BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD
Form 6-K
March 03, 2009

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 March, 2009

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, 2008 and 2007
with Report of Independent Auditors

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COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

AUDITED FINANCIAL STATEMENTS

December 31, 2008 and 2007

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 balance sheets of Companhia Brasileira de Distribuição and the consolidated balance sheets of Companhia Brasileira de Distribuição and its subsidiaries as of December 31, 2008 and 2007, and the related statements of income, shareholders' equity, cash flows and added value 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 Creditícios and Miravalles Empreendimentos e Participações S.A. for the year ended December 31, 2007 have been audited by other auditors. Our opinion on the investment, equity pickup, assets and liabilities, net sales revenues and net income for the year, included in the consolidated financial statements of the Company, together with the amounts and other information that have been included in the notes to consolidated financial statements of the Company, pertaining to said investees, are exclusively based on the opinion of these auditors.

2. Our audits were conducted in accordance with generally accepted auditing standards in Brazil, and included: (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 financial statement presentation, taken as a whole.

3. In our opinion, and based on our audits and on the report 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 as of December 31, 2008 and 2007, the results of operations, changes in shareholders equity, cash flows and added value for the years then ended, in accordance with accounting practices adopted in Brazil.

4. As described in note 2.b, due to changes in the accounting practices adopted in Brazil during 2008, the financial statements related as of and for the year ended December 31, 2007, presented for comparison purposes, were adjusted and restated in accordance with NPC 12 Accouting Practices, Changes in Estimation and Correction of Errors.

São Paulo, February 26, 2009

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

Sergio Citeroni
Accountant CRC-1SP170652/O-1

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Message from Management

In 2008, Grupo Pão de Açúcar maintained its focus on maximizing existing resources through the pursuit of operating efficiency and increased productivity, exemplified by the development and implementation of a series of initiatives designed to make us more efficient and competitive.

The adoption of a new management model was decisive in consolidating the Group as a lean company, quick to take decisions, pursuing results and fully prepared to sell and, above all, to grow.

We integrated the Commercial, Operational and Marketing areas under a single Vice-Presidency, created an Executive Office for the regional commercial branches to strengthen business management in each of the regions where we operate, and integrated the IT and Supply Chain areas. We also simplified organizational structures and redefined the macroprocesses of each area in order to identify opportunities for gains in efficiency.

We then directed our efforts towards the sales pillars: assortment, pricing, communication and services. In practice, we followed the same strategy adopted in Rio de Janeiro, where results and profitability have improved substantially, as has customer traffic.

We reorganized our assortment in line with consumer demand, buying habits and purchasing power in each micro-region where our stores are installed (clustering). We also strengthened the categories that define the positioning of each of our formats and adjusted our pricing policies in order to improve competitiveness, focusing on those consumers and products that generate more store traffic. Our promotional communication ceased to be linear and began to respect the cluster of each store. Finally, we began to invest in strengthening our customer service.

These changes in 2008 were only possible thanks to the involvement of our people and the integration of the areas, who worked together in the taking of decisions, always focusing on our most important objective the creation of value for our shareholders.

Unlike the market in general, Grupo Pão de Açúcar is confronting this crisis with a strong capital structure. Although our main goal is to maintain the Company s financial health, we also see opportunities for increasing our market share.

When the crisis first erupted at the beginning of 2008, the Company decided to raise funds and reinforce its cash by around R$ 500 million, closing the year with a cash position of R$ 1.6 billion. Without taking risks of potential losses with foreign-exchange or derivatives operations, our net debt/EBITDA ratio closed the year at 0.58x, less than our beginning-of-year guidance of 1.0x, giving us tranquility to overcome the challenges of 2008 and plan our future growth in a calm and disciplined manner. We also expect growth on the consumer financing front, thanks to FIC (Financeira Itaú CBD), which now has more than 6 million clients and is fully capable of meeting our customers demand for credit. In addition, we have reached an expressive reduction in inventory levels by the end of the year.

We also reduced our annual investments, not only as a precautionary measure, but also to adjust our formats for greater profitability. Processes were streamlined to make us faster and prepare us for the future scenario, especially more aggressive and sustainable growth.

Our results reflect gains in efficiency and market share. Gross sales increased by 18.2% over 2007 to R$ 20.9 billion and same-store sales grew by 2.6% in real terms. EBITDA moved up by a substantial 32.5%, totaling R$ 1.34 billion in 2008, while net income jumped by 41.6%.

Despite the global economic crisis, we are beginning 2009 in a stronger position and much better prepared to achieve solid growth, both in terms of sales and results.

We are extremely confident regarding the future. We believe the markets will recover and that the resulting business will be built on more solid and realistic bases. Our objective is to continue growing, always seeking a balance between sales and profitability.

We will only be making investments that generate higher profitability and greater returns. Our short and midterm objectives are to maintain the Company s financial health, take advantage of the current situation to increase sales and market share, maintain control over expenses and invest in IT and logistics, as well as in the expansion of the Assai format and the convenience stores.

Simplicity and focus will continue to be our watchwords in the years ahead, in line with the back-to-basics strategy adopted in 2008. At this special time, when it celebrated its 60^{th} anniversary, Grupo Pão de Açúcar remains committed to providing its customers with high-quality products and services and creating value for its shareholders. And, finally, we would like to thank our shareholders, clients and suppliers for their confidence and support and, above all, our employees, for their contribution, determination and dedication.

Operating Performance

The numbers related to the Group s operating performance presented and commented on below refer to consolidated figures, which include the entire operating results of Sendas Distribuidora (a joint venture with the Sendas chain in Rio de Janeiro) and Assai (a joint venture with Atacadista Assai in São Paulo). The 2008 results are based on consolidated pro-forma numbers, which exclude the restructuring expenses in the first quarter in order to ensure an analysis of the Company s real performance.

The 1Q08 operating results were affected by restructuring expenses totaling R$ 23.0 million, with an R$ 8.7 million impact on selling expenses and a R$ 14.3 million impact on G&A expenses.

Law 11.638/07 was sanctioned on December, 2007. The purpose of this act, which amends, revokes and adds to Laws 6.404 and 6.385, is to update Brazilian corporate law in order to bring Brazilian accounting practices into line with the international practices adopted by the IASB (International Accounting Standards Board).

All the figures below do not include the accounting changes introduced by Law 11.638/07, whose effects are shown in the Reconciliation of Net Income based on Law 11.638/07 chart on page 13.

Sales Performance
Gross same-store sales move up 10.4% year-on-year in 4Q08, the best quarterly performance of the last three years

(R$ million)(1)	**4Q08**	**4Q07**	**Chg.**	**2008**	**2007**	**Chg.**
Gross Sales	5,922.4	5,137.4	15.3%	20,856.8	17,642.6	18.2%
Net Sales	5,142.7	4,328.8	18.8%	18,033.1	14,902.9	21.0%

(1) Totals may not tally as the figures are rounded off
(2) basis points

Gross sales totaled R$ 20.9 billion in 2008, 18.2% up on 2007, while net sales grew by 21.0% to R$ 18.0 billion. In same-store terms, gross sales recorded a nominal increase of 8.5%, above the annual guidance, and a real upturn of 2.6%, when deflated by the IPCA General Consumer Price Index(1). Net sales moved up by 11.0% in nominal terms and 6.3% in real terms.

The same-store performance was due to the Company s policy of maximizing existing resources, the increase in customer traffic and the higher average ticket in 2008.

Food accounted for 75.6% of the Group s annual gross sales and recorded same-store growth of 7.3%, led by grocery and perishables. Non-food items recorded same-store growth of 12.1%, led by consumer electronics, general merchandise and drugstores, all of which posted double-digit growth over the year before.

In terms of format, the annual sales highlights were Extra, Pão de Açúcar and CompreBem, especially in São Paulo, Extra-Eletro and Extra.com.br (e-commerce).

Fourth-quarter gross sales came to R$ 5.92 billion, 15.3% up year-on-year, while net sales increased by 18.8% to R$ 5.14 billion.

Same-store gross sales moved up 10.4% year-on-year, with real growth of 3.9%, while net sales increased by 13.7% in nominal terms. Also under the same-store concept, food and non-food items recorded respective growth of 10.1% and 11.0% .

The strong annual growth was due to the following factors: (i) the adoption of a consistent pricing policy, which increased the competitiveness of each format and region; (ii) a major assortment adjustment per region and consumer socioeconomic profile through clusterization, which had a positive impact on sales; and (iii) the implementation of a more specialized marketing strategy geared towards specific consumer needs and respecting the pricing and assortment of each region. Consequently, the Group recorded sustainable growth, accompanied by higher customer traffic, leading to gains in market share.

The Group outperformed the sector, posting higher sales figures than those published by ABRAS (the Brazilian Supermarket Association) and the IBGE (Brazilian Institute of Geography and Statistics). In addition, recent numbers disclosed by the competition continue to indicate gains in market share, especially in the hypermarket segment.

(1) The Company has adopted as its inflation indicator, the IPCA General Consumer Price Index, which is also used by the Brazilian Supermarket Association (ABRAS), instead of the food component of the IPCA Index, in view of: (i) product incompatibility (the food component of the IPCA basket is not representative of the Company s entire product and brand mix (e.g. it does not include personal care and household cleaning products); (ii) family profiles (product weight in the food index is determined by the POF (Family Budget Survey), which considers families earning between one and 40 minimum wages per month (e.g. rice represents 3.61% of the food IPCA, but only 1.30% of GPA s food sales); and (iii) the importance of channels and regions (the weight of regions/sales channels in the food component of the IPCA is out of step with GPA s).

Gross profit moves up 12.4% in the quarter
Gross margin stands at 26.4% in 2008

(R$ million)[1]	**4Q08**	**4Q07**	**Chg.**	**2008**	**2007**	**Chg.**
Gross Profit	1,345.2	1,197.2	12.4%	4,753.6	4,178.4	13.8%
Gross Margin - %	26.2%	27.7%	-150 bps[2]	26.4%	28.0%	-160 bps[2]

(1) Totals may not tally as the figures are rounded off
(2) basis points

Annual gross profit totaled R$ 4.75 billion, 13.8% up on 2007, accompanied by a gross margin of 26.4%, versus 28.0% the year before, thanks to the following factors:

(i) the incorporation of the Assai chain, whose margins are lower than those of the Group, contributed a negative 80 bps to the overall gross margin;

(ii) maintenance of the competitive price strategy and the increased sales participation in electronics, whose margins are narrower than those of food products, but which helped push up the average ticket. These factors helped reduce the overall margin by around 50 bps; and

(iii) the change in the way ICMS (state VAT) is collected as of the second quarter, especially in the state of São Paulo, which provoked an increase in the cost of goods sold (COGS) and in net revenue, given that ICMS was no longer booked under sales taxes being now booked under COGS. This further reduced the gross margin by around 30 bps in 2008.

Gross profit totaled R$ 1.35 billion in 4Q08, 12.4% up on the R$ 1.2 billion recorded in 4Q07, while the gross margin narrowed from 27.7% to 26.2% . The margin was negatively impacted as follows:

- 30 bps from the maintenance of the competitiveness strategy and the bringing forward of promotions to the final week of December in order to increase customer traffic and end-of-year sales;
- 70 bps from the incorporation of the Assai chain; and
- 50 bps from the change in the ICMS tax regime.

Operating Expenses
Reduction of 230 bps in percentage-of-net-sales terms

(R$ million)[1]	**4Q08**	**4Q07**	**Chg.**	**2008 Pro-forma**	**2007**	**Chg.**
Selling Expenses	748.3	701.5	6.7%	2,746.6	2,552.5	7.6%
Gen. Adm. Exp.	169.1	141.4	19.6%	537.4	500.3	7.4%
Operating Exp. (before Taxes and Charges)	917.4	842.9	8.8%	3,284.0	3,052.8	7.6%
% of Net Sales	**17.8%**	**19.5%**	**-170 bps[2]**	**18.2%**	**20.5%**	**-230 bps[2]**
Taxes & Charges	29.8	29.3	1.5%	109.9	99.6	10.3%
Total Operating Expenses	947.2	872.2	8.6%	3,393.9	3,152.4	7.7%
% of Net Sales	18.4%	20.1%	-170 bps[2]	18.8%	21.2%	-240 bps[2]

(1) Totals may not tally as the figures are rounded off
(2) basis points

Operating expenses (selling, general and administrative expenses) amounted to R$ 3.28 billion in 2008, 7.6% more than in 2007 but well below sales growth in the same period. This figure was equivalent to 18.2% of net sales, 230 bps down on the 20.5% recorded the year before.

Excluding restructuring expenses of R$ 16.4 million in 2007 (R$ 5.9 million in selling expenses and R$ 10.5 million in G&A expenses), operating expenses would have increased by 8.2%, also well below sales growth. In percentage-of-net-sales terms, there would be a 220 bps reduction over the pro-forma 2007 figure of 20.4%.

Total operating expenses in 2008 (including taxes and other charges) came to 18.8% of net sales, less than the annual guidance of 19.0%.

This reduction was due to the implementation of the Company s new management model, which resulted in a complete process overhaul, the rationalization of expenses and the streamlining of the organizational structure. In addition, at the beginning of the year the Company created the Expense Committees (Personnel, Marketing, Maintenance and others), which played an important role in controlling expenses. In this context, the Company believes there are further gains to be captured in 2009.

Fourth-quarter SG&A expenses totaled R$ 917.4 million, representing 17.8% of net sales, 170 bps down on 4Q07. Selling expenses increased by 6.7% to R$ 748.3 million, while G&A expenses climbed by 19.6% to R$ 169.1 million. The quarterly upturn (in absolute terms) was due to the 2008 pay rise (above inflation), the adjustment of third-party contracts, and additional marketing efforts. Total operating expenses (including taxes and other charges) came to 18.4% of net sales, 170 bps less than in 4Q07.

EBITDA Margin of 7.7% in the quarter, thanks to improved control over expenses

(R$ million)[1]	**4Q08**	**4Q07**	**Chg.**	**2008 Pro-forma**	**2007**	**Chg.**
EBITDA	398.1	325.1	22.5%	1,359.7	1,026.0	32.5%
EBITDA Margin - %	7.7%	7.5%	20 bps[2]	7.5%	6.9%	60 bps[2]

(1) Totals may not tally as the figures are rounded off
(2) basis points

Annual pro-forma EBITDA (excluding restructuring expenses) totaled R$ 1.36 billion, 32.5% up on the reported 2007 figure. However, if we exclude restructuring expenses in 2007, EBITDA would have moved up by 30.4%, despite the 160 bps reduction in the gross margin and thanks to improved control over operating expenses throughout the year.

The pro-forma EBITDA margin stood at 7.5% in 2008, in line with the annual guidance of between 7.5% and 8.0%, and a 60 bps improvement over the 2007 figure of 6.9% . This result was due to the strategy adopted at the beginning of the year of seeking a balance between sales growth and profitability, as well as the continuing control over expenses. If Assai is excluded, the EBITDA margin comes to 7.8% .

Fourth-quarter EBITDA totaled R$ 398.1 million, 22.5% higher than the R$ 325.1 million posted in 4Q07, accompanied by an EBITDA margin of 7.7%, 20 bps up year-on-year, even though Assai was operating throughout 4Q08 but only in November and December in 4Q07.

Financial Result
Net financial result negative by R$ 77.1 million in the quarter

(R$ million)[1]	**4Q08**	**4Q07**	**Chg.**	**2008**	**2007**	**Chg.**
Financ. Revenue	95.1	99.4	-4.4%	296.4	299.7	-1.1%
Financ. Expenses	(172.1)	(143.0)	20.4%	(602.1)	(510.9)	17.9%
Net Financial Income	(77.1)	(43.6)	76.9%	(305.7)	(211.2)	44.8%

(1) Totals may not tally as the figures are rounded off
(2) basis points

Financial revenue totaled R$ 296.4 million in 2008, 1.1% less than the previous year. Although the Company maintained a greater average volume of cash invested than in 2007, this was offset by reduced revenue from installment sales.

Financial expenses stood at R$ 602.1 million, up by 17.9% year-on-year, due to the period increase in the gross debt, adjustments to provisions for contingencies and the consolidation of the leasing of the Assai stores. The annual net financial result was R$ 305.7 million negative.

At the end of 2007 and beginning of 2008, in order to prepare for a possible deterioration of the financial markets, Grupo Pão de Açúcar took some important decisions:

- Strengthening its cash position, bringing forward funding operations and extending the maturity of the FIDC (receivables fund) from 2008 to 2010;

- Investing in improved efficiency and results through a strong reduction in expenses and the stepping up of commercial initiatives, which led to increased sales and gains in market share;

- Implementing of initiatives to minimize the need for working capital, mainly through reducing slow mover inventories; and

- Reducing 2008 CAPEX, together with the introduction of a new investment decision process, which is exceptionally rigorous regarding each project s return on invested capital.

The net debt/EBITDA ratio closed the year at 0.58x, below the beginning-of-year guidance of 1.0x. The debt profile became more extended, with no significant maturities until 2010 and onwards. Given the current operating and investment scenario, there will be no need to raise more funds in 2009, allowing the Group to endure a longer credit squeeze without incurring higher funding costs.

The Company s cash reserves are invested in fixed income with first-tier Brazilian financial institutions, with good liquidity and at higher rates (% of the CDI) than our average debt rate.

We should emphasize that our debt transactions and financial investments are not exposed to any foreign-exchange risk. Our only derivatives are hedges for 100% of the foreign-currency debt through swap transactions, in the same amounts and with the same schedule as the loans, transforming the debt into a percentage of the CDI (interbank rate) in Reais. The remaining balance of the currency basket debt with the BNDES is also swapped for a % of the CDI. The 6th issue debentures yielding of CDI+0.5% is swapped for 104.96% of the CDI.

In the fourth quarter, financial revenue totaled R$ 95.1 million, 4.4% down year-on-year, and financial expenses came to R$ 172.1 million, 20.4% up on 4Q07, once again due to the increase in the gross debt, adjustments to provisions for contingencies and the consolidation of the leasing of the Assai stores. Nevertheless, the net financial result was only R$ 77.1 million negative, an improvement over the previous two quarters.

Equity Income

Result reflects FIC s strategy in private label and co-branded cards

With a 14.2% share of the Group s sales, FIC (Financeira Itaú CBD) closed 2008 with more than six million clients, 6.6% more than in 2007, and a receivables portfolio of R$ 1.6 billion. FIC cards already represent one-third of the Group s cards.

As a result, annual equity income totaled R$ 2.9 million, a major improvement over the previous year s R$ 28.9 million negative. Fourth-quarter equity income stood at R$ 530 thousand, versus a negative R$ 2.3 million in 4Q07.

Thanks to the stringent credit granting policy, FIC s card portfolio recorded one of the lowest default ratios since its creation. Other contributory factors to the year s performance included the creation of differentials to encourage the use of private label and co-branded cards, the current business focus. The cards base grew by 16% over 2007, closing the year at 4.6 million cards.

Other 2008 highlights included:

- Greater integration with the retail operation through marketing initiatives and partnerships with the stores, allowing FIC to increase its store market share;

- Reduced costs, thanks to the elimination of manned service stands in certain stores. Service is now electronic, without affecting the stores card sales performance; and

- Substantial growth in the share of extended warranties in consumer electronics sales.

Insurance and financial services are expected to increase their share of FIC s revenue in the coming quarters. The company also plans to introduce exclusive benefits for card users (advantage club), with special promotions for holders.

Minority Interest: Sendas Distribuidora
Annual EBITDA moves up by 110.1% over 2007

Sendas Distribuidora recorded gross sales of R$ 3.37 billion in 2008, 4.9% up on 2007, while net sales moved up 5.2% to R$ 2.93 billion.

The gross margin stood at 27.4%, 100 bps up on the 26.4% recorded in 2007, and gross profit moved up 9.1% to R$ 801.5 million, mainly due to improvements to the clustering process begun in June 2007 and more advantageous negotiations with local suppliers. The consolidation of these initiatives throughout 2008 resulted in higher sales and increased profitability.

Total annual operating expenses came to R$ 601.8 million, 5.9% down on the year before, representing 20.5% of net sales, down by 250 bps. Another highlight was the substantial reduction in G&A expenses, which fell by 35.0% to R$ 80.1 million. Selling expenses remained flat at R$ 489.6 million at the end of 2008.

As a result, EBITDA totaled R$ 199.6 million in 2008, an improvement of 110.1%, accompanied by an EBITDA margin of 6.8%, versus 3.4% in 2007. Net income was negative by R$ 19.5 million, impacted by the negative financial result of R$ 134.7 million, and the company generated a positive minority interest of R$ 8.4 million.

In the fourth quarter, gross and net sales totaled R$ 917.0 million and R$ 793.2 million, respectively, while gross profit came to R$ 219.7 million, with a gross margin of 27.7% .

Total operating expenses amounted to R$ 157.6 million, equivalent to 19.9% of net sales, 70 bps down year-on-year.

EBITDA came to R$ 62.2 million, 24.8% up on 4Q07, with an EBITDA margin of 7.8%, versus 6.6% in 4Q07.

Due to the deterioration of the financial result, net income was negative by R$ 4.5 million, giving a positive minority interest of R$ 1.9 million.

Minority Interest: Assai Atacadista
Fourth-quarter gross margin widens by 260 bps over 4Q07

Assai s annual gross and net sales totaled R$ 1.44 billion and R$ 1.26 billion, respectively. The gross margin stood at 15.4% and gross profit came to R$ 194.9 million. Total operating expenses amounted to R$ 147.3 million, or 11.7% of net sales. EBITDA totaled R$ 47.6 million, with a margin of 3.8%, and net income came to R$ 21.8 million, giving a negative minority interest of R$ 8.7 million.

Fourth-quarter gross sales amounted to R$ 464.0 million, with net sales of R$ 408.9 million. Gross profit stood at R$ 70.9 million, with a margin of 17.3%, benefiting from successful negotiations with suppliers due to the concentration of store openings and conversions in the quarter.

Total operating expenses came to R$ 49.9 million, equivalent to 12.2% of net sales and EBITDA stood at R$ 21.0 million, with a margin of 5.1% .

The net financial result was R$ 3.4 million negative, in line with previous quarters, and net income totaled R$ 11.2 million, giving a negative minority interest of R$ 4.5 million.

Net Income before income tax grows by 94.3% in 2008

(R$ million)(1)	4Q08	4Q07	Chg.	2008 Pro-forma	2007	Chg.
Income before Income Tax	154.8	130.0	19.1%	439.3	226.1	94.3%

(1) Totals may not tally as the figures are rounded off
(2) basis points

Annual pro-forma income before income tax almost doubled, totaling R$ 439.3 million, versus R$ 226.1 million in 2007. Fourth-quarter income before income tax stood at R$ 154.8 million, 19.1% up year-on-year, largely due to the improved operating performance, in turn fueled by sales growth, consistent control over expenses and the continuity of the process overhaul.

Net Income
Net income moves up 41.6% over 2007

(R$ million)(1)	4Q08	4Q07	Chg.	2008 Pro-forma	2007	Chg.
Net Income	102.3	112.7	-9.2%	298.6	210.9	41.6%
Net Margin - %	2.0%	2.6%	-60 bps(2)	1.7%	1.4%	30 bps(2)

(1) Totals may not tally as the figures are rounded off
(2) basis points

The Company posted pro-forma net income of R$ 298.6 million in 2008, 41.6% up on the R$ 210.9 million reported in 2007, when the figure was impacted by R$ 16.4 million in restructuring expenses. If these are excluded, 2008 net income would have increased by 31.4%, reflecting the important operating improvement, as mentioned in the comments on income before income tax above.

Fourth-quarter net income totaled R$ 102.3 million, versus R$ 112.7 million in 4Q07.

It is worth noting that net income is jeopardized by non-cash expenses. If these accounts are excluded, as in the table below, net income (cash concept) would amount to R$ 140.9 million in the quarter and R$ 411.2 million in 2008.

(R$ million)(1)	**4Q08**	**4Q07**	**Chg.**	**2008 Pro-forma**	**2007**	**Chg.**
Net Income	**102.3**	**112.7**	-9.2%	**298.6**	**210.9**	41.6%
Amortization of Goodwill(3)	38.5	37.4	2.9%	112.6	101.2	11.2%
Adjusted Net Income	**140.9**	**150.1**	**-6.2%**	**411.2**	**312.1**	**31.7%**

(1) Totals may not tally as the figures are rounded off
(2) basis points
(3) Net of Income Tax

Proposed Dividends

On February 26, 2009, Management proposed the payment of R$ 61.9 million in dividends for referral to Annual General Meeting, 23.5% up on the previous year and equivalent to R$ 0.24859 per common share and R$ 0.27345 per preferred share.

Investments
Group invests R$ 503.1 million in 2008

Grupo Pão de Açúcar invested R$ 503.1 million in 2008, versus R$ 980.6 million in 2007 (excluding the acquisition of the Assai chain). The Company s 2008 expansion strategy concentrated on adjustments to existing formats and maximizing returns from stores in operation by adapting internal processes to a new management model based on simplicity, focus, agility, integration and empowerment.

Most of the funds went towards opening 31 new stores (one Pão de Açúcar, one Extra hypermarket, one Extra Perto, one CompreBem, 14 Extra Fácil, six Extra-Eletro and seven Assai). As a result, the Group s total sales area closed the year 2.3% up on the end of 2007. In addition, six stores were converted to the Assai format (one Pão de Açúcar, two CompreBem, two Sendas and one Extra) and one Sendas store was converted to the ABC CompreBem format.

Also, six CompreBem stores in Pernambuco, previously managed by the Pão de Açúcar format were transferred to CompreBem management; 10 Extra Perto stores were transferred to Extra Hipermercados management; and 14 ABC CompreBem stores were transferred from CompreBem to Sendas management.

The main highlights of the year were:

- R$ 156.1 million in the opening and construction of new stores;
- R$ 94.9 million in the acquisition of strategic sites;
- R$ 143.0 million in store renovation;
- R$ 109.1 million in infrastructure (technology, logistics and others).

Fourth-quarter investments totaled R$ 172.3 million, versus R$ 332.3 million in 4Q07. The Group opened 19 new stores (one CompreBem, five Assai, six Extra-Eletro and seven Extra Fácil) and five stores were converted to the Assai format (one CompreBem, one Pão de Açúcar, and two Sendas and one Extra, in Rio de Janeiro).

Return on Invested Capital (ROIC)
Substantial growth in 2008

Thanks to greater investment discipline and improved operating efficiency in 2008, annual ROIC (return on invested capital)(1) reached 15.0%, more than 400 bps up on 2007.

(1) Company s methodology for calculating ROIC:

ROIC = [NOPLAT /(Fixed Assets + Working Capital)]*(1-Income Tax rate), where:

i) NOPLAT = EBITDA + Employees Profit Sharing + Depreciation

ii) Working Capital = Accounts Receivable + Inventories Suppliers

(the receivables fund FIDC is not considered when calculating working capital)

Gross Sales per Format (R$ thousand)

9 Months	**2008**	**%**	**2007**	**%**	**Chg.(%)**
Pão de Açúcar [(a)]	2,858,294	19.1%	2,763,220	22.1%	3.4%
Extra*	7,548,895	50.5%	6,444,826	51.6%	17.1%
CompreBem [(b)]	2,174,830	14.6%	2,104,305	16.8%	3.4%
Extra Eletro	259,377	1.8%	226,276	1.8%	14.6%
Sendas**	1,112,350	7.4%	966,509	7.7%	15.1%
Assai	980,662	6.6%	-	-	-
Grupo Pão de Açúcar	**14,934,408**	**100.0%**	**12,505,136**	**100.0%**	**19.4%**

4th Quarter	**2008**	**%**	**2007**	**%**	**Chg.(%)**
Pão de Açúcar [(a)]	1,045,581	17.6%	980,404	19.1%	6.6%
Extra*	3,060,241	51.7%	2,669,969	52.0%	14.6%
CompreBem [(b)]	757,767	12.8%	805,988	15.7%	-6.0%
Extra Eletro	113,101	1.9%	103,785	2.0%	9.0%
Sendas**	474,238	8.0%	343,051	6.7%	38.2%
Assai	471,433	8.0%	234,230	4.5%	101.3%
Grupo Pão de Açúcar	**5,922,361**	**100.0%**	**5,137,427**	**100.0%**	**15.3%**

FY08	**2008**	**%**	**2007**	**%**	**Chg.(%)**
Pão de Açúcar [(a)]	3,903,875	18.7%	3,743,624	21.2%	4.3%
Extra*	10,609,136	50.9%	9,114,795	51.7%	16.4%
CompreBem [(b)]	2,932,597	14.0%	2,910,293	16.5%	0.8%
Extra Eletro	372,478	1.8%	330,061	1.9%	12.9%
Sendas**	1,586,588	7.6%	1,309,560	7.4%	21.2%
Assai	1,452,095	7.0%	234,230	1.3%	5.20
Grupo Pão de Açúcar	**20,856,769**	**100.0%**	**17,642,563**	**100.0%**	**18.2%**

* Include Extra Fácil and Extra Perto sales
** Sendas stores which are part of Sendas Distribuidora S/A
(a) 6 CompreBem stores in Pernambuco were transfered from Pão de Açúcar to CompreBem management
(b) 14 ABC CompreBem stores were transfered from CompreBem to Sendas management

Net Sales per Format (R$ thousand)

9 Months	**2008**	**%**	**2007**	**%**	**Chg.(%)**
Pão de Açúcar [(a)]	2,465,228	19.1%	2,324,094	22.0%	6.1%
Extra*	6,483,324	50.3%	5,430,399	51.4%	19.4%
CompreBem [(b)]	1,900,286	14.7%	1,789,769	16.9%	6.2%
Extra Eletro	206,246	1.6%	179,854	1.7%	14.7%
Sendas**	981,441	7.6%	850,004	8.0%	15.5%
Assai	853,904	6.6%	-	-	-
Grupo Pão de Açúcar	**12,890,429**	**100.0%**	**10,574,120**	**100.0%**	**21.9%**

4th Quarter	**2008**	**%**	**2007**	**%**	**Chg.(%)**
Pão de Açúcar [(a)]	913,974	17.8%	825,031	19.1%	10.8%
Extra*	2,636,710	51.2%	2,234,374	51.6%	18.0%
CompreBem [(b)]	672,478	13.1%	687,297	15.9%	-2.2%
Extra Eletro	88,343	1.7%	80,945	1.9%	9.1%
Sendas**	415,728	8.1%	300,529	6.9%	38.3%
Assai	415,448	8.1%	200,591	4.6%	107.1%
Grupo Pão de Açúcar	**5,142,681**	**100.0%**	**4,328,767**	**100.0%**	**18.8%**

FY08	**2008**	**%**	**2007**	**%**	**Chg.(%)**
Pão de Açúcar [(a)]	3,379,202	18.8%	3,149,125	21.1%	7.3%
Extra*	9,120,034	50.6%	7,664,773	51.4%	19.0%
CompreBem [(b)]	2,572,764	14.3%	2,477,066	16.6%	3.9%
Extra Eletro	294,589	1.6%	260,799	1.8%	13.0%
Sendas**	1,397,169	7.7%	1,150,533	7.7%	21.4%
Assai	1,269,352	7.0%	200,591	1.4%	-
Grupo Pão de Açúcar	**18,033,110**	**100.0%**	**14,902,887**	**100.0%**	**21.0%**

* Include Extra Fácil and Extra Perto sales
** Sendas stores which are part of Sendas Distribuidora S/A
(a) 6 CompreBem stores in Pernambuco were transfered from Pão de Açúcar to CompreBem management
(b) 14 ABC CompreBem stores were transfered from CompreBem to Sendas management

Sales Breakdown (% of Net Sales)

	2008			2007		
	9 Months	4th Quarter	FY	9 Months	4th Quarter	FY
Cash	50.1%	50.0%	50.1%	50.2%	50.0%	50.1%
Credit Card	40.7%	40.5%	40.6%	39.6%	40.2%	39.8%
Food Voucher	7.6%	8.3%	7.8%	7.7%	7.9%	7.8%
Credit	1.6%	1.2%	1.5%	2.5%	1.9%	2.3%
Post-dated Checks	1.1%	0.8%	1.0%	1.6%	1.3%	1.5%
Installment Sales	0.5%	0.4%	0.5%	0.9%	0.6%	0.8%

Information per Format on December 31st, 2008

	# Checkouts	# Employees	# Stores*	Sales Area (m^2)
Pão de Açúcar	1,766	14,747	145	190,072
CompreBem	1,788	7,899	165	197,551
Sendas	1,152	5,724	73	129,764
Extra	3,966	26,292	102	725,141
Extra Perto	66	328	5	8,790
Extra Eletro	130	720	47	27,902
Extra Fácil	111	234	32	7,306
Assai	582	4,661	28	74,180
Total Stores	**9,561**	**60,605**	**597**	**1,360,706**
Headquarters		2,534		
Prevention of Losses		3,299		
Distribution Centers		4,218		
Total Grupo Pão de Açúcar	**9,561**	**70,656**	**597**	**1,360,706**

* Besides the 597 stores, the Company keeps 74 Gas Stations and 142 Drugstores

Stores per Format

	Pão de Açúcar	Extra	Extra-Eletro	Compre Bem	Sendas	Extra Perto	Extra Fácil	Assai	Grupo Pão	Sales Area (m^2)	Number of Employees

									de Açúcar		
12/31/2007	**153**	**91**	**42**	**178**	**62**	**15**	**19**	**15**	**575**	**1,338,329**	**66,165**
Opened	1	2					7	2	12		
Closed	(1)			(4)			(1)		(6)		
Converted	-6 (a)	10 (b)		+6 -15 (c)	14	(10)		1	-		
09/30/2008	**147**	**103**	**42**	**165**	**76**	**5**	**25**	**18**	**581**	**1,338,303**	**67,630**
Opened			6	1			7	5	19		
Closed	(1)		(1)		(1)				(3)		
Converted	(1)	(1)		(1)	(2)			5	-		
12/31/2008	**145**	**102**	**47**	**165**	**73**	**5**	**32**	**28**	**597**	**1,360,706**	**70,656**

(a) 6 CompreBem stores in Pernambuco were transfered from Pão de Açúcar to CompreBem management
(b) 10 Extra Perto stores were transfered to Extra Hipermercados management
(c) 14 ABC CompreBem stores were transfered from CompreBem to Sendas management

Productivity Indexes (in nominal R$)

Gross Sales per square meter/month

	2008	2007	Chg.(%)
Pão de Açúcar	1,669	1,480	12.8%
CompreBem	1,167	1,060	10.1%
Sendas	1,106	1,047	5.6%
Extra	1,217	1,072	13.5%
Extra Eletro	1,132	943	20.0%
GPA	**1,266**	**1,135**	**11.5%**

Gross sales per employee/month

	2008	2007	Chg.(%)
Pão de Açúcar	22,937	22,893	0.2%
CompreBem	30,925	29,125	6.2%
Sendas	25,716	24,960	3.0%
Extra	35,004	28,668	22.1%
Extra Eletro	46,812	41,657	12.4%
GPA	**30,358**	**27,003**	**12.4%**

Average ticket - Gross sales

	2008	2007	Chg.(%)
Pão de Açúcar	30.2	27.9	7.1%
CompreBem	22.0	20.9	4.8%
Sendas	24.9	23.2	8.7%
Extra	53.0	46.8	12.8%
Extra Eletro	376.3	382.8	-1.8%
GPA	**36.6**	**32.6**	**12.1%**

Gross sales per checkout/month

	2008	2007	Chg.(%)
Pão de Açúcar	179,539	161,845	10.9%
CompreBem	128,264	116,846	9.8%
Sendas	127,450	122,859	3.7%
Extra	224,662	183,404	22.5%
Extra Eletro	236,428	188,863	25.2%
GPA	**182,658**	**156,935**	**16.4%**

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

BALANCE SHEETS
December 31, 2008 and 2007
(In thousands of reais)

		Parent Company		Consolidated	
	Note	**2008**	**2007**	**2008**	**2007**
ASSETS					
Current Assets					
Cash and banks		133,026	271,575	263,910	414,013
Marketable securities	4	1,120,701	478,957	1,361,702	650,119
Trade accounts receivable	5	858,774	923,165	1,876,928	1,816,362
Inventories	6	1,128,730	1,154,303	1,570,863	1,534,242
Recoverable taxes	7	292,292	264,725	322,368	379,935
Deferred income and social contribution taxes	17	46,421	68,303	94,358	88,128
Receivables securitization fund	8	-	54,621	-	-
Other		73,470	101,569	162,347	119,345
Total current assets		**3,653,414**	**3,317,218**	**5,652,476**	**5,002,144**
Noncurrent assets					
Long-term assets					
Receivables securitization fund	8	87,380		-	
Trade accounts receivable	5	-	-	374,618	371,221
Recoverable taxes	7	177,066	134,694	283,861	141,791
Deferred income and social contribution taxes	17	527,138	577,563	1,035,716	1,047,426
Amounts receivable from related parties	9	522,097	384,838	276,472	258,232
Judicial deposits	16	153,440	133,666	248,420	205,000
Other		18,945	16,117	39,355	47,466
Investments	10	1,463,174	1,365,150	113,909	110,987
Property and equipment	11	4,247,947	4,201,847	4,941,434	4,891,137
Intangible assets	12	305,611	290,560	577,757	674,852
Total noncurrent assets		**7,502,798**	**7, 104,435**	**7, 891,542**	**7,748,112**
TOTAL ASSETS		**11,156,212**	**10,421,653**	**13,544,018**	**12,750,256**

These notes are an integral part of the financial statements.

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

BALANCE SHEETS
December 31, 2008 and 2007
(In thousands of reais)

		Parent Company		Consolidated	
	Note	**2008**	**2007**	**2008**	**2007**
LIABILITIES					
Current Liabilities					
Suppliers		1,834,286	1,850,512	2,409,501	2,339,262
Loans and financing	13	326,508	196,004	360,257	1,498,307
Debentures	13	36,861	29,769	36,861	29,765
Payroll and charges		176,717	137,031	224,103	173,053
Taxes and social contributions payable	15	87,394	81,884	110,234	102,418
Amounts payable to related parties	9	12,279	60,151	12,433	13,106
Proposed dividends	18	61,851	50,084	67,994	50,084
Financing due to purchase of property		45,747	15,978	45,747	15,978
Rentals payable		21,902	29,299	42,130	44,159
Other		129,527	128,765	168,412	162,031
Total current liabilities		**2,733,072**	**2,579,473**	**3,477,672**	**4,428,163**
Noncurrent liabilities					
Loans and financing	13	857,242	679,047	2,240,558	913,078
Debentures	13	777,868	777,024	777,868	777,024
Provision for capital deficiency of subsidiary	10	8,941	28,623	-	
Taxes paid by installments	15	192,585	239,896	200,827	250,837
Provision for contingencies	16	1,168,299	1,156,954	1,241,950	1,216,189
Other		10,489	10,959	93,152	77,612
Total noncurrent liabilities		**3,015,424**	**2,892,503**	**4,554,355**	**3,234,740**
Minority interest		-	-	104,275	137,676
Shareholders Equity					
Subscribed Capital	18	4,450,725	4,149,858	4,450,725	4,149,858
Paid-Up Capital		4,450,725	4,149,858	4,450,725	4,149,858
Capital Reserve	18	574,622	555,185	574,622	555,185
Profits Reserve	18	382,369	244,634	382,369	244,634
		5,407,716	4,949,677	5,407,716	4,949,677
Total liabilities and shareholders equity		**11,156,212**	**10,421,653**	**13,544,018**	**12,750,256**

These notes are an integral part of the financial statements.

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COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

STATEMENTS OF INCOME
Years ended December 31, 2008 and 2007
(In thousands of reais, except earnings per share)

		Parent Company		Consolidated	
	Note	**2008**	**2007**	**2008**	**2007**
Gross operating income		**14,436,119**	**12,787,417**	**20,856,769**	**17,642,563**
Taxes on sales		(1,989,508)	(2,054,032)	(2,823,659)	(2,739,676)
Net sales revenues		**12,446,611**	**10,733,385**	**18,033,110**	**14,902,887**
Cost of goods sold		(9,094,936)	(7,688,807)	(13,279,497)	(10,724,499)
Gross profit		**3,351,675**	**3,044,578**	**4,753,613**	**4,178,388**
Operating income (expenses)					
Selling		(1,960,760)	(1,904,511)	(2,857,116)	(2,652,028)
General and administrative		(437,885)	(372,168)	(574,023)	(533,992)
Depreciation and amortization		(464,039)	(426,022)	(604,743)	(546,648)
Financial income	19	(210,211)	(152,610)	(316,788)	(201,809)
Equity in the earnings of subsidiaries and associated companies	10	76,355	68,755	2,922	(28,923)
Other operating income (expenses)		(6,064)	(10,451)	(10,914)	(9,084)
		(3,002,604)	**(2,797,007)**	**(4,360,662)**	**(3,972,484)**
Income (loss) before income and social contribution taxes and employees profit sharing		**349,071**	**247,571**	**392,951**	**205,904**
Income and social contribution taxes	17	(72,128)	(52,591)	(111,006)	(13,558)
Income (loss) before profit sharing		**276,943**	**194,980**	**281,945**	**192,346**
Minority interest		-	-	655	6,708
Employees profit sharing		(16,516)	(9,325)	(22,173)	(13,399)
Net income (loss) for the year		**260,427**	**185,655**	**260,427**	**185,655**
Shares at the end of the year		235,249	227,920		
Net income/loss for the year per share		1.107	0.815		

These notes are an integral part of the financial statements.

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
Years ended December 31, 2008 and 2007
(In thousands of reais)

			Capital Reserve			**Profit Reserve**			
	Note	**Capital Stock**	**Special Goodwill Reserve**	**Recognized granted options**	**Legal**	**Expansion**	**Profit Retention**	**Retained Earnings**	**Total**
Balances at December, 2006		**3,954,629**	**517,331**	**-**	**123,073**	**167,542**	**79,552**	**-**	**4,842,127**
Capital stock increase									
Capitalization of reserves		186,158	-	-	-	(167,542)	(18,616)	-	-
Subscribed capital		9,071	-	-	-	-	-	-	9,071
Allocation of reserves		-	-	-	-	54,842	(54,842)	-	-
First adoption of Law 11,638/07 and Provisional Measure 449/08		-	-	12,685	-	-	-	(74,946)	(62,261)
Recognized granted option		-	-	25,169	-	-	-	-	25,169
Income/loss for the year		-	-	-	-	-	-	210,878	210,878
Legal reserve		-	-	-	10,544	-	-	(10,544)	-
Proposed dividends		-	-	-	-	-	-	(50,084)	(50,084)
Profit retention reserve		-	-	-	-	-	150,250	(150,250)	-
Balance at December 31, 2007		**4,149,858**	**517,331**	**37,854**	**133,617**	**54,842**	**156,344**	**(100,169)**	**4,949,677**
Capital stock increase									
	18	60,936	-	-	-	(54,842)	(6,094)	-	-
Capitalization									

of reserves									
Subscribed capital	18	239,931	-	-	-	-	-	-	239,931
Recognized granted options	18	-	-	19,437	-	-	-	-	19,437
Income/loss for the year	18	-	-	-	-	-	-	260,427	260,427
Legal reserve	18	-	-	-	13,021	-	-	(13,021)	-
Proposed dividends	18	-	-	-	-	-	95	(61,851)	(61,756)
Profit retention reserve	18	-	-	-	-	-	85,386	(85,386)	-
Balance at December 31, 2008		**4,450,725**	**517,331**	**57,291**	**146,638**	**-**	**235,731**	**-**	**5,407,716**

These notes are an integral part of the financial statements.

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

STATEMENTS OF CASH FLOWS
Years ended December 31, 2008 and 2007
(In thousands of reais)

		Parent Company		Consolidated	
	Note	**2008**	**2007**	**2008**	**2007**
Cash flow from operating activities					
Net income (loss) for the year	17	260,427	185,655	260,427	185,655
Adjustment for reconciliation of net income					
Deferred income tax	17	(30,790)	32,857	(33,300)	(36,162)
Residual value of written-off permanent assets		6,069	10,116	11,103	10,978
Depreciation/amortization		464,039	426,022	604,743	546,648
Interest and monetary variations, net of payment		265,149	113,019	475,197	421,383
Equity accounting	10	(76,355)	(68,755)	(2,922)	28,923
Provision for contingencies	16	85,880	50,255	115,996	71,103
Provision for property and equipment written-off and losses		6,187	1,860	6,162	2,205
Provision for goodwill amortization		103,097	-	107,959	-
Stock option	18	19,437	25,169	19,437	25,169
Minority interest		-	-	(655)	(6,708)
		1,103,140	**776,198**	**1,564,147**	**1,249,194**
(Increase) decrease in assets					
Accounts receivable		64,391	(137,654)	(60,566)	(211,916)
Inventories		25,573	(210,057)	(36,621)	(215,623)
Recoverable taxes		(65,719)	16,248	(77,741)	(19,291)
Other assets		25,702	(41,057)	(34,627)	(29,686)
Related parties		(183,225)	194,224	(20,849)	(6,456)
Judicial Deposits		(5,784)	(9,315)	(20,905)	(24,844)
		(139,062)	**(187,611)**	**(251,309)**	**(507,816)**
Increase (decrease) in liabilities					
Suppliers		(16,226)	112,977	70,239	236,904
Payroll and charges		39,686	(10,019)	51,050	(6,910)
Taxes and social contributions payable		(55,994)	2,507	(116,656)	5,853
Other accounts payable		(143,937)	47,825	(76,517)	(417)
		(176,471)	153,290	(71,884)	235,430
Net cash generated by operating activities		**787,607**	**741,877**	**1,240,954**	**976,808**

Cash flows from investment activities					
Net cash in merger of subsidiaries		-	20	-	20
Receipt of amortization of PAFDIC quotas		-	134,156	-	-
Acquisition of companies		-	-	-	(224,777)
Additions to investments	10	(24,690)	(208,136)	-	(60,553)
Acquisition of property and equipment	11	(378,775)	(879,841)	(485,418)	(971,645)
Increase in intangible assets	12	(2,900)	(500)	(2,900)	(8,266)
Disposal of property and equipment		3,062	85	3,592	85
Net cash used in investment activities		**(403,303)**	**(954,216)**	**(484,726)**	**(1,265,136)**
Cash flows from financing activities					
Capital increase	18	88,196	9,071	88,196	9,071
Increase in minority interest		-	-	-	12,000
Funding and refinancing		369,742	1,819,558	680,154	2,491,844
Payments		(148,437)	(1,082,675)	(595,013)	(1,923,190)
Interest paid		(140,526)	(291,425)	(318,001)	(498,464)
Payment of dividends		(50,084)	(20,312)	(50,084)	(20,312)
Net cash received from financing activities		**118,891**	**434,217**	**(194,748)**	**70,949**
Net increase in cash and cash equivalents		**503,195**	**221,878**	**561,480**	**(217,379)**

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

STATEMENTS OF CASH FLOWS
Years ended December 31, 2008 and 2007
(In thousands of reais)

		Parent Company		Consolidated	
	Note	**2008**	**2007**	**2008**	**2007**
Cash and cash equivalents at the end of the year		1,253,727	750,532	1,625,612	1,064,132
Cash and cash equivalents at the beginning of the year		750,532	528,654	1,064,132	1,281,511
Variation in cash and cash equivalents		**503,195**	**221,878**	**561,480**	**(217,379)**
Cash flows additional information					
Interest paid from loans and financing		140,526	285,165	318,001	490,383

These notes are an integral part of the financial statements.

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

STATEMENTS OF ADDED VALUE
Years ended December 31, 2008 and 2007
(In thousands of reais)

		Parent Company				Consolidated			
	Note	**2008**	**%**	**2007**	**%**	**2008**	**%**	**2007**	**%**
Revenues									
Sales of goods		14,436,119		12,787,417		20,856,769		17,642,563	
Credit written-off		(14,491)		5,346		(23,698)		2,138	
Other operating revenues		(6,064)		(10,451)		(10,913)		(9,084)	
		14,415,564		**12,782,312**		**20,822,158**		**17,635,617**	
Inputs acquired from third parties									
Cost of goods sold		(10,505,110)		(9,172,616)		(15,163,435)		(12,627,855)	
Materials, electricity, third parties services and other		(951,881)		(971,556)		(1,356,238)		(1,354,945)	
		(11,456,991)		**(10,144,172)**		**(16,519,673)**		**(13,982,800)**	
Gross added value		**2,958,573**		**2,638,140**		**4,302,485**		**3,652,817**	
Retentions									
Depreciation and amortization		(468,719)		(441,961)		(611,963)		(565,961)	
Net added value produced by entity		**2,489,854**		**2,196,179**		**3,690,522**		**3,086,856**	
Received in transfer									
Equity accounting	10	76,355		68,755		2,922		(28,923)	
Minority interest		-		-		655		6,708	
Financial revenues	19	244,308		233,589		291,509		354,577	
		320,663		**302,344**		**295,086**		**332,362**	
Total added value to distribute		**2,810,517**	**100**	**2,498,523**	**100**	**3,985,608**	**100**	**3,419,218**	**100**

Distribution of added value									
Payroll and charges		**1,115,038**	**39.7**	**998,229**	**40.0**	**1,505,745**	**37.8**	**1,328,426**	**38.9**
Salaries		753,152	26.8	708,909	28.4	1,034,244	25.9	948,600	27.7
Profit sharing		35,999	1.3	9,362	0.4	41,656	1.0	13,437	0.4
Benefits		257,572	9.2	210,075	8.4	338,956	8.5	275,134	8.0
Charges		68,315	2.4	69,883	2.8	90,889	2.3	91,255	2.7
Taxes, fees and contributions		**719,621**	**25.6**	**684,856**	**27.4**	**1,182,819**	**29.7**	**967,435**	**28.3**
Federal		354,374	12.6	228,114	9.1	543,677	13.6	312,227	9.1
State		303,098	10.8	390,499	15.6	536,900	13.5	554,061	16.2
Municipal		62,149	2.2	66,243	2.7	102,242	2.6	101,147	3.0
Third parties capital remuneration		**715,432**	**25.5**	**629,783**	**25.2**	**1,036,618**	**26.0**	**937,702**	**27.4**
Interest Rates		444,841	15.8	359,626	14.4	593,049	14.9	521,650	15.3
Rentals		270,591	9.6	270,157	10.8	443,569	11.1	416,052	12.2
Dividends	18	**61,851**	**2.2**	**50,084**	**2.0**	**67,994**	**1.7**	**50,084**	**1.5**
Profit Retention		**198,575**	**7.1**	**135,571**	**5.4**	**192,432**	**4.8**	**135,571**	**4.0**
Total added value distributed		2,810,517		2,498,523		3,985,608		3,419,218	

These notes are an integral part of the financial statements.

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008 and 2007
(In thousands of reais)

In thousands of reais, except when indicated otherwise.

1. Operations

Companhia Brasileira de Distribuição ("Company" or GPA) 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", "Comprebem", "Extra", "Extra Eletro", Extra Perto , Extra Fácil , Sendas and Assai .

At December 31, 2008, the Company had 597 stores in operation, as follows:

	Number of stores	
Company	**2008**	**2007**
Companhia Brasileira de Distribuição	415	400
Novasoc Comercial Ltda. (Novasoc)	6	6
Sé Supermercados Ltda. (Sé)	50	52
Sendas Distribuidora S.A. (Sendas Distribuidora)	98	102
Barcelona Com. Var. e Atacadista S.A. (Barcelona)	25	15
Xantocarpa Participações Ltda. ("Xantocarpa")	3	-
	597	**575**

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.

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 GPA customers on an exclusive basis (see Note 10 (d)). The Company has 50% shareholding of the FIC capital through its subsidiary Miravalles Empreendimentos e Participações S.A. (Miravalles).

c) Acquisition of Barcelona - (Assai)

At November 1, 2007, GPA , by means of a company controlled by Sé (Sevilha Empreendimentos e Participações Ltda. Sevilha), purchased shares representing 60% of the total and voting capital of Barcelona, recipient company of the spun-off assets of Assai Comercial e Importadora Ltda., related to activities previously carried out by Assai in the wholesale market. With this partnership, GPA now operates in the cash & carry segment (atacarejo), thus, reinforcing its multiformat positioning.

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

NOTES TO THE FINANCIAL STATEMENTS
(Continued) December 31, 2008 and 2007
(In thousands of reais)

1. Operations (Continued)

The reverse merger of Sevilha took place on March 31, with reference date on February 28, 2008. With the merger between Sevilha and Barcelona, Sé Supermercados now holds a direct interest of 60% in the total and voting capital of Barcelona.

d) Foundation of Xantocarpa

On October 16, 2008, GPA started cash & carry operations in the state of Rio de Janeiro through Xantocarpa, a company organized for this purpose, which assumed the operation of 3 stores of Sendas Distribuidora converted into Assai brand. This company s purpose is the retail and wholesale trade of manufactured products, semi-manufactured products or *in natura* products, whether domestic or international products of any kind and type, nature or quality, as long as these are not forbidden by laws.

2. Basis of Preparation and Presentation of Financial Statements and First-Time Adoption of Law 11,638/07 and Provisional Measure (MP) 449/08

a) Financial Statements

The authorization for the conclusion of these financial statements took place at the Board Executive Officers meeting held on February 26, 2009.

The financial statements were prepared according to the accounting practices adopted in Brazil and rules issued by Brazilian Securities and Exchange Commission (CVM), observing the accounting guidelines enacted by the Brazilian Corporation Law (Law 6,404/76) which include new provisions, amended and revoked by Law 11,638 of December 28, 2007 and by Provisional Measure 449 of December 3, 2008, and pronouncements issued by the Brazilian Committee on Accounting Pronouncements (CPC).

b) Amendment to the Brazilian Corporation Law Law 11,638/07 and MP 449/08

Pursuant to provisions of CVM Deliberation 565 of December 17, 2008, which approved the technical pronouncement CPC 13 Preliminary Adoption of Law 11,638/07 and Provisional Measure 449/08, and in view of requirements laid down by CVM Deliberation 506 of June 19, 2006, the Company defined January 1, 2007 as the transition date for the adoption of the new accounting practices. The transition date is defined as the basis for the adoption of changes in accounting practices adopted in Brazil and represents the reference date through which the Company prepared its initial balance sheet adjusted in order to comply with these new accounting provisions.

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

NOTES TO THE FINANCIAL STATEMENTS
(Continued) December 31, 2008 and 2007
(In thousands of reais)

2. Basis of Preparation and Presentation of Financial Statements and First-Time Adoption of Law 11,638/07 and Provisional Measure (MP) 449/08

(Continued)

b) Amendment to the Brazilian Corporation Law Law 11,638/07 and MP 449/08 **-** Continued

The Company has been using the option given by CVM Deliberation 565/08 and reports the amounts of older periods in its Comparative Financial Statements as if the new accounting practice had been used.

Said changes in the accounting practices which generated effects in the preparation or reporting of financial statements for the years ended on December 31, 2008 and 2007, were measured and recorded by the Company based on the following accounting pronouncements issued by the Brazilian Committee on Accounting Pronouncements and approved by Brazilian Securities and Exchange Commission and Federal Accounting Council:

- Conceptual Structure for the Preparation and Reporting of Financial Statements, approved by CVM Deliberation 539 of March 14, 2008;
- CPC 01 Impairment of Assets, approved by CVM Deliberation 527 of November 1, 2007;
- CPC 03 Statement of Cash Flows, approved by CVM Deliberation 547 of August 13, 2008;
- CPC 04 Intangible Assets, approved by CVM Deliberation 553 of November 12, 2008;
- CPC 05 Disclosure on Related Parties, approved by CVM Deliberation 560 of December 11, 2008;
- CPC 06 Leasing Operations, approved by CVM Deliberation 554 of November 12, 2008;
- CPC 08 Transactions Costs and Premiums on the Issue of Securities, approved by CVM Deliberation 556 of November 11, 2008;
- CPC 09 Statement of Added Value, approved by CVM Deliberation 557 of November 12, 2008;
- CPC 10 Share-Based Payment, approved by CVM Deliberation 562 of December 17, 2008;
- CPC 12 Present Value Adjustment, approved by CVM Deliberation 564 of December 17, 2008;
- CPC 13 First-Time Adoption of Law 11,638/07 and Provisional Measure 449/08, approved by CVM Deliberation 565 of December 17, 2008, and
- CPC 14 Financial Instruments: Recognition, Measurement and Supporting Documentation, approved by CVM Deliberation 566 of December 17, 2008.

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

NOTES TO THE FINANCIAL STATEMENTS
(Continued) December 31, 2008 and 2007
(In thousands of reais)

2. Basis of Preparation and Presentation of Financial Statements and First-Time Adoption of Law 11,638/07 and Provisional Measure (MP) 449/08

(Continued)

The initial balance sheet of January 1, 2007 (transition date) was prepared considering the required exceptions and some of the optional exemptions authorized by technical pronouncement CPC 13, among them:

(i) Exemption on the classification of financial instruments on the original date of their recording

Despite the fact that CPC 14 determines that the classification of financial instruments must be made on the original date of its recording for the purposes of first-time adoption, CPC 13 authorizes these instruments to be classified on the transition date, and the Company have chosen this option.

(ii) Exemption on the maintenance of balances in deferred charges until their realization
The Company opted for writing-off the balances recognized in deferred charges on transition date against the retained earnings account.

(iii) Exemption on calculation considerations of present value adjustment
The Company calculated the present value adjustment based on contractual information of each transaction that generated monetary assets or liabilities, as well as, it used discount rates based on market assumptions prevailing on the transition date.

(iv) Exemption on the recognition of share-based payment
The Company measured and recognized outstanding share-based payments on the transition date and granted after the transition date, according to the technical pronouncement CPC 10.

(v) Exemption on the reporting of statements of cash flows and added value not including amounts corresponding to the previous year
In order to allow comparison, the Company opted for preparing and reporting the statements of cash flows and added value for the year ended December 31, 2007, pursuant to the provisions contained in CPC 03 and CPC 09, respectively. The Company also opted for no longer reporting statements of changes in financial position for the years ended as of January 1, 2008.

(vi) Neutrality for tax purposes related to the first-time adoption of Law 11,638/07 and Provisional Measure 449/08
The Company opted for the Transition Tax Regime (RTT) enacted by Provisional Measure 449/08, by means of which the assessments of Corporate Income Tax (IRPJ), Social Contribution on Net Income (CSLL), Social Contribution Tax on Gross Revenue for Social Integration Program (PIS) and Social Contribution Tax on Gross Revenue for Social Security Financing (COFINS) for the 2008-2009 period, are still determined on accounting methods and criteria set forth by Law 6,404 of December 15, 1976, effective on December 31, 2007.

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

NOTES TO THE FINANCIAL STATEMENTS
(Continued) December 31, 2008 and 2007
(In thousands of reais)

2. Basis of Preparation and Presentation of Financial Statements and First-Time Adoption of Law 11,638/07 and Provisional Measure (MP) 449/08

(Continued)

Therefore, deferred income and social contribution taxes calculated over adjustments deriving from the adoption of new accounting practices enacted by Law 11,638/07 and MP 449/08 were recorded in the Company s financial statements, where applicable, pursuant to CVM Ruling 371. The Company will declare its option in the 2009 Corporate Income Tax Return (DIPJ).

(vii) Exception to the recognition of financial leasing effective prior to the transition date and capitalization of contractual initial costs directly related to this lease
For the agreements effective on the transition date and showing characteristics of financial leasing, the Company recorded the leased asset by fair value in a specific account of property and equipment, or if lower, by present value of lease minimum payments, on the initial date of agreement, adjusted by accumulated depreciation and payments calculated from the date of agreement until the transition date. The difference verified was recorded against retained earnings on the transition date.

(viii) Exception to the goodwill amortization based on the future profitability (goodwill)
Goodwill based on future profitability recorded by the Company was amortized until December 31, 2008.

(ix) Exception to the application of first periodic valuation of the economic-useful life of property and equipment
Until December 31, 2009, the Company will revaluate the estimates of economic-useful life of its property and equipment, used when determining their depreciation and amortization rates. Eventual changes in the estimate of economic-useful life of assets, deriving from this revaluation, if relevant, will be treated as change in accounting estimates to be recognized on a prospective basis.

c) <u>Effects of Law 11,638/07 and MP 449/08 Adjustments</u>

Pursuant to disclosure requirements related to the first-time adoption of new accounting practices, in the chart below, the Company is reporting for this year and previous year, for comparison purposes, a brief description and the amounts corresponding to the impacts on shareholders equity and income of parent company and consolidated, related to the amendments introduced by Law 11,638/07 and Provisional Measure 449/08.

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007
(In thousands of reais)

2. Basis of Preparation and Presentation of Financial Statements and First-Time Adoption of Law 11,638/07 and Provisional Measure (MP) 449/08 (Continued)

c) Effects of Law 11,638/07 and MP 449/08 Adjustments Continued

	Parent Company			
	Net Income		**Shareholders' Equity**	
	2007	**2008**	**2007**	**2008**
Net income and shareholders' equity before amendments introduced by Law 11,638/07 and MP 449/08	**281,360**	**210,878**	**5,471,530**	**5,011,992**
Financial leasing (II)	(3,110)	(3,269)	(5,415)	(2,305)
Financial instruments and derivatives (III)	(6,599)	(176)	(5,843)	756
Share-based payments (I)	(19,437)	(25,169)	-	-
Present value adjustment of qualifiable monetary assets and liabilities (IV)	(3,539)	(846)	(7,699)	(4,160)
Write-off of deferred assets not reclassifiable (V)	14,709	(1,022)	(62,376)	(77,085)
Effects resulting equity accounting	(2,592)	3,931	(2,812)	(220)
Deferred income and social contribution taxes	(365)	1,328	20,331	20,699
Net effects resulting from full application of Law 11,638/07 and MP 449/08	**(20,933)**	**(25,223)**	**(63,814)**	**(62,315)**
Net income and shareholders' equity adjusted with Law 11,638/07 and MP 449/08	**260,427**	**185,655**	**5,407,716**	**4,949,675**

	Consolidated			
	Net Income		**Shareholders' Equity**	
	2007	**2008**	**2007**	**2008**

Net income and shareholders' equity before amendments introduced by Law 11,638/07 and MP 449/08	**281,360**	**210,878**	**5,471,530**	**5,011,992**
Financial leasing (II)	1,798	(2,944)	(1,488)	(3,286)
Financial instruments and derivatives (III)	(12,796)	10,164	(10,255)	2,541
Share-based payments (I)	(19,437)	(25,169)	-	-
Present value adjustment of qualifiable monetary assets and liabilities (IV)	(5,378)	(1,396)	(10,799)	(5,421)
Write-off of deferred assets not reclassifiable (V)	12,412	(896)	(64,765)	(77,177)
Minority interest Law 11,638/07	985	(2,828)	1,127	142
Deferred income and social contribution taxes	1,483	(2,154)	22,366	20,886
Net effects resulting from full application of Law 11,638/07 and MP 449/08	**(20,933)**	**(25,223)**	**(63,814)**	**(62,315)**
Net income and shareholders' equity adjusted with Law 11,638/07 and MP 449/08	**260,427**	**185,655**	**5,407,716**	**4,949,677**

(i) The Technical Pronouncement CPC 10 Share-Based Payment determines the companies to include the effects of share-based payments transactions on their income and balance sheet, as well as expenses related to transactions where stock options are granted to employees. As mentioned in Note 18 (g), the Company maintains a Stock Option Plan to its management and main executives.

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007
(In thousands of reais)

2. Basis of Preparation and Presentation of Financial Statements and First-Time Adoption of Law 11,638/07 and Provisional Measure (MP) 449/08 (Continued)

c) Effects of Law 11,638/07 and MP 449/08 Adjustments Continued

(ii) The Technical Pronouncement CPC 06 Leasing determines that operations which transfer risks and benefits to the lessee can be classified as property and equipment, reflecting the nature of an installment purchase. The effects of change in criterion are outlined in Notes 11 and 21.

(iii) The Technical Pronouncement CPC 14 Financial Instruments - sets forth that the marketable securities, including derivatives are recorded: (i) by their market value or corresponding amount, when we refer to investments for trading or available for sale; and (ii) by the acquisition cost or issue value, whichever is shorter. The Company s instruments are deemed as: (i) fair value hedge destined to offset risks of exposure to variation in fair value of item purpose of hedge and (ii) derivative financial instrument measured at fair value (Notes 13 and 14).

(iv) The Technical Pronouncement CPC 12 Present Value Adjustment establishes that noncurrent assets and liabilities should be adjusted by their present value and current assets and liabilities when this is relevant. The Company adopted the present value adjustment of its assets and liabilities as assumption, as determined by rule, utilizing the weighted average cost of capital (WACC) and for the term of payment or receipt.

(v) As provided for in the Provisional Measure RTT 449/08, the deferred charges group was removed. The Company s Management opted for writing-off deferred charges on transition date and then recorded expenditures incurred in 2007 and 2008 directly as expense in the net income for the year.

Due to the removal authorized by MP 449/08 from the non-operating income item, the Company reclassified in the statement of income for the year ended December 31, 2008 and 2007 in the amounts of R$(6,064) and R$(10,451) in the parent company and R$(10,914) and R$(9,084) in consolidated financial statements, respectively to the other operating income (expenses) item, basically represented by income on property and equipment write-off.

As set forth by CPC 08, the Company reclassified transaction costs and premiums on the issue of securities to the loans account, which previously were recorded as prepaid expenses for the year ended December 31, 2008 and 2007, the amounts of R$6,875 and R$4,424 in the parent company and R$8,381 and R$5,096 in the consolidated, respectively.

3. Summary of Main Accounting Practices

Accounting estimates to measure and recognize certain assets and liabilities of financial statements of the Company and its subsidiaries are used in the preparation of financial statements. The determination of these estimates took into

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007
(In thousands of reais)

3. Summary of Main Accounting Practices (Continued)

account experiences of past and current events, presuppositions related to future events and other objective and subjective factors. Significant items subject to estimates include: the selection of useful lives of fixed and intangible assets; the allowance for doubtful accounts; allowance for inventory losses; allowance for investments losses; the recoverability analysis of fixed and intangible assets; deferred income and social contribution taxes; fees and terms used when determining the present value adjustment of certain assets and liabilities; the provision for contingencies and actuarial liabilities; the fair value measurement of share-based compensation and of financial instruments; the reporting estimates for the sensitivity analysis chart of derivative financial instruments pursuant to CVM Ruling 475/08. The settlement of operations involving these estimates may result in amounts significantly different from those recorded in the financial statements due to inaccuracies inherent to the process of their determination. The Company reviews its estimates and assumptions, at least, quarterly.

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

a) Determination of income

Sales revenues have been stated at their gross amounts. i.e., they include taxes and discounts, stated as reducers of revenues. The result of operations is determined according to the accrual basis of accounting. Revenues from sale of products are recognized in income when their value can be measured reliably, all risks and benefits inherent to the product are transferred to the buyer, the Company no longer has the control or responsibility over the goods sold and probably the economic benefits will be generated to the benefit of the Company.
Revenues are not recognized if their realization is considerably uncertain. Freights over sales are included in the cost of goods sold. Interest income and expenses are recognized by the effective interest rate method under financial revenues/expenses.

b) Translation of foreign currency-denominated balances

i) Functional and presentation currency of the financial statements

The Company s functional currency is the Brazilian Real, same currency of preparation and presentation of financial statements of the parent company (individual) and consolidated. The financial statements of each subsidiary included in the Company s consolidation and those used as basis for investments valuation by the equity accounting method are prepared based on the functional currency of each entity.

ii) Foreign currency-denominated transactions

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency (Real) using the exchange rate effective on respective balance sheet date. Gains and losses resulting from the restatement of these assets and liabilities verified between the exchange rate effective on the date of operation and closings of years are recognized as financial revenues or expenses in income.

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007
(In thousands of reais)

3. Summary of Main Accounting Practices (Continued)

c) Financial instruments

The financial instruments are only recognized as of the date on which the Company becomes party of the contractual provisions of financial instruments. When recognized, these are firstly recorded at their fair value accrued of transaction costs that are directly attributable to their acquisition or issue. Their subsequent measurement occurs every balance sheet date according to the rules established for each type of classification of financial assets and liabilities.

(i) Financial assets

These are classified among categories mentioned below, according to the purpose to which they were acquired or issued:

Financial assets are measured by their fair value at every balance sheet date. Interest rates, monetary restatement, exchange variation and variations deriving from the valuation at fair value are recognized in income when incurred under financial revenues or expenses.

- *Investments held to maturity:* non-derivative financial assets with fixed or determinate payments with scheduled maturities to which the Company has the intention and the capacity to hold them to maturity. After initial recognition, these are measured by amortized cost through effective interest rate method. This method uses a discount rate that when applied over estimated future receivables during the expectation of financial instrument effectiveness, results in a net book value. Interest rates, monetary restatement, exchange variation, less impairment losses, where applicable, are recognized in income when incurred under financial revenues or expenses.

- *Loans (granted) and receivables:* non-derivative financial assets with fixed or determinate payments but not quoted in an active market. After the initial recognition these are measured by amortized cost through effective interest rate method. Interest rates, monetary restatement, exchange variation, less impairment losses, where applicable, are recognized in income when incurred under financial revenues or expenses.

Main financial assets recognized by the Company are: cash and cash equivalents, financial investments, marketable securities, unrealized gains in derivatives operations and trade accounts receivable.

(ii) Financial liabilities

These are classified among the categories mentioned below according to the nature of financial instruments contracted or issued:

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007
(In thousands of reais)

3. Summary of Main Accounting Practices (Continued)

- Financial liabilities measured at fair value through income: these include financial liabilities generally traded before maturity, liabilities designated in the initial recognition at fair value through income and derivatives, except for those designated as hedge instruments. These are measured by their fair value at every balance sheet date. Interest rates, monetary restatement, exchange variation and variations deriving from fair value valuation, where applicable, are recognized in income when incurred.

- Financial liabilities not measured by fair value: non-derivative financial liabilities which usually are not traded before maturity. After initial recognition, these are measured by amortized cost through effective interest rate method. Interest rates, monetary restatement and exchange variation, where applicable, are recognized in income when incurred.

Main financial liabilities recognized by the Company are: accounts payable to suppliers, unrealized losses in derivatives operations, loans, financing and debentures.

- Market value: the market value of financial instruments actively traded on organized markets is determined based on the market quotes, on the balance sheet closing date, or based on valuation techniques defined by the Company and compatible with usual practices on the market. 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 market value of similar financial instruments, analysis of discounted cash flows or other valuation models.

- Hedge operations: derivative financial instruments used to hedge risk exposures or to modify the characteristics of financial assets and liabilities, unrecognized firm commitments, highly probable transactions or net investments in operations abroad, and which: (i) are highly correlated concerning changes in their market value in relation to the market value of item that has been hedged, both at the beginning and over the life of agreement (effectiveness between 80% and 125%); (ii) have the operation documented, risk purpose of hedge, risk management process and methodology used in the effectiveness evaluation; and

(iii) considered effective to reduce the risk associated with exposure to be hedged, are classified and recorded as hedge operations according to their nature:

- fair value hedge should be classified the derivative financial instruments destined to offset risks deriving from the exposure to variation in fair value under of item purpose of hedge. The items purpose of hedge and related derivative financial instruments are recorded in contra account to proper revenue or expense account in the net income for the period.

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007
(In thousands of reais)

3. Summary of Main Accounting Practices (Continued)

d) Cash and cash equivalents

These include cash, positive balances in checking account, marketable securities redeemable within 90 days of balance sheets dates, as per Company s policy and with insignificant change in their market value. Marketable securities included in cash and cash equivalents are classified into the financial assets at fair value through income category. The entry of these marketable securities by counterparty is stated in Note 4.

e) 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. The Company s installment sales occur with the intermediation of FIC and financing receivables not remaining in GPA (Note 10 (d)).

The Company carries out securitization operations of the accounts receivable with a special purpose entity, over which it has shared control, the PAFIDC (*Pão de Açúcar Fundo de Investimento em Direitos Creditórios*) (Note 5 (b) and Note 8).

f) Inventories

Inventories are carried at the lower of cost or market value, whichever is 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.

Inventories are also stated by the net value of allowance for losses and breakage, which are periodically reviewed and evaluated as to their efficiency.

g) 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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3. Summary of Main Accounting Practices (Continued)

h) 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 11, in case of leasehold improvements, whichever is shorter.

The Company establishes procedures aiming at ensuring that assets are not recorded on an accounting basis for an amount higher than that can be recovered by use or sale pursuant to precepts laid down by CPC 01.

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 income over the depreciation periods of the corresponding assets.

Expenditures for repairs and maintenance that do not significantly extend the useful lives of related assets 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.

i) Leasing

Financial leasing agreements are recognized in property and equipment and liabilities from loans and financing, by the lower amount between the present value of mandatory minimum installments of the agreement or the fair value of asset, whichever is shorter, accrued, where applicable of initial direct costs incurred on transaction. Implied interest rates on recognized liabilities of loans and financing are appropriated to income according to the duration of the agreement by the effective interest rate method.

Capitalized assets are depreciated by their useful life in the event of express intention of acquiring the asset at the end of the agreement, or, by the lower between the duration of the agreement and useful life of asset in cases where intention is not express. Operating leasing agreements are recognized as expense on a systematic basis which represents the period in which the benefit over leased asset is obtained, even if these payments do not occur on this basis.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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3. Summary of Main Accounting Practices (Continued)

j) Intangible assets

Goodwill generated in the acquisition of investments occurred until December 31, 2008, having future profitability as economic fundamental, was amortized on a straight-line basis for a term of 5 to 10 years until that date. As of January 1, 2009 it will no longer be amortized and should only be submitted to an annual test for impairment analysis.

Intangible assets with defined useful life are amortized according to their estimated economic useful life and when impairment signs are identified, these are submitted to impairment test. Intangible assets with indeterminate useful life are not amortized, but are submitted to annual test for impairment analysis.

k) Provision for recovery of assets

The Management yearly reviews the net book value of assets with a view to evaluating events or changes in economic, operating or technological circumstances that may indicate deterioration or impairment. When this evidence is identified and the net book value exceeds the recoverable value, a provision is recorded for deterioration by adjusting the net book value to the recoverable value. These losses are classified as other operating expenses.

l) Other assets and liabilities

A liability is recognized in the balance sheet when a Company has a legal liability or it is established as a result of a past event and it is probable that an economic resource will be required to settle this liability. Provisions are recorded based on the best estimates of risks involved.

An asset is recognized in the balance sheet when it is probable that its future economic benefits will be generated to the benefit of the Company and its cost or value can be safely measured. Assets and liabilities are classified as current when their realization or settlement is probable to occur over the next 12 months. Otherwise, these are stated as noncurrent.

m) 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

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

NOTES TO THE FINANCIAL STATEMENTS (Continued)
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3. Summary of Main Accounting Practices (Continued)

m) Taxation (continued)

financial revenue 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 Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL), 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 IRPJ and 9% for CSLL.

Deferred IRPJ and CSLL assets were recorded under the item deferred IRPJ and CSLL 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, annually approved by the Board of Directors. The Company does not have governmental subsidies or assistance.

n) Share-based payment

Main executives and managers of the Company receive share-based payment as part of their compensation to be settled with shares. Costs of these transactions are firstly recognized in income during the period over which services were received in contra account to a capital reserve and measured by their fair value, when the compensation programs are granted.

o) Present value adjustment of assets and liabilities

Long-term monetary assets and liabilities are adjusted by their present value, and for short term, when the effect is considered relevant in relation to the financial statements taken as a whole. The present value adjustment is calculated taking into account contractual cash flows and explicit interest rates, and in certain cases, implied interest rates of respective assets and liabilities.

Thus, embedded interest rates on revenues, expenses and costs associated with these assets and liabilities are discounted with a view to recognizing them in conformity with the accrual basis of accounting. Subsequently, these interest rates are reallocated under financial revenues and expenses to income by utilizing the effective interest rate method in relation to the contractual cash flows.
Implied interest rates were determined based on assumptions and are considered as accounting estimates.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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3. Summary of Main Accounting Practices (Continued)

p) Provision for contingencies

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. The balances of provisions are stated net of the respective judicial deposits, when applicable (Note 16).

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

q) Statements of cash flows and statements of added value

The statements of cash flows were prepared and are reported pursuant to CVM Deliberation 547 of August 13, 2008 which approved the technical pronouncement CPC 03 Statements of Cash Flows, issued by the Brazilian Committee on Accounting Pronouncements (CPC). The statements of added value were prepared and are reported pursuant to CVM Deliberation 557 of November 12, 2008 which approved the technical pronouncement CPC 09 Statement of Added Value, issued by CPC.

r) Earnings per share

The calculation is made in accordance with the net income/number of outstanding shares ratio. Pursuant to the Brazilian Corporation Law. Earnings may be: distributed, used for capital increase, or in the composition of the profit reserve for expansion, based on capital budget.

s) Consolidated financial statements

The consolidated financial statements were prepared in conformity with the consolidation principles prescribed by the Brazilian Corporation Law and CVM Ruling 247, and include the annual information of the Company and its subsidiaries Novasoc, Sé, Sendas Distribuidora, PAFIDC, PA Publicidade Ltda. (PA Publicidade), Barcelona, CBD Panamá Trading Corp. (CBD Panamá), CBD Holland B.V. (CBD Holland) and Xantocarpa. The direct or indirect subsidiaries, included in the consolidation and the percentage of parent company s interest comprise:

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NOTES TO THE FINANCIAL STATEMENTS
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3. Summary of Main Accounting Practices (Continued)

Interest in Investees - % **At December 31, 2008**

Investor companies	**Novasoc**	**Sé**	**Sendas Distribuidora**	**PAFIDC**	**PA Publicidade**	**Barcelona**	**CBD Holland**	**CBD Panamá**	**Xantocarpa**
Direct									
CBD	10.00	93.10	14.86	8.50	99.99	-	100.00	-	-
Indirect									
Novasoc	-	6.90	-	0.66	-	-	-	-	-
Sé	-	-	42.57	0.33	-	60.00	-	-	-
Holland	-	-	-	-	-	-	-	100.00	
Sendas	-	-	-	-	-	-	-		99.99

Interest in Investees - % **At December 31, 2007**

Investor companies	**Novasoc**	**Sé**	**Sendas Distribuidora**	**PAFIDC**	**PA Publicidade**	**Barcelona**	**CBD Holland**	**CBD Panamá**	**Sevilha**
Direct									
CBD	10.00	93.05	-	6.17	99.99	-	100.00	-	-
Indirect									
Novasoc	-	6.95	-	0.49	-	-	-	-	-
Sé	-	-	42.57	0.24	-	60.00	-	-	99.99
Holland	-	-	-	-	-	-	-	100.00	-

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO

NOTES TO THE FINANCIAL STATEMENTS
(Continued) December 31, 2008 and 2007
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3. Summary of Main Accounting Practices (Continued)

s) Consolidated financial statements (continued)

Although the Company s interest in Novasoc represents 10% of its quotas, Novasoc is included in the consolidated financial statements as the Company effectively has control over a 99.98% beneficial interest in Novasoc, guaranteed by shareholders agreement who do not have 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 the Company.

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 annual consolidated financial statements.

Pursuant to CVM Ruling 408 as of August 18, 2004, the Company as of the first quarter of 2005, started to consolidate PAFIDC s financial statements, as it understood this is a special purpose entity, organized with exclusive purpose of conducting the securitization of receivables of the Company and its subsidiaries, and most of risks and benefits related to the fund profitability are linked to subordinated quotas, maintained by the Company.

Since prevailing decisions related to the operational management of FIC are Itaú s responsibility, CVM, through official memorandum CVM/SNC/006/09 authorized FIC to be included in the consolidated financial statements of Itaú. Thus, the Company valued its investment in Miravalles by the equity accounting method. The financial statements of Miravalles for the years ended at December 31, 2008 and 2007 were audited by other independent auditors.

According to the authorization granted by CVM through official memorandum CVM/SNC/013/08, the following subsidiaries were excluded from the Company s consolidated financial statements: Bellamar Empreendimentos e Participações Ltda., Vancouver Empreendimentos e Participações Ltda., Bruxelas Empreendimentos e Participações S.A. and Dallas Empreendimentos e Participações S.A., whose capital is R$10, each one, at December 31, 2008. The Company opted for the exclusion as these companies are inactive on this date.

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NOTES TO THE FINANCIAL STATEMENTS
(Continued) December 31, 2008 and 2007
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4. Marketable Securities

The marketable securities at December 31, 2008 and December 31, 2007 earn interest mainly at the Interbank Deposit Certificate (CDI) rate, classified as described in Note 3(d), except for Receivables Securitization Fund, which is classified in investment held to maturity.

	Parent Company			Consolidated		
	CDI	2008	2007	CDI	2008	2007
Current						
Marketable Securities						
ABN AMRO	104.1%	**164,191**	38,521	104.0%	**188,077**	38,522
Bradesco	103.6%	**265,777**	12,107	103.5%	**287,324**	39,547
Banco do Brasil	101.6%	**539,635**	-	103.9%	**548,917**	-
Itaú	102.8%	**73,743**	-	104.5%	**205,483**	193,549
Unibanco	102.8%	**61,204**	226,006	102.9%	**68,796**	95,193
Others	102.3%	**16,151**	202,323	102.3%	**63,105**	283,308
		1,120,701	478,957		**1,361,702**	650,119
Receivables Securitization Fund (note 8)		**-**	54,621		**-**	**-**
Total current		**1,120,701**	533,578		**1,361,702**	650,119
Noncurrent						
Receivables Securitization Fund (note 8)		**87,380**	-		**-**	-
Total noncurrent		**87,380**	-		**-**	-
Total		**1,208,081**	533,578		**1,361,702**	650,119

*** Average rate of CDI**

5. Trade Accounts Receivable

a) Breakdown

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Current				
Resulting from sales through:				
Credit card companies	**307,873**	271,123	**416,443**	409,731
Sales vouchers and others	**79,155**	72,939	**108,300**	88,107
Credit sales with post-dated checks	**13,605**	30,523	**22,266**	45,450
Accounts receivable - subsidiaries	**158,658**	149,295	**-**	-
Allowance for doubtful accounts	**(5,157)**	(4,999)	**(10,520)**	(6,421)
Resulting from commercial agreements	**304,640**	404,284	**356,962**	453,889
	858,774	923,165	**893,451**	990,756
Accounts receivable - PAFIDC	**-**	-	**983,477**	825,606
	-	-	**983,477**	825,606
	858,774	923,165	**1,876,928**	1,816,362
Accounts Receivable - Paes Mendonça	**-**	-	**374,618**	371,221
	-	-	**374,618**	**371,221**

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NOTES TO THE FINANCIAL STATEMENTS
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5. Trade Accounts Receivable (Continued)

a) Breakdown (continued)

Credit card sales are receivable in cash from the credit card companies, except for electronic devices, which are received in up to 12 installments. Credit sales settled with post-dated checks bear interest of up to 6.50% per month (ditto at December 31, 2007) for settlement within 60 days.

The balance of subsidiaries accounts receivable refers to the Company s sale of goods, made at cost, for the supply of its stores.

b) Accounts receivable - PAFIDC

The Company carries out securitization operations of its credit rights, represented by credit sales with tickets and credit card company receivables, to PAFIDC. The volume of operations stood at R$8,057,146 at December 31, 2008 (R$7,381,416 at December 31, 2007), in which the responsibility for services rendered and subordinated interests was retained. The securitization costs of such receivables amounted to R$135,111 in 2008 (R$125,487 in 2007), as Note 19, recognized as financial expenses in income for the years of 2008 and 2007, respectively. Services rendered, which are not remunerated, include credit analysis and the assistance by the collection department to the fund s manager.

The outstanding balances of these receivables at December 31, 2008 and 2007 were R$983,477 and R$825,606, respectively, net of allowance.

c) Accounts receivable Paes Mendonça

The accounts receivable balance of Paes Mendonça relates to credits deriving from the payment of liabilities performed by the subsidiaries Novasoc and Sendas. Pursuant to contractual provisions, these accounts receivable are monetarily restated and guaranteed by commercial rights of certain stores currently operated by the Company, Novasoc and Sendas. Maturity of accounts receivable is linked to lease agreements (Note 10 (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.

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NOTES TO THE FINANCIAL STATEMENTS
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5. Trade Accounts Receivable (Continued)

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	
	2008	**2007**	**2008**	**2007**
Resulting from:				
Credit sales with post-dated checks	**(362)**	(946)	**(504)**	(1,390)
Corporate sales	**(1,084)**	(3,804)	**(1,409)**	(4,715)
Other accounts receivable	**(3,711)**	(249)	**(8,607)**	(316)
	(5,157)	(4,999)	**(10,520)**	(6,421)

6. Inventories

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Stores	745,557	685,905	1,133,953	995,332
Warehouses	383,173	468,398	436,910	538,910
	1,128,730	1,154,303	**1,570,863**	1,534,242

7. Recoverable Taxes

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

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**

Current				
Taxes on sales	**186,003**	198,361	**197,515**	299,399
Income tax and others	**106,491**	66,409	**125,055**	80,581
Present value adjustment	**(202)**	(45)	**(202)**	(45)
	292,292	264,725	**322,368**	379,935
Noncurrent				
Taxes on sales	**110,043**	57,051	**214,388**	61,589
ICMS and others	**67,692**	78,011	**70,142**	80,570
Present value adjustment	**(669)**	(368)	**(669)**	(368)
	177,066	134,694	**283,861**	141,791
Total of recoverable taxes	**469,358**	399,419	**606,229**	521,726

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NOTES TO THE FINANCIAL STATEMENTS
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8. Pão de Açúcar Receivables Securitization fund PAFIDC

PAFIDC is a recei