

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
Phone: +55 11 3886-0421 Fax: +55 11 3884-2677

gpari@grupopaodeacucar.com.br

Avenida Brigadeiro Luiz Antonio, 3,142
01402-901 São Paulo, SP, Brazil

(Address of principal executive offices)

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
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.

Yes 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.

Yes 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.

Yes 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).

Yes 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 Accelerated Filer Non-accelerated Filer

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

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

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 Item 18

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 No

		<u>Page</u>
<u>PART I</u>		1
<u>ITEM</u>	<u>1.</u>	<u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS</u> 1
<u>ITEM</u>	<u>2.</u>	<u>OFFER STATISTICS AND EXPECTED TIMETABLE</u> 2
<u>ITEM</u>	<u>3.</u>	<u>KEY INFORMATION</u> 2
	<u>3A.</u>	<u>Selected Financial Data</u> 2
	<u>3B.</u>	<u>Capitalization and Indebtedness</u> 5
	<u>3C.</u>	<u>Reasons for the Offer and Use of Proceeds</u> 5
	<u>3D.</u>	<u>Risk Factors</u> 5
<u>ITEM</u>	<u>4</u>	<u>INFORMATION ON THE COMPANY</u> 10
	<u>4A.</u>	<u>History and Recent Development of the Company</u> 10
	<u>4B.</u>	<u>Business Overview</u> 14
	<u>4C.</u>	<u>Organizational Structure</u> 31
	<u>4D.</u>	<u>Property, Plants and Equipment</u> 32
<u>ITEM</u>	<u>4A.</u>	<u>UNRESOLVED STAFF COMMENTS</u> 32
<u>ITEM</u>	<u>5.</u>	<u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u> 32
	<u>5A.</u>	<u>Operating Results</u> 33
	<u>5B.</u>	<u>Liquidity and Capital Resources</u> 41
	<u>5C.</u>	<u>Research and Development, Patents and Licenses, Etc.</u> 44
	<u>5D.</u>	<u>Trend Information</u> 44
	<u>5E.</u>	<u>Off-balance sheet arrangements</u> 44
	<u>5F.</u>	<u>Tabular disclosure of contractual obligations</u> 44
<u>ITEM</u>	<u>6.</u>	<u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u> 45
	<u>6A.</u>	<u>Directors and Senior Management</u> 45
	<u>6B.</u>	<u>Compensation</u> 48
	<u>6C.</u>	<u>Board Practices</u> 52
	<u>6D.</u>	<u>Employees</u> 57
	<u>6E.</u>	<u>Share Ownership</u> 57
<u>ITEM</u>	<u>7.</u>	<u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u> 57
	<u>7A.</u>	<u>Major Shareholders</u> 57
	<u>7B.</u>	<u>Related Party Transactions</u> 60
	<u>7C.</u>	<u>Interests of Experts and Counsel</u> 61
<u>ITEM</u>	<u>8.</u>	<u>FINANCIAL INFORMATION</u> 61
	<u>8A.</u>	<u>Consolidated Statements and Other Financial Information</u> 61
	<u>8B.</u>	<u>Significant Changes</u> 65
<u>ITEM</u>	<u>9.</u>	<u>THE OFFER AND LISTING</u> 66
	<u>9A.</u>	<u>Offer and Listing Details</u> 66
	<u>9B.</u>	<u>Plan of Distribution</u> 67
	<u>9C.</u>	<u>Markets</u> 67
	<u>9D.</u>	<u>Selling Shareholders</u> 69

	<u>9E.</u>	<u>Dilution</u>	<u>69</u>
	<u>9F.</u>	<u>Expenses of the Issue</u>	<u>69</u>
<u>ITEM</u>	<u>10.</u>	<u>ADDITIONAL INFORMATION</u>	<u>69</u>
	<u>10A.</u>	<u>Share Capital</u>	<u>69</u>
	<u>10B.</u>	<u>Memorandum and Articles of Association</u>	<u>70</u>
	<u>10C.</u>	<u>Material Contracts</u>	<u>81</u>
	<u>10D.</u>	<u>Exchange Controls</u>	<u>83</u>

	<u>10E.</u>	<u>Taxation</u>	<u>84</u>
	<u>10F.</u>	<u>Dividends and Paying Agents</u>	<u>91</u>
	<u>10G.</u>	<u>Statement by Experts</u>	<u>91</u>
	<u>10H.</u>	<u>Documents on Display</u>	<u>91</u>
	<u>10I.</u>	<u>Subsidiary Information</u>	<u>91</u>
<u>ITEM</u>	<u>11.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>91</u>
<u>ITEM</u>	<u>12.</u>	<u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	<u>94</u>
	<u>12D.</u>	<u>American Depositary Shares</u>	<u>94</u>
<u>PART II</u>			<u>96</u>
<u>ITEM</u>	<u>13.</u>	<u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	<u>96</u>
<u>ITEM</u>	<u>14.</u>	<u>MATERIAL MODIFICATION TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	<u>96</u>
<u>ITEM</u>	<u>15.</u>	<u>CONTROL AND PROCEDURES</u>	<u>96</u>
<u>ITEM</u>	<u>16.</u>	<u>[RESERVED]</u>	<u>97</u>
	<u>16A.</u>	<u>Audit Committee Financial Expert</u>	<u>97</u>
	<u>16B.</u>	<u>Code of Ethics</u>	<u>97</u>
	<u>16C.</u>	<u>Principal Accountant Fees and Services</u>	<u>97</u>
	<u>16D.</u>	<u>Exemptions from the Listing Standards for Audit Committees</u>	<u>97</u>
	<u>16E.</u>	<u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	<u>98</u>
	<u>16F.</u>	<u>Change in Registrant's Certifying Accountant</u>	<u>98</u>
	<u>16G.</u>	<u>Corporate Governance</u>	<u>98</u>
<u>PART III</u>			<u>101</u>
<u>ITEM</u>	<u>17.</u>	<u>FINANCIAL STATEMENTS</u>	<u>101</u>
<u>ITEM</u>	<u>18.</u>	<u>FINANCIAL STATEMENTS</u>	<u>101</u>
<u>ITEM</u>	<u>19.</u>	<u>EXHIBITS</u>	<u>101</u>

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

Edgar Filing: BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD - Form 20-F
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.

1

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 US\$, except share, per share and per ADS amounts)
	(millions of R\$, 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 profit	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 holders 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