2015 MANAGEMENT REPORT

MESSAGE FROM THE PRESIDENT

THE CYCLES AND ITS CHALLENGES

Since its foundation, the customer has been and will continue to be at the core of all our actions. We are considered innovators in our sector, we set new trends and we are constantly re-inventing our way of doing business and how we interact with our customers. During our 58 years, Magazine Luiza has gone through many economic and political crises and has consolidated its growth path via dozen M&A's in different regions in Brazil. It has implemented innovative tools to manage the business, people and operations. 2015 was a year when Brazil registered the lowest levels of consumer confidence and we experienced a very tough macro-economic scenario. Despite these challenges, the Company worked even harder to generate demand, rather than pull back. Magazine Luiza started an intense consolidation of its processes ahead of a new cycle: one of a digital transformation.

Cycles are part of our history. In 1991, when I took over as new CEO I implemented a new cycle which was in place for the next ten years. From 2002 until 2014 the cycle was named "Sustainable Growth". In 2015, a new cycle began which should last for another 5 years "Digital Transformation". This new cycle featured a new app launch for our e-commerce sales, which can be used by smartphones to make purchases. Also, we implemented our Mobile sales strategy, Mobile inventory app in stores, as well as Mobile apps for shipping and deliveries.

On the current cycle, in order to become a more digital company, the Company is promoting a broad revolution in its brick and mortar stores – for example by reducing the time to finish a sales pitch from 45 minutes to 5 minutes. The digitalization process speeds up sales done via our e-commerce website as well, but we can't ignore the logistics of the products we sell, after all we are a multichannel retailer. We believe a lot in our multichannel strategy as one of our pillars. This is the result of the investments done over the last few years in the integration of the distribution networks for both e-commerce and brick and mortar stores.

Logistics, IT and Innovation (Luizalabs) have gone through significant changes during 2015, which resulted in important accomplishments and optimization of internal actions, which in turn generated essential accomplishments, increased our productivity and reduced expenses. During 2015, 30 new stores were open and 62 remodeled under the *Revigorar* project. The objective of *Revigorar* project is to remodel stores at lower costs compared with the cost of a full remodeling.

Social inclusion is also one of our pillars. Through a well structured program which has received many awards, and whereby we encouraged the areas to hire people with some sort of deficiency, as well as upgrades in our offices and stores to adapt to handicap people, training of employees to allow the person with disability to feel welcomed by our Company and adapt well. In 2015, more than 1,000 people with some form of disability were working for the Company.

All of these engagement initiatives, training and inclusion of disabled people have contributed for Magazine Luiza to be considered one of the best companies to work for in the *ranking by Instituto Great Place to Work (GPTW)* for 19 consecutive years. The Company has always been ranked among the top 25 companies in Brazil for many years. In 2015 it ranked sixth place.

Through its community works, the program named *Rede do Bem* benefited more than 34 thousand people from 55 different cities, with the engagement of about 3,300 employees of Magazine Luiza. The Company also donated products to 62 different social entities in 25 cities across Brazil. Cultural projects, sports events and different social activities from many communities received some sort of support or sponsorship from the Company. These resources were made possible as a result of specific tax incentives programs offered by the Brazilian Government. Altogether, 30 projects benefited directly 28,800 people from different cities within Brazil.

In Brazil, Magazine Luiza has become a reference in the management of intellectual capital so to pursue its digital path, as part of its new strategic positioning, with a very well defined objective: to provide access to many which is currently a privilege of a few people. In order to reach this goal, the projects that have been implemented thus far and future projects are defined so to target the emerging middle class in Brazil (C/D income classes). Through the digitalization of our stores, customers will receive a more agile and efficient shopping experiences, without compromising the human kindness and excellence in customer service and after sales support, which are part of our pillars and which we don't plan to ever give up.

Luiza Helena Trajano
President of the Board of Magazine Luiza

MESSAGE FROM THE EXECUTIVE TEAM

New cycle and the digital transformation. This is the main strategy of the Company for the next 5 years. Our goal is to transform Magazine Luiza, from a traditional retail Company with a strong e-commerce operation into a truly digital Company, with physical locations and human heat. The five pillars of our new cycle are:

1. **Digital inclusion** – To bring access to more people what today is privilege of few people, through products that are connected. To invite and teach the consumer to become more digital. The sales force will act as agents in this digitalization process, offering guidance to customers so that they can benefit more from their smart purchases. The low penetration of the smart products in the country offers Magazine Luiza presents great growth opportunities to become a strong reference for them in these smart categories. Another important driver to the digital inclusion is that the Brazilian population is more and more connected (currently 50% of Brazilians access social media networks).
2. **Digitalization of stores** – In order to revolutionize the store experience, the best way is to perpetuate the importance of human warmth and interaction. Therefore, it is imperative to reduce frictions during the sale process. With the implementation of three new projects (mobile sales, mobile assembly and mobile in-stock) the Company expects to improve its productivity as well as give the stores more autonomy over their sales volumes, while the customer is likely to have a more enjoyable experience.
    a. **Mobile sales:** In 2016, we plan to have 100% of stores using our app for mobile sales. In 2015, 180 brick and mortar stores were trained and enabled to use smartphones to perform the sales pitch. This offers a faster and friendlier to our customers. We are also offering a tour brick and mortar stores, free Wi-Fi access, which will contribute to the growth of the digitalization process among customers.
    b. **Mobile Assembly:** Assembly and handling services have also being digitalized. According to this Project, routes for assembly of products have become faster. The app also eliminated paperwork activities at the assembly centers, which in turn can focus more and more in customer service excellence.
    c. **Mobile Inventory:** Another Project/app that aims to increase productivity and gain efficiency is the Mobile for employees that work with our inventory. This project aims primarily to improve the customer experience by increasing the productivity of the inventory employees by reducing the wait time at our stores, so to collect the product purchased.
3. **Multichannel** – In 2015, we increased our assortment and reach of our multichannel delivery networks. This means that we are able to offer to the stores our e-commerce SKUs. More than half of our e-commerce deliveries are already done according to our multichannel strategy. During 2015, we consolidated our distribution networks, so to support our multichannel strategy, where the delivery trucks are sharing the products purchased either at our e-commerce or at our stores. This optimization translated into freight cost reductions for the Company. We will continue to invest to enhance our multichannel delivery strategy so that our 786 stores can lower delivery times and delivery costs.
4. **Transform our website into a digital platform** – This transformation includes our ability to sell third-party items, or even in all of our channels in a marketplace model. This strategy has the potential to increase significantly our sales mix by tenfold over the next few years. The launch of our marketplace strategy is scheduled for 1Q16 and we will pilot test with Época Cosméticos, a fully subsidiary of Magazine Luiza and the second largest player in the beauty and cosmetics segment.
5. **Digital culture–** Our Company culture has always valued innovation, agility and people in the first place. We encourage our employees to use more apps and social media networks to communicate with customers and team workers. Luizalabs is a great example of this culture. We set up Luizalabs in 2014 so to develop innovation ideas to implement in our sales channels. They have developed many apps since then, including: (i) new app for mobile devices such as smartphones and tablets, (ii) Mobile sales app, Mobile Assembly and Mobile Inventory, (iii) Big data development so to recommend products on our website and send personalized e-mails, (iv) multichannel delivery strategy and (v) the sale of e-commerce products by our stores. At the end of 2015, 75 software engineers worked at Luizalabs in the cities of São Paulo and Franca. Their profile has been defined according to collaborative, productivity and integrated vision principles.

In addition to the launch of its new cycle of digital transformation, the Company also gained Market share. Based on a monthly survey published by Brazilian Demographic and Statistic Institute (IBGE-PMC) which tracks performance of furniture and appliance sectors, among others, we have consistently gained market share. In 2015, according to consultancy firm GFK, which monitors the performance of Brazilian retailers, we have gained share in all of our most important categories. We will continue to work hard in 2016 to enhance our share in a sustainable way.

Focus on lowering operating expenses. In the 2H15, we started mapping the opportunities for expenses reduction in our main offices, distribution center, as well as a complete revision of our budget, using OBZ methodology (zero base budgeting). In addition, we opted to redirect our marketing expenditure, favoring more regional agreements rather than opting for exclusive sponsorship quotas for soccer or other events at Globo TV. We are also renegotiating 300 lease contracts, as well as revising the transportation agreement with 900 drivers, as well as reviewing all of our fixed expenses, such as data transmission, phone calls, travel expenses, security and even cleaning services. Finally, we have completed for the first time a successful negotiation with the labor union, so that a ceiling of readjustment was determined to be applied to our employees at the state of São Paulo.

Succession process. It is especially during crisis that the remarkable innovations and opportunities emerge for companies that are well positioned in their respective sectors. The greatest opportunity that Magazine Luiza has embraced going forward is its own digital transformation, with stores and human kindness. This new process is being led by recently elected CEO Frederico Trajano. Frederico has been with the Company for 15 years in different roles. His last title was COO, where he supervised the performance of all sales channels, marketing, logistics and IT areas. He replaced Marcelo Silva, who was the previous CEO for the last 7 years and in January, 2016 became vice-chairman of the board, alongside Luiza Helena Trajano, who has become president of the board. The board is currently under Luiza Helena leadership, she is a member of the second generation of controlling shareholders and one of the most admired entrepreneurs in Brazil. Luiza Helena will maintain her institutional role within the Company, especially with regards to customer service, relationship with employees and will continue to practice the core values and culture values of Magazine Luiza.

All of the Company actions are geared to lead new trends within the universe which is becoming more and more digital. We remain confident in our ability to continue to grow our business, gain market share and improve our operational efficiency. We will continue to invest in strategic projects, which are part of our digital transformation process and should enhance our profitability and our business model.

At this time we would like to take the opportunity to thank our customers, employees, shareholders, suppliers, JV partners, stakeholders and the community in general for your trust and support during 2015.

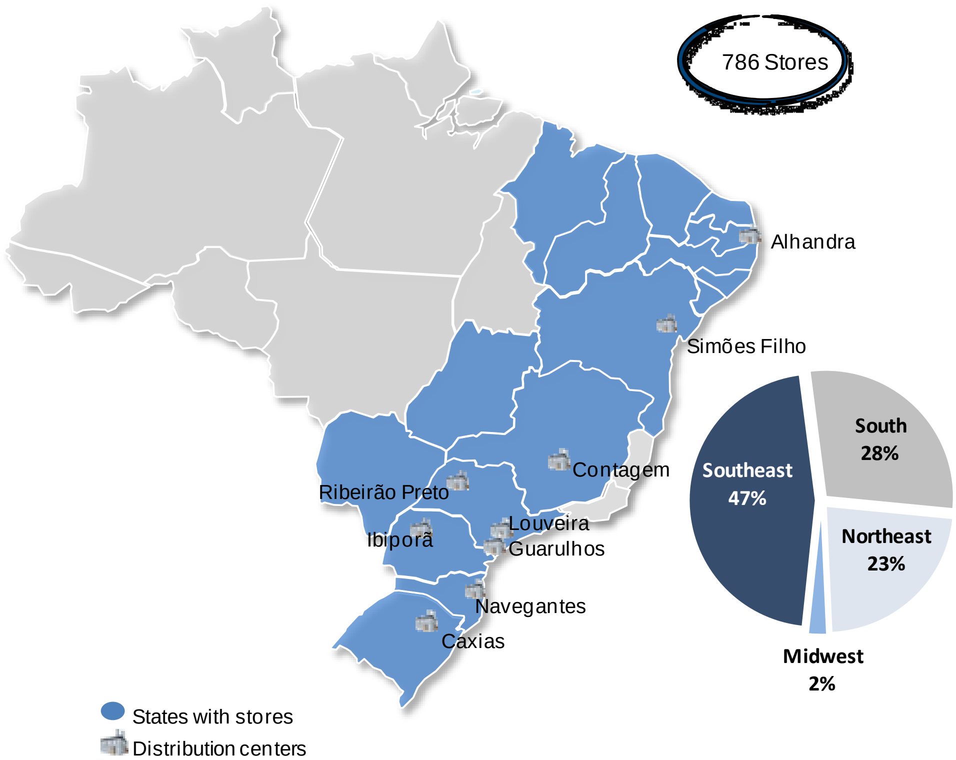
The Executive Management Team of Magazine Luiza

HIGHLIGHTS

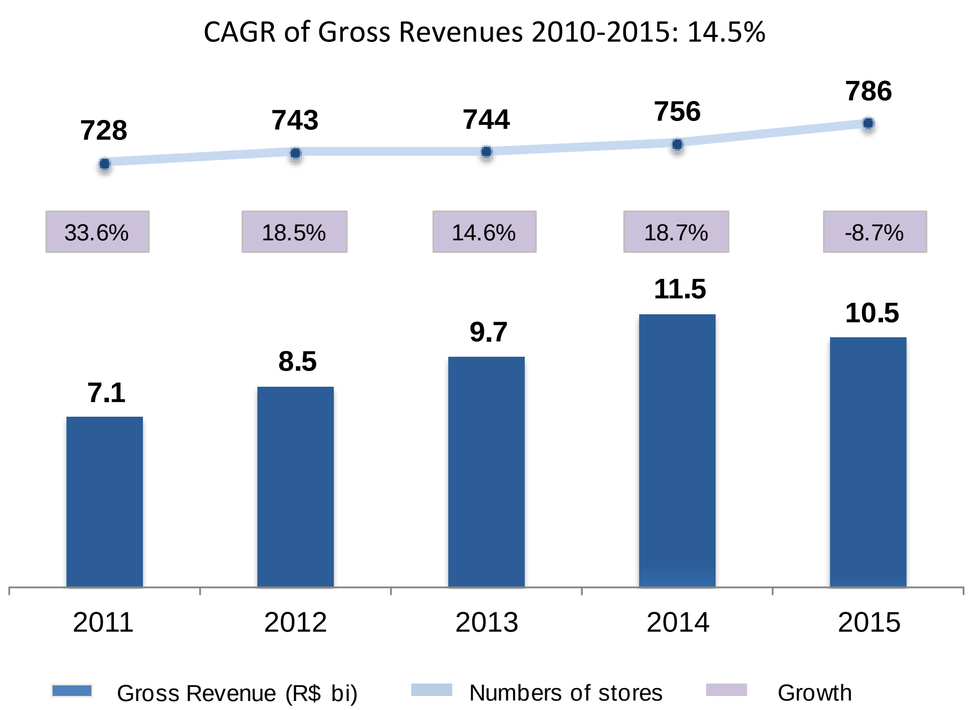
Market share gains with improved gross margin
E-commerce sales grew 10% in 2015, reaching 20% of total sales
Increase in operating cash flow from R$91 million in 2014 to R$428 million in 2015
Adjusted net debt of R$651 million in YE2014 to R$489 million in YE2015

- **Consistent Market share gains.** In 2015, consolidated gross sales reached R$10.5 billion, 8.7% lower YoY due to tough basis of comparison (+18.7% in 2014) and a challenging macro-economic environment. Based on the monthly survey published by Brazilian Institute of Demography and Statistics – IBGE (PMC) and GFK consultancy firm, we have gained market share in all of the major categories that we sell.
- **Strong e-commerce performance.** In 2015, e-commerce sales rose by 9.8%, equivalent to 20% of consolidated sales, boosted by better assortment and the launch of the new mobile app, which accounts for over 1 million, downloads into smartphones.
- **Higher gross margin and tight expenses control.** Gross margin was 120 bps higher in 2015. The result was achieved as a result of: (i) better sales mix, (ii) charging for freight and assembly, and (iii) greater participation of financial services. Operating expenses were basically stable in 2015, even considering higher marketing expenditures and an inflation rate of 10.7% in 2015.
- **EBITDA Margin and net income.** Despite the increase in gross margin, a lower sales performance prevented better dilution of operating expenses. Accordingly, EBITDA reached R$464.7 million, equivalent to an EBITDA margin of 5.2%. In 2015, we recorded negative earnings in the amount of R$65.6 million.
- **Improvement in working capital management and operating cash generation.** The Company reported a significant progress in its operating cash flow from R$91.1 million in 2014 to R$428.2 million in 2015, with significant improvement in accounts receivables, inventory and supplier terms.
- **Reduction in overall financial leverage and increase in cash position.** Adjusted net debt (net of credit card receivables that have not been advanced) totaled R$488.9 million in FY2015 from R$650.5 million in Dec/14, thereby keeping flat the ratio of net debt adjusted/EBITDA at 1.1x, respectively. A higher operating cash flow and the renewal of our insurance contracts, contributed to an increase in the cash and marketable securities balance of R$863.1 million in Dec/14 to R$1,161.8 million in Dec/15, so that its cash position is a lot higher than the short-term debt of R$568.4 million.
- **Growth in Luiza card cardholders' base.** In 2015, even with more conservative approval rates, Luizacred grew its cardholder base by 3.9% to 3.6 million customers, and achieved a growth in Luiza card portfolio of 6.5% to R$3.8 billion. On the other hand, the portfolio for DCC (direct credit to consumers) shrank by 41.7% to R$0.6 billion, as a result of Luizacred's strategy to focus on increasing customer loyalty through a more regular usage of the Luiza card, so to better control default rates. Luizacred reported net income of R$123.3 million in 2015.
- **Renewal of Cardif agreement and good performance of Luizaseg.** In Dec/15, Magazine Luiza renewed its insurance contracts with Cardif and Luizaseg for another 10 years of partnership. As a result of the new agreements, the Company received R$330 million as upfront payment and it increased the capital of Luizaseg in R$55 million. Luizaseg reported net incomes of R$27.9 million in FY2015, a growth of 51.3% when compared with 2014.

Magazine Luiza is one of Brazil's largest retail chains focused on durable goods, with strong appeal to Brazil's mid and low income classes. On December 31, 2015, the Company operated 786 stores and nine distribution centers strategically located in 16 Brazilian states, responsible for 75% of the country's GDP. On the same date, the Company had more than 20,000 employees and a base of 45 million clients.



In the last five years, the compound annual growth rate of the Company's gross revenues was 14.5%, as shown in the chart below. In this period, the Company posted double-digit growth, even in tough years on the macro front, with the exception of 2015.



The Company aims to offer a differentiated buying experience through a diversified sales platform, including the following channels: (i) 671 conventional stores, which have a broad product mix and diversified inventory; (ii) 114 virtual stores, where products are sold by computer terminals and the aid of sales assistants through a multimedia system with a digital product catalog, but with no need for physical inventory; (iii) one online e-commerce website (www.magazineluiza.com.br), which offers differentiated content, services and promotions and exclusive products (B2C); (iv) MagazineVocê, a new direct sales channel on Internet that explores relationship opportunities on social media (C2C); (v) phone sales and (vi) corporate sales (B2B).

2015 HIGHLIGHTS

The table below shows a summary of the Company's main financial indicators related to the fiscal years ended on December 31, 2014 and 2015.

R$ million (except when otherwise indicated)	12M15	12M14	% Chg
Gross Revenue	10,498.3	11,504.7	-8.7%
Net Revenue	8,978.3	9,779.4	-8.2%
Gross Income	2,578.6	2,692.5	-4.2%
Gross Margin	28.7%	27.5%	120 bps
EBITDA	464.7	605.3	-23.2%
EBITDA Margin	5.2%	6.2%	-100 bps
Net Income	(65.6)	128.6	-151.0%
Net Margin	-0.7%	1.3%	-200 bps
Same Store Sales Growth	-10.9%	17.8%	-
Same Brick and Mortar Stores Sales Growth	-15.0%	15.1%	-
E-commerce Sales Growth	9.8%	33.7%	-
Number of Stores - End of Period	786	756	30 stores
Sales Area - End of Period (M2)	498,570	481,726	3.5%

CONSOLIDATED FINANCIAL PERFORMANCE

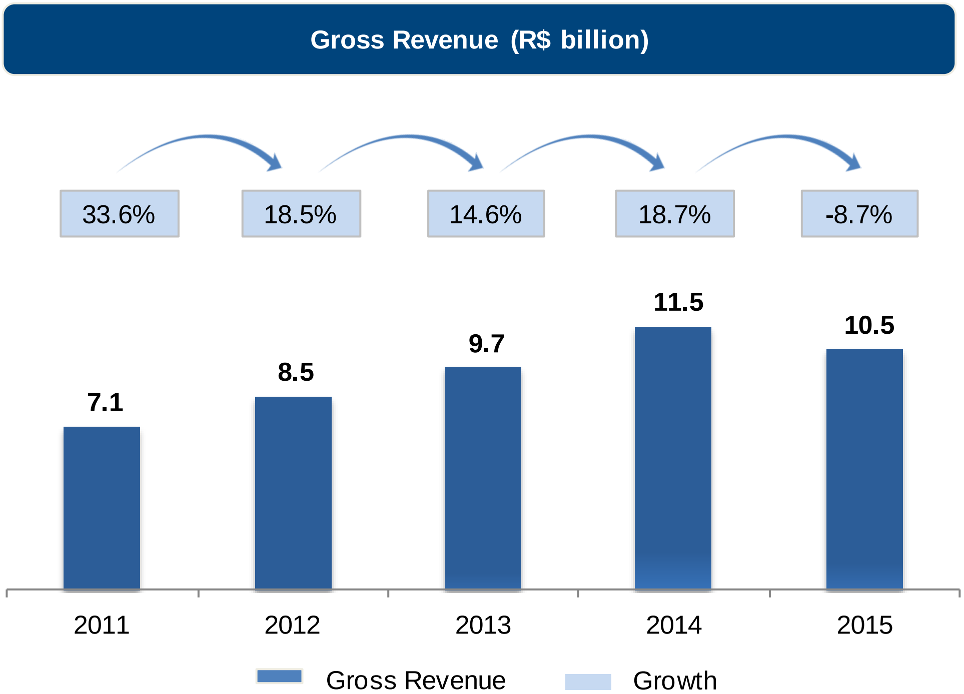
The table below shows the figures referring to the consolidated income statements for the years ended December 31, 2014 and 2015.

CONSOLIDATED INCOME STATEMENT (R$ million)	12M15	V.A.	12M14	V.A.	% Chg
Gross Revenue	10,498.3	116.9%	11,504.7	117.6%	-8.7%
Taxes and Deductions	(1,520.1)	-16.9%	(1,725.3)	-17.6%	-11.9%
Net Revenue	8,978.3	100.0%	9,779.4	100.0%	-8.2%
Total Costs	(6,399.6)	-71.3%	(7,086.9)	-72.5%	-9.7%
Gross Income	2,578.6	28.7%	2,692.5	27.5%	-4.2%
Selling Expenses	(1,720.8)	-19.2%	(1,746.3)	-17.9%	-1.5%
General and Administrative Expenses	(458.5)	-5.1%	(442.6)	-4.5%	3.6%
Provisions for Loan Losses	(30.5)	-0.3%	(22.5)	-0.2%	35.1%
Other Operating Revenues, Net	20.2	0.2%	24.5	0.3%	-17.5%
Equity in Subsidiaries	75.6	0.8%	99.6	1.0%	-24.1%
Total Operating Expenses	(2,113.9)	-23.5%	(2,087.2)	-21.3%	1.3%
EBITDA	464.7	5.2%	605.3	6.2%	-23.2%
Depreciation and Amortization	(125.8)	-1.4%	(114.3)	-1.2%	10.0%
EBIT	338.9	3.8%	490.9	5.0%	-31.0%
Financial Results	(486.1)	-5.4%	(360.7)	-3.7%	34.7%
Operating Income	(147.1)	-1.6%	130.2	1.3%	-213.0%
Income Tax and Social Contribution	81.5	0.9%	(1.6)	0.0%	NM
Net Income	(65.6)	-0.7%	128.6	1.3%	-151.0%

NM = Not meaningful

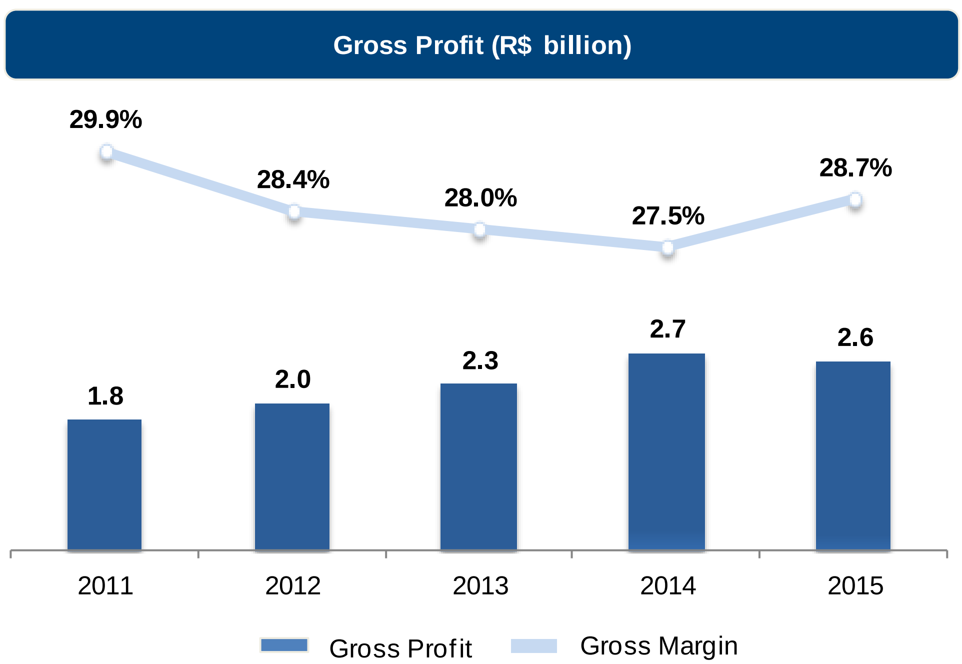
Magazine Luiza's consolidated gross revenues were 8.7% lower over 2014, totaling R$10,498.3 million. In 2015, SSS dropped by 10.9%, as a result of 15.0% decrease in brick and mortar SSS, which were somewhat offset by the ecommerce performance which grew by 9.8% in 2015.

The chart below summarizes the evolution in gross revenues at the last 5 years:



In 2015, gross margin was 120bps higher YoY and reached 28.7%. The increase in gross margin can be explained by: (i) better sales mix, (ii) the charge of shipping and handling at stores, and (iii) higher share of services as a percentage of our sales.

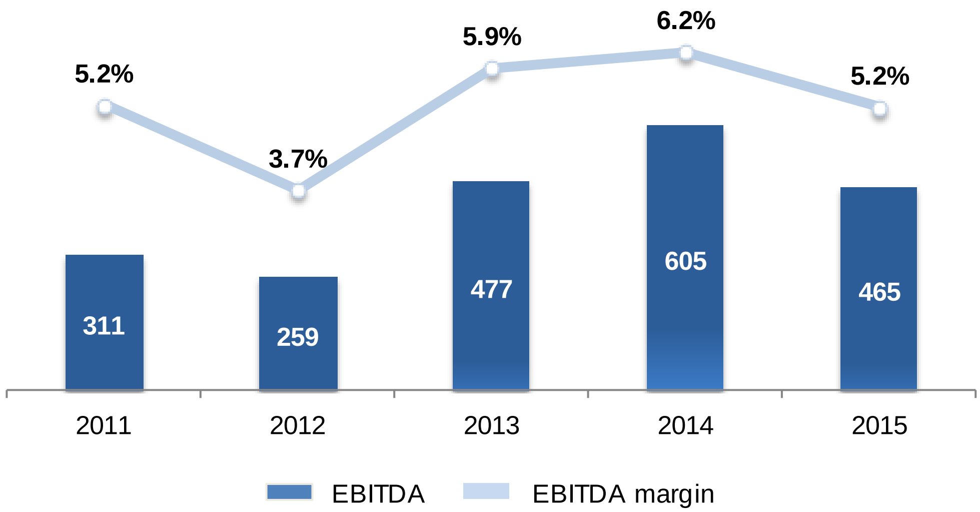
Below is the growth of gross profit at the last 5 years:



EBITDA (earnings before interest, taxes, depreciation and amortization) stood at R$464.7 million in 2015, for 5.2% margin, 100 bps down YoY. Despite a higher gross margin in the year, lower sales performance prevented better dilution of expenses and as a result a higher EBITDA margin.

The chart below shows the changes in EBITDA at the last 5 years:

EBITDA (R$ million)



PERFORMANCE BY SEGMENT

Consolidated Performance

In 2015, the Company opened 30 new stores and didn't close any, ending the year with 786 stores, of which 671 were conventional stores, 114 virtual stores and one website. Of our store bases, 24% are not yet mature.

Total gross sales fell by 8.7% to R$10,498.3 million. In 2015, SSS were 10.9% lower, as a result of a decrease in brick and mortar SSS of 15.0%; however the brick and mortar's poor performance was mitigated by a 9.8% growth in e-commerce sales. The lower sales performance in the year can be explained by (i) tough basis of comparison as (gross sales grew by 18.7% in 2014), and (ii) challenging macro-economic environment and lowest levels of consumer confidence. Additionally, the e-commerce sales reached R$2,059.5 million, equivalent to 19.6% of total sales in 2015 (versus 16.3% in 2014).

Gross margin reached 28.7% (120bps higher than 2014) at R$2,578.6 millions. Gross margin improvement was due to: (i) sales mix, (ii) charging for shipping and assembly in all stores, and (iii) increase in services revenue participation.

Selling expenses reached 19.2% of net revenues, 130 bps higher than 2014, while general and administrative expenses (G&A) participation reached 5.1%, equivalent to an increase of 60bps over 2014. Provisions for loan losses reached R$30.5 million in 2015. As a result, SG&A represented 23.5% of net sales, up 220bps YoY.

EBITDA reached R$464.7 million, for 5.2% margin, 100 bps lower when compared with 2014. Despite the increase in the gross margin, lower sales performance prevented better dilution of expenses and therefore an improvement in the EBITDA margin in 2015.

In 2015, net losses totaled R$65.6 million, which stems from lower sales and inferior dilution of operating expenses and higher interest rate in the period.

R$ million	12M15	%N.R.	12M14	%N.R.	% Chg
Gross Revenue	10,498.3	116.9%	11,504.7	117.6%	-8.7%
Net Revenue	8,978.3	100.0%	9,779.4	100.0%	-8.2%
Gross Income	2,578.6	28.7%	2,692.5	27.5%	-4.2%
Total Operating Expenses	(2,113.9)	-23.5%	(2,087.2)	-21.3%	1.3%
EBITDA	464.7	5.2%	605.3	6.2%	-23.2%
Net Income	(65.6)	-0.7%	128.6	1.3%	-151.0%

Luizacred

In 2015, net revenues grew by 5.0% totaling R$1,720.5 million, as a result of improved at Luiza card and others services revenue.

Gross profit increased by 2.8% YoY to R$1,451.1 million in 2015. However, gross margin declined by 180bps YoY, equivalent to 84.3% of net sales mainly due to higher interest rates in the period.

Provision for loan losses, net of recoveries, total R$630.1 million in 2015 and were 350bps higher YoY, up from 33.1% of net sales in 2014 to 36.6% of net sales in 2015, as a result of a more challenging consumer and credit scenario.

Other operating expenses (SG&A + taxes + depreciation and amortization) amounted to R$648.0 millions in 2015, equivalent to 37.7% of net sales, 360bps higher YoY due to the growth in cardholders base and credit portfolio.

Earnings before interest, taxes, depreciation and amortization (EBITDA) in Luizacred was 44.3% lower YoY and totaled R$173.0 million in 2015 (EBITDA margin of 10.1%). In 2015, earnings were negatively impacted by higher interest rates in the period which increased funding costs and higher provisions for bad debts.

In 2015, Luizacred reported earnings of R$123.3 million (net margin of 7.2%).

R$ million	12M15	%N.R.	12M14	%N.R.	% Chg
Net Revenue	1,720.5	100.0%	1,638.2	100.0%	5.0%
Gross Income	1,451.1	84.3%	1,411.0	86.1%	2.8%
Total Operating Expenses	(1,278.1)	-74.3%	(1,100.5)	-67.2%	16.1%
- Provision for Loan Losses, Líquid	(630.1)	-36.6%	(543.0)	-33.1%	16.0%
- Other Operating Expenses	(648.0)	-37.7%	(557.5)	-34.0%	16.2%
EBITDA	173.0	10.1%	310.5	19.0%	-44.3%
Net Income	123.3	7.2%	180.8	11.0%	-31.8%

EBITDA, Adjusted EBITDA and Adjusted Net Income

EBITDA (earnings before income and social contribution taxes, financial income and expenses, depreciation and amortization) is not a financial performance measure under the accounting practices adopted in Brazil. Because it does not consider expenses intrinsic to the business, EBITDA has limitations that affect its use as a profitability or liquidity indicator. EBITDA should not be considered an alternative to net income or operating cash flow. In addition, EBITDA does not have a standard meaning, and our definition may not be comparable with the definitions adopted by other companies. Non-recurring results used to calculate adjusted EBITDA and adjusted net income should not be considered an alternative to EBITDA and net income according to the accounting practices adopted in Brazil.

HUMAN RESOURCES, SOCIAL RESPONSIBILITY AND SOCIAL PROJECTS

Our vision is to become the most innovative retailer in Brazil, by offering many products and services to Brazilian families. We want to be where, when and how the consumer would choose to shop, at our brick and mortar stores, our virtual stores or online. Our mission is to enchant the customer with a top notch retail team, providing a differentiated customer service, while adopting competitive prices. Our mission is to be an innovative and bold Company, which aims to maintain the well-being of everyone.

The strength of our employees is a trademark of Magazine Luiza. In order to keep the employees motivated, the Company invests in a clear communication as well as training sessions on different topics to engage the teams to work together. The internal communication is heavily used between leaders within the company and the rest of employees. During 2015, about 50 live TV programs were developed and aired for our employees through our closed TV network system (TV Luiza) – basically we aired a different program once a week to the whole group.

Over the last 19 years, Magazine Luiza has featured among “best companies to work for” ranking by the *Great Place to Work Institute (GPTW)*. In 2003 we were selected as the best company to work for within Brazil. In 2010, the Company earned another title, this time in the category - best internal communication with its employees. In 2011, it ranked among the top 20 companies in Latin America and also ranked #3 among Brazilian companies, according to GPTW. In 2012 it won again first place in best internal communication with its employees, besides featuring again among the top in the GPTW survey. Finally in 2015, it achieved #6 place among Brazilian companies in the category with over 1,000 employees (large corporate) and also ranked #8 within Latin American companies by GPTW survey. All of these achievements are due to our innovative DNA, but above all the fact that we put people at the top of our chain.

According to a recent report by *Delloitte/Stores Media* report “Global Powers of Retailing 2015”, the company featured among the 250 largest retailers in the world. Only two Brazilian companies which are controlled by Brazilian families made this list which was first disclosed to the public at the *National Retail Federation (NRF)* Show held in New York City annually. The Company also featured in the top 50 global companies with fastest top line growth over the 2008-2013 period, with CAGR sales growth rate of 27.5%. It is also listed as #66 by Istoé Magazine ranking of “1,000 largest Brazilian Corporate”. Lastly, the Company was also mentioned in a list elaborated by *Carta Capital Magazine* as “one of the most admired companies in Brazil”.

As far as its relationship with customers, in a monitored survey elaborated by *Torabit* (a digital platform that monitors brand engagement throughout social media websites), the Company ranked first, considering e-commerce websites in 2015. The effort and hard work done by our customer service area during 2015 paid off as they were awarded a RA1000 quality seal by Brazil’s largest consumer complain website – *Reclame Aqui*. This recognition should help to raise consumer awareness as it increases the visibility of our brand and assist in future customers purchasing decisions. At last, the Company received an *Oscar Award* for the customer service provided after the sale of products by the magazine *Consumidor Moderno*.

Our e-commerce operation has won for 12 times the Diamond Prize of Excellence in E-commerce Website – B2C and Magazine Luiza’s website earned “Best Website” in 2015. The website received best punctuation in an open voted contest organized by specialists in websites. Our webpage is one of the top three most visited pages in Brazil.

Finally, our consortium company - *Consórcio Luiza* - was a finalist with two innovation cases presented to the Brazilian Consortium Companies Association (ABAC) in 2015. The consortium was also awarded the RA1000 quality seal from “Reclame Aqui”, website that ranks and monitors customer services in the country. According to *GPTW* ranking, Consórcio Luiza is considered the third best company to work for in Brazil (in the medium size companies’ category).

STATEMENT FROM EXECUTIVE OFFICERS

In compliance with the provisions in Article 25 of CVM Rule 480, the Company’s Executive Officers hereby state that they have discussed, reviewed and agreed with the audit report of ERNST & YOUNG Auditores Independentes S.S, issued on February 26, 2016, as well as with the financial statements for the years ended December 31, 2015 and 2014.

RELATIONSHIP WITH INDEPENDENT AUDITORS

In compliance with CVM Rule 381/03, we hereby state that the Company, its subsidiaries and jointly-owned subsidiaries have adopted a formal procedure, whereby they consult the independent auditors ERNST & YOUNG Auditores Independentes S.S. (EY), so as to ensure that the provision of other services will not affect the independence and objectivity required to perform their duties as independent auditors. The Company's policy regarding hiring independent auditors guarantees that there is no conflict of interests, nor is there any loss of independence or objectivity.

In the fiscal year ended December 31, 2015, EY didn't provide additional services which exceeded 5% of the fees to audit the consolidated financial statements of Magazine Luiza S.A.

When hiring these services, the policies adopted by the Company are based on principles that preserve the auditors' independence. In accordance with the internationally accepted standards, these principles determine that: (a) auditors must not audit their own work; (b) auditors must not exercise any managing position in their clients, and (c) auditors must not legally represent the interests of their clients.

Ernst & Young Auditores Independentes declared that the services rendered were done strictly in compliance with the accounting standards that regulate the independence of the independent auditors in audit procedures and did not create a situation that could have affected the independence and the objectivity of the external audit services.

ACKNOWLEDGMENTS

At this time, the Company would like to thank its shareholders, customers, employees, suppliers, service providers, lenders, and the communities with which it operates for their support and partnership during 2015.

São Paulo, February 29, 2016.
The Management team