*atacarejo*), a wholesale segment in the retail food industry is one of the fastest growing market segments in Brazil in terms of new store openings. This segment was created in order to serve customers within a market niche that was neither reached by self-service retail nor by wholesale.

According to the Brazilian Institute of Geography and Statistics, or IBGE, the total population of Brazil was approximately 191.4 million in 2009, making Brazil the fifth most populous country in the world, with a population growing at a rate of 2% per year. Given that more than 83% of the population lives in urban areas (where most of our operations are located) and the urban population has been increasing at a greater rate than the population as a whole, our business is particularly well positioned to benefit from Brazil s urban growth and economies of scale related to urban growth. The city of São Paulo has a population of approximately 11.1 million and the city of Rio de Janeiro has a population of approximately 6.2 million. These are the two largest cities in Brazil. The State of São Paulo has a total population in excess of 41.4 million, representing approximately 21.6% of the Brazilian population and is our largest consumer market. The State of Rio de Janeiro is our second largest consumer market.

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

The following table sets forth the different income class levels of Brazilian households, according to the (Consumption Potential Index) (*Índice de Potencial de Consumo*), or IPC Target 2010.

Class Level	Monthly Income (average) (in *reais*)
A1	14,550
A2	9,850
B1	5,350
B2	2,950
C1	1,650
C2	1,100
D	750
E	410

Classes A1 and A2 households account for only 5% of the urban population and classes B1 and B2 households account for 24% of the urban population. Classes C1, C2, D and E collectively represent 71% of all urban households. In recent years, the number of class C, D and E households has increased in terms of total urban households and their average purchasing power has increased.

Salary levels in Brazil have generally increased at a slower rate compared to increases in interest and exchange rates and increasing consumer prices. We expect that increased consumption by the lower income class levels will occur over time as a result of the gradual salary increases and a steadily growing population. As seen in the years immediately following the introduction of the *real*, even small increments in purchasing power generally result in significant increases in consumption in absolute terms as well as increased expenditures in premium priced food products and other non-food items, including home appliances and consumer electronics.

Our Company

We are one of the largest food retailers in Brazil based on both gross sales and number of stores. In 2009, we had a market share of approximately 14.8% in the Brazilian food retailing business, according to ABRAS, with gross sales of R$26.2 billion (including Globex - Ponto Frio) and R$23.3 billion (excluding Globex - Ponto Frio). As of December 31, 2009, we operated 1,080 stores, 79 gas stations and 150 drugstores in 19 States and the Federal District, in addition to a logistics infrastructure supported by 28 distribution centers located in 13 States. These figures already include Globex (Ponto Frio) stores that we purchased in July 2009, but do not include Casas Bahia s 508 stores, given that this business combination is still under negotiation.

To guarantee a diversified market performance and meet the various needs and expectations of our consumers, we maintain a multi-format structure encompassing supermarkets (Pão de Açúcar, Extra Supermercado, CompreBem and Sendas), hypermarkets (Extra), durable goods stores (Ponto Frio and Extra Eletro), convenience stores (Extra Fácil) and cash-and-carry chains (Assaí). We also operate e-commerce activities in the food (Pão de Açúcar Delivery - http://www.paodeacucar.com.br) and non-food (Extra.com.br - http://www.extra.com.br and PontoFrio.com - http://www.pontofrio.com.br) sectors. We also own gas stations located at the parking lots of or nearby our stores, where we offer quality products at competitive prices, drugstores located in the shopping areas of our supermarkets and hypermarkets.

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The following table sets forth the number of our stores by region, as of December 31, 2009:

	City of São Paulo	**State of São Paulo (excluding the City of São Paulo)[1]**	**State of Rio de Janeiro**	**South and Southeast (excluding the States of São Paulo and Rio de Janeiro)[2]**	**Northeast[3]**	**Center-West[4]**
Pão de Açúcar	57	41	9	32	4	2
Extra Hipermercado	24	34	15	20	7	3
CompreBem	70	84	-	3	-	.
Sendas	-	-	68	-	-	.
Extra Eletro	23	24	-	-	-	.
Extra Fácil	46	6	-	-	-	.
Extra Supermercado	4	3	-	6	-	.
Assaí	14	15	8	3	-	.
Ponto Frio	38	79	93	133	90	22
Total	276	286	193	197	101	27

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(1) Consists of stores in 39 cities, including Campinas, Ribeirão Preto and Santos.

(2) This area comprises the states of Minas Gerais and Paraná.

(3) This area comprises the following states: Piauí, Ceará, Pernambuco, Paraíba, Bahia, Rio Grande do Norte, Sergipe and Alagoas.

(4) This area comprises the following states: Mato Grosso do Sul, the Federal District and Goiás.

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

	Pão de Açúcar	***CompreBem***	***Extra Hipermercado***	***Extra Eletro***	***Sendas***	***Extra Fácil***	***Extra Supermercado***	***Assaí***	***Ponto Frio***	**Total**
At December 31, 2006	164	186	83	50	62	4				549
Opened	1	5	7			13	10	15		51
Closed	(5)	(11)		(8)		(1)				(25)
Transferred (from)/to	(7)	(2)	1	-		3	5			-
At December 31, 2007	153	178	91	42	62	19	15	15		575
Opened	1	1	2	6		14		7		31
Closed	(2)	(4)		(1)	(1)	(1)				(9)
Transferred (from)/to	(7)	(10)	9		12		(10)	6		
At December 31, 2008	145	165	102	47	73	32	5	28		597
Opened	5		2			21		7	11	46
Closed	(2)	(1)			(2)	(1)	(1)		(13)	(20)

Transferred (from)/to	(3)	(7)	(1)		(3)		9	5		
Acquired									457	457
At December 31, 2009	145	157	103	47	68	52	13	40	455	1,080

Our Operating Segments

Our activities are divided into the following segments:

Retail

Sales of food and non-food items to individual consumers. Food and non-food products are defined as:

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Food products includes non-perishable food items, beverages in general, fruit, vegetables, meat, bread, cold cuts, dairy products, cleaning products, disposable products, and personal care products. In some cases, these goods are sold in the form of products with our brand.

Non-food products includes clothing items, baby items, shoes and accessories, household articles, books, magazines, CDs and DVDs, stationery, handcraft, toys, sports and camping gear, furniture, mattresses, pet articles and gardening. Some of the products listed above are also offered in the form of our own brands. Non-food products also include electronics and durable goods, such as household appliances, personal computers, software, computer accessories, and sound and image systems. The items sold at our drugstores, such as medications and dermocosmetics, are also considered non-food products. This segment also includes products and services sold at our gas stations.

Services that we provide to our clients includes extended warranties on the sale of electronics and durable goods sold at our stores and bill payment services, in addition to the services directly offered at our stores, such as photo development.

Cash-and-Carry

Sales of food and some non-food products to intermediate consumers and retail customers through our Assaí banner.

Electronics and Home Appliances (Globex - Ponto Frio)

Sale of durable goods (specifically electronics, home appliances and furniture) through our subsidiary Globex (Ponto Frio).

Segment Revenue and Income Distribution

The table below shows our revenues from our operating segments and their participation in our net revenues. Results of the operating segments are presented in Brazilian GAAP, the measure used by management in evaluating the performance of and strategy for the three segments listed below. Financial data prepared in accordance with IFRS and Brazilian GAAP is not comparable. See note 31 to our financial statements included in this annual report for a description of the key differences between IFRS and Brazilian GAAP.

	Year ended December 31, 2009	
	Net Revenues from the Segment	**Percentage of**
Operating segment	**(in millions of R$)**	**Total Net Revenues**
Traditional retail	18,787.6	80.9%
Cash-and-carry	1,981.8	8.5%
Electronics and Home Appliances - Globex[1]	2,484.7	10.7%
IFRS Adjustments	(13.6)	(0.1)%
Grupo Pão de Açúcar (GPA)	**23,240.5**	**100.0%**

(1) Refers to the period from July 2009, when we consolidated Globex (Ponto Frio) into our Company.

The table below shows the profit or loss (as the case may be) from each of the operating segments and their participation in our net income. Results of the operating segments are presented in Brazilian GAAP, the measure used

by management in evaluating the performance of and strategy for the three segments listed below. Financial data prepared in accordance with IFRS and Brazilian GAAP is not comparable. See note 31 to our financial statements included in this annual report for a description of the key differences between IFRS and Brazilian GAAP.

	Year Ended December 31, 2009	
	Net Income from the Segment	Percentage of
Operating segment	**(in millions of R$)**	**Total Net Income**
Traditional retail	604.9	99.1%
Cash-and-carry	16.0	2.6%
Home Appliances - Globex[1]	(6.4)	(1.0)%
Elimination	(9.3)	(1.5)%
IFRS Adjustments	4.6	0.8%
Grupo Pão de Açúcar (GPA)	**609.8**	**100.0%**

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(1) Refers to the period from July 2009, when we consolidated Globex (Ponto Frio) into our Company.

Our Competitive Strengths

Our main competitive strengths are (i) our different retail food store formats; (ii) our extensive network of distribution centers; and (iii) our economies of scale.

Different retail food store formats

We conduct our retail food operations under different store formats, namely *Pão de Açúcar*, *CompreBem/Sendas*, *Extra*, *Extra Fácil*, *Extra Supermercado* and *Assaí*. Each of these store formats has a distinct merchandising strategy and a strong brand name. The variety of our formats enables us to effectively target and earn the loyalty of different consumer segments. Our deep understanding of the Brazilian consumer allows us to meet diverse customer needs. The Brazilian consumer associates with each of our brand concepts a specific combination of goods, services and price level. For example, the *Pão de Açúcar* format serves the higher income consumers through a combination of prime store locations, appealing store design and wide range of quality products and services. The *CompreBem* and *Sendas* banners, in turn, target the middle and lower income consumers and are usually located in lower income class neighborhoods. Our hypermarket format *Extra* offers the widest assortment of our store formats and allows us to target potential customers along the entire income spectrum. Our *Extra* format has the additional advantage of benefiting from the general lack of department stores and specialized stores in Brazil and offers a combination of food products and non-food products such as household appliances, consumer electronic products, general merchandise, clothing and textiles that is particularly appealing to Brazilian consumers. Through our *Extra Supermercado* and *Extra Fácil* banners, we operate in the supermarket and convenience store models, respectively and our *Assaí* banner has allowed us to enter the cash-and-carry segment.

Extensive network of distribution centers

We operate distribution centers strategically located in the cities of São Paulo, Brasília, Fortaleza, Rio de Janeiro, Recife, Salvador and Curitiba. Our distribution centers have a total storage capacity of approximately 570,000 square meters. Our management believes that our network of distribution centers is the most extensive one in the Brazilian retail food industry. We believe that our facilities are capable of servicing substantially all of our distribution requirements, both for our existing stores and for the stores that we plan to open in the near future. Approximately 85% of our inventory in 2009 was sourced from our distribution centers, and only 15% came directly from suppliers,

which resulted in (i) increased bargaining power with suppliers, (ii) fewer inventory shortages, (iii) lower shrinkage and, (iv) improved working capital management. Many of the functions of our distribution centers are automated, allowing for quicker and more efficient handling of products. Our distribution centers are, among others, supported by *pd@net*, a business-to-business technology platform which links our computer automated ordering system to our distribution centers and suppliers in order to automatically replenish our inventory.

Economies of scale

We benefit from significant economies of scale resulting from our position as one of the largest food retailers in Brazil. Our size gives us increased bargaining power with suppliers, resulting in lower prices for consumers, higher operating margins and more favorable payment terms. Our size also allows us to benefit from important marketing channels including prime time television advertising, one of the most effective means to promote sales in Brazil, which is prohibitively expensive for smaller retail chains. Our scale also enables us to make major operational investments that increase our efficiency, for instance extensive technology investments. We believe that we are at the forefront of the Brazilian retail industry in terms of using information technology and continually improving our sophisticated management information systems.

Our Strategy

Our strategy is focused on: (i) efficient use of capital employed through the maximization of existing assets; (ii) pursuit of market share; and (iii) sustained growth with profitability.

Efficient Use of Capital

We intend to efficiently use our capital through: (i) the maintenance of our financial health by keeping a strong cash position; (ii) the use of low cost methods to gain market share; and (iii) the maintenance of strict control of expenses and cashflow.

Pursuit of Market Share

We aim at developing initiatives that will enhance our competitiveness, including the adoption of pricing policies and increasing our consumer flow and consumer loyalty. In addition, we aim at increasing the participation of non-food revenues as well as the expansion of our FIC financial services and private label products. We also intend to achieve higher sales levels through the expansion of our sales area as a result of new store openings in our different formats, as well as increasing sales in our existing stores through improvements in assortment, pricing, communication and service. We have a M&A (*Merger and Acquisition*) department focused on (i) improving the profitability of our acquisitions; (ii) ensuring synergy between our acquired businesses and our existing businesses; and (iii) assessing the market and seeking opportunities to acquire businesses.

Sustained Growth with Profitability

We intend to grow while increasing our profitability through: (i) improving the control of our expenses; (ii) improving our logistics structure; (iii) investing heavily in the continued education of our personnel at all levels; (iv) achieving better price conditions with our suppliers; and (v) consolidating our multi-format structure by expanding e-commerce, convenience stores and cash and carry stores. In order to increase profitability, we also plan to invest in reducing breakage and shrinkage, improving the purchase process, increasing the store productivity index and strengthening our management model.

Operations

The following table sets forth the number of stores, the total selling area, the average selling area per store, total number of employees and the net sales revenue as a percentage of our total net sales revenue for each of our store formats at December 31, 2009:

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	Store Format	Number of Stores	Total Selling Area (in square meters)	Average Selling Area Per Store (in square meters)	Total Number of Employees (1)	Percentage of Our Net Sales Revenues
Pão de Açúcar	Supermarket	145	193,325	1,333	14,481	16.3%
CompreBem	Supermarket	157	187,551	1,195	7,695	11.1%
Extra Hipermercado	Hypermarket	103	731,189	7,099	27,891	44.8%(2)
Extra Eletro	Home appliance store	47	27,902	594	705	1.7%
Extra Fácil	Convenience store	52	11,638	224	364	
Extra Supermercado	supermarket	13	19,171	1,475	958	
Assaí	Cash and carry	40	118,371	2,959	6,532	8.5%
Sendas	Supermarket	68	123,063	1,810	5,404	6.9%
Ponto Frio	Electronics / Home appliance store	455	332,443	731	9,587	10.7%
Head office & distribution center		-	-	-	11,627	-
Total		1,080	1,744,653	1,615	85,244	100.0%

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(1) Based on the full-time equivalent number of employees calculated by dividing the total number of hours worked by all employees in December 2008 by 220 hours.

(2) *Extra Supermercado* and *Extra Fácil* sales included in *Extra Hipermercado*.

For a detailed description of net sales revenue for each of our store formats, see Item 5A. Operating and Financial Review and Prospects Operating Results Certain Operating Data.

Pão de Açúcar Stores

Pão de Açúcar operates convenient neighborhood stores, which are predominantly located in large urban areas (with over one-third located in the greater São Paulo city area). We believe that the locations of our *Pão de Açúcar* stores are a significant competitive advantage since available sites in those urban areas are scarce. The *Pão de Açúcar* stores target the Brazilian class A and class B household consumers. The stores are characterized by a pleasant shopping environment, a broad mix of quality products, innovative service offerings and high level of customer service, with an average of 74.9 employees per 1,000 square meters of store space. Many of these stores feature specialty areas such as perishables, baked goods, wine, ready-to-eat dishes, meat, cheese and seafood departments. Many stores have shopping advisors that assist customers with inquiries about their particular needs, prices, special discounts and brand information.

At December 31, 2009, we had 145 *Pão de Açúcar* stores. The *Pão de Açúcar* stores range in size from 120 to 4,670 square meters and at December 31, 2009, averaged 1,333 square meters of selling space. Food products represented 94.0% of gross sales revenue attributable to *Pão de Açúcar* in 2009 and non-food products represented 6.0%.

The *Pão de Açúcar* banner recorded gross sales of R$4.2 billion in 2009, representing an increase of 8.8% relative to 2008. This increase was a result of the strong performance of the *Pão de Açúcar* banner in the Northeast and Midwest regions and the consolidation of the management of the *Pão de Açúcar* banner that helped to create a single identity for this banner in Brazil while respecting regional characteristics.

CompreBem Stores

CompreBem supermarkets offer competitive prices and services. *CompreBem* stores target the Brazilian classes C, D and E household consumers, which collectively make up approximately 71% of all urban households in Brazil. Generally, products offered at our *CompreBem* stores are more competitively priced than products offered at our *Pão de Açúcar* stores. With an average of 41 employees per 1,000 square meters of store space, *CompreBem* stores are characterized by a lower level of personalized services than the *Pão de Açúcar* stores.

At December 31, 2009, we had 157 *CompreBem* stores. *CompreBem s* stores range in size from 301 to 3,125 square meters and averaged 1,195 square meters of selling space at December 31, 2009. Food products represented 91.0% of gross sales revenue attributable to *CompreBem* stores in 2009 and non-food products represented 9.0%.

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Gross sales revenue of the *CompreBem* banner in 2009 amounted to R$2.8 billion, representing a decrease of 3.5% compared to 2008. This decrease was a result of the transfer of 14 ABC *CompreBem* stores to *Sendas* and the conversion of six stores from the *CompreBem* banner into the *Extra Supermercado* format and one store into *Assaí*.

Sendas Stores

In December 2003, we formed the *Sendas* Association through which we subsequently acquired the *Sendas* chain. Similarly to our *CompreBem* banner, the *Sendas* banner offers competitively priced products and targets middle and lower income consumers (i.e., the Brazilian classes C, D and E). *Sendas* stores are all located in lower-income neighborhoods in the State of Rio de Janeiro.

Sendas gross sales in 2009 totaled R$1.8 billion, equivalent to 7.0% of our total sales, representing an increase of 12.5% compared to 2008. This increase was mainly due to an increase of our customer base and a series of actions including clustering, which enabled better assortment of our products, improved communication with the diverse socio-economic classes in the State of Rio de Janeiro, improved cash control, reduced dependence of sales on offers and the consolidation of partnerships with regional suppliers.

Extra Hypermarkets

Extra hypermarkets are our largest stores. We introduced the hypermarket format in Brazil with the opening of our first 7,000 square meter store in 1971. The *Extra* hypermarkets offer the widest assortment of products of any of our store formats and have an average selling area of 7,099 square meters at December 31, 2009. The *Extra* stores target the Brazilian classes B, C, D and E. At December 31, 2009, we had 103 *Extra* stores, including stores that opened in 2009 (one store that was converted from *Extra Hipermercado* to *Extra Supermercado)*. The sale of food products and non-food products represented 62.0% and 38.0% of *Extra* s gross sales in 2009, respectively.

Gross sales of the *Extra* banner in 2009, including *Extra Supermercado* and *Extra Fácil* sales, reached R$11.8 billion, a 11.1% increase compared to 2008. This increase was a result of the new management model implemented by our former CEO, Claudio Galeazzi, in 2008, which gave greater autonomy to different regions where we operate and contributed to the integrated management of the banners, focusing on results in each region. The new positioning resulted in adjustments to headcount at stores, employee training, improvements in operations, revision of the destination categories, increase in customer flow and a more efficient pricing policy.

Extra Fácil Stores

With the establishment of the *Extra Fácil* banner in July 2007, we significantly increased our presence in the convenience store segment, where we had already been operating through our *Extra Supermercado* stores. We opened 21 new stores in 2009, bringing the total of *Extra Fácil* stores to 52 units at December 31, 2009. *Extra Fácil* is characterized by small retail stores with up to four check-outs and offers convenience, proximity and facility.

Extra Supermercado Stores

At December 31, 2009, we operated 13 *Extra Supermercado* stores (six conversions from *CompreBem* banners and three from *Pão de Açúcar* banner). Our *Extra Supermercado* banner is characterized by stores with sales area of up to 1,100 square meters and a complete mix of food products and general merchandise. Our *Extra Supermercado* stores are complete neighborhood supermarkets with exceptional meat and bakery products, where families can stock up their pantries rapidly and economically and also acquire a wide range of household items, in an easily accessible, pleasant environment with exemplary customer service.

Extra-Eletro Stores

Extra-Eletro stores sell a broad range of home appliances and consumer electronic products. These stores had an average selling area of 537 square meters at December 31, 2009. Customers place orders in the stores, and products are shipped from a central warehouse. At December 31, 2009, we operated 47 *Extra-Eletro* stores.

In 2009, Extra-Eletro had gross sales of R$442.2 million, an increase of 18.7%, compared to gross sales in 2008. This increase was a result of the increase in our overall non-food sales, especially consumer electronics, operational improvements and a new credit policy with a closer partnership with FIC.

Extra.com.br

In line with our strategy to restructure our e-commerce operations initiated in 2006, we consolidated our e-commerce performance through *Extra.com.br*, which focuses on the sale of non-food products. Gross sales of *Extra.com.br* in 2009 increased by 52.7%, compared to gross sales in 2008, and corresponded to 2.1% of our gross sales in 2009. This performance is the result of a series of recently implemented initiatives to consolidate our presence in this important market niche, including the establishment of a broader assortment.

Assaí Stores

The cash and carry segment (*atacarejo* segment), a wholesale segment in the retail food industry, is one of the fastest growing market segments in Brazil in terms of new store openings. This segment was created in order to serve customers within an untapped market niche that was covered by neither self-service retailers nor wholesales.

Assaí has been operating in the cash and carry segment for 36 years and at December 31, 2009, Assaí had 6,532 employees and 40 stores. In 2009, we opened 12 new Assaí stores. Out of the 12 new Assaí stores, seven stores were newly opened and five stores were converted into Assaí format from other banners. In 2009, the Assaí banner recorded gross sales of R$2.2 billion.

Ponto Frio Stores

Our Ponto Frio stores specialize in durable goods such as consumer electronics and furniture. At December 31, 2009, we were operating 455 Ponto Frio stores as a result of our acquisition of Globex (Ponto Frio) in July of 2009. In 2009, Ponto Frio stores had gross sales of R$2,888.5 million as from July 7, 2009, when our acquisition of Globex (Ponto Frio) took effect. For more information on the acquisition of Globex (Ponto Frio), see Item 4A. History and Recent Development of the Company Acquisition of Globex (Ponto Frio).

Gas Stations

At December 31, 2009, we were operating 79 gas stations, five of which were opened in 2009. Our gas stations are located within the parking area of certain of our stores. The location of our gas stations allows our customers to both go shopping and refuel their car while they are on our premises. Our strategy for gas stations is based on competitive prices and the reliability and quality of fuel, which is assured by the brand. We expect to increase the number of gas station units, especially in connection with the *Extra* and *Assaí* banners, and increase synergies with drugstores and *Extra Fácil* stores.

Drugstores

With 150 units in operation, we operate one of the largest drugstore chains in Brazil s retail food industry. We opened a total of seven new stores in 2009. In addition, we recently launched a series of initiatives that we believe contribute to the success of our drugstores, including: (i) reorganization of management, (ii) successful renegotiation of prices with suppliers and (iii) strategic adjustments to the assortment and services offered at our drugstores.

Seasonality

We have historically experienced seasonality in our results of operations, principally due to traditionally stronger sales in the fourth quarter holiday season. Sales revenues in December are typically 40% above the average sales revenues in the other months. We also experience strong seasonality in our results for the month of April as a result of the

Easter holiday where we offer specialized products for the occasion as well as in Soccer World Cup years where some of our products experience an increase in sales.

Seasonality relating to the availability of some of our products (such as fruits and vegetables) do not affect our results due to the large and diverse selection of products we offer our customers.

Our Products

Our products are mostly ready-for-sale products that we purchase and resell to our end-user consumers. Only a portion of our products area produced at our stores, which are, based on formulations prepared by our technical team for development of perishables. In certain circumstances, we have entered into partnerships with suppliers who deliver semi-finished products that are finished at our stores.

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The products manufactured and/or handled at our stores are: (i) fruits and vegetables, cut or packaged at our stores; (ii) meat (beef, pork, chicken and fish) as well as cold cuts and cheese, which are cut, weighed and packaged at our stores; (iii) ready-to-eat meals sold at our delis; and (iv) bread, cakes and sweets made at the bakeries located within our stores.

We do not manufacture the products sold under our own exclusive brands. These products are manufactured by suppliers who are carefully selected by our Company, after the quality of their service and their capacity to meet our demand has been thoroughly evaluated by us. The development of products carrying our own exclusive brand is guided by a detailed process aimed at standardizing our products and ensuring the products manufacturing and launch within the commercial and strategic targets of our brands and compliance with our quality standards, involving various areas of our Company.

Suppliers

The purchasing of our products for our *Pão de Açúcar*, *CompreBem*, *Sendas*, *Extra*, *Extra Eletro*, *Extra Supermercado, Extra Fácil*, *Assaí* and *Ponto Frio* stores is centralized. We purchase substantially all of our food products on a spot or short-term basis from a large number of unaffiliated suppliers. As a result, we are not dependent on any single supplier.

Distribution and Logistics

In order to efficiently distribute perishable food products, grocery items and general merchandise, we operate 28 distribution centers (including Ponto Frio) strategically located within the cities of São Paulo, Brasília, Fortaleza, Curitiba, Rio de Janeiro, Salvador and Recife with a total storage capacity of approximately 570,000 square meters. We were the first retailer in Brazil to have a centralized distribution center. The locations of our distribution centers enable us to make frequent shipments to stores, which reduces the need of in-store inventory space, and limits non-productive store inventories.

Our distribution centers are, among others, supported by pd@net, a business-to-business technology platform which links our computer automated ordering system to our distribution centers and suppliers in order to automatically replenish our inventory.

We currently focus on four main tasks to further improve our supply and distribution system: (1) ensuring the full availability of products and services, to indirectly contribute to our expansion; (2) improving the level of service to our stores; (3) enhancing the inventory management; and (4) reducing costs in our supply chain.

Our logistics and distribution processes are divided in accordance with the products and services sold under our banners, as a result, our distribution processes are guided by the following procedure:

Stores, Supermarkets and Hypermarkets

At December 31, 2009, the logistic process to supply our stores, supermarkets and hypermarkets (excluding Ponto Frio, our e-commerce business, drug stores and gas stations) included 18 distribution centers located in the States of São Paulo, Rio de Janeiro, Ceará, Pernambuco, Bahia, Paraná and the Federal District, corresponding to a 400,000 square meters area including both our own and outsourced distribution centers. Our distribution process is performed by an outsourced fleet that, on December 31, 2009, totaled more than 1,100 vehicles exclusively dedicated to this activity, all of which are tracked via GPS. At December 31, 2009, our centralization rate (the percentage of the products supplied at our stores that come directly from our distribution centers) was 85%.

Orders made for our non-centralized products are made directly by the stores and delivered by the suppliers following the supply model known as Direct Entry. At December 31, 2009, 15% of our stores sales corresponded to Direct Entry products, especially ornamental plants, cigarettes, ice creams, yogurts and magazines.

Electronic products and durable goods Ponto Frio stores

Our logistics process associated with our Ponto Frio stores involve an examination of Globex s (Ponto Frio) commercial sector s forecast for sales, which we use to submit orders to our suppliers. Once these orders are issued, the delivery of products is managed by Globex s (Ponto Frio) supply chain area, which analyzes inventory levels, sales estimates by store and other variables and schedules the delivery of the requested products with our suppliers. The products are delivered and distributed among Globex s (Ponto Frio) distribution centers, which at December 31, 2009 totaled 8 distribution centers located in the States of Rio de Janeiro, São Paulo, Minas Gerais, Paraná, Rio Grande do Sul, Bahia and the Federal District.

PA Delivery

Through the Pão de Açúcar delivery system, or PA Delivery, our clients are able to purchase food products on the Internet. Upon entering the required delivery information, our system directs that information to the closest PA Delivery unit to initiate the order process. At December 31, 2009, we had seven PA Delivery units in Brazil, two located in the Greater São Paulo area, and the others are located in the cities of Indaiatuba (interior of the State of São Paulo), Rio de Janeiro, Brasília, Curitiba and Fortaleza. These units are installed at strategically located stores, so as to cover a wider and more profitable delivery area. These units share their inventory with the respective store in order to take advantage of synergies.

Extra.com.br, PontoFrio.com and Televendas

Our non-food products e-commerce network offers assistance to our clients through two distribution centers. These centers are used for storage and handling of goods; from the time they are selected and packed until the invoice is used and the products are shipped. Upon the placement of the order on our website or through our call center and confirmation of the payment by the financial institution, the products are selected by a specialized team, are checked and packaged by our quality control department, and the invoice is issued.

Drugstores

Our drugstores are supplied with medications and similar products, the latter following the same distribution logistic used for our supermarkets and hypermarkets. Medications are delivered by specialized distributors who intermediate the process between our Company and the respective drug manufacturers. At December 31, 2009, we maintained agreements with three major distributors as well as with some regional distribution companies. We do not maintain drug inventories. Medications are requested to distributors through purchase orders that are made according to the needs of our drugstores.

Gas Stations

Our gas stations are supplied by exclusive suppliers. At December 31, 2009, we used five suppliers. Supply orders are made individually by each station, and fuel is requested through purchase orders or pre-agreed daily supplies, pursuant to the respective services agreement entered into with each gas station. Fuel transportation is carried out exclusively by our supplier while unloading operations being closely followed by our employees for safety and quality control reasons. The process for compressed natural gas, or GNV is different. GNV is supplied by a single supplier directly to the gas stations, through regional dealers and using pipelines connected to the entrance boxes located at the gas stations and holding fuel meters installed and controlled by the dealers themselves. This equipment regularly measures the GNV volumes supplied. GNV is sold through dispensers attached to these entrance box, using specific pipelines.

Marketing

Our marketing policy is aimed at attracting and retaining our customers. To this end, we conduct integrated marketing campaigns that are specific to each store banner in which we operate and are structured and directed at the target market for each store banner. Our marketing teams are media experts dedicated to developing quality marketing campaigns to emphasize our strength in terms of selection, service and competitive prices.

In 2009 and 2008, we spent approximately R$266.4 million and R$180.2 million, respectively, on advertising (approximately 1.0% of total net sales revenues in each year). Also, 26.3% and 28.0% of our total marketing expenditures in 2009 and 2008, respectively, were spent on radio, newspaper and magazine advertising. Television advertisements accounted for 39.2% and 38.2% of advertising expenses in 2009 and 2008, respectively. We spent 34.5% in 2009 and 33.8% in 2008 on other promotional activities.

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FIC and Banco Investcred

FIC operates service kiosks in our stores that have exclusive rights to offer private label and co-branded credit cards, personal and consumer credit and insurance. FIC has been operating for five years and has 6.9 million clients (including Banco Investcred), which represents approximately one third of our customers. We and Itaú Unibanco each indirectly hold 50% of FIC s capital stock. Itaú Unibanco holds 50%, our Company holds 36% and Globex (Ponto Frio) holds 14%. Itaú Unibanco is responsible for managing FIC and appoints the majority of its officers.

With a receivables portfolio of R$3.0 billion (including Banco Investcred), FIC s share of our total gross sales amounted to 15.0% at December 31, 2009. In 2009, FIC had an equity income of R$15.2 million a significant improvement compared to the R$2.9 million in 2008. The positive performance is the result of a series of recently implemented actions, including the granting of special benefits to users of private label and co-branded cards.

The table below sets forth the breakdown of FIC s clients in 2009 and 2008.

Total of clients (in thousands)	**2009(1)**	**2009(2)**	**2008**
Private label cards	4,262	4,262	4,422
Co-branded cards	979	685	780
CDC agreements	358	38	135
Extended guarantee	-	-	678
Personal loan	57	9	53
Flex cards	1,249	-	-
Total	6,905	4,994	6,068

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(1) Including Globex (Ponto Frio).

(2) Excluding Globex (Ponto Frio).

Credit Sales

In 2009 and 2008, 52.2% (including Banco Investcred) of our net sales revenue were represented by credit sales in the form of credit card sales, installment sales, post-dated checks and purchase vouchers.

Credit card sales. All of our store formats accept payment for purchases with MasterCard, Visa, Diners Club, American Express and our co-branded credit cards. Sales to customers using credit cards accounted for 43.6% and 40.6% of our net sales revenue in 2009 and 2008, respectively. From this total, sales through private label and co-branded credit cards accounted for 14.5% of our net sales revenue in 2009. An allowance for doubtful accounts is not required as credit risks are substantially assumed by credit card companies or issuing banks.

Installment sales. Our *Extra Eletro* stores and *Extra* hypermarkets offer attractive consumer financing conditions to our customers who frequently purchase electronic goods or home appliances, respectively, on an installment basis. The installment sales accounted for 1.0% and 0.5% of our total net sales revenue in 2009 and 2008, respectively.

Post-dated checks. Post-dated checks are used as financial instruments in Brazil to make purchases. Postdated checks are executed by a consumer with a future date (up to 60 days) instead of the date of the purchase. The retailer typically deposits the check only as of this future date, and interest for the time elapsed is included in the amount of the check. We currently have post-dated check programs in which interest is computed on the settlement amount

based upon a fixed monthly rate of interest (to a lesser extent, for certain promotional programs no interest is charged). We limit the availability of post-dated checks to customers who meet our credit criteria and who hold our identification card. Sales to customers using post-dated checks accounted for 0.7% and 1.0% of our net sales revenue in 2009 and 2008 respectively.

Purchase vouchers. We accept as payment in our stores vouchers issued by third party agents to participating companies who provide them to their employees as a fringe benefit. Purchase vouchers accounted for 7.5%, and 7.8% of our net sales revenue in 2009 and 2008, respectively. An allowance for doubtful accounts is not required as credit risks are substantially assumed by the companies that issue the vouchers.

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Technology

We invested R$144.2 million in information technology in 2009 and R$101.8 million in 2008. We consider information technology one of our pillars. Our information technology department interacts with our other departments, thereby streamlining our several strategic initiatives.

During 2009, the information technology area received significant investments in new technological solutions aimed at modernization, simplicity and reliability. These initiatives included the following ones:

- **SAP** on January 1, 2009, the SAP system started up in the financial back office and real estate management and maintenance areas, ensuring greater quality and speed in regard to the closure of results and reducing costs.

- **Oracle - Retail** this tool is the basis for transforming the commercial management process (Future Retail Program), which has already set goals for the end of 2010 regarding inventory and stockout reductions, as well as the adoption of an integrated sales, margin and inventory plan. All of the stages planned for 2009, involving 150 people from the program itself and other business areas, were successfully carried out.

- **DemandTec** this tool was fully implemented in the commercial area, generating impressive results in all optimizable areas by aligning pricing with category strategy, thereby improving product elasticity.

- **Datacenter** IBM was selected to manage the Company s data center, speeding up the expansion of infrastructure to support business growth while reducing expenses without investments and complying with Sox guidelines, thanks to Cobit, SAS70 and ITIL certification, as well as ensuring greater information security and operational contingency.

- **Ponto Frio** We assumed the management of Ponto Frio s IT system in September of 2009, in order to increase system availability for stores and distribution centers, reduce operating risks and speed up integration with our IT system.

Intellectual Property

We consider our brands to be one of our most valuable assets and have worked extensively to define the characteristics of each of our banners (*Extra*, *Extra Supermercado, Extra Fácil, Extra-Eletro, Pão de Açúcar, CompreBem, Sendas, Ponto Frio*and *Assaí*) in terms of expectations, consumption patterns and purchasing power of the different income levels in Brazil. We believe that Brazilian consumers associate with each of our banners a specific combination of products, services and price levels.

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In Brazil, one can only acquire a brand by officially registering it with *Instituto Nacional de Propriedade Industrial* (National Industrial Property Institute), or INPI, which registers trademarks and patents. This registration gives the owner the exclusive right to use the trademark throughout Brazil for a determined renewable period.

At December 31, 2009, our most important trademarks (*Pão de Açúcar*, *Companhia Brasileira de Distribuição, Barateiro, Extra, Qualitá, CompreBem, Sendas, Taeq, Ponto Frio* and *Assaí*, among others) were duly registered with INPI and we had approximately 2,314 other trademarks registered or in the process of being registered in Brazil. We did not have any registered patents at December 31, 2009.

We own the following domain names, among others: www.extra.com.br, www.paodeacucar.com.br, www.comprebem.com.br, www.assaiatacadista.com.br, www.pontofrio.com.br and www.sendas.com.br. Please note that these domain names are for informative purposes only and the information contained in these websites is not incorporated by reference in this annual report.

Competition

Brazil s leading retail food companies are controlled by companies headquartered abroad. Foreign presence in the Brazilian retail food industry started with leading French retail food chain, Carrefour. In the past decade, the U.S. chain Wal-Mart has also entered the Brazilian market, mostly through the acquisition of domestic retail food chains, increasing competition in the industry. Thus, we believe the Brazilian retail food industry is highly competitive. Nonetheless this, supermarket penetration levels in Brazil, in terms of the number of supermarkets in terms to the country s population and area, is estimated to be lower than the levels recorded in the United States, several Western European countries and some South American countries.

Recently, leading retail food companies, including our Company, have acquired various chains. However, we believe that acquisition activities should slow down, since the major chains have already been purchased. We also believe that future acquisitions will involve smaller stores. Another recent trend in the retail food industry is the migration of large chains to smaller formats, such as neighborhood banners. We believe that hypermarkets should increase their share in the clothing, general goods, electronic products, furniture and construction materials markets as well as in other categories of non-food products, in order to take advantage of the growth in department stores and stores specializing in this segment in Brazil.

Despite operating in various Brazilian regions, the dimension, wealth and importance of the State of São Paulo drive the concentration of our stores into this market, with the State of Rio de Janeiro being the second largest consumer market for our operations.

Our competitors vary depending on the regional location of the stores. Our principal competitors in the State of São Paulo are Sonda, Pastorinho, Carrefour, Mambo, Futurama and Walmart. In Brasília, our principal competitors are Carrefour, Super Maia, Super Cei and Big Box. In the State of Rio de Janeiro, our principal competitors are Mundial, Guanabara, Prezunic and Zona Sul supermarkets. In the States of Paraíba, Pernambuco, Ceará and Piauí, our principal competitors are the local supermarkets, in addition to GBarbosa and Bompreço.

The principal competitor of Extra hypermarket is Carrefour, which operates stores in the southeastern and southern regions of Brazil, and Walmart, which operates through various banners in the southeastern, northeastern and southern regions of Brazil.

Assaí chain competes with Atacadão, a wholesale chain with 34 stores purchased by Carrefour in 2007, Roldão, Tenda, Makro and Maxxi.

In the State of São Paulo, our CompreBem stores face strong competition from various smaller regional chains. In the State of Rio de Janeiro, the main competitors of ABCCompreBem and Sendas are Guanabara, Prezunic, Zona Sul and Mundial.

In our other regional markets, we compete not only with the organized food retail sector, but also with various small and medium-sized chains, family companies and food retail businesses.

In the durable goods market, the principal competitors of our Extra Eletro and Ponto Frio stores are Magazine Luiza, Pernambucanas, Ricardo Eletro and Lojas Insinuante.

In relation to our food products e-commerce, our PA Delivery units are market leaders and do not face competition at the national level, however there are relevant competitors in local markets, such as Zona Sul, which has a higher market share than us in the city of Rio de Janeiro, Mercadorama, which belongs to the Walmart group, in Curitiba, and Sonda, in the city of São Paulo.

In non food products e-commerce our competitors are Brazilian and foreign companies. However, competition from foreign companies is irrelevant for this market. According to a study by Exame magazine in the beginning of March 2010, our electronic stores *Extra.com.br* and *PontoFrio.com*, and taking into account our business combination with *CasasBahia.com*, now hold the second highest market share in this segment. Our competitors in this segment are B2W, the market leader, which owns *Americanas.Com, Submarino* and *Shoptime*, among others, *Compra Fácil* of the Hermes Group, *Magazine Luiza*, Walmart, *Saraiva*, Dell and *Fast Shop*.

Regulatory Matters

We are subject to a wide range of governmental regulation and supervision generally applicable to companies engaged in business in Brazil, including federal, state and municipal regulation, such as labor laws, public health and environmental laws. In order to open and operate our stores, we need a business permit and site approval, an inspection certificate from the local fire department as well as health and safety permits. Our stores are subject to inspection by city authorities. We believe that we are in compliance in all material respects with all applicable statutory and administrative regulations with respect to our business.

Our business is primarily affected by a set of consumer protection rules regulating matters such as advertising, labeling and consumer credit. We believe we are in compliance in all material respects with these consumer protection regulations.

As a result of significant inflation during long periods in the past, it was common practice in Brazil not to label individual items. However, a recently enacted federal regulation established that products exposed to consumers must contain information about prices (for instance price tags, signs or bar codes which can be read with scanners) in order to facilitate the identification of prices of each product by the consumer. Pursuant to these new rules, the pricing information must be physically attached or adjacent to the product. When bar codes are used, the commercial establishment is required to provide easily accessible scanners. We believe that we are in compliance with these new provisions in all material aspects.

The Brazilian Congress is discussing a bill requiring a prior assessment of the impact of the construction of a hypermarket in excess of 1,000 square meters on the relevant neighborhood. The proposed regulation is intended to protect traditional family-owned retailers that have increasingly lost market share in Brazil to the larger chains and hypermarkets. Regulations of this type already exist at the municipal level. For example, governmental authorities in the city of Porto Alegre in the State of Rio Grande do Sul issued a city ordinance in January 2001 prohibiting the construction of food retail stores with a selling area greater than 1,500 square meters, which in May 2005, was amended as to increase from 1,500 to 2,500 squares meters the selling area of food retail stores. Other jurisdictions may adopt similar laws, and, if the bill pending before the Brazilian Congress becomes law, our future expansion and growth may be subject to significant constraints.

Environmental Matters

In 2008, we initiated a new policy of sustainable operations by structuring our actions in a single manner, aligned with our goals and business, thus strengthening our sustainability practices, which are now measured and improved on a regular basis. We also incorporated sustainability into our operations company-wide, encompassing every sector of the organization. As a result, we created an internal working group and the Sustainable Development Committee, which is linked to our board of directors. The internal committee is organized by the socio-environmental responsibility area comprising representatives of different areas of our Company.

In 2002, we launched the Caras do Brasil (Faces of Brazil) program, which aims at enabling the selling of products made by small organizations and communities that demonstrate socio-environmental responsibility, but which would otherwise find it difficult to access large markets in which to trade their production. The program opens a sales channel for sustainable products and encourages conscientious consumption.

We offer approximately 1,000 sustainable items, including groceries, meat, fruit, greens and vegetables. The result of this type of product in our stores accounted for growth of 30% between 2008 and 2009, encouraging us to enhance these product lines in the years to come.

We have also adapted a program for tracking meat, fruit and vegetables, which enables us to offer products incorporating sustainable practices in their production process so as to ensure the health of our clients, proper treatment of livestock and environmental preservation.

In respect to environmental management, we have enhanced control of our consumption of water and energy resources, in addition to the volume of waste generated and proper disposal thereof. To that end we have installed flow reducers on the taps at most of our stores, so as to permit maximum efficiency in water usage, in addition to implementing daily monitoring of consumption at our stores located in the states of São Paulo, Rio de Janeiro and Brasília (which represent 70% of our total stores), in order to rapidly detect leaks. In the future we intend to adopt this control at our other stores. In regard to energy consumption, 26% of our consumption comes from renewable sources (43.4 10^{13} joules or 120,113,133 KWh), and this energy is acquired on the free electrical power market. This measure strengthens alternative energy production, reduces the environmental impact of electricity consumption and does not overload the national electricity transmission system.

In regard to gas emissions, our refrigeration systems (cold stores, air conditioning, refrigerators and freezers) use R-22 gas, a variation of refrigeration gas which is less damaging to the ozone layer, in substitution of R-12 gas. In our green store in Indaiatuba (the first sustainable concept store in Latin America), we use R-410 gas in the air conditioning system and R-404 gas in the refrigeration system, which have a minimum impact on the ozone layer and represent a new trend in refrigeration and air conditioning installations.

Five years ago we initiated the Top Log program to certify our suppliers who employ the best policies and practices in logistics and supply ascertained during the year. In 2009, as part of the development of this program, we included sustainability-related criteria in the Top Log evaluation, encouraging our suppliers to use less packaging and fuel and to make lower emissions, in addition to encouraging their involvement in actions intended to educate and disseminate responsible management.

In order to further contribute to sustainability we created teams for monitoring possible leaks in our refrigeration systems. Referred to as the *Caça Vazamentos* (Leak Busters), the program uses precise electronic detection equipment with minimum interference on the premises.

We also aim to rationalize resources, while our operations adopt measures to mitigate their impacts, such as:

Waste generation: On-going study of the waste generated in our stores, with the aim of identifying environmentally correct disposal methods, where the focus is on applying the concept of the 3 Rs reduce, re-use, recycle. Based on this assumption, we have adopted actions that seek to optimize re-usage of our recyclable and organic garbage, thereby reducing the volume of material discharged in landfills. This study resulted in the application of a system in the Green Store at Indaiatuba, creating a volume of disposable garbage close to zero. The same system can be found in over 50 stores and is being adapted for the others, covering all our banners throughout Brazil.

Use of materials: Replacement of equipment or introduction of more efficient new technologies with lower consumption, especially lighting, compressors and air conditioning systems.

Grease trap: The application of a natural biological product for degrading organic compounds.

Recycling stations: A pioneering initiative in Brazil, the program first appeared in 2001 at the *Pão de Açúcar* banner in partnership with Unilever, and was expanded in subsequent years to the *Extra* banner in partnership with H2OH!, and *CompreBem*. The program seeks to make our clients aware of the importance of properly disposing of garbage, while also making available deposits for voluntary delivery of recyclable materials at our stores. In addition to reducing the environmental impact through correct disposal of garbage, this initiative benefits 33 garbage collection and recycling cooperatives while generating income for around 550 workers. At December 31, 2009, we had recycling stations at 110 *Pão de Açúcar* stores, 104 *Extra* stores and 11 *CompreBem* stores in 31 cities in the states of São Paulo, Ceará, Rio de Janeiro, Paraíba, Pernambuco, Piauí, Paraná and Goiás, in addition to the Federal District. Since this initiative began more than 40 thousand tons of garbage have been collected. The program also includes cooking oil, with monthly collection of over 10 thousand liters which are converted to biofuel, no longer contaminating rivers and springs.

*Caixa Verde (*Green Checkout*)*: A program that enables our clients to dispose of packaging at the time of purchase, the first retail pre-consumption recycling program.

Re-usable bags: This encourages our clients to use plastic bags in a conscientious manner by offering re-usable bags in our stores while developing alternative programs, such as offering purchase vouchers (once a certain number of points is achieved) to clients participating in the *Programa Mais* (a loyalty scheme) and who use re-usable bags. In 2009, 315 thousand re-usable bags were sold at *Pão de Açúcar* stores, 540 thousand at *CompreBem* (one of the models being developed in partnership with *Associação de Apoio à Criança Deficiente* (the Association for Children with Disabilities) or AACD), 180 thousand at *Extra* stores (with part of the income raised from sales being donated to *Casa Hope*, which supports children with cancer) and 190 thousand at *CompreBem* and *Sendas* stores in the São Paulo ABC region together. In 2010, clients will be able to choose between using their *Programa Mais* points as purchase vouchers, or converting them into donations to sustainable investments or in the social and environmental programs we are pursuing. Lastly, yet another initiative we have adopted for reducing the volume of plastic bags used in purchases at our stores involves the use of more resistant bags that take up to 6 kilos.

We currently do not incur any costs with environmental regulations compliance, notwithstanding those costs associated with the the implementation of the sustainability practices described above (among them the construction of a green store in the Vila Clementino, city of São Paulo), resulting in expenditures of approximately R$30 million for the year ended December 31, 2009.

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4C. Organizational Structure

Companhia Brasileira de Distribuição conducts our operations. We invest in subsidiaries primarily to acquire the share capital of other retail chains from third parties. In most cases, the retail operations are transferred to retail stores under existing banners or the stores acquired begin operating under our banners. All of our operations are conducted under the *Pão de Açúcar*, *CompreBem*, Sendas, Extra, *Extra Eletro*, *Extra Fácil*, *Extra Supermercado* and *Assaí* banners. The chart below displays a summary of our organizational structure:

For further information on our subsidiaries see note 1 to our financial statements included in this annual report.

4D. Property, Plants and Equipment

We own 118 stores, eight warehouses and a part of our headquarters. The remaining 962 stores and 20 warehouses we operate and the remainders of our headquarters are leased. Leases are usually for a term of five to 25 years, and provide for monthly rent payments based on a percentage of sales above an agreed minimum value. We have 12 leases expiring by the end of 2010. Based on our prior experience and Brazilian law and leasing practices, we do not anticipate any material change in the general terms of our leases or any material difficulty in renewing them. At December 31, 2009, we leased 17 properties from members of the Diniz family and 61 stores from Fundo de Investimento Imobiliário Península, which is owned by the Diniz Group. Our management believes that these leases are based on normal market conditions. See Item 7B. Major Shareholders and Related Party Transactions Related Party Transactions Leases and note 19 to our audited consolidated financial statements included in this annual report.

The following table sets forth the number and total selling area of our owned and leased retail stores by store format, the number and total storage area of our owned and leased warehouses and the total office area of our headquarters that is owned and leased at December 31, 2009:

	Owned		Leased		Total	
	Number	Area (in square meters)	Number	Area (in squarer meters)	Number (*)	Area (in square meters)
Pão de Açúcar	30	40,954	115	152,371	145	193,325
Extra Hipermercados	25	163,809	78	567,380	103	731,189
Extra Eletro	2	2,671	45	25,231	47	27,902
Extra Supermercado	5	7,848	8	11,323	13	19,171
Extra Fácil	1	209	51	11,429	52	11,638
CompreBem	17	24,994	140	162,557	157	187,551
Sendas	4	5,729	64	117,334	68	123,063
Assaí	11	33,655	29	84,716	40	118,371
Ponto Frio	23	28,088	432	304,355	455	332,443
Warehouses	8	291,803	20	251,540	28	543,343
Headquarters	-	-	-	5,364	-	5,364

(*) 23 of our stores have been subject to liens as a result of judicial proceedings.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read this discussion in conjunction with our consolidated financial statements prepared in accordance with IFRS and the related notes and the other financial information included elsewhere in this annual report, with the exception of certain segment information prepared in accordance with Brazilian GAAP.

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5A. Operating Results

The following table demonstrates certain operation data at and for the year ended December 31, 2008 and 2009:

	At and for the Year Ended December 31,		
	2008	2009(7)	2009(7)
Operating Data	(in millions of R$, except as indicated)		(in millions of US$, except as indicated
Employees at end of period	70,656	85,244	85,244
Total square meters of selling area at end of period	1,360,706	1,744,653	1,744,653
Number of stores at end of period:			
Pão de Açúcar	145	145	145
CompreBem	165	157	157
Extra (1)	139	168	168
Extra Eletro	47	47	47
Assaí (6)	28	40	40
Sendas (2)	73	68	68
Ponto Frio (3)(7)	-	455	455
Total number of stores at end of period	597	1,080	1,080
Net sales revenues per employee (4):			
Pão de Açúcar	229,076	262,276	150,647
CompreBem	325,737	335,961	192,970
Extra (1)	339,614	356,219	204,606
Extra Eletro	409,722	548,133	314,838
Assaí (6)	437,538	303,395	174,265
Sendas (2)	244,060	297,486	170,871
Ponto Frio (3)(7)	-	258,144	148,274
Average net sales revenues per employee	297,536	315,690	181,327
Net sales revenues by store format:			
Pão de Açúcar	3,378	3,798	2,182
CompreBem	2,573	2,585	1,485
Extra (1)	9,120	10,406	5,977
Extra Eletro	295	386	222
Assaí	1,269	1,982	1,138
Sendas (2)	1,397	1,608	923
Ponto Frio (3)(7)	-	2,475	1,422
Total net sales	18,032	23,240	13,349
Average monthly net sales revenue per square meter (5):			
Pão de Açúcar	1,481.1	1,637.2	940.4
CompreBem	1,085.4	1,148.7	659.8
Extra (1)	1,025.3	1,138.0	653.7
Extra Eletro	881.1	1,154.1	662.9
Assaí (6)	2,486.1	1,395.2	801.4
Sendas (2)	897.1	1,088.6	625.3

Ponto Frio (3)(7)	-	620.4	356.3
CBD average monthly net sales revenue per square meter	1,104.3	1,110.1	637.6
Average ticket amount:39			
Pão de Açúcar	26.1	29.8	17.1
CompreBem	19.3	20.7	11.9
Extra (1)	43.7	48.5	27.9
Extra Eletro	299.1	346.6	199.1
Sendas (2)	21.9	24.2	13.9
Assaí (6)	78.9	74.5	42.8
Ponto Frio (3)(7)	-	618.4	355.2
CBD average ticket amount	32.6	41.2	23.6
Average number of tickets per month:			
Pão de Açúcar	10,769,076	10,607,751	10,607,751
CompreBem	11,128,328	10,387,308	10,387,308
Extra (1)	17,406,079	17,886,223	17,886,223
Extra Eletro	82,185	92,908	92,908
Sendas (2)	5,315,750	5,537,072	5,537,072
Assaí (6)	1,340,148	2,218,159	2,218,159
Ponto Frio (3)(7)	-	333,487	333,487
CBD average number of tickets per month	46,041,566	47,062,907	47,062,907

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(1) Includes 52 *Extra Fácil* convenience stores and 13 *Extra Supermercado* stores.

(2) Sendas stores, which are part of Sendas Distribuidora.

(3) We entered into an agreement to acquire Globex (Ponto Frio), in July, 2009. For further information on the acquisition of Globex (Ponto Frio) see Item 4A. History and Recent Development of the Company Acquisition of Globex (Ponto Frio).

(4) Based on the average of the full-time equivalent number of employees calculated by dividing the total number of hours worked by all employees at the end of each month in the period presented by 220 hours.

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

(6) In 2008, the figures were calculated based on the Assaí stores in operation under the Assaí banner.

(7) Includes the result of operations of Globex (Ponto Frio) from July 1, 2009.

Brazilian Economic Environment

The Brazilian economy has experienced moderate growth during the last five years. According to the IBGE (*Instituto Brasileiro de Geografia e Estatística*), which uses a new methodology for national accounting, Brazil s GDP grew 2.3% in 2005, 2.9% in 2006, 5.4% in 2007 and 5.1% in 2008. In 2009, however, Brazil s GDP did not show growth and, in fact, declined. The decrease is a consequence of the worldwide economic downturn that commenced in the last quarter of 2008, generating a carry-over effect of 1.4% from 2008 for 2009. Even if Brazil s GDP had sustained the same level of growth registered by the end of 2008 without further decreases, the GDP for 2009 would have decreased by 1.4% in comparison to 2008 due to the carry-over effect.

Consumer prices, as measured by the Broad Consumer Price Index, or the IPCA, published by the IBGE, registered an increase of 4.3% in 2009. Accordingly, growth in consumer prices was below the inflation target of 4.5% established by the National Monetary Council. In 2007 and 2008, the increase had been of 4.5% and 5.9%, respectively. Inflation, as measured by the General Price Index, or the IGP-DI, calculated by the Fundação Getúlio Vargas, which includes wholesale retail and home-building prices, decreased 1.44% in 2009, compared to increases of 9.1% in 2008 and 7.9% in 2007.

As a result of the deceleration of inflation and of the economic activity, the Central Bank decreased interest rates during 2009, and as a result, the SELIC rate - the Central Bank s overnight lending rate - decreased from 13.67% to 8.65%, which is the lowest level experienced since the creation of the inflation target system in 1999. At June 15, 2010, the SELIC rate has increased to 10.15%.

Brazil ended the year of 2009 with a trade balance surplus of US$25.3 billion, compared to US$24.8 billion in 2008. Exports decreased by 22.7% to US$153.0 billion, while imports decreased by 26.2% to US$127.6 billion. Financial inflows into the country decreased significantly, with foreign direct investments of US$25.9 billion, compared to US$45.1 billion in 2008. Portfolio investments increased by US$46.7 billion in 2009 in comparison to the increase of US$6.3 billion in 2008. The good performance of external accounts allowed international reserves to increase by US$32.2 billion to a record level of US$239.1 billion.

The *real* appreciated against the U.S. dollar by 25.5% in 2009. The exchange rate on December 31, 2009 was R$1.74 to US$1.00. After the crisis in 2008, when the exchange rate reached R$2.50 to US$1.00, the appreciation trend that had been observed since 2004 was a consequence of the decrease in country risk. In the previous years, the exchange rate was R$1.77 to US$1.00 as of December 31, 2007 compared to R$2.14 to US$1.00 as of December 31, 2006 and R$2.34 to US$1.00 as of December 31, 2005. The appreciation of the *real* in this context is also related to the devaluation of the U.S. dollar against other currencies. For further information on exchange rates, see Item 3A. Selected Financial Data Exchange Rate, and Item 3D. Risk Factors Risks Relating to Brazil Exchange rate instability may have a material adverse effect on the Brazilian economy and us.

Factors Affecting our Results of Operations

The conditions that influence our sales are primarily the patterns of consumer purchases through the year and the effects on consumer disposable income of such factors as economic conditions, consumer confidence, level of employment and credit conditions. We are primarily affected by the following factors:

- performance of the Brazilian economy, including inflation rates, interest rates, Brazilian gross domestic product growth and growth in internal consumption;

- our performance;

- performance and position of the Brazilian retail food industry, such as the availability and price of merchandise and competition existing within the sector at the time; and

- maintenance of conditions whereby individuals have access to credit.

The following table shows inflation, the change in real gross domestic product and the variation of the *real* against the U.S. dollar for the years ended December 31, 2009, 2008 and 2007.

	Year ended December 31,		
	2009	**2008**	**2007**
Inflation (IGP-DI)[1]	(1.4)%	9.1%	7.9%
Inflation (IPCA)[2]	4.3%	5.9%	4.5%
Growth (contraction) in real gross domestic product	(0.2)%	5.1%	5.4%
Depreciation (appreciation) of the *real* vs. U.S. dollar	(25.5)%	31.9%	(17.2)%
Period-end exchange rate US$1.00	R$ 1.741	R$ 2.337	R$ 1.771
Average exchange rate US$1.00[3]	R$ 1.993	R$ 1.838	R$ 1.948

Sources: *Fundação Getúlio Vargas*, the *Instituto Brasileiro de Geografia e Estatística* and the Central Bank.

(1) Inflation (IGP-DI) is the general price index measured by the Fundação Getúlio Vargas.

(2) Inflation (IPCA) is a broad consumer price index measured by the Instituto Brasileiro de Geografia e Estatística, the official inflation rate index in Brazil and reference for inflation targets set forth by the Brazilian Monetary Council.

(3) Represents the average of the commercial selling exchange rates on the last day of each month during the period.

Financial Presentation and Accounting Policies

Presentation of Financial Statements

Management strives to report the financial results of our Company in a clear and understandable manner, even though in some cases accounting and disclosure rules are complex and require us to use technical terms. The preparation of our Company s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty regarding these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. In the process of applying our Company s accounting policies, management has made the following judgments, which have most significant effect on the amounts recognized in the consolidated financial statements:

Critical Accounting Policies

The key assumptions concerning the future and other sources of uncertainty related to our estimates at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are:

Estimated impairment of goodwill: The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 3 to our financial statements for the year ended December 31, 2009 included in this annual report and International Accounting Standard (IAS) 36. The recoverable amounts of cash-generating units have been determined based on fair value and value-in-use calculations. These calculations require the use of estimates, see note 13 to our financial statements included in this annual report.

Income taxes: Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company has significant amounts of tax loss carry forwards. These losses do not expire and relate to subsidiaries that have tax planning opportunities available to support these balances. For further information on deferred taxes, see note 23 to our financial statements included in this annual report.

Fair value of derivatives and other financial instruments: Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair value of financial instruments that are actively traded on organized markets is determined based on the market quotes, on the balance sheet dates, without any deduction for transaction costs. For financial instruments that are not actively traded, the fair value is based on valuation techniques defined by the Company and compatible with usual market practices. If there is no active market, then the market value is determined through valuation techniques. These techniques include the use of recent market transactions between independent parties, benchmark to the fair value of similar financial instruments, analysis of discounted cash flows or other valuation models.

Share-based payments: The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. For more information on the assumptions and models used for estimating fair value for share-based payment transactions see note 25 to our financial statements included in this annual report.

Business Combination

Globex (Ponto Frio) Acquisition

Globex (Ponto Frio) has been consolidated into our financial statements since July 7, 2009. The acquisition was accounted for under the acquisition method consistent with IFRS 3. We have not yet obtained a final valuation for the fair value of the net assets, in order to conclude the valuation of the goodwill related to the Globex (Ponto Frio) acquisition. We will conclude the collection of the necessary data required to complete the valuation of the fair value of the net assets acquired during 2010, consistent with the IFRS 3 s allocation period of 12 months to complete the purchase price allocation. The provisional purchase price allocation is based on an initial balance under IFRS. We do not expect significant changes in the valuation of accounts, with the exception of the valuation of property and equipments and the identification of intangibles.

For more information on acquisition of Globex (Ponto Frio) see Item 4A. Information on the Company History and Recent Development of the Company Acquisition of Globex (Ponto Frio) and see note 15 to our financial statements included in this annual report.

2009 Overview

Despite the financial market wariness in the beginning of 2009, we began the year with real growth in same-store sales, higher customer traffic and an increase in the average ticket. These indicators continued to increase throughout the year.

In 2009, we exceeded all of our annual guidance targets, excluding Globex s (Ponto Frio) operations. Gross sales totaled R$23.3 billion (guidance was greater than R$23.0 billion); same-store sales increased by 4.5% in real terms (guidance real growth in excess of 2.5%).

Including the acquisition of Globex (Ponto Frio) in July 2009, we finished the year with nominal gross sales of R$26.2 billion, a 25.7% increase as compared to 2008. We also gained market share, mainly in non-food sales, which recorded same-store growth of 13.5%.

We also strengthened our position in the non-food segment through two important initiatives; the acquisition of Globex (Ponto Frio) and the business combination with Casas Bahia. These transactions complemented our

positioning in the durable goods segment, allowing us to serve consumers from across the income spectrum. In addition, we broadened our knowledge of the segment, capturing synergies, pursuing service excellence and offering a series of benefits to consumers, including greater product assortment, more attractive prices and easier access to credit.

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The synergies captured so far from the acquisition of Globex (Ponto Frio) are above initial expectations, representing gains in several areas, including information technology, logistics, marketing, purchasing and the granting of credit. In addition, the Brazilian government s initiatives to increase sales of durable goods, including the IPI (Federal VAT) tax on white goods and furniture and the adoption of the ICMS (state VAT) tax substitution regime, where ICMS previously recorded as recoverable by the Company becomes part of the Company s costs as a result of the Company not having to pay ICMS on the sale of its products, have enabled greater formalization of the segment, leading to fairer competition.

Our non-food operations will be further strengthened by the integration and segmentation of Ponto Frio and Extra s and e-commerce operations, which we expect will create a business with annual turnover of more than R$1.0 billion.

Other annual highlights included the acquisition of the remaining 40% of Assaí, which should lead to greater dynamism and further synergies in 2010.

Results of Operations for 2009 and 2008

Results of the operating segments are presented in Brazilian GAAP, the measure used by management in evaluating the performance of and strategy for the three segments listed below. Financial data prepared in accordance with IFRS and Brazilian GAAP is not comparable. See note 31 to our financial statements included in this annual report for a description of the key differences between IFRS and Brazilian GAAP.

Segments

	At December 31, 2009					
Statement of operations data	**Retail**	**Cash & Carry**	**Electronics and Home Appliances (Globex - Ponto Frio) (1)**	**Elimination(2)**	**IFRS Adjustments**	**Total in IFRS**
Net sales revenue	18,787.6	1,981.8	2,484.7	-	(13.6)	23,240.5
Gross profit	5,011.5	291.3	457.5	-	(13.6)	5,746.7
Depreciation and amortization	(415.9)	(12.1)	(26.0)	-	(7.6)	(461.6)
Operating profits	944.2	39.5	(72.4)	-	119.0	1,029.9
Financial income	239.7	1.4	10.6	-	38.7	290.4
Financial expenses	(475.1)	(10.6)	(50.6)	-	(53.9)	(590.2)
Income before income and social contribution taxes and employees profit sharing and noncontrolling interest	733.2	30.3	(110.0)	(9.3)	94.0	738.2
Income and social contribution taxes	(95.7)	(14.3)	103.6	-	(89.5)	(95.9)

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(1) Includes the result of operations of Globex (Ponto Frio) beginning from July 1, 2009.

(2) Accounts for inter-company transactions.

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Segments

			At December 31, 2008			
Statement of operations data	**Retail**	**Cash & Carry**	**Electronics and Home Appliances (Globex - Ponto Frio)**	**Elimination(1)**	**IFRS Adjustments**	**Total in IFRS**
Net sales revenue	16,770.3	1,262.8	-	-	(1.1)	18,032.0
Gross profit	4,558.7	194.9	-	-	(1.1)	4,752.5
Depreciation and amortization	(599.4)	(5.3)	-	-	162.0	(442.7)
Operating profit	663.5	43.3	-	-	136.0	842.8
Financial income	291.0	1.1	-	-	-	292.1
Financial expenses	(604.0)	(4.9)	-	-	(14.8)	(623.7)
Income before income and social contribution taxes and employees profit sharing and noncontrolling interest	379.3	39.5	-	(25.9)	117.8	510.7
Income and social contribution taxes	(97.4)	(13.6)	-	-	(36.2)	(147.2)

(1) Accounts for inter-company transactions.

The following table presents the consolidated results of operation in accordance with IFRS, as included our financial statements.

Consolidated Results of Operation	At and for the Year Ended December 31,			
	2009 (1)	**%**	**2008**	**%**
Net sales revenue	23,240.5	100.0	18,032.0	100.0
Cost of sales	(17,493.8)	(75.3)	(13,279.5)	(73.6)
Gross profit	5,746.7	24.7	4,752.5	26.4
Selling, general and administrative expenses	(4,176.3)	(18.0)	(3,447.9)	(19.1)
Depreciation and Amortization	(461.6)	(2.0)	(442.7)	(2.5)
Other operating expenses, net	(77.8)	(0.3)	(19.1)	(0.1)
Operating profit	1,030.3	4.4	842.8	3.6
Financial income	290.4	1.2	292.1	1.6
Financial expense	(590.2)	(2.5)	(623.7)	(3.5)
Equity	7.0	0.0	(0.5)	0.0
	738.2	3.2	510.7	2.8

Income before income and social contribution taxes and employees' profit sharing and noncontrolling interest				
Income tax (expense) benefit:				
Current	(68.1)	(0.3)	(36.3)	(0.2)
Deferred	(27.8)	(0.1)	(110.9)	(0.6)
Employee profit sharing	(32.5)	(0.1)	(22.2)	(0.1)
Net income	609.8	2.6	341.3	1.9
Attributable to equity holders of the parent	609.0	2.6	341.3	1.9
Attributable to noncontrolling interest	0.8	0.0	0.0	0.0

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(1) Includes the result of operations of Globex (Ponto Frio) beginning from July 1, 2009.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Consolidated

Net sales revenue. Net sales revenue increased by 28.9%, or R$5,208.5 million, from R$18,032.0 million in 2008 to R$23,240.5 million in 2009, as explained below. Our same stores sales increased by 12.7% in the period.

- *Traditional retail segment (includes the banners Pão de Açúcar, CompreBem, Sendas, Extra and Extra Eletro) net sales revenue increased due to the consolidation of our new marketing program (sales pillars) which was implemented into our operations in 2008. This program focuses on increasing the assortment of products in our stores, improving negotiating strategies to attain better prices from our suppliers, increasing advertising and offering improved service. Our same stores sales in the traditional retail segment increased by 12.5% in the period due to growth resulting from the good sales performance of both food and non-food products and an increase in credit availability and good payment conditions.*

- *Cash & Carry segment (Assaí) net sales revenue increased due to the opening of seven new stores and the conversion of five existing stores into the Assaí format, most of which are in Rio de Janeiro, due to this format s low investment and high return characteristic. Our same stores sales in the cash and carry segment increased by 14.7% in the period, driven by the optimization of over the counter sales.*

- *Electronics and Home appliances segment (Globex - Ponto Frio) net sales revenue totaled R$2,484.7 million in 2009. The acquisition of Globex (Ponto Frio) took effect for accounting purposes on July 1, 2009, increasing our net sales.*

Gross Profit increased by 20.9%, or R$ 994.2 million, from R$4,752.5 million in 2008 to R$5,746.7 due to more advantageous negotiations with suppliers, the consolidation of a more profitable product mix, including seasonal products and the increased participation of Assaí and Ponto Frio in our sales.

Selling, General and Administrative Expenses increased by 21.1%, or R$728.4 million, from R$3,447.9 million in 2008 to R$4,176.3 million in 2009 due to the consolidation of Globex s (Ponto Frio) selling, general and administrative expenses and our overall growth**,** but it remained below the net sales revenue increase of 28.9% as a result of continuing efforts to control expenses.

Depreciation and Amortization increased by 4.3%, or R$18.9 million, from R$442.7 million in 2008 to R$461.6 million in 2009 primarily due to the acquisition of Globex (Ponto Frio) in July of 2009, which added 455 stores to our Group.

Other operating expenses, net increased by 307.3%, or R$58.7 million, from R$19.1 million in 2008 to R$77.8 million in 2009 due to the exclusion of un-realizable tax write-offs resulting from changes in Brazilian tax legislation amounting to R$359.0 million, the net effect of the tax installment program (REFIS) in the amount of R$342.6 million, see Item 8A. Consolidated Statements and Other Financial Information Legal Proceeding Federal Tax Installment Payment Program (REFIS) and business combination expenses amounting to R$76.0 million, offset by R$600.0 million in revenue as a result of the renegotiation of the FIC association agreement with Itaú Unibanco, see Item 4A. History and Development of the Company Restructuring of our Association with Itaú Unibanco and the reversal of provision for contingencies in the amount of R$107.5 million.

Financial Income decreased by 0.6%, or R$1.7 million, from R$292.1 million in 2008 to R$290.4 million in 2009 due to a reduction in net debt resulting in less interest to be paid and lower CDI interbank rate.

Financial Expenses increased by 5.7%, or R$33.5 million, from R$590.2 million in 2008 to R$623.7 million in 2009 as a result of the interest due to the increased volume of discounts on receivables.

Equity increased from R$(0.5) million in 2008 to R$7.0 million in 2009. On September 30, 2009, FIC took over the management of Banco Investcred BINVI, Globex s (Ponto Frio) financing arm, aiming to boost Ponto Frio s sales and increase profitability through the adoption of a strict credit policy and differentiated payment conditions, as well as the

pursuit of synergies. The increase was mainly due to initiatives implemented throughout 2008, which generated important portfolio gains, kept default under control thanks to a rigorous credit granting policy and led to a differentiated positioning in regard to the competition.

Income (Expense) Before Income Taxes, Employee Profit Sharing and Noncontrolling Interest increased by 44.6%, or R$227.6 million, from R$510.7 million in 2008 to R$738.3 million in 2009 due to our strategy of expanding our participation in new businesses and growing in a sustainable manner, while retaining firm control over expenses and investing in competitive prices to leverage sales as well as ensuring cash margin gains.

Income Tax Benefits (Expense) decreased by 34.9%, or R$51.3 million from R$(147.2) million in 2008 to R$(95.9) million in 2009 due to the partial inclusion of some lawsuits in the Tax Installments Program of Law 11,941/09. This Law, among others, amends the federal tax laws related to the tax debt payment by installments, granting a reduction of fines and interest rates in specific cases. This decision was made to reduce the Company s tax exposure, with the benefit of reducing fines and interest rates, and implementing a financing plan of up to 180 months. The law also allows that remaining tax losses and judicial deposits related to lawsuits to be included in the installment program and deducted from the outstanding balance to be paid in installments.

Employee Profit Sharing increased by 46.4%, or R$10.3 million, from R$22.2 million in 2008 to R$32.5 million in 2009 due to a change in our profit sharing plan, in which, some employees in positions below management, such as coordinators, supervisors and specialists began to benefit from profit sharing.

Net Income increased by 78.7%, or R$268.6 million, from R$341.3 million in 2008 to R$609.8 million in 2009 due to the factors discussed above.

Segment Information

Results of the operating segments are presented in Brazilian GAAP, the measure used by management in evaluating the performance of and strategy for the three segments listed below. Financial data prepared in accordance with IFRS and Brazilian GAAP is not comparable. See note 31 to our financial statements included in this annual report for a description of the key differences between IFRS and Brazilian GAAP.

Retail Segment

At December 31, 2009, our retail segment was comprised of the banners *Pão de Açúcar, Comprebem, Sendas, Extra and Extra Eletro.*

Net sales revenue increased by 12.0%, or R$2,017.3 million, from R$16,770.3 million in 2008 to R$18,787.6 million in 2009. Among the factors that accounted for this performance was the consolidation of the sales strategy introduced into our daily activities in 2008 which focused on assortment, pricing, communication and services. Our group s solid capital structure also played a crucial role in increasing our market share.

Gross profit increased by 9.9%, or R$452.8 million, from R$4,558.7 million in 2008 to R$5,011.5 million in 2009 due to the increase in sales as a result of the opening of new stores.

Depreciation and amortization decreased by 30.6%, or R$183.5 million, from R$599.4 million in 2008 to R$415.9 million in 2009 due to the non-amortization of goodwill as from 2009 in compliance with Law 11,638/07 and to the decrease in amortization related to improvements on the property of third-parties and the renewal of leasing contracts resulting in less investments being amortized over the leasing contract period.

Operating profit increased by 42.3%, or R$280.7 million, from R$663.5 million in 2008 to R$944.2 million in 2009 due to higher sales and a decrease in operating expenses due to more strict budget control.

Financial expenses decreased by 21.3%, or R$128.9 million, from R$604.0 million in 2008 to R$475.1 million in 2009 as a result of a decrease in CDI interest rate, which represents our biggest exposure, from 12.3% in the end of 2008 to 9.8% in the end of 2009 and a decrease in the interest received in the amount of R$15 million.

Financial income decreased by 17.6%, or R$51.3 million, from R$291.0 million in 2008 to R$239.7 million in 2009 due to a decrease in CDI interest rate, which represents our biggest exposure, from 12.3% in the end of 2008 to 9.8% in the end of 2009.

Income before income and social contribution taxes and employees profit sharing and noncontrolling interest increased by 93.3%, or R$353.9 million, from R$379.3 million in 2008 to R$733.2 million in 2009 due to higher operating profit and decrease in expenses due to strict budget control.

Income and social contribution taxes decreased by 1.7%, or R$1.7 million from R$97.4 million in 2008 to R$95.7 million in 2009 due to the changes resulting from Law No. 11,941/09 relating to REFIS (tax paid in installments) which resulted in certain incomes not being subject to taxation.

Cash & Carry Segment

At December 31, 2009, our Cash & Carry segment was comprised of the *Assaí* banner.

Net sales revenue increased by 56.9%, or R$719.0 million, from R$1,262.8 million in 2008 to R$1,981.8 million in 2009 principally due to the inauguration of seven new stores and the conversion of five existing stores into the Assaí format, most of which were in Rio de Janeiro, in a format that is characterized by low investment and high returns.

Gross profit increased by 49.5%, or R$96.4 million, from R$194.9 million in 2008 to R$291.3 million in 2009 due to an increase in sales and opening of new stores and as a result of improved negotiations with suppliers and gains in economies of scale.

Depreciation and amortization increased by 128.3%, or R$6.8 million, from R$5.3 million in 2008 to R$12.1 million in 2009 due to the opening of new stores in 2009.

Operating profit decreased by 8.8%, or R$3.8 million, from R$43.3 million in 2008 to R$39.5 million in 2009 due to the inauguration of seven new stores and the conversion of five existing stores into the Assaí format, most of which were in Rio de Janeiro. Although these units recorded higher sales while maintaining total operating expenses, they have not yet reached maturity.

Financial expenses increased by 116.3%, or R$5.7 million, from R$4.9 million in 2008 to R$10.6 million in 2009 due to the increase of finance leases.

Financial income increased 27.3% or R$0.3 million, from R$1.1 million in 2008 to R$1.4 million in 2009. It remained almost stagnant due to the Company not investing any funds principally due to the reinvestment of funds into opening new stores.

Income before income and social contribution taxes and employees profit sharing and noncontrolling interest decreased by 23.3%, or R$9.2 million, from R$39.5 million in 2008 to R$30.3 million in 2009 due to the increase in the number of employees, and due to the new stores not having reached their expected levels of profitability as a result of not having reached their maturity period.

Income and social contribution taxes increased by 5.1%, or R$0.7 million from R$13.6 million in 2008 to R$14.3 million in 2009.

Electronics and Home Appliances Segment

At December 31, 2009, our Electronics and Home Appliances Segment was comprised of the banner *Ponto Frio,* including the web site *pontofrio.com.*

Net sales revenue totaled R$2,484.7 million as from July 1, 2009, when the acquisition of Globex (Ponto Frio) took effect for accounting purposes, factors that contributed to the net sales revenue were result of the Christmas campaign carried out jointly with GPA, which mobilized the commercial, operational and logistics areas, ensuring more competitive promotions, as well as greater media presence throughout Brazil and (differentiated consumer payment conditions during the Christmas season. Our opportunities to implement some synergies, as well as, efficiency gains still exist.

5B. Liquidity and Capital Resources

We have funded our operations and capital expenditures mainly from operating cash flows, loans obtained from the Brazilian National Bank for Economic and Social Development, or BNDES, issuances of debentures and loans from banks. In addition, we fund our working capital needs through a receivables securitization investment fund (PAFIDC).

At December 31, 2009, we had R$2,341.9 million in cash and cash equivalents. We have a policy of maintaining substantial cash and cash equivalents in order to be in a position to respond to short-term liquidity requirements.

Our main cash requirements include:

- the servicing of our indebtedness;
- capital expenditures, including the construction and remodeling of new stores and investments in our infra-structure;
- consumer credit;
- acquisitions of other supermarket chains; and
- distribution of dividends and interest on shareholders equity.

Our primary sources of liquidity have historically been cash flows from our operating activities and borrowings. Net cash from operating activities was R$1,842.8 million in 2009 and R$1,256.0 million in 2008. Net cash provided by (used in) financing activities was R$(1,636.8) million in 2009 and R$484.7 million in 2008 (after payment of R$109.2 million in dividends). In 2009, these cash flows were primarily used for investments in the capital expenditures program, totaling R$1,631.8 million.

At December 31, 2009, our total outstanding debt was R$4.112.3 million, consisting of:

- R$3,311.5 million in real-denominated loans,
- R$800.1 million in U.S. dollar-denominated debt, and
- R$0.7 million in debt linked to a basket of foreign currencies to reflect BNDES funding portfolio, plus an annual spread.

At December 31, 2009, R$800.1 million of our debt was U.S. dollar denominated. In addition, we have R$0.7 million of debt in favor of BNDES that is linked to a basket of foreign currencies, for which we have swap agreements to mitigate foreign currency risk. During the last years we have adopted a treasury policy to manage financial market risk, principally by entering into swaps into *reais* for more than 95% of our U.S. dollar-denominated liabilities. We engage in cross-currency interest rate swaps under which we enter into an agreement typically with the same counter-party that provides the original U.S. dollar-denominated financing. A separate financial instrument is signed at the time the loan agreement is consummated, under which we are then effectively liable for amounts in *reais* and interest at a percentage of the CDI rate. The reference amounts and maturity periods of these swaps normally correspond to the original U.S. dollar-denominated loan. This policy protects us against losses resulting from currency devaluations.

We may in the future enter into cross-currency swap agreements and other swap transactions designed to manage our remaining exposure to foreign currency liabilities, namely our import-finance credit lines.

Total debt at December 31, 2009 increased by 20.0% or R$685.1 million, from R$3,427.2 million in 2008 to R$4,112.3 million in 2009. Our most significant debt was incurred in connection with the acquisition and construction of new stores, and with the remodeling of the existing stores. Our cash interest expense was R$209.3 million in 2009 and R$318.0 million in 2008.

We have entered into five lines of credit agreements with BNDES, which are either denominated in *reais* and subject to indexation, based on the TJLP plus an annual spread, or are denominated based on a basket of foreign currencies to reflect BNDES funding portfolio, plus an annual spread. Amortizations will be in monthly installments after a grace period. BNDES has been historically an important source of financing for new stores and the acquisition of supermarket chains. For more information regarding our lines of credit with BNDES, see note 16(b) to our financial statements included in this annual report.

We cannot offer any assets as collateral for loans to third parties without the prior authorization of BNDES and must comply with the following negative covenants measured in accordance with Brazilian GAAP: (i) maintain a capitalization ratio (shareholders equity/total assets) equal to or in excess of 0.40 and (ii) maintain a current ratio (current assets/current liabilities) equal to or in excess of 1.05.

We issued a number of non-convertible debentures between 1997 and 2009, some of which have since been converted into our non-voting preferred shares. At December 31, 2009, there were 777,965 debentures in circulation.

On March 1, 2007, the shareholders approved the sixth issuance and public placement of debentures in Brazil. We received proceeds equivalent to R$779.6 million, for 77,965 non-convertible debentures issued as the first (54,000) and second (23,965) series of the sixth issuance. The debentures are indexed to the average CDI rate and accrue an annual spread of 0.5%, which is payable semi-annually. The principal amount will be repaid in three equal installments on March 1, 2010, 2011 and 2012.

On June 15, 2009, the shareholders approved the seventh issuance and public placement of debentures in Brazil. We received proceeds equivalent to R$200 million, for 200 non-convertible debentures issued as the first series of the seventh issuance. The debentures are indexed to the average CDI rate and accrue an annual spread of 19% which is payable on the maturity date.

On December 4, 2009, the shareholders approved the eighth issuance and public placement of debentures in Brazil. We received proceeds equivalent to R$500 million, for 500 non-convertible debentures issued as the first series of the eighth issuance. The debentures are indexed to the average CDI rate and accrue an annual spread of 9.5%, payable on the thirty-sixth month after the issue date and annually thereafter.

At December 31, 2009, we had 777,965 non-convertible debentures outstanding, totaling R$1,500.7 million. We are required to comply with the following negative covenants: (i) net debt (debt less cash and cash equivalents and accounts receivable) no higher than the balance of shareholders equity; and (ii) maintenance of a ratio between net debt and EBITDA less than or equal to 3.25.

For more information on our non-convertible debentures, see note 36(b) to our financial statements included in this annual report.

On September 19, 2003, we concluded the structure of *Pão de Açúcar Fundo de Investimento em Direitos Creditórios*, or PAFIDC, a receivables securitization fund, with a term of duration until 2012. In 2008, we transferred to PAFIDC customer credit financing and accounts receivable from credit card companies, in securitization transactions totaling R$9,051.2 million in 2009 and R$8,057.1 million in 2008. The outstanding balance of these receivables at December 31, 2009 was R$1,125.8 million and R$983.5 million in 2008. For all securitizations, we retained servicing responsibilities and subordinated interests. The default credits will be collected by PAFIDC s administrator, which will be assisted by our collection department. We do not receive fees for collection services. The quota holders of senior quotas have no recourse to our other assets for failure of debtors to pay when due. As defined in the agreement between us and PAFIDC, the transfer of credit rights is irrevocable, non-retroactive and the transfer is definitive and not enforceable against us. PAFIDC is consolidated into our financial statements.

In 2009, our capital expenditures totaled R$1,631.8 million. These investment projects were financed primarily with our operating cash flow and, to a lesser extent funded by third parties. Our capital expenditures were R$488.3 in 2008. For specific use of our capital expenditures in 2009, see Item 4A. Information on the Company History and Development of the Company Capital Expansion and Investment Plan.

We believe that existing resources and operating income will be sufficient to complete the capital expansion and investment program described above and meet our liquidity requirements. However, our capital expansion and investment plan is subject to a number of contingencies, many of which are beyond our control, including the continued growth and stability of the Brazilian economy. We cannot assure you that we will successfully complete all of or any portion of our capital expansion and investment plan. In addition, we may participate in acquisitions not

budgeted in the capital expansion and investment plan, and we may modify these plans.

5C. Research and Development, Patents and Licenses, Etc.

We do not have any significant research and development policies.

5D. Trend Information

Based on our strong performance and strategic acquisitions in 2009, we expect 2010 to be a year of continued growth for the Company, allowing us to substantially accelerate our organic expansion plan based on a solid capital structure.

We have in 2009 approved our biggest ever three-year investment plan, totaling approximately R$5 billion through 2012, most of which we intend to allocate to the opening of new stores. In particular, we will be investing in *Assaí, Extra Fácil* and *Extra Supermercado* formats, which we expect will contribute to stronger returns to us.

We believe we are well positioned and prepared to maintain our growth targets. Our investment plan reflects the positive outlook for the Brazilian economy and confirms our commitment to the creation of jobs and the development of the country as a whole. While we will preoritize organic growth through the inauguration of new stores, we will also remain alert to any opportunities for strategic acquisitions that will result in operational synergies, leverage the return on invested capital and create value for our shareholders.

5E. Off-balance sheet arrangements

We do not maintain any off-balance sheet transactions, arrangements, obligations or other relationships with unconsolidated entities or others that are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

5F. Tabular disclosure of contractual obligations

The following table summarizes significant contractual obligations and commitments at December 31, 2009:

	Payment Due by Period				
Contractual Obligations	**Total**	**Less than one year**	**One to three years**	**Three to five years**	**After five years**
	(in millions of *reais*)				
Long-term debt	2,488.7	471.6	2,010.6	6.5	-
Debentures	1,500.8	19.4	821.5	659.9	-
Estimated interest payments (1)	153.7	130.3	23.4	-	-
Taxes, other than on income	1,264.2	58.6	160.7	160.7	884.1
Financial Leasing	122.9	38.7	40.0	5.3	38.9
Operating lease (2)	4,119.3	467.0	734.0	734.0	2,184.3
Total contractual obligations	**9,649.6**	**1,185.6**	**3,790.2**	**1,566.4**	**3,107.3**

(1) Estimated interest payments include unrealized losses on cross-currency and interest rate swap contracts. Estimated interest payments and foreign currency losses were determined considering the interest rate and exchange rate at December 31, 2009. However, our long- term debt is subject to variable interest rates and inflation indices, and these estimated payments may differ significantly from the payments actually made.

(2) Operating leases include minimum rental obligations.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6A. Directors and Senior Management

Board of Directors

Our board of directors is currently composed of the following members:

Name	Position	Since
Abilio dos Santos Diniz	Chairman	2003
Ana Maria Falleiros dos Santos Diniz D Avila	Director	2003
João Paulo Falleiros dos Santos Diniz	Director	1999
Pedro Paulo Falleiros dos Santos Diniz	Director	2003
Geyze Marchesi Diniz	Director	2005
Jean-Charles Henri Naouri	Director	2005
Candido Botelho Bracher	Director	2005
Fábio Schvartsman	Director	2007
Guilherme Affonso Ferreira	Director	2008
Jean Louis Bourgier	Director	2009
Antoine Marie Remi Lazars Giscard D Estaing	Director	2009
Pedro Henrique Chermont de Miranda	Director	2009
Arnaud, Daniel, Charles, Walter, Joachim Strasser	Director	2010
Ulisses Kameyama	Director	2010

Mr. Abilio dos Santos Diniz is the chairman of our board of directors since 2003. His professional career was entirely dedicated to the Pão de Açúcar Group, from his initial position as sales manager to the position he currently occupies. He was responsible for our Company s major business upturn and, as chief executive officer, promoted the implementation of corporate governance policies and management professionalization. Since 1999, he is also a member of the board of directors of the Casino Group. Mr. Diniz is one of the founders of the São Paulo Supermarket Association (Associação Paulista de Supermercados), or APAS, and ABRAS. He was also member of the Brazilian Monetary Council for ten years. He is currently a member of the Federal Government Economic and Social Development Council. Mr. Abilio Diniz holds a bachelor s degree in Business Administration from Fundação Getúlio Vargas and has attended Columbia University in New York and the University of Ohio in Dayton.

Mrs. Ana Maria Falleiros dos Santos Diniz D Avila is a member of our board of directors since 2003. Previously, she was our chief operations officer and responsible for the human resources, marketing and consumer services departments. She is a founding partner of Sykué Bioenergia and also founder of Axialent do Brasil. Ms. D Ávila holds a bachelor s degree in business administration from Fundação Armando Álvares Penteado (FAAP) and a postgraduate degree in marketing from Fundação Getúlio Vargas. She graduated in owner/president management from Harvard Business School. She is involved in several educational projects including *Todos Pela Educação* and *Parceiros da Educação*. Mrs. Diniz D Ávila is the daughter of Mr. Abilio Diniz.

Mr. João Paulo Falleiros dos Santos Diniz is a member of our board of directors since 1999. Mr. João Paulo Diniz started his career in the Company in 1985 and was director of development and new business and director responsible for our affiliated companies and international division. Mr. Diniz holds a bachelor s degree in business administration

from Fundação Getúlio Vargas and has attended the London Business School. Mr. João Paulo Diniz is the son of Mr. Abilio Diniz.

Mr. Pedro Paulo Falleiros dos Santos Diniz is a member of our board of directors since 2003. Mr. Pedro Paulo is a businessman, and shareholder of PPD Holding, an investment company, in addition to being partner and co-founder of Greentech, an investment fund that invests in environmentally friendly, clean technology companies including Sucral, Sykué, Veridas, Panozon, GT Water and Brazil Timber. He has also found companies in the gastronomy and leisure sector. Mr. Pedro Paulo Diniz is son of Mr. Abilio Diniz.

Mrs. Geyze Marchesi Diniz is a member of our board of directors since 2005. Mrs. Marchesi Diniz is the owning-partner of ING11 Consultoria Empresarial e Planejamento Estratégico Ltda. She holds a bachelor s degree in economy from Universidade Mackenzie, and an MBA in business management from Fundação Getúlio Vargas. Mrs. Marchesi Diniz is Mr. Abilio Diniz s wife.

Mr. Jean-Charles Henri Naouri is a member of our board of directors since 2005. Mr. Naouri is Chairman and Chief Executive Officer of Casino Group. Mr. Naouri has a degree in sciences from Ecole Normale Supérieure, has studied at Harvard University and at Ecole Nationale d Administration.

Mr. Candido Botelho Bracher is a member of our board of directors since 2005. Mr. Bracher was a director of Banco Itamarati S.A. and Vice President of BADESP Banco de Desenvolvimento do Estado de São Paulo S.A. Mr. Bracher is CEO of Banco Itaú BBA S.A. Mr. Bracher has a degree in Business Administration from Fundação Getúlio Vargas.

Mr. Fábio Schvartsman is a member of our board of directors since 2007. Mr. Schvartsman was the chief executive officer of Telemar Participações and member of the board of directors of the companies Telemar Norte Leste, Contax Participações S.A. and Gafisa S.A, where he was also the president of their audit committee. Mr. Schvartsman is still a member of Signatura Lazard, San Antonio Internacional do Brasil, Duratex and Hospital Israelita Albert Einstein. He is also the founder and president of FSCH Assessoria. Mr. Schvartsman was the chief financial officer and a member of the board of directors of Ultrapar Participações S.A. until April of 2007. Mr. Schvartsman has a degree in Engineering and has post-graduation degrees in Production Engineering from Escola Politécnica da Universidade de São Paulo USP and in Business Administration from Fundação Getúlio Vargas.

Mr. Guilherme Affonso Ferreira is a member of our board of directors since 2008. Mr. Ferreira is the Chief Executive Officer of Bahema Participações S.A and is also member of the board of directors of Eternit, Signatura Lazard, Rio Bravo Investimentos and Tavex. Mr. Ferreira holds a degree in Production Engineering from Escola Politécnica da Universidade de São Paulo USP and in Economics and Politics from Macalester College.

Mr. Jean Louis Bourgier is a member of our board of directors since 2009. Mr Bourgier has been a member of the Casino Group since 1989 and is currently the director of international operations, having previously held the positions of restaurant activity director, supermarket and convenience store director, international vice president, manager of the Taiwan branch and director of corporate projects. Before working with the Casino Group, he worked at Procter & Gamble, RJ Reynolds and Burger King. Mr. Bourgier graduated in business management from ESSEC in France.

Mr. Antoine Marie Remi Lazars Giscard D Estaing is a member of our board of directors since 2009. Mr. D Estaing is the financial director of the Casino Group. He was previously financial, strategy and IT director of the Danone Group, and more recently, partner at Bain & Company. Mr. D Estaing holds a degree in administration from the HEC Business School and the École Nationale d Administration.

Mr. Pedro Chermont de Miranda is a member of the board of directors since 2009. Mr. Miranda was the chairman of the board of directors of Casa Show S.A. and CIO and trustee of the main funds of IP Participações, in addition to having participated in the boards of directors of Globex (Ponto Frio), Ponto Frio.com, Mills Andaimes Tubulares do Brasil S.A. and Rossi Residencial S.A. He graduated in Mechanical Engineering from the Pontifícia Universidade Católica of the State of Rio de Janeiro.

Mr. Arnaud, Daniel, Charles, Walter, Joachim Strasser is a member of the board of directors since 2010. Mr. Strasser has worked for the Casino Group since 2007 and was the development and equity interests officer, having previously been responsible for the international development department and was an advisor to the presidency. Mr. Strasser worked in the Cabinet of the Prime Minister of France in 2005 as Mission Head, and in the Cabinet of Renaud Dutreil, French Minister of Companies and Trade, from 2005 to 2007, as special advisor. He was also a member of the board of directors of *Almacenes Exito* (Colombia), Big C (Thailand) and Super de Boer (Holland), as well as a member of the executive committee of the Casino Group (France).

Mr. Ulisses Kameyama is a member of the board of directors since 2010. Mr. Kameyama has worked for the Casino Group since December 2005 and was the development and equity interests officer for Latin America, having previously been a senior member of the development and equity interests team. He has also worked as an investments analysis officer at Brasil Telecom S.A. and as an officer at Rothschild Investment Bank. He graduated in Production Engineering from the Federal University of Rio de Janeiro UFRJ.

Executive Officers

The following table sets forth the name, position and the year of election of each of our executive officers. A brief biographical description of each of our executive officers follows the table:

Name	Position	First Year Elected
Enéas César Pestana Neto	Chief Executive Officer	2010
José Roberto Coimbra Tambasco	Executive Vice-President of Retail Business	2010
Hugo Antonio Jordão Bethlem	Executive Vice-President of Corporate Relations	2010
Antonio Ramatis Fernandes Rodrigues	Executive Vice-President of Commercial Strategy	2010
Claudia Elisa de Pinho Soares	Executive Vice-President of Market Strategy	2010
José Antônio de Almeida Filippo	Corporate, Finance and IT Services Officer	2010
Caio Racy Mattar	Executive Vice-President of Specialized Businesses	2010
Sylvia de Souza Leão Wanderley	People and Management Officer	2010
Marcelo Lopes	Supply Chain Officer	2010
Paulo Gualtieri	Commercial Food and Loss Prevention Officer	2010
Daniela Sabbag	Investor Relations Officer	2006

Mr. Enéas César Pestana Neto has been our Chief Executive Officer since 2010. Mr. Pestana began his career with us in 2003, as an Administrative Officer and was our CFO and COO before becoming our CEO. He was the Vice-President of Laboratório Delboni Auriemo and has worked for GP Investimentos and *Carrefour*. Mr. Pestana holds a degree in Accounting from Pontifícia Universidade Católica de São Paulo PUC and specialization degrees in controlling, finance, leadership and management from national and international institutions.

Mr. José Roberto Coimbra Tambasco is our Executive Vice-President of Retail Business. Mr. Tambasco began his career with us in 1979 and since then, has worked as our Administration Trainee, Sales Assistant, Sales Manager, Commercial Manager, Commercialization Officer, Operations Officer, Supermarket Division Officer, Pão de Açúcar Unity Officer, Commercial,Operational and Marketing Vice-President. He has been our executive officer since 2003 and has a degree in Business Administration from Fundação Getúlio Vargas.

Mr. Hugo A. Jordão Bethlem is our Executive Vice-President of Corporate Relations. Mr. Bethlem began his career with us in 2001 and since then has worked as our Commercialization Officer, Commercial Officer, executive Officer of CompreBem and Sendas unities and Supply Chain and IT Vice-President. Mr. Bethlem was the Commercial Officer of DiCicco, Jerônimo Martins, Parque Temático Play Center and *Carrefour*. Mr. Bethlem has a degree in Business Administration from Faculdades Metropolitanas Unidas FMU and has a post-graduate degree in Administration from Cornell University and has been our executive officer since 2003.

Mr. Antonio Ramatis Fernandes Rodrigues is our Executive Vice-President of Commercial Strategy. Mr. Rodrigues was the Commercial and Marketing vice-chairman of Grupo Bom Preço, the Commercial and Logistics vice-chairman of Grupo Sonae and the Commercial vice-chairman of C&A. Mr. Rodrigues has a degree in engineering from

Fundação Armando Álvares Penteado FAAP and holds a master degree in business administration from Universidade de São Paulo.

Mrs. Claudia Elisa de Pinho Soares is our Executive Vice-President of Market Strategy. Prior to joining our Company, she worked for Ambev for 17 years in managerial and director positions in Human Resources, Finance, Distribution and Logistics, and she also worked for Laticínios Morrinhos (Leitbom) as Director of Finance, IT and Human Resources. Mrs. Soares holds a degree in Business Administration from Pontifícia Universidade Católica do Rio de Janeiro PUC, an MBA in General Management from INSEAD and in Human Resources from FIA University of São Paulo USP.

Mr. Jose Antônio Almeida Filippo has been our Corporate, Finance and IT Services Officer since 2010. Prior to joining our Company in 2010, he worked for Gafisa S.A, Reinolds LATASA and Ingersoll-Rand in various executive financial positions. From 2004 until prior to joining us in 2010 he was Vice President of both Finance and Investor Relations at CPFL Energia. Mr. Filippo graduated from the UFRJ with a degree in civil engineering, earned a finance post-graduate degree at IAG/PUC-RJ, and a specialization in management from IBMEC and Harvard Business School.

Mr. Caio Racy Mattar is our Executive Vice-President of Specialized Businesses. He previously served as a member of the executive office of Reúne Engenharia e Construções Ltda. and he is also a member of the board of directors of Paramount Lansul S.A. Mr. Mattar has an engineering degree from Instituto de Engenharia Paulista and has attended the London Business School. Mr. Mattar began his career with us in 1993 and has been our executive officer since 1995.

Mrs. Sylvia de Souza Leão Wanderley is our People and Management Officer. In 2000, Mrs. Leão began working at our Company as a commercial director and she has been an executive officer at our Company since 2008. Prior to joining our Company, she worked as a Commercial and Marketing Director for Wal Mart and has also worked for Mesbla. Mrs. Leão has a degree in Social Communications from FACHA and an Executive MBA from UFRJ.

Mr. Marcelo Lopes has been our Supply Chain Officer since 2010. Mr. Lopes has worked for us since 2001, operating in the logistics and supply chain areas. He worked at São Paulo Alpargatas, operating in the industrial and commercial areas. He graduated in Business Administration from Unicapital and took specialization courses at Coppead and Fundação Getúlio Vargas.

Mr. Paulo Gualtieri has been our Commercial Food and Loss Prevention Officer since 2010. Mr. Paulo Gualtieri has worked for us since 1989, in the operations, commercial and the information technology areas. He graduated with an Economics degree from the Pontifícia Universidade Católica of the State of São Paulo, holds a graduate degree in Industrial Marketing from Mackenzie University and concluded an MBA at Fundação Getúlio Vargas.

Ms. Daniela Sabbag is our Investor Relations Officer. Ms. Sabbag has worked in our Investor Relations area since 2000, and in recent years was the Investor Relations Manager. Ms. Sabbag has a degree in business administration and holds an MBA from Fundação Getúlio Vargas, with supplementary courses and post-graduate studies in business administration from Fipecafi at the Universidade de São Paulo. Previously, Ms. Sabbag worked at Deutsche Bank and at *Sé Supermercados*. Ms. Sabbag began her career with us in 2000 and has been our executive officer since 2006.

6B. Compensation

For the year ended December 31, 2009, the aggregate compensation paid in cash to all of our directors and executive officers and members of our committees as a group was R$56.5 million. Non-cash benefits in 2009 included reimbursements of medical expenses to our executive officers and the use of our cars during working hours. There are no outstanding loans granted by us to our executive officers or members of our board of directors. We are not required under Brazilian law to disclose on an individual basis the compensation of our directors and executive officers, and we do not otherwise publicly disclose this information.

In July 2007, the Company established a supplementary private pension plan of defined contribution to its employees by retaining the financial institution *Brasilprev Seguros e Previdência S.A.* for management purposes. When establishing the plan, the Company provides monthly contributions on behalf of its employees on account of services rendered to the Company. Contributions made by the Company in the year ended December 31, 2009, amounted to R$2.0 million and employees contributions amounted to R$3.0 million with 861 participants.

Compensation of the Board of Directors, Executive Officers and Fiscal Council for 2010 and 2009

The table below indicates the estimated compensation amount for members of the Board of Directors, Executive Officers and Fiscal Council for 2010:

	Board of Directors	Advisory Board	Executive Board	Fiscal Council	Total
			(In R$, when applicable)		
Number of members	14	8	11	3	36
Fixed Annual Compensation	**-**	**-**	**15.0**	**0.4**	**15.4**
Benefits	-	-	1.9	-	1.9
Base Compensation	-	-	13.1	0.4	13.5
Others	-	-	-	-	-
Variable Compensation	**7.7**	**0.2**	**23.9**	**-**	**31.8**
Bonus	-	-	-	-	-
Profit Sharing	-	-	23.9	-	23.9
Participation in Meetings	7.1	0.2	-	-	7.3
Participation in Committee Meetings	0.4	-	-	-	0.4
Commissions	-	-	-	-	-
Others (Invitees Compensation)	0.2	-	-	-	0.2
Post-Employment Benefit	**-**	**-**	**-**	**-**	**-**
Benefits on ceasing to exercise the position	**-**	**-**	**-**	**-**	**-**
Share-based compensation [1]	**-**	**-**	**14.2**	**-**	**14.2**
Total Compensation	**7.7**	**0.2**	**53.1**	**0.4**	**61.4**

(1) Compensation referring to achieving the goals established for previous years, to be recognized in the results for the year ended December 31, 2010, in line with current policy.

The table below indicates the compensation amount for members of the Board of Directors, Executive Officers and Fiscal Council for 2009:

	Board of Directors	Advisory Board	Executive Board	Fiscal Council	Total
			(In R$, when applicable)		
Number of members [1]	13.83	8	10.17	2.25	34.25
Fixed Annual Compensation	**-**	**-**	**12.7**	**0.3**	**13.0**
Benefits	-	-	1.1	-	1.1
Base Compensation	-	-	11.6	0.3	11.9
Others	-	-	-	-	-
Variable Compensation	**7.5**	**0.2**	**25.0**	**-**	**32.7**
Bonus	-	-	-	-	-
Profit Sharing	-	-	25.0	-	25.0
Participation in Meetings	6.9	0.2	-	-	7.1
Participation in Committee Meetings	0.5	-	-	-	0.5
Commissions	-	-	-	-	-
Others (Invitees Compensation)	0.1	-	-	-	0.1

Post-Employment Benefit	**-**	**-**	**-**	**-**	**-**
Benefits on ceasing to exercise the position	**-**	**-**	**-**	**-**	**-**
Share-based compensation	**-**	**-**	**10.8**	**-**	**10.8**
Total Compensation	**7.5**	**0.2**	**48.5**	**0.3**	**56.5**

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(1) The number of members of our management informed in the above table represents the average annual number of members of each body ascertained on a monthly basis as per the following table.

Variable Compensation 2010 and 2009

With the exception of the compensation based on the hours actually worked, the members of our Board of Directors and our Fiscal Council receive no variable compensation in the exercise of their positions. Below we present the variable compensation of members of our Executive Board expected to be paid in 2010 and paid in 2009.

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Amounts projected for the year 2010

	Executive Board *(In R$, when applicable)*
Number of members	11
Bonus	
Minimum expected amount	-
Maximum expected amount	-
Expected amount goals achieved	-
Profit sharing	
Minimum expected amount	-
Maximum expected amount	35.8
Expected amount goals achieved	23.9

Amounts referring to the year 2009

	Executive Board *(In R$, when applicable)*
Number of members [1]	10.17
Bonus	
Minimum expected amount	-
Maximum expected amount	-
Expected amount goals achieved	-
Amount actually recognized	-
Profit sharing	
Minimum expected amount	-
Maximum expected amount	27.0
Expected amount goals achieved	18.0
Amount actually recognized	25.0

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(1) The number of members of our executive board informed in the above table represents the average annual number of executive officers ascertained on a monthly basis as per the following table:

Stock Option Plan for Board of Directors and Statutory Executive Board

As of December 31, 2009, we had two stock option plans in effect. The first plan, approved at the General Shareholders Meeting held on April 28, 1997, or First Plan, and the second plan, approved at the General Shareholders Meeting held on December 20, 2006, or Second Plan, together the Option Plans.

Our Option Plans are managed by the Stock Option Plan Management Committee, which is elected by our board of directors. This committee is comprised of in between three to five members and determines which employees are to benefit from the stock options based on their duties, responsibilities and performance.

The Option Plans covers only the class A preferred shares issued by our Company.

General Terms and Conditions

Our Stock Option Committee usually undertakes annual option granting cycles. Each granting cycle is allocated a serial number, whereby the grants from the First Plan are numbered as from Series I and the grants from the Second Plan are numbered beginning with the letter A, that is, as from Series A1. For the year ended December 31, 2009, the options granted under the Series VIII, IX and X of the First Plan and Series A1 to A3 of the Second Plan were in effect.

The options granted within the scope of the Second Plan can be classified as Gold and Silver ; this differentiation implies alterations to the option exercise price as explained below.

Principal Objectives of the Plan

The aim of the Options Plan is to (i) attract and retain highly qualified executives and professionals; (ii) enable our managers and employees to participate in our capital and in the equity increases arising from the results these managers, employees and service providers have contributed to; and (iii) to align the interests of our managers and employees with those of our shareholders, encouraging these professionals in their performance while ensuring continuity in the management of our Company.

Maximum Number of Shares and Options

The maximum number of shares covered by the Option Plans is 11,617,748 class A preferred shares. The number of shares covered by the Option Plans must always be within our Company s approved capital limit, which may be amended at any time should our board of directors so decide. When stock options are exercised, we issue the beneficiaries new shares, with the right to use our treasury shares.

There is no maximum number of options that may be granted within the scope of the option plans, provided that the total number of shares arising from the exercise of the options does not exceed the limit discussed above and a limit of 2% of our capital stock per series.

Exercise Price

First Plan: The price of each preferred share is determined in the respective adhesion agreement, and is always fixed by the Stock Options Committee on Fridays at a price between 100% and 60% of the weighted average market price of our preferred shares at the close of business on the BM&FBOVESPA during the four days prior to that Friday, restated using the IGP-M.

Second Plan: In the case of options classified as Silver, the exercise price per preferred share will correspond to the average closing price of our preferred shares over the last 20 BM&FBOVESPA trading sessions prior to the date on which the Stock Option Committee decides to grant the option. After this average price has been ascertained, a discount of 20% will be applied. For Gold-type options, the exercise price per preferred share will correspond to R$0.01.

Vesting

As a general rule the options will vest as follows:

First Plan: At the end of the last month of the third year as from the date of execution of the respective adhesion agreement, the beneficiary will be entitled to acquire 50% of the total number of shares under the option granted to them, with the remaining portion exercisable at the end of the last month of the fifth year.

Second Plan: As from the 36th month to the 48th month following the date of execution of the respective adhesion agreement, the beneficiary will be entitled to acquire 100% of the Silver-type shares. The exercise of the Gold-type options will occur in the same period, but the percentage of these options subject to exercise will be determined by the Stock Option Committee in the 35th month following the date of execution of the respective adhesion agreement.

The options granted within the scope of the Option Plans may be exercised wholly or in part.

Restrictions on Transferring Shares

The Stock Option Committee may set restrictions on the transfer or circulation of the shares obtained from exercising the options.

In the first plan, part of the shares acquired in the fifth year following the date of execution of the respective adhesion agreement, will be encumbered with non-transferability, being extinguished after the beneficiary retires. The quantity of shares under said encumbrance will be ascertained as follows:

Q = (Q1 x Pm)   (Q1 x Pe) / Pm

Where:

Q = the quantity of shares to be encumbered with non-transferability;

Q1 = 50% of the total shares initially established in the beneficiary   s option agreement;

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Pm = market price of the preferred shares issued by us on the option exercise date; and

Pe = exercise price initially established in the beneficiary s options agreement.

Outstanding Stock Options for Senior Management

The members of our board of directors are not eligible for our stock option plans. Below are the outstanding options for the members of our Senior Management.

	Executive Management							
Number of members benefiting from the granting of stock options	11							
In relation to options not yet exercisable:	**Series IX**	**Series X**	**Series A1 Gold**	**Series A1 Silver**	**Series A2 Gold**	**Series A2 Silver**	**Series A3 Gold**	**Series A3 Silver**
Quantity	50,700	50,840	80,616	185,540	140,801	149,715	305,169	305,153
Vesting date	5/31/10	6/30/11	4/30/10	4/30/10	3/31/11	3/31/11	5/31/12	5/31/12
Maximum deadline for exercising the options	6/30/10	9/30/11	4/29/11	4/29/11	3/31/12	3/31/12	5/31/13	5/31/13
Weighted average exercise price (in R$, per share)	29.86	38.85	0.01	24.63	0.01	26.93	0.01	27.47
Fair value of the options on the last day of the year (in R$, per share)	14.46	17.23	65.01	16.98	65.01	41.46	65.01	37.98
In relation to exercisable options:								
Quantity	22,400	11,000	0	0	58,607	62,514	19,681	24,594
Maximum deadline for exercising the options	5/31/10	9/30/11	N/A	N/A	3/30/12	3/30/12	5/31/13	5/31/13
Weighted average exercise price (in R$, per share)	29.86	38.85	N/A	N/A	0.01	26.93	0.01	27.47
Fair value of the options on the last day of the business year (in R$, per share)	14.46	17.23	N/A	N/A	65.01	41.46	65.01	37.98
Fair value of the options on the last day of the year (in thousand R$)	323.9	189.5	N/A	N/A	3,810.0	2,591.8	1,279.5	934.1

Stock Options Exercised and Shares Delivered for Senior Management

The table below shows the options exercised and the shares delivered to the members of our Senior Management in 2009.

	Executive Management											
Number of members benefiting from the granting of stock options	11											
In relation to the options exercised and the shares delivered:	**Series VIII**	**Series IX**	**Series X**	**Series A1 Silver (1st**	**Series A1 Silver (2nd batch)**	**Series A1 Silver**	**Series A2 Gold (1st**	**Series A2 Gold (2nd**	**Series A2 Gold (3rd**	**Series A2 Silver (1st**	**Series A2 Silver**	**Series A2 Silver (3rd batch)**

				batch)		**(3rd batch)**	**batch)**	**batch)**	**batch)**	**batch)**	**(2nd batch)**	
Number of shares (in thousand)	192	11	223	5	3	2	30	91	47	45	96	52
Weighted average exercise price (in R$, per share)	32.75	29.62	38.54	24.63	24.63	24.63	0.01	0.01	0.01	26.93	26.93	26.93
Total amount of the difference between the exercise price and the market price of the shares referring to the options exercised (in R$, per share)	13.60	20.70	11.78	7.35	21.72	25.69	31.97	46.34	50.31	5.05	19.42	23.39

Insurance

We have an insurance policy with Itaú Seguros S.A., effective from November 23, 2009 to November 23, 2010, covering all our managers against damages attributed to them in the exercise of their respective functions. Coverage is limited to US$50 million, with deductibles of US$200,000 for all losses and damages arising from one and the same damaging act involving the capital markets, and US$50,000 for all losses and damages arising from one and the same damaging act of a different nature. The policy is automatically extended to the management of our new subsidiary companies, with liability limited to 20% of the total assets of the company in question.

6C. Board Practices

According to our by-laws, our board of directors consists of at least three and up to 18 members. The directors meet ordinarily five times a year, and extraordinarily whenever required. The members of our board of directors are appointed at general shareholders meetings for a term of office of three years and are required to be our shareholders. The board s responsibilities include leading the corporate governance process, electing our executive officers and supervising our management. Currently our board of directors consists of fourteen members elected by our shareholders, consisting of five representatives of the Diniz Group, four independent directors and five representatives of the Casino Group, whose terms of office expire in 2011. We are managed by our board of directors (*Conselho de Administração*) and by our board of executive officers (*Diretoria).* None of our directors is party to an employment agreement providing for benefits upon termination of employment.

Mr. Abilio Diniz acts as the Chairman of our board of directors and the Chairman of the board of directors of the Holding Company. As part of his duties as Chairman of our board of directors, Mr. Abilio Diniz is responsible for the general supervision of our strategy and activities and liaises between our board of directors and our board of executive officers. As Chairman of our board of directors, Mr. Abilio Diniz has a casting vote for matters in the regular course of our business.

Our board of executive officers is composed of at least two and up to 14 members, being one the Chief Executive Officer, four Vice Presidents and one Chief Financial Officer, elected by our board of directors. The general responsibilities of our executive officers are determined pursuant to our by-laws and their specific duties and titles are established by our board of directors. Up to June 6, 2010, there were 12 members.

The responsibilities of our executive officers include adopting plans and rules related to our management and operations, reporting to shareholders each fiscal year on the status of our business activities, presenting the year-end balance sheets and other legally required financial statements and submitting investment programs and budgets to our board of directors.

Our executive officers are elected by our board of directors for three-year terms, although any executive officer may be removed by our board of directors before the expiration of his or her term. On February 5, 2009, our directors elected our current executive officers. The current term of all executive officers expires in April 2011.

Committees

Pursuant to our by-laws, we currently have the following three special committees: (i) Human Resources and Compensation Committee; (ii) Financial Committee; and (iii) Sustainable Development Committee. The attributions of each committee are set forth by our board of directors. The members of each committee are appointed by our board of directors, solely among its members, and the board of directors also designates the president of each special committee. Each special committee is composed of three and up to five members for a term of office of three years, reelection being permitted. In addition to these committees, the board of directors may create other committees with special roles.

Human Resources and Compensation Committee

The human resources and compensation committee holds meetings at least once every two months and has the following duties: (i) to provide guidelines for the selection of our Chief Executive Officer; (ii) to examine candidates for election to our board of directors; (iii) to examine candidates for appointment to our board of executive officers; (iv) to review and discuss management compensation and stock option plan for our officers; (v) to propose criteria for the assessment of the performance of our managers, using comparable Brazilian corporations as benchmark; (vi) to review the recruitment and hiring methods adopted by us and our controlled companies, using comparable Brazilian corporations as benchmark; (vii) to define the compensation and incentive policies for our managers; and (viii) to identify individuals within our Company and our controlled companies who could be our future leaders and follow up the development of their career. Our Human Resources and Compensation Committee is composed of Ana Maria Falleiros dos Santos Diniz D Avila, Geyze Marchesi Diniz, Jean Louis Bourgier and Arnaud Strasser.

Financial Committee

The financial committee holds meetings at least once every two months and has the following duties: (i) to review the financial/economic viability of our investment plans and programs; (ii) to review and recommend actions for the negotiation of any merger and acquisition or of any similar transaction involving us or any of our controlled

companies; (iii) to follow up any such transaction and negotiation referred to in item (ii); (iv) to review our cash flow, indebtedness policy and capital structure; (v) to monitor the implementation and accomplishment of our annual investment plan; (vi) to monitor the average cost of our capital structure and to make suggestions for modifications whenever deemed necessary; and (vii) to review and recommend opportunities related to financing transactions that may improve our capital structure. Our financial committee is currently composed of Ana Maria Falleiros dos Santos Diniz D Avila, Geyze Marchesi Diniz, Antonie Marie Remi Lazars Giscard d Estaing and Arnaud Strasser.

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Sustainable Development Committee

The sustainability committee holds meetings at least once every three months and has the following assignments: (a) leverage our business by expanding our sustainable development and environmental aspects; (b) establish sustainable practices, based on economic, environmental and social elements in order to promote sustainable developments and disseminate these practices throughout all of our strategic activities and relationships; (c) evaluate and approve projects, proposals and institutional campaigns related to environmental or social issues, including the allocation of resources; (d) evaluate investment opportunities and projects from a sustainable perspective; and (e) approve the social balance sheets and sustainability reports. Our sustainability committee is composed of Arnaud Strasser, Jean Louis Bourgier, João Paulo Falleiros dos Santos Diniz, Pedro Paulo Falleiros dos Santos Diniz and Guilherme Affonso Ferreira.

In addition, to the three special committees aforementioned, we implemented a Fiscal Council that serves as our audit committee and a Stock Option Plan Management Committee. The following section describes our Fiscal Council and stock option plan management committee.

Fiscal Council and Audit Committee

Under the Brazilian corporate law, the Fiscal Council is a corporate body independent of management and of Company s external auditors. The Fiscal Council has not typically been equivalent to or comparable with a U.S. audit committee; its primary responsibility has been to monitor management s activities, review the financial statements and report its findings to the shareholders. However, pursuant to Exchange Act Rule 10A-3(c)(3) which provides for an exemption under the rules of the SEC, regarding the audit committees of listed companies, a foreign private issuer is not required to have a separate audit committee composed of independent directors if it has a board of auditors established and selected pursuant to home country legal or listing provisions expressly requiring or permitting such a board and such board meets certain requirements. Pursuant to this exemption, our Fiscal Council can exercise the required duties and responsibilities of a U.S. audit committee to the extent permissible under Brazilian corporate law. To comply with the new rules of the SEC, the board of auditors must meet the following standards: it must be separate from the full board, its members must not be elected by management, no executive officer may be a member, and Brazilian law must set forth standards for the independence of the members. In addition, in order to qualify for the exemption, the board of auditors must, to the extent permitted by Brazilian law:

- be responsible for the appointment, retention, compensation and oversight of the external auditors (including the resolution of disagreements between management and the external auditors regarding financial reporting);

- be responsible for establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, and procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;

- have the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties; and

- receive appropriate funding from the Company for payment of compensation to the external auditors, for any advisors and ordinary administrative expenses.

As a foreign private issuer, we decided to modify our Fiscal Council to comply with the exemption requirements. Our Board of Directors has delegated to the Fiscal Council certain additional responsibilities and the Fiscal Council and the Board of Directors adopted an additional charter delegating to the Fiscal Council the duties and responsibilities of

a U.S. audit committee to the extent permitted under Brazilian corporate law. Because Brazilian corporate law does not permit the Board of Directors to delegate responsibility for the appointment, retention and compensation of the external auditors and does not provide neither the board nor the Fiscal Council with the authority to resolve disagreements between management and the external auditors regarding financial reporting, the Fiscal Council cannot fulfill these functions. Therefore, in addition to its oversight responsibilities, the Fiscal Council may only make recommendations to the Board of Directors with respect to the appointment, retention and compensation of the external auditors, and with regard to resolution of disagreements between management and the external auditors, the Fiscal Council may only make recommendations to management and the board.

Under the Brazilian corporate law, the Fiscal Council may not contain members who are members of the Board of Directors or management, or who are our employees or employees of a controlled company or of a company of this group, or a spouse or relative of any member of our management. In addition, the Brazilian corporate law requires that Fiscal Council members receive a compensation at least 10% of the average amount paid to each executive officer. The Brazilian corporate law requires a Fiscal Council to be composed of a minimum of three and a maximum of five members and their respective alternates.

Our Fiscal Council is composed of three members who are elected at the annual shareholders meeting, with terms lasting until the next annual shareholders meeting after their election. Under the Brazilian corporate law, holders of preferred shares have the right to elect separately one member of the Fiscal Council. Also, under the Brazilian corporate law, minority groups of shareholders that hold at least 10% of the voting shares are entitled to elect one member of the Fiscal Council and his alternate by a separate vote. In any event, however, the common shareholders have the right to elect the majority of the members of the Fiscal Council. Set forth below are the names, ages and positions of the members of our Fiscal Council and their respective alternates indicated by the Holding Company and elected with previous consent of our preferred shareholders on April 29, 2010, the date of the last annual shareholders meeting.

Name	Age	Position	Year First Elected
Miguel Roberto Gherrize	71	Chairman	2009
Oswaldo Orsolin	67	Alternate	2009
Fernando Maida Dall Acqua	61	Effective member	2009
Antonio Luiz de Campos Gurgel	69	Alternate	2009
Mario Probst	57	Effective member	2009
John Michel Pimenta de Moraes Streithorst	40	Alternate	2009

Mr. Miguel Roberto Gherrize is the chairman of the Fiscal Council. Previously, Mr. Gherrize was partner of Arthur Andersen and a member of the Fiscal Council of Companhia Siderúrgica de Tubarão, VCP Votorantim Celulose e Papel and Arcelor Brasil S.A. Today he serves as a member of the Fiscal Council of TIM Participações S.A. and a technical advisor to Terco Grant Thornton Auditoria e Consultoria. He holds Bachelor s degrees in Economics, Accounting Sciences and Business Administration.

Mr. Oswaldo Orsolin is an alternate member of the Fiscal Council. Previously, Mr. Orsolin was the CEO of Spal Indústria Brasileira de Bebidas S.A., a member of the Fiscal Council of Rhodia Ster S.A. and of the Audit Committee of the American Chamber of Commerce and Magazine Luiza S.A. Today he serves as a member of the Board of Directors of Refrigerantes de Manaus Ltda. (Coca Cola da Amazônia), and of the Fiscal Council and Audit Committee of TIM Participações S.A. He graduated in Economics and Accounting Sciences.

Mr. Fernando Maida Dall'Acqua is a Master of Business Administration from Fundação Getúlio Vargas, PhD in Economic Development from the University of Wisconsin-Madison (USA), Free Professor of Administration from Fundação Getulio Vargas and a fellowship at Michigan State University (USA). He was Treasury Secretary of the State of São Paulo and held positions in the areas of financial, tax, budget and strategic management, in addition to being a member of the State Privatization Council of the State of São Paulo. He was also a member of the Board of Directors and of SoX Audit Committee of Companhia de Saneamento Básico do Estado de São Paulo (SABESP), of the Board of Directors of Companhia Energética do Estado de São Paulo (CESP), Companhia de Processamento de Dados do Estado de São Paulo (PRODESP), DERSA Desenvolvimento Rodoviário S.A., Banco do Estado de São Paulo (BANESPA) and Nossa Caixa S.A and a member of the Advisory Council of Grupo Pão de Açúcar. Today he serves as a member of the Board of Directors and of the Audit Committee of Companhia de Transmissão de Energia

Elétrica Paulista (ISA-CTEEP), of the Audit Committee of the São Paulo State newspaper O Estado de São Paulo and a member of the Fiscal Council of Grupo Pão de Açúcar. He is an Incumbent Professor at the School of Administration of São Paulo - Fundação Getúlio Vargas, and provides advisory services to major companies in the areas of mergers and acquisitions, economic, financial and tax valuation.

Mr. Antonio Luiz de Campos Gurgel is an alternate member of the Fiscal Council. Previously, Mr. Gurgel served as Fiscal Auditor of the Brazilian Internal Revenue Service. Today he serves as advisor to companies such as Cargill Agricola S.A., Companhia Energética do Estado de São Paulo (CESP), Hewlett-Packard Brasil Ltda., IBM Brasil Indústria, Máquinas e Serviços Ltda., Telecomunicações de São Paulo S.A. (TELESP), Volkswagen do Brasil Indústria de Veículos Automotores Ltda., Banco Bradesco S.A., Itaú Unibanco. and Banco ABN Amro S.A. Currently, he works as associate professor in the Accounting, Finance and Control Department of Fundação Getúlio Vargas. He graduated in Business Administration from Fundação Getúlio Vargas and holds an MBA from the Michigan State University USA.

Mr. Mario Probst is a member of the Fiscal Council. Previously, Mr. Probst was partner of KPMG Auditores Independentes. Today he serves as a member of the Fiscal Council of Odontoprev S.A. and Ultrapar Participações S.A. He graduated in Business Administration from the Getúlio Vargas Foundation and in Accounting Sciences from the College of Political and Economic Sciences of Rio de Janeiro.

Mr. John Michel Pimenta de Moraes Streithorst is an alternate member of the Fiscal Council. Previously, Mr. Streithorst was a member of the Investment Committee and director of Icatu Equity Partners and a member of the Investment Committee of AIG Latin American Equity Partners. Today he serves as a member of the Investment Committee of Capital Mezanino FIP. He graduated in Computer Engineering from UNICAMP.

Our board of directors has determined we do not appoint an audit committee financial expert (as defined under the rules and regulations of the SEC). We believe that the combined knowledge, skills and experience of the members of our Fiscal Council enable them, as a group, to act effectively in the fulfillment of their tasks. In addition, the members of our Fiscal Council have the power and authority to engage outside experts as they deem appropriate to provide them with advice on matters related to their responsibilities**.**

Stock Option Plan Management Committee

Our Stock Option Plan Management Committee has the following objectives: (a) deliberate matters relating to granting, prices, dates and the amount granted in each plan; (b) decide when each stock option plan will be granted, considering the possibility of not granting the plan in our Company s interest; (c) take into account all the necessary measures in order to appropriately manage the stock option plan, including the interpretation of the general guidelines; (d) guide the Company on when to issue new shares or when to use the shares held in treasury; (e) select, among the eligible personnel, who will take part in the stock option plan according to the attributions, responsibilities and/or their performance based on the goals established by the Gold option plan; (f) establish the appropriate guidelines for each stock option for each beneficiary, approving the stock option plan agreements, especially regarding the amount of shares and the conditions to exercise each stock option plan; (g) establish, for each beneficiary, the alternatives, terms and conditions for each exercise, the share acquisition price and payment; (h) extend, generally or in specific cases, the termination date for each stock option plan; (i) determine the increase or decrease of the stock option plan lots that were already granted, maintaining its terms and conditions, especially regarding the acquisition rights of its exercise; and (j) modify unilaterally the terms and conditions of the option granted freely as well adapting them to amendments in corporate law.

Advisory Board

In addition to the committees aforementioned, our by-laws provide for a non-permanent *ad hoc* advisory board, which whenever installed, must consist of up to 13 members, shareholders or not, elected by our annual shareholders meeting, whose purpose is to make recommendations to our board of directors on measures to be taken in order to ensure the development of our businesses and activities, as well as render opinion on any matters submitted by our board of directors. Our advisory board meets semi-annually and, in extraordinary circumstances, whenever called by the president of our board of directors. The current term of all members of our advisory board is three years, reelection being permitted, and such members may receive a compensation set forth by our general shareholders meeting. Our currently installed advisory board was elected by our shareholders in the shareholders meeting held on April 30, 2008 and is comprised of the following members, most of them economists or former ministers of economy of Brazil: Luiz Carlos Bresser Gonçalves Pereira, Mailson Ferreira da Nóbrega, Roberto Teixeira da Costa, José Roberto Mendonça de Barros, Manuel Carlos Teixeira de Abreu, Luiz Felipe Chaves D Ávila, Luiz Marcelo Dias Sales and Yoshiaki Nakano.

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6D. Employees

Our workforce at December 31, 2009 consisted of 85,244 employees (calculated on a full-time employee equivalent basis). Virtually all of our employees are covered by union agreements. The agreements are renegotiated annually as part of industry-wide negotiations between a management group representing the major participants in the retail food industry, including our management, and unions representing employees in the retail food industry. We believe we compensate our employees on a competitive basis, and we have developed incentive programs to motivate our employees and reduce employee turnover. Our management considers our relations with our employees and their unions to be good. We have not had strikes in our history.

The following table sets forth the number of our employees at December 31, for each of the five years ended December 31, 2009, 2008, 2007, 2006 and 2005:

	At December 31(1)				
	2009	2008	2007	2006	2005
Operational	73,617	60,605	55,494	53,495	53,187
Administrative	11,627	10,051	10,671	10,112	9,616
Total	85,244	70,656	66,165	63,607	62,803

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(1) Based on the full-time equivalent number of employees calculated by dividing the total number of hours worked by all employees in the final month of each period presented by 220 hours.

6E. Share Ownership

At December 31, 2009, the board members owned an aggregate amount of 4,371 preferred shares. The members of our board of directors and our executive officers, on an individual basis and as a group, own directly less than 1% of our common stock. See Item 7A. Major Shareholders and Related Party Transactions Major Shareholders. At April 29, 2010, our management and some of our employees also owned options to purchase an aggregate amount of 3,432 preferred shares at per-share weighted average purchase price of R$17.82. None of the members of our management and our employees holds any options to purchase our common shares. See Item 6B. Directors, Senior Management and Employees Compensation for a description of our stock option plan applicable to our management and employees, including those of our subsidiaries.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7A. Major Shareholders

The following table sets forth information relating to the beneficial ownership of our capital stock as of June 15, 2010, by each person known by us to beneficially own 5% or more of our common shares or preferred shares and all our directors and officers as a group.

	Common Shares		Preferred Shares Class A	Preferred Shares Class B	Total Shares
	Number	%			