

BRAZILIAN DISTRIBUTION CO COMPANHIA BRASILEIRA DE DISTR CBD
Form 20-F
April 30, 2018

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 20-F

- .. REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES
EXCHANGE ACT OF 1934
OR
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
OR
.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
OR
.. SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission File Number 1-14626

COMPANHIA BRASILEIRA DE DISTRIBUIÇÃO
(Exact Name of Registrant as Specified in its Charter)

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

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

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(Address of principal executive offices)

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

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

*The Preferred Shares are non-voting, except under limited circumstances.

**Not for trading purposes, but only in connection with the listing on the New York Stock Exchange of American Depositary Shares representing those Preferred Shares.

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

None

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

None

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

99,679,851 Common Shares, no par value per share

166,899,579 Preferred Shares, no par value per share

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

Yes No

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

Yes No

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

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

Yes No

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

Yes No

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

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

..

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

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

X

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

Item 17 Item 18

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

Yes No

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INTRODUCTION

All references in this annual report to (i) “CBD,” “we,” “us,” “our,” “Company,” “Grupo Pão de Açúcar” and “GPA” are references to Companhia Brasileira de Distribuição and its consolidated subsidiaries, unless the context requires otherwise; (ii) the “Brazilian government” are references to the federal government of the Federative Republic of Brazil, or Brazil; and (iii) “preferred shares” and “common shares” are references to our authorized and outstanding shares of non-voting preferred stock, designated as *ações preferenciais*, and common stock, designated as *ações ordinárias*, respectively, in each case without par value. All references to “ADSs” are to American depositary shares, each representing one preferred share, without par value. The ADSs are evidenced by American Depositary Receipts, or “ADRs,” issued by The Bank of New York Mellon. All references herein to the “*real*,” “*reais*” or “R\$” are to the Brazilian *real*, the official currency of Brazil. All references to “US\$,” “dollars” or “U.S. dollars” are to United States dollars. All references to “€” or “euro” are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the treaty establishing the European Community, as amended.

Additionally, unless the context indicates otherwise, the following definitions apply throughout this annual report:

Name	Definition
Casino	Casino, Guichard Perrachon S.A.
Casino Group	Casino, Guichard Perrachon S.A. and its subsidiaries and, where appropriate, the controlling holding companies of Casino, including Rallye S.A. and Euris S.A.S. which are ultimately controlled by Mr. Jean Charles Naouri.
Cdiscount	Cdiscount S.A. and, where appropriate, its subsidiaries.
Cdiscount Group	Cdiscount Group S.A.S. (formerly Casino Entreprise S.A.S.) and, where appropriate, its subsidiaries.
Cnova Brazil	CNova Comércio Eletrônico S.A., which until October 31, 2016 was a wholly owned subsidiary of Cnova owning the Brazilian non food e-commerce businesses of CBD and Via Varejo. Following the completion of the corporate reorganization of Cnova (as detailed in “Item 4A. History and Development of the Company - Cnova Reorganization”) on October 31, 2016, Cnova Brazil became a wholly owned subsidiary of Via Varejo.
Cnova	CNova N.V. and, where appropriate, its subsidiaries. Cnova was one of our consolidated subsidiaries until October 31, 2016. Since then, we have recorded Cnova’s results of operations as equity pick-up. For further information on the corporate reorganization of Cnova and its consequences on our consolidated financial statements, see Explanatory Note on page 4 and “Item 4A. History and Development of the Company—Cnova Reorganization.”
Diniz Family	Members of the Diniz family who were former shareholders of Wilkes Participações S.A.
Euris	Euris S.A.S.
Éxito	Almacenes Éxito S.A. and, where appropriate, its subsidiaries.
Klein Family	Members of the Klein family who represent the partners of Casa Bahia Comercial Ltda.
Nova HoldCo	Nova Pontocom Comércio Eletrônico S.A., following the completion of the 2014 Reorganization, which was spun off to CBD, Via Varejo and minority holders in 2015 and subsequently liquidated (as detailed in “Item 4A. History and Development of the Company - E-Commerce Business Reorganization”).
Nova Pontocom	Nova Pontocom Comércio Eletrônico S.A. and, where appropriate, its subsidiaries, prior to completion of the 2014 Reorganization.
Península	Fundo de Investimento Imobiliário Península, which is beneficially owned by members of the Diniz Family.
Rallye	Rallye S.A. and, where appropriate, its subsidiaries.
Via Varejo	

Via Varejo S.A. and, where appropriate, its subsidiaries. Via Varejo is one of our subsidiaries and as of December 31, 2016 we have reported its results of operations as discontinued operations. For further information on Via Varejo's discontinued operations and its consequences on our consolidated financial statements, see Explanatory Note on page 4 and "Item 4A. History and Development of the Company—Cnova Reorganization."

We have prepared our consolidated financial statements included in this annual report in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board.

Our consolidated financial statements are presented in Brazilian *reais*. We have translated some of the *real* amounts contained in this annual report into U.S. dollars. The rate used to translate the amounts as of December 31, 2017 was R\$3.308 to US\$1.00, which was the commercial rate for the purchase of U.S. dollars in effect as of December 31, 2017, as reported by the Central Bank of Brazil, or the Central Bank. The U.S. dollar equivalent information presented in this annual report is provided solely for the convenience of investors and should not be construed as implying that the *real* amounts represent, or could have been or could be converted into, U.S. dollars at that rate or at any other rate. See “Item 3A. Selected Financial Data—Exchange Rates” for more detailed information regarding the translation of *reais* into U.S. dollars.

None of the information available on our website or on websites referred to in this annual report is incorporated by reference into this annual report.

FORWARD-LOOKING STATEMENTS

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

- global economic conditions and their impact on consumer spending patterns, particularly in Brazil;
- our ability to sustain or improve our performance;
- competition in the Brazilian retail industry in the sectors in which we operate;
- government regulation and tax matters;
- adverse legal or regulatory disputes or proceedings;
- credit and other risks of lending and investment activities;
- ability to expand our operations outside of our existing markets; and
- other risk factors as set forth under “Item 3D. Risk Factors.”

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

EXPLANATORY NOTE

Cnova Reorganization

In August 2016, Cnova, Cnova Brazil and Via Varejo entered into a reorganization agreement (the “Reorganization Agreement”) providing for the reorganization of Cnova Brazil within Via Varejo (the “Cnova Reorganization”). In

connection with the Cnova Reorganization, Casino executed a letter agreement pursuant to which Casino agreed to launch tender offers to purchase any and all outstanding ordinary shares of Cnova at a price of US\$5.50 per share, subject only to completion of the Cnova Reorganization.

The Cnova Reorganization was completed on October 31, 2016, and it was the first transaction of a series of two transactions conducted by Casino that together constituted a “going private” transaction of Cnova, as such term is used in Rule 13e-3 of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act.

As a result of the Cnova Reorganization:

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- (i) Via Varejo became the sole shareholder of Cnova Brazil, operating the websites Extra.com.br, Pontofrio.com and Casasbahia.com.br, and was no longer a shareholder of Cnova;
- (ii) Cnova has continued its e-commerce operations outside of Brazil, focusing entirely on Cdiscount; and
- (iii) CBD was no longer a majority shareholder of Cnova which became an associate of CBD.

Consequently, since October 31, 2016, CBD has not consolidated the results of operations of Cnova. Beginning November 1st, 2016, we have recorded Cnova's results of operations related to the e-commerce activities outside of Brazil in our statement of operations through the equity method of accounting.

In December 2016, Casino launched concurrent offers to purchase any and all Cnova ordinary shares for US\$5.50 per share in cash in the United States (the "U.S. Offer") and in France (the "French Offer," and together with the U.S. Offer, the "Offers"). The Offers were the second and final transaction of the "going private" transaction of Cnova.

As a result of the Offers, Casino and its controlled affiliates beneficially owned, in the aggregate, as of March 31, 2018, 340,957,246 Cnova ordinary shares, representing approximately 98.97% of Cnova's outstanding ordinary shares.

In accordance with IFRS 5 – non-current assets held for sale and discontinued operations, as a result of the Cnova Reorganization and the "going private" transaction of Cnova carried out by Casino, we presented Cnova's results for the ten-month period ended October 31, 2016 and the year ended December 31, 2015, as follows: (i) the e-commerce segment outside of Brazil in one single line item in our statement of operations in loss from discontinued operations; and (ii) the related balances of assets and liabilities in the line items assets held for sale and liabilities related to assets held for sale, respectively, in the balance sheet as of December 31, 2015. Starting November 1, 2016, we became a minority shareholder in Cnova and we began applying the equity method of accounting in our investment in Cnova. For further information on the Cnova Reorganization, see note 32 to our audited consolidated financial statements as of and for the year ended December 31, 2017 included elsewhere in this annual report.

Discontinued Operations of Via Varejo

Our board of directors, on November 23, 2016, approved the disposal of our equity interest in Via Varejo, in line with our long-term strategy of focusing on the development of the food retail segment.

During 2017, due to certain external factors, out of our control, mainly related to the Brazilian macroeconomic scenario, the process of sale of Via Varejo was not concluded within the expected timetable. The plan to sell Via Varejo remains unchanged, and we revised the next steps and expect, along with our financial advisors, to finalize the process during 2018.

Therefore, as required by IFRS 5, the net results of Via Varejo (and its subsidiary Cnova Brazil) are included in our statement of operations as a single line item, after taxes, and assets and liabilities balances are disclosed in the line items assets held for sale and liabilities related to assets held for sale, respectively, in the balance sheet as of December 31, 2017 and 2016.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

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3A. Selected Financial Data

We present in this section summary financial and operating data derived from our audited consolidated financial statements as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 included elsewhere in this annual report and prepared in accordance with IFRS as issued by the IASB.

The following tables present certain of our summary historical consolidated financial and operating data for each of the periods indicated. Solely for the convenience of the reader, *real* amounts as of and for the year ended December 31, 2017, have been translated into U.S. dollars at the commercial selling rate at closing for the purchase of U.S. dollars, as reported by the Central Bank, as of December 31, 2017, of R\$3.308 to US\$1.00 (subject to rounding adjustments).

	2013 ⁽¹⁾	As of and for the Year Ended December 31,				2017	
		2014 ⁽¹⁾	2015 ⁽¹⁾	2016 ⁽¹⁾	2017 ⁽¹⁾	(millions of US\$, except as indicated)	
		(millions of R\$, except as indicated)					
Statement of operations							
Net operating revenue	31,812	34,741	37,198	41,454	44,634	13,981	
Cost of sales	(23,790)	(25,955)	(28,123)	(31,933)	(33,931)	(10,628)	
Gross profit	8,022	8,786	9,075	9,521	10,703	3,352	
Selling, general and administrative expenses	(5,519)	(6,067)	(6,688)	(7,451)	(7,776)	(2,436)	
Depreciation and amortization	(528)	(581)	(650)	(707)	(779)	(244)	
Other operating expenses, net	(582)	(306)	(206)	(567)	(579)	(181)	
Operating expenses, net	(6,629)	(6,954)	(7,544)	(8,725)	(9,134)		