

Annual Report 2009

Grupo Pão de Açúcar



The information in this Report is presented in an objective and direct manner, to provide a thorough view of the main results and projects developed by Grupo Pão de Açúcar during the fiscal year of 2009. All the comments and financial statements below are presented in consider the amendments in Law 11,638/07.

For further details please refer to online annual report 2009,

available at the website: www.grupopaodeacucar.com.br/ir/gpa/annualreport

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INTRODUCTION

ABOUT THE REPORT

FOR THE SECOND CONSECUTIVE YEAR, GRUPO PÃO DE AÇÚCAR IS RELEASING ITS FINANCIAL, SOCIAL AND ENVIRONMENTAL PERFORMANCE IN ACCORDANCE WITH GLOBAL REPORTING INITIATIVE (GRI) STANDARDS, ALTHOUGH THIS YEAR IT HAS MOVED UP FROM LEVEL C TO LEVEL B. THE COMPANY, WHICH HAS BEEN PUBLISHING ITS ANNUAL RESULTS SINCE 1999, RELEASED ITS LAST ANNUAL AND SUSTAINABILITY REPORT IN JUNE 2009. GRI 3.2 e 3.3

This report contains the Group's operating results in Brazil from January 1, 2009 to December 31, 2009. *GRI 3.1 e 3.6*

Except where otherwise indicated, the Company's operating and financial information, as well as the comparisons with 2008, are based on consolidated figures and are expressed in Brazilian Reais, pursuant to corporate law, and have been submitted to an external audit. The economic and financial data of the Group (GPA Consolidated) include 100% of Sendas Distribuidora (a joint venture with the Sendas chain in Rio de Janeiro), Assaí (a joint venture with the Assaí wholesale chain in São Paulo) and Globex (a joint venture with Ponto Frio entered into in July 2009), except when comparisons are made in relation to the "same store" concept, which only includes

stores that have been operational for more than 12 months, and thus excludes Ponto Frio's operations.

*GRI 3.7, 3.8, 3.9, 3.10, 3.11 e 3.13 **

The compilation of this Report was coordinated by the Investor Relations and Social and Environmental areas with the involvement of employees from all levels of the Company and the participation of the CEO, Vice-Presidents and Executive Officers. Through the application of GRI standards, the Company expects to strengthen relations with all its stakeholders, including employees, clients, suppliers, shareholders, investors and society as a whole. *GRI 3.5*

* The information and number relating to the social and environmental performance include only the operations of the Company (GPA) and hence do not include the data of Assaí and Globex.

ABOUT THE REPORT

Grupo Pão de Açúcar has been a signatory of the UN Global Compact since 2001 and this Report also contains an account of its initiatives in the human rights, labor relations and environmental areas, as

well as its engagement in the fight against corruption. GRI indicators are correlated with the Global Compact, constituting the Communication on Progress (COP), which is available as of page 110 of this Report.

Additional information and explanations regarding this Report or any of its content can be acquired through the following communication channels:

GRI 3.4



Information on operating and financial information:

- website: www.grupopaodeacucar.com.br/ir/gpa
- e-mail: gpa.ri@grupopaodeacucar.com.br
- telephone: +55 (11) 3886-0421

Information on the Global Reporting Initiative:

- website: www.grupopaodeacucar.com.br
- e-mail: responsabilidadesocial@grupopaodeacucar.com.br
- telephone: +55 (11) 3886-3469

Grupo Pão de Açúcar hopes you enjoy the Report.



COMPANY PROFILE

Founded in 1948, Grupo Pão de Açúcar has played a pioneering role in Brazil's retail food sector and became the largest retailer in Latin America in 2009. *GRI 2.1 and 2.6*

Headquartered in the city of São Paulo, the Group closed the year with 1,080 stores, 79 gas stations and 150 drug stores distributed throughout 18 states and the Federal District, with a total sales area of 1.7 million square meters, in addition to logistics infrastructure consisting of 28 distribution centers located in 11 states. These numbers already include 455 Ponto Frio stores, acquired in June 2009, but do not include 508 Casas Bahia stores, as a result of the merger announced in December 2009. *GRI 2.3, 2.4, 2.5, 2.8 and 2.9*

In order to ensure a diversified market presence and meet the needs and expectations of all consumers, the Company maintains a multiformat structure consisting of supermarkets (Pão de Açúcar, Extra, CompreBem and Sendas), hypermarkets (Extra), electronics/household appliance stores (Ponto Frio and Extra Eletro), convenience stores (Extra Fácil) and wholesale/retail stores (Assaí), as well as e-commerce operations in both the food (www.paodeacucar.com.br) and non-food (www.extra.com.br and www.pontofrio.com.br) sectors. *GRI 2.7 and 2.8*

Since 1999, the Company has been jointly owned by the Casino Group, the second largest retailer in France, enabling the exchange of know-how and synergies in important areas such as global sourcing, convenience stores and private label brands. In 2003, it formed an association with Sendas, in Rio de Janeiro, consolidating its presence in that region. In 2004, it partnered with Banco Itaú to create FIC - Financeira Itaú CBD, which expanded the Company's in-store offering of financial products and services. In 2007, it acquired a controlling interest in the São-Paulo-based Assaí wholesale chain, acquiring the remaining 40% in 2009, creating greater dynamism and adding further synergies. *GRI 2.3*

The Company's shares have been listed on the Bovespa since October 1995 and on the New York Stock Exchange (ADR level III) since May 1997. In 2009, it recorded gross revenue of R\$ 26.2 billion (including Ponto Frio's sales as of July), inaugurated 46 new stores and acquired another 455 from Ponto Frio, increasing the total sales area by 28.2%. *GRI 2.8*

In its day-to-day activities and throughout its entire value chain, the Company promotes practices and behavior reflecting a business model designed to advance the economic development of its surrounding communities, including their human, social and environmental aspects. In 2009 alone, it invested almost R\$ 60 million in conscientious consumption initiatives aimed at sustainable management, in addition to social programs and actions to improve the quality of life.

The Group has also developed a series of initiatives focusing on sustainability as a permanent standard of behavior, including the adoption of recycled packaging by its exclusive brands; the consolidation of its highly successful recycling stations, which reduce environmental impact and create jobs and income for needy communities; the adoption of reusable bags, which are on sale in all of the Group's stores and whose profits are donated



COMPANY PROFILE

to social organizations; and the promotion of sustainable concepts and practices among its employees, suppliers and clients.

Since 2001, the Group has been a signatory of the Global Compact, a UN initiative designed to make such issues as human rights, labor relations, environmental protection and the fight against corruption an integral part of the private sector and its business dealings. It also promotes social initiatives through the various associations that represent the supermarket sector, including the Brazilian Association of Supermarkets (Abras), the São Paulo Federation of Goods, Services and Tourism (Fecomércio), and the São Paulo Association of Supermarkets (APAS). *GRI 4.12 and 4.13*

Mission

To ensure the best shopping experience for all our customers in each of our stores.

Vision

Grupo Pão de Açúcar aims to increase its market share of Brazil's retail sector and become the country's most admired company through profitability, innovation, efficiency, social responsibility and contribution to the nation's development.



Pillars

› Customers: The Reason We Exist

Grupo Pão de Açúcar is focused entirely on its customers, striving to ensure that every contact they have with its brands translates into the best possible shopping experience, thereby building a lasting relationship based on loyalty.

› Our People

Our people are highly skilled, well prepared and fully motivated to face challenges, take risks and adopt pioneering attitudes. People who enjoy serving, treat their customers, suppliers and partners with respect and who adopt a positive approach under all circumstances.

› Command of Technology

Always alert to what is happening around us, assessing the latest technologies and what they can do for our business in order to make the maximum possible use of their advantages.





› Solid Capital Structure

A capital structure that allows investments in our company, our people and our country; and operates in the most efficient manner possible in order to generate returns for our shareholders and ensure sustainable long-term growth.



MULTIFORMAT STRUCTURE

Format	Concept	Share of total sales (%)	Number of stores
	Modern neighborhood supermarkets that offer the best customer service, quality and product assortment in a practical and comfortable environment. This format puts great emphasis on customer relations and the promotion of conscientious consumption and a healthy lifestyle.	15.9%	145
	Neighborhood supermarkets geared towards helping women overcome their biggest challenge: making the family budget go as far as possible. For this reason, CompreBem guarantees low prices and easy payment facilities. The stores contain the neighborhood's best street market, butcher and bakery under a single roof, together with a wide range of brands, high-quality products and services that make daily life easier, not to mention programs to encourage healthy eating and sustainable consumption. All this is delivered in a practical and sympathetic manner, making customers feel at home and eager to come back.	10.3%	157
	Food stores focused on food product manufacturers and the retail public, offering quality products at highly competitive prices.	8.4%	40
	Neighborhood supermarkets geared towards helping women overcome their biggest challenge: making the restricted family budget go as far as possible. For this reason, Sendas guarantees low prices, with plenty of promotions and easy payment facilities. The stores contain the neighborhood's best street market, butcher, fish market and bakery under a single roof, together with a wide range of brands, high-quality products and services that make daily life easier. All this is delivered in a practical and sympathetic manner, making customers feel at home and eager to come back.	6.7%	68
	Complete neighborhood supermarkets, with exceptional meat and bakery products, where families can stock up their pantries rapidly and economically and also acquire a wide range of household items, in an easily accessible, pleasant environment with exemplary customer service.	(A)	13
	Hypermarkets for the Brazilian family, offering differentiated customer service, a modern and pleasant environment, and a wide variety of food and non-food products at competitive prices.	39.0%	103
	Neighborhood convenience stores, an easy stop on the way home or to work, where customers can stock up on their day-to-day needs rapidly and at affordable prices. The most popular categories are ready-to-eat meals, beverages and candies and chocolate. All of this in a pleasant shopping environment with polite, attentive service.	—	52

Format	Concept	Share of total sales (%)	Number of stores
	Specializing in consumer electronics and household appliances, Extra/Eleto stores also sell furniture and general merchandise, offering a wide range of high-quality products at competitive prices, backed by premium customer service.	1.7%	47
	An on-line sales initiative (internet and telemarketing) which aims to be the consumer's e-commerce solution of choice by providing efficient customer service, a comprehensive product range and differentiated services.	2.0%	—
	Specializing in the electronics and furniture sector with stores in the South, Southeast and Midwest of Brazil (in addition to the Ponto Frio Digital stores in the state of Bahia, focusing on IT products), Ponto Frio aims to be the first choice of consumers, always seeking to improve their shopping experience by providing courteous, specialized sales and after-sales service and the largest product range on the market.	11.0%	455
	Electronic commerce, offering the widest range of home and entertainment products and services, such as consumer electronics and household appliances, under advantageous conditions, at competitive prices and with easy payment facilities. All of this backed by a direct user-friendly interface, ensuring a rapid and friendly internet shopping experience with the best customer service in Brazil.	(B)	—
Gas stations	Installed in store car parks or nearby, the gas stations carry the logos of their associated formats and allow shoppers to complement their store purchases with a wide range of quality products at competitive prices, all in a single location.	4.2%	79
Drug stores	Located in the commercial galleries of the Group's supermarkets and hypermarkets, the drug stores add a new dimension to the concept of convenience, offering a wide range of drugs and related products, with responsibility, quality, competitive prices and the guaranteed presence of a qualified pharmacist to help and advise customers.	0.8%	150

(A) Extra Supermercado and Extra Fácil sales are included in Extra Hipermercados sales.

(B) PontoFrio.com sales are included in Ponto Frio.

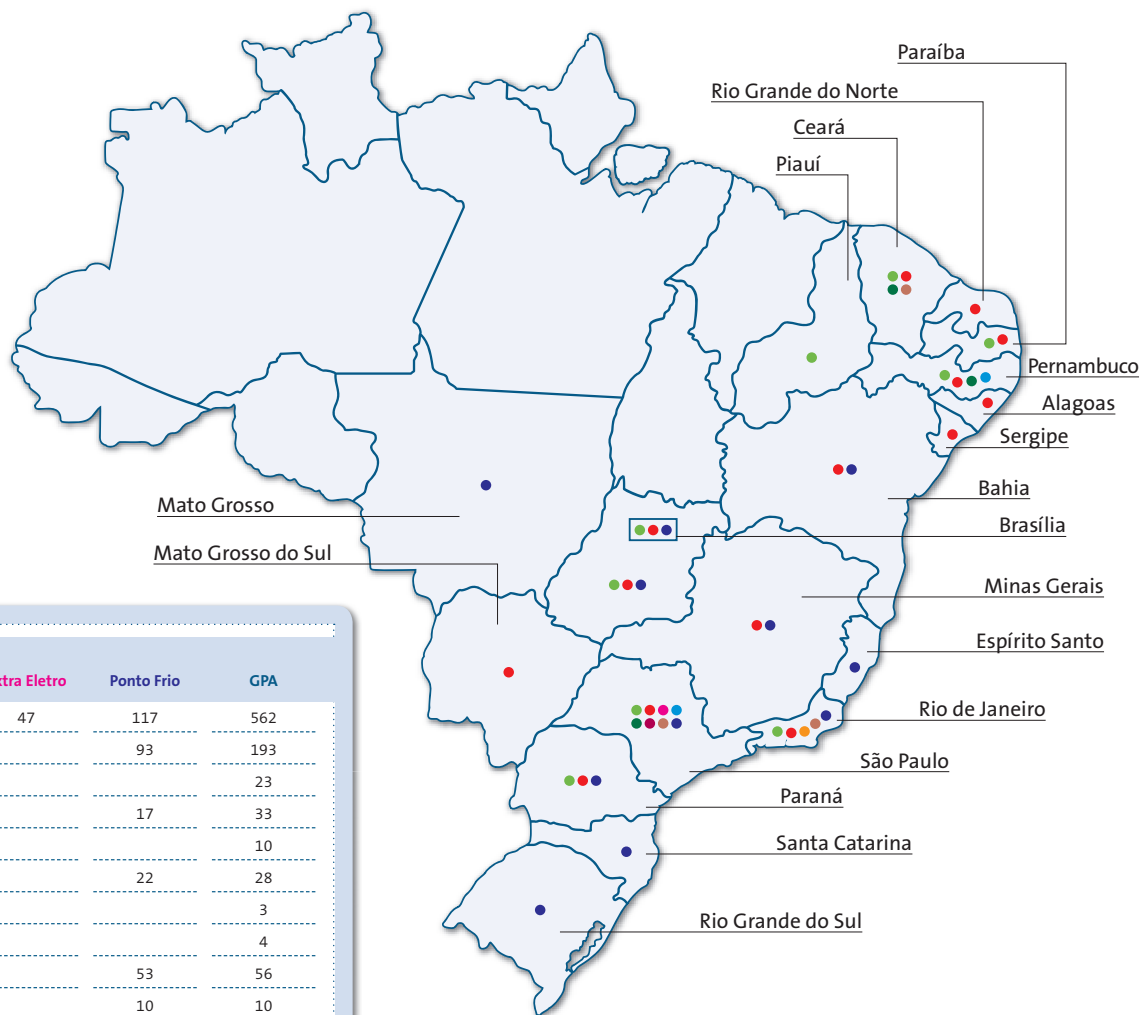
MULTIFORMAT STRUCTURE

STORES LOCATION

São Paulo	98	58	47	7	52	154	29	117	562
Rio de Janeiro	9	15	68	8	93	193			
Ceará			13	4	3	3	23		
Brasília			11	5	17	33			
Pernambuco		2	2	3	3	10			
Paraná		4	2	22	28				
Paraíba			2	1	3				
Piauí				4	4				
Bahia		3	53	56					
Espírito Santo				10	10				

Minas Gerais	5	68	73
Goiás	2	1	14
Mato Grosso	7	7	
Mato Grosso do Sul	2	2	
Rio Grande do Norte	2	2	
Rio Grande do Sul	35	35	
Santa Catarina	19	19	
Sergipe	1	1	
Alagoas	2	2	

December, 2009	Pão de Açúcar	CompreBem	Assaí	Sendas	Extra Supermercado	Extra Hipermercados	Extra Fácil
São Paulo	98	154	29		7	58	52
Rio de Janeiro	9		8	68		15	
Ceará	13		3		3	4	
Brasília	11					5	
Pernambuco	2	3			3	2	
Paraná	4					2	
Paraíba	2					1	
Piauí	4						
Bahia						3	
Espírito Santo							
Minas Gerais						5	
Goiás	2					1	
Mato Grosso							
Mato Grosso do Sul						2	
Rio Grande do Norte						2	
Rio Grande do Sul							
Santa Catarina							
Sergipe						1	
Alagoas						2	
Total de Lojas	145	157	40	68	13	103	52
Área de Vendas (m²)	193,325	187,551	118,371	123,063	19,171	731,189	11,638



Extra Eletro	Ponto Frio	GPA
47	117	562
	93	193
		23
	17	33
		10
	22	28
		3
		4
	53	56
	10	10
	68	73
	14	17
	7	7
		2
		2
	35	35
	19	19
		1
		2
47	455	1,080
27,902	332,443	1,744,653

TIMELINE



1940s – In 1948, Portuguese immigrant Valentim dos Santos Diniz opened the Pão de Açúcar pastry shop, marking the beginning of what would become the largest retailer in Latin America.



1950s – After four years of business, two more branches were inaugurated, followed by the Company's first supermarket in 1959.

1960s – In 1968, when it already had 64 stores, the Group founded its International Division, opening Grupo Pão de Açúcar stores in Portugal, Angola and Spain.

1990s – In order to recover the efficiency lost during its rapid growth process, the Group underwent a restructuring in the early 90's, after which it began operating with four store formats: Pão de Açúcar, Extra, Superbox and Eletro.



1995 – In order to raise funds to finance its expansion, in 1995 the Group went public on the Bovespa, raising US\$ 112.1 million.

2000 – Opening of 16 new stores and acquisition of 64 others, expanding the total sales area by 23%.

2002 – Acquisition of the Sé Supermercados network, with 60 operational stores in 16 municipalities in the state of São Paulo.



2003 – The Group formed an association with Sendas, a traditional Rio-based supermarket chain, in order to strengthen its presence in the region and consolidate its position as the national leader.



2006 – Creation of the Extra Fácil format, with stores of up to 250 m2, in order to take advantage of the fastest growing retail format in Brazil: stores with up to four check-outs. The new model was inspired by the European retail convenience store model.



2007 – The Group formed a partnership with the Assaí “atacarejo” (wholesale/retail) chain, marking its first entry into one of the country's other fastest-growing segments.



1970s – In the 70's, the Group underwent a rapid expansion, acquiring the Eletroradiobraz chain and inaugurating the Jumbo network, the country's first generation of hypermarkets.

1980s – With the creation of the Extra stores in 1989, the Group began to give increasing attention to the hypermarket segment, thanks to its extensive sales areas and ample range of products, supported by the most up-to-date technology.



1997 – In May 1997, it held its IPO on the NYSE, raising a further US\$ 172.5 million. In the same year, the Group began to replace independent store management with a more centralized system, seeking greater economies of scale.



1999 – In August, it formed an association with the French Casino Group, which acquired a 24.5% stake in the Company.



2004 – Foundation of FIC, a partnership between Grupo Pão de Açúcar and Itaú, whose aim was to expand the range of financial products and services offered to customers in all of the Group's stores.

2005 – In order to align the interests of the controlling and minority shareholders, a new holding company was created and control of the Group was divided equally (50%-50%) between Abilio Diniz and the Casino Group.

2008 – The Company began an extensive program to recover growth and increase sales and adopted the matrix management model.



2009 – Focused on expanding in the electronics/home appliance segment, the Group acquired Ponto Frio in June 2009 and formed a joint venture with Casas Bahia, the Brazilian segment leader, making Grupo Pão de Açúcar the largest company in the Latin American segment and the country's biggest private-sector employer, with 137,000 employees.

CORPORATE GOVERNANCE

Grupo Pão de Açúcar's corporate governance model is based on rapid and secure information disclosure, commitment to the capital market and respect for shareholders and investors.

The Company, which is listed on the Bovespa's Level 1 of Corporate Governance, complies with all rules for publicly-held companies, including the adoption of generally acceptable accounting principles in Brazil (BR-GAAP), the listing regulations of the Brazilian Securities and Exchange Commission (CVM) and all SEC and NYSE rules pertaining to foreign companies listed in the U.S.

In 2000, the Company issued its Code of Ethics, which regulates the conduct of its employees in their relations with the Company, customers, suppliers, competitors and the general public. It also maintains a Disclosure and Use of Relevant Information and Confidentiality Policy, which defines the rules for disclosing and maintaining the confidentiality of material information.

GRI 4.6 and 4.8

The Group, which has been certified as 100% SOX-compliant since 2007, also adopts SOX guidelines concerning the conduct of its managers, the recording and control of financial and accounting information, and access to confidential or undisclosed information and data.

The Investor Relations Department maintains several permanent communications channels with shareholders, investors and analysts, including quarterly conference calls for the disclosure of results, one-on-one meetings, presentations in Brazil and abroad, and a specific website to meet demand for corporate information. *GRI 4.4*

Board of Directors

The Board of Directors is made up of 14 members, 10 of whom represent the controlling shareholders (five from the Diniz family and five from Casino) and four of whom are independent (one representing minority shareholders). In line with best governance practices, the Chairman of the Board of Directors is not part of the Board of Executive Officers. Members' compensation is based on their participation in meetings.

(GRI 4.1, 4.2, 4.3 and 4.5)

The Board's duties include appointing the executive officers, supervising the corporate governance process and overseeing the conduct of the business, as well as defining strategies and monitoring their execution. It is also responsible for approving the financial statements, the annual budget, investments and the issuance of new shares in accordance with the current stock option plan.

The Board meets every two months or whenever necessary. In 2009, it met on seven occasions. *(GRI 4.9)*

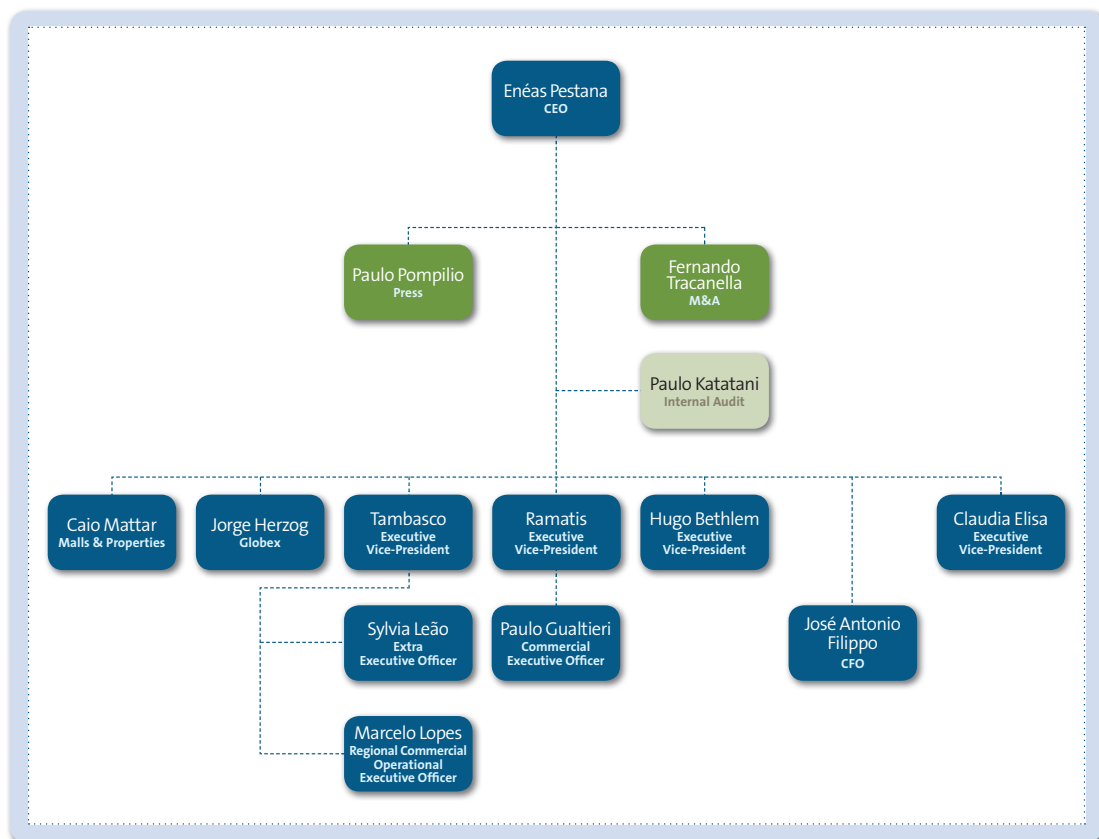
Board of Executive Officers

The Group's Board of Executive Officers consists of 11 market professionals, comprising a CEO, five Vice-Presidents and six Officers, all of whom elected by the Board of Directors. Their compensation is tied to the Company's results. *GRI 4.1 and 4.5*

The Executive Officers are responsible for running the Company's day-to-day operations in line with the business management guidelines established by the Board of Directors.

At the end of 2009, a new organizational framework was created as the result of a structured process conducted by the Human Resources Committee with the support of the Board of Directors, the Board of Executive Officers and specialized professionals, seeking to build on advances implemented in the last two years and guarantee the consistent evolution and execution of the Company's strategic plan.

In March 2010, the Group's succession process was concluded with the election of Enéas Pestana as CEO.



Advisory Council

Made up of eight members, all of whom independent and elected by the shareholders, the Advisory Council advises the Board of Directors on economic and political issues. (GRI 4.1, and 4.4)

It meets every six months in order to recommend measures to the Board of Directors that will help develop the Company's business and activities. In 2009, the Council met twice.

Fiscal Council

Installed in 2009, the Fiscal Council is made up of three members and three alternate members, all of whom elected by the Annual Shareholders Meeting. GRI 4.1

The Council is a permanent body and is independent of both Management and the external auditors. It also functions as an Audit Committee, in accordance with U.S. legislation. GRI 4.4

The Council's main responsibilities are to verify the quality and integrity of financial information and reports, as well as ensure the qualification and independence of the external auditors, oversee the work of the internal auditors, evaluate and manage risks, monitor internal controls and investigate complaints or accusations.

Committees

The Group's corporate governance model prioritizes administrative efficiency and managerial professionalism. Given the Company's structure, the committees play a fundamental role in ensuring integration between the Board of Directors and the Board of Executive Officers. GRI 4.1

The Group has three special committees, which draw up proposals and make recommendations to the Board of Directors regarding their specific areas. The members of each committee are appointed by the Board of Directors. They are: GRI 4.4

Human Resources and Compensation Committee

Made up of four members, who meet every two months, this committee is responsible for examining candidates for positions on the Board of Directors and the Board of Executive Officers; reviewing and discussing management compensation; proposing performance appraisal criteria for managers; and reviewing the Company's recruitment and hiring methods, among other duties. In 2009, it met on seven occasions.

Financial Committee

Consisting of four members who meet at least every two months, its main duties are to monitor and supervise the implementation of the annual investment plan; review and recommend funding opportunities to improve the capital structure; and review cash flow. In 2009, the committee met seven times.

Sustainable Development Committee

Created in 2009 in order to strengthen relations between the Company's business areas and deal with sustainable development and social and environmental responsibility issues, this committee consists of six members.

Its primary duties are to establish practices in the economic, environmental and social spheres designed to promote sustainable development and make it an integral part of all the Company's activities, strategies and relations; evaluate and approve projects, proposals and institutional campaigns involving the organization in social and environmental issues, including the allocation of funds; evaluate investment proposals and projects from a sustainable point of view; and acknowledge and approve social balance sheets and sustainability reports. *GRI 4.9*

During the first full year of the Committee's activities, it will meet every month. In 2009, it met twice.

MAIN INDICATORS GRI EC1

Results (R\$ million)	2005	2006	2007	2008 ⁽⁶⁾	2009 ⁽⁷⁾
Gross Revenue	16,121	16,460	17,643	20,857	26,223
Net Revenue	13,413	13,880	14,903	18,033	23,254
Average Cost of Goods Sold	(9,438)	(9,908)	(10,724)	(13,279)	(17,494)
Gross Profit	3,975	3,972	4,178	4,754	5,760
EBITDA ¹	1,170	1,083	1,026	1,360	1,501
Net Income	257	220	211	299	592
Margins (%)					
Gross Margin	29.6	28.6	28	26.4	24.8
EBITDA Margin	8.7	7.8	6.9	7.5	6.5
Net Margin	1.9	1.6	1.4	1.7	2.5
Productivity Index ⁽²⁾					
Gross Sales per square meter/month (R\$)	1,142	1,147	1,135	1,300	1,414
Gross Sales per employee/month (R\$)	25,379	26,587	27,003	30,652	32,227
Gross Sales per check-out/month (R\$)	150,532	151,186	156,935	185,525	205,428
Average Ticket (R\$)	31.1	32.1	32.6	37.8	41.5
Financial Indicators (R\$ million)					
Total Assets	10,923	11,672	12,746	13,544	18,013
Shareholders' Equity	4,252	4,842	5,012	5,408	6,559
Investments	889	857	981	503	723
Gross Debt	2,056	1,978	2,342	2,401	3,047
Net Debt ⁽³⁾	370	697	1,278	776	703
Net Debt / EBITDA (x)	0.33	0.72	1.25	0.58	0.47
Number of Employees	62,803	63,607	66,165	70,656	85,244
Market Indicators					
Number of shares (thousand) ⁽⁴⁾	113,668	113,771	227,919	235,249	254,482
Net income per share (R\$/'000 shares) ⁽⁴⁾	2.26	1.93	0.93	1.27	2.32
Market value (R\$ thousand)	8,741,063	8,529,440	7,774,317	7,292,729	16,570,476
Sum of dividends (R\$ thousand)	62,053	20,312	50,084	61,851	140,500

¹ Income before Interest, Taxes, Depreciation and Amortization

² Without Ponto Frio

³ Gross Debt – Cash

⁴ As of September 1, 2007, the Company's shares began trading as single shares rather than in lots of one thousand.

⁵ Price per preferred share at the end of each period multiplied by the total number of shares.

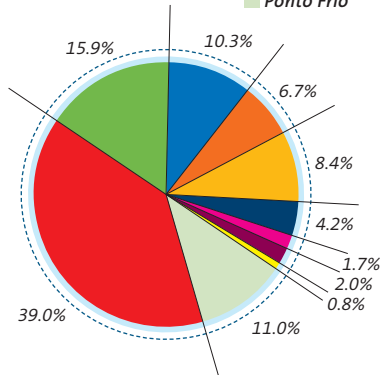
⁶ Pro-forma results. Data in accordance with Law 11,638/07 as of 2007, effective as of 2007.

⁷ Consolidated: Grupo Pão de Açúcar + Ponto Frio.

MAIN INDICATORS

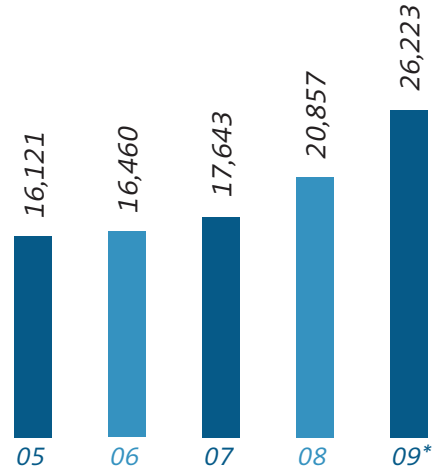
Gross Sales per Format 2009 (%)

- *Extra
- Sendas
- Extra Eletro
- Pão de Açúcar
- Assaí
- Extra.com
- CompreBem
- Postos
- Drogarias
- Ponto Frio



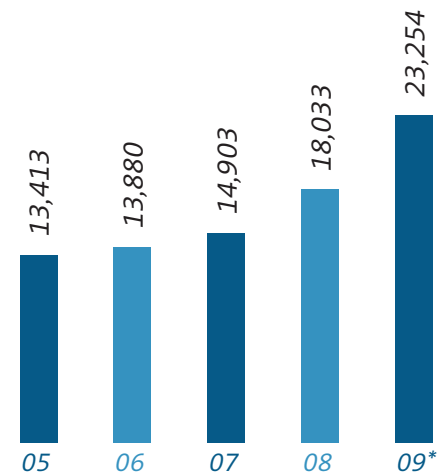
*It includes Extra Fácil and Extra Supermercado sales.

Gross Sales (R\$ million)



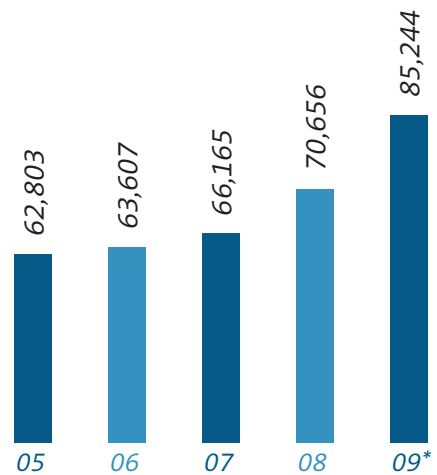
*Consolidated data: Grupo Pão de Açúcar + Ponto Frio.

Net Sales (R\$ million)



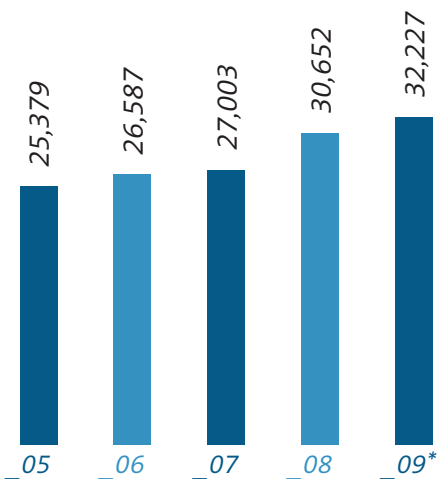
*Consolidated data: Grupo Pão de Açúcar + Ponto Frio.

Number of Employees



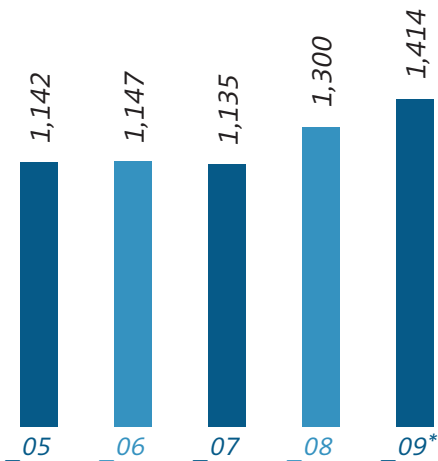
*Consolidated data: Grupo Pão de Açúcar + Ponto Frio.

Gross Sales per Employee/month



*Consolidated data: Grupo Pão de Açúcar + Ponto Frio.

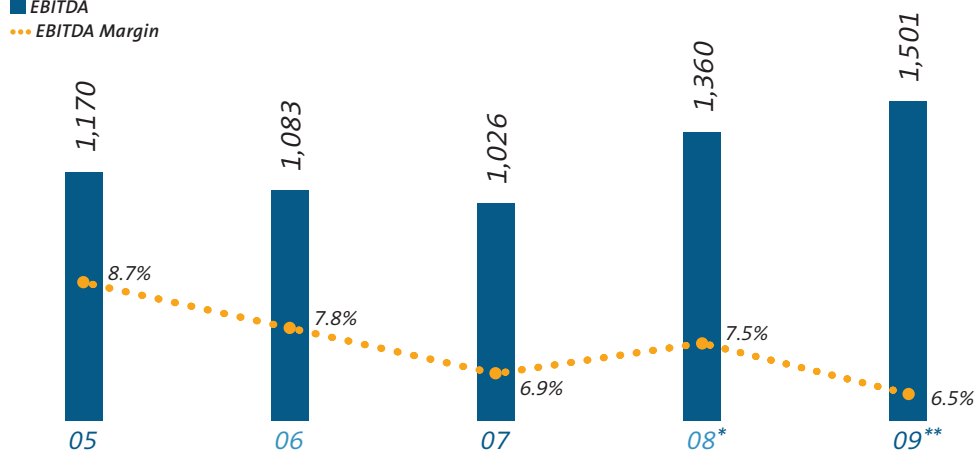
Gross Sales per m²/month



*Consolidated data: Grupo Pão de Açúcar + Ponto Frio.

EBITDA (R\$ million) and EBITDA Margin (% of net revenue)

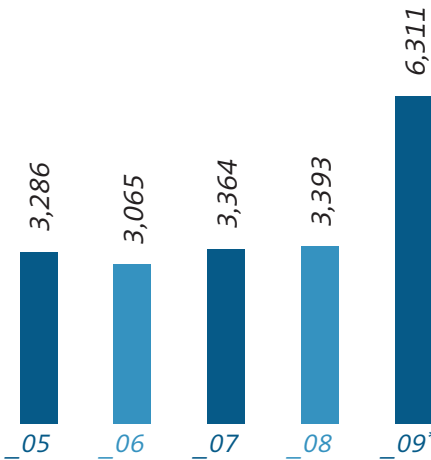
■ EBITDA
●●● EBITDA Margin



*Pro forma. **Consolidated data: Grupo Pão de Açúcar + Ponto Frio.

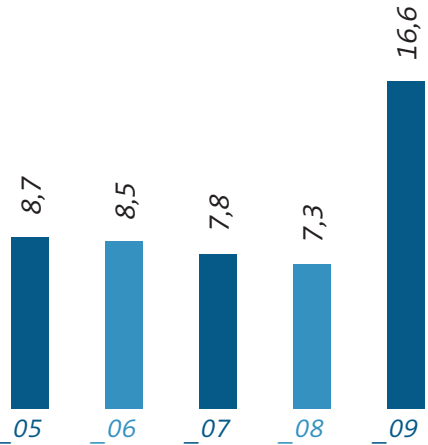
MAIN INDICATORS

Added Value Demonstration (R\$ million)



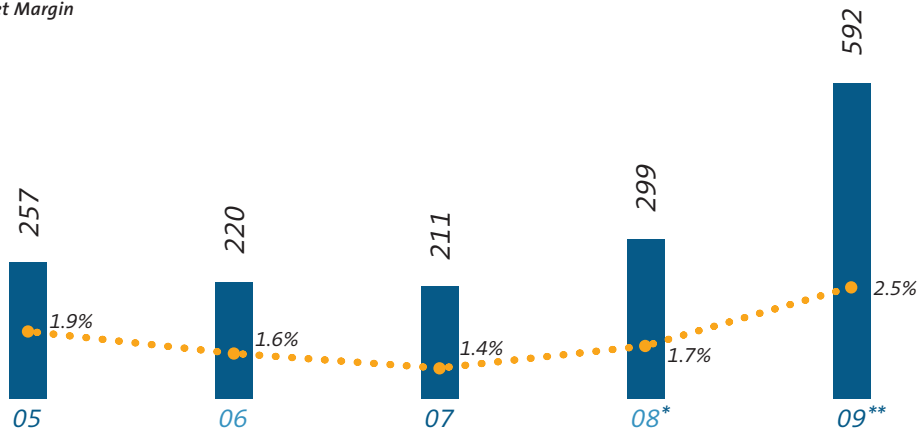
Value-added is composed of sales revenue less cost of inputs acquired from third-parties. It is, therefore, how much the entity contributes to the country's Gross Domestic Product (GDP).

Market Capitalization (R\$ billion)



Net Income (R\$ million) and Net Margin (% of net revenue)

■ Net Income
● Net Margin



*Pro forma. **Consolidated data: Grupo Pão de Açúcar + Ponto Frio.

2009 HIGHLIGHTS / 2010 GUIDANCE

STRATEGIC GUIDELINES - 2010-2012

Strategic growth objectives

- › Food
- › Non-food
- › E-commerce
- › Real Estate

Differentiation

- › Brand architecture
- › Digital GPA

Operational Excellence

- › Ponto Frio restructuring
- › International gains
- › Working capital
- › Cost reduction plan

Personnel Management Excellence

- › HR excellence
- › Sustainability

	2008	Guidances 2009 (s/ aquisições)	Results 2009	Guidances 2010
Gross sales	R\$ 20.9 billion	> R\$ 23 billion	R\$ 23.3 billion	Over R\$ 26 billion, excluding Ponto Frio sales or R\$ 33 billion, considering Ponto Frio sales.
Real same-store growth	2.6%	> 2.5%	4.5%	Between 4.0% and 5.0%
EBITDA	R\$ 1.36 billion	> R\$ 1.5 billion	R\$ 1,530.4 million	> R\$ 1.8 billion
Indebtedness (net debt/EBITDA)	0.6x	< 1x	0.44x	< 1x
Investments	R\$ 503.1 million	R\$ 755 million ⁽¹⁾	R\$ 723.1 million ⁽²⁾	Around R\$ 1.6 billion

⁽¹⁾Possibly reaching R\$ 1.3 billion

⁽²⁾Due to the financial crisis, investments in 2009 were planned with greater caution



MESSAGE FROM MANAGEMENT

For Grupo Pão de Açúcar, 2009 will undoubtedly be remembered as a year of achievements that helped consolidate our leading position as Latin America's largest retail company.

Despite the financial market wariness in the opening months, we began 2009 with real growth in same-store sales, higher customer traffic and an increase in the average ticket, indicators which maintained a consistent upward trend throughout the year.

Our objectives have been clear since the outset: to grow in a sustainable manner, while continuing to control expenses and exercise capital discipline, seeking greater price competitiveness and taking advantage of existing opportunities to boost sales and increase the Company's share of new businesses.

In 2009, we exceeded all our annual guidance targets, excluding Ponto Frio's operations. Gross sales totaled R\$ 23.3 billion (guidance: > R\$ 23.0 billion); same-store sales increased by 4.5% in real terms (guidance: > real growth of 2.5%); EBITDA came to R\$ 1,530.4 million (guidance: > R\$ 1.5 billion) and the net debt / EBITDA ratio stood at 0.44x (guidance: < 1x).

Including the acquisition of Ponto Frio in June, we closed the year with nominal gross sales of R\$ 26.2 billion, 25.7% up on 2008. We also gained market share, mainly in non-food sales, which recorded same-store growth of 13.5%.

Among the factors that accounted for this performance was the consolidation of the sales pillars introduced into our daily activities in 2008: assortment, pricing, communication and services. The Group's solid capital structure also played a crucial role in increasing market share.

We also strengthened our position in the non-food segment through two important initiatives: the acquisition of Ponto Frio and the joint venture with Casas Bahia, in December. These operations complemented our positioning in the durable goods segment, allowing us to serve consumers from across the income spectrum. In addition, we broadened our knowledge of the segment, capturing synergies, pursuing service excellence and offering a series of benefits to consumers, including greater product assortment, more attractive prices and easier access to credit.

Although Ponto Frio's results are still far from the levels expected by the Group, its turnaround is being implemented successfully and within the original schedule, reversing

the negative trend at the beginning of 2009 and ensuring a strong sales recovery. The synergies captured so far are above initial expectations, amounting to around R\$ 1 billion and representing gains in several areas, including information technology, logistics, marketing, purchasing and the granting of credit.

The decision to strengthen the Group's share of the non-food segment is part of the overall strategy laid down by the Board of Directors in 2007. In addition, recent studies have shown the importance, and growth potential, of this segment in Brazil. Also, the government's initiatives to boost the sales of these products, including the ICMS tax substitution regime, have helped formalize the segment, leading to fairer competition.

Our non-food operations will be further strengthened by the integration and segmentation of Ponto Frio and Extra's e-commerce operations (www.pontofrio.com.br and www.extra.com.br), which will create a business with annual turnover of more than R\$ 1.0 billion.

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

Another important step was the election of Enéas Pestana as the Group's CEO, as part of the transition process, which should occur in 2010.

The Company has also evolved internally. Our current team is motivated, integrated, aligned with the pursuit of results and the creation of value and, above all, fully confident in the Group's growth prospects in the coming years.

We also recorded progress on the corporate sustainability front with the institution of a sustainability committee to structure related issues, and the implementation of various initiatives, including building new "green" stores, promoting of the use of recycled bags and mitigating environmental impact in regard to water and energy. In 2010, we expect to score further advances in this area, ensuring that the principles and ideals of sustainability play an increasingly important role in our daily activities. We also maintained our commitments with the Global compact, a UN initiative designed to promote ethical and socially responsible business conduct. Our performance can be seen at the end of this report.



Abilio Diniz



Enéas Pestana



Caio Mattar



Claudia Elisa



Hugo Bethlem



Jorge Herzog



José Antonio Filippo



José Roberto Tambasco



Marcelo Lopes



Paulo Gualtieri



Ramatis Rodrigues



Sylvia Leão

MESSAGE FROM MANAGEMENT

If the market impact of the crisis was not as severe as originally expected, the impact on the Group itself was even less. We closed 2009 in a much stronger position, with an internal culture focused on achieving results and, with the consolidation of a process begun in the previous year, greater efficiency.

Competitiveness is the name of the game. We will continue to seek increased efficiency in order to pass part of the resulting gains on to consumers. In this context, 2010 should be a year of continued growth for the Company, allowing us to substantially accelerate our organic expansion plan thanks to our solid capital structure. We will also remain alert to any opportunities for strategic acquisitions that may leverage the return on invested capital.

We have approved our biggest ever three-year investment plan totaling around R\$ 5 billion through 2012, most of which will be allocated to the opening of new stores. In particular, we will be investing in those formats that generate higher returns, notably Assaí, Extra Fácil and Extra Supermercado.

We are unquestionably more secure and better prepared to maintain our growth targets. Our investment plan reflects the positive outlook for the Brazilian economy and confirms our commitment to the creation of jobs and the development of the country as a whole. Although we will be prioritizing organic growth through the inauguration of new stores, we will also remain alert to any opportunities for acquisitions that will result in operational synergies and create value.

Management



OPERATING AND ECONOMIC PERFORMANCE

STRATEGY AND OBJECTIVES

GRUPO PÃO DE AÇÚCAR'S QUEST FOR RESULTS IS BASED ON FOUR STRATEGIC GUIDELINES: GROWTH OF GROSS SAME-STORE SALES, WHICH MOVED UP BY 4.5% IN 2009 OVER 2008; SUSTAINED PROFITABILITY GROWTH; THE EFFICIENT USE OF CAPITAL EMPLOYED THROUGH THE MAXIMIZATION OF EXISTING ASSETS; AND CONTROL OF TOTAL EXPENSES, WITH AN EMPHASIS ON OPERATING EXPENSES.

The Group's initiatives in 2009 strengthened these guidelines and helped consolidate a sustainable platform that will lead to significant results in the coming years. For the Group, 2009 was marked by:

> Expansion in the non-food segment

In line with the strategic guidelines defined by the Board of Directors in 2007, the Group increased its presence in the non-food segment through the acquisition of the Ponto Frio chain in June and the joint venture with Casas Bahia in December. As a result, it consolidated its leadership of the Brazilian electronics and household appliance segment and became the largest retail company in Latin America.

> Gains in Market Share

In 2009 the Group maintained its focus on making the best possible use of existing resources and seeking sales growth based on solid foundations and, consequently, recording market share gains through the continuing balance between margins, expenses and EBITDA. EBITDA and EBITDA margin levels are in line with the Group's strategy of expanding its share of

new businesses and growing in a sustainable manner, while retaining firm control over expenses and investing in competitive prices (offset by higher sales volume), as well as ensuring cash margin gains.

> Maintenance of a solid capital structure

The Company maintains a solid capital structure, with low net debt and high operating cash flow, leading to a net debt/EBITDA ratio of 0.44x in 2009, in line with our annual guidance of below 1x, thanks to continuous efforts to minimize expenses and optimize investments.

> Brand architecture

Following the increase in the portfolio in recent years, the Company began to implement a new brand architecture in order to streamline the number of Group formats, seeking scale gains and reinforcing the positioning of each brand. One such initiative was to take advantage of the Extra brand's strength to leverage the supermarket model and expand the Group in areas where the format already has a strong presence.

> **Regional Strengthening**

Created in 2008 to complement the new management model, the Regional Division ended its first year of operations with significant results and a string of achievements. During the year, the teams put the Group's national strategy into practice in their respective regions, maintaining the characteristics of each format and generating gains on three fronts:

Operational – Consolidating the operational application of the brand hierarchy guidelines; in practice, this meant applying the differences and specifics of each brand and format in each region.

Marketing – Transforming local consumers' demands and expectations into marketing resources for the implementation of specific regional events, in line with the positioning of each brand, and consolidating a regional marketing calendar aligned with the seasonal characteristics of each region and with an emphasis on local festivities.

Commercial – Developing regional products with greater added value in order to leverage and sustain competitive margins in the region in question, in addition to undertaking local negotiations with national suppliers, generating additional gains.

> **Leadership Preparation**

The Company believes that sustainable business growth is the result of a systemic and structured approach to personnel management. Initiatives in 2009 were focused on the Ciclo de Gente (People Cycle) project, designed to monitor the performance of employees and promote their professional development in order to improve results and enhance skills. Leadership training is based on the Group's values, in line with its strategic guideline: "learn to be a leader by practicing our values."

> **Sustainability**

In 2009, the Group recorded further progress on the corporate sustainability front with the institution of a Sustainability Committee and the implementation of various initiatives, including the new green stores, encouraging the use of re-usable bags and reducing environmental impact in regard to water and energy. The aim is to minimize environmental damage by making sure all stores built as of now will be constructed using green concepts. In 2010, we expect to achieve further advances in this area, ensuring that the principles and ideals of sustainability play an increasingly important role in our daily activities.

INVESTMENTS AND OUTLOOK

INVESTMENTS AND OUTLOOK

The Company invested R\$ 723.1 million in 2009, 43.7% more than the R\$ 503.1 million recorded in 2008, 37% of which went to the opening of 46 new stores, 35% to renovating and converting existing stores and 29% to infrastructure (technology, logistics and others).

Over the next three years, Grupo Pão de Açúcar will invest almost R\$ 5 billion, the highest ever amount for a three-year period and 70% up on the R\$ 2.9 billion invested between 2007 and 2009, including acquisitions.

In addition to demonstrating the confidence of the Group and its shareholders in the potential growth of the Brazilian market, these investments also reflect the Company's progress in the last two years, particularly in 2009, when it consolidated its financial structure on solid foundations and recorded same-store sales growth, increased customer flows and an upturn in the average ticket, factors that encouraged the adoption of an aggressive expansion plan for the coming years.

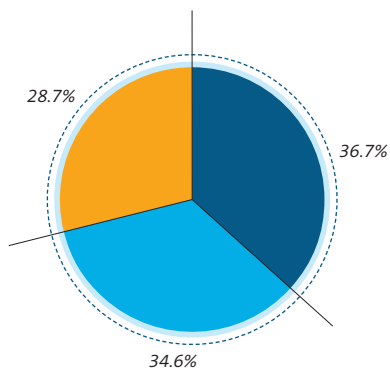
This R\$ 5 billion figure includes the opening of around 300 new stores by 2012, equivalent to an average annual increase in the sales area of between 8% and 9%.

In 2010, the Group plans to inaugurate around 100 stores, focusing on the Extra Fácil, Extra Supermercado and Assaí formats, in addition to renovating existing stores, acquiring strategic sites to support future growth and investing in infrastructure and logistics. It will also continue investing in the consolidation and expansion of its gas stations and drug stores.

The investment and expansion program will also create close to 100,000 direct and indirect jobs. In 2010 alone, 40,000 jobs will be created, 10,000 of which direct.

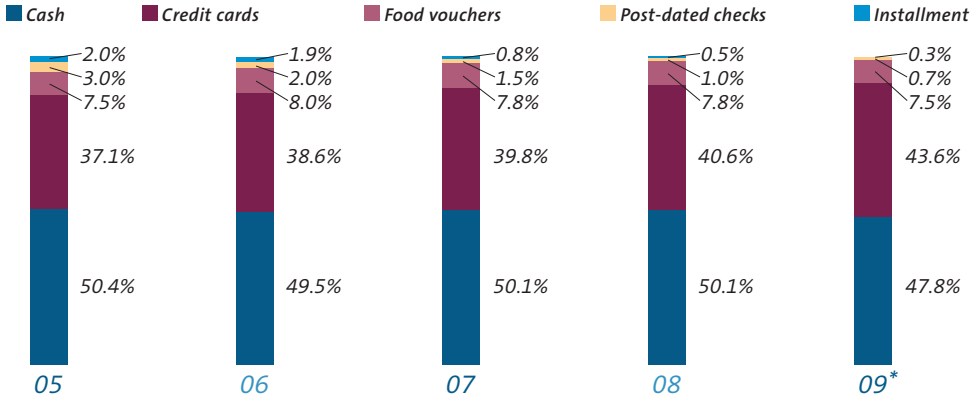
Capex in 2009

- Opening of new stores and land acquisitions
- Store renovation
- Technology, logistics and others



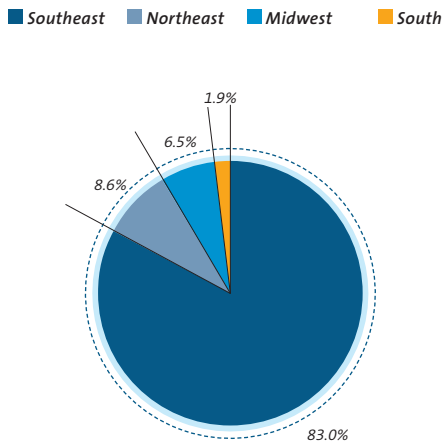
FORMAT SEGMENTATION

Sales Breakdown



*Consolidated data: Grupo Pão de Açúcar + Ponto Frio.

Sales per Region



SALES SEGMENTATION

In 2009, excluding Ponto Frio's operations, Grupo Pão de Açúcar recorded gross sales of R\$ 23,334.5 million and net sales of R\$ 20,769.4 million, 11.9% and 15.2% up, respectively, on the previous year.

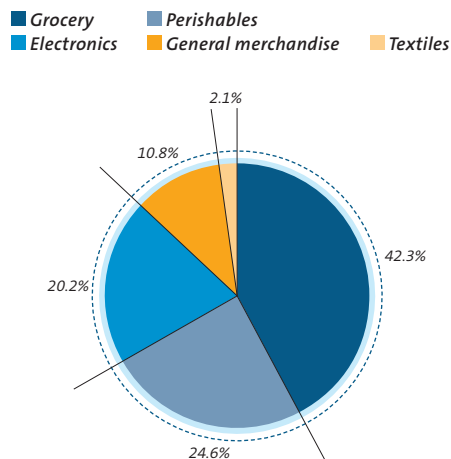
On a same-store basis, gross sales recorded growth of 9.6%, equivalent to a real upturn of 4.5% after deflation by the General IPCA consumer price index, while same-store net sales moved up by 12.7% in nominal terms. Also on a same-store basis, food and non-food sales recorded nominal growth of 8.3% and 13.5%, respectively.

The Company exceeded its 2009 gross sales and real same-store sales growth targets. Gross sales (excluding Ponto Frio) totaled R\$ 23.3 billion, versus the target of R\$ 23 billion, while real same-store sales grew by 4.1% (the target of 2.5%).

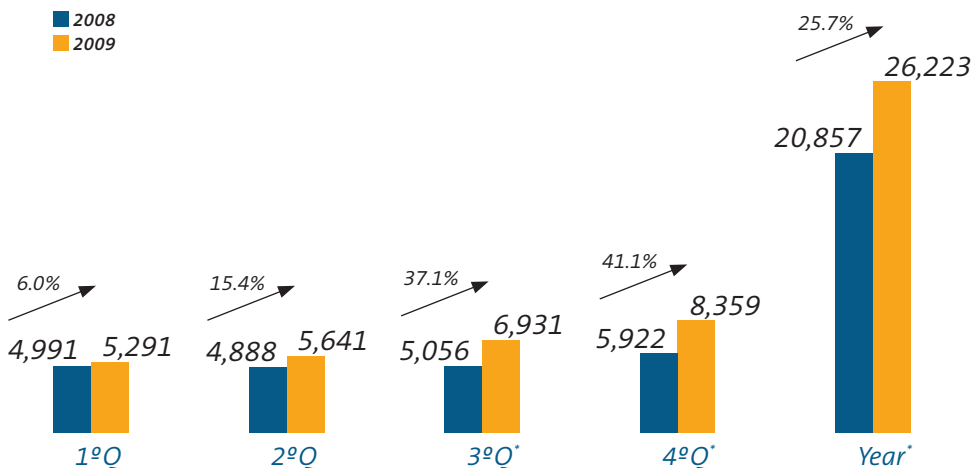
Including Ponto Frio's operations, the Group posted gross sales of R\$ 26,223.0 million and net sales of R\$ 23,254.2 million in 2009, 25.7% and 29.0% up, respectively, over 2008.

(1) Like ABRAS (the Brazilian Supermarket Association), Grupo Pão de Açúcar has adopted the IPCA – General Consumer Price Index as its inflation indicator, since it gives a more accurate reflection of the Group's product and brand mix.

Sales per Segment – 2009



Consolidated Gross Sales (R\$ million)



*Consolidated data: Grupo Pão de Açúcar + Ponto Frio.

FORMAT SEGMENTATION

Food and Non-food

In order to maintain the growth and competitiveness levels achieved in 2008, the Company continued to maintain and consolidate its sales pillars as part of its day-to-day activities, through the following initiatives:

Assortment

- Strengthening of the exclusive brands, generating differentiation, customer loyalty and profitability.
- A more active approach to global sourcing, seeking a more competitive assortment by adding differentiated products and strengthening the partnership with Casino. As a result, imports of foreign products increased, accounting for 3.5% of annual gross sales.
- The introduction of a rotisserie, adding quality and technology to the Pão de Açúcar and Extra products.
- Innovation in the sale of consumer electronics and household appliances.
- Development of initiatives to increase the sales of general merchandise, resulting in growth of 17.6% in 2009.

Pricing

- Implementation of the DemandTec pricing management tool.
- Adoption of a differentiated credit policy.
- Consumer-focused pricing.
- Strengthening of strategic partnerships with suppliers, seeking competitiveness with profitability.

Communication

- Campaigns were carried out in all of the Group's formats, seeking synergy between products, prices, payment methods and brand strength.
- Festivals and seasonal actions to increase category sales.
- Consolidation of the Pão de Açúcar format's highly specific positioning with its clients, considering not only its rational aspects, but also the creation of a strong emotional bond, increasingly appreciated by these customers.

Services

- Substantial investments in the technical and behavioral development of the store leaders, with a focus on exemplary service.
- Re-launch of the technical education program in the perishables area in all formats.
- Implementation of 122 category workshops, in order to guarantee greater integration with store teams.
- Launch of a technical education program in the clothing area – 103 stores and 1,041 employees trained.
- Commercial dynamics – consolidation of the synergy between strategic development and in-store execution.

Pão de Açúcar	2005	2006	2007	2008	2009
Gross Sales (R\$ million)	3,930	3,645	3,744	3,904	4,248
Net Sales (R\$ million)	3,245	3,092	3,149	3,379	3,802
Number of Stores	185	164	153	145	145
Sales Area (m²)	247,164	221,383	202,458	190,072	193,325
CompreBem					
Gross Sales (R\$ million)	2,614	2,692	2,910	2,933	2,829
Net Sales (R\$ million)	2,194	2,279	2,477	2,573	2,585
Number of Stores	176	186	178	165	157
Sales Area (m²)	214,500	225,829	226,289	197,551	187,551
Sendas*					
Gross Sales (R\$ million)	1,387	1,339	1,310	1,587	1,834
Net Sales (R\$ million)	1,209	1,174	1,151	1,397	1,608
Number of Stores	66	62	62	73	68
Sales Area (m²)	119,987	107,355	105,805	129,764	123,063
Extra**					
Gross Sales (R\$ million)	7,859	8,349	8,983	10,255	11,243
Net Sales (R\$ million)	6,512	6,993	7,560	8,826	9,945
Number of Stores	79	87	125	139	168
Sales Area (m²)	590,890	629,704	735,333	741,237	761,998
Extra.com.br					
Gross Sales (R\$ million)	26	70	132	354	541
Net Sales (R\$ million)	20	57	105	294	461
Extra Eletro					
Gross Sales (R\$ million)	305	365	330	372	442
Net Sales (R\$ million)	233	286	261	295	386
Number of Stores	50	50	42	47	47
Sales Area (m²)	33,713	33,713	27,611	27,902	27,902
Assaí					
Gross Sales (R\$ million)	-	-	234	1,452	2,197
Net Sales (R\$ million)	-	-	201	1,269	1,982
Number of Stores	-	-	15	28	40
Sales Area (m²)	-	-	40,833	74,180	118,371
Ponto Frio***					
Gross Sales (R\$ million)	-	-	-	-	2,889
Net Sales (R\$ million)	-	-	-	-	2,485
Number of Stores	-	-	-	-	455
Sales Area (m²)	-	-	-	-	332,443
GPA					
Gross Sales (R\$ million)	16,121	16,460	17,643	20,857	26,223
Net Sales (R\$ million)	13,413	13,880	14,904	18,033	23,254
Same Store Growth	2.6%	-0.1%	2.8%	8.5%	9.6%
Number of Stores	556	549	575	597	1,080
Sales Area (m²)	1,206,254	1,217,984	1,338,329	1,360,706	1,744,653
Number of Employees	62,803	63,607	66,165	70,656	85,244
Number of Transactions (thousand)	522,734	511,947	516,747	551,482	564,755

* Sendas stores that are part of Sendas Distribuidora S/A.

**The Extra Fácil and Extra Supermercado formats have included Extra Hipermercado since 2006. At the end of 2009, the group had 52 convenience stores (Extra Fácil), 10 compact stores (Extra) and 13 Extra Supermercado stores.

*** Ponto Frio's sales as of July 2009.

FORMAT SEGMENTATION

FORMAT SEGMENTATION

The best performers in 2009 were Pão de Açúcar, Extra Hipermercados, Extra Supermercado, Extra Fácil and Assaí, as well as e-commerce (Extra.com.br and Pão de Açúcar Delivery), which maintained 2008's strong growth pace. The Extra brand's performance was impressive in all of its formats: hypermarkets, supermarkets and convenience stores, with sales growth and substantial gains in market share. Pão de Açúcar continued to do well in all regions throughout the year, with same-store growth of more than 10%.

Another highlight was Ponto Frio, which, after six months of integration, reversed its downward trajectory, recording positive results and growing sales.



In 2009, Pão de Açúcar concentrated on strengthening the positioning of its brand, which performed well throughout

and maintained market-compatible competitiveness levels without losing its specific characteristics and differentials, such as product variety, excellent customer service and the provision of other differentiated services. This positioning was achieved thanks to a series of initiatives during the year, the most important being:

- Alteration of 60 store facades in line with the brand's new logo and visual identity;
- Launch of the Como é bom saber (It's good to know) program designed to provide employees with more knowledge of the products sold in the stores, respecting the brand's DNA;



- Development of cable TV advertising campaigns, emphasizing the format's principles, products and services;
- Initial development of a pioneering product line, Rotisserie, focused on practicality and convenience, with the help of chef Alain Poletto;
- Opening of four new green stores, the most important of which being the Vila Clementino store which became the first in São Paulo city to apply for LEED certification.
- Promotion of ten operational heads to store managers as the result of our Pratas da Casa program, which invests in internal training and recruitment;
- Spread of the new version of the Mais (More) program, which began in 2008 in a few Pão de Açúcar stores, to all of the format's units,



2009 was an important year for Extra, in many different aspects. For the second consecutive year, the brand recorded substantial market

share gains in several regions of Brazil. Additionally, the brand's umbrella nature was consolidated, strengthening its positioning in various formats: Extra Hipermercado, Extra Supermercado, Extra Fácil and Extra Eletro.

Extra Hipermercado

In 2009, the Company introduced a new hypermarket concept with the inauguration of the Osasco (SP) store, which was completely restructured and segmented by "worlds", exemplified by its differentiated treatment of categories and increased interaction with customers. The new store renews and enhances the typical characteristics of a hypermarket, whose greatest competitive differential is its ability to offer a huge number of products and services under a single roof. In tune with



customer needs and changes in consumer habits, the main attributes of this new concept are:

- Technology World, with specialized services, where customers come across the ideal environment for choosing products, including a built-in credit service. This area carries a complete product line, including consumer electronics, household appliances, DVDs, CDs, videogames, etc.
- Home World, where customers can find everything they need for their homes, from tableware and bed, bath and linen products, to portable and large-scale home appliances.
- Clothing World, conventional shelves have given way to an appropriate environment for selling fashion at affordable prices. In addition to being separated by gender and age group, all products carry suggestions for accessories, thereby facilitating the purchase process.
- Baby World was updated to include new products that meet the needs of mothers, babies and families.
- The perishable area is modeled on a large market, with sections for fruit, vegetables, meat and poultry, fresh and frozen fish, condiments, cold cuts and sausages, in addition to a large service island that offers freshly sliced lunch meats and ready-to-eat meals cooked on the spot.

➤ Creation of the Espaço Café, in response to customer requests for a place to relax and enjoy a coffee while shopping.

➤ In addition to several new additions, the Grocery area contains a section for health products, including diet, light, natural and organic items.

Extra Supermercado

The creation of Extra Supermarket complements and reinforces the multiformat nature of the Extra brand. The model was tested in the first half of 2009 in five converted stores and ended the year 13 stores and substantial sales growth over 2008.

With Extra Supermercado, the Group is taking advantage of the Extra brand's strength to reinforce its operations in areas where the hypermarket format is already established. The new model has a comprehensive day-to-day assortment, employs the same promotions and payment conditions as the hypermarkets and is also equipped with mobile phone stands and kiosks providing access to www.extra.com.br, where customers can choose whether to take their purchases home with them or have them delivered.



FORMAT SEGMENTATION

The logo for Extra Fácil, featuring the word "extra" in red and "Fácil" in blue with a stylized blue arrow pointing to the right.

In the case of Extra Fácil, it was a year of consolidation and strong growth and the brand closed 2009 with 52 stores, 21 of which new.

The format consists of small stores, with up to four check-outs, offering such advantages as proximity, convenience and facility, reflecting the needs of the new generation of consumers – increasingly urban, with smaller families, more frequent and smaller-volume purchases and with difficulties in getting around large city centers.

The Group is focusing on the expansion of this format, and plans to inaugurate more than 100 stores between 2010 and 2012, all of which in Greater São Paulo.

The logo for Extra Eletro, featuring the word "extra" in white on a red background, with "eletro" in white below it.

Extra Eletro, which sells consumer electronics and household appliances, did exceptionally well in 2009. Despite having to follow the prevailing market

practice of offering payment in interest-free installments, the brand overcame initial sales expectations and achieved a considerable reduction in total expenses.

Total sales increased by 18.7% over 2008 and average sales per store moved up by 21.8%. As a result of this hefty improvement, 98% of stores ended the year with a positive contribution margin.

One of the period's highlights was the format's effective control over expenses, which fell by 200 bps in percentage-of-net-sales terms. Performance was also aided by higher revenue from services (such as extended warranties).





Facing increasing competition and the state government's implementation of the ICMS tax substitution regime, which brought greater price stability, the CompreBem brand invested in several initiatives in 2009 in order to maintain its competitiveness, ensure differentiation in regard to its market peers and attract new customers.

Promotional TV campaigns were stepped up in the second half, leading to greater visibility. In order to improve its image and customer perception of the brand, a series of initiatives were implemented to reinforce the format's differentials. These included store renovations, with the restructuring of the perishable sections; the implementation and expansion of services in line with the Company's social and environmental causes (recycling, healthy eating, etc.); the creation of the *Aqui você pode mais* (Here you have more options) campaign, a reference to in-store services, such as the wide range of bill payment conditions; the introduction of a new visual communication and pricing model, leading to increased aggressiveness,



standardization and productivity in the stores; and the reinvention of the format's website, including an on-line version of the CompreBem magazine.

Training programs also received special attention. One thousand employees (including leaders) took part in a grocery training course, while the Prata da Casa program offered employees the opportunity of assuming positions of responsibility, such as operational heads and store managers.



Sendas Distribuidora recorded a 3.1% increase in gross sales over 2008, chiefly due to the conversion of five Sendas stores into Assaí.

The period highlights included beverages, whose sales climbed by more than 25%; the recovery of fruit and vegetables and complementary perishables in the second half; and a reduction in the number of stores with negative contribution margins.



FORMAT SEGMENTATION

Those factors that contributed to the positive results included improved cost management; the optimization of marketing campaigns; taking advantage of synergies with the Group's other formats; and more advantageous negotiations with major suppliers, in line with the Company's national strategies.

In 2010, Sendas will be concentrating on increasing sales and margins, renovating stores, controlling expenses, implementing an in-store process culture; and improving product assortment.



Following the acquisition of the remaining 40% of Assaí in July 2009, Grupo Pão de Açúcar began integrating the format, which closed 2009 with

40 stores, including five conversions and seven inaugurations.

A new Executive Board was appointed to manage the business and identify synergies in all areas, seeking improved commercial conditions and increased efficiency (back office, logistics, IT) by applying the Group's expertise while respecting the specific characteristics of the wholesale business. The main synergies identified were:

- Reduction in operating costs by using the Group's CSC (shared service center) and CCI (indirect purchase center) to supply the format with office materials;

- IT improvements from the transfer of hardware to ensure information security;
- In the logistics area, the supply of lower-turnover products has already begun, through a centralized supply depot managed by the Company;
- Synergies in the commercial area were adopted in 2009, taking advantage of the Group's national bargaining power to ensure more advantageous conditions and negotiations with suppliers;
- Reduction in the cost of imported products and an increase in their sales margins, thanks to synergy gains from the Company's global sourcing operations;
- Creation of a working group focused on reducing expenses;
- Launch of a new logo and façade in three stores, with rollout scheduled for 2010.



PONTO FRIO

In July 2009, Globex (Ponto Frio) was incorporated by Grupo Pão de Açúcar as part of the Group's strategy of increasing its non-food market share. Six months after the merger, the turnaround was being implemented successfully and within the original schedule, and the network closed 2009 by reversing the downward trajectory and recording sales growth.

Total gross sales fell 7.0% year-on-year in the first half, but increased by 16.8% in the second six months, closing 2009 at R\$ 4,934.2 million. Gross same-store merchandise sales, including e-commerce operations, increased by 3.3% in 2009 (14.9%

in the second half, led by the 160.5% upturn in e-commerce).

This performance stems from the integration process that began shortly after the acquisition and culminated in the adoption of various initiatives focused on the resumption of profitable sales growth.

The 2010 focus will be on continuing to improve store operations and logistics, areas where substantial synergies have been identified. Special attention will also be given to after-sales; expanding credit in order to boost sales and ensure profitability; consolidating a more centralized purchasing structure, thereby increasing volume, results and margins; and unifying all the back-office areas with Grupo Pão de Açúcar.



FORMAT SEGMENTATION

Drug Stores and Gas Stations

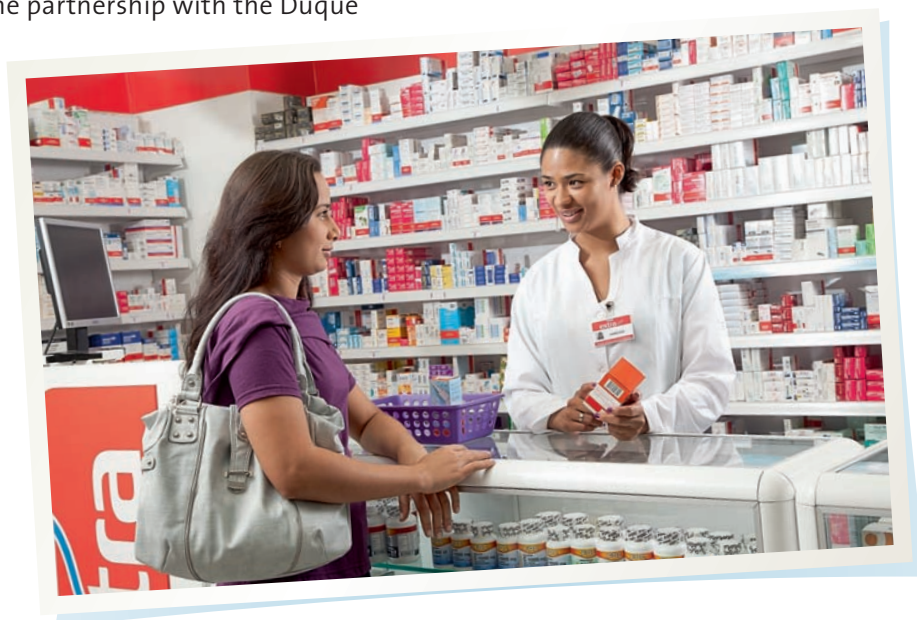
One year after becoming a business unit in its own right, the Company's drug stores did exceptionally well in 2009, recording a 40% increase in sales over 2008 and outperforming the market as a whole, in line with the Company's other formats.

With 150 operational stores (ten of which inaugurated in 2009) and over 10 million tickets issued in the year, the Group maintained its position as one of the largest drug store operators in the Brazilian retail food sector. Throughout the year all employees were given specific technical training and the stores received a new layout, improvements that contributed to the format's substantial growth in 2009.

The gas stations, which achieved business unit status in 2008, ended 2009 with 79 stores, five of which inaugurated during the year. One of the highlights was the partnership with the Duque



chain, which handed over management of its 35 gas stations in the city of São Paulo to Grupo Pão de Açúcar. The aim is to form more such associations with other specialized networks, thereby generating scale gains in regard to input purchases and acquiring expertise in the management of street gas stations.



OPPORTUNITIES

OPPORTUNITIES

The Group's strategic initiatives are also geared towards specific market segments with high growth potential and which represent new business opportunities for the Company.

E-commerce

Thanks to the incorporation of the Ponto Frio chain and the joint venture with Casas Bahia in 2009, the Group also strengthened its share of the e-commerce segment. The aim in 2010 is to unify the operations of Extra (www.extra.com.br), Ponto Frio (www.pontofrio.com.br), Casas Bahia (www.casasbahia.com.br) and Atacado Ponto Frio, creating a business with annual turnover of more than R\$ 2 billion.

The integration will lead to certain distinct advantages, including the maximization and optimization of investments in marketing and technology; the integration of logistics and commercial operations, generating substantial gains; the expertise of Ponto Frio's e-commerce executives, who will be responsible for managing the business, aided by the Extra.com.br, CasasBahia.com.br and Atacado Ponto Frio executives; and the Group's bargaining power, which will lead to improved purchasing conditions and more advantageous negotiations with suppliers.

In line with the 2009 action plan, Extra.com.br achieved the following:

- assortment growth (from 40,000 to 60,000 items for sale);

- launch of a scheduled delivery service (date and time of product delivery chosen by the customer);
- creation of the Extra.com.br kiosks in the Extra Supermercado stores;
- launch of an internet wedding gift service, linked to Extra Hipermercados;
- update of the site, with a new layout, 40 new functionalities and greater interactivity with users.

Real Estate

GPA Malls and Properties, created to identify synergies in the real estate segment, making the maximum possible use of the Group's properties and enabling the Company's expansion through real estate development, began operations at the end of the first quarter of 2009.

The initial focus is on the "sweat the asset" concept, aimed at improving profitability. Of the 19 ventures identified in 2009, six are scheduled for launch in 2010.

With around 100 employees, GPA Malls and Properties also manages the Group's



3,500 third-party leasing agreements and operates 249 commercial galleries in the Group's stores. It is also responsible for store rentals, conversions, renovations and inaugurations.

FIC (Financeira Itaú CBD)

In 2009, for the first time since its creation in 2004, FIC recorded consistent profitability, higher than in 2008, with default under control and growth in credit granting and the card base.

On September 30, 2009 FIC – Financeira Itaú CBD took over the management of Banco Investcred – BINV, Globex's financing arm, aiming to boost Ponto Frio's sales and increase profitability through the adoption of a strict credit policy and differentiated payment conditions, as well as the pursuit of synergies.

Following FIC's merger of BINV and given their respective shareholders' equities, GPA now retains a 36% interest in FIC, excluding Globex, while Globex retains a 14% stake. The Group's consolidated interest in FIC remains at 50%.

FIC closed 2009 with equity income of R\$ 17.6 million including BINV (versus R\$ 2.9 million in 2008), 6.9 million clients and a receivables portfolio of R\$ 3.0 billion. It also accounted for 15% of the Group's total sales.

The company recorded several advances in terms of products and functionalities, including CDC Eletrônico, a new means of assigning credit in installments to the cards, which helped push up the card activation

ratio; Pague Contas, which allows customers to pay their bills at the store check-outs using FIC cards; and customized insurance services that can be contracted via the card, including home, unemployment and retail purchase insurance. FIC also formed partnerships with the various brands in order to reinforce the use of the cards in stores, with important advantages in terms of installment payment periods and exclusive discounts.

On August 28, 2009, the Company and Itaú Unibanco completed negotiations regarding FIC, resulting in the bank paying the Company R\$ 600 million in compensation for the extinction of Itaú Unibanco's exclusivity obligation and the extension of the exclusivity term granted by the Company to FIC for a further 20 years, expiring in 2029. The association encompasses all of the Group's formats and brands, including supermarkets, hypermarkets, convenience stores, electronics/household appliance stores, wholesale stores, gas stations, drug stores and e-commerce operations. The inclusion of stores that may be acquired or new businesses developed by the Company or its subsidiaries within the scope of the association will depend on negotiations between the two parties.



COMPETITIVE ADVANTAGES

COMPETITIVE ADVANTAGES

In order to comply with its strategy for sustainable growth with competitiveness, efficiency and profitability, Grupo Pão de Açúcar is always alert to the specific characteristics of its business, paying special attention to those areas that may become important differentials and tools for adding value to the Group.

Supply Chain

On the logistics front, 2009 was a year of operational growth, led by improvements to the logistics network, the inclusion of more appropriate cross docking products, the adaptation of processes to serve the specific needs of the Extra Fácil stores (smaller volume and product picking) and the beginning of Assaí supply centralization (with an initial focus on lower-turnover products).

The area also learnt a great deal during the year, having faced and overcome factors such as the big increase in transfers and volumes, due to increased sales, and the difficulties caused by traffic and time constraints.

In 2010, the Company plans to complete the reorganization of the nationwide logistics network, involving the inauguration of the first green distribution center in Brasília; the overhaul of Ponto Frio's logistics network, seeking operational synergies; and the inauguration of specific distribution centers for Extra Fácil and Assaí, all which will guarantee sufficient capacity to cope with the Company's strategic growth through 2012.

Information Technology

In 2009, the IT area continued to improve its efficiency, pursuing greater process synergy and helping consolidate the various strategic initiatives implemented throughout the year, including:

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

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

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

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

Ponto Frio – the Group assumed management of Ponto Frio's IT system in September, in order to increase system availability for stores and distribution centers, reduce operating risks and speed up integration with GPA's IT system.

In 2010, the Group plans to implement the following initiatives:

- Adoption of the main Oracle tool – demand forecasting;
- Consolidation of data center outsourcing;
- Implantation of Citrix, a new technology that will replace the desktop computer and which is renowned for its rapid processing, low energy consumption and reduced heat generation;

➤ Expansion of the Personal Shopper pilot project to other stores – this program allows customers to select products they wish to buy using a bar code scanner without having to pass through the check-out;

➤ Implementation of an electronic price tag program in two Extra stores and one Pão de Açúcar store.

Exclusive brands

The Group is investing in the concept of exclusive transverse brands, i.e. brands that are present in all of the formats, as an important competitive differential, capable of strengthening the Company's image, cementing customer loyalty and increasing profitability.



In 2009, sales of exclusive brand products (Qualitá, Taeq, Casino, Club Des Sommeliers, etc.) accounted for 5% of the Group's total sales, led by Taeq, whose sales jumped by 55% over 2008, and Qualitá, which recorded a 50% improvement.

During the year 502 new products were launched and nine new product categories were introduced in the perishable area (chilled beef cuts, "home-made" bread, ice cream and cheese); beverages (a new line of fruit juices); cleaning and personal hygiene products; and dry goods (olives, chocolate drink mixes, cookies, long-life milk, soups, vegetable oils, etc.).

Global Sourcing

In 2009 the Company intensified its global sourcing operations as one of its strategies for overcoming the international crisis by pursuing a more competitive assortment, including more differentiated and exclusive products, and strengthening the partnership with Casino.

This positioning brought positive results: annual imports totaled US\$ 177.0 million, while exports amounted to US\$ 8.5 million. In a period when total Brazilian imports fell by 26.2%, the Company's climbed by 3.5%, led by the more than 50.0% upturn in Casino products and the 25.0% increase in general merchandise items.

Among the many initiatives implemented during the year, the most important were:

- The first imports of Ponto Frio products (microwaves and GPS);
- Joint salt cod negotiations with Assaí;
- The first traceable meat exports to Casino, in France;
- Joint international maritime freight negotiations with Casino in Latin America;
- The development and importation of exclusive toys for the Children's Day campaign;
- Overhaul of the Pão de Açúcar format's assortment of imported Christmas decorations;
- Increase in the number of imported home decoration items, office furniture, toys, tires etc. for Extra Hipermercados;
- Development of a new GPS family for Extra Hipermercados and Extra.com.br.



COMPETITIVE ADVANTAGES

Knowledge of Customers

Developing a knowledge and understanding of customers' needs, in addition to anticipating consumption and market tendencies, is absolutely crucial to the success of any business. This is particularly true in the retail sector, where customer relations are direct, and this understanding constitutes an important competitive differential.

Aware of its importance, the Group conducts regular surveys to gather knowledge on consumers, contributing to the development of new businesses and identifying opportunities for improvements in customer service. In 2009, more than 304,000 customer interviews were carried out:

- 238,987 sales-point interviews;
- 63,943 walk-up and door-to-door interviews (in stores, commonly frequented areas and homes), as well as phone interviews;
- 212 discussion groups, with a total of 1,696 participants; and
- 46 personal in-depth interviews.

Knowledge of consumers is further refined by examining the sales tickets issued by the stores. In 2009, all of the 535 million tickets issued were stored and analyzed, generating sufficient material for over 200 investigative studies in the operational, commercial and marketing areas. The challenge is to transform the data into

information that is relevant to the business, indicating opportunities and evaluating previous initiatives.

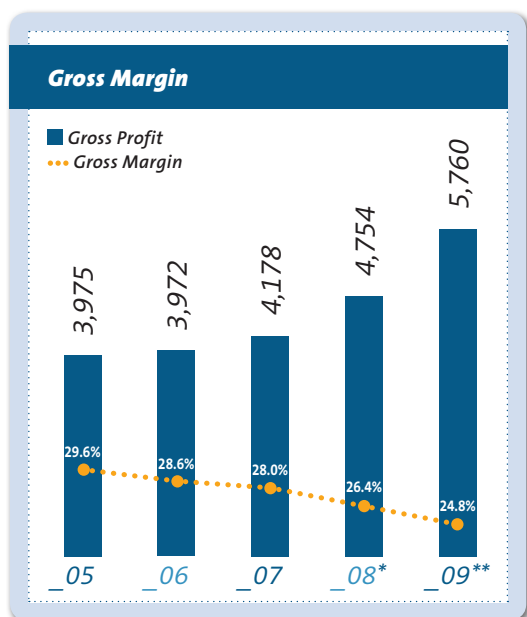
The Company also maintains open channels of communication with customers via the Casa do Cliente (Customer's House), an evolution of the ombudsman concept, a pioneering service in the Brazilian retail sector which has become consolidated as the voice of the customer within the Company. The Casa do Cliente dealt with more than 750,000 contacts in 2009.

The Group also rolled out the new version of the Mais program in all of its Pão de Açúcar stores in Brazil, generating impressive results:

- More than 150 campaigns were carried out, generating 8 million impacts;
- More than 194,000 new customers were registered;
- The share of Mais customers in Pão de Açúcar's tickets moved up by 500 bps;
- The share of Mais customers in Pão de Açúcar's sales increased by 800 bps to around 45%;
- Pão de Açúcar's revenue climbed by 3.8%.

FINANCIAL PERFORMANCE (MD&A)

FINANCIAL PERFORMANCE (MD&A)



* Pro forma. **Consolidated data, Grupo Pão de Açúcar + Ponto Frio.

The numbers related to Grupo Pão de Açúcar's operating and financial performance commented on below are presented: (i) on a consolidated basis, which includes the full operating and financial results of Sendas Distribuidora (a joint venture with the Sendas chain in Rio de Janeiro), Assaí (Rede Atacadista Assaí) and, as of the third quarter of 2009, Globex Utilidades S.A. (Ponto Frio); and (ii) on a comparable basis, which entirely excludes the operating and financial results of Globex Utilidades S.A. (Ponto Frio).

The figures below include the accounting changes introduced by Law 11638/07. The information related to 2008 also includes comments on the pro-forma results, which exclude restructuring costs of R\$ 23.0 million in the first quarter of 2008.

Gross Profit

[Comparable-basis comments excluding Ponto Frio]

Gross profit totaled R\$ 5,302.8 million in 2009, 11.6% up on the year before, while the gross margin narrowed by 90 bps to 25.5%, chiefly pulled down by: (i) the expansion of the ICMS tax substitution regime; and (ii) the Company's increased stake in Assaí.

[Consolidated comments including Ponto Frio]

Gross profit totaled R\$ 5,760.4 million, with a gross margin of 24.8%.

Total Operating Expenses

[Comparable-basis comments excluding Ponto Frio]

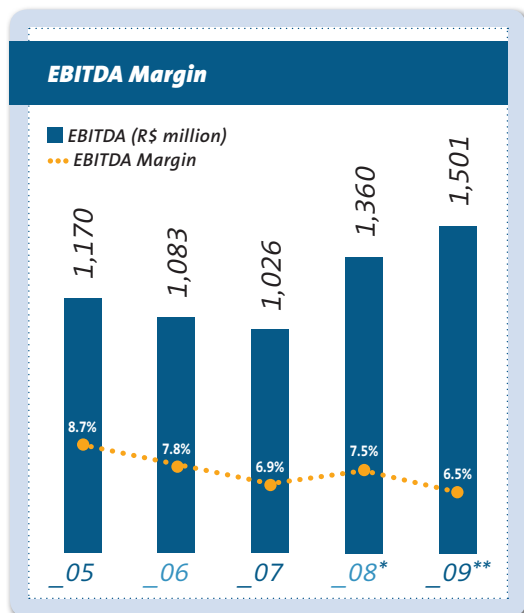
Operating expenses totaled R\$ 3,772.4 million in 2009, 9.9% up on 2008. As a percentage of net sales, they came to 18.2%, 80 bps down on the same period last year and the Company's lowest ever ratio.

It is worth remembering that the operating results in the first quarter of 2008 were affected by restructuring expenses totaling R\$ 23.0 million. Excluding this effect, operating expenses would have increased by 10.7% in relation to the 2008 pro-forma result.

[Consolidated comments including Ponto Frio]

Total operating expenses came to R\$ 4,259.3 million, equivalent to 18.3% of annual net sales.

EBITDA



* Pro forma. ** Consolidated data, Grupo Pão de Açúcar + Ponto Frio.

[Comparable-basis comments excluding Ponto Frio]

EBITDA amounted to R\$ 1,530.4 million in 2009, 15.7% up on 2008 and higher than the 2009 guidance of R\$ 1.5 billion, excluding Ponto Frio. The EBITDA margin stood at 7.4%, 10 bps up on the year before.

These figures were in line with the Group's strategy of expanding its participation in new businesses and growing in a sustainable manner, while retaining firm control over expenses and investing in competitive prices (offset by higher sales volume), as well as ensuring cash margin gains.

[Consolidated comments including Ponto Frio]

EBITDA totaled R\$ 1,501.1 million, with an EBITDA margin of 6.5%.

Net Financial Result

[Comparable-basis comments excluding Ponto Frio]

In 2009, the Group's net financial result was R\$ 244.7 million negative, 5.3% down on the previous year, primarily due to the mark-to-market effect and the restatement of assets and liabilities, which more than offset the period reduction in net debt and the lower CDI interbank rate.

The Group met its 2009 net debt/EBITDA guidance of < 1x, recording a ratio of 0.44x, reflecting the policy of maintaining a solid cash structure through continuous efforts to optimize expenses and investments.

*[Consolidated comments
including Ponto Frio]*

The net debt/EBITDA ratio stood at 0.47x, also below 2009 guidance, even including the consolidation of Ponto Frio.

Net Income

*[Comparable-basis comments
excluding Ponto Frio]*

The Company posted 2009 net income of R\$ 597.5 million, equivalent to 2.9% of net sales, 150 bps up on 2008.

*[Consolidated comments
including Ponto Frio]*

In consolidated terms, net income came to R\$ 591.6 million, with a net margin of 2.5%.

Minority Interest

Sendas Distribuidora

In 2009, Sendas recorded gross sales of R\$ 3,465.7 million and net sales of R\$ 3,009.3 million, 3.1% and 3.0% up on 2008, respectively.

Gross profit came to R\$ 804.7 million, with a gross margin of 26.7%. Operating expenses totaled R\$ 620.1 million, representing 20.6% of net sales, while EBITDA stood at R\$ 184.6 million, with a margin of 6.1%. The company posted annual net income of R\$ 39.5 million, generating a negative minority participation of R\$ 16.8 million.

Assaí Atacadista

In 2009, gross sales came to R\$ 2,196.5 million, up by 51.3%, while net sales climbed by 56.1% to R\$ 1,981.8 million. Gross profit totaled R\$ 291.3 million, 47.4% more than in 2008.

Total operating expenses closed the year at R\$ 237.9 million, equivalent to 12.0% of net sales, in line with 2008. EBITDA amounted to R\$ 53.4 million, with a margin of 2.7%, down by 100 bps, due to the inauguration of seven new stores and the conversion of five existing ones to the Assaí format, most of which in Rio de Janeiro. Although these units recorded higher sales while maintaining total operating expenses, they have not yet reached maturity. Excluding the Rio stores, the EBITDA margin came to 4.1%. Consolidated net income totaled R\$ 16.0 million.

GLOBEX UTILIDADES S.A.

Gross sales in 2009 increased by 5.5% over 2008 to R\$ 4,710.9 million, while net sales moved up by 11.4% to R\$ 3,951.8 million.

In same-store terms, gross sales of merchandise, including e-commerce operations, moved up by 3.3% on 2008, impacted by the negative 10.1% recorded in the first half. As of the second six months,

FINANCIAL PERFORMANCE (MD&A)

when control was effectively transferred to GPA, several important decisions were taken in order to ensure the resumption of sales growth, including: (i) increasing in-store product availability; (ii) more widespread and aggressive media campaigns; (iii) an increase in the availability of credit through integration with the GPA card base, which allowed the use of the Group's cards in Ponto Frio stores; and (iv) Christmas campaigns and promotions. As a result, second-half gross merchandise sales increased by 14.9% year-on-year.

Gross profit totaled R\$ 683.8 million, 2.2% down on 2008, accompanied by a gross margin of 17.3%, down by 240 bps.

Total operating expenses increased by 64.0% over 2008 to R\$ 1,026.9 million, mainly impacted by expenses, comprising: (i) non-recurring restructuring expenses of R\$ 79.0 million; (ii) the reconciliation of accounting practices, which generated expenses of R\$ 176.5 million; and (iii) operating expenses of R\$ 360.5 million from PontoFrio.com, which began sales in December 2008 (w/expenses of R\$ 105.0 million). Excluding these events, operating expenses would have grown by 6.4% over 2008.

Annual EBITDA was a negative R\$ 343.1 million, versus a positive R\$ 72.9 million in 2008, chiefly due to non-recurring expenses

with restructuring and the reconciliation of accounting practices, which totaled R\$ 255.5 million. Excluding these expenses, EBITDA would have come to a negative R\$ 87.6 million.

The net financial result was a negative R\$ 78.6 million, 120.8% more than the same period last year. Excluding the above-mentioned events, the net financial result would have been negative by R\$ 43.0 million, 20.8% up on 2008.

OUR SHARES AS AN INVESTMENT OPTION

OUR SHARES AS AN INVESTMENT OPTION

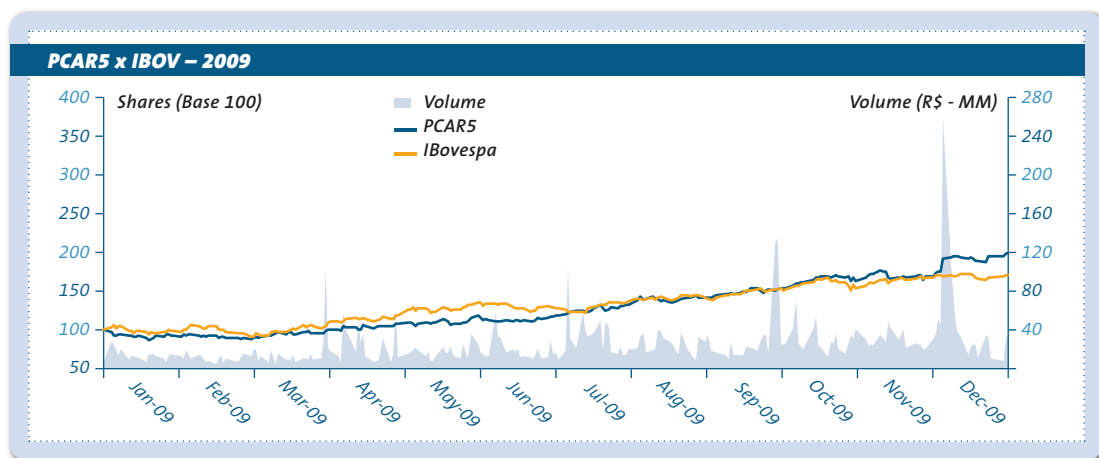
Grupo Pão de Açúcar is part of the Ibovespa index, the most important stock performance indicator in the Brazilian market, and is also included in the IGC, which comprises those firms with the best corporate governance practices, and the IBX-50, which consists of the Bovespa's 50 most liquid companies.

Thanks to the economic recovery, which triggered strong international investment inflow, the Ibovespa appreciated by 82.7% in 2009. The Company's preferred shares (PCAR5) also did exceptionally well, closing at R\$ 65.02, up by 109.9%.

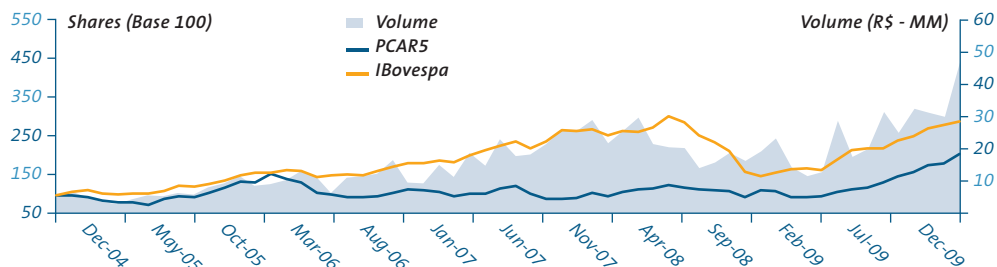
Annual traded volume on the Bovespa totaled R\$ 6.3 billion, with a daily average of R\$ 25.6 million. Earnings per share came to R\$ 2.32, 83.0% up 2008.

The Company's Level III ADRs moved up by 172.6% on the NYSE, versus 20.2% for the Dow Jones, closing at US\$ 75.12. Traded volume totaled US\$ 2.7 billion, 45.3% down on the previous year, giving a daily average of US\$ 11.7 million.

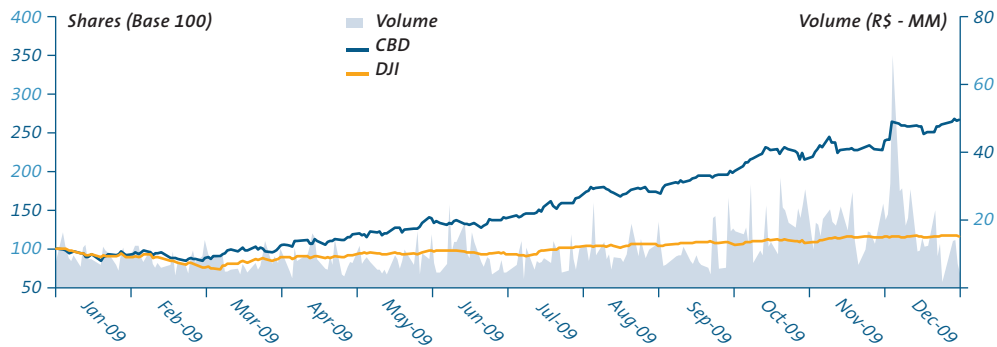
The Group's shares were traded in 100% of trading sessions on the Bovespa and the NYSE. At year-end, the Company's market capitalization stood at R\$ 16.6 billion, 2.5 times its book value.



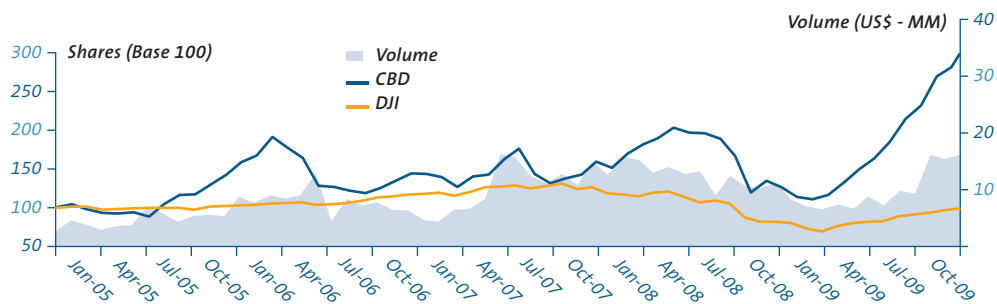
PCAR5 x IBOV – 5 years



CBD x Dow Jones – 2009



CBD x Dow Jones – 5 years



Share Performance

	2005		2006		2007		2008		2009	
	Price	% year	Price	% year	Price	% year	Price	% year	Price	% year
PCAR5 (R\$)	38.45	11.9	37.49	-2.5	34.11	-9.0	31.00	-9.1	65.02	109.7
CBD (US\$)	32.87	28.5	34.14	3.9	36.92	8.2	27.56	-25.4	75.12	172.6
Ibovespa	33,456	27.7	44,474	32.9	63,886	43.6	37,550	-41.2	68,588	82.7
Dow Jones	10,718	-0.6	12,463	16.3	13,265	6.4	8,776	-33.8	10,428	18.8
US\$ (R\$)	2.3407	-11.8	2.1380	-8.7	1.7713	-17.2	2.3370	31.9	1.7416	-25.5

Average Daily Trade Volume

	CBD		PCAR5	
	US\$ thousand	D% YoY	R\$ thousand	D% YoY
2005	5,426	65.1%	5,841	74.4%
2006	9,457	74.3%	11,196	91.7%
2007	12,248	29.5%	19,270	72.1%
2008	14,584	19.1%	20,696	7.4%
2009	11,625	-20.3%	25,598	23.4%

Dividends

Management proposed the payment of R\$ 94.1 million in dividends to the Annual General Meeting, complementing the R\$ 46.4 million prepaid in 2009. Total dividends for fiscal year 2009 therefore came to R\$ 140.5 million, 127.2% up on the previous year.

In accordance with the Dividend Distribution Policy approved on August 3, 2009, R\$ 94.1 million corresponds to the difference between the minimum mandatory dividends, calculated on the Company's performance in 2009, and the R\$ 46.4 million prepaid in 2009.

The R\$ 94.1 million payment proposed by Management, corresponds to R\$ 0.357930 per common share, R\$ 0.393723 per class A preferred share and R\$ 0.01 per class B preferred share.

Ownership structure

Grupo Pão de Açúcar's capital stock of R\$ 5.4 billion is represented by 254.9 billion shares, comprising 99.7 billion common (ON) and 143.9 billion preferred (PN) shares. Control of the Group is shared between the two leading shareholders, Abilio Diniz (50%) and the French Casino group (50%), through the Wilkes holding company, created in May 2005. At the end of 2009, the Company's free float represented 37.4% of the total capital stock.

RISK MANAGEMENT (GRI 1.2)

Share Stake in December 2009 (in billion of shares)

GPA	ON	Part. %	PN	Part. %	Total	Part. %
Wilkes	65.4	65.6%	0.0	0.0%	65.4	25.7%
Casino Group	34.2	34.3%	6.4	4.2%	40.7	16.0%
Abilio Diniz	0.0	0.0%	35.2	22.7%	35.2	13.8%
The Diniz Family	0.0	0.0%	18.3	11.8%	18.3	7.2%
Ações em tesouraria	0.0	0.0%	0.2	0.1%	0.2	0.1%
Free Float	0.1	0.1%	95.0	61.2%	95.1	37.3%
Total	99.7	100.0%	155.2	100.0%	254.9	100.0%

RISK MANAGEMENT GRI 1.2

Grupo Pão de Açúcar adopts a series of measures to minimize risks and reduce factors that may affect its operating and financial results. It also maintains a working group to evaluate internal procedures and controls, as well as any eventual risks or non-compliance situations, which are addressed through specific action plans.

Operating Risks

> Technological Risks

The Company invests continuously in upgrading and modernizing its technological infrastructure. In 2009, it completed the implementation of the SAP system, which will help with back office activities, real estate management, maintenance and cost reductions. The Oracle Retail ERP Business Planning System also effectively began operations, ensuring greater agility, efficiency and security during the results closing process. Thanks to outsourcing to IBM, the Group also maintains backup infrastructure capable of ensuring the complete functioning of its operations if necessary.

> Market Risks

The Company's competitiveness in Brazil's retail market was strengthened in 2009 by its increased presence in the non-food segment through two transactions: the acquisition of Ponto Frio and the joint venture with Casas Bahia. The Group's other competitive advantages include a multi-format structure, whereby each format caters to a specific consumer profile; category assortment aligned with clusters; the strengthening of those categories that define the position of each format; a pricing policy involving national negotiations and greater regional autonomy; a diversified line of products and exclusive brands; differentiated customer service; economies of scale; and an extensive distribution network.

> Structural Risks

In order to ensure the safety of its customers and employees, the Group maintains an engineering risk area, which is responsible for identifying possible risk situations and managing the priority of remedial actions. All installations and equipment are insured and each unit is periodically

monitored, accompanied by strict operational controls.

➤ **Product Risks**

Grupo Pão de Açúcar is the only retailer to maintain an agreement with the University of São Paulo's Biological Institute, which attests to the quality and origin of products from its main supplier base. The safety of food products sold in the stores, especially perishables, is ensured by supplier certification and their storage in cold rooms with temperature and humidity controls. Exclusive brand products are also subject to microbiological, physical, chemical, metrological (weights and measures) and sensorial analyses.

Financial Risks

➤ **Loans and Default**

Default risks related to the granting of credit are limited to post-dated checks from customers, which represent less than 1% of sales, and therefore have a negligible effects on results. Other loan operations are handled by FIC - Financeira Itaú CBD, a joint venture with Itaú Unibanco, which employs its own credit analysis and approval models to ensure that default remains within acceptable levels. In addition, a large part of installment sales are paid for with market credit cards, with no risk to the Company.

➤ **Liquidity**

In line with the Sarbanes-Oxley Act, the Group employs strict corporate governance standards regarding funding and investments, which control maximum leverage limits, prohibit the assumption of foreign exchange risks and require the maintenance of high cash reserves, which are invested in fixed-income instruments with daily liquidity and returns as a percentage of the CDI interbank rate with top-tier Brazilian financial institutions of proven financial health.

In addition, the Company uses the Pão de Açúcar Credit Receivables Fund (PA FIDC) to fund receivables from credit card transactions and certain customer food vouchers, under conditions fixed until December 2012.

RISK MANAGEMENT *(GRI 1.2)*

> Debt

In 2009, the Group maintained its capital structure profile, with a level of indebtedness compatible with the leverage permitted by Company policy (0.47x, including Globex), which require a net-debt-to-EBITDA ratio of less than 1.

Funds are generally obtained from the capital market through debenture issues or securitization operations, or through bank loans in Reais, with interest pegged to the DI rate; financing in foreign currency, entirely hedged by swaps to Reais and interest also pegged to the DI rate; and financing from the BNDES (National Development Bank) partially in Reais and partially pegged to a basket of foreign currencies (also hedged by Real/CDI swaps), plus annual interest. In 2009, the Company held its 7th and 8th debenture issues in order to maintain the long-term profile of its debt.

The Group closed 2009 with total debt of R\$ 4.1 billion, versus R\$ 3.4 billion at the end of 2008.

> Foreign Exchange

The Company's policy prohibits any type of foreign exchange exposure. All funding is expressed in Reais and 100% hedged by Real/CDI swap contracts, whose terms are identical to the funding flows. The Group does not practice arbitrage in regard to its debt transactions or financial investments, nor does it resort to any type of derivative operation.



SOCIAL PERFORMANCE

EMPLOYEES GRI 4.14 e 4.15

Growing Together

GRUPO PÃO DE AÇÚCAR IS FULLY AWARE OF THE CRUCIAL ROLE ITS EMPLOYEES PLAY IN ITS BUSINESS PERFORMANCE. CONSEQUENTLY, IT OPERATES A PARTICIPATORY MANAGEMENT MODEL, THROUGH WHICH PEOPLE'S ABILITIES AND POTENTIAL ARE ENCOURAGED AND RECOGNIZED IN ORDER TO ENSURE THEIR PERSONAL AND PROFESSIONAL DEVELOPMENT.

The main instrument for engaging this public is the dissemination and practice of the Group's values, which underpin all stages of its business cycle.

Grupo Pão de Açúcar ended the year with over 70,000 employees and a series of achievements that would have been impossible without the commitment and dedication of its staff.

As part of its determination to promote responsible retailing, the Group has developed a series of initiatives to ensure the health, safety and quality of life of its employees, customers and suppliers, in addition to benefiting all its surrounding communities.

Proud to Belong GRI LA1

One of Brazil's main characteristics is its diversity. For Grupo Pão de Açúcar, this means a commitment to the promotion of equal opportunities for all its employees, independent of race, religion, or other differences that make up society. In this context, the Company has made considerable progress in terms of gender equality, closing 2009 with 38,209 male employees, 53% of the total, versus 36,887 the year before. Women accounted for 47%, or 33,913 employees, 7.4% higher than the 31,576 recorded at the end of 2008.

Equal opportunity also applies to age groups, underlined by the fact that the Company has 2,588 employees aged over 50, 26,500 between 30 and 50 and 43,000 under 30.

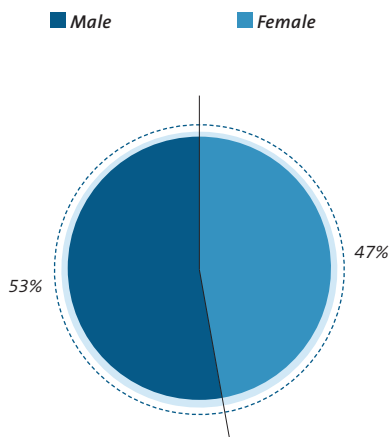
Employees by age group

Age	2008	2009
under 30	41,915	43,066
Between 30 and 50	24,002	26,468
Over 50	2,546	2,588

Employees by gender

Gender and Position	2008		2009	
	Women	Men	Women	Men
Executive Officers	07	43	8	45
General Managers	171	745	182	703
Area Managers and Coordinators	692	2,028	722	1,927
Supervisors	1,087	2,318	1,218	2,478
Specialists	577	496	462	455
Operational Staff	29,222	31,099	31,321	32,601
Total	31,756	36,729	33,913	38,209

Percentage of Employees by Gender 2009



Direct employees by gender Dec 31, 2009

Male	38,209
Female	33,913

Direct employees by business unit Dec 31, 2009

Stores	60,502
Distribution Centers	4,399
Corporate	7,221

EMPLOYEES

Average salary by position and gender (in R\$) *GRI LA14*

Gender and Position	2008		2009	
	Women	Men	Women	Men
General Managers	7,637.00	7,113.00	8,687.00	8,010.00
Area Managers and Coordinators	2,428.00	2,107.00	2,543.00	2,351.00
Supervisors	1,339.00	1,254.00	1,258.00	1,286.00
Specialists	3,034.00	3,591.00	3,798.00	3,994.00
Operational Staff	620.00	648.00	703.00	750.00

Gender and Position	2008		2009	
	Women	Men	Women	Men
Interns	674,57	669,52	635,03	672,97
Trainees	2.916,20	2.772,81	3.293,94	3.679,45
Young Apprentices	285,83	294,78	322,64	308,90
Disabled	606,83	633,21	670,17	710,15
Senior Citizens	1.383,18	1.925,61	1.531,26	1.992,02



Diversity present on daily basis at Grupo Pão de Açúcar.

Salaries and Benefits

Grupo Pão de Açúcar's compensation policy is in line with the best Brazilian market standards and is focused on merit, in other words recognizing the individual and collective performance of its employees. The Company is also attentive to gender – considering the average overall salary in 2009, the ratio between male and female salaries was 0.79, demonstrating earnings equivalence per job category.

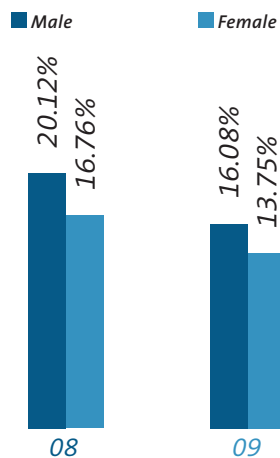
The Group also offers a private pension plan to all employees with a salary above the floor established by the National Social Security Institute (INSS). Employees invest up to 8% of their monthly wage, and the Company matches this with an equal amount. *GRI EC3*

The Group also ensures compliance with all labor laws, including the right for all employees to join labor unions, as well as respect for the working conditions established by collective bargaining agreements. All of this is complemented by other benefits, including life insurance, a health plan, maternity leave, dental assistance, meals, a multicheck credit card which can be used for discounts in the Group stores, supplies for newborn infants and school materials. *GRI LA3, LA4, LA5 e LA9*

Turnover

Employee retention is another key factor in the results of the Group's personnel management strategy. Turnover fell from 20.12% in 2008 to 16.08% in 2009 for male employees and from 16.76% to 13.75% for female employees.

Turnover 2008-2009 GPA GRI LA2



EMPLOYEES

Targeted growth

Committed to dynamic growth, along with individual responsibility and the sharing of common objectives, Grupo Pão de Açúcar has developed a series of initiatives to monitor its employees' performance on a periodic basis. In 2009, it launched the Ciclo de Gente (People Cycle), a people-

management model which comprises goal definition and performance evaluation through behavioral- and results-focused feedback, as well as structured discussions on careers and succession, guiding the professional growth and development of its employees.

Evaluation of Results, Ability and Career Potential LA12	2008	2009
Percentage of total eligible employees evaluated	84%	92%
Total number of eligible employees evaluated	59,240	60,118

Training and Ongoing Education

GRI LA10

In order to ensure that its employees are equipped with the knowledge and skills needed to carry out their duties in the best possible manner, the Group invests in training for all job categories. In 2009, it allocated more than R\$ 25 million to such programs, generating around 1 million hours of training, as well as 1,000 academic scholarships.

Personnel training by target public	Total hours
Executive Officers	
General Managers	
Area Managers and Coordinators	32,100
Supervisors	208,863
Specialists (third level positions)	
Operational Staff	725,714
Trainees	132,160

Occupational health and safety *GRI LA9*

The Group also invested in the physical integrity, health and well-being of every one of its more than 70,000 employees in 2009. With a 142% increase over the R\$ 4,543,000

invested in 2008, the Company stepped up its efforts to raise awareness and identify and resolve critical problems in the stores with the leaders. As a direct result of these initiatives, absenteeism dropped from 1.5% to 1.3%.

Indicator	2008	2009
Number of workers (own and outsourced)	70,656	71,008
Injury rate	0.000007	0.000008
Number of injuries	806	1,336
Man-hours worked	105,000,000	166,980,000
Occupational Illness Rate	0.000001	0.000002
Number of Occupational Illnesses	129	302
Days lost ratio	0.002	0.002
Number of days lost	258,988	288,437
Man-hours scheduled	113,000,000	182,160,000
Rate of absenteeism	1.50%	1.30%
Planned work days	18,000,000	20,000,000
Number of deaths	03	03

Another health and well-being initiative is the Pão de Açúcar Club (GPA Club). Created in 1992, it is equipped with nutrition and physical education specialists, who guide and monitor employees who already practice or wish to begin practicing sporting activities, especially training and physical

conditioning for events such as street runs, walks, swimming and water aerobics. In 2009, 3,200 employees spent time in the GPA Club, which, in addition to the headquarters in São Paulo, has branches in Brasília, Rio de Janeiro, and Fortaleza. *GRI LA8*

SPORTS

The promotion of sporting activities is one of the Group's main areas of social investment and is directly related to the concept of offering its customers and staff a better quality of life and promoting their well-being. In 2009, it organized ten events involving more than 105,000 people in activities such as races, marathons and bike rides, in addition to sponsoring professional athletes, thereby strengthening the brand and reinforcing the commitment to its partners and society as a whole. *GRI LA8*

The annual highlights included:

Pão de Açúcar Relay Marathon

The Group's main sport event, held in the city of São Paulo since 1993, the marathon is also the largest of its kind in Latin America and has become the standard for the creation of other similar events in Brazil and abroad. Since 2002, the Marathon has also taken place in Fortaleza (CE) and, in 2008, Brasília hosted a similar initiative.

In 2009, it was Rio de Janeiro's turn to host the marathon. In all over 55,000 runners



17th Edition of Pão de Açúcar relay's Marathon of São Paulo.

Number of Participants in Sporting Events 2008/2009



* The total number of participants in all events held by all the Group's formats.

participated in the four stages, the highlight being São Paulo and its 30,000 athletes. In order to reduce the race's impact on the environment, every year all the recyclable waste is collected and sent to recycling cooperatives. The carbon emitted during the competition is also neutralized. To learn more about the stages and history of the marathon, please visit www.maratonapaodeacucar.com.br.

Pão de Açúcar Kids Race

Aimed at children aged between two and twelve, the race seeks to create interest in sports and physical activity as a pleasurable pastime from an early age, as a tool for instilling well-being and improving the quality of life. In addition to the race itself, the event also includes several parallel activities designed to promote interaction between children and between children and their parents. In its eleventh edition, the Pão



Physical activity since childhood: PA Kids Race.

de Açúcar Kids Race united nearly 20,000 participants in two stages, both held in São Paulo. In 2010, the number of participants is expected to increase by 30%. More details on the event can be obtained from www.pakids.com.br.

Extra Bike Trip

Held in Santos (SP), Niterói (RJ), Brasília (DF) and Fortaleza (CE), the Extra Bike Trip seeks to promote physical activity within the family. Since its inception in 2003, over 150,000 people have participated in its six editions. In 2009, the number of people signed up doubled, increasing from 20,000, in 2008, to 40,000. The highlight was Niterói, where 25,000 people pedaled in celebration of International No-Car Day.



Promotion of physical activity: Exrta Bike Trip.

Investment in Professional Athletes

Since 2000, Grupo Pão de Açúcar's commitment to sports has also involved sponsoring professional athletes, especially in track and field and the triathlon, aiming to help their development, as well as encouraging and providing opportunities for professional sporting activities in Brazil in general. One of the year's highlights was Fabiana Murer, who broke the South American pole vault record with a vault of 4.81 meters during the Troféu Brasil de Atletismo competition in October. Fabiana, considered one of the best vaulters in the world, is the current pole vault champion of South America, as well as the Pan-american champion.

With the Group's support, Adriano Bastos was placed 1st in the following competitions: 16th Disney Marathon, in the U.S., in January; the 25km Interpraia Bertoga run, in March; the 9th International Marathon in Porto Alegre, in April; the Fila 5km Night Run, in May; the 26th International Marathon in Porto Alegre, in May; the Reebok 10, in June; the Osasco Circuit 2009 – Running for Nature – Earth Element Stage – 7.5 km, in July; the Mizuno 10 Miles Brazil – São Paulo Stage, in August; the 8 km Caixa Peace Race, in September; the 1st 5km Guarulhos International Shopping Race, in October; the Fila 5km Night, the 10 km Novo Nordisk Race – Changing Diabetes, and the 3rd 10km

stage of the Track & Field Run Series, all in November; and the 9th 6 km Shalom Race, in December.

Another of the year's highlights was the victory of the 8-man Pão de Açúcar BM&FBovespa team in the 17th Pão de Açúcar Relay Marathon, who crossed the line in 2h8m57s to win the race for the 5th time. The team comprised the following athletes: Marilson Gomes dos Santos, Antônio Borges, Hudson de Souza, Jean Carlos da Silva, Reginaldo Campos, Adriano Bastos, Daniel Chaves da Silva and Joilson Bernardo da Silva.

SOCIAL ACTION

Every year, the various Group formats create a series of initiatives designed to engage their employees and local partners by offering development opportunities and reducing social inequality. In 2009, more than 650 non-profit institutions benefited throughout Brazil. The highlights included:

Advanced Food Technology and Cooperative Management Educational Nucleus - NATA

The result of a partnership between Grupo Pão de Açúcar, the Rio de Janeiro State Education and Fishing & Supply Departments, and the Central Cooperative of Milk Producers, NATA provides an educational model that generates local knowledge and employment opportunities for young people just out of high school. NATA is an educational complex comprising three units: the Escola Comendador Valentim dos Santos Diniz, which provides technical education in the food area as a part of its full time high-school curriculum, the Unidade Associada de

Alimentos (UNICA) and the Unidade de Pesquisa Aplicada de Alimentos (UNIPA). All in all, there are 20 classrooms, as well as laboratories and pilot plants for the production of dairy products, bread, sausages and vegetable products. The structure also contains a multi-sport facility, a library, an ecological classroom for outdoor classes, a multimedia room and art rooms. In 2009, 120 students attended NATA with a pass rate of 94%.

This is one of the initiatives of the Instituto Pão de Açúcar, whose mission is to promote human development through educational activities in order to improve the quality of life of children, teenagers, their families and the Group's surrounding communities. The NATA project exemplifies the importance the Group places on human and professional development in its surrounding communities. In addition to instilling knowledge of the food area, it also promotes employment by including NATA's students in the Group's own workforce.

Music and Orchestra Program

Under the responsibility of the Instituto Pão de Açúcar, the Music and Orchestra program has already benefited more than 10,000 young people between the ages of 10 and 21 in Osasco (SP), Santos (SP), Fortaleza (CE), Rio de Janeiro (RJ) and Brasília (DF) since its inception in 1999. The program aims to enhance children and teenagers' self-esteem and independence through music. Classes take place in the Casas (Houses), which are equipped with classrooms, computer labs and lounges. In 2009, 486 students took part in the Music Program and 200 participated in the Orchestra.

In addition to presentations in public and/or cultural venues, the Orchestra holds concerts in the Group's stores in order to improve customer relations and increase the initiative's recognition. These normally take place during store inaugurations and on special and commemorative dates. In 2009 there were 50 presentations (in stores or other venues) in Osasco, 13 in Santos, 17 in Rio, 22 in Fortaleza and 10 in Brasília.

Store Campaigns

The Group's stores also promote activities to encourage solidarity and citizenship awareness. In 2009, Company campaigns to collect books, winter clothing and toys benefited over 450 institutions, selected by the employees, in the stores' surrounding communities. The book drive brought in 561,000 books, the winter clothing drive received 323,000 items and 77,000 toys were collected through the toy drive. The polio vaccination campaign (1st and 2nd doses) took place in 107 stores and resulted in the vaccination of 8,000 children.



Orchestra's presentation.

The Group also encourages spontaneous initiatives on the part of its employees and supports social institutions, including the Parents and Friends of the Handicapped Association (APAE), which was the target of Extra's Hygiene and Beauty Products Department. The campaign involved all the Extra stores and raised a total of R\$ 65,000, which was donated to the Association. The Extra Auto Campaign also mobilized all the



solidarity campaigns.



format's stores and raised R\$ 89,000 for the Ayrton Senna Institute. Collection boxes for the Handicapped Children's Association (AACD) were placed in 54 Extra, Pão de Açúcar and CompreBem stores and raised R\$ 31,000 for the group.

Alimente Bem (Eat Well Program)

Held in CompreBem stores since 2006, this program's goal is to raise awareness of healthy eating and the need to reduce waste. By means of rapid, didactic classes in a traveling kitchen inside the project's truck set up in the stores' parking lots, Alimente Bem is a free course that lasts for ten months, during which students receive classes on the nutritional value of different foods and making the best use of available resources in their cooking, as well as tips on hygiene. Each participant receives a healthy food cook book with suggestions for balanced menus and advice on how to read information on product labels, among other tips designed to improve the quality of people's food intake, create a culture that avoids waste, generate savings and generally ensure a healthier day-to-day life style. In 2009, the number of students increased by 25%, from 20,000, in 2008, to 25,000. In 2010, the program will be extended to the Extra format.

SOCIETY

Aware of its role as a job provider and catalyst for local development, and guided by the principles of sustainable development, Grupo Pão de Açúcar seeks to ensure that transparency and social responsibility are an integral part of its business dealings.

Since 2001 the group has been a signatory of the Global Compact, a UN initiative designed to make concern for such issues as human rights, labor relations, environmental protection and the fight against corruption an integral part of the private sector and its business dealings. The Compact is consolidated in 10 principles.

All contracts signed between Grupo Pão de Açúcar and its employees, suppliers and service providers exclude any possibility of disrespect for human rights in labor relations, such as child or forced labor. In 2009, there were no accusations related to these infractions in any of the Group's operations.

Anti-corruption Practices *GRI SO4*

Grupo Pão de Açúcar actively combats any and all forms of corruption throughout its value chain. In order to reinforce this concept, abuses are disclosed internally on a monthly basis by type of infraction and format, always protecting the name of the accuser.

This is one of the practices detailed in the Code of Ethics, which establishes the standards and rules governing the Group's conduct and its relations with stakeholders. In 2009, a series of discussions began with

the aim of updating the Code. All employees are informed of the Company's Code of Ethics as soon as they are hired and are required to sign a term of commitment. In 2009, the Company received no accusations of discrimination. *HR4*

Every single member of staff, without exception, is given detailed guidance on the standards of conduct contained in the Code and on the procedures for denouncing infractions. *GRI SO2 e SO3*

Public Policies and Lobbies *GRI SO5*

With the support of its legal department, Grupo Pão de Açúcar prepares, coordinates, and accompanies the progress of draft bills, decrees, administrative rules, and terms of technical cooperation, commitment and reparation, among others, that may affect its strategic interests. The aim is to understand and accompany possible governmental demands, establishing a dialog and exchange of information based on ethical standards and a proactive approach.

The Group also acts, directly or through associations in the supermarket sector, in the defense of some of these proposals, always within legal and ethical parameters and bearing in mind the common interests of the Company, its shareholders, customers and society as a whole. Among other associations, the Group is a member of the Brazilian Supermarket Association (Abrás), the São Paulo Federation of Goods, Services and Tourism (Fecomércio), the Retail Development Institute (IDV) and the São Paulo Association of Supermarkets (APAS).

In the most transparent and democratic manner possible, the Company analyses proposals for helping in political campaigns using such criteria as past results and future plans, independently of the political party involved.

Communications and Marketing GRI PR6

In regard to advertising, Grupo Pão de Açúcar complies with all the pertinent legislation, the various regulatory bodies, the Brazilian Advertising Self-Regulation Code and the Advertising Standard Norms.

Through a range of communications channels, the organization seeks to strengthen its customer relations and, in a transparent and proactive manner, keep all its stakeholders informed of its operational news and highlights, respecting the profiles and interests of each group.

These channels include the Pão de Açúcar Green Blog, launched in December 2009, which deals with issues related to the planet's sustainability, in addition to initiatives developed by the brand itself, and acts as a forum for the sharing of opinions and information on environmental preservation, conscientious consumption, healthy eating, food safety and social development. During its first month online, the blog had 28 posts, 152 comments and an average of 93 unique visitors per day.

The Group's formats also have their own communications channels, such as Pão de Açúcar's Mais, a customer relations and loyalty-building tool, which comprises

mailing, e-mail marketing, an exclusive site and a magazine. All in all, more than 600,000 customers are attended through these channels, totaling more than one million contacts in 2009.

The CompreBem and Sendas formats, geared towards the C and D income groups, both publish magazines for their customers, primarily focusing on women over 35, which provide information on the networks and their products, as well dealing with topics related to the daily lives of this section of the population.

Grupo Pão de Açúcar did not register any communications and marketing non-conformity in 2009. GRI PR7



Green Blog of Pão de Açúcar.

CUSTOMERS

Knowing how to listen, providing the best customer service and anticipating the needs of the various client profiles – Grupo Pão de Açúcar has focused its business for the last 60 years on initiatives that build closer ties with customers and strengthen their loyalty and is now the largest retailer in Latin America.

These initiatives include in-store surveys, diverse communication channels and products and exemplary customer service structures, the most important being Casa do Cliente (Customer's House), Customer Consultants in the Pão de Açúcar network and the Customer Service Department (SAC) in the Extra network.

Surveys GRI PR5

Through its Market Research and Competitive Intelligence area, the Group monitors the constant changes

in its customers' behavior, consumer tendencies in general and overall retail market trends. Quantitative and qualitative surveys are carried out on a regular basis in order to evaluate customer satisfaction in the Group's stores, as well as the perception and image of its brands, tracking their performance in relation to the main sector competitors.

In 2009, there were several initiatives to provide the Group with guidance in respect to sector tendencies and consumer behavior. The Market Survey and Competitive Intelligence area coordinated an Innovation Round Trip which took in ten European countries and was designed to map the latest retail consumer trends and anticipate future scenarios in the Brazilian market. The Company also held the second edition of its Annual Round Table Series, which united 533 participants in a series of lectures and debates on relevant business topics, involving research institutes, opinion makers and companies specializing in different consumer profiles.

During the year, the Group conducted 304,669 interviews, as shown in the table below:

Survey	2009
Point-of-sale interviews	238,987
Personal interviews	43
Walk-up interviews (stores, commonly frequented areas, homes)	63,943
Group discussions	1,696 (participants)
Total	304,669



Excellence in serving.

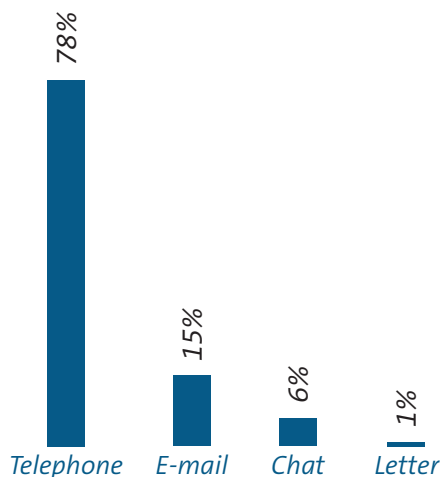
CUSTOMERS

Casa do Cliente GRI 4.14, 4.16 e 4.17

Casa do Cliente represents the commitment and respect that underpin the Company's relations with its customers. The Casa is an interactive communications channel that seeks to improve the network's products and services through the reception of opinions, suggestions and doubts, promoting all aspects of responsible retailing.

In 2009, the Group received 643,000 customer contacts via e-mail, telephone and chat line, 8% up on 2008.

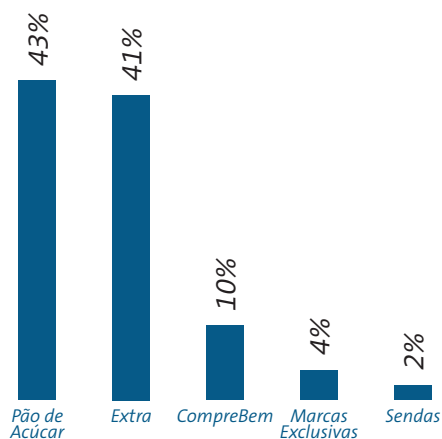
Contacts by Channel



In 31% of phone contacts with the customer service center, clients did not have to speak directly with an operator, having received the information they were looking for through the electronic answering service.

Direct contacts with the Casa do Cliente team increased by 40% over the previous year, and 78% of issues were resolved during the first contact.

Contacts by Brand



Customer Consultants

Present in around 75 Pão de Açúcar stores, Customer Consultants focus on meeting customer demands and resolving their problems. In 2009, 70 consultants took part in two specific training programs on product information.

Customer Service (SAC) – Extra

All Extra Hipermercados have a Customer Service Department (SAC), which attends to the needs of the store's customers through personal contact. Since November 2008, Casa do Cliente has been responsible for the central management of this activity.

In 2009, as part of the effort to continually improve this means of communication, all of the Extra network's SAC employees took part in several training programs and courses, which included workshops, consumer rights training modules and meetings to map the main customer service difficulties and needs.

As a result of this process, the Group compiled material detailing the standards and guidelines for SAC activities. In 2010, it plans to create a technical education area, designed to ensure customer satisfaction and expand knowledge of its clients.

SUPPLIERS

RESPONSIBILITY FOR THE PRODUCT

Sustainable Supply Chain GRI EC6

As a retail company, Grupo Pão de Açúcar develops policies and relationship channels directed at a strategic element of its value chain: its suppliers. Through a diverse series of initiatives, the Company seeks to further consolidate a sustainable chain, from micro-suppliers up to major businesses in a wide variety of sectors, by providing them with the necessary advice and guidance to ensure social and environmental standards based on respect for the environment which are both efficient and generate scale benefits, thereby favoring people, and the development of pioneering solutions, in a partnership where everyone wins. In order to do so, it prioritizes local talent, promoting the quality of the products and services offered by companies in its surrounding communities and supporting the region's economy. It is also actively involved in the fair trade movement, offering space in its stores for the sale of products derived from sustainable management and income-generating cooperatives. GRI EC9

Meticulous attention to store product quality is another major feature of the Group's management model. One example of this approach is the Total Quality Throughout Program, whose main aims are to develop the production chain, provide information on the origin of food products



Supplier of the total quality throughout program.

and instill more confidence in regard to the purchase of fruit and vegetables in its stores. This program is the first of its kind in the global retail market and is recognized by the National Health Surveillance Agency (Anvisa).

Supplier Profiles

(consolidated data – December/2009)

Number of Suppliers Distribution Centers ¹		Number of Suppliers Stores ²		Total Number of Suppliers ³	
State	Number of Suppliers	State	Number of Suppliers	State	Number of Suppliers
Alagoas	-	Alagoas	257	Alagoas	257
Bahia	131	Bahia	294	Bahia	379
Ceará	221	Ceará	292	Ceará	429
Federal District	171	Federal District	454	Federal District	547
Goiás	-	Goiás	429	Goiás	429
Minas Gerais	-	Minas Gerais	418	Minas Gerais	418
Mato Grosso do Sul	-	Mato Grosso do Sul	218	Mato Grosso do Sul	218
Paraíba	-	Paraíba	332	Paraíba	332
Pernambuco	358	Pernambuco	296	Pernambuco	546
Piauí	-	Piauí	173	Piauí	173
Paraná	99	Paraná	297	Paraná	352
Rio de Janeiro	458	Rio de Janeiro	418	Rio de Janeiro	746
Rio Grande do Norte	-	Rio Grande do Norte	290	Rio Grande do Norte	290
Sergipe	-	Sergipe	266	Sergipe	266
São Paulo	1.445	São Paulo	1.721	São Paulo	2.198
Tocantins	-	Tocantins	187	Tocantins	187
TOTAL	2,883	TOTAL	6,342	TOTAL	7,767

¹ Number of suppliers delivering to the Group's distribution centers

² Number of suppliers delivering directly to the Group's stores

³ Number of suppliers delivering to distribution centers and stores.

All of the Group's suppliers are submitted to technical guidance audits to ensure the qualification and development of their products and services. Evaluation criteria include environmental care, respect

for human rights, and responsibility for product quality and life cycles. In 2009, there were no registered accusations of forced or child labor in the Group's production chain. *GRI HR6 e HR7*

SUPPLIERS

% of contracted companies
and key suppliers submitted
to human rights evaluations

2007 - 2009

	Number of suppliers	%
Evaluated or submitted	510	73
Not evaluated or submitted	190	27
Total	700	

TOP LOG

In 2009 Grupo Pão de Açúcar took yet another step in promoting sustainability throughout its value chain. During the year, 129 suppliers took part in the Top Log Program, which evaluated the services they provided and the products they offered. Suppliers were assessed according to three different categories: level of service, customer satisfaction and integration. Evaluation criteria included such practices as route optimization, the reduction of harmful emissions, and packaging development and disposal logistics. In order to evaluate its suppliers' sustainability standards, the Group used a 16-question form. All of these initiatives underline the Group's determination to consolidate its value chain.

Meat Traceability

In order to guarantee transparency and encourage confidence in the information on meat provided by its stores, the Company launched its innovative Quality Meat Production Program in 2004. Developed under the Taeq brand, it tracks the product's journey from origin to consumer, thereby reducing public health risks and ensuring healthy cattle and safe food for customers.

In addition to technical, labor and sanitary evaluations the process includes regular inspections to verify the protection of human rights, including the fight against forced or child labor. Suppliers must also demonstrate their compliance with the Brazilian Forestry Code and show that all their cattle possess Brazilian Cattle

Production Chain Traceability Service (Sisbov) certification. Beef products sold under the Taeq label make up 3% of the Group's total meat sales per year.

In 2009, the Group adhered to an initiative organized by Abras, following a Prosecution Office ruling, which suspended beef purchases from areas of illegal deforestation in the Amazon region. This stance reinforces the organization's commitment to acting in accordance with its values and principles, reflected in the continuous improvement of a business model that respects the environment and promotes the country's sustainability in all its aspects.

Total Quality Throughout Program

GRI PR1, PR2 and PR3

Launched in 2008, this program ensures that each product has a unique code, enabling consumers to track its origin, date and location of harvest, the identity of the producer and the date it was sent to the distribution center, among other important details. This process guarantees the traceability of the Group's entire fruit and vegetable chain.

The Total Quality Throughout Program was developed in association with the Anvisa and Abras. By the end of 2009, 90% of the products in the chain had a tracking code. The program is also aligned with Anvisa's Pesticide Residue Analysis Program (PARA). These analyses are carried out in laboratories accredited by the Brazilian Standards Authority (INMETRO). More than 243 tests are done for each analysis/product and involve around 250 products in all.

The process begins in the field, with the implementation and monitoring of good agricultural practices and rigid control over the use of pesticides, in accordance with the agricultural legislation in force, followed by final processing of the product and effective control over its appearance and physical condition. In 2009, Anvisa recognized Grupo Pão de Açúcar's Total Quality Throughout Program as the benchmark for retail service traceability and control in every step of the field-to-store process.

The goal for 2010 is to secure the certification of outsourced companies (laboratories, tracking companies, and field consulting companies) and ISO 9000 and 14000 certification for the Program itself.

Caras do Brasil (Faces of Brazil) *GRI EC6*

Launched by Grupo Pão de Açúcar in 2002, the Caras do Brasil program, a fair trade benchmark, is a channel through



Quality of products.

SUPPLIERS

which small-scale producers, using sustainable management and adhering to rigid ethical criteria, can sell their products. With the goal of generating income, preserving the environment and fostering social inclusion, the program offers shelf space for food products, decorative items and handicrafts in general

Eligibility criteria include workers' skills development, regular income and improved well-being indicators.

In order to cater to small producers, Caras do Brasil offers advantageous commercial conditions: payment over 10 business days; centralized and scheduled deliveries, flexibility in productive capability; and exemption from fees, among other measures.

In 2009, the brand was expanded to cover stores in Brasília (DF) and Curitiba (PR). Overall, 55 suppliers take part in the program and their products are sold in 52 of the Group's stores.

Investments in product acquisitions totaled R\$ 1,309,528.00 in 2009, 25% up on the R\$ 1,048,342.00 invested in 2008. Since its inception, the program has generated sales of R\$ 9,461,108.48. In 2010 the Group plans to improve product range, increase the number of suppliers and implement the Caras do Brasil de Comércio Justo (Faces of Brazil Fair Trade) seal, which will certify suppliers who adhere to the program's criteria.



Group of mothers and friends of Casa do Zezinho: supplier of Caras do Brasil.

Product Quality

GRI PR1, PR2 and HR2

The care taken by Grupo Pão de Açúcar to ensure the quality of the products offered in its stores is a fundamental part of its success. The Group has adopted best quality management practices in all of its processes and ensures the transparent disclosure of product life-cycle information. To learn more about the environmental programs developed by the Group, please go to the Environmental Performance section on page 91 of this report.

The Company is able to guarantee the quality of its products while also promoting environmental conservation, social responsibility and sustainability in all of its operations, whether in the stores, the distribution centers or with its suppliers, through the following initiatives:

- Quality audits and inspections, including the Good Production Practices program, which seeks to identify supplier standards for maintaining product quality from origin through to final consumption.
- Analysis of Dangers and Critical Control Points (APCC), which consists of a series of studies on the preparation of procedures to analyze all possible critical risks and dangers that can occur from the moment that products are received until they reach the shelves.
- British Retail Consortium (BRC), an international certification standard created 10 years ago for inspecting suppliers of large British retail chains, which, in addition to the above-mentioned points, analyzes the product's possible environmental impact, ascertains the use of forced or child labor and verifies animal comfort and well-being (in the case of meatpackers).

In the stores themselves, product quality is monitored at every stage: delivery, storage, handling and shelving. Factors such as unit structure, cold chains and compliance with the applicable legislation are also analyzed during this process.

Yet another practice is the reuse of products, for example the allocation of unsold products to the jam, jerked beef or grease industries, or for use as animal feed.

In 2009, 14,253 quality inspections were carried out in the stores and 320 suppliers were inspected.



ENVIRONMENTAL PERFORMANCE

ENVIRONMENT RESPECT

THE GROUP'S COMMITMENT TO THE ENVIRONMENT IS AN INTEGRAL PART OF ITS OPERATIONAL MODEL AND IT COMPLIES WITH ALL THE ENVIRONMENTAL NORMS REGULATING ITS ACTIVITIES. THE CONSTANT PURSUIT OF ECO-EFFICIENT PROCESSES THAT REDUCE THE CONSUMPTION OF NATURAL RESOURCES AND SPREAD ENVIRONMENTALLY RESPONSIBLE CONCEPTS AND PRACTICES IS DESIGNED TO PROMOTE SUSTAINABLE DEVELOPMENT THROUGHOUT THE COMPANY'S ENTIRE VALUE CHAIN.

In 2009, this focus on integrated solutions led to an increase in conscientious consumption programs in conjunction with customers, improved water use and electricity management processes in stores and distribution centers, and the adoption of measures to reduce greenhouse gas emissions in the company's day-to-day activities. *GRI EN30*

LOJAS VERDES (GREEN STORES)

Launched last year in the city of Indaiatuba, in São Paulo state, in 2009 the Group's first green store, and the first in Latin America, received LEED (Leadership in Energy and Environmental Design) certification for its sustainable building standards. Certification requirements include the efficient use of resources and reduced social and environmental impact during the building process; efficient energy use and water consumption; and the responsible use of materials.

The Indaiatuba store was also approved by the United States Green Building Council (USGBC) in 2009.

Consolidating the successful model, the Group inaugurated yet another store with LEED certification standards, this time in the Vila Clementino neighborhood of São Paulo city. In the same year, the Group implemented three more green stores based on close monitoring of the Indaiatuba pilot project.

As a result, the Group identified more than 50 initiatives to be adopted when building new stores, one of the most important of which being the disposal of waste, whether organic or recyclable. Currently, only 7% of this waste ends up in landfills, i.e. 93% is treated and properly disposed of. This process has now been extended to 28 Group stores.

During the construction of one of the green concept stores, in Riberão Preto (SP), almost 80% of the materials used came from around 7,000 recycled PET bottles, one tonne of recycled paper and one tonne of ground glass, transformed into cement blocks used in the steel framing model, an innovative building system that replaces masonry with a mixture of a metallic

framework and cement slabs, resulting in easier construction and reducing material waste. In addition, PET bottles discarded by employees were used to fill under-floor spacing and for the installation of water-reducing flush valves in the store's restrooms which cut water consumption by 40% in comparison to conventional toilets. The Group also developed a system to capture and store rainwater, which is used to clean the stores' external areas, in addition to a garden made up of native vegetation, which is adapted to the region's levels of rainfall, thereby reducing the need for irrigation. *GRI EN2*

The initiatives adopted by the green stores include:

- The reuse of heat produced by the store's machine room to heat water, replacing electric shower heaters and saving more than 5,000 kWh per month in comparison to the traditional system.
- The installation of motion detectors and light timers in the administrative areas.
- The implementation of an intelligent cooling system, optimizing electricity consumption by changing the motors' operational model.
- The installation of skylights made of special materials in store roofs, which maximize the amount of natural light allowed in while blocking the transmission of heat, thereby reducing the energy consumed by artificial lighting and air conditioning by 67%.

Following sustainable building standards, Grupo Pão de Açúcar will launch its first Green Distribution Center in Brasília (DF) in 2010.

Materials GRI EN1 (partial) **Internal processes**

All areas of the Company seek to identify initiatives that reduce adverse environmental impact. Among other results, the adoption of more efficient internal processes generated paper saving in the network's administrative



Supermarket carts made out of recyclable PETs.

activities and resulted in the intelligent use of recycled materials in different stages of its commercial operations. In order to reduce the disposal of carbon paper, for example, the Company implemented the use of electronic invoices in its Brazilian distribution centers. As a result, the Group estimates that it saved over 32.4 million invoice sheets, 840,000 sheets of carbon paper and 1,000 dot matrix printer rolls in 2009.

Another initiative was the development of blue containers produced from polypropylene where the packaging for high-risk materials can be disposed of on arrival at the stores. Polypropylene is 100% recyclable and the containers are reusable.

The total amount of waste produced by the Group in 2009 and its destination is shown in the table below:

Amount of waste (in tonnes) - 2009			
Composting/ Organic Compost	Landfill	Total Waste	Recyclable
7,764	3,840	11,604	3,924

In 2010, the Company plans to launch a refrigerated distribution center program in 2010, which involves the removal up to 9,000 PET bottles per year from the environment, which will be used to make uniform sweaters for the center's staff, each one of which will consume up to 8 PET bottles.

Initiatives focused on the final consumer

Recycling Stations GRI EN26 e EN27

A benchmark in sustainable initiatives, Grupo Pão de Açúcar's Recycling Stations are installed in all three of the Group's supermarket and hypermarket formats (Pão de Açúcar, Extra and CompreBem) and generate environmental and social benefits in addition to strengthening ties with customers and suppliers.

Pão de Açúcar Unilever Recycling Stations

A pioneering initiative in Brazil, launched in 2001 in partnership with Unilever, this program installs recycling centers for paper, plastic, metal, glass and used cooking oil in all Pão de Açúcar stores for the use of clients. In addition to reducing environmental impact through the proper disposal of these materials, the program benefits 33 collection and recycling cooperatives and provides a source of income for around 550 workers, given that all the material collected is donated to these recycling cooperatives.

In 2009, Pão de Açúcar entered into an agreement with Unilever and the São Paulo Municipal Economic Development and Labor Department, which resulted in 90 jobs in Pão de Açúcar Recycling Stations being filled by participants in the Department's Work Operation Program.

Since 2001, the program has collected over 32,000 tonnes of recyclable materials. In 2009 alone, over 7,100 tonnes were collected, versus 6,350 tonnes in 2008.

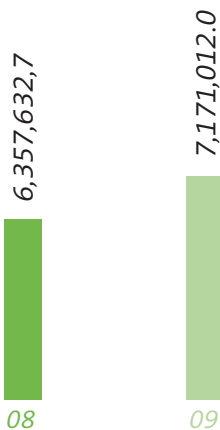


Correct disposal at Pão de Açúcar Unilever Recycling Station.

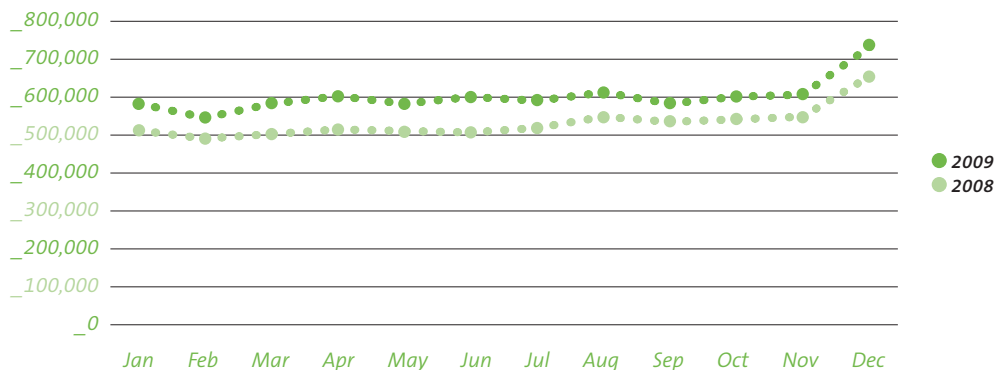
Recycling Stations are currently present in 110 Pão de Açúcar stores in 31 municipalities in the states of São Paulo, Ceará, Rio de Janeiro, Paraíba, Pernambuco, Piauí, Paraná, Goiás and the Federal District.

Volume of material collected by the PA/Unilever Station (2008/2009)

Tonnes



Monthly collection of material by the PA/Unilever Station (2008/2009)



ENVIRONMENT

Extra H2OH! Recycling Stations

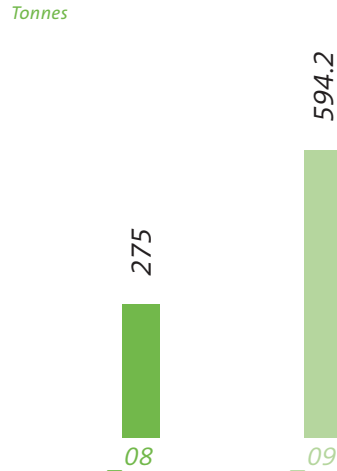
Inaugurated in 2008, the Extra – H2OH! Recycling Stations collected 594.1 tonnes of material in 2009, 115% up on the year before. With 77 recycling stations in 26 cities in 15 Brazilian states and the Federal District, the program works directly with 18 recycling cooperatives, benefiting 157



Cooperative attendance at Extra H2OH! recycling station.

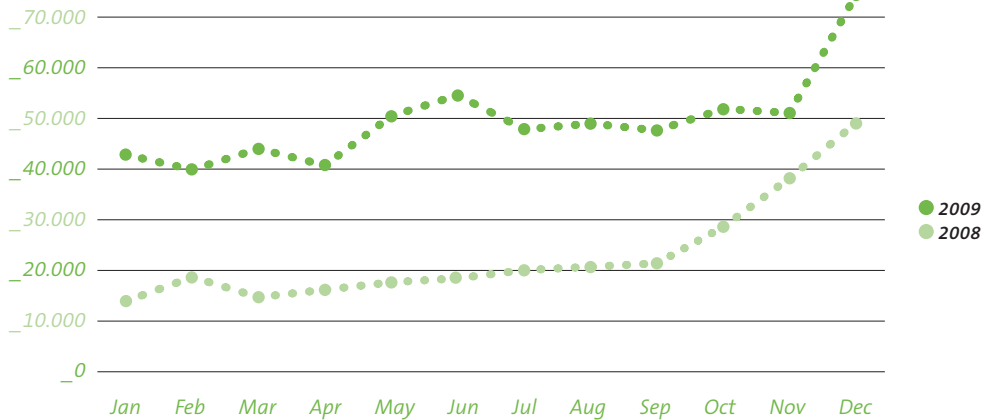
Volume of Material Collected

Extra H2OH! Stations – 2008/2009



workers and generating income for the community through the sale of materials donated by Extra.

Monthly Collections – Extra H2OH! Stations 2008/2009



CompreBem Recycling Stations and Oil Collection

Localizadas em 11 lojas da bandeira CompreBem no Estado de São Paulo, essas unidades atendem a cinco cooperativas, empregando diretamente 33 pessoas no processo, e arrecadaram mais de 122 mil toneladas somente em 2009. Outra iniciativa da bandeira CompreBem são os coletores de óleo de cozinha disponibilizados em 20 lojas, que garantiram a destinação adequada para mais de 20 mil litros de óleo desde o início do programa, em 2008. Todo o óleo arrecadado é transformado em biocombustível.

CAIXA VERDE (GREEN CHECK-OUT)

In order to reduce the environmental impact of products marketed by the network, the Group expanded its Green Check-Out program, which allows customers to discard packaging immediately following purchase. After passing through the check-out, they can deposit any packaging they don't wish to take home in containers. All the packaging collected is donated to recycling cooperatives that promote social inclusion and income generation in the community. The initiative began in 2007 and was implemented in 38 Pão de Açúcar stores and 10 Extra stores in 2009, and collected a total of 390,347 packages during the year.

Alternative Packaging for Customers

GRI EN26 e EN27

Finding a way to reduce the environmental impact generated by the use of plastic bags is a global challenge for the retail sector. In order to promote conscientious consumption among its clients, Pão de Açúcar has been offering innovative reusable bags throughout its network since 2005. By the end of 2009, the Group had sold more than 1.12 million units, equivalent to 4.8 million plastic bags saved and not discarded into the environment.



Oil collector at CompreBem.

To expand on this practice, the organization has developed a series of consumer initiatives, awarding points to customers who participate in the Mais

ENVIRONMENT

loyalty program and use reusable bags that can be redeemed as credits in the purchase of products, even if the bags were not sold by the format. During the year, 464,205 purchases were made by 95,570 customers resulting in the distribution of 2,321,025 points, signifying the non-use of 1,865,820 plastic bags.

In addition, all formats maintain at least one reusable bag model in partnership with a social institution with which part of the profits from the sale of the bags are shared. Pão de Açúcar has such a partnership with SOS Mata Atlântica. Entirely made from recycled PET, this particular model can carry up to 20 kg and is stamped with the institution's logo, with a stylized image of the Brazilian flag drawing attention to the causes of the destruction of the Atlantic

Forest. The chain also offers seven other reusable bag options: five made from synthetic raffia; one cotton bag inscribed with the phrase "I'm a green bag" and a bag that can be attached to a shopping cart.

During the year, Extra sold over 180,000 bags that can carry up to 15 kg, 100% produced from recycled PET. Completely ecological, they are the fruit of a partnership between CASA Hope, an organization that helps children with cancer, and have raised a total of R\$ 9,500 through their sale, all of which was donated to the institution.

CompreBem has bags made of 100% cotton or raffia and sold 540,000 in 2009. One of the models was developed in partnership with the Handicapped Children's Association (AACD). Together,



Discard packing at the moment of purchase: Green Check-out.

the CompreBem and Sendas stores in Santo André, São Caetano and São Bernardo sold 190,000 reusable 100% cotton bags during the year.

Another initiative to reduce the number of plastic bags used by shoppers was the adoption of more durable plastic bags that can hold up to 6kg. This is part of the Quality and Responsible Use of Plastic Bags Program, developed by Plastivida (Social and Environmental Plastics Institute) in partnership with Abief (Brazilian Association of Flexible Plastic Packaging). In practical terms, this means that they can carry two 2 liter bottles or one 5kg bag of rice, instead of having to use two or more bags to carry the same products.

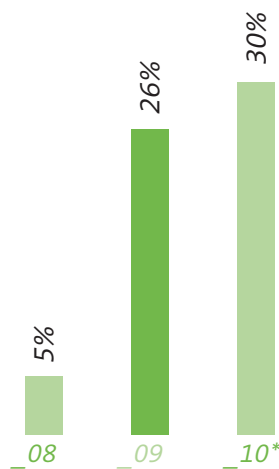
The Group's stores also offer another simple alternative: the use of the same cardboard boxes used by suppliers to deliver their products to package goods purchased by customers

Sustainable Packaging

Exclusive Brands

Responsibility for products developed in the Group's business chain also focuses on ensuring eco-efficiency throughout the product's life. In regard to the Group's exclusive brands, the 2009 highlights included granting of the FSC (Forest Stewardship Council) seal, which guarantees sustainable management during the production of paper products, to 85% of Taeq packaging, and 26% of Qualitá packaging. In 2010, the brand plans to increase this ratio to 30%. *GRI PR1*

Growth of Qualitá Packages with the FSC Seal



* Estimated number.

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The Group also does everything possible to reduce the consumption of natural resources, underlined in 2009 by the introduction of Qualitá chocolate powder refills, saving 2.4 tonnes of plastic in the year.

Another Taeq highlight is the Ciclo Verde (Green Cycle), through which the paper collected in the Pão de Açúcar Recycling Stations is transformed into cardboard and subsequently into brand packaging, accounting for 2% of all packages produced. The packaging itself also raises customers' awareness of the importance of sustainability through phrases and tips on responsible consumption and eco-efficiency.

In 2010, further underlining its principles, the Group will implement the second phase of the Taeq Green Cycle, consisting of the Taeq reusable bag program and an increase in the percentage of recycled packaging and the number of product packages with refill options.

An additional goal for 2010 is the implementation of energy recycling. In this process, a power generation company will buy discarded plastic from the cooperative responsible for collection in the Group's Recycling Stations and use it as a raw material to produce electricity in one of the store generators.

Efficient use of Natural Resources

Water

In 2009, the Group's stores, distribution centers and administrative units throughout Brazil consumed 2,275,567 m³ of water from the public supply system (toilets, human consumption and cleaning), 55.66% higher than the 2,064,034 m³ recorded in 2008, thanks to the period increase in the number of stores from 427, in 2008, to 467. *GRI EN8*

Volume of water used per source, in m ³	2008 *	2009 *
Groundwater	182.287	193.817
Public or private water supplies	2.064.034	2.275.567

** The 2008 and 2009 figures refer to the SP stores and some of the RJ stores only.*

Every year, Grupo Pão de Açúcar steps up its efforts to reduce water losses. In 2009, it monitored daily water consumption in the stores, permitting swift detection and action in the case of leaks. Another water-saving initiative was the installation of flow controls in all store consumption points.

In 2009, these measures, adopted in 83 stores in the states of São Paulo and Rio de Janeiro, resulted in savings of 170,000 m³, equivalent to 7% of total consumption. The Group plans to expand these initiatives to a further 64 stores in 2010.

One of the Group's stores, located in the Itaim Bibi neighborhood of São Paulo city, is also equipped with a system whereby wastewater is reused in toilets and in the cleaning of yards, as well as in the refrigeration and air conditioning systems.

Store 1341 (liters/day)	2008		2009	
	%	Volume	%	Volume
	0.36%	8045	0.32%	8494

Energy

The Company's energy consumption refers to the electricity needed for the necessary functioning of its administrative

headquarters, stores and distribution centers and the gasoline used by the vehicles that transport its merchandise.

Primary energy consumed directly by the organization <i>GRI EN3</i>		
Renewable	2008	2009
Biodiesel (liters) – DCs	24,319	26,851
Non-renewable	2008	2009
Natural Gas (joules) - Stores	3.2250E+14	3.1367E+14
Diesel (joules) - Stores + DCs	2.4112E+13	4.1032E+13
Diesel (kW) – DCs	4,876,458	5,791,455

Indirect energy consumption by source <i>GRI EN4</i>		
Non-renewable	2008	2009
Electricity (joules) – Stores + DCs	2.82E+15	2.69E+15
Renewable	2008	2009
Hydroelectric (joules)	4.30E+14	4.61E+14
Biomass (joules)	2.77E+14	3.66E+14

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Since 2006, every Grupo Pão de Açúcar store has been equipped with an Internal Energy Control Commission (CICE), comprising representatives from different areas of the store, whose purpose is to reduce energy costs and consumption through good practices and the creation of an eco-efficient culture that ensures conformity with the network's pre-defined goals. In 2009, stores were 2.6% below the established target.

In addition, certain store systems and equipment were replaced by more energy-efficient substitutes, including:

- The replacement of air conditioning systems with water dispersion systems

- The replacement of lighting systems in the sales areas with more eco-efficient lamps and reactors.
- The replacement of machine rooms and the renovation of refrigeration systems, installing more efficient compressors and substituting obsolete equipment.

Total energy saved due to efficiency and conservation (joules) - Stores 4.36E+13

Various eco-efficiency initiatives in the Company's distribution centers, including appropriate maintenance and

the replacement of machinery, also helped reduce energy consumption, as can be seen in the table below:

GRI EN5

Initiative	Distribution Centers	Total Energy Savings (joules)
Replacement of lamps and lights	São Paulo	6.1344E+12
Separation of circuits	DCs 1 and 4	3.1173E+11
Power factor correction	DCs 1 and 4 and in the states of Rio de Janeiro, Ceará and Pernambuco	1.2139E+12
Automatic device that switches off lights in the DCs when natural light is sufficient	DCs 1 and 4	5.9789E+11
Replacement of vapor fans	DC 2	1.539E+12
Installation of a thermosyphon, reducing the energy consumption of ammonia compressors by 13%	DC 2	3.168E+11

** The oil cooling system was removed and replaced by the thermosyphons, which use the same ammonia to cool compressors.*

Currently, 50 Group stores are so-called free consumers (i.e. not captive clients of an electricity distributor), and account for 27% of the Company's total contracted demand, which is expected to move up by 16% in 2010 to 31% of the total. In 2009, there was a 5% increase over 2008, when there were 40 stores in this segment, equivalent to 22% of demand. All these stores consume renewable energy, 45% of which from a biomass plant which uses elephant grass as a raw material and 55% from SHPs (small hydro plants).

In October 2009, the Company took another step towards more efficient energy use by launching a store in Campo Grande (MS) equipped with 100% LED bulbs, which use 87% less electricity than conventional bulbs and have a much longer working life.

GRI EN6

Waste and Effluents

The Group's administrative headquarters, stores and distribution centers generate effluents. In 2009, wastewater totaled 1,898,995 m³, 31.89% more than the 1,439,858 m³ recorded in 2008.

Wastewater, by volume and destination (m³) GRI EN21

Destinations	2008 *	2009 *
Water supply company's sewage network	1,082,743	1,406,856
Discharged directly into rivers or other water bodies	163,545	133,737
Treatment (sewage treatment stations)	193,570	236,034
Total wastewater discarded	1,439,858	1,776,627

* Figures refer to the SP stores and some of the RJ stores only.

Differentiated wastewater treatment was implemented four years ago as a pilot project and is currently installed in 19 stores in São Paulo state. During this process, the organic compounds in grease traps are broken down by micro-organisms, thereby reducing odor and insect presence and resulting in a lower incidence of blocked pipes. Thus the sewage discharged into the public network has already been treated,

reducing possible damage to the collection system and the environment. In 2009, 242,769 m³ of wastewater were treated, 13% of the total volume disposed of.

It is worth noting that 78% of wastewater is routed to the treatment plants of the state water and sewage utilities and only 22% is discharged directly into rivers and other water bodies.

Emissions

All the Group's stores use HCFC-22 (R22), which is considered harmful to the ozone layer, as a refrigerant gas in their compressors, expansion valves, evaporators, condensers, air conditioning units, freezers and cold rooms.

In order to avoid leaks, older equipment is being replaced, thereby guaranteeing the safe use of the product.

The company has also implemented certain other processes to minimize the impact of its emissions:

- restructuring of the preventive and corrective maintenance teams, increasing the responsibility of the contracted companies.
- reduction in the periodicity of preventive maintenance from 60 to 30 days.
- increase in the number of preventive maintenance hours.
- utilization of green store concepts for the refrigeration facilities (lower volume of refrigerant gas used), which will be applied in all new stores.
- under study / approval: the implantation of a remote system to detect and communicate possible leaks, making for more efficient leak monitoring.

In addition, R22 was replaced by R404, which causes less damage to the ozone layer, in the green stores.

Emissions of ozone depleting compounds by weight: GRI EN19

Substances	2008	2009
R22 Gas (kg) – Stores	117,254	196,610*
R22 Gas (kg) – Distribution Centers	2,317	2,317

* The increase in R 22 gas emissions was the result of many factors, the most important being an increase in the number of stores.

Transportation

In 2009, the group introduced several new initiatives to reduce CO2 emissions in its operations, one of which was the backhaul system, a logistics strategy that streamlines product supply flows between stores and distribution centers by reducing the number of trips. As a result, 317 tonnes of CO2 were prevented from entering the atmosphere during the year. In addition, the vehicles associated with the Indaiatuba Green Store are powered by biodiesel, which is substantially less polluting than fossil fuels.

RECOGNITION

In 2009, Grupo Pão de Açúcar received a number of awards in recognition of its operations in various segments. GRI 2.10

Carta Capital Award

- › Most Admired Companies – Grupo Pão de Açúcar and Ponto Frio
- › Most Admired Business Leaders in the Country – Abilio Diniz

Intangíveis Brasil Award

- › “GDP” Retail Category – Grupo Pão de Açúcar

XIII Anefac – Fipecafi – Serasa Experian Award

- › Transparency Trophy 2009

Management and HR Award

- › The Most Admired HR Departments in Brazil 2009

IDHO 2009 Award

- › The 100 Best Brazilian Companies in terms of the Organizational Human Development Index (IDHO)

Fecomercio Sustainability Award

- › Large Company Sustainability Category – Pão de Açúcar Indaiatuba

ABERJE Award

- › Communication and Press Relations Category – Pão de Açúcar Indaiatuba – Green Store

Trustworthy Brands Award

- › Extra Brand – Reader’s Digest Selections Magazine 2009

AWARDS

Folha Top of Mind Award 2009

- › Retail Category – Extra Hipermercado

XI Automation Award

- › Service Excellence Category – Supply Chain

Design and Packaging Award

- › Sustainability Category – Taeq Bar Soap Packaging
- › Alcoholic Beverage Category – Valentim Limited Edition Wines and Champagne

Embanews Award

- › Sustainability Category –Taeq Meats

Época Negócios Yearbook Award

- › Super- and Hypermarkets - The Most Prestigious Businesses in Brazil, in the Época Negócios Yearbook 100.

DCI Award

- › Most Admired Companies in Brazil – Grupo Pão de Açúcar

Best Agribusiness Award – Globo Rural Magazine

- › Wholesale and Retail Category

8th Marketing Best Award - Social Responsibility

- › Pão de Açúcar Indaiatuba / The first green supermarket in Latin America

Top of Brands Award – Methodist University of São Paulo

- › Retail Brands Category – Extra Hypermarket

VX Abemd Award

- › Relaunch of the Mais Program

SOCIAL REPORT / 2009 – iBASE

(Unaudited Supplementary information)

1 - Base for Calculation	2009 Amount (R\$ '000)			2008 Amount (R\$ '000)		
Receita líquida (RL)	23,254,183			18,033,110		
Resultado operacional (RO)	644,232			392,951		
Folha de pagamento bruta (FPB)	1,356,991			1,174,155		
2 - Internal social indicators	Amount ('000)	% of GP	% of NR	Amount ('000)	% of GP	% of NR
Food	226,462	17%	1%	107,411	9%	1%
Compulsory social taxes	321,786	24%	1%	316,741	27%	2%
Private pension plan	0	0%	0%	1,772	0%	0%
Health	76,679	6%	0%	75,673	6%	0%
Occupational safety and health	8,158	1%	0%	5,945	1%	0%
Education	2,294	0%	0%	2,174	0%	0%
Culture	0	0%	0%	0	0%	0%
Training and professional development	28,160	2%	0%	16,751	1%	0%
Day care or day care allowances	535	0%	0%	558	0%	0%
Profit sharing	32,505	2%	0%	22,173	2%	0%
Others	125,563	9%	1%	103,605	9%	1%
Total – Internal Social Indicators	822,142	61%	4%	652,803	56%	4%
3 - External Social Indicators	Amount ('000)	% of GP	% of NR	Amount ('000)	% of GP	% of NR
Education	4,347	1%	0%	5,132	1%	0%
Culture	2,790	0%	0%	468	0%	0%
Saúde e saneamento	357	0%	0%	405	0%	0%
Sports	6,063	1%	0%	5,811	1%	0%
Fight against hunger and food safety	7,456	1%	0%	6,721	2%	0%
Others	391	0%	0%	1,237	0%	0%
Total contributions to society	21,404	3%	0%	19,775	5%	0%
Taxes (excluding social contributions)	2,212,908	343%	10%	952,002	242%	5%
Total - External Social Indicators	2,234,311	347%	9%	971,777	247%	4%

SOCIAL REPORT

SOCIAL REPORT / 2009 – iBASE

(Unaudited Supplementary information)

4 - Environmental indicators	Amount ('000)	% of GP	% of NR	Amount ('000)	% of GP	% of NR
Investments related to Company's production/operation	0	0%	0%	0	0%	0%
Investments in external programs and/or projects	3.612	1%	0%	3.445	1%	0%
Total investments in environment	3.612	1%	0%	3.445	1%	0%
With regard to "annual targets" for minimizing residues, the general consumption in production/operation and for increasing the effectiveness in the usage of natural resources, the company	(x) does not have targets () meets 51 to 75% () meets 0 to 50% () meets 76 to 100%		(x) does not have targets () meets 51 to 75% () meets 0 to 50% () meets 76 to 100%			

5 - Staff Indicators	2009	2008
Number of employees at the end of the year	85,244*	70,656
Number of employees admitted during the year	28,272	28,926
Number of outsourced employees	ND	ND
Number of interns	165	228
Number of employees aged over 45	5,415	4,844
Number of women employees	33,908	31,576
% of top management positions occupied by women	29.15%	27.33%
Number of African-Brazilian employees	43,235	33,995
% of top management positions occupied by African-Brazilians	48.65%	31.32%
Number of handicapped employees or employees with special needs	570	439

* Number of employees 2009 refers to GPA + Assaí + Globex.

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(Unaudited Supplementary information)

6 - Information related to corporate citizenship	2009	Targets 2010
Ratio of the highest remuneration to the lowest remuneration in the company	150 times	121 times
Total number of work -related accidents	348	295
Social and environmental projects undertaken by the Company were defined by:	<input type="checkbox"/> Board of Directors <input checked="" type="checkbox"/> Board of Directors and Management <input type="checkbox"/> All employees	<input type="checkbox"/> Board of Directors <input checked="" type="checkbox"/> Board of Directors and Management <input type="checkbox"/> All employees
Safety and health standards at the work environment were defined by:	<input checked="" type="checkbox"/> Board of Directors and Management <input type="checkbox"/> All employees <input type="checkbox"/> All employees + Cipa	<input checked="" type="checkbox"/> Board of Directors and Management <input type="checkbox"/> All employees <input type="checkbox"/> All employees + Cipa
With regard to union liberties, the right to collective bargaining and internal representation of the workers, the company:	<input type="checkbox"/> does not get involved <input checked="" type="checkbox"/> follows ILO norms <input type="checkbox"/> encourages and follows ILO norms	<input type="checkbox"/> does not get involved <input checked="" type="checkbox"/> follows ILO norms <input type="checkbox"/> encourages and follows ILO norms
Private pension plan includes:	<input type="checkbox"/> Board of Directors <input type="checkbox"/> Board of Directors and Management <input checked="" type="checkbox"/> All employees	<input type="checkbox"/> Board of Directors <input type="checkbox"/> Board of Directors and Management <input checked="" type="checkbox"/> All employees
Profit sharing plan includes:	<input type="checkbox"/> Board of Directors <input type="checkbox"/> Board of Directors and Management <input checked="" type="checkbox"/> All employees	<input type="checkbox"/> Board of Directors <input type="checkbox"/> Board of Directors and Management <input checked="" type="checkbox"/> All employees
While selecting suppliers, the same ethical, social and environmental responsibility standards adopted by the company:	<input type="checkbox"/> are not considered <input checked="" type="checkbox"/> are suggested <input type="checkbox"/> are required	<input type="checkbox"/> are not considered <input checked="" type="checkbox"/> are suggested <input type="checkbox"/> are required
With regard to participation of employees in voluntary work, the company:	<input checked="" type="checkbox"/> does not get involved <input type="checkbox"/> supports initiatives <input type="checkbox"/> organizes and encourages	<input checked="" type="checkbox"/> does not get involved <input type="checkbox"/> supports initiatives <input type="checkbox"/> organizes and encourages
Total number of consumer complaints:	at the company 61.500 at Procon 3.202 in the courts 40.559	at the company 6.000 at Procon 3.000 na Justiça 12.000
% of complaints resolved:	at the company 95 % at Procon 95 % in the courts 30 %	at the company 98 % at Procon 98 % in the courts 30 %
Total added value distribution (R\$ '000):	In 2009: 6.310.753	In 2008: 3.993.405
Distribution of Added Value (DVA):	government 44,0 % % employees 29,3 % shareholders 2,4 % third parties 17,3 % retained 9,4 %	governo 29,7 % colaboradores(as) 37,8 % acionistas 1,6 % terceiros 26,0 % retido 5,0 %

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(Unaudited Supplementary information)

7 - Other information

“Grupo Pão de Açúcar does not employ child labor or slave labor, is not involved with prostitution or sexual exploitation of children and adolescents or corruption.”

Our company values and respects internal and external diversity.

For further information, contact: Paulo Pompílio - Phone: 11 3886-3469

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APPENDIX – GRI AND GLOBAL COMPACT CORRELATION *GRI 3.12*

GLOBAL COMPACT PRINCIPLES

Human Rights Principles

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human rights abuses.

Labor Rights Principles

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. The elimination of all forms of forced and compulsory labour;
5. The effective abolition of child labour; and
6. The elimination of discrimination in respect of employment and occupation;

Environmental Protection Principles

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption Principles

10. Businesses should work against corruption in all its forms, including extortion and bribery.

APPENDIX AND CORRELATION

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Antoine Marie Remi L. Giscard d'Estaing

Arnaud Strasser

Candido Botelho Bracher

Fábio Schvartsman

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Jean-Charles Henri Naouri

Jean Louis Bourgier

João Paulo Falleiros dos Santos Diniz

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Pedro Paulo Falleiros dos Santos Diniz

Ulisses Kameyama

Malls & Properties Officer

Caio Racy Mattar

Hypermarkets Operating Officer

Sylvia de Souza Leão Wanderley

Regional Operating Officer

Marcelo Lopes

Commercial Officer

Paulo Gualtieri

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Luiz Marcelo Dias Sales

Mailson Ferreira da Nóbrega

Manuel Carlos Teixeira de Abreu

Roberto Teixeira da Costa

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NYSE (ADR nível III): CBD

(*)As of July 7, 2009, the denomination of the Company's existing preferred shares, ticker PCAR4, began to be traded as Class A preferred shares, under the ticker PCAR5, with no alteration to their rights.

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 **Grupo Pão de Açúcar**