BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD
Form 6-K
May 18, 2007

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

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

For the month of May, 2007

Brazilian Distribution Company
(Translation of Registrant s Name Into English)

Av. Brigadeiro Luiz Antonio,
3126 São Paulo, SP 01402-901
Brazil
(Address of Principal Executive Offices)

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

Form 20-F _X_ Form 40-F___

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

Yes ___ No _X_

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

Yes ___ No _X_

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

Yes ___ No _X_

Audited Financial Statements

Companhia Brasileira de Distribuição

December 31, 2006 and 2005
with Report of Independent Auditors

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

AUDITED FINANCIAL STATEMENTS

December 31, 2006 and 2005

Contents

A free translation from Portuguese into English of Report of Independent Auditors on financial statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders
Companhia Brasileira de Distribuição

1. We have audited the accompanying balance sheets of Companhia Brasileira de Distribuição and the consolidated balance sheets of Companhia Brasileira de Distribuição and its subsidiaries as of December 31, 2006 and 2005, and the related statements of income, shareholders' equity and changes in financial for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements. The financial statements of the investees Pão de Açúcar Fundo de Investimento em Direitos Creditórios and Miravalles Empreendimentos e Participações S.A. for the years ended December 31, 2006 and 2005 were audited by other independent auditors. Our audit opinion, regarding assets, liabilities and results of operations of said investees is based exclusively on the audit opinion of those independent auditors.

2. We conducted our audits in accordance with generally accepted auditing standards in Brazil, which comprised: (a) the planning of our work, taking into consideration the materiality of balances, the volume of transactions and the accounting and internal control systems of the Company and its subsidiaries; (b) the examination, on a test basis, of documentary evidence and accounting records supporting the amounts and disclosures in the financial statements; and (c) an assessment of the accounting practices used and significant estimates made by Company management, as well as an evaluation of the overall financial statement presentation.

3. In our opinion, and based on our audit and on the opinion of the other independent auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Companhia Brasileira de Distribuição and the consolidated financial position of Companhia Brasileira de Distribuição and subsidiaries at December 31, 2006 and 2005, and the results of operations, changes in shareholders equity and changes in financial position for those years, in conformity with accounting practices adopted in Brazil.

4. Our audit was performed for the purpose of issuing an opinion on the financial statements referred to in the first paragraph. The consolidated statements of cash flows and statement for added values for the years ended December 31, 2006 and 2005, prepared in accordance with the accounting practices adopted in Brazil, are presented to provide supplementary information on the Company and investees, despite not being a required component of the financial statements. These statements were submitted to the audit procedures described in the second paragraph and, in our opinion are fairly stated in all material respects in relation to the financial statements taken as a whole.

São Paulo, March 15, 2006

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/ O-6

Sergio Citeroni
Accountant CRC-1SP170652/O-1

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

BALANCE SHEETS
December 31, 2006 and 2005
(In thousands of reais)

	Parent Company		**Consolidated**	
	2006	**2005**	**2006**	**2005**
ASSETS				
Current assets				
Cash and banks	**146,869**	108,726	**247,677**	168,603
Marketable securities	**1,785**	621,906	**1,033,834**	1,542,234
Trade accounts receivable	**756,359**	664,420	**1,621,592**	1,416,726
Inventories	**944,147**	835,921	**1,231,963**	1,115,286
Recoverable taxes	**256,306**	257,739	**378,849**	270,389
Deferred income and social contribution taxes	**101,794**	66,807	**238,676**	84,745
Prepaid expenses and others	**100,037**	81,924	**125,825**	106,545
Total current assets	**2,687,297**	2,637,443	**4,878,416**	4,704,528
Noncurrent assets				
Long-term assets				
Receivables securitization fund	**164,034**	186,051	**-**	-
Trade accounts receivable	**-**		**334,247**	293,529
Recoverable taxes	**94,459**	108,310	**95,970**	205,847
Deferred income and social contribution taxes	**557,558**	36,303	**837,676**	383,584
Amounts receivable from Related parties	**578,884**	778,281	**245,606**	4,519
Judicial deposits	**180,542**	188,807	**234,901**	228,969
Others	**14,091**	32,975	**17,634**	32,975
Total noncurrent assets	**1,589,568**	1,330,727	**1,766,034**	1,149,423
Permanent assets				
Investments	**1,116,870**	1,099,114	**79,557**	62,355
Property and equipment	**3,569,815**	3,119,896	**4,241,040**	3,861,714
Intangible assets	**413,822**	538,472	**630,945**	1,083,501
Deferred charges	**76,063**	61,199	**76,281**	61,691
Total permanent assets	**5,176,570**	4,818,681	**5,027,823**	5,069,261
Total noncurrent assets	**6,766,138**	6,149,408	**6,793,857**	6.218.684
Total assets	**9,453,435**	8,786,851	**11,672,273**	10,923,212

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	Parent Company		Consolidated	
	2006	**2005**	**2006**	**2005**
Liabilities				
Current liabilities				
Accounts payables to suppliers	**1,694,683**	1,333,731	**2,027,268**	1,654,234
Loans and financing	**511,321**	375,866	**871,321**	422,614
Debentures	**414,761**	17,979	**414,761**	17,979
Payroll and related charges	**146,988**	129,096	**173,010**	157,639
Taxes and social contributions payable	**53,602**	74,411	**68,675**	89,753
Dividends proposed	**20,312**	62,053	**20,312**	62,053
Amounts payable to related parties	**-**	40,655	**-**	-
Financing for purchase of fixed assets and	**169,664**	112,821	**248,562**	165,159
Total current liabilities	**3,011,331**	2,146,612	**3,823,909**	2,569,431
Noncurrent liabilities				
Loans and financing	**139,597**	550,061	**1,382,152**	1,952,450
Debentures	**-**	401,490	**-**	401,490
Taxes payable in installments	**248,163**	300,563	**261,101**	313,471
Provision for contingencies	**1,153,228**	1,011,039	**1,209,463**	1,076,911
Provision for capital deficiency of subsidiary	**43,673**	55,014	**-**	-
Others	**15,316**	69,700	**25,105**	69,700
Total noncurrent liabilities	**1,599,977**	2,387,867	**2,877,821**	3,814,022
Minority interest	**-**	-	**128,416**	287,387
Shareholders equity				
Capital	**3,954,629**	3,680,240	**3,954,629**	3,680,240
Capital Reserves	**517,331**	-	**517,331**	-
Revenue reserves	**370,167**	572,132	**370,167**	572,132
	4,842,127	4,252,372	**4,842,127**	4,252,372
Total liabilities and shareholders equity	**9,453,435**	8,786,851	**11,672,273**	10,923,212
Net equity per thousand shares of capital - R$	42.56	37.41		

See accompanying notes.

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

STATEMENTS OF INCOME
Years ended December 31, 2006 and 2005
(In thousands of reais, except earnings per thousand shares)

	Parent Company		Consolidated	
	2006	**2005**	**2006**	**2005**
Gross operating revenue	**11,905,981**	11,339,629	**16,460,296**	16,120,963
Taxes on sales	**(1,932,528)**	(1,989,057)	**(2,579,893)**	(2,707,567)
Net sales revenue	**9,973,453**	9,350,572	**13,880,403**	13,413,396
Cost of goods sold	**(7,171,308)**	(6,598,305)	**(9,962,965)**	(9,438,126)
Gross profit	**2,802,145**	2,752,267	**3,917,438**	3,975,270
Operating expenses (income)				
Selling	**1,729,753**	1,524,542	**2,418,929**	2,300,026
General and administrative	**353,266**	326,135	**527,145**	505,652
Depreciation and amortization	**399,922**	456,186	**547,943**	625,281
Taxes and charges	**52,888**	35,592	**84,923**	63,150
Financial expenses	**429,011**	514,494	**603,388**	683,571
Financial income	**(271,664)**	(365,490)	**(382,761)**	(446,722)
Equity results	**(27,436)**	(47,576)	**53,197**	16,190
	2,665,740	2,443,883	**3,852,764**	3,747,148
Operating income	**136,405**	308,384	**64,674**	228,122
Non-operating income	**(17,008)**	35,799	**(323,229)**	32,131
Income (loss) before income and social contribution and employees' profit sharing	**119,397**	344,183	**(258,555)**	260,253
Icome and social contribution taxes	**(0,452)**	(77,064)	**(1,472)**	(52,994)
Income (loss) before employees' profit sharing	**98,945**	267,119	**(260,027)**	207,259
Employees' profit sharing	**(13,421)**	(10,129)	**(13,421)**	(14,453)
Minority interest	**-**	-	**358,972**	64,184

Net income for the year	**85,524**	256,990	**85,524**	256,990
Outstanding shares (per thousand shares) at the year end	**113,771,378**	113,667,916		
Net income for the year per thousand shares	**0.75**	2.26		

See accompanying notes.

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COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY PARENT COMPANY
Years ended December 31, 2006 and 2005
(In thousands of reais)

		Goodwill		**Revenue reserves**				
	Capital	**special reserve**	**Legal**	**Expansion**	**Unrealized**	**Retention of earnings**	**Retained earnings**	**Total**
Balances at December 31, 2004	3,509,421	-	105,948	147,937	4,069	283,615	-	4,050,990
Capital increase								
Capitalization of reserves	164,374	-	-	(147,937)	-	(16,437)	-	-
Payment of capital	6,445	-	-	-	-	-	-	6,445
Appropriation of reserve	-	-	-	240,460	-	(240,460)	-	-
Realization of reserve	-	-	-	-	(4,069)	-	4,069	-
Net income for the year	-	-	-	-	-	-	256,990	256,990
Legal reserve	-	-	12,849	-	-	-	(12,849)	-
Dividends proposed	-	-	-	-	-	-	(62,053)	(62,053)
Income retention reserve	-	-	-	-	-	186,157	(186,157)	-
Balances at December 31, 2005	**3,680,240**	**-**	**118,797**	**240,460**	**-**	**212,875**	**-**	**4,252,372**
Capital increase								
Capitalization of reserves	**267,177**	**-**	**-**	**(240,460)**		**(26,717)**	**-**	**-**
Payment of capital	**7,212**	**-**	**-**				**-**	**7,212**
Appropriation of reserve	**-**	**-**	**-**	**167,542**		**(167,542)**	**-**	**-**
Merger of parent company	**-**		**-**	**-**	**-**	**-**	**-**	**517,331**
Net income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**85,524**	**85,524**
Legal reserve	**-**	**-**	**4,276**	**-**	**-**	**-**	**(4,276)**	**-**

Dividends proposed	**-**	**-**	**-**	**-**	**-**	**-**	**(20,312)**	**(20,312)**
Income retention reserve	**-**	**-**	**-**	**-**	**-**	**60,936**	**(60,936)**	**-**
Balances at December 31, 2006	**3,954,629**	**517,331**	**123,073**	**167,542**	**-**	**79,552**	**-**	**4,842,127**

See accompanying notes.

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

STATEMENTS OF CHANGES IN CASH FLOW (Continued)
Years ended December 31, 2006 and 2005
(In thousands of reais)

	Parent Company		Consolidated	
	2006	**2005**	**2006**	**2005**
Financial resources were provided by:				
Operations				
Net income for the year	**85,524**	256,990	**85,524**	256,990
Expenses (income) not affecting working capital				
Depreciation and amortization	**399,922**	456,186	**547,943**	625,281
Residual value of permanent asset disposals	**44,586**	1,002,823	**84,014**	1,022,612
Interest and indexation charges on long-term items	**83,467**	175,324	**184,093**	417,519
Provision for contingencies	**89,562**	44,234	**94,010**	51,855
Deferred income and social contribution taxes	**(3,961)**	34,156	**63,202**	(19,660)
Realization of deferred gain (Note 9 (d))	**(58,151)**	(30,807)	**(58,151)**	(49,447)
Equity results	**(27,436)**	(47,576)	**53,197**	16,190
Provision for property and equipment write-offs and losses	**6,535**	-	**12,685**	-
Provision for goodwill amortization	**-**	-	**268,886**	-
Minority interest	**-**	-	**(358,972)**	(64,184)
	620,048	1,891,330	**976,431**	2,257,156
Shareholders				
Capital increase	**7,212**	6,445	**7,212**	6,445
Increase in special godwill reserve (Note 18)	**37**		**37**	-
Third parties				
Loans, financings and other liabilities	6,400	69,172	6,400	642,389
Transfer to current assets	**299,400**	22,776	**57,758**	113,104
Total funds provided	**933,097**	1,989,723	**1,047,838**	3,019,094
Financial resources were used for:				
Additions to investments	**1,732**	-	**70,444**	-
Additions to property and equipment	**783,276**	727,168	**854,295**	888,518
Additions to intangible assets	**3,687**	11,210	**3,687**	31,798
Additions to deferred charges	**28,512**	64,190	**28,640**	64,295
Additions to other non-current assets	**-**	507,554	**-**	235,775
Dividends proposed	**20,312**	62,053	**20,312**	62,053
Transfer to current liabilities	**877,385**	483,943	**1,108,689**	643,137
Total funds used	**1,747,962**	1,856,118	**2,128,428**	1,925,576
Increase (Decrease) in net working capital	**(814,865)**	133,605	**(1,080,590)**	1,093,518

Statements of increase (decrease) in net working capital				
Current assets				
At end of year	**2,687,297**	2,637,443	**4,878,416**	4,704,528
At beginning of year	**2,637,443**	2,722,440	**4,704,528**	4,290,000
	49,854	(84,997)	**173,888**	414,528
Current liabilities				
At end of year	**3,011,331**	2,146,612	**3,823,909**	2,569,431
At beginning of year	**2,146,612**	2,417,441	**2,569,431**	3,248,421
	864,719	(270,829)	**1,254,478**	(678,990)
Increase (Decrease) in net working capital	**(814,865)**	185,832	**(1,080,590)**	1,093,518

See accompanying notes.

	Parent Company		Consolidated	
			Periods ended in	
	2006	**2005**	**2006**	**2005**
Cash flow from operating activities				
Net income for the year	**85,524**	256,990	**85,524**	256,990
Adjustment for reconciliation of net income				
Deferred income tax	**(38,652)**	(29,615)	**(90,729)**	(80,867)
Residual value of permanent asset disposals	**30,796**	(29,224)	**70,223**	(13,689)
Net gains from shareholding dilution	**(58,151)**	(38,140)	**(58,151)**	(56,780)
Depreciation and amortization	**399,922**	456,186	**547,943**	625,281
Interest and monetary variations, net of payments	**136,138**	12,091	**375,519**	153,071
Equity results	**(27,436)**	(47,576)	**53,197**	16,190
Provision for contingencies	**89,562**	44,234	**94,010**	51,855
Provision for property and equipment write-offs and losses	**6,535**		**12,685**	
Provision for goodwill amortization	**-**		**268,886**	
Minority interest	**-**	-	**(358,972)**	(64,184)
(Increase) decrease in assets				
Accounts receivable	**(90,449)**	(200,823)	**(226,079)**	19,971
Advances to suppliers and employees	**4,182**	(3,873)	**3,755**	(3,767)
Inventories	**(104,040)**	(25,677)	**(116,677)**	(25,638)
Recoverable taxes	**24,098**	47,027	**13,065**	49,845
Other assets	**2,614**	190,192	**(14,794)**	55.503
Related parties	**185,478**	(355,915)	**(39,079)**	(3,627)
Judicial deposits	**11,232**	(7,632)	**5,159**	(30,919)
Increase (decrease) in liabilities				
Suppliers	**353,747**	94,615	**373,034**	108,785
Payroll and related charges	**17,372**	8,352	**15,371**	7,382
Income and social contribution taxes payable	**(152,232)**	(31,289)	**(165,468)**	(30,163)
Other accounts payable	**55,673**	12,175	**89,133**	28,242
Net cash generated in operating Activities	**931,913**	352,098	**937,555**	1,063,481

	Parent Company		Consolidated	
			Periods ended in	
	2006	**2005**	**2006**	**2005**
Cash flow from investing activities				
Net cash in subsidiaries merger	**1,090**	-	**-**	-
Receipt of amortization of PAFIDC quotas	**28,509**	-	**-**	-
Increase in investments	**(1,732)**	-	**(4,107)**	-
Acquisition of property and equipment	**(756,649)**	(715,673)	**(827,665)**	(878,047)
Increase in deferred assets	**(28,512)**	(64,174)	**(28,640)**	(64,295)
Increase in intangible assets	**(3,807)**	(11,210)	**(1,322)**	(31,798)
Capital increase in subsidiaries	**-**	-	**(70,444)**	-
Sale of property and equipment	**13,790**	1,032,047	**13,790**	1,036,301
Net cash flow generated (used) in investing activities	**(747,311)**	240,990	**(918,388)**	62,161
Cash flow from financing activities				
Capital increase	**7,212**	6,445	**7,212**	6,445
Capital reserve increase	**37**	-	**37**	-
Financings				
Funding and refinancing	**81,967**	289,666	**199,549**	899,814
Payments	**(413,743)**	(829,086)	**(593,238)**	(1,411,474)
Payment of dividends	**(62,053)**	(89,059)	**(62,053)**	(89,059)
Net cash used in financing activities	**(386,580)**	(622,034)	**(448,493)**	(594,274)
Net increase (decrease) in cash, banks and marketable securities	**(201,978)**	(28,946)	**(429,326)**	531,367
Cash, banks and marketable securities at end of year	**528,654**	730,632	**1,281,511**	1,710,837
Cash, banks and marketable securities at beginning of year	**730,632**	759,578	**1,710,837**	1,179,470
Changes in cash, banks and marketable securities	**(201,978)**	(28,946)	**(429,326)**	531,367
Cash flow suplemental information				
Interest paid on loans and financings	**112,018**	418,187	**113,568**	547,343

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COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

STATEMENTS OF ADDED VALUE
Years ended December 31, 2006 and 2005
(In thousands of reais)

	Parent Company				**Consolidated**			
							Periods ended at	
	2006	**%**	**2005**	**%**	**2006**	**%**	**2005**	**%**
Revenues								
Sales of goods	**11,905,981**		11,339,629		**16,460,296**		16,120,963	
Credit write-offs	**(14,835)**		(29,156)		**(15,622)**		(36,888)	
Non-operating	**(17,008)**		35,799		**(323,229)**		32,131	
	11,874,138		11,346,272		**16,121,445**		16,116,206	
Inputs acquired from third parties								
Cost of goods sold	**(8,617,840)**		(8,095,872)		**(11,946,357)**		(11,508,064)	
Materials, energy, outsourced services and others	**(862,229)**		(758,955)		**(1,238,972)**		(1,186,831)	
Gross added value	**2,394,069**		2,491,445		**2,936,116**		3,421,311	
Retentions								
Depreciation and amortization	**(408,721)**		(459,691)		**(559,592)**		(630,283)	
Net added value produced by the Company	**1,985,348**		2,031,754		**2,376,524**		2,791,028	
Received in transfer								
Equity results	**27,436**		47,576		**(53,197)**			
Minority interest	**-**		-		**358,972**		64,184	
Financial income	**271,664**		365,490		**382,761**		446,722	
Total added value to be distributed	**2,284,448**	100.0	2,444,820	100.1	**3,065,060**	100.0	3,285,744	100.0
Distribution of added value								
Personnel and related charges	**(936,629)**	41.0	(864,785)	35.4	**(1,259,446)**	41.1	(1,221,736)	37.2
Taxes, fees and contributions	**(580,873)**	25.4	(640,899)	26.2	**(728,459)**	23.8	(819,878)	25.0

Interest and rents	**(681,422)**	29.8	(682,146)	27.9	**(991,631)**	32.3	(987,140)	30.0
Dividends	**(20,312)**	0.9	(62,053)	2.5	**(20,312)**	0.6	(62,053)	1.9
Profit retention	**65,212**	2.9	194,937	8.1	**65,212**	2.2	194,937	5.9

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006 and 2005
(in thousands of reais)

1. Operations

Companhia Brasileira de Distribuição ("Company" or CBD) operates primarily as a retailer of food, clothing, home appliances and other products through its chain of hypermarkets, supermarkets, specialized and department stores principally under the trade names "Pão de Açúcar", "Extra", "Barateiro", "Comprebem", "Extra Eletro", Sendas and Extra Perto . At December 31, 2006, the Company had 549 stores in operation (556 stores - December 31, 2005), of which 396 are operated by the Parent Company, and the remaining by its subsidiaries, 6 of them being operated by the subsidiary Novasoc Comercial Ltda., ("Novasoc"), 45 by Sé Supermercados Ltda. ("Sé"), and 102 stores by Sendas Distribuidora S.A. ("Sendas Distribuidora").

a) Sendas Distribuidora

Sendas Distribuidora operations began at February 1,2004 through the Investment and Partnership Agreement, entered into in December 2003 with Sendas S.A. ("Sendas"). This subsidiary concentrates retailing activities of the Company and of Sendas in the entire state of Rio de Janeiro. The Company is performing a restructuring process, with a view to improving its operational results (Note 11 (i)).

b) Partnership with Itaú

At July 27, 2004, a Memorandum of Understanding was signed between Banco Itaú Holding Financeira S.A. ("Itaú") and the Company with the objective of setting up Financeira Itaú CBD S.A. ("FIC"). FIC structures and trades financial products, services and related items to CBD customers on an exclusive basis (see Note 9 (d)). The Company has 50% shareholding of the FIC capital through its subsidiary Miravalles Empreendimentos e Participações S.A. (Miravalles).

c) Casino joint venture agreement

At May 3, 2005, the Diniz Group and the Casino Group (headquartered in France) incorporated Vieri Participações S.A. (Vieri), which became the parent company of CBD, whose control is shared by both group of shareholders.

At December 4, 2006, the merger of Vieri s shareholders equity, composed of investment in CBD and respective goodwill was concluded, bringing benefits to CBD. This merger operation was approved at the General Meeting held at December 20, 2006. Due to the merger, the Company cancelled shares issued thereby owned by Vieri and consequently issued, in equal number, Company s new common shares, all non-par, registered shares on behalf of Wilkes Participações S.A. (Wilkes), sole Vieri s shareholder at the time of merger. Wilkes was incorporated to operate as Grupo Pão de Açúcar s holding company.

The accounting records of merger process maintained for corporate and tax purposes show specific accounts related to goodwill, provision, respective amortization and reversal of provision established and tax credit (Note 17 (b) (ii)).

2. Basis of Preparation and Presentation of the Financial Statements

The individual and consolidated financial statements are presented in thousands of reais, unless otherwise indicated and was prepared in accordance with the accounting practices adopted in Brazil and with the procedures issued by the Brazilian Securities Commission (CVM) and by the Brazilian Institute of Accountants (IBRACON).

The conclusion of the preparation of these financial statements was authorized at the board of executive officers Meeting, held at March 12, 2007.

In view of the implementation of guidelines established by IBRACON for presentation and disclosure of financial statements defined in Accounting Standards and Procedures (NPC) 27 issued at October 3, 2005, some items of the balance sheet for the year ended December 31, 2005 were reclassified in order to comply with these guidelines and allow the comparison.

With the purpose of providing additional information, the following is presented: (a) statement of cash flow, prepared in accordance with NPC 20/99 issued by IBRACON and (b) statement of added value, in accordance with Resolution of Accounting Federal Council CFC 1,010 as of January 21, 2005.

Certain assets, liabilities, revenues and expenses are determined on the basis of estimates when preparing the financial statements. Accordingly, the financial statements of the Company and the consolidated financial statements include various estimates, among which are those relating to calculation of allowance for doubtful accounts, depreciation and amortization, asset valuation allowance, realization of deferred taxes, contingencies and other estimates. Actual results may differ from those estimated.

Significant accounting practices and consolidation criteria adopted by the Company are shown below:

a) Cash and cash equivalents

Cash and cash equivalents include the cash and checking account balances.

b) Marketable securities

Securities are recorded at cost, accrued of earnings verified up to the balance sheet date and not exceeding the market value. The marketable securities are redeemable within 90 days as from the balance sheet date.

c) Accounts receivable

Accounts receivable are stated at estimated realizable values. An allowance for doubtful accounts is provided in an amount considered by Management to be sufficient to meet probable future losses related to uncollectible accounts. The setting up of provision is mainly based on the historic average of losses, in addition to specific accounts receivable deemed as uncollectible.

Customer credit financing is generally for a term of up to 24 months. Interest is recorded and allocated as financial income during the financing period.

The Company carries out securitization operations of its accounts receivable with a special purpose entity, over which it has shared control, the PAFIDC (*Pão de Açúcar Fundo de Investimento em Direitos Creditórios*) .

2. Basis of Preparation and Presentation of the Financial Statements (Continued)

d) Inventories

Inventories are carried at the lower of cost or market value, whichever is the shorter. The cost of inventories purchased directly by the stores is based on the last purchase price, which approximates the First In, First Out (FIFO) method. The cost of inventories purchased through the warehouse is recorded at average cost, including warehousing and handling costs.

e) Other current and noncurrent assets

Other assets and receivables are stated at cost, including, when applicable, contractual indexation accruals, net of allowances to reflect realizable amounts, if necessary.

f) Investments

Investments in subsidiaries are accounted for by the equity method, and provision for capital deficiency is recorded, when applicable. Other investments are recorded at acquisition cost.

g) Property and equipment

These assets are shown at acquisition or construction cost, monetarily restated until December 31, 1995, deducted from the related accumulated depreciation, calculated on a straight-line basis at the rates mentioned in Note 10, which take into account the economic useful lives of the assets or the leasing term, in case of leasehold improvements, whichever is shorter.

Interest and financial charges on loans and financing obtained from third parties directly or indirectly attributable to the process of purchase, construction and operating expansion, are capitalized during the construction and refurbishment of the Company s and its subsidiaries stores in conformity with CVM Deliberation 193. The capitalized interest and financial charges are appropriated to results over the depreciation periods of the corresponding assets.

Expenditures for repairs and maintenance that do not significantly extend the useful lives of related asset are charged to expense as incurred. Expenditures that significantly extend the useful lives of existing facilities and equipment are added to the property and equipment value.

h) Intangible assets

Intangible assets include premium derived from the acquisition of companies and amounts related to acquisition of commercial rights and outlets. These amounts are supported by appraisal reports issued by independent experts, based on the expectation of future profitability, and are amortized in accordance with projected profitability over a maximum period of ten years.

i) Deferred charges

The expenditures related to the implementation of projects and development of new products and business models we recorded based on feasibility studies and are amortized for a term not exceeding 5 years.

j) Other current and noncurrent liabilities

These liabilities are stated at known or estimated amounts including, when applicable, accrued charges and interest or foreign exchange variations.

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2. Basis of Preparation and Presentation of the Financial Statements (Continued)

k) Derivative financial instruments

The Company uses derivative financial instruments to reduce its exposure to market risk resulting from fluctuations in interest and foreign currency exchange rates. In the case of asset instruments, these are accounted for at the lower of cost or market value, whichever is the shorter.

l) Taxation

Revenues from sales and services are subject to taxation by State Value-Added Tax - ICMS, Services Tax - ISS, Social Contribution Tax on Gross Revenue for Social Integration Program - PIS and Social Contribution Tax on Gross Revenue for Social Security Financing COFINS at rates prevailing in each region and are presented as sales deductions in the statement of income.

The credits derived from non-cumulative PIS and COFINS are shown deducted from cost of goods sold in the statement of income. The debits derived from financial income and credits derived from financial expenses are shown deducted in these proper items of the statement of income.

The advances or amounts subject to offsetting are shown in the current and noncurrent assets, in accordance with the estimate for their realization.

The taxation on income comprises the income and social contribution taxes, which are calculated based on taxable income (adjusted income), at rates applicable according to the prevailing laws 15%, accrued of 10% over the amount exceeding R$240 yearly for income tax and 9% for social contribution tax.

Deferred and income and social contribution tax assets were recorded under the item Deferred income and social contribution taxes from tax losses, negative basis of social contribution and temporary differences, taking into account the prevailing rates of said taxes, pursuant to the provisions of CVM Deliberation 273, as of August 20, 1998 CVM Ruling 371, as of June 27, 2002, and taking into account the history of profitability and the expectation of generating future taxable income based on a technical feasibility study, approved by the Board of Directors.

m) Provision for contingencies

Provision for contingencies is set up based on legal counsel opinions, in amounts considered sufficient to cover losses and risks considered probable.

As per CVM Deliberation 489/05, the Company adopted the concepts established in NPC 22 on Provisions, Liabilities, Gains and Losses on Contingencies when setting up provisions and disclosures on matters regarding litigation and contingencies (Note 16).

n) Revenues and expenses

Revenues from sales are recognized when customer receives/withdraws the goods. Financial income arising from credit sales is accrued over the credit term. Expenses and costs are recognized on the accruals basis. Volume bonuses and discounts received from suppliers in the form of product are recorded as zero-cost additions to inventories and the benefit recognized as the product is sold. Costs of goods include stock and handling costs in the warehouses.

2. Basis of Preparation and Presentation of the Financial Statements (Continued)

o) Earnings per share

The calculation was made based on the number of outstanding shares at the balance sheet date as if net income of the year was fully distributed. Earnings may be distributed, used for capital increase purposes, or to compose the profit reserve for expansion, based on capital budget.

p) Allocation of net income

The financial statements reflect the Board of Directors proposal to allocate the net income for the year in the assumption of its approval by the Annual General Meeting.

q) Consolidated Financial Statements

The consolidated financial statements was prepared in conformity with the consolidation principles prescribed by the Brazilian Corporate Law and CVM Ruling 247, and include the financial statements of the Company and its subsidiaries Novasoc, Sé, Sendas Distribuidora, PAFIDC, Auto Posto MFP Ltda. (Auto Posto MFP), Auto Posto Sigua Ltda. (Auto Posto Sigua), PA Publicidade Ltda. (PA Publicidade), Lourenção & Cia. Ltda. (Lourenção) and Versalhes Comércio de Produtos Eletroeletrônicos Ltda. ("Versalhes"). The direct or indirect subsidiaries, included in the consolidation, and the percentage of parent company s interest comprise:

	Interest % in	
	2006	**2005**
Novasoc	10.00	10.00
Sé	91.92	91.92
Sendas Distribuidora	42.57	42.57
PAFIDC	19.40	19.40
Versalhes	90.00	90.00
PA Publicidade	99.99	-
Auto Posto MFP	99.99	99.99
Auto Posto Sigua	99.99	99.99
Lourenção	99.99	-

Although the Company s interest in Novasoc is represented by 10% of Novasoc s quotas of interest, Novasoc is included in the consolidated financial statements as the Company effectively has control over a 99.98% beneficial interest in Novasoc. The other members have no effective veto or other participating or protective rights. Under the bylaws of Novasoc, the appropriation of its net income does not need to be proportional to the quotas of interest held in the company.

The subsidiary Sendas Distribuidora was fully consolidated, in accordance with the shareholders agreement, which establishes the operating and administrative management by CBD.

The proportional investment of the Parent Company in the income of the investee, the balances payable and receivable, revenues and expenses and the unrealized profit originated in transactions between the consolidated companies were eliminated in the consolidated financial statements.

3. Marketable Securities

The marketable securities at December 31, 2006 and 2005 earn interest mainly at the Interbank

Deposit Certificate (CDI) rate.

4. Trade Accounts Receivable

a) Breakdown

	Parent Company		Consolidated	
	2006	**2005**	**2006**	**2005**
Current				
Resulting from sales through:				
Credit card companies	**222,182**	213,333	**299,272**	283,800
Customer credit financing	**28**	5,455	**30**	6,044
Sales vouchers and others	**49,437**	38,513	**63,422**	51,288
Credit sales with post-dated checks	**19,921**	43,061	**28,699**	59,996
Accounts receivable- subsidiaries	**134,121**	139,817	**-**	-
Allowance for doubtful accounts	**(12,329)**	(3,785)	**(12,597)**	(4,736)
Resulting from Commercial Agreements	**342.999**	228,026	**397,098**	263,556
	756,359	664,420	**775,924**	659,948
Accounts receivable - PAFIDC	**-**	-	**845,668**	758,070
Allowance for doubtful accounts	**-**	-	**-**	(1,292)
	-	-	**845,668**	756,778
	756,359	664,420	**1,621,592**	1,416,726
Noncurrent				
Trade accounts receivable - Paes Mendonça	**-**	-	**334,247**	293,529
	-	-	**334,247**	293,529

Customer credit financing accrues pre-fixed interest from 2.92% to 4.99% (from 2.99% up to 4.99% in 2005), and with payment terms of up to 24 months. Credit card sales are receivable from the credit card companies in installments not exceeding 12 months. Credits sales settled with post-dated checks bear interest of up to 6.5% per month (6.5% in 2005) for settlement in up to 90 days. Credit sales are recorded net of unearned interest income.

Accounts receivable from subsidiaries relate to sales of merchandise by the Company, to supply the subsidiaries stores. Sales of merchandise by the Company s warehouses to subsidiaries were substantially carried out at cost.

b) Accounts Receivable - PAFIDC

The Company carries out securitization operations of its credit rights, represented by customer credit financing, credit sales with post-dated checks and credit card company receivables, to PAFIDC.

4. Trade Accounts Receivable (Continued)

b) Accounts Receivable   PAFIDC (Continued)

The volume of operations was R$7,299,680 in 2006 (R$6,750,149 in 2005), in which the responsibility for services rendered and subordinated interests was retained. The securitization costs of such receivables amounted to R$ 139,485 and R$99,364, recognized as financial expenses in income for 2006 and 2005, respectively. Services rendered, which are not remunerated, include credit analysis and the assistance by the collection department to the fund s manager.

The outstanding balance of these receivables at December 31, 2006 and 2005 was R$845,668 and R$756,778, respectively, net of allowance.

c) Accounts receivable   Paes Mendonça

Accounts receivable - Paes Mendonça - relate to credits deriving from the payment of liabilities performed by the subsidiary Novasoc. Pursuant to contractual provisions, these accounts receivable are monetarily restated and guaranteed by Commercial Rights of certain stores currently operated by CBD. Maturity of accounts receivable is linked to lease agreements, mentioned in Note 9 (b) (i).

d) Accounts receivable under commercial agreements

Accounts receivable under commercial agreements result from current transactions carried out between the Company and its suppliers, having the volume of purchases as benchmark.

e) Allowance for doubtful accounts

The allowance for doubtful accounts is based on average actual losses in previous periods complemented by Management's estimates of probable future losses on outstanding receivables:

	Parent Company		**Consolidated**	
	2006	**2005**	**2006**	**2005**
Resulting from:				
Customer credit financing	-	(1,967)	-	(2,110)
Credit sales with post-dated checks	(101)	(253)	(106)	(481)
Corporate sales	(12,120)	(1,289)	(12,319)	(1,538)
Other acccounts receivable	(108)	(276)	(172)	(607)
	(12,329)	(3,785)	(12,597)	(4,736)
Accounts receivable PAFIDC	-	-	-	(1,292)
	(12,329)	(3,785)	(12,597)	(6,028)

5. Inventories

	Parent Company		Consolidated	
	2006	**2005**	**2006**	**2005**
Stores	**594,592**	520,586	**817,501**	741,255
Warehouses	**349,555**	315,335	**414,462**	374,031
	944,147	835,921	**1,231,963**	1,115,286

Inventories are stated, net of provisions for shortage of inventories and obsolescence.

6. Recoverable Taxes

The balances of taxes recoverable at December 31, 2006 and 2005 refer basically to credits from IRRF (Withholding Income Tax), PIS (Social Contribution Tax on Gross Revenue for Social Integration Program), COFINS (Social Contribution Tax on Gross Revenue for Social Security Financing) and ICMS (State Value-Added Tax):

	Parent Company		Consolidated	
	2006	**2005**	**2006**	**2005**
Current				
Income tax and tax on sales	**256,306**	244,471	**378,849**	257,121
Others	**-**	13,268	**-**	13,268
	256,306	257,739	**378,849**	270,389
Noncurrent				
Taxes on sales	**94,459**	108,310	**95,970**	205,847
	94,459	108,310	**95,970**	205,847
Total of taxes recoverable	**350,765**	366,049	**474,819**	476,236

7. Pão de Açúcar Receivables Securitization fund - PAFIDC

PAFIDC is a receivables securitization fund formed in compliance with CVM Rulings 356 and 393 for the purpose of acquiring the Company and its subsidiaries trade receivables, arising from sales of products and services to their customers through use of credit cards, post-dated checks, sales vouchers and installment purchase booklets.

PAFIDC has a predetermined duration of five years, renewable for an additional five-year period, beginning in October 2003. The capital structure of the fund is composed of 80.6% senior quotas (80.6% in 2005) held by third parties and 19.4% subordinated quotas (19.4% in 2005) held by the Company.

7. Pão de Açúcar Receivables Securitization fund PAFIDC (Continued)

The net assets of PAFIDC at December 31, 2006 and 2005 are summarized as follows:

	2006	2005
Assets		
Available funds	75,689	168,107
Accounts receivable	845,668	758,070
Allowance for doubtful accounts	-	(1,292)
Total assets	921,357	924,885
Liabilities		
Accounts payable	193	222
Shareholders equity (*)	921,164	924,663
Total liabilities	921,357	924,885

(*) includes (mandatory) redeemable quotas of interest in the amount of R$734,124 on December 31, 2006 (R$738,612 in 2005).

The subordinated quotas were attributed to the Company and are recorded in the noncurrent assets as participation in the securitization fund, the balance of which at December 31, 200631, 2006 was R$164,034 (R$186,051 December 31, 2005). The retained interest in subordinated quotas represents the maximum exposure to loss under the securitization transactions.

The series A senior quotas reached benchmark profitability of 103.0% of CDI Interbank Deposit Certificate, variable interest interbank fee, from first subscription of quotas to February 20,2004, and 105.0% of CDI after such date; the series B senior quotas were remunerated at 101.0% of CDI. The remaining balance of results will be attributed to the subordinated quotas. The series B senior quotaholders will redeem at June 23, 2007 the principal amount of R$71,100 in each redemption, updated by the reference yield, and will redeem the remaining balance of R$167,893 (R$311,241 December 31, 2005) at the end of the fund s term. The series A quotaholders will redeem their quotas only at the end of the fund s term, the amount of which at December 31, 2006 corresponds to R$495,131 (R$427,371 December 31, 2005) (Note 13).

Subordinated quotas are non-transferable and registered, and were issued in a single series. The Company will redeem the subordinated quotas only after the redemption of senior quotas or at the end of the fund s term. Once the senior quotas have been remunerated, the subordinated quotas will receive the balance of the fund s net assets after absorbing any loss on the credit rights transferred to the fund and any losses attributed to the fund. Their redemption value is subject to credit, prepayment, and interest rate risks on the transferred financial assets.

The holders of senior quotas have no recourse against the other assets of the Company in the event customers default on the amounts due. As defined in the agreement between the Company and PAFIDC, the transfer of credit rights is irrevocable, non-retroactive and the transfer is definitive and not enforceable against the Company.

The PAFIDC financial statements for the years ended at December 31, 2006 and 2005 were audited by other independent auditors and are consolidated into the Company s financial statements. In the year ended at December 31, 2006, total assets and net income of this investee represent 7.9% and 39.2%, respectively, in relation to the Company s consolidated financial statements (8.5% and 10.7% of total assets and net income, respectively, compared to the Company s consolidated financial statements in the year ended at December, 31, 2005).

8. Balances and Transactions with Related Parties

Balances

Company	Accounts receivable (payable)	Trade commissions receivable (payable)	Intercompany receivable (payable)	Proposed dividends
Pão de Açúcar Industria e Comércio S.A. ("PAIC")	898	-	-	-
Wilkes				(7,946)
Casino Guichard Perrachon ("Casino")	-	-	-	(385)
Península Participações Ltda. ("Península")	12,528	-	-	(478)
Onyx 2006 Participações	-	-	-	(1,906)
Rio Plate Empreendimentos e Participações	-	-	-	(377)
Sendas S.A.	-	-	17,824	-
Novasoc	28,271	4,013	-	-
Sé	49,392	445,708	-	-
Sendas Distribuidora	52,543	(17,743)	90,792	-
Versalhes	(97,936)	12,022	-	-
Auto Posto Sigua	-	267	-	-
Auto Posto MFP	-	795	-	-
Lourenção	(1,137)	-	-	-
FIC	16,626	-	-	-
Others	-	8,580	-	(685)
Balance at 12.31.2006	61,185	453,642	108,616	(11,777)
Balance at 12.31.2005	23,661	737,626	428,224	(32,615)

Transactions held during the year ended at December 31, 2006

Company	Services rendered and rents	Net sales (purchases)	Net financial income	Dividends paid
PAIC	(4,320)	-	-	-
Casino	(6,271)	-	-	8,572
Península	(69)	-	-	1,458
Vieri	-	-	-	16,902
Onyx 2006 Participações	-	-	-	3,561
Rio Plate Empreendimentos e Participações	-	-	-	1,272
Fundo de Invest.Imob.Península	(111,539)	-	-	-

Novasoc	8,919	185,585	-	-
Sé	16,233	431,587	-	-
CIPAL	576	40,706	-	-
Sendas Distribuidora	121,750	248,525	32,237	-
Versalhes	-	(401,088)	-	-
Lourenção	-	(949)	-	-
FIC	31,135			
Others	(15,359)	-	-	850
Balance at 31.12.2006	41,055	504,366	32,237	32,615
Balance at 31.12.2005	86,098	734,556	41,727	65,305

8. Balances and Transactions with Related Parties (Continued)

Accounts receivable and sale of goods relate to the supply of stores, mainly of Novasoc, Sé, CIPAL, Sendas Distribuidora and Versalhes, by the Company's warehouse and were made at cost; the remaining transactions, described below, are carried out at usual market prices and conditions. The trade commission contracts are subject to an administration fee.

(i) Leases

CBD leases 21 properties from the Diniz Group. Payments under such leases in 2006 totaled R$15,180 (R$14,695 in 2005), including an additional contingent lease based on 0.5% to 2.5% of revenues from stores.

Sendas Distribuidora leases 57 properties from the Sendas Group and 7 properties from CBD. In 2006, the total lease payments amounted to R$29,466 and R$4,989, respectively (R$34,678 and R$4,871 in 2005, respectively), including an additional contingent lease based on 0.5% to 2.5% of revenues from stores. In September 2005, the amount of R$10,509 was advanced to Sendas S.A. regarding the lease of 7 stores, which will be amortized in 37 installments.

The leases were taken out under terms similar to those that would have been established if they had been taken out with non-related parties.

(ii) Fundo de Investimento Imobiliário Península leases

At October 3, 2005, final agreements were entered into referring to the sale of 60 Company and subsidiary properties to a real estate fund named *Fundo de Investimento Imobiliário Península* (Note 10). The properties sold were leased back to the Company for a twenty-year term, renewable for two further consecutive periods of ten years each. CBD was granted a long-term lease agreement for all properties that were part of this operation, in addition to periodic reviews of the minimum rent amounts. In addition, CBD has the right to exit individual stores before termination of the lease term, in case of the company be no longer interested in maintaining such leases.

The total amount paid under these leases in 2006 was R$114,943, of which R$111,539 was paid by CBD R$2,951 paid by Novasoc and R$453 paid by Sé (in 2005 R$29,006, R$28,395 paid by CBD, R$535 paid by Novasoc and R$76 paid by Sé). These amounts include an additional contingent lease based on 2.0% of revenues from stores.

(iii) Right of use of the Goodlight brand

The Company paid the amount of R$179 in 2006 (R$228 in 2005) for the right of use of the Goodlight brand, owned by Mrs. Lucília dos Santos Diniz, minority shareholder of the Company. As from October 1, 2006, the Company will no longer hold the exclusive rights of use of this brand, and there are no encumbrances for the Company foreseen in the agreement for the use of rights of such brand.

(iv) Apportionment of corporate expenses

The corporate services, such as purchases, treasury, accounting, human resources and Shared Services Center (CSC) rendered to subsidiaries and affiliated companies are passed on by the cost amount effectively incurred with such services.

8. Balances and Transactions with Related Parties (Continued)

(v) Technical Assistance Agreement with Casino

In CBD Board of Directors meeting held on July 21, 2005, a Technical Assistance Agreement was signed with Casino, whereby, through the annual payment of US$ 2,727, Casino shall provide services to CBD related to technical assistance in the human resources, own brands, marketing and communications, global campaigns and administrative assistance areas. This agreement is effective for 7 years, with automatic renewal for an indeterminate term. This agreement was approved in the Extraordinary General Meeting held at August 16, 2005. In 2006, CBD paid R$6,271 (R$ 2,003 in 2005), in connection with the services provided for in such agreement.

9. Investments

a) Information on investments at December 31, 2006 and 2005

2006

	Shares/ quotas of interest held	**Holding (direct or indirect) %**	**Paid-in capital**	**Shareholders equity (capital deficiency)**	**Net income (loss) for the period**
Novasoc	1,000	10.00	10	(43,307)	11,285
Sé Sendas	1,133,990,699	91.92	1,233,671	1,212,288	16,833
Distribuidora	450,001,000	42.57	835,677	23,603	(625,060)
Miravalles	42,250	50.00	260,888	158,502	(105,902)
Nova Saper	36,362	99.99	0	100	-
Versalhes	10,000	90.00	10	(358)	113
Auto Posto MFP	14,999	99.99	15	304	289
Auto Posto Sigua	29,999	99.99	30	(44)	(74)
PA Publicidade	9,999	99.99	10	433	333
Lourenção	1,905,615	99.99	1,906	1,496	(136)

2005

	Shares/ quotas of interest held	**Holding (direct or indirect) %**	**Paid-in capital**	**Shareholders equity (capital deficiency)**	**Net income (loss) for the period**
Novasoc	1,000	10.00	10	(54,592)	(2,365)
Sé	1,133,990,699	91.92	1,233,671	1,195,455	58,902

Sendas					
Distribuidora	450,001,000	42.57	835,677	648,663	(111,759)
Miravalles	30,000	50.00	120,000	124,005	(32,473)
Nova Saper	36,362	99.99	0	100	-
Versalhes	10,000	90.00	10	(471)	(481)
Auto Posto MFP	14,999	99.99	15	15	-
Auto Posto Sigua	29,999	99.99	30	30	-

9. Investments (Continued)

b) Change in investments

	Parent Company								Consolidated
	Novasoc	**Sé**	**Sendas Distribuidora**	**Nova Saper**	**Cipal**	**Lourenção**	**Others**	**Total**	**Total**
Balances at December 31, 2004	-	809,737	24,587	101	-	-	59	834,484	78,545
Additions	-	236,845	-	-	-	-	45	236,890	-
Write-offs	-	-	(22,633)	-	-	-	-	(22,633)	-
Equity results	(2,365)	52,281	(1,954)	-	-	-	46	48,008	(16,190)
Transfer to capital deficiency	2,365	-	-	-	-	-	-	2,365	-
Balances at December 31, 2005	-	1,098,863	-	101	-	-	150	1,099,114	62,355
Additions	-	-	-	-	-	1,632	100	1,732	70,444
Equity results	11,285	15,473	-	-	170	(136)	644	27,436	(53,197)
Merger of the subsidiary	-	-	-	-	4,908	-	100	5,008	-
Transfer to net assets	-	-	-		(5,078)	-	-	(5,078)	-
Transfer to capital deficiency	(11,285)	-	-	-	-	-	(57)	(11,342)	-
Balances at December 31, 2006	-	1,114,336	-	101	-	1,496	937	1,116,870	79,557

9. Investments (Continued)

b) Change in investments (Continued)

(i) Novasoc: Novasoc has, currently, 16 lease agreements with Paes Mendonça with a five-year term, which may be extended twice for similar periods through notification to the leaseholder, with final maturity in 2014. During the term of the contract, the shareholders of Paes Mendonça cannot sell their shares without prior and express consent of Novasoc. Paes Mendonça is by contract fully and solely responsible for all and any tax, labor, social security, commercial and other liabilities. The payments of annual leases by operating lease amounted to R$8,919 in 2006 (R$8,707 in 2005), including an additional contingent lease based on 0.5% to 2.5% of revenues from stores.

Under Novasoc bylaws, the distribution of its net income need not be proportional to the holding of each shareholder in the capital of the company. As per members decision, the Company holds 99.98% of Novasoc s results as from 2000.

At December 31, 2006, the subsidiary Novasoc recorded capital deficiency. With a view to the future operating continuity and economic feasibility of such subsidiary, assured by the parent company, the Company recorded R$43,307 (R$54,592 in 2005), under Provision for capital deficiency to recognize its obligations before creditors.

(ii) Sé Sé holds a direct interest in Miravalles, corresponding to 50% of total capital. Investment at Miravalles indirectly represents investment at FIC (Note 9 (d))

(iii) Mergers and acquisitions

At October 20, 2006 the Company acquired all the quotas of the company Lourenção, headquartered in the city of Brotas, state of São Paulo, by the amount of R$4,117, merging 1 new store into its operational assets.

9. Investments (Continued)

c) Investment agreement CBD and Sendas

In February 2004, based on the Investment and Association Agreement, the companies CBD and Sendas S.A. constituted, by means of transfer of assets, rights and obligations, a new company known as Sendas Distribuidora S.A., with the objective of operating in the retailing market in general, by means of the association of operating activities of both networks in the state of Rio de Janeiro. CBD s indirect interest in Sendas Distribuidora at December 31, 2006 corresponded to 42.57% of total capital. It is incumbent upon CBD s Board of Executive Officers to conduct the operating and administrative management of Sendas Distribuidora, in addition to its prevailing decision when electing or removing executive officers.

Pursuant to its Shareholders Agreement, Sendas S.A. may at any time as from February 1, 2007 exercise the right to barter its paid-in shares or a portion thereof, for preferred shares of CBD. At December 31, 2006, Sendas S.A. held 42.57% shareholding in the total capital of Sendas Distribuidora, 23.65% of which already paid-in and 18.92% to be paid-in.

Should Sendas S.A. exercise such right to barter, CBD will comply with the obligation, by means of one of the following:

i. To conduct the share barter trade for the value of transfer (*);

ii. To purchase the shares on which the barter rights have been exercised in cash, for the value of transfer (*);

iii. To adopt any corporate procedure (CBD capital increase, merger of shares as per article 252 of the Corporate Law, or any other);

(*) Value of transfer will be the value of the paid-in shares (23.65% at December 31, 2006 and 2005), which must the higher between the two options below, limited to CBD s market value:

- Price of shares calculated based on the company s valuation to be calculated by acknowledged investment bank;
- Price of shares calculated based on the company s valuation, equivalent to forty per cent (40%) on gross sales of Sendas Distribuidora in the 12 (twelve) months preceding the acquisition date.

CBD s Preferred shares, issued to meet the barter, only may be sold according to the following dates:

- Between February 1, 2007 and January 31, 2010: one third (1/3) of CBD preferred shares;

- Between February 1, 2010 and January 31, 2013: one third (1/3) of CBD preferred shares; and

- As from February 1, 2013: the remaining CBD preferred shares still held by Sendas S.A.

At September 16, 2005, Sendas S.A. and CBD and its subsidiaries entered into the 2nd Addendum and Ratification of Shareholders Agreement of Sendas Distribuidora, which resolved on:

- The adoption of new proportionality when appointing Board of Directors members, being CBD then entitled to appoint 7 out of the 13 members to be elected;
- Restrict the veto right of Sendas S.A. only as to the amendment to the purpose of the Company;

9. Investments (Continued)

c) Investment agreement CBD and Sendas (Continued)

The postponement of the additional term ("second term") of payment of class A preferred shares not paid-in by Sendas S.A., for a period to end at February 28, 2014. During this second term, the payment only may be made in cash, especially by means of utilization of dividends paid by the Company to Sendas S.A. After such term, should payment do not occur, such shares will be cancelled.

At October 19, 2006, Sendas S.A. manifested in writing to CBD the wish to exercise the put option, pursuant to Clause 6.7 of Sendas Distribuidora Shareholders Agreement, related to the transfer of equity control. CBD, understanding that a sale of control was not held, sent a counter-notice to Sendas S.A.

At October 31, 2006, CBD was notified by the *Câmara de Conciliação e Arbitragem da Fundação Getulio Vargas FGV* (Chamber of Conciliation and Arbitration of the Getulio Vargas Foundation) that Sendas S.A. has filed an appeal and brought the matter to arbitration, authority expected to discuss such matter.

At January 5, 2007, Sendas S.A. notified CBD, expressing the exercise of right to swap the totality of paid-up shares owned thereby with preferred shares of CBD s capital stock, provided for in Clause 6.9.1 of Shareholders Agreement of Sendas Distribuidora, subjecting the effectiveness of swap to the award of arbitration mentioned above not to acknowledge the put exercise right on the part of Sendas.

At March 13, 2007, CBD and Sendas entered into an Arbitration Commitment, commencing the arbitration proceeding.

(i) CADE (Administrative Council for Economic Defense)

On March 5, 2004, Sendas Distribuidora shareholders entered into an Operation Reversibility Agreement related to the association between CBD and Sendas S.A. in the state of Rio de Janeiro. This agreement establishes conditions to be observed until the final decision on the association process, such as: a) the continuance, totally or partially, of the stores under Sendas Distribuidora responsibility; b) maintenance of the work posts in accordance with the average gross revenue by employee of the five largest supermarket chains; c) non-reduction of the term of current lease agreements.

Shareholders are waiting for the conclusion of the process, however, based on the opinion of their legal advisors and on the normal procedural steps of the process, they believe that the association will be approved by the CADE.

(ii) Capital subscription by the AIG Group

At November 30, 2004, shareholders of Sendas Distribuidora and investment funds of the AIG Group ("AIG") entered into an agreement through which AIG invested the amount of R$135,675 in Sendas Distribuidora, by means of subscription and payment of 157,082,802 class B preferred shares, issued by Sendas Distribuidora, representing 14.86% of its capital. AIG has waived its rights to receive dividends, until November 30, 2008.

After this operation, the Company, through its subsidiary Sé, now holds 42.57% of the

9. Investments (Continued)

c) Investment agreement CBD and Sendas (Continued)

(ii) Capital subscription by the AIG Group (Continued)

Sendas Distribuidora total capital.

According to the above mentioned agreement, CBD and AIG mutually granted reciprocal call and put options of the shares purchased by AIG in Sendas Distribuidora, which may be exercised within approximately 4 years.

Upon exercising the referred options, the shares issued by Sendas Distribuidora to AIG will represent a put against CBD which may be used to subscribe up to three billion preferred shares to be issued by CBD in a future capital increase.

The price of the future issuance of CBD preferred shares will be set based on market value at the time of issuance, and the intention is allowing the payment by AIG in the maximum quantity referred to above. If the AIG value of Sendas Distribuidora s shares results in more than the value of three billion shares of CBD, CBD will pay the difference in cash.

The exit of AIG from Sendas Distribuidora is defined based on the Exit Price , the calculation is based on the Earnings Before Interest, Tax, Depreciation and Amortization - EBITDA, EBITDA multiple and the net financial indebtedness of Sendas Distribuidora. This exit price will give AIG the right to purchase CBD preferred shares according the criteria below:

- Should the exit price be lower than the equivalent to two billion CBD preferred shares (at market value on the occasion), the number of shares to be issued will be defined by the exit price divided by the CBD preferred share market value;

- Should the exit price exceed the equivalent to two billion CBD preferred shares (at market value on the occasion), the number of shares to be issued will be, at CBD discretion, a minimum of two billion shares and a maximum of three billion shares, and the difference between the exit price and the amount equivalent to the number of CBD preferred shares issued (defined by CBD) will be paid in cash.

At December 31, 2006, total AIG shareholding represented a credit of R$151,157 (R$97,212 December 31, 2005), which, converted to the average quotation of the last week of December 2006 of CBD shares in the São Paulo Stock Exchange (BOVESPA), would be equivalent to a total of 2,181,516,928 shares (1,328,390,000 shares - December 31, 2005) of the Company (1% of its capital).

d) Investment agreement CBD and Itaú

Miravalles, a company set up in July 2004 and owner of exploitation rights of the Company´s financial activities, received funds from Itaú related to capital subscription, which then started to hold 50% of such company. Also in 2004, Miravalles set up Financeira Itaú CBD S.A. FIC, with capital stock of R$150,000. It is a company which operates in structuring and commercialization of financial products and services exclusively to CBD customers.

9. Investments (Continued)

d) Investment agreement   CBD and Itaú (Continued)

At December 22, 2005, an amendment to the partnership agreement between CBD, Itaú and FIC was signed, and the clauses referring to meeting of performance goals, initially established, were changed. By such amendment, the meeting of goals and the guarantee account are not longer tied, and fines for noncompliance of said goals were set out. In 2006, the Company recognized the remaining amount of R$58,151 (R$38,140 in 2005) under non-operating results, due to the fulfillment of certain performance goals during the year.

This partnership is effective for 20 years, and may be extended for an indeterminate term. The operational management of FIC is under the responsibility of Itaú.

The Miravalles   financial statements for the years ended at December 31, 2006 and 2005 were audited by other independent auditors. In the year ended at December 31, 2006, total assets and net result of operations of said investee represent 8.5% and (62.2)% respectively, in relation to the Company s consolidated financial statements (0.6% and 6.3% of total assets and net income, respectively, when compared to the Company s consolidated financial statements in the year ended at December 31, 2005.

10. Property and Equipment

Annual depreciation	Parent Company		Consolidated	
rates	2006	2005	2006	2005