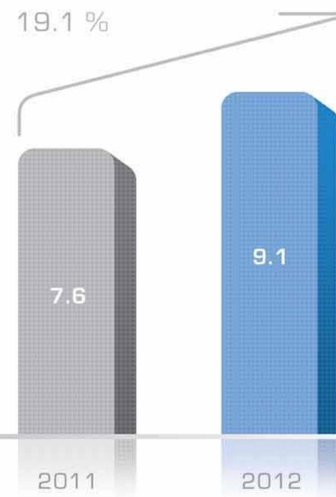
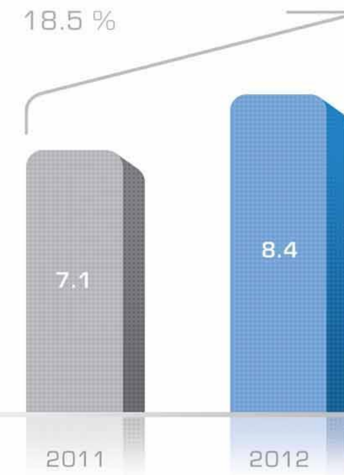
magazineluiza

Our Universe

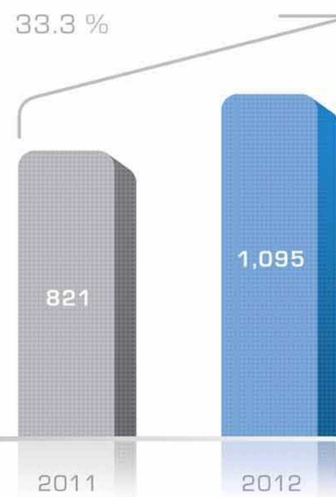
Total Gross Revenue (R$ billion)



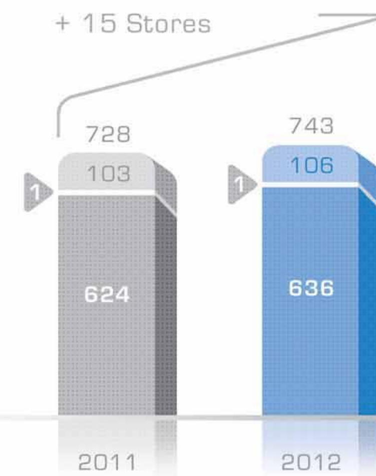
Retail - Gross Revenue (R$ billion)



Gross Internet Revenue
(R$ million)

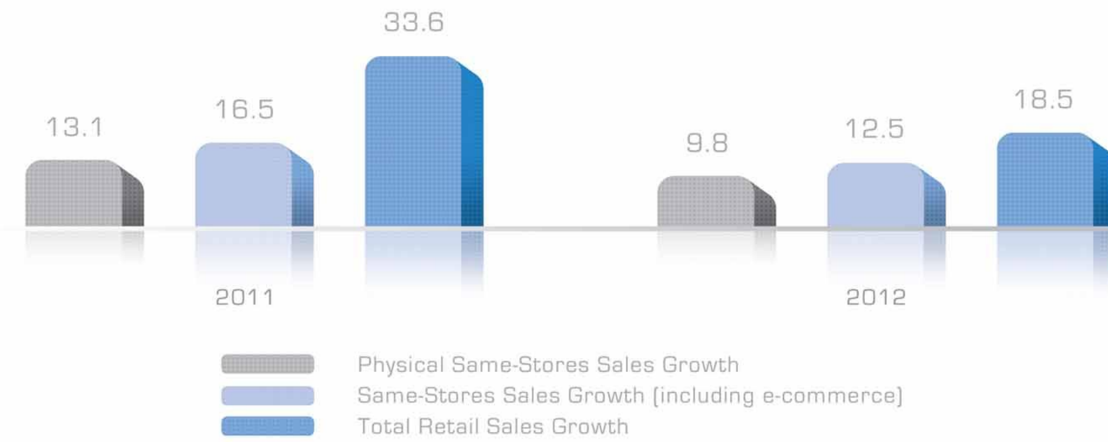


Evolution in Number of Stores
(in quantity)



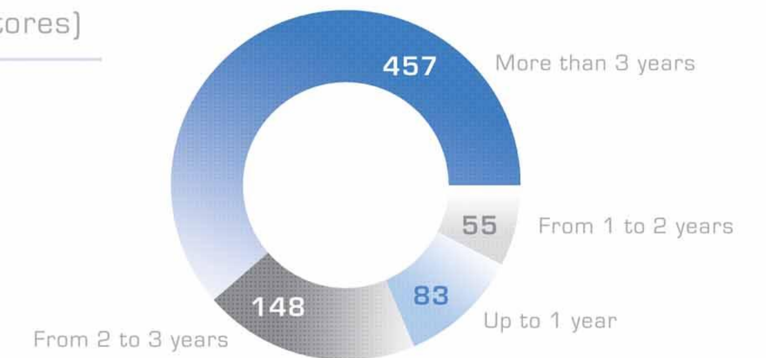
Virtual Stores
Website
Conventional Stores

Same-Stores Sales Growth (%)

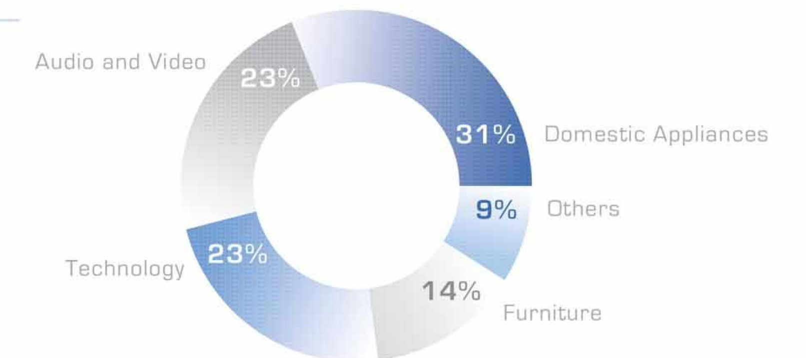


Physical Same-Stores Sales Growth
Same-Stores Sales Growth (including e-commerce)
Total Retail Sales Growth

Average Stores Age
(in quantity of stores)



Balanced Product Mix
(% of sales in 2012)



Louveira Distribution Centre/SP – 03/05/2013

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About us

We Offer Happiness to Brazilian People

We are committed to Brazil and our investors

Magazine Luiza is one of the largest retail chains in the country, focusing on durable goods and enjoying a strong geographic reach across Brazil's low-income class with 30% of our 30 million registered clients currently active.

Our objective is to sell products and services that generate personal satisfaction and happiness largely to Brazil's C class, which represents more than 100 million Brazilians. We offer a highly diversified products mix focused on household appliances, electronic products, technology, furniture and kitchen, domestic utilities, toys and others. The range covers all age groups within a family.

End 2012, the company, which had a market value of R$2.3 billion, operated 743 stores and sold 22.3 million products, employing more than 24 thousand staff and running eight distribution centers. We are present in 16 Brazilian states, representing 75% of the world's seventh largest economy's GDP.

Today, Magazine Luiza is strategically inserted in a segment considered to be the engine behind national economic growth where the main driving element is consumption. The expectation is that this sector will continue to outpace GDP expansion over the next decade thanks to strong demand fuelled by rising revenue per capita, low unemployment, increasing access to affordable credit and class migration.

We are well positioned to capture this demand, give continuity to the company's growth and strengthen our value proposition to all of our stakeholders.

Nationally, we set ourselves apart thanks to our multichannel sales platform which allows our clients to choose where, when and how they buy their wares.

We are much more than a retail company. With our subsidiaries, we facilitate buying by offering credit services via Luizacred, insurance through Luizaseg, and major purchases of cars, properties and services through Consortium Luiza.

We also offer excellence in service to all four corners of the Country by being always attentive to our customers, their behavior and market trends. All of our staff are guided by a single philosophy, known as the **Jeito Luiza de Ser** – Luiza's Way of Being, which is based on one golden rule: Do to others what you would have them do to you. We value our special relationship with many stakeholders whether they be staff, service providers, suppliers or clients, putting them always in first place. For fifteen years, we are among the best companies to work for in Brazil.

Luiza Helena Trajano

Letter from the president

Dear Shareholders,

The year represented a great achievement for Magazine Luiza: the accomplishment of a development cycle which was very important for the consolidation of the Company within Brazilian retail in 2012. We increased sales 19.1%, compared to 2011, reaching R$9.1 billion in consolidated gross revenue. Same stores sales growth totaled 12.5%, driven by the maturation of new stores mainly in the Northeast and the rapid advancement of our e-commerce business. We have grown above the industry average and gained market share in all our product categories in a challenging economic environment amid stiff competition.

For the first time in the Company's history, e-commerce surpassed the R$1 billion sales mark, closing last year with R$1.1 billion in revenue, or 33,3% higher compared to 2011. This achievement was underpinned by an increasing number of visits on the website, expanded product assortment and the new B2B and market place partnerships, such as trips and food supplements. Magazine Luiza's e-commerce received e-bit's best home appliance store and most beloved store in Brazil awards thanks to its constant focus on innovation, with the launch of the new version of the website/mobile and a significant improvement in logistics and operations.

We believe our multichannel approach to be one of our competitive advantages. Providing excellent services to our customers, whether in bricks-and-mortar stores, on our website or through magazinevocê, is part of our mission. The profitability of all our channels proves that a multichannel approach generates infrastructure and operating expense synergies, ensuring the Company's sustainable growth. In addition to the solid sales performance of our traditional channels, magazinevocê is also growing at a fast pace, with more than 70,000 disseminators 10 months after its launch in February 2012, underlining the Company's innovative capacity to use the social media as a new national sales tool.

The integration of Lojas Maia and Baú da Felicidade stores was extremely successful, despite its complexity, requiring the direct involvement of more than 200 employees. We integrated 104 stores in the South and Southeast (Baú stores) and 150 stores in the Northeast (Maia stores) in February and October 2012, respectively. Today, all 743 stores, distribution centers and accounting and management systems are fully integrated.

Throughout 2012 we engaged in a programme to rationalize costs and expenses, which was the first step of a cycle focused on productivity and profitability. This programme allowed for significant cost savings across all the Company's departments, but we still have a long path to follow in 2013, with opportunities both in the Northeast and in the other regions where we operate.

The conservative approach adopted in 2012 by Luizacred began to yield positive results in the last quarter of the year. Default indicators improved significantly, we managed to balance the mix between direct consumer credit and the co-branded credit card and to implement the project to rationalize costs and expenses and increase store productivity. As a result, Luizacred closed 4Q12 with an 11.6% EBITDA margin and a 6.0% net margin.

We began 2013 with two missions: to adopt a strategic people management model and to increase the Company's profitability. Our employees are Magazine Luiza's major asset; in order to ensure excellence in customer service we first need to care for our staff. Throughout 2013, our focus will be on training, retention, qualification and maintenance of the "Luiza way of being" in all our stores, offices and distribution centres.

We will strengthen our productivity and profitability-oriented cycle, which we began in 2012 with the cost and expense rationalization programme ("More with Less" programme). The Company plans to open between 20 and 25 new stores, after closing 14 stores in January 2013.

Our goal is to preserve our margins in a more competitive environment. The Company expects to reduce the difference in the gross margin between stores in the Northeast and those in the other regions where it operates. In order to ensure the maintenance of margins across all regions, the Company has developed a Price Management Project that is currently being implemented and is designed to increase pricing intelligence by channel, region and product family.

We will obtain the synergies expected from the acquisitions of Lojas Maia and Baú da Felicidade stores and will have no more non-recurring integration expenses in 2012. The "More with Less" programme has established stricter control policies for 2013, from redefining budget processes for each department to adopting "zero base" targets for each area and prioritizing cost reduction projects to be implemented throughout the year.

In addition to the "More with Less" programme, other initiatives will be implemented in 2013 focusing on cutting costs and expenses: (i) payroll tax exemption and reduced electricity costs, as announced by the Federal Government; (ii) the higher productivity of support teams and Luizacred in the stores; (iii) lower logistics costs with the multi-channel delivery project – e-commerce products will be delivered directly by the Company's eight distribution centres; and (iv) dilution of marketing expenses.

We are optimistic about the year 2013 and believe that the consolidation and integration of stores will enable the success of a new sustainable growth cycle, with improved productivity and profitability levels in the medium.

Luiza Helena Trajano
President of Magazine Luiza

Marcelo Silva

A word from the CEO

Integration and Consolidation

Embracing the Northeast

We started 2012 with great expectation and determination that we would succeed in integrating the Lojas Maia retail chain in the Northeast and Baú da Felicidade in the South and Southeast. The challenges were great involving systems, inventory, credit, purchasing management, capacity of distribution centres, logistics, employees, staff management and culture. How could we do that best?

The integration required planning, commitment and much dedication as the acquisition of both networks in 2010 and 2011 was bold. The new chains required investments and commitment from the whole Company to ensure best results and ultimately generate a positive return.

Baú da Felicidade's integration began in the third quarter of 2011 when 104 stores were incorporated. The project took into account the opening and closing of stores at the get-go, as well as refurbishment, systems and corporate integration.

The purchase of Baú da Felicidade had two strategic goals: boost our operations in the states of São Paulo and Paraná and expand our multimedia stores base better known as "Virtual" stores.

From the 104 outlets acquired, 35 were converted to the Virtual model. In turn, the integration of Lojas Maia began in the first quarter in 2011 and included 150 stores. We took into account the local culture and introduced the Magazine Luiza name gradually. We redecorated the stores, expanded the product mix, introduced consumer financing via Luizacred and trained all leaders and sales teams. Local acceptance of our brand could be seen in the doubling of revenue since the acquisition.

To overcome logistics challenges we set up a veritable war room after our geographic presence increased to 16 states from seven. We developed solutions for a new integrated, healthier and more efficient supply chain. In short, we redrew Magazine Luiza's regional map, expanding our presence across the country and introducing our unique sales campaigns culture including "The Fantastic Sale", "Gold Customer", "Only Tomorrow" and "Clearance Sale" in Northeast.

Luizacred was essential to our operation's success in the Northeast given the concentration of low-income Brazilians across the region and lack of access to credit. The unit is currently responsible for financing a large portion of sales in the region.

By February and October 2012, we successfully concluded the integration of Baú da Felicidade and Lojas Maia, respectively. Finally, the companies were speaking the same language, using Magazine Luiza's last generation systems, a single accounting platform and above all integrated management and vision. We have standardised our services, visual identity and implemented across our network **"Luiza's Way of Being"**. The integration represents a milestone in Magazine Luiza's 55-year history.

In 2013, we began a new cycle for the company, we expect high single-digit same-store sales growth and to maintain margin. We will continue to capture synergies from our acquisitions and boost the frequency of consumption offering a singular service to our customers.

We expect to invest R$ 150 million, slightly below 2012's level, focusing on the opening and refurbishing of stores, redesigning key areas of our branches units, increasing the capacity of the distribution centers and improving the technology and logistics segments. We expect to open 20 to 25 stores in the Northeast, South and Southeast, and we will benefit from the continuity of the maturation process of a third of the stores.

In customer service, our focus will be the improvement of the supply chain with initiatives involving inventory management and pricing, review of commercial and store processes and better logistics efficiency to ensure an even more memorable shopping experience for our customers.

We undoubtedly believe in constant improvement so that we bring satisfaction to our customers and boost returns for our shareholders. Our philosophy and values are essential to the success of our business.

Marcelo Silva
Magazine Luiza CEO

Integration of over 250 stores in one year	BAÚ DA FELICIDADE	LOJAS MAIA Toda Sua
Acquisition Date	August, 2011	August, 2010
Project Start	August, 2011	March, 2011
Project Ends	February, 2012	October, 2012
Scope (Integration)	104 Stores	150 Stores, 2 DCs, 3 cross docking
National Coverage	2 States (SP and PR)	9 States (PI,CE,PB,PE,SE,MA,RN,AL and BA)
Revenue in 2010	R$ 415 million	R$ 652 million
Average Store Size	400 m²	620 m²
Increase in Magazine Luiza's Sales Area	39,000 m²	96,000 m²

Roberto Bellissimo Rodrigues

A word from the CFO

Financial Health and Productivity

An eye on profitability

The year 2012 began with expectations of favorable macroeconomic outlook. We expected 4% GDP growth thanks to an increase in the minimum wage, lower interest and unemployment rates.

Despite this positive outlook, we decided to develop a programme to reduce costs and increase productivity. We were aware that there would be one-off expenses related to the integration of Lojas Maia and Baú da Felicidade throughout the year. This way, we launched the programme "More with Less", aiming to improve operational efficiency and the Company's financial indicators.

This project began in January 2012. We observed Magazine Luiza in detail from the management of our procurement budget and inventory to the turnover of our goods. We renegotiated most of the contracts with our suppliers and contractors.

Savings were achieved across the Company and the programme gained strength during the year, particularly in the fourth quarter when recurring operational expenses, adjusted to one-offs, decreased 0.7 percentage points compared to the previous year.

The result of the programme helped to reduce the impact of a less favorable economy that failed to deliver expected gains during the year. Amid this challenging environment, it was necessary to stimulate the frequency of consumption to ensure double-digit revenue growth. In the last quarter of 2012, we launched several campaigns, such as Black Friday, which pressured gross margin and EBITDA and impacted the annual result.

Considering our one-off R$ 39.9 million operating result, which was largely related to the integration of the retail chains, we closed the year with an R$ 6.7 million loss. Excluding these expenses, adjusted net income totalled R$ 14.1 million.

Conservatism adopted by Luizacred during 2012 also negatively impacted the Company's results. However, the continuous improvement of lagging indicators and operating margins thanks to the increased participation of Direct Consumer Credit (CDC) and a drop in Co-Branded Credit Cards, Luizacred generated sustainable return levels in the fourth quarter with EBITDA margin at 11.6%.

For 2013, economists predict 3% GDP growth. We will grow in a sustainable way, focusing on preserving operating margins, and using new processes to better control the management of prices and gradually reduce the gap between gross margin in the Northeast and other regions. We are convinced stores in the Northeast and Baú da Felicidade's old branches will bring positive results.

Luizacred will maintain its conservative stance when approving credit and provisioning, however, we believe provisions will fall in proportion to an improvement in its delayed payment indicators. Meanwhile, we will focus on increasing margin. Today, we are confident about Luizacred's performance following the transfer of credit cards processing to Itaú, in addition to the focus on higher margin products, such as CDC. We will improve our results in a consistent, predictable and gradual way. We will continue to be focused on financial prudence with plans to reduce costs and expenses and increase store efficiency. In the medium term, we expect to reduce working capital through credit recovered from ICMS by tax substitution and better inventory management, now that the Northeast is integrated. We intend to improve our debt profile, extend the average maturity, reduce re-financing risk and decrease out net debt to EBITDA ratio.

The goals are ambitious but such measures will contribute to the operational efficiencies, resulting in better financial results. The entire Board is aligned in achieving these financial targets.

Roberto Bellissimo Rodrigues
Magazine Luiza CFO

Our History

Flagship store in Franca / São Paulo

Ethics and Values

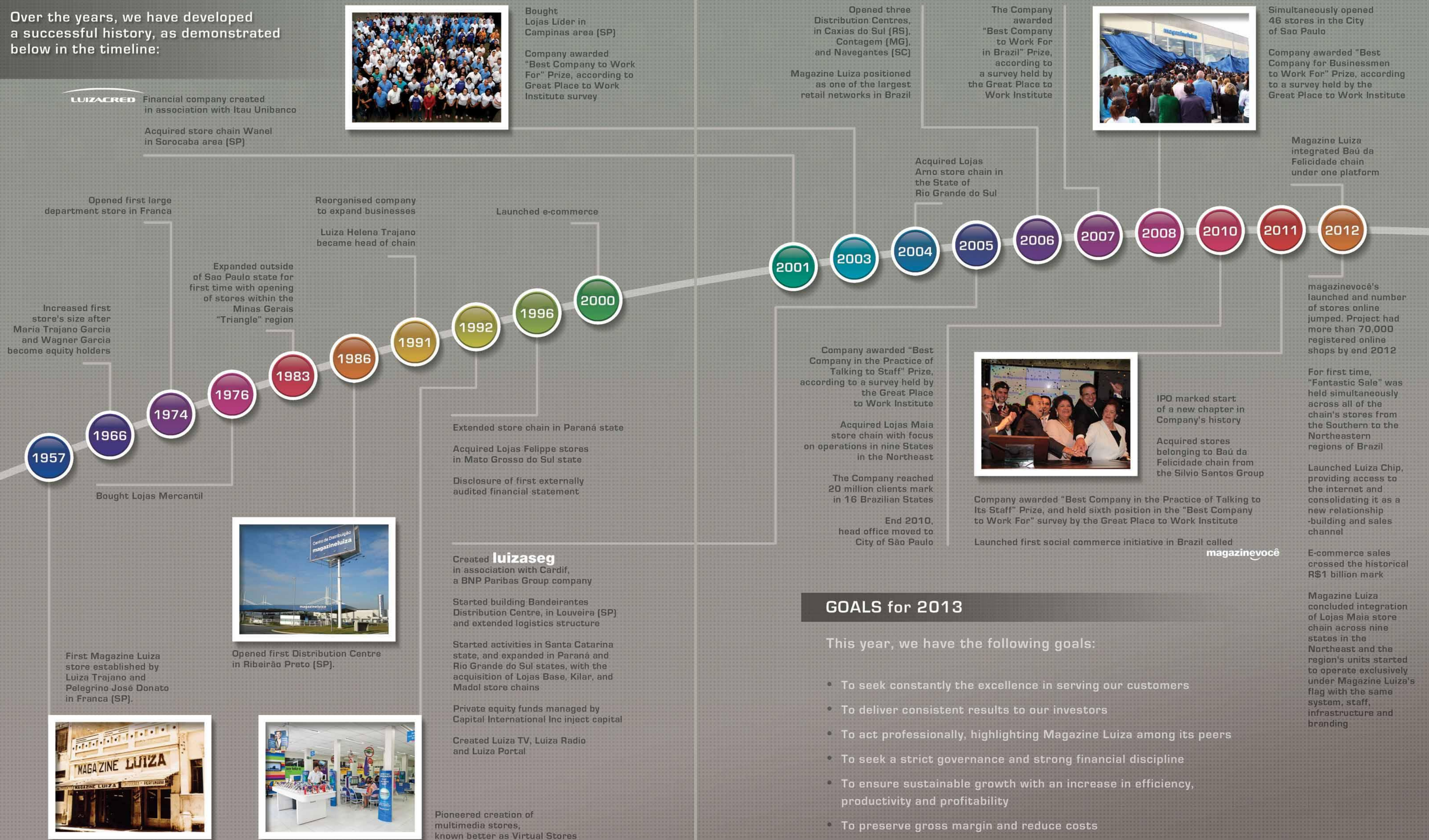
MISSION

People are the essence of the business

To be a competitive, innovative, and bold company, which always seeks the common well-being.

Learn about Magazine Luiza's history

The origins of one of Brazil's biggest retail companies can be traced back to a small shop in a little town known as Franca, deep within the state of São Paulo. Inaugurated on November 16 1957, the store was initially known as "A Cristaleira".

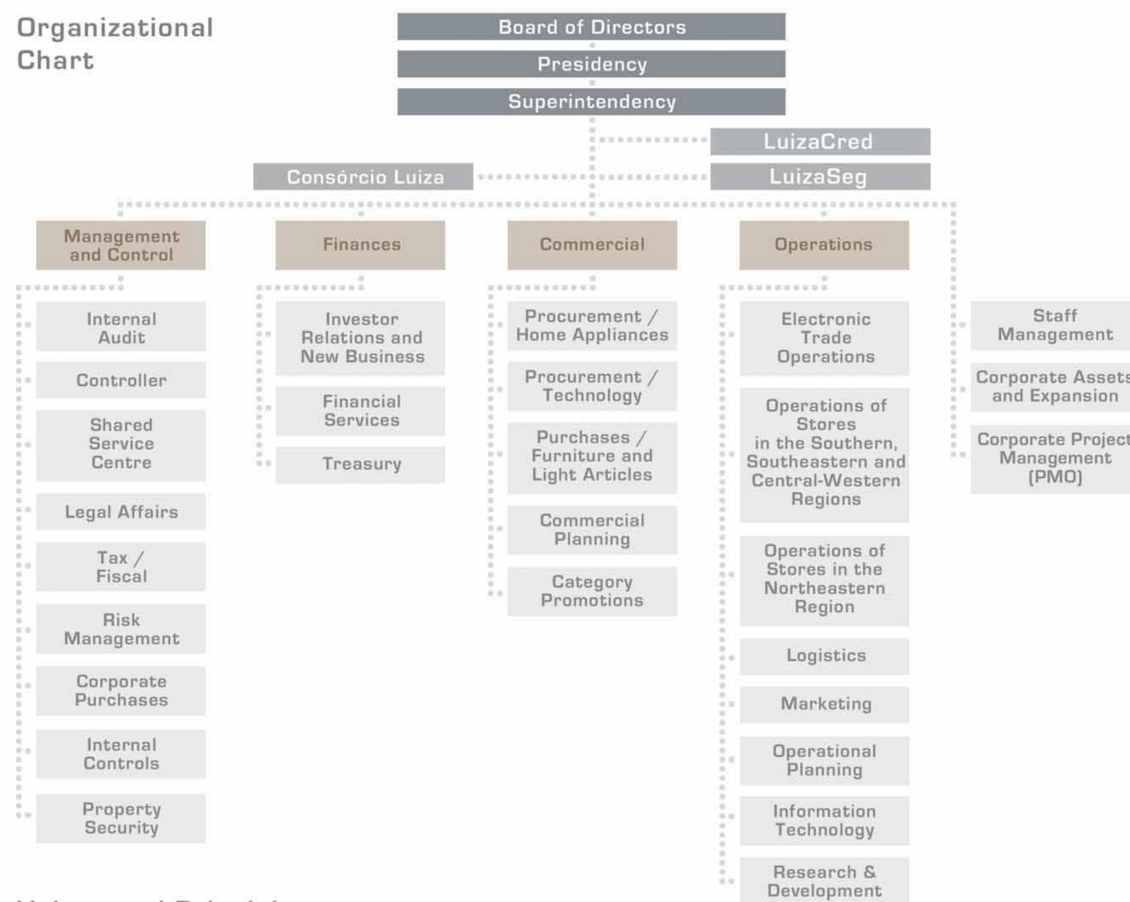


The Company
Over the years, we have developed a successful history, as demonstrated below in the timeline:
1957
First Magazine Luiza store established by Luiza Trajano and Pelegrino José Donato in Franca (SP).
MAGAZINE LUIZA
1966
Increased first store's size after Maria Trajano Garcia and Wagner Garcia become equity holders
1974
Opened first large department store in Franca
1976
Bought Lojas Mercantil
1983
Expanded outside of Sao Paulo state for first time with opening of stores within the Minas Gerais "Triangle" region
1986
Opened first Distribution Centre in Ribeirão Preto (SP).
Centro de Distribuição magazineluiza
1991
Reorganised company to expand businesses
Luiza Helena Trajano became head of chain
Pioneered creation of multimedia stores, known better as Virtual Stores
1992
Extended store chain in Paraná state
Acquired Lojas Felippe stores in Mato Grosso do Sul state
Disclosure of first externally audited financial statement
1996
Created luizaseg in association with Cardif, a BNP Paribas Group company
Started building Bandeirantes Distribution Centre, in Louveira (SP) and extended logistics structure
Started activities in Santa Catarina state, and expanded in Paraná and Rio Grande do Sul states, with the acquisition of Lojas Base, Kilar, and Madol store chains
Private equity funds managed by Capital International Inc inject capital
Created Luiza TV, Luiza Radio and Luiza Portal
2000
Launched e-commerce
2001
LUIZACRED Financial company created in association with Itau Unibanco
Acquired store chain Wanel in Sorocaba area (SP)
2003
Bought Lojas Lider in Campinas area (SP)
Company awarded "Best Company to Work For" Prize, according to Great Place to Work Institute survey
2004
Acquired Lojas Arno store chain in the State of Rio Grande do Sul
2005
Company awarded "Best Company in the Practice of Talking to Staff" Prize, according to a survey held by the Great Place to Work Institute
Acquired Lojas Maia store chain with focus on operations in nine States in the Northeast
The Company reached 20 million clients mark in 16 Brazilian States
End 2010, head office moved to City of São Paulo
2006
Opened three Distribution Centres, in Caxias do Sul (RS), Contagem (MG), and Navegantes (SC)
Magazine Luiza positioned as one of the largest retail networks in Brazil
2007
The Company awarded "Best Company to Work For in Brazil" Prize, according to a survey held by the Great Place to Work Institute
2008
Simultaneously opened 46 stores in the City of Sao Paulo
Company awarded "Best Company for Businessmen to Work For" Prize, according to a survey held by the Great Place to Work Institute
2010
Company awarded "Best Company in the Practice of Talking to Its Staff" Prize, and held sixth position in the "Best Company to Work For" survey by the Great Place to Work Institute
Launched first social commerce initiative in Brazil called magazinevocê
2011
IPO marked start of a new chapter in Company's history
Acquired stores belonging to Baú da Felicidade chain from the Silvio Santos Group
2012
Magazine Luiza integrated Baú da Felicidade chain under one platform
magazinevocê's launched and number of stores online jumped. Project had more than 70,000 registered online shops by end 2012
For first time, "Fantastic Sale" was held simultaneously across all of the chain's stores from the Southern to the Northeastern regions of Brazil
Launched Luiza Chip, providing access to the internet and consolidating it as a new relationship -building and sales channel
E-commerce sales crossed the historical R$1 billion mark
Magazine Luiza concluded integration of Lojas Maia store chain across nine states in the Northeast and the region's units started to operate exclusively under Magazine Luiza's flag with the same system, staff, infrastructure and branding
GOALS for 2013
This year, we have the following goals:
• To seek constantly the excellence in serving our customers
• To deliver consistent results to our investors
• To act professionally, highlighting Magazine Luiza among its peers
• To seek a strict governance and strong financial discipline
• To ensure sustainable growth with an increase in efficiency, productivity and profitability
• To preserve gross margin and reduce costs

Vision

To be the most innovative group in national retail, offering various product lines and services to the Brazilian family. To be present where, when and how the client desires, albeit in physical, virtual or via online stores, and always ensure that we enchant our clients with the best retail team, differentiated services and competitive prices.

Organizational Chart



Values and Principles

Respect, Improvement and Recognition	We put people first because they are the strength and vitality of our organization.
Ethics	Our actions and relationships are based on truth, integrity, honesty, transparency, justice and the common good.
Simplicity and Freedom of Expression	We seek simplicity in our relations and processes, respecting everyone's opinions, and we are open to listen to them, regardless of their position in the Company.
Innovation and Boldness	We cultivate entrepreneurship in the pursuit of doing things differently, with innovative and bold attitudes.
Golden Rule	Do unto others as you would have them do unto you.

Culture in Focus – **Jeito Luiza de Ser** (Luiza's Way of Being)

Meritocracy: this is the practice of public recognition and rewarding of employees who stand in terms of their talent and performance.

We count on important pillars that give us support and vitality to disseminate the pioneering and innovative culture of Luiza's Way of Being:

Communication: we use Luiza Portal, Luiza Radio and Luiza TV to stimulate, inspire and inform our employees about the Company's moves and sales strategies.

Self-development: we encourage the employees to set goals, career plans and/ or seek their own personal and professional growth.

Open Doors Policy: in 1991, Luiza Helena Trajano broke down the barriers when she took over the Chair of the Company, which allowed staff to contribute to the improvement of operational and strategic processes.

Pensar é fácil, agir é difícil, por isso é importante colocar seus pensamentos em ação.

People First: our Human Resources policy is based on valuing people, development and quality of life.

Monitored Freedom: Magazine Luiza store managers have the autonomy to run their outlets as though they were the owner.

Entrepreneurial Culture: Magazine Luiza is focused on pioneering, innovation and ensuring things get done fast, always putting the clients first.

Leadership: we motivate and incentivise all leaders to act as servers and educators.

Staff Board: those elected act directly with management and work as managers regarding administrative decisions at each outlet where they work.

Morning Meeting: the team gathers to guide, align and mobilise the group for the day's challenges.

Simplifique Já
Simplificar é perceber a essência das coisas é ver a vida sem complicações com simplicidade e humildade.

Celebration and Gratitude: the staff's achievements are commemorated and celebrated during collective moments promoted by the company.

Dial-presidency: a communication channel is open to all staff and allows them to denounce secretly practices that go against Magazine Luiza's values.

Participatory Management: our strategic information is transparent and accessible so that each staff member becomes responsible for the company's global results.

Communion Rite: meeting in which the company reinforces its values, shares the results for the week, celebrates birthdays, conquests and commemorative dates, recognizes the highlights and announces new staff.

Strategic Positioning Seminar: this event counts on the participation of all store, distribution centre and office leaders, preparing Magazine Luiza for the year's challenges.

Our Multichannel Approach Sets Us Apart

We retain customers thanks to synergies across our sales channels

We believe our multichannel approach represents a fundamental way toward achieving leadership in all of our markets. It provides competitive advantages and sets us apart because we focus on the development of each channel as part of a broader interaction strategy that builds a unique relationship with our clients.

Our model benefits clients and speeds up the operations through diverse sales channels. Our multichannel strategy consists of:

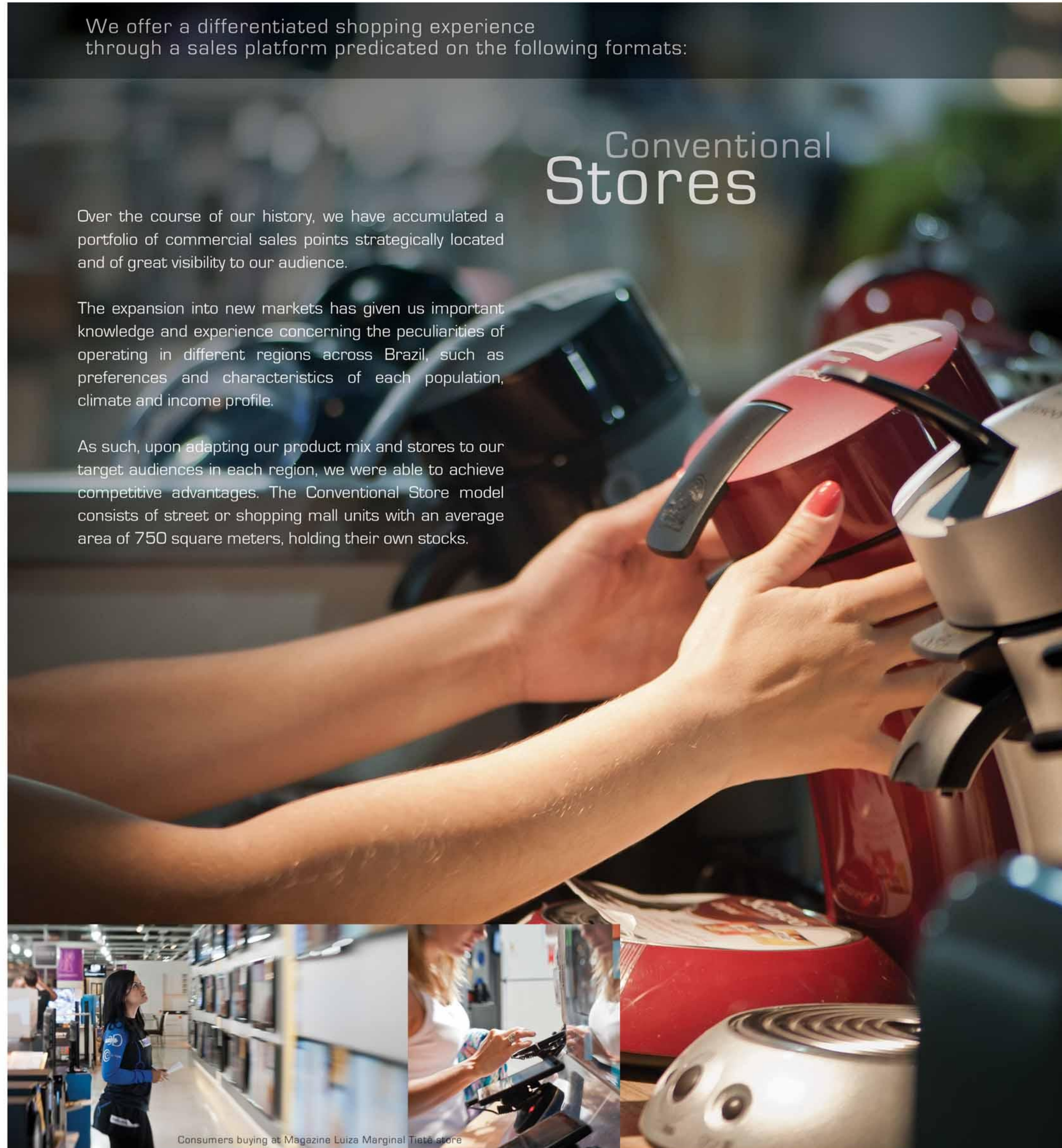
- Offering clients a sales platform in five distinct formats – physical stores, virtual stores, telesales, e-commerce and magazinevocê.
- Making our products available throughout the country, including the states where the company has no physical presence.
- Facilitating the purchase of products, when and how the clients desire.
- Expanding the portfolio with the further integration of our channels and product mix.
- Deepening client loyalty.
- Using unified marketing tools.
- Reducing fixed expenses, especially administrative, marketing and logistics.

In 2013, we will interconnect our e-commerce with our eight distribution centres and the entire logistics chain. This change will improve the quality of customer service and reduce delivery times.

Multichannel Benefits

- Fast delivery
- More competitive prices
- Customer satisfaction
- Reduced level of complaints through SAC and PROCON (entities for clients in Brazil)

Our Stores



We offer a differentiated shopping experience through a sales platform predicated on the following formats:

Conventional Stores

Over the course of our history, we have accumulated a portfolio of commercial sales points strategically located and of great visibility to our audience.

The expansion into new markets has given us important knowledge and experience concerning the peculiarities of operating in different regions across Brazil, such as preferences and characteristics of each population, climate and income profile.

As such, upon adapting our product mix and stores to our target audiences in each region, we were able to achieve competitive advantages. The Conventional Store model consists of street or shopping mall units with an average area of 750 square meters, holding their own stocks.

Consumers buying at Magazine Luiza Marginal Tietê store

Virtual Stores

Created in 1992 during a challenging economic environment, the multimedia Virtual Stores represented an innovative response toward our expansion. The difference here is that we operate with smaller units without physical stocks save mobile phones. The product mix is the same as a conventional store, however, goods are showcased by salespeople using multimedia.

Porto Ferreira virtual store

Porto Ferreira virtual store

Magazine Luiza was the pioneer in introducing this sales model during a period when companies did not work with the concept of electronic commerce in Brazil. We were able to expand our physical presence in the country and cater for repressed demand within a population that depended on large centres for their purchases.

Today, the company has 106 virtual stores that operate at a much lower cost than the conventional ones, boosting return on investment. The success of this model reflects upon our corporate culture, which is geared toward valuing our staff and focused on providing a differentiated service to our clients. The establishments, located in smaller cities, have a sales area of circa 150 square meters.

Telesales

The Telesales system benefits customers who do not have internet access. According to IBOPE Media, less than 50% of the national population – or 94.2 million Brazilians – are online. Only 50.7 million users regularly access the internet.

The service is also a way to address questions regarding the products and provide further information about sales conditions. The channel reinforces our commitment to the public and ensures the flexibility of our operation.

Our Retail Online

E-commerce

The e-commerce division is one of fastest growing in Brazil. We offer clients highly relevant content, differentiated services and exclusive offers.

Unlike competitors, our e-commerce is fully integrated with Magazine Luiza through a single brand, which enables us to streamline costs such as marketing, logistics and systems.

The clients navigate on one of the fastest e-commerce sites in the country and have access to a larger range of products in comparison to the physical stores with approximately 40 thousand items. Our online services cover 100% of the national territory.

We provide online support through virtual salesperson Lu, a technological tool used to humanise the service and share relevant information with our customers. Those who use our e-commerce channel can have a post-sales relationship with conventional stores selected for these operations such as exchange of products.

Through online commerce, we also work with new B2B and marketplace partnerships, which allow for agreements for the sale of third-party items with the goal of expanding our range of products, services, areas of operations and consequently our reach to customers.

In 2012, our efforts led us to win, for the ninth time, the award for "Excellence in Quality – B2C E-commerce", and the position of the fastest retail website. The practicality and flexibility in navigation are attractive to our audience.

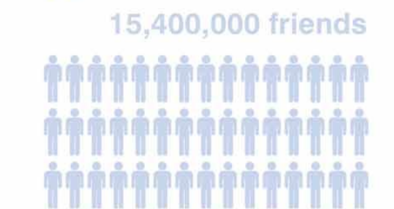
magazinevocê
sua loja para seus amigos

A New World of Social Commerce Online

The magazinevocê business underscores our ability to innovate after we developed a differentiated social media commerce platform that is mirrored on the success of the door-to-door sales model.

Thanks to the world online, people are able to set up a store on Facebook and/or Orkut. The so-called shop "curators", as we like to call them, select up to 60 products from our e-commerce portfolio and sell to their circle of friends, acquaintances or relatives. The business represents an enterprising alternative for Brazilians.

The project's success and the potential of social media commerce are unquestionable. Brazil is the second largest Facebook market, with more than 66.5 million registered users. On average, each member has 220 friends on the social network.



Between February and December 2012, more than **70 thousand Brazilians** became curators of magazinevocê, a number that more than surpassed our expectations.

Our Financial Universe

Multiple Businesses in One

Magazine Luiza goes beyond a department store

We play a fundamental role in helping the economic and social development of Brazil, especially for the low-income C class. Since 2001, the Company has offered affordable credit to customers thanks to our partnership with Itaú Unibanco, which is one of the leading banks in the country. Today, Luizacred is one of the largest financing companies in the country.

Thanks to Luizacred's success we opened Luizaseg in 2005, a leading insurance company that offers extended warranties on products. Aside from Luizacred and Luizaseg, Magazine Luiza has worked with Luiza Consórcio since 1992 and today it is the largest consortium in Brazil.

Luizacred is a fundamental instrument toward building loyalty with our clients, boosting sales and facilitating access to credit. The agility in granting credit and the simplification in the processes position the company ahead of its competitors.

The financing company offers products such as Co-Branded Credit Cards, named Cartão Luiza, Direct Credit to the Consumer (CDC), personal loans, consigned credit, among other services.

During 2012, Luizacred financed 38% of Magazine Luiza's retail sales and was able to balance the mix between CDC and Co-Branded Credit Cards, implant a cost and expenses savings project and increase operations productivity at stores.

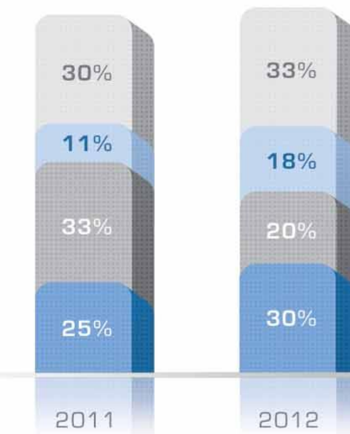
Operational Efficiency

In February 2013, Magazine Luiza signed an addendum to its Luizacred joint venture agreement and transferred the management and issue of its Co-Branded Credit Cards to its business partner Itaú Unibanco. The move's core goal is to increase operational efficiency by reducing costs and expenses related to the products and financial services.

Thanks to the agreement, Magazine Luiza and Itaú Unibanco have strengthened their partnership and preserved the economic balance within Luizacred with the maximisation of synergies for each partner.

Magazine Luiza continues to hold its 50% stake in its joint venture and remains focused on the management of staff and customer services, whilst Itaú Unibanco is responsible for the financing, credit and billing policies as well as support activities such as accounting and treasury.

Financed sales mix



Third-Party Card
CDC
Luiza Card
Cash Sale / Deposit

Luizacred credit portfolio, including credit card, CDC and personal loans, totaled R$ 3.7 billion, at the end of 2012

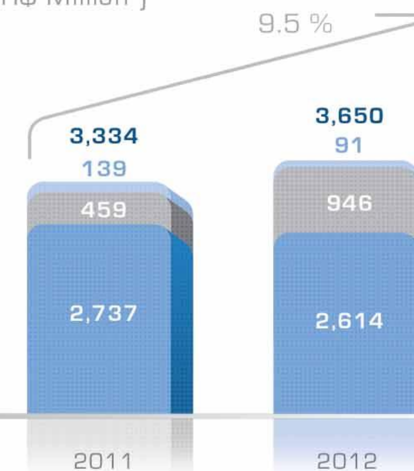
In December 2012, Luizacred had a total 3.9 million cards issued

Luiza Card sales reached R$ 7 billion, 13.9% growth over 2011

Portfolio Composition

(R$ Million)

9.5 %



Personal Loans Portfolio
CDC Portfolio
Credit Card Portfolio

In 2007, Luiza Card was launched under the Mastercard flag. It can be used in our stores with special conditions in relation to other cards and at other outlets.

The balance of the total overdue portfolio fell to R$ 420.9 million in December 2012 from R$ 560.4 million in December 2011

The balance of the 90-day overdue portfolio came to R$ 298.8 million in December 2012 from R$ 413.3 million in December 2011

Our Financial Universe

luizaseg

uma empresa magazine luiza e cardif

Luizaseg is a leading national insurance company offering extended warranties on products and brings the Company competitive advantages in this segment. It sells annually more than two million extended warranty certificates among other kinds of insurance.

Unlike other retailers, we have full control of the insured portfolio and maintain a post-sales relationship with our customers.

Our subsidiary, established in 2005 through an association with Cardif, a BNP Paribas Group company, has a complete service structure with representatives in stores, call centres, and an exclusive team for incidents, as well as a comprehensive network with more than three thousand accredited technical assistance centres.

Luizaseg's diverse product portfolio also includes Troca Certa, which allows for the swapping of a defective product for another for up to the limit of its insured value, Seguro Prestamista, which ensures the payment of a product that is financed via installments, and there is also Life Insurance, Hospital, and Medical Care, among others.

garantiaestendida

CARDIF
GRUPO BNP PARIBAS

trocacerta

comprasegura

segurosluiza

consórcioluiza

YOUR HAPPIEST ACHIEVEMENT

Consórcio Luiza is one of the largest consortium in Brazil and since 1992 has already delivered more than 220 thousand units.

The company counts on approximately 55 thousand active clients and works via a credit system, allowing consumers to buy products within groups. The business represents a form of savings, by means of self-financing, for the purchase of goods and hiring of services.

Over the course of the years, the operation has gained other dimensions and currently covers segments such as vehicles (automobiles, motorcycles, boats, tractors, etc.), services (plastic surgery, dental care, travel, building material, post-graduation courses) and real-estate.

Headquartered in Franca in the interior of São Paulo, Consórcio Luiza provides customers access to its so-called "letters of credit" at all of its stores. The unit operates with its own staff and 77 authorised commercial representatives, besides the site www.consorcioluiza.com.br, which offers quotas.

Frederico Trajano Inácio

e-commerce Trajectory

Magazine Luiza is one of the most innovative retail groups

I remember it vividly, it was late afternoon in Sao Paulo, and I was reviewing proposals and business plans for start-ups, thinking about the next big internet opportunity in Brazil. I had just graduated in Corporate Administration at university. The year was 2000. The US and UK were enjoying the internet boom. Valuations were fantastic and the possibilities seemed endless for those willing to pick up the baton and join this internet race.

As I studied these proposals, I realised retailers were making a critical mistake – they were separating their online business from their existing traditional operations, creating new brands, new systems, new teams, new addresses and new costs whilst pouring countless millions into their new units. Consultancies and investment banks were advising companies to create separate tax IDs to ensure the protection of their businesses should shoppers aggressively migrate to online purchasing in the future.

Instead of joining the race and spending millions in the business since the first day, I submitted a proposal to the Executive Board of Magazine Luiza and adopted a more gradual approach. In the beginning, we saw e-commerce as a complement to the traditional retail operation and were aware that its creation could affect sales of conventional stores but a new online channel would also ensure we maintained our market share. Since then we have achieved a good balance between conventional and online sales without an unfavorable impact on traditional operations. The strategy of e-commerce has always been independent, giving us the freedom to create a start-up in a company that had been operating for more than 40 years. We did not need to discuss priorities between e-commerce and conventional stores. We insisted on maintaining a distinct team with exclusive buyers, marketing and logistics teams and we developed all the know-how and in-house systems.

While we have always kept our strategy separate, we sought to capture synergies between the structures of the two operations and take advantage of resources and existing infrastructure at Magazine Luiza. Today, we have our own staff and budget but we share office and back office infrastructure, supporting the offline operation. We save on marketing costs, considering that e-commerce sales increase when products and stores are advertised on TV by Magazine Luiza. In the end, we did not create a new brand – Magazine Luiza had already built an excellent reputation and this was the greatest asset of all, allowing us to win over customers and their loyalty quickly.

Since the creation of e-commerce, we have kept to four goals: always hit the target; provide the best online information to our customers; be profitable; and provide the human touch toward our clients concerning online services.

In order to do it right, we took a step back and worked during the first five years to develop the online operations using little CAPEX and connecting them to the traditional retail business. At soon as e-commerce began to grow in Brazil in 2007, we were ready. We started the e-commerce with synergies in mind and a clear focus on developing competitive advantages. The strategic timing was perfect. We were relevant and competitive.

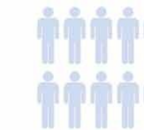
By December 2012, we surpassed the R$1 billion mark in sales for the first time, 12 years after our first R$1 million in 2000. In addition to great revenue growth, e-commerce has always been profitable, fulfilling one of our goals. We needed to prove to the parent company that we could do it on our own and that our model would be different from the rest of the market.

Our other challenge was the culture. How could we pass Magazine Luiza's values and high quality services to the online environment? Sales teams in the stores are well trained and highly stimulated. How would it be possible to have a consistent philosophy in all sales channels? This was how the idea of creating "Lu" emerged, the first virtual salesperson, providing the human touch in the relationship between customers and e-commerce. We created a feature in order to provide relevant information to consumers - "Lu" talks about products and lifestyles and helps them make the right choice.

Gross revenue R$ 1.1 billion in 2012

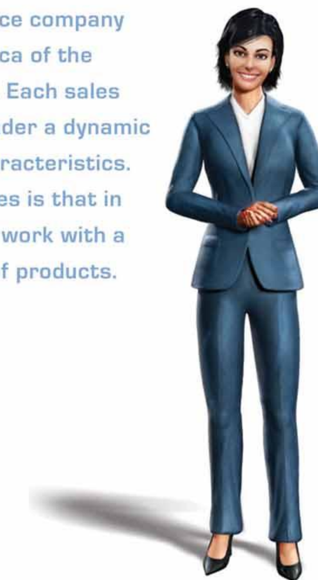
9 million visitors - monthly average in 2012

83 million page views a month in 2012



1.30 million customers in 2012

"Lu" is part of our goal to be innovative. We did not want to create an e-commerce company that was just a replica of the conventional stores. Each sales channel operates under a dynamic and has distinct characteristics. One of the differences is that in e-commerce we can work with a much larger range of products. We can be bold.



We have done this by selling perfumes and beauty products online but not in the conventional stores, for example.

We have future plans to increase our current product base from approximately 40,000 to 150,000 items. To achieve this goal, we intend to make our eight distribution centres available the e-commerce business before the end of 2013. Only the Louveira Distribution Centre in the state of São Paulo is currently available to e-commerce.

In late 2012, we conducted a successful pilot project in the Distribution Centre of Caxias do Sul – Rio Grande do Sul. After this project, we will maximise the use of our infrastructure, reduce logistics costs and accelerate deliveries. We will have a competitive advantage over the competition and put into practice our cost-savings project. We aim to continue to grow faster than the market with the delivery of a differentiated service to our customers.

Our Innovation

Boldness and Creativity

We have always talked about how we could create a door-to-door sales platform. We had seen how successfully it had worked with consultants selling products to their social circles. Personal contact and memorable retail experiences are two ingredients that have helped Magazine Luiza grow significantly and sustainably.

To successfully achieve the dream of recreating this model we clearly needed to innovate. Where and how could we establish the same close relationship that cosmetics salespeople had with their target customer base? The consultant is usually someone with whom consumers have a relationship: a co-worker, a neighbour, someone who attends the same church or hairstylist, for example.

And so the Facebook came about – a "place" where people have a close and private relationship. The social network has more than 66.5 million Brazilians, who have an average of 220 friends online. We felt we had an opportunity to develop a national sales force online. Representatives would create their own shops, select up to 60 products from the Magazine Luiza website, and they would receive commissions for social media sales.

We decided it would be nothing more than direct sales and that each representative of magazinevocê would become a "curator", making the best selection, writing their own opinions about the products and adding value to available content via Facebook.

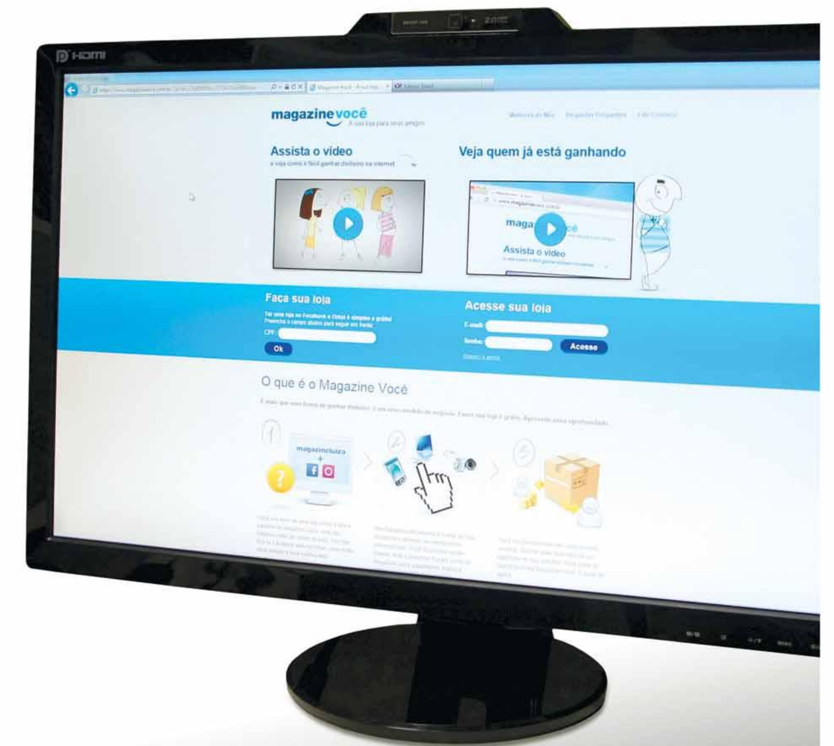
The idea was bold and, in August 2011, we had our first test-run, and by February 2012, we were ready – we could guarantee that our future salespeople would create stores and receive commissions promptly. It was time to open our small network for our customers and so we launched magazinevocê.

The forecast was for 10,000 direct sellers on Facebook until the end of 2012. However, we reached 70,000, far more than what we had expected with revenue rising exponentially albeit from a small base of comparison.

We want to encourage and help each individual to become an expert and enjoy what they do. We share the best practices of the 20 best sellers on the network, showing how far they can get with magazinevocê, it is a way to stimulate entrepreneurship in Brazil.

Frederico Trajano Inácio
Magazine Luiza Sales and Marketing Director

Since the beginning, we have been amazed with the seriousness of Brazilians about magazinevocê. This channel is rapidly improving and we will take it to Google+ after learning much from Facebook. It is difficult to quantify the future of magazinevocê and also too early to tell, considering that there is no reference in the market to help us predict the potential. However we believe that in the future it will be a growth engine for Magazine Luiza.



Our Innovation

Luiza Chip represents an opportunity to leverage and retain our client base through the mobile segment.

Our innovative mobile chip is similar to a conventional one but with many advantages. Luiza Chip brings a unique menu of Magazine Luiza content and special offers, free internet and double recharge.

The launch of the chip in 2012 was conducted in partnership with Claro, one of the largest mobile operators in Brazil. Our customer base has already reached 400,000.

The partnership establishes a new customer relationship channel, strengthens and rejuvenates our brand, as well as representing an opportunity to increase sales.

Our Technology

Our Technology Makes A Difference

We reduce costs, increase efficiency and make integration possible

As one of the strategic pillars to the success of our business, we use technology to help reduce costs, increase operational efficiency, strengthen financial controls and compete aggressively in conventional and online stores.

We have a long historic focus on innovation with technology at the heart of a number of key initiatives. We pioneered the creation of a system by which our stores salespeople are paid variable compensations. The system sums up their daily sales results as well as the margin and awards, contributing to the management of results, strategies implementation and achieving goals.

IT also plays a key role in harnessing synergies for the Company. We have developed a customised technology model for implementing multichannel formats and we have integrated various sales channels with the distribution centres. The process reduces delivery times as well as freight costs for both consumers and the company.

In order to integrate retail chains Lojas Maia and Baú da Felicidade, we worked meticulously by bringing all data onto the same platform. We also managed to unify all processes and systems between the stores and distribution centres.

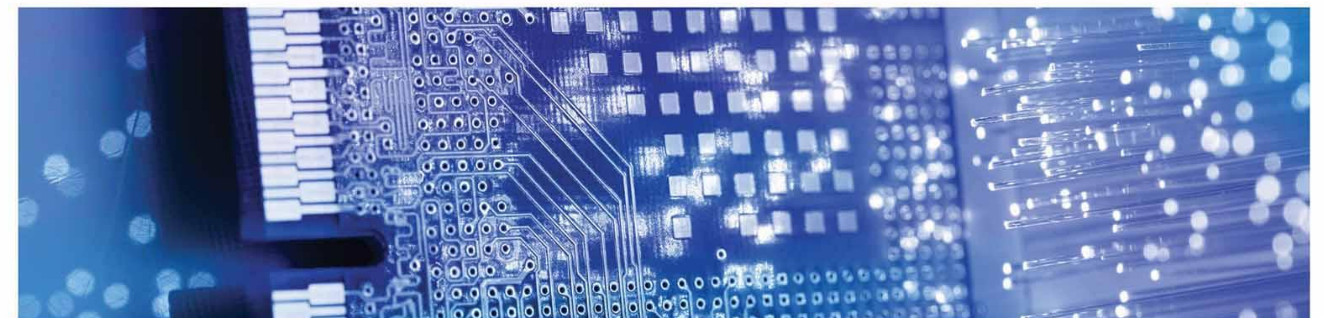
The migration happened with minimal impact to customers, suppliers, partners and employees.

The acquisition of Lojas Maia and Baú da Felicidade brought a new dimension in terms of the Company's size and challenges. We needed to transfer the data centre to Sao Paulo from Franca to meet demand coming from the new retail chains. The database brings together all of Company's major systems from e-commerce to the tools used at outlets. The old data centre continues to operate as a back-up.

The Company also implemented the cloud computing concept to ensure secure data transfer during sales peaks, optimising investments and reducing costs on IT infrastructure.

These changes were not just limited to operations. We also developed Information Technology Strategic Planning (PETI), which focused on developing an IT Governance structure, reviewing applications architecture, preparing systems and improving infrastructure.

We are increasingly improving our IT universe, aiming to ensure excellence, safety and agility in our processes to suppliers, employees, and customers.



Advertising Campaigns and Actions

Our sales campaigns and advertising platforms underscore the essence, identity, credibility, and popularity of Magazine Luiza with Brazil's low-income C class, the largest consumer segment in Brazil.

Sales such as "Fantastic Sale", "Gold Customer Day", "Clearance Sale" and "Only Tomorrow" are synonymous with our brand, which is considered to be one of the 25 most valuable in the country, according to leading business magazine EXAME.

Within these initiatives, the "Fantastic Sale" is a national and pioneering event. It is a rage with consumers who wait in line for up to a week to buy showroom products with discounts of up to 70%. The sale also generates spontaneous media that is worth 10s of millions of dollars in advertising costs on television. The "Fantastic Sale's" breadth and success is such that competitors have also tried to reproduce the same event, though we regularly find that professionals from other retail chains end up coming to our brand.

We are certain that our special annual sale stands as the most traditional event in Brazilian retail. The campaign has changed our seasonal calendar, transforming January, a traditionally weak sales month into a strong one. This event, as well as the "Clearance Sale", which comes after Christmas, serves as a way of selling stock rapidly and replacing it with new wares.

We also highlight our Gold Customer Programme, which aims to recognise, value and retain our most loyal customers. The result of the programme is reflected in the behaviour of these customers, who are more active and frequent buyers than our other clientele.

Our "Gold Customer Day" is the main initiative that we take to build loyalty with our customers. We open our stores three times a year exclusively for our Gold Customers on Sundays. Red carpet, breakfast, and exclusive offers are part of this special day's programme.

We currently have more than one million customers, who account for 20% of the company's total revenue.

"Only Tomorrow" is another campaign that reinforces the brand's image with our customers and brings real sales results. Usually on Sundays, we announce a product offer, which is only due the following day. We have done this for more than 15 years and it is a key part of Magazine Luiza's Events Calendar. We negotiate special terms with our suppliers on a given product, which enables us to offer prices lower than those in the market. The campaign's success is reinforced by the strength of sales generated.

Moreover, we have excellent relationship management with customers through innovative CRM tools such as "Operation Boomerang", which stimulates telemarketing at the stores.

Our Operations

Magazine Luiza's Operational Processes

Purchasing – products range definition and demand planning

I. We have the best product mix and right quantity for each store, taking into account suppliers' views, market trends, and competition.

Suppliers deliver products to distribution centers

II. The management of our product's categories and purchasing begins with a strategic relationship with our suppliers. Since 2002, the Company has signed partnership letters with its suppliers where all negotiated aspects are specified, ensuring tranquility to carry out our plans throughout the year thanks to our crystal-clear relationship.

Stocking of conventional and Virtual stores

III. We put the right product in the right store at the right time; we adjust the pace of supplies to balance the coverage with a minimum of mistakes; we maintain a differentiated flow for our discounted products, we equalise our distribution in case of shortage and rapidly interact with the stores.

Management of around 50,000 products and prices

IV. We adjust product prices according to their life cycle to ensure the flow of stocks and weekly evaluate every product to maintain margin and ensure sales growth.

10-Star Service

V. We implemented the "10 Star Service" programme six years ago, aiming to ensure service excellence in the industry, guiding all teams and retaining consumers. Our focus on people can be seen by the frequency in consumption. In 2012, about 2.4 million customers purchased goods more than once across our stores.

Logistics – Magazine Luiza's own fleet, large carriers and a charter fleet serving customers in Brazil

VI. We provide better customer service at a competitive cost. In 2012, we strengthened our logistics with an increase in distribution centre capacity and we opened a new unit in João Pessoa with 25,000 square meters. We invested in the layout and reorganised product distribution to facilitate and speed up truck loading.

Post-sales services

VII. We offer a furniture assembly service across 16 States where we have stores. In 2013, we will offer technical assistance to quickly fix items too.

CRM with more than 30 million registered customers – retention and customer loyalty building

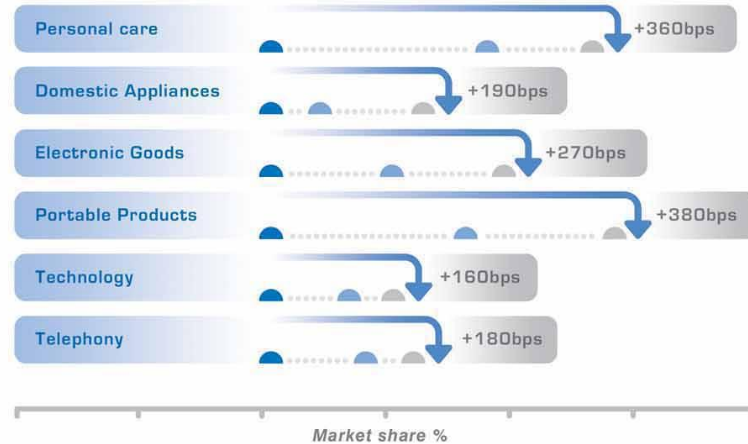
VIII. We develop bespoke communications campaigns directed at bringing a return on investments made in winning over customers. We work with channels such as telemarketing, SMS, direct mail, and e-mail. Luiza Chip, launched in 2012, is another way of sending product offers and news as well as being closer to customers.

We assist our salespeople in the stores with information such as personal data, credit limits and purchasing history.

For our most loyal customers, Magazine Luiza has its Gold Customer Programme.

Significant market share gains in all categories

Evolution of ML's market share by product category



Source: GFK

Supply Chain Overview

Main achievements until 2012

- Reduction of damaged or lost stock
- Reduction of AA product breakages
- Greater consistency in operations and balance among the stores
- Better general availability and the right products per store

Economic Backdrop

Retail sales grow and unemployment rate keeps falling

We demonstrated in 2012 our ability to face a challenging economic environment and make much progress with gross revenue growth jumping 19.1% over 2011.

The year was another example of our resilience and power to overcome adverse situations during the 55-year history of the Company. Our strength protected us from hyperinflation in the 1990s, depreciation of the real currency in 1999 and the global economic crisis in 2008 and 2009 when our annual revenue grew respectively 24.8% and 21.0%

In 2012, the economic scenario was less robust, however, Magazine Luiza is positioned in an industry that has benefited from favourable domestic economic conditions such as low unemployment, rising incomes, affordable credit, low product penetration and the evolution of Brazil's low-income C Class.

Our growth is directly linked to expanding domestic consumption, which outpaces national economic performance. In 2012, retail commerce increased 8.4% on the previous year. Furniture and home appliances sales increased 12.2% over 2011 and had the second largest impact on the indicator.

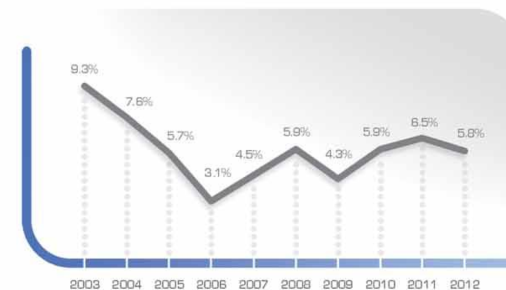
This trend is expected to continue since many economists believe that Brazil has the potential to move up two ranking spots and become the fifth largest economy in the world. The stable political and economic environment, investments in infrastructure and education, and better income distribution are factors that will contribute toward helping Brazil reach that position.

This positive scenario will be achieved in the long term. In contrast, Gross Domestic Product (GDP) grew just 0.9% in 2012 amid a European crisis, slowdown in China and a weak US recovery.

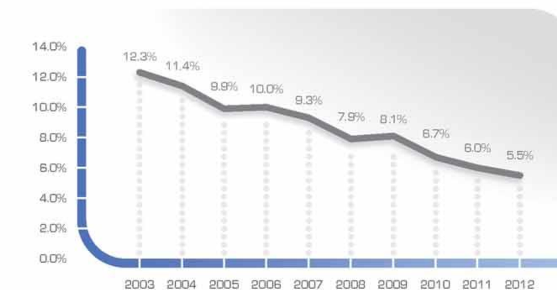
In an uncertain moment, the government has committed to executing a number of plans to help stimulate the economy such as the reduction of spreads, costs containment, increase in investments, tax relief – such as the Tax on Industrialized Products (IPI) for domestic appliances and furniture – and a reduction in costs. Independent of these moves, the Central Bank (BC) reduced interest rates to a record low of 7.25% s year compared to 11.0% at the start of 2012.

On top of these measures, retailers benefitted from rising credit availability. The amount of credit in the financial system reached R$2.36 trillion in 2012, representing an increase of 16.4% compared to the previous year, according to the central bank. Loans volume reached 53.5% of GDP versus 49.0% in 2011. On the other hand, delinquencies decreased 0.1 percentage points to 5.6%

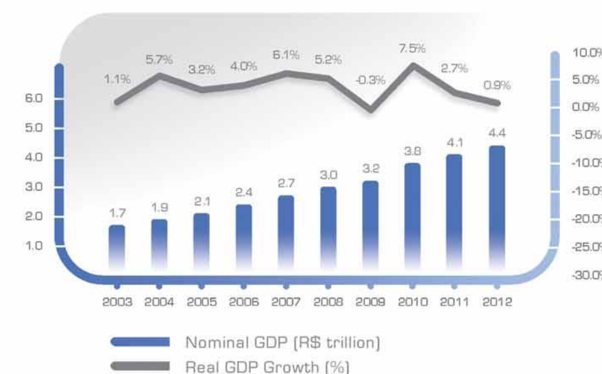
CPI - % YoY



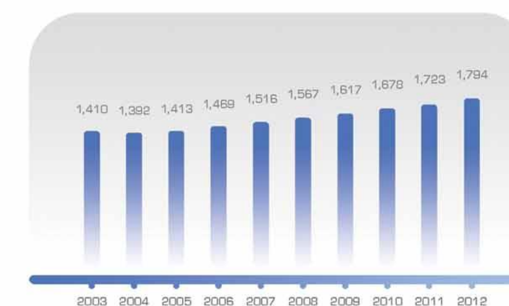
Unemployment Rate (% of EAP)



GDP (R$ trillion)



Average Salary (R$ month)



Source: IBGE

Business Strategy

We are one of the Largest Retail Companies in Brazil

We have a sustainable growth potential

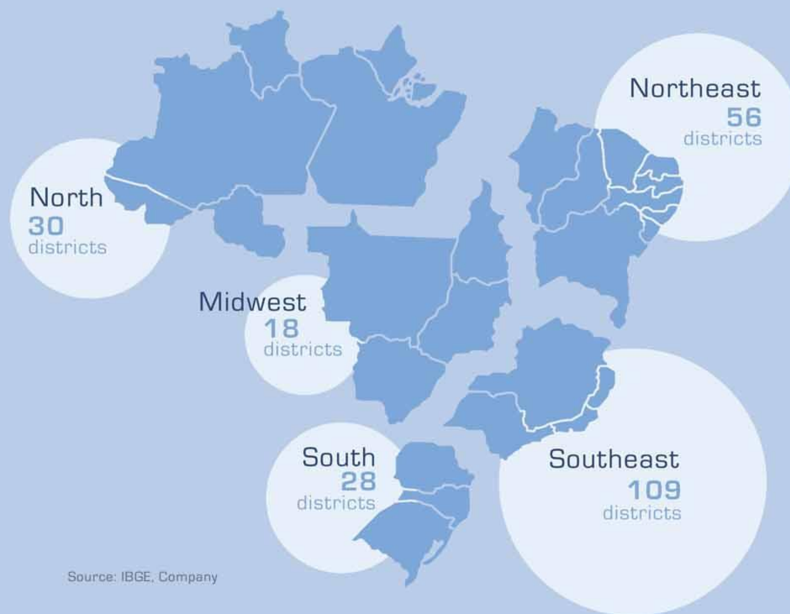
We are one of the largest retail companies in Brazil in the durable goods sector following organic growth and acquisitions. We are already working to become the leader or number two in the 16 states where we operate and are interested in expanding our geographic coverage.

Consolidation is fundamental to the success of our business in the long run. According to Harvard Business School's* Professor Aldo Mussachio, companies that achieve leadership until 2020 should remain in front of their competition in the following decades.

We are well positioned to take this opportunity and we see an enormous potential for sustainable growth. In principle, the plan to lead the retail market sounds ambitious, but the company has already demonstrated its capacity for rapid transformation with excellence. We reported R$3.4 billion in gross revenue in 2008 and closed 2012 at R$9.1 billion.

To make this grand plan feasible, once a year, the company selects the regions and States where it plans to expand its operations. The process takes into account demographic elements, revenue and competition in order to identify the potential and obstacles at each location. The evaluation also takes into consideration the city's GDP, consumption standards, Internal Rate of Return (IRR), traffic and proximity to our distribution centres.

Differentiated potential for organic growth



Source: IBGE, Company

Multichannel model with significant geographic reach hands Magazine Luiza an advantage when identifying opportunities for new stores

About 240 districts in Brazil are priorities for Magazine Luiza store openings

Priority municipalities are good to receive more than 400 Magazine Luiza stores

30% will be opened as Virtual stores

We also believe in the possibility of growth by acquisition. We have expertise in the execution of such transactions and profound knowledge about the risks and opportunities. We study with intelligence and care not only about the immediate opportunity of an acquisition, but also the gains, feasibility and profitability in the long run.

Today, Brazil's fragmented retail industry provides many opportunities for Magazine Luiza with more than 50% of the retail sector in the hands of small companies. The areas of future interest include the states of Rio de Janeiro and Espírito Santo as well as the North of the country. However in 2013, the company will focus on organic growth and consolidation of the markets where it is already physically present, seeking improvement in its financial indicators, Corporate Governance and internal processes.

We believe that our growth is sustainable and that e-commerce will continue to outpace the industry. We will remain focused on increasing our product mix, operational excellence, innovation, B2B partnerships and deeper integration with our physical stores. Our multichannel strategy is one of our most significant differentials.

*EXAME Magazine, published on August 22 2012.

... and multiple opportunities for growth throughout Brazil

Significant Growth of the Virtual Channel

Number of Virtual stores and online sales above market growth

Increasing Participation of Financial Products

Nearly four million customers have Luiza Card – loyalty potential

Penetration of Luiza Cards through Lojas Maia sales

Industry Consolidation

M&A potential in a highly fragmented industry – more than 50% of the sector is in the hands of small companies

Organic Growth

Consolidate our presence in markets where we operate, especially the Northeast and São Paulo City

38.5% of the stores are yet to mature

Refurbish stores to boost sales at existing branches

Growth Opportunity

Economic scenario promotes Brazilian retail

We represent an investment opportunity in the long term for investors who are betting on Brazil and its highly promising future.

By 2020, Brazilians will have spent R$ 3.5 trillion, transforming the Country into the fifth largest consumer market in the world, according to McKinsey. Domestic consumption is expected to gain another dimension, reaching 65%, of an R$ 5 trillion GDP*.

We are positioned to enjoy the fruits of this strong consumer wave, growing significantly and entering new markets before decade's end. Such a strategy combined with a focus on improving the financial performance of indicators such as EBITDA, cash flow, working capital, and net debt will add value to our investors. We are also working to deliver a more predictable and consistent returns in the medium and long term.

Other factors that will benefit the Company and our valuation include management's commitment, attractive market growth dynamics, a widely recognised brand in a fragmented market, as well as a simple and fast growing multichannel model that maximises sales and supports customers.

In addition, the Federal government will have built 23 million houses by 2022 through the programme "Minha Casa Minha Vida", or "My Home, My Life". The housing project will generate additional demand for appliances, furniture, and other items from our product mix. Almost R$ 200 billion is being invested in roads, railways, airports and port infrastructure. The expectation is that these programmes will make the Country more competitive.

We will also benefit from a structural change in Brazil's economy. Lower interest rates over the coming years will facilitate companies' access to credit and encourage investment, creating jobs and improving income distribution among all social classes, especially the C Class.

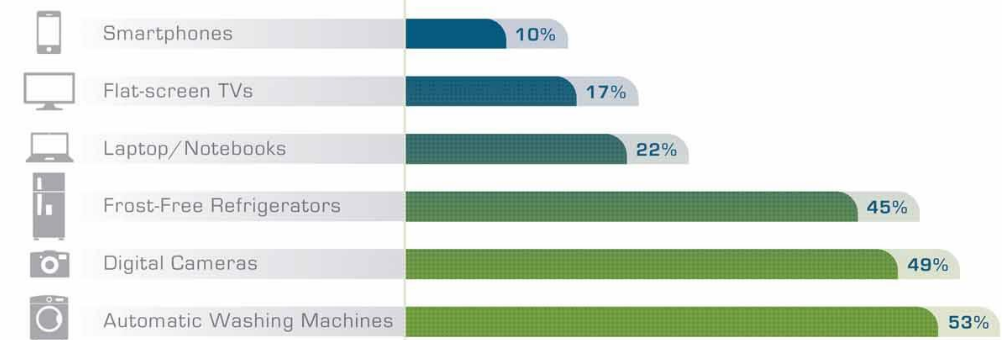
According to a study made by the Strategic Affairs Secretariat (SAE) of the Republic's Presidency, Brazil's low-income C Class is composed of more than 100 million Brazilians, accounting for 52% of the population. Over the last decade, more than 40 million people migrated to the C Class in Brazil.

Another factor involves the increasing popularity of credit cards. In the last few years, the more solid economic scenario and development in financial services have increased the population's purchasing power, boosting family's expenditures.

We believe in the huge potential of the Brazilian market over the coming years and the growth opportunities that will come to the Company. Unlike other countries, low penetration of products in Brazil such as smartphones, flat-screen TVs, laptops, automatic washing machines, air-conditioning, among others, will enable growth in the short, medium and long term.

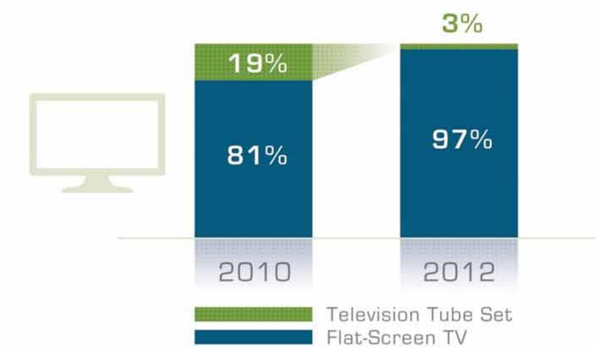
*EXAME Magazine , printed on August 22nd , 2012

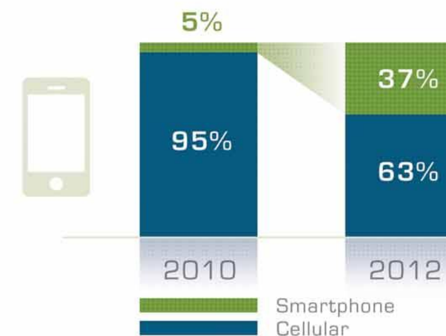
Growth opportunities in 2013

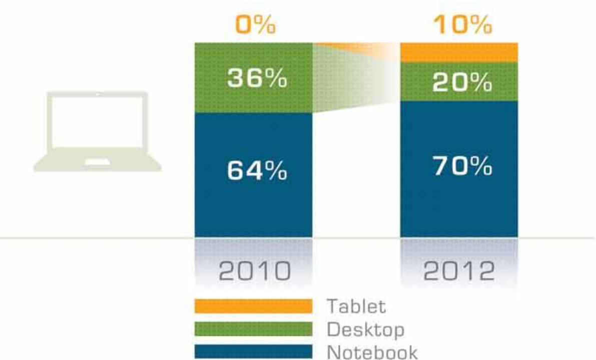


... and consumption upgrade reflected in Magazine Luiza's sales

Source:
TGI Ibope 2011 Nilsen – 2012 Durables Special Study







Shares

The year was marked by Magazine Luiza's shares advancing fowrard despite a challenging environment. The stock increased 27.4%, while the IBovespa, the main Brazilian stock index, rose 7.4%. We closed the year with a market share of R$ 2.26 billion.

The policy adopted by the Brazilian government throughout 2012 positively influenced investors' eagerness for Magazine Luiza's shares. The government engaged in an expansionary monetary policy when the Selic rate reached a record low of 7.25% per annum.

The gain could have been higher but investors were worried about the economic slowdown and the impact of Lojas Maia's and Baú da Felicidade's integration costs.

For the first time, we took part in the IBrX-100 index which measures the return of a theoretical portfolio composed of 100 stocks selected from Bovespa's most traded shares in terms of number of trades and volume. These stocks are weighted in the index portfolio by the respective number of shares available in the market.

Common Company shares are available for trading on the BM&FBovespa New Market under the code MGLU3. According to the BM&FBovespa, the New Market has the highest level of Corporate Governance and the company is allowed to issue ordinary shares only.

Follow the stock's performance below in 2012:

MGLU3 – Performance in 2012 (R$/share)

In 2012, average trading volume totalled R$5.9 million

Composition of Social Capital

	31/12/2012
Ordinary	186,494,467
Preferred	0
Total	186,494,467

Our social capital is divided as follows:

Shareholders	Number of Shares	Percentage
Controllers	126,688,581	67.93%
Outstanding Shares	59,805,886	32.07%
Total Shares	186,494,467	100.00%

Magazine Luiza and The Society
Commitment to the Society

Luiza's Way of Being values human relationships

We reinforce our commitment to society by respecting people, promoting actions in the community and investing in relationships with our customers, employees and suppliers.

We believe people are the strength and vitality of our business. Treating them well is what makes Magazine Luiza one of the best companies to work for as well as one of the most recognised brands by Brazilians when it comes to reliability and quality of service.

We have constantly focused our efforts on the special preparation of all employees to ensure we deliver quality services. Internally, we have a democratic management style and also Luiza's Way of Being allows for greater team integration without hierarchical barriers in the communication chain. All employees have free access to the Boardroom.

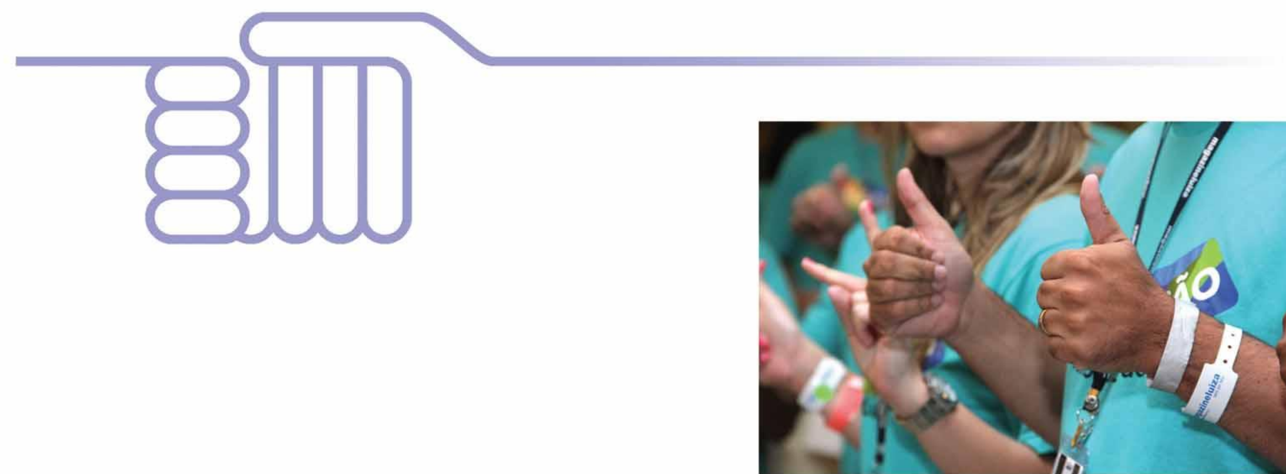
We value diversity, regardless of age, gender or social background, besides having specific programmes, such as the inclusion of disabled people and the hiring of interns and trainees.

We have also developed a social programme known as the "Network of Good Project", which gathers, publishes and values social actions developed by employees or units of Magazine Luiza. The programme encourages volunteerism and citizenship.

We have support units that maintain several social and cultural projects within the communities where we operate. Our store managers, for example, obtain resources intended for community events, campaigns, and gatherings, furthermore our Promotional Marketing often sponsors regional events that strengthen culture.

Regarding the environment, Magazine Luiza has developed policies, conservation practices and awareness of the use of natural resources without being aggressive. For many years, we have adopted recycling bins in our offices and distribution centres, and developed awareness campaigns such as the "Caring for the Environment Project".

Magazine Luiza believes that it owes much to society for what it has built over the years. Our commitment with society is one of our core pillars. We believe our success is the success of people who are part of our history.



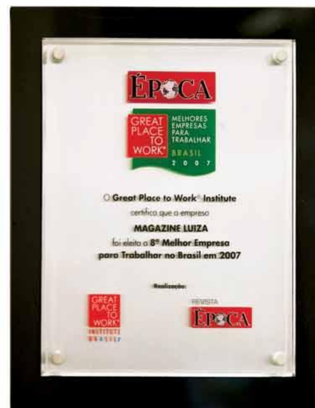
Awards and Recognition

Employees in First Place

We are one of the best companies to work for

Magazine Luiza has figured among the 25 best companies to work for in Brazil every year since 1998. The ranking is published by leading business magazine EXAME and by the Great Place to Work Institute, which takes into consideration the opinion of the employees of such companies.

In 2003, the Company was considered to be the best in Brazil and became the first in the world in the retail sector to receive such recognition. Such accolades include "Best company for women to work in" in 2007; "Best company to communicate with staff" in 2010; and "Best company to listen to employees" in 2011.



The wins show that our employees are pleased to be part of a group that daily praises and invests in people. The slogan "Come and be happy" is part of our communication campaign with all stakeholders and does not refer only to customers but also employees, suppliers and partners.

In order to achieve success and ensure the best service, communication with employees at all our units is essential. Official communication channels are Luiza Radio, Luiza TV and Luiza Portal. All of them are approved by 90% of the employees as an efficient tool to keep everyone aware of the campaigns, promotions and news about the Company.

Below, we list recognition of our work in 2012:

2012 (Magazine Luiza) We came in at 23rd place in the "50 most valuable brands in Brazil in 2012". This was ranked by IstoÉ Dinheiro Magazine in partnership with Brand Analytics/Millward Brown.

2012 (Magazine Luiza) Elected the "Dearest Brazilian E-commerce Store" and the best in home appliances category by popular election in the 9th Excellence Award for Quality on E-commerce B2C. We received for the ninth time the Diamond Trophy.

2012 (Magazine Luiza) We joined the list of "100 Best Companies to Work for in Latin America", representing a survey by the Great Place to Work.

2012 (Magazine Luiza) Elected as one of the 130 best companies to work for Brazil for the 15th consecutive year, according to the Great Place to Work and Época Magazine of Globo publishing.

2012 (Magazine Luiza) Elected for the second time as one of the "20 Most Admired Companies in the Country" by HR professionals, as part of the study "Most Admired HRs in Brazil in 2012". This was conducted by Gestão & RH Publishing.

2012 (Luiza Helena) Receives for the third time the Executive of Value Award for her management skills in a study by leading business newspaper Valor Econômico.

Corporate Governance
Philosophy

Magazine Luiza is listed on BM&FBovespa's New Market

Our quest to improve our best practices in Corporate Governance is constant. The principles of transparency, equity, accountability and corporate responsibility guide Magazine Luiza's decisions and actions with the purpose of aligning the interests of our stakeholders.

The implementation and formalisation process of these practices started, in 1992 with the elaboration of our first Code of Ethics and Conduct.

During the following decade, our Corporate Governance reached a new level with the arrival of minority shareholders, by means of private equity funds administered by Capital Group, contributing to the company's preparation for its IPO.

We advanced our policies significantly and by way of our public share offering we floated on BM&FBovespa's New Market, attaining its highest level of governance in 2011. Companies listed at this level are willingly committed to adopting practices that exceed the demands of legislative and shareholder rights.

Between 2011 and 2012, the company took its Corporate Governance to the next level. Main highlights include the improvement of work done at our Audit and Risk Committee and Administration Committee. Besides this, we set up a Finance Committee in March 2012, and established a Fiscal Council by General Assembly in April of the same year.

Practices

In addition to the duties established in the Corporation Law, the General Board of shareholders has the power to elect or dismiss, at any time, board members and tax officials; fix the total annual compensation of the board members and the Executive Board; discuss the allocation of net income for the period and dividend distribution; and amend bylaws.

The collegiate also has the authority to decide upon other subjects that involve, directly or indirectly Magazine Luiza, such as the increase or reduction in equity capital beyond the authorised capital limit, any financial restructuring, merger, demerger, transformation, incorporation, or share incorporation, as well as the transfer of a substantial part of the assets that generate the discontinuity of its activities, redemption, amortisation, breakdown or grouping of actions or any securities issued by the company as well as the distribution of dividends above the obligatory minimum.

ETHICS

TRANSPARENCY

HONESTY

RESPECT

RECOGNITION

TRUTH

Structure

The Corporate Governance structure of Magazine Luiza is composed of the following departments and agencies:

Board of Directors and Executive Board

The Executive Board decides on strategic issues, aiming to promote and observe the basic objectives of the Company as the adoption of an agile administrative structure composed of experienced professionals including the preparation of strategic guidelines.

The decision-making body is made up of at least six members, having two independent ones, elected at the General Meeting for a period of one year.

Our Management has a Board of Directors and an Executive Board, which observe the provisions of Law no. 6404 of the December 15th 1976 Corporations Law and our Bylaws.

Board of Directors	Title	Election Date
Joaquim Francisco de Castro Neto*	President	29/04/2013
Luiza Helena Trajano Inácio Rodrigues	Vice-president	29/04/2013
Onofre de Paula Trajano**	Board Member	29/04/2013
José Antônio Palamoni**	Board Member	29/04/2013
Carlos Renato Donzelli**	Board Member	29/04/2013
Inês Corrêa de Souza*	Board Member	29/04/2013

*Independent Member of the Board
**External Member of the Board

Executive Board Members	Title	Election Date
Luiza Helena Trajano Inácio Rodrigues	President	30/04/2013
Marcelo José Ferreira e Silva	CEO	30/04/2013
Roberto Bellissimo Rodrigues	CFO and IRO	30/04/2013
Maria Isabel Bonfim de Oliveira	Chief Controller Officer	30/04/2013
Frederico Trajano Inácio	Chief Sales and Marketing Officer	30/04/2013
Fabrício Bittar Garcia	Chief Commercial Officer	30/04/2013

Supervisory Board and Committees

Fiscal Committee

The Fiscal Committee is a non-permanent corporate body, which works independently of our management and our independent auditors.

The board member is responsible for supervising executive activities, legal and statutory duties; analyse every quarter and state an opinion on the financial statements and management's report for the period; comment on the proposals to be submitted in the General Meeting, concerning the changes in the equity capital, issue of debentures or subscription warrants, investment plans or capital budgets, dividend distribution, transformation, merger or demerger.

The committee consists of three effective members and an equal number of alternates elected at the Company General Meeting. The term refers to the period of investiture in the position until the next Ordinary General Meeting.

The committee was established in 2012 at the Ordinary General Meeting, according to legal provisions by the Company's minority shareholders.

Audit and Risk Committee

The Audit and Risks Committee's primary goal is to advise the board on the supervision of the quality, accuracy and integrity of the Company's financial statements and other financial reports; (ii) vet, oversee and ensure the independence of the independent auditors; (iii) monitor Magazine Luiza's compliance with laws and regulations; and (iv) keep a close eye on management activities regarding key corporate risks and respective internal controls to help mitigate them.

The committee is composed of three members appointed by the Board of Directors (one-year mandate) with the mandatory presence of an expert in accounting and independent auditing.

Finance Committee

The Finance Advisory Committee is a joint decision-making body consisting of three financial specialists who are appointed by the Company's board and handed a one-year mandate. The committee's core function is to advise the Board, defining the Company's financial planning policy, establishing policies and adequate debt levels for the Company, monitoring contractual covenants and guarantees, defining the policy on financial investments and investments, monitoring Magazine Luiza's financial risks and the activities of subsidiaries Luizacred and Luizaseg.

The committee was established by the Board of Directors and is composed of three financial expert members with a one-year mandate.

Code of Conduct

The Code of Conduct represents the Company's commitment to the highest standards of ethics. It sets out guidelines that govern relationships between professionals, clients, suppliers, shareholders and employees to strengthen and preserve the business.

The code is extended to all Magazine Luiza's employees including affiliated companies.

The main topics covered by the Code of Conduct are: conflict of interest; information security and intellectual property, assets, resources, business records, gifts, favors, and other benefits; community activities, product donations, support on projects and sponsorships; matters of public interest; environment; and family members.

Ethics Commitee

The Ethics Committee was created in 2010 and represents an updated version of the Code of Conduct, and was intended to handle a new stream of internal complaints from employees to SAC, sanctions, policy reviews and store procedures.

In 2012, we trained employees under the Code of Conduct. Eleven operational meetings were held and two with the Executive Committee. A framework for handing out penalties was also created and used in cases of non-compliance with the Code of Conduct.

The process is handled by the Internal Audit area, Organisational Environment, Legal, Store Operations, among other operational departments within the Company, and the penalties include formal warnings and dismissal with or without just cause, according to pre-established rules.

The Operational Committee consists of 12 employees and it is coordinated by the Department of Culture.

Vulnerability and Challenges

Magazine Luiza has active and efficient risk management

The challenge to our organisational culture is constant. The essence of our company is unique and key to our development, identity and credibility. Our growth ability depends on a number of elements.

Operational Risks

The operational risk elements that permeate our operations include: possible loss of members of our senior management and/or the inability to attract and retain qualified directors; seasonality of sales; losses not covered by our insurance company; death or temporary absence of controlling shareholders and members of the Company; financing and loans to our customers; high competitiveness in the Brazilian retail sector; unfavourable economic periods, possible decrease in purchasing power and issues regarding the IT system.

Financial Risks

The financial risks of our business include conflict of interest among controlling shareholders and others; raising additional funds through the issuance of securities; absence of dividends distribution; and an increase in customer default.

Market Risks

Our business is also exposed to market risks, within a political economic backdrop, that are directly related to the Federal government, which regularly implements changes on taxes that may increase the tax burden. Consequently, the Union's measures may imply higher prices to consumers, harming financial conditions and operating results.

As we have no control over the measures and policies the Federal government could adopt in the future, nor predict them, our business could be impacted in a relevant way by changes in policies or regulations involving or affecting elements such as exchange controls and restrictions on export; monetary policy; exchange rate fluctuations; changes in labor standards; inflation; liquidity of financial markets and domestic capital; expansion or contraction of the Brazilian economy; tax policy and changes in tax laws, including those ones which our stores benefit from; control over imports and exports; social and political instability; and other political, diplomatic, social and economic hurdles that may occur or affect the Brazilian market.

Independence in Auditing Processes

Ernst & Young Brazil was appointed by the Board of Directors

We contracted Ernst & Young Terco Independent Auditors (Ernst & Young Brazil) in April 2012.

The independent audit has the main goal of verifying whether the Company's financial statements are in compliance with their reality. A study is made and an opinion is given on individual financial statements and consolidated ones, which includes the balance sheet, income statements and changes in net equity and cash flow - besides the summary of main accounting practices and explanatory notes. It is also the role of the independent audit to evaluate and issue recommendations on internal controls.

The independent audit reports directly to the Audit and Risk Committee, declaring its independence and presenting its assessment of major accounts, risks, and relevant weaknesses on internal controls.

The report states its opinion on the financial statements in accordance with Brazilian auditing and international standards and in compliance with ethical requirements for planning and safety.

Previously, the audit was done by Deloitte Touche Tohmatsu Independent Auditors (Deloitte) - also among the largest in the Country in this area.

The change meets our rotation of independent auditors, according to CVM Instruction no. 308/99, which determine that the independent auditor may not provide services for the same client for more than five years consecutively, requiring therefore a minimum of a three-year interval.

Financial Analysis
Consolidated Financial Performance

Main Consolidated Numbers

The table below shows the key financial and operating numbers for the periods 2012 and 2011:

R$ million (except when indicated)	2012	2011	Chg(%)
Total Gross Revenue	9,054.4	7,601.3	19.1%
Total Net Revenue	7,665.1	6,419.4	19.4%
EBITDA	241.8	300.6	- 19.6%
EBITDA Margin	3.2%	4.7%	- 1.5 pp
Adjusted EBITDA	281.7	346.3	- 18.7%
Adjusted EBITDA Margin	3.7%	5,4%	- 1.7 pp
Net Profit	(6.7)	11.7	- 157.8%
Net Margin	- 0.1%	0.2%	- 0.3 pp
Adjusted Net Profit	14.1	55.5	- 74.6%
Adjusted Net Margin	0.2%	0.9%	- 0.7 pp
Same-Store Sales Growth	12.5%	16.5%	-
Conventional Same-Stores Sales Growth	9.8%	13.1%	-
On-line Sales Growth	33.3%	44.4%	-
Number of Stores - End of Period	743	728	2.1%
Sales Area - End of Period (M²)	469,061	454,045	3.3%
Total Number of Luizacred Cards (Thousands)	3,924	4,426	- 11.3%

Consolidated Gross Revenue

The table below shows the distribution of gross revenue among the business segments:

(em R$ milhões)	2012	2011	Chg(%)
Gross Revenue - Retail - Resale of Goods	8,114.0	6,848.1	18.5%
Gross Revenue - Retail - Services	314.3	264.7	18.7%
Total Retail	**8,428.3**	**7,112.8**	**18.5%**
Gross Revenue - Consumer Financing	667.2	528.9	26.2%
Gross Revenue - Insurance Operations	86.3	68.8	25.6%
Gross Revenue - Consortium Administration	33.7	27.7	21.5%
Intercompany Eliminations	(161.1)	(136.8)	17.8%
Total Gross Revenue	**9,054.4**	**7,601.3**	**19.1%**

In 2012, consolidated gross revenue increased 19.1%, reaching R$ 9.05 billion. The significant increase obtained during the year was mainly owed to the following elements: i) improvement in the retail segment driven by growth in same-stores sales, strong advances by e-commerce and the Company's expansion in the number of stores; and ii) 26.2 % growth in revenue from the consumer financing segment, mainly influenced by an increase in consumer credit and services revenue.

Also in 2012, in the retail segment, gross revenue increased 18.5%, totalling R$ 8.43 billion. This significant percentage was influenced by the Company's expansion in number of stores, and, in particular, by higher same-stores sales volume, which represented 12.5%, driven by the maturation process of new stores mainly in the Northeast and rapid e-commerce growth at 33.3%, which surpassed R$ 1 billion in sales last year.

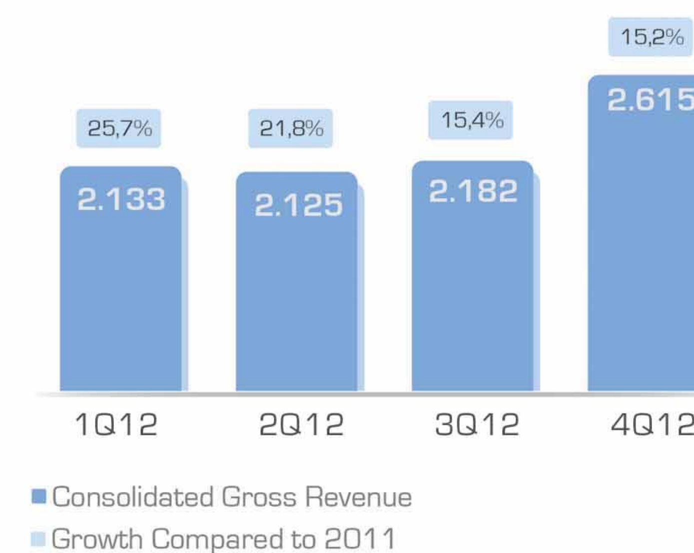
Throughout the year, we gained market share in almost all product categories. The first quarter was marked by the success of "Liquidação Fantástica" ("Fantastic Sale") and positively influenced by an increase in stores productivity following remodelling, fast growth in the Northeast and Mother's Day.

Despite Father's Day contributing, the third quarter grew in a less pronounced way, given the strong performance during the same period the year before. That said, fourth quarter campaigns such as "Cliente Ouro" ("Gold Customer") and Black Friday partially counterbalanced Christmas sales, which were below expectations.

For consumer financing – Luizacred revenue grew 26.2% to R$ 667.2 million in 2012 thanks to a balance in the mix of CDC and Co-Branded Credit Cards as well as services revenue.

Following is the evolution of consolidated gross revenue throughout 2012:

Evolution of Consolidated Gross Revenue (R$ million)



Consolidated Gross Profit

The table below shows the distribution of gross profit among business segments:

(in R$ million)	2012	2011	Chg(%)
Gross Profit - Retail - Resale of Goods	1,716.1	1,539.6	11.5%
Gross Profit - Retail - Resale of Goods	273.8	229.7	19.2%
Total Retail	**1,990.0**	**1,769.3**	**12.5%**
Gross Profit - Consumer Financing	584.8	431.3	35.6%
Gross Profit - Insurance Operations	80.0	63.8	25.3%
Gross Profit - Consortium Management	19.0	11.7	62.6%
Intercompany Eliminations	(155.2)	(131.8)	17.7%
Total Gross Profit	**2,518.5**	**2,144.3**	**17.5%**

(in % of Net Revenue)	2012	2011	Chg(%)
Gross Margin - Retail - Resale of Goods	25.4%	27.0%	- 1.6 pp
Gross Margin - Retail - Services	100.0%	100.0%	0.0 pp
Total Retail	**28.3%**	**29.8%**	**- 1.5 pp**
Gross Margin - Consumer Financing	87.6%	81.5%	6.1 pp
Gross Margin - Insurance Operations	92.6%	92.8%	- 0.2 pp
Gross Margin - Consortium Management	61.8%	45.3%	16.5 pp
Intercompany eliminations	96.3%	96.4%	- 0.1 pp
Total Gross Margin	**32.9%**	**33.4%**	**- 0.5 pp**

In 2012, consolidated gross profit totalled R$ 2.52 billion, an increase of 17.5% in the period with gross margin at 32.9% of net revenue, representing a decrease of 0.5 percentage points compared to 2011, largely owing to the retail segment's impact on the fourth quarter last year.

The retail segment closed the year with a gross margin of 28.3% of net revenue, showing a reduction of 1.5 percentage points, driven by greater online sales, integration of Northeast Stores and the need to stimulate consumption with sales discounts amid a scenario of strong competition in the last quarter of last year.

In contrast, gross margin at Luizacred grew 6.1 percentage points in 2012 to 87.6% of net revenue, especially because of the reduction of CDI, consumer direct credit (CDC) growth and increase in service revenues.

In 2013, we expect growth in Northeast gross margin, as well as enhanced product pricing intelligence in all regions thanks to the Pricing Management Project (Pricing).

Following is the evolution of consolidated gross profit throughout 2012:

Operational Expenses

The table below lists the distribution of consolidated Expenses among the different groups

(in R$ million)	2012	%NR	2011	%NR	Chg(%)
Sales Expenses	(1,581.0)	- 20.6%	(1,343.3)	- 20.9%	17.7%
General and Administrative Expenses	(388.4)	- 5.1%	(354.6)	- 5.5%	9.5%
Provisions for Loan Losses	(338.5)	- 4.4%	(244.9)	- 3.8%	38.2%
Other Net Operating Income	31.3	0.4%	99.2	1.5%	- 68.5%
Total Expenses	**(2,276.7)**	**- 29.7%**	**(1,843.7)**	**- 28.7%**	**23.5%**
(+/-) Extra Expenses	24.8	0.3%	45.7	0.7%	- 45.7%
Total Recurring Costs	**(2,251.9)**	**- 29.4%**	**(1,798.0)**	**- 28.0%**	**25.2%**

Sales Expenses

In 2012, sales expenses reached R$ 1.58 billion, representing 20.6% of net revenue, decreasing 30 basis points compared to 2011. We observed a decrease in our expenses from the second quarter onwards when our costs savings programme and increase in productivity "More with Less" gained strengh.

General and Administrative Expenses

General and administrative expenses totaled R$ 388.4 million, representing 5.1% of net revenue in 2012, decreasing 40 basis points compared to 2011 thanks to cost cutting as proposed in our strategic plan.

Provisions for Loan Losses

In 2012, provisions for loan losses reached R$ 338.5 million, increasing from 3.8%, in 2011, to 4.4% of net revenue. For the full year, such an increase was owed to conservatism adopted by Luizacred on maintaining robust provisions for loan losses.

Other Operating Costs and Expenses

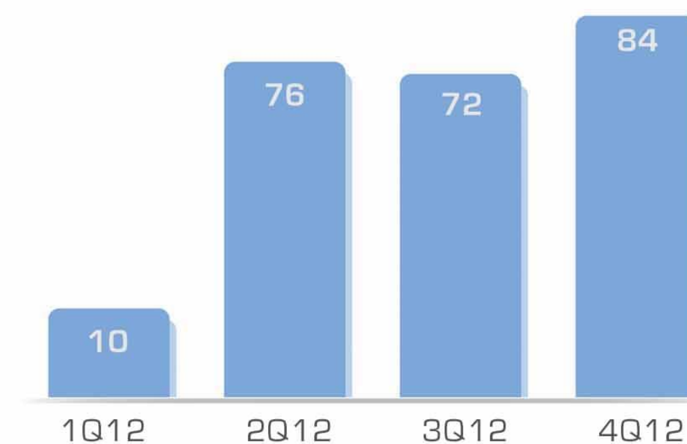
In 2012, other net operating revenue totalled R$ 31.3 million, accounting only for 0.4% of net revenue, composed mainly of the appropriation of deferred income from joint ventures, profit-sharing income from consigned loans and costs concerning Luiza Cards chips and also the integration of the retail chains, as shown below:

(in R$ million)	2012	%NR	2011	%NR	Chg(%)
Appropriation of Deferred Income	44.9	0.6%	27.7	0.4%	62.5%
Network Integration Costs	(25.6)	- 0.3%	(39.4)	- 0.6%	- 34.9%
Personal Credit Operations	17.4	0.2%	50.2	0.8%	- 65.2%
Chip Costs	(7.8)	- 0.1%	-	0.0%	-
Other	2.4	0.0%	60.8	0.9%	- 96.1%
Total	**31.3**	**0.4%**	**99.2**	**1.5%**	**- 68.5%**

EBITDA

In 2012, earnings before interest, taxes, depreciation and amortization (Consolidated EBITDA) came to R$ 241.8 million, with a margin of 3.2%. Consolidated profit was positively impacted by sales growth and costs savings and negatively by the integration of retail chains Baú da Felicidade and Lojas Maia, high provisions for loan losses at Luizacred, costs related to the maintenance of Luiza Card and the ongoing maturation process of the new stores, as well as below-than-expected sales, preventing a further reduction of operating expenses.

Evolution of consolidated EBITDA (R$ million)



Financial Results

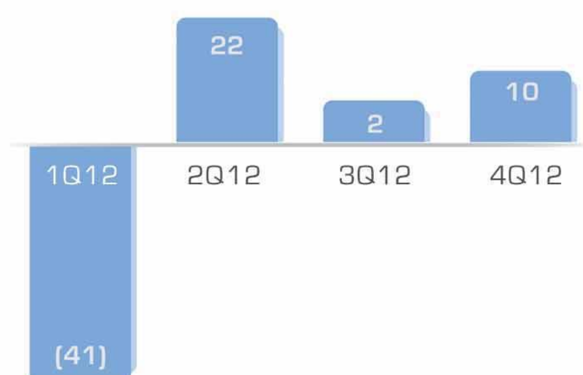
Consolidated Financial Result (R$ million)	2012	%NR	2011	Chg(%)
Financial Expenses	(228.0)	- 3.0%	(217.4)	- 3.4%
Interest on Loans and Financing	(114.3)	- 1.5%	(136.8)	- 2.1%
Interest on Brought-Forward Receivables of Third-Party Card	(58.5)	- 0.8%	(28.3)	- 0.4%
Interests on Brought-Forward Receivables of Luiza Card	(23.6)	-0.3%	(24.6)	- 0.4%
Other Expenses	(31.7)	- 0.4%	(27.7)	- 0.4%
Financial Revenue	55.7	0.7%	51.7	0.8%
Return on Financial Investments and Securities	13.9	0.2%	32.2	0.5%
Other Financial Results	41.8	0.5%	19.5	0.3%
Total Financial Result	(172.3)	- 2.2%	(165.7)	- 2.6%

Net financial expenses totalled R$ 172.3 million to 2.2% of net revenue in 2012 from 2.6% of net revenue in 2011. Throughout the year, the financial result was positively influenced by the reduction of CDI.

Consolidated Net Profit

Magazine Luiza posted a loss of R$ 6.7 million in 2012, with a margin of - 0.1%, as before it was owed to the integration of networks Baú da Felicidade and Lojas Maia, an increase in provisions for loan losses, costs related to the maintenance of Luiza Card and the ongoing maturation process of new stores as well as lower-than-expected sales volume, preventing a further reduction in expenses.

Improvement of Consolidated net Income (R$ million)



Working Capital

Consolidated (in R$ million)	DEC - 12	DEC - 11
Accounts Receivable[1]	2,104.5	1,927.8
Inventory	1,068.8	1,264.7
Related Parties	35.5	42.6
Recoverable Taxes	214.8	24.6
Other Assets	48.1	59.4
Current Operating Assets	**3,471.6**	**3,319.1**
Suppliers	1,328.2	1,267.8
Interbank Deposits	990.0	981.5
Operations with Credit Cards	566.7	436.1
Wages, Vacations and Social Charges	139.5	121.6
Collectable Taxes	80.2	49.3
Related Parties	26.0	25.5
Taxes in Installments	9.1	2.9
Technical Provisions for Insurance	34.1	32.5
Other Accounts Payable	84.4	94.6
Current Operating Liabilities	**3,258.3**	**3,011.7**
Working Capital	**213.4**	**307.3**

Note (1): The accounts receivable balance is reported net of receivables of brought-forward credit cards in the amount of R$ 791.4 million on Dec./12, and R$ 441 million on Dec./11.

In December 2012, net working capital totalled R$ 213.4 million, representing 2.4% of gross revenue of the previous 12 months and below the 5.7% seen in the third quarter of the same year and 4.0% in December 2011. This reduction was mainly owed to an improvement in inventory turnover for the period and the accounting of part of receivable taxes in the long run.

At the end of 2012, the Company had accumulated credits over ICMS by tax substitution to recover totalling of R$ 281.2 million, R$ 152 million was accounted for as current assets and R$ 129.2 million in non-current assets. Such credits will be made through the reimbursement and compensation of debts to the State where the credit was originated.

We are committed to freeing up working capital over the years by working with smaller inventories and a faster turnover in products. The goal is to increase efficiency in the management of product categories and reduce the impact of taxes with the recovery of credits accumulated over ICMS on tax substitution.

CAPEX

Investment (in R$ million)	2012	2011
New Stores	23.1	46.1
Remodelling	62.6	82.2
Technology	25.3	35.3
Other	63.8	46.5
Total	**174.9**	**210.2**

In 2012, we reduced investments by 16.8% (new stores, remodelling and logistics), to R$ 174.9 million. Such investments included the refurbishment of existing stores, technology and the opening of 22 stores, as well as the expansion of storage and operating capacity of our Distribution Centre in Louveira and the construction of a new one in the Northeast.

Net Debt and Cash Flow

Consolidated Debt (in R$ million)	2012	2011
(+) Current Loans and Financing	317.2	129.7
(+) Non-Current Loans and Financing	918.8	581.7
(=) Gross Debt	1,236.0	711.3
(-) Cash and Cash equivalents	423.1	173.1
(-) Current Securities	175.2	75.0
(-) Non-Current Securities	59.3	43.3
(-) Cash and Equivalents (Total)	657.6	291.3
(=) Net Debt	578.4	420.0
Short-Term Debt / Total	26%	18%
Long-Term Debt / Total	74%	82%
Adjusted EBITDA (past 12 months)	281.7	346.3
Net Debt / Adjusted EBITDA	2.1x	1.2x

In December 2012, Magazine Luiza had loans and financing at R$ 1.24 billion, cash and financial investments totaling R$ 657.6 million, resulting in net debt of R$ 578.4 million, equivalent to 2.1 times adjusted EBITDA for the past 12 months. The increase in net debt reflects the growth of the operation in that period.

In the coming years, we will improve our debt profile, extending the medium term and reducing refinancing risk. In addition, we plan to reduce our net debt to EBITDA ratio.

We also aim to generate free cash flow in the medium term with a constant review of our goals to gradually increase liquidity.

Dividend Policy

Magazine Luiza's bylaws expect the company will distribute the minimum required by corporate law. However, at the Annual General Meeting held on April 30 2012, the distribution of R$ 2.8 million in dividends was approved, repre senting R$ 1.1 million more than the required amount. This total, which was paid in the second quarter of 2012, represented 24% of net income in 2011.

Sustainability

The Sustainability Report was prepared in accordance to the guidelines of the Global Reporting Initiative (GRI), the main international benchmark for performance reporting on environmental, economic and social aspects. The document will be published annually. The data refer to the period from January 1st to December 31st, 2012.

The set of principles, protocols and GRI numbers value aspects of relevance, comprehensiveness, transparency, reliability and comparability. In its first report, Magazine Luiza claims to have reached level C+ of GRI implementation, G3 Version, audited by Ernst & Young Terco Independent Auditors.

The publication covers the operations in Brazil focusing on conventional and virtual stores and e-commerce in its eight distribution centres, besides the business office, in São Paulo capital. The document does not include the results of the subsidiaries Luizaseg, Luizacred and Luiza Consortium.

PROFILE ITEMS
PERFORMANCE IIDICATORS
LIMITED ASSURANCE LETTER BY INDEPENDENT AUDITORS
MASTHEAD

PROFILE ITEMS

STRATEGY AND ANALYSIS		
1.1	5/7	Declaration by the person holding the higher decision authority position in the organization (president director, president of the administration board or other equivalent position) about the relevance of sustainability for the organization and its strategy
ORGANIZATIONAL PROFILE		
2.1	16	Name of the organization
2.2	11/12/30	Main brands, products and/or services
2.3	16	Operational structure of the organization, including main divisions, operational units, subsidiaries and joint ventures
2.4	16	Location of the organization headquarters
2.5	2	Number of countries where the organization operates and name of the countries where its main operations take place or are especially relevant for the sustainability issues covered by the Report
2.6	16	Juridical type and nature of property rights
2.7	16	Markets served by the organization (including geographic details, sectors served and kind of customers/beneficiaries)
2.8	16	Size of the organization, including: • number of employees; • net sales (for private sector organizations) ou netearnings (for public sector organizations); • full capitalization discriminated as to debts and net patrimony (for private sector organizations); • amount of products or services offered
2.9	20/25/26	Main changes during the period covered by the report regarding size, structure or shareholding interests
2.10	22	Prizes awarded during the period covered in the report

Sustainability

REPORT PARAMETERS

3.1	2	Period covered in the report (such as fiscal/calendar year) for the information presented
3.2	2	Date of the most recent report (if any)
3.3	2	Report periodicity (annual, biennial etc.)
3.4	2	Data for contact to answer questions about the report or its contents
3.5	2	Process for defining contents of the report, including; • contents determination: • prioritization of issues in the report; • identification of stakeholders expected to use thereport
3.6	2	Report wideness of range (such as countries, subsidiaries,rented premises, joint ventures, suppliers)
3.7	2	Declaration about any specific limitations as to the Report scope or limits
3.8	2	Bases for the production of the report regarding joint ventures, subsidiaries, rented premises, outsource operations and other organizations that may significantly affect comparability between periods and/or organizations
3.10	-	Explanation of consequences of any changes to information included in previous reports, and reasons for performing such changes (such as merges or acquisitions,changes in period or tax-base year, business nature, measurement methods) **This is the first report in line with GRI G3 guidelines.**
3.11	-	Significant changes as compared to previous years regarding scope, limits or measurement methods employed in the report **This is the first report in line with GRI G3 guidelines.**
3.12	59	Table identifying the where to find information in thereport. Identification of page numbers or links for internet sites
3.13	2	Current policy and practice on the quest for external verification for the report. If verification is not included in the Sustainability Report, both the scope and the basis of any external verification must be explained, as well as the relationship between the reporting organization and auditor(s)

GOVERNANCE, COMMITMENT AND ENGAGEMENT

4.1	17	Governance structure of the organization, including committees ruled by the highest governance organ responsible for specific tasks, such as strategy planning or organization supervision
4.2	17/18	Should the president of the highest governance organ also hold an executive director position, this condition must be indicated (and if so, his/her functions within the organization management and reasons for this arrangement)
4.3	18	For organizations with unitary management structure, declaration on number of independent or non executive members of the highest governance organ. Declare how the organization defines "independent" and "nonexecutive". This item only applies to organizations with unitary management structure
4.4	20/49	Mechanisms for stakeholders and employees to present recommendations or suggestions to the highest governance organ
4.8	9/14	Declaration on mission and values, codes of conduct and internal principles
4.13	21	Participation in associations (such as industry federations) and/or national/international defense organisms
4.14	9/51/56	List of stakeholder groups engaged by the organization
4.15	19	Grounds for identification and selection of stakeholders to engage with. This item includes the organization process to define its stakeholders and to identify groups to engage with or not

PERFORMANCE INDICATORS

ECONOMIC PERFORMANCE

Indicator	Page	Description
EC1	28	Direct economic value produced and distributed, including earnings, operational costs, compensation to employees, donations and other investments in the community, accumulated profits and payments to capital contributors and governments
EC5	44	Variation of the lowest wage proportion as compared to local minimum salary in important operational units

ENVIRONMENTAL PERFORMANCE

Indicator	Page	Description
EN4	55	Indirect electric power consumption, discriminated according to primary source

SOCIAL PERFORMANCE

Labor Practices

Indicator	Page	Description
LA1	37	Total number of workers, per job type, labor agreement and region
LA2	37	Total number of jobs and turnover rates, per age range, gender and region
LA10	46	Average number of training hours per year
LA12	47	Percentage of employees receiving performance analyses
LA13	38/39	Composition of high administration and consulting boards, and proportion per groups and gender

Society

Indicator	Page	Description
SO2	41	Percentage and total number of transactions subject to risk evaluations related to corruption
SO3	41	Percentage of employees trained in anti-corruption policies and procedures of the organization
SO4	41	Measures adopted in response to corruption events
SO7	15	Total number of lawsuits due to disloyal competition, trust and monopoly practices and their results

Accountability as to Products

Indicator	Page	Description
PR5	31/35	Practices related to customer satisfaction, including research results

Check out the Sustainability Report in full:
ri.magazineluiza.com.br / corporate governance / sustainability report

Limited Assurance Letter by Independent Auditors

Limited Assurance Report of Independent Auditors on Sustainability Report - Base Year 2012

To
The Board of Directors and Shareholders of
Magazine Luiza S/A
São Paulo - SP

Introduction

We have been engaged by Magazine Luiza S/A to provide limited assurance report on the information disclosed in the Sustainability Report, in accordance with the sustainability reporting guidelines of the Global Reporting Initiative (GRI 3), Level C, for the 12-month period ended December 31, 2012, not including the results of its subsidiaries Luizaseg, Luizacred and Consórcio Luiza.

Management's responsibility

Magazine Luiza S/A management is responsible for the preparation and fair presentation of the information disclosed in the Sustainability Report for the 12-month period ended December 31, 2012, in accordance with their own criteria, assumptions and methodologies, and for such internal control as management determines is necessary to enable the preparation of such information that is free from material misstatement, whether due to fraud or error.

Independent auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the information disclosed in the Sustainability Report of Magazine Luiza S/A for the 12-month period ended December 31, 2012, based on our limited assurance procedures performed in accordance with Technical Communication (CT) No. 07/2012, approved by Brazil's National Association of State Boards of Accountancy (CFC) and prepared based on standard NBC TO 3000 (Assurance Engagements Other than Audit and Review), issued by the CFC, which is the equivalent to International Standard on Assurance Engagements ISAE 3000, issued by the International Auditing and Assurance Standards Board (IAASB), applicable to non-historical information. These standards require that we comply with applicable ethical requirements, including independence requirements, and perform the engagement to obtain limited assurance about whether the Sustainability Report of Magazine Luiza S/A, for the 12-month period ended December 31, 2012, is free from material misstatement.

A limited assurance engagement performed in accordance with NBC TO 3000 (ISAE 3000) consists mainly of making inquiries of management and other Company professionals responsible for the preparation of the information presented in the Sustainability Report, and applying additional procedures, as considered necessary, to obtain sufficient evidence for us to express our conclusion, with limited assurance, on the Sustainability Report. A limited assurance engagement also requires application of additional procedures, whenever the independent auditor becomes aware of matters that would cause them to believe that the information disclosed in the Sustainability Report may not be free from material misstatement.

The procedures selected depend on the auditor's understanding of aspects involved in the preparation and presentation of the Sustainability Report information and other engagement circumstances, as well as on the auditor's consideration of those areas in which material misstatements are more likely to occur. The procedures comprised:

(a) the planning of our work, taking into consideration the materiality and volume of qualitative and quantitative information and the operational and internal control systems that served as a basis for the preparation of the information disclosed in the Sustainability Report of Magazine Luiza;
(b) interviews with managers responsible for preparing the information presented in the Sustainability Report to gain an understanding of the calculation methodology and procedures used to prepare and compile the indicators;
(c) the application of analytical procedures to quantitative data and inquiries as to qualitative data, and correlation with the indicators in the Sustainability Report;
(d) the comparison of the financial indicators with the financial statements and/or accounting records.

The limited assurance procedures also included checking for compliance with GRI 3(c) guidelines and criteria applicable to the preparation of the Sustainability Report information.
We believe that the evidence we have obtained during our work is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Scope and limitations

In a limited assurance engagement, the practitioner performs a set of procedures whose nature is different from, and their extent less than, that necessary in a reasonable assurance engagement conducted to express an opinion on the information disclosed in the Sustainability Report, and consequently, they do not enable us to obtain the necessary assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Had we performed an engagement to express an opinion on the information presented in the Sustainability Report, other significant matters or misstatements, if any, might have come to our attention. Accordingly, we do not express an opinion on such information.
Non-financial data are subject to more inherent limitations than financial data, given both their nature and diversity of the methods used for determining, calculating or estimating such data. Qualitative interpretations of materiality, relevance and accuracy of the data are subject to individual assumptions and judgments. Additionally, we have not performed any work on data informed for prior periods, or on future forecasts and goals.

Conclusion

Based on the limited assurance procedures performed, as described in this report, nothing has come to our attention that causes us to believe that the information disclosed in the Sustainability Report of Magazine Luiza S/A have not been prepared, in all material aspects, in accordance with the GRI 3 - Level C guidelines and the corporate sustainability reporting criteria, assumptions and methodologies of Magazine Luiza.

São Paulo, April 1st, 2013

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC-2SP015199/O-6
Fernando A. S. Magalhães
Accountant CRC 1SP 133169/O-0

magazineluiza
vem ser feliz

Financial Statements

Magazine Luiza S.A.
Statement of financial position
December 31, 2012 and 2011
(All amounts in thousands of Brazilian reais - R$)

	Note	Company - BR GAAP		Consolidated - IFRS and BR GAAP	
		12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Assets					
Current assets					
Cash and cash equivalents	3.1	**404,143**	150,980	**423,128**	173,117
Securities	3.2	**126,385**	26,876	**175,227**	74,957
Receivables	4	**486,474**	436,326	**2,104,479**	1,927,828
Inventories	5	**1,068,762**	1,092,081	**1,068,762**	1,264,657
Related parties	6	**74,342**	130,165	**35,541**	42,601
Taxes recoverable	7	**208,490**	18,749	**214,771**	24,608
Other assets	8	**37,130**	21,819	**48,062**	59,359
Total current assets		**2,405,726**	1,876,996	**4,069,970**	3,567,127
Noncurrent assets					
Securities	3.2	**-**	-	**59,255**	43,267
Receivables	4	**398**	5,858	**1,771**	9,407
Deferred income tax and social contribution	9	**147,758**	122,333	**201,730**	178,907
Taxes recoverable	7	**137,365**	15,182	**138,409**	31,042
Escrow deposits		**129,348**	53,534	**137,792**	88,969
Other assets	8	**38,943**	15,782	**39,905**	19,789
Investments in subsidiaries	10	**12,272**	72,877	**-**	-
Investments in joint ventures	11	**222,894**	161,256	**-**	-
Property and equipment	12	**573,223**	417,295	**575,185**	489,938
Intangible assets	13	**435,049**	175,716	**440,738**	448,908
Total noncurrent assets		**1,697,250**	1,039,833	**1,594,785**	1,310,227
Total assets		**4,102,976**	2,916,829	**5,664,755**	4,877,354

	Note	Company - BR GAAP		Consolidated - IFRS and BR GAAP	
		12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Liabilities and equity					
Current liabilities					
Trade payables	14	**1,325,992**	1,091,013	**1,328,155**	1,267,774
Loans and financing	15	**317,198**	94,979	**317,198**	129,671
Interbank deposits	16	**-**	-	**990,021**	981,478
Credit card operations	17	**-**	-	**566,664**	436,130
Payroll, vacation pay and social charges		**136,586**	109,726	**139,537**	121,596
Taxes payable		**47,401**	33,289	**80,174**	49,324
Related parties	7	**51,291**	45,737	**25,989**	25,492
Taxes paid in installments	21	**9,128**	2,854	**9,128**	2,854
Deferred revenue	18	**37,104**	19,217	**31,560**	24,092
Dividends payable		**-**	1,662	**-**	1,662
Insurance reserves	19	**-**	-	**34,140**	32,464
Other payables		**80,541**	78,715	**84,448**	94,598
Total current liabilities		**2,005,241**	1,477,192	**3,607,014**	3,167,135
Noncurrent liabilities					
Loans and financing	15	**918,766**	496,278	**918,766**	581,664
Taxes paid in installments	21	**1,783**	4,398	**1,783**	4,398
Provision for tax, civil and labor contingencies	20	**186,027**	84,176	**199,202**	173,404
Insurance reserves	19	**-**	-	**27,353**	17,853
Deferred revenue	18	**375,167**	230,490	**294,023**	294,261
Deferred income tax and social contribution	9	**-**	-	**-**	10,765
Other payables		**-**	3,350	**622**	6,929
Total noncurrent liabilities		**1,481,743**	818,692	**1,441,749**	1,089,274
Total liabilities		**3,486,984**	2,295,884	**5,048,763**	4,256,409
Equity					
Capital stock	22	**606,505**	606,505	**606,505**	606,505
Capital reserve	22	**2,820**	-	**2,820**	-
Legal reserve	22	**4,025**	4,025	**4,025**	4,025
Profit retention reserve	22	**2,561**	10,415	**2,561**	10,415
Other comprehensive income	22	**81**	-	**81**	-
Total equity		**615,992**	620,945	**615,992**	620,945
Total liabilities and equity		**4,102,976**	2,916,829	**5,664,755**	4,877,354

The accompanying notes are an integral part of these financial statements.

Magazine Luiza S.A.

Statement of operations

For the years ended December 31, 2012 and 2011

(All amounts in thousands of Brazilian reais - R$)

	Note	Company - BR GAAP		Consolidated - IFRS and BR GAAP	
		2012	2011	2012	2011 (reclassified)
Net sales	23	**6,719,425**	5,135,586	**7,665,112**	6,419,371
Costs of resales, services and fund raised for financial operations	24	**(4,810,471)**	(3,589,901)	**(5,146,597)**	(4,275,084)
Gross profit		**1,908,954**	1,545,685	**2,518,515**	2,144,287
Operating income (expenses)					
Selling	25	**(1,344,320)**	(1,038,760)	**(1,581,049)**	(1,343,327)
General and administrative	25	**(330,723)**	(264,749)	**(388,429)**	(354,629)
Doubtful accounts losses		**(21,774)**	(13,279)	**(338,519)**	(244,931)
Depreciation and amortization		**(86,442)**	(71,061)	**(93,536)**	(86,937)
Equity in the earnings (losses) of subsidiaries	9 and 10	**(7,031)**	13,119	**-**	-
Other operating income, net	25 and 26	**29,900**	18,533	**31,283**	99,197
		(1,760,390)	(1,356,197)	**(2,370,250)**	(1,930,627)
Operating income before financial expenses, net		**148,564**	189,488	**148,265**	213,660
Financial expenses, net					
Financial income	27	**57,081**	38,573	**55,695**	51,686
Financial expenses	27	**(242,318)**	(213,395)	**(227,992)**	(217,409)
		(185,237)	(174,822)	**(172,297)**	(165,723)
Operating income (loss) before income tax and social contribution		**(36,673)**	14,666	**(24,032)**	47,937
Current and deferred income tax and social contribution	9	**29,928**	(3,000)	**17,287**	(36,271)
Net income (loss) for the year		**(6,745)**	11,666	**(6,745)**	11,666
Net income (loss) attributable to:					
Owners of the company		**(6,745)**	11,666	**(6,745)**	11,666
Earnings (loss) per share					
Basic and diluted (R$ per share)		**(0.04)**	0.07	**(0.04)**	0.07

The accompanying notes are an integral part of these financial statements.

Magazine Luiza S.A.

Statement of changes in equity - Company and consolidated

For the years ended December 31, 2012 and 2011

(All amounts in thousands of Brazilian reais - R$)

	Note	Capital stock	Capital reserve	Legal reserve	Profit retention reserve	Retained earnings (accumulated losses)	Other comprehensive income	Total
Balances at December 31, 2010		43,000	-	3,442	994	-	-	47,436
				-	-	-		-
Capital increase, net of expenditures with issue of shares and related tax effects		563,505	-	-	-	-	-	563,505
Net income for the year		-	-	-	-	11,666	-	11,666
Allocations:		-	-	-	-	-	-	-
Legal reserve		-		583	-	(583)	-	-
Profit retention reserve		-	-	-	9,421	(9,421)	-	-
Dividend distribution		-	-	-	-	(1,662)	-	(1,662)
Balances at December 31, 2011		**606,505**	**-**	**4,025**	**10,415**	**-**	**-**	**620,945**
								-
Stock option plan	22	**-**	**2,820**	**-**	**-**	**-**	**-**	**2,820**
Loss for the year	22	**-**	**-**	**-**	**-**	**(6,745)**	**-**	**(6,745)**
Dividend distribution					**(1,109)**			**(1,109)**
Absorption of accumulated losses		**-**	**-**	**-**	**(6.745)**	**6.745**	**-**	**-**
		606,505	**2,820**	**4,025**	**2,561**	**-**	**-**	**615,911**
Other comprehensive income:								
Financial instruments adjustments		**-**	**-**	**-**	**-**	**-**	**81**	**81**
Balances at December 31, 2012		**606,505**	**2,820**	**4,025**	**2.561**	**-**	**81**	**615,992**

Magazine Luiza S.A.

Statement of cash flows

For the years ended December 31, 2012 and 2011

(All amounts in thousands of Brazilian reais - R$)

	Note	Company - BR GAAP		IFRS and BR GAAP	
		2012	2011	2012	2011
Cash flow from operating activities					
Net income (loss) for the year		**(6,745)**	11,666	**(6,745)**	11,666
Adjustments to reconcile net income for the year to cash provided by operating activities:					
Deferred income tax and social contribution expenses recognized in P&L	9	**(29,928)**	3,000	**(17,287)**	36,271
Depreciation and amortization		**86,442**	71,061	**93,536**	86,937
Interest on loans and financing		**93,445**	89,489	**97,889**	106,380
Return on boutique investment fund		**(10,884)**	(17,537)	**(10,884)**	(17,537)
Equity in the earnings (losses) of subsidiaries	10	**7,031**	(13,119)	**-**	-
Changes in impairment provision		**43,399**	19,359	**360,144**	248,511
Provision for tax, civil and labor contingencies	20	**30,624**	28,735	**47,821**	16,840
Write-off of property and equipment, net of gains from sale		**3,801**	(10,342)	**4,269**	(10,133)
Appropriation of deferred revenue	26	**(39,388)**	(26,447)	**(44,947)**	(27,665)
Stock option plan expenses		**2,820**	-	**2,820**	-
(Increase) decrease in operating assets:					
Receivables		**10,700**	(27,742)	**(507,534)**	(638,781)
Securities		**-**	-	**(105,227)**	(12,665)
Inventories		**158.936**	(326,766)	**174.270**	(418,438)
Related parties		**67,975**	(92,829)	**7,060**	(23,003)
Taxes recoverable		**(291.114)**	15,591	**(291,533)**	1,120
Other assets		**(61,724)**	(32,926)	**(57,642)**	(35,541)
Increase (decrease) in operating liabilities:					
Trade payables		**54,803**	78,086	**60,381**	132,951
Interbank deposits		**-**	-	**8,543**	124,753
Credit card operations		**-**	-	**130,534**	215,900
Insurance reserves		**-**	-	**11,176**	6,622
Payroll, vacation pay and social charges		**14,283**	(2,277)	**17,941**	5,071
Taxes recoverable		**13,764**	463	**22,978**	7,164
Related parties		**(47,178)**	(32,408)	**497**	3,826
Taxes paid in installments		**3,659**	(7,648)	**3,659**	(42,428)
Other payables		**(46,336)**	28,499	**(51,303)**	(5,063)
Cash provided by (used in) operating activities		**58,385**	(244,092)	**(49,584)**	(227,242)
Income tax and social contribution paid		**(346)**	(3,596)	**(14,493)**	(36,340)
Dividends received from subsidiaries		**10,172**	13,028	**-**	-
Net cash provided by (used in) operating activities		**68,211**	(234,660)	**(64,077)**	(263,582)

The accompanying notes are an integral part of these financial statements.

Magazine Luiza S.A.
Statement of cash flows (Continued)
For the years ended December 31, 2012 and 2011
(All amounts in thousands of Brazilian reais - R$)

	Note	Company - BR GAAP		Consolidated - IFRS and BR GAAP	
		2012	2011	2012	2011
Cash flow from investing activities					
Acquisition of property and equipment	12	**(136,638)**	(129,727)	**(150,699)**	(179,980)
Acquisition of intangible assets	13	**(19,775)**	(24,477)	**(24,182)**	(30,237)
Sale of exclusive dealing and exploration right contract	18	**50,000**	48,000	**65,000**	24,000
Investments in boutique investment fund		**(869,995)**	(1,379,687)	**-**	(1,379,687)
Redemption in boutique investment fund		**781,370**	1,370,348	**-**	1,370,348
Investment in subsidiary		**(49,465)**	(12,000)	**-**	-
Cash generated from merger of company		**5,459**	-	**-**	-
Acquisitions of subsidiaries		**-**	(106,955)	**-**	(106,955)
Gains from sale of property and equipment		**-**	15,568	**-**	32,125
Cash used in investing activities		**(239,044)**	(218,930)	**(109,881)**	(270,386)
Cash flow from financing activities					
Capital increase through public offering		**-**	552,993	**-**	552,993
New loans and financing		**745,717**	182,691	**745,717**	182,758
Payment of loans and financing		**(227,690)**	(247,714)	**(227,717)**	(273,076)
Payment of interest on loans and financing		**(91,260)**	(71,808)	**(91,260)**	(84,455)
Payment of dividends		**(2,771)**	-	**(2,771)**	-
Cash provided by financing activities		**423,996**	416,162	**423,969**	378,220
Increase (decrease) in cash and cash equivalents		**253,163**	(37,428)	**250,011**	(155,748)
Cash and cash equivalents at the beginning of the year		**150,980**	181,263	**173,117**	328,865
Cash received due to merger of subsidiary			7,145		
Cash and cash equivalents at the end of the year		**404,143**	150,980	**423,128**	173,117
Increase (decrease) in cash and cash equivalents		**253,163**	(37,428)	**250,011**	(155,748)

The accompanying notes are an integral part of these financial statements.

Magazine Luiza S.A.
Statement of value added
For the years ended December 31, 2012 and 2011
(All amounts in thousands of Brazilian reais - R$)

	Company - BR GAAP		Consolidated - IFRS and BR GAAP	
	2012	2011	2012	2011
Revenue				
Goods and products sold and services rendered	**7,602,221**	5,787,070	**8,616,819**	7,266,423
Allowance for doubtful accounts, net of reversals	**(21,774)**	(13,279)	**(338,519)**	(244,931)
Other operating revenues	**62,112**	34,276	**107,816**	119,602
	7,642,559	5,808,067	**8,386,116**	7,141,094
Inputs acquired from third parties				
Cost of products and goods sold and services rendered	**(5,287,085)**	(3,951,735)	**(5,591,150)**	(4,636,916)
Material, electricity, outsourced services and other	**(597,512)**	(464,413)	**(819,799)**	(669,210)
Impairment of assets	**(17,988)**	(9,193)	**(17,988)**	(9,193)
	(5,902,585)	(4,425,341)	**(6,428,937)**	(5,315,319)
Gross value added	**1,739,974**	1,382,726	**1,957,179**	1,825,775
Depreciation and amortization	**(86,442)**	(71,061)	**(93,536)**	(86,937)
Net value added generated by the entity	**1,653,532**	1,311,665	**1,863,643**	1,738,838
Value added received through transfer				
Equity in the earnings (losses) of subsidiaries	**(7,031)**	13,119	**-**	-
Financial income	**57,081**	37,720	**55,695**	50,848
		-	**-**	-
Total value added to distribute	**1,703,582**	1,362,504	**1,919,338**	1,789,686
Distribution of value added				
Personnel and charges:				
Direct compensation	**592,354**	478,747	**626,501**	557,942
Benefits	**110,452**	86,869	**118,599**	104,903
Government Severance Indemnity Fund for Employees (FGTS)	**54,091**	40,410	**57,165**	47,247
	756,897	606,026	**802,265**	710,092
Taxes, fees and contributions:				
Federal	**252,034**	234,882	**379,928**	401,635
State	**249,302**	156,654	**286,550**	267,468
Municipal	**23,350**	20,232	**30,424**	26,554
	524,686	411,768	**696,902**	695,657
Value distributed to providers of capital:				
Interest	**211,144**	187,229	**196,317**	189,682
Rentals	**186,425**	121,210	**198,778**	154,964
Other	**31,175**	24,605	**31,821**	27,625
	428,744	333,044	**426,916**	372,271
Value distributed to shareholders:				
Dividends	**-**	1,662	**-**	1,662
Retained earnings (accumulated losses)	**(6,745)**	10,004	**(6,745)**	10,004
	1,703,582	1,362,504	**1,919,338**	1,789,686

The accompanying notes are an integral part of these financial statements.

1. Operations

Magazine Luiza S.A. (the "Company") is primarily engaged in the retail sale of consumer goods (mainly home appliances, personal electronics and furniture), through physical and virtual stores or through e-commerce, with headquarters in the city of Franca, state of São Paulo, Brazil. Its parent and holding company is LTD Administração e Participação S.A.On December 31, 2012, the Company and its subsidiaries owned 743 stores (728 stores in 2011) and eight distribution centers (eight distribution centers in 2011), located in the South, Southeast, Mid-west and Northeast regions of Brazil.The Company holds ownership interest in other companies, as described below: **(a)** Luizacred S.A. - Sociedade de Crédito, Financiamento e Investimento ("Luizacred") - Subsidiary jointly controlled with Banco Itaúcard S.A., engaged in the offer, distribution and sale of financial products and services to the customers of Magazine Luiza's store chain; **(b)** Luizaseg Seguros S.A. ("Luizaseg") - Subsidiary jointly controlled with NCVP Participações Societárias S.A., a subsidiary of Cardif do Brasil Seguros e Previdência S.A., engaged in the development, sale and management of extended warranties for any kind of product sold in Brazil, to the customers of Magazine Luiza's store chain; **(c)** Luiza Administradora de Consórcios Ltda. ("LAC") - Wholly-owned subsidiary engaged in the management of consortium groups created to purchase vehicles, motorcycles, home appliances and furniture; Magazine Luiza S.A. and its subsidiaries and joint ventures are hereinafter referred to as "Group" for purposes of this report, unless otherwise stated. **Merger of subsidiary F.S. Vasconcelos & Cia. Ltda. ("Lojas Maia")** On April 30, 2012, the Company merged with F.S. Vasconcelos & Cia. Ltda. ("Lojas Maia"), its wholly-owned subsidiary, represented by a store chain, operating in the same business segment as Magazine Luiza S.A. in the Northeast region of Brazil, acquired in July 2010. The merger was approved by the Special Shareholders' Meeting held on the same date. See Note 10 for further details on the merger.

2. Presentation and preparation of the financial statements

2.1. Statement of compliance The Group's financial statements comprise: • The consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB"), and the accounting practices adopted in Brazil, identified as "Consolidated - IFRS and BR GAAP;" and • The parent company financial statements prepared in accordance with accounting practices adopted in Brazil, identified as "Company - BR GAAP." The accounting practices adopted in Brazil comprise those established in the Brazilian Corporate Law as well as the Pronouncements, Guidelines and Interpretations issued by the Brazilian Accounting Pronouncements Committee (CPC), approved by the Brazilian Securities and Exchange Commission (CVM). The parent company financial statements present the valuation of investments in subsidiaries and joint ventures under the equity method. Therefore, these parent company financial statements are not considered fully compliant with IFRS, which require these investments to be stated at fair value or cost in the parent company's financial statements. As there is no difference between the consolidated equity and the consolidated net income or loss attributable to the shareholders of the Company, disclosed in the consolidated financial statements prepared in accordance with IFRS and accounting practices adopted in Brazil, and the Company's equity and net income or loss, disclosed in the parent company's financial statements prepared in accordance with accounting practices adopted in Brazil, the Company opted for presenting these parent company and consolidated financial statements in a single document. **2.2. Basis of preparation** The financial statements have been prepared based on the historical cost, except for certain financial instruments measured at their fair values, as described in the following accounting practices. The historical cost is generally based on the fair value of the consideration paid in exchange for assets. Non-financial data included in these financial statements, such as number of stores and distribution centers, were not audited by our independent auditors. A summary of main accounting practices applied to the financial statements for the years ended December 31, 2012 and 2011 is as follows: **2.3. Basis of consolidation and investments in subsidiaries and joint ventures** The Company fully consolidated its financial statements into all subsidiaries financial statements. The Company controls an entity when it directly or indirectly has the majority of voting rights in the Shareholders Meeting or the power to determine the financial and operating policies, with a view to obtaining benefits from the entity's activities. The financial statements of a joint venture were consolidated in proportion to the ownership interest the Company holds. Shared control occurs when the strategic, financial and operating decisions concerning the activities are taken only by unanimous agreement of the parties that hold the control. In the parent company's financial statements, the financial information of subsidiaries and joint ventures is recognized under the equity method. The result from operations of the subsidiary F.S. Vasconcelos & Cia. Ltda.("Lojas Maia"), merged on April 30, 2012, was included, after the merger, in the Company's statement of operations, statement of cash flows and statement of value added; therefore, these statements report 12 months of the Company's results from operations and eight months of result provided by merged F.S. Vasconcelos & Cia. Ltda.'s net assets. Whenever necessary, the subsidiaries' and joint ventures' financial statements are adjusted to conform their accounting policies to those of the Group. All transactions, balances, revenue and expenses with subsidiaries are fully eliminated in consolidation. In the case of joint ventures, the elimination is in proportion to the ownership interest the Company holds. **2.4. Business combination** In the consolidated financial statements, business acquisitions are accounted for under the acquisition method, consisting of the sum of the fair values of assets transferred and liabilities assumed when the control of the acquiree is transferred (acquisition date). Acquisition-related costs (due diligence and attorneys' fees, etc.) are recognized in profit or loss for the year, when incurred. Goodwill on acquisitions is stated as the cost of business combinations exceeding the buyer's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill and other intangible assets with indefinite useful lives are not amortized. Goodwill on acquisitions of companies is based on expected future profitability. Up to December 2008, goodwill was amortized at the term, extension and proportion of projected results, not higher than ten years. As of January 2009, goodwill was no longer amortized, but was submitted to annual impairment test considering the corresponding cash generating unit, as described in Note 2.5. Any goodwill impairment loss is immediately recognized in profit or loss for the year and is not subject to future reversal. When a subsidiary or joint venture is sold, the goodwill is included in the calculation of the gains or losses from the sale. If the acquirer's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is higher than the acquisition cost, the excess amount (previously known as negative goodwill) is recorded as immediate gain in the statement of operations in the year of acquisition. Goodwill on acquisition will be adjusted during the measurement period (within 12 months after the acquisition date), if adjustments attributable to the acquisition date are identified during such period. After the measurement period, the acquirer must revise the business combinations accounting records solely to correct errors, in compliance with Technical Pronouncement CPC 23 – Accounting Policies, Changes in Estimates and Errors. In the parent company's financial statements, the Company complies with Technical Interpretation ICPC - 09, according to which the amounts exceeding the acquisition cost on the Company's interest in

2.7.3. Adjustment to present value Relevant long- and short-term assets and liabilities are adjusted to present value based on the discount rate that better reflects market evaluations of the time value of money and liability risks and asset expectations on their original dates. ***Retail activities*** The main transactions resulting in adjustments to present value refer to the purchase of goods for resale in installments and resale of goods, whose balances are paid in installments by customers, at fixed interest rates, and discounted to present value on transaction dates, due to their installment terms. The discount rate is based on financing rates paid by the final consumer, weighed by the default risk percentage evaluated and already considered in the allowance for doubtful accounts. The adjustment to present value relating to the purchase of goods for resale is recorded under line item "Trade payables" (with a corresponding entry to line item "Inventories"). Its reversal is recorded under line item "Cost of resales, services and fund raising for financial operations," according to maturity. The adjustment to present value of installment resale of goods is recorded under "Receivables." Its realization is recorded under "Revenue from resale of goods," according to maturity. ***Loans*** Loans in the joint venture Luizacred are stated at present value, based on agreed interest rates and variations in operation indexes. No significant adjustments to the calculation at present value of long-term liabilities, such as taxes paid in installments and provision for tax, civil and labor contingencies, were identified, considering mainly that the balances of these line items correspond to the Company's Management best estimate of disbursement as at December 31, 2012 and 2011, and are adjusted for inflation, when applicable. **2.7.4.** Advertising expenses are recognized in profit (loss) in the period advertisements are placed, less suppliers' interest, which is reimbursable to the Group. **2.7.5.** Freight expenses related to the transportation of goods between distribution centers and physical stores and delivery of products resold to consumers are recognized as selling expenses. **2.8. Functional currency and translation of foreign currency-denominated balances a)** Functional and reporting currency of financial statements The Group's functional currency is the Brazilian real. The subsidiaries' and joint ventures' financial statements consolidated by the Company and those used as basis for accounting for investments under the equity method are also prepared in Brazilian reais (R$). **b)** Transactions denominated in foreign currency Monetary assets and liabilities indexed to foreign currencies, if any, are translated into Brazilian reais at the exchange rate in effect at the reporting dates. Currency translation differences are recorded as financial income or expenses in the statement of operations. **2.9. Financial Instruments** Financial assets and financial liabilities are recognized when a Group entity is a party to the contractual provisions of the instrument. Financial assets and liabilities are originally measured at fair value. The fair value of financial assets and financial liabilities is added to or deducted from the transaction costs directly attributable to the purchase or issue of such financial assets and financial liabilities (except for financial assets and financial liabilities recognized at fair value through profit or loss) after initial recognition, when applicable. The transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. **Financial assets** Financial assets are classified in the following specific categories: **(1)** financial assets measured at fair value through profit or loss; **(2)** held-to-maturity financial assets; **(3)** available-for-sale financial assets; and **(4)** loans and receivables. Such classification depends on the nature and purpose of the financial assets and is determined upon initial recognition. All regular way purchases or sales of financial assets are recognized or derecognized on the trade date. Regular way purchases or sales of financial assets correspond to those requiring the delivery of assets within a period established by standard or market practices. **Effective interest method** The effective interest method is a method for calculating the amortized cost of a financial asset and allocating interest income over the period such asset is held by the Group. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that are an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected financial asset life, or, when appropriate, for a shorter period. **Financial assets at fair value through profit or loss** Gains or losses on financial assets at fair value through profit or loss are directly recognized in income (loss). Net gains or losses recognized in income (loss) include dividends or interest income on the financial asset. Fair value is determined as described in Note 30. Financial assets are classified at fair value through profit or loss when they are held for trading, based on the following assumptions: • Purchased principally for the purpose of selling them in the near term; • Part of a portfolio of identified financial instruments that are jointly managed and for which there is evidence of a recent actual pattern of short-term profit-taking; or • A derivative not designated and maintained as an effective hedge instrument. A financial asset that is not held for trading can be designated at fair value through profit or loss upon initial recognition when: • This designation eliminates or significantly reduces an inconsistency that might arise upon measurement or recognition; • The financial asset is part of a group of financial assets or liabilities, or both, whose performance is evaluated based on its fair value in accordance with the risk management policy and investment strategies set by the Group's management; or • If the financial asset is part of a contract containing one or more embedded derivatives and IFRS permits that the combined contract as a whole (assets or liabilities) be designated at fair value through profit or loss. **Held-to-maturity investments** Held-to-maturity investments refer to non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has a positive intention or ability to hold to maturity. Held-to-maturity investments are stated at amortized cost using the effective interest method, less the provision for impairment, when applicable, whose revenues are recognized based on the effective return rate. **Available-for-sale financial instruments** These are listed redeemable securities, when held by the Group, traded on an active market, to be classified as available for sale and measured at fair value. Fair value is determined as described in Note 30. Gains and losses on changes in the fair value are directly recognized in shareholders' equity, when applicable, except for impairment losses, interest calculated using the effective interest method and exchange gains and losses on monetary assets, which are directly recognized in profit (loss). Other changes in the carrying amount of available-for-sale financial assets are recognized as "other comprehensive income (loss)." When the investment is sold or impaired, cumulative gains or losses, previously recognized under "other comprehensive income (loss)," are included in profit (loss) for the respective year or period. The fair value of available-for-sale monetary assets denominated in foreign currency, if any, is translated into the functional currency at the exchange rate at the end of the year. Changes in the fair value attributable to exchange differences resulting from the change in the amortized cost of the asset are directly recognized in profit (loss). Other changes are recognized in equity under "other comprehensive income (loss)." **Loans and receivables**

2.12. Securities Securities are classified in the following categories: held-to-maturity securities, available-for-sale securities and trading securities at fair value through profit or loss (trading securities). The classification depends on the purpose for which the investment was acquired. • When the purpose is to invest funds for short-term gains, they are classified as trading securities; when the funds are invested to be held to maturity, the y are classified as held-to-maturity securities, provided that the Management has the intention and financial conditions to hold these investments until their maturity dates. • When the funds are invested for none of the purposes mentioned above, the financial investments are classified as available-for-sale securities. • When applicable, incremental costs directly attributable to the acquisition of a financial asset are added to the originally recognized amount, except for trading securities, which are recorded at fair value through profit or loss. Held-to-maturity securities are measured at amortized cost plus interest and adjustment for inflation or exchange rate variation, less impairment losses, when applicable, incurred up to the reporting date.Trading securities are measured at fair value. Interest and adjustment for inflation or exchange rate variation, when applicable, as well as variations arising from valuation at fair value, are recognized in profit (loss), when incurred. Available-for-sale securities are measured at fair value. Interest and adjustment for inflation or exchange rate variation, when applicable, are recognized in profit (loss), when incurred. Variations arising from valuation at fair value, except for impairment losses, are recognized in other comprehensive income (loss) when incurred. Accumulated gains and losses recorded in equity are reclassified to income (loss) for the year at the moment these investments are realized in cash or cannot be recovered. **2.13. Trade receivables and allowance for doubtful accounts** These are recorded and maintained in the statement of financial position at their original amounts, adjusted: **a)** To present value, when applicable, mainly represented by trade receivables from resale in installments and through credit cards, as disclosed in Note 2.7.3; and **b)** By the allowance for doubtful accounts defined based on the guidelines stated in Note 2.9 - Financial Assets, in item "Impairment of financial assets."The advances of credit card receivables is written off against trade receivables since the Group substantially transfers all risks and rewards on the ownership of such receivables to the bank and/or credit card companies. Financial charges incurred by the Group are recognized in profit (loss) as financial expenses, upon derecognition of the asset. Receivables from joint advertising, bonuses and other transactions with suppliers, arising from sales contracts and other agreements, are only recognized if there are documents supporting such agreement and are mainly calculated on the volume of purchases and specific advertising activities. Loans included in receivables are recorded at present value, calculated on a pro rata die basis, considering the variation of index and agreed interest rate, adjusted up to the sixty day the loan is overdue. After this period, charges are recognized in profit (loss) when the installments are effectively received. The funds relating to these amounts are included in credit card operations under current liabilities. **2.14. Inventories** Inventories are stated at the lower of average acquisition cost and net realizable value. Average acquisition cost includes the purchase price, taxes and duties not recoverable, such as ICMS-ST, and other costs directly attributable to acquisition and sales discounts and deductions. Net realizable value is the estimated selling price of inventories less the estimated costs necessary to make the sale. **2.15. Property and equipment** These are stated at acquisition or construction cost, less accumulated depreciation, except for land and construction in progress, plus interest incurred and capitalized during the construction of assets, when applicable. Depreciation is recognized based on the estimated useful life of each asset or group of assets under the straight-line method so that its residual value after its useful life is fully written off. The estimated useful lives, the residual values, and the depreciation methods are reviewed on an annual basis, and the effects from any change in estimates are recorded prospectively. Subsequent costs are added to the residual value of property and equipment or recognized as a specific item, as appropriate, only if the economic benefits associated to these items are probable and the amounts can be reliably measured. The residual balance of the replaced item is written off. Other repairs and maintenance are recognized directly in profit or loss for the year when incurred. The carrying amount of an item of property and equipment is written off when no future economic benefits are expected from its continuing use. The gain or loss arising from the sale or write-off of property and equipment item corresponds to the difference between the amounts received and the carrying amount of the asset, and is recognized in profit or loss for the year or period of sale or write-off. **2.16. Leases** Leased assets are initially recognized as property and equipment at fair values at the commencement of the lease or, if lower, the present value of the minimum lease payments. The liability corresponding to the lessor is presented in the financial statements as a lease obligation. Assets acquired through finance leases are depreciated over their estimated useful lives as own assets or over a shorter period, when applicable, according to the terms of the underlying lease agreements. Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability, so it produces a constant periodic rate of interest on the remaining balance of the liability. Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are determined. Contingent operating lease payments are recognized as an expense in the year or period in which they are incurred. **2.17. Intangible assets 2.17.1. Intangible assets acquired separately** Intangible assets with finite useful lives, represented by amounts paid on the acquisition of new points of sale (goodwill), are amortized over 10 years, a period that reflects Management's best estimate on the minimum time of stay in the leased property and are subject to impairment tests, if there is indication of impairment. Software refers to the cost of licenses on the corporate management system and is amortized over 5 years. Some modules of such system are not yet in operation and, therefore, are recorded under "projects in progress." Indefinite-lived intangibles are not amortized and are annually tested for impairment. 2.17.2. **Intangible assets acquired in a business combination** Intangible assets acquired in a business combination mainly refer to goodwill on the acquisition of investments represented by store chains. Through December 31, 2008, goodwill based on expected future profitability was amortized on a straight-line basis over a period from 5 to 10 years. Beginning January 1, 2009 (transition date), the balances of goodwill are not amortized in the accounting records and are annually subject to impairment tests. In the consolidated financial statements, the intangible assets acquired in a business combination and recognized separately from the goodwill are recorded at fair value, which corresponds to its cost on the acquisition date. **2.17.3. Write-off of intangible assets** An intangible asset is written off upon sale or when no future economic benefits may arise from its continuing use. Gains or losses on the write-off of an intangible asset are represented by the difference between the net revenue from sale and its carrying amount and are recognized in the statement of operations when the asset is written off. **2.18. Impairment of tangible and intangible assets, excluding goodwill** The Group's management reviews the carrying amount of its tangible and intangible assets at the end of each year to determine if there is any indication that these assets might be impaired based on transactions or when they are sold. If there is any indication that an asset may be impaired, the recoverable amount of the asset is estimated to measure the impairment loss, if any. When it is not possible to estimate the recoverable amount of an asset, the Group calculates the recoverable amount of the cash-generating unit of the asset. When a reasonable and consistent allocation basis can be identified, corporate assets are also allocated to the individual cash-generating unit or the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives or not yet ready for use are tested for impairment at least annually or when there is any indication that such assets may be impaired. The recoverable amount of an asset is the higher of its fair value less costs to sell or its value in use. Estimated future cash flows are discounted to present value to determine the value-in-use at the pretax discount rate that reflects a current market assessment rate of the time value of money and the specific risks for the asset. If the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount. Impairment losses are immediately recognized in profit (loss). A subsequent reversal of an impairment loss reflects an increase in the carrying amount of an asset (or cash-generating unit) to the revised estimate of its recoverable amount, provided it does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. The reversal of an impairment loss is immediately recognized in profit (loss). **2.19. Other assets and liabilities** A liability is recognized when the Group has a legal obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. Provisions are recognized based on the best estimates of the risk involved. An asset is recognized in the statement of financial position when it is probable that its future economic benefits will flow to the Group and its cost or amount can be reliably measured. Assets and liabilities are classified as current when their realization or settlement is likely to occur within the next twelve months, otherwise, they are classified as non-current assets and liabilities. **2.20. Inflation adjustment of receivables and payables** Monetary assets and liabilities subject to contractual adjustments or inflation adjustment and exchange rate changes are adjusted through to the reporting dates. These adjustments and changes are recorded in profit or loss for the year to which they refer. **2.21. Provisions** Provisions are recognized based on present obligations or risks as a result of past events, when the amount of the obligation can be reliably estimated, and its settlement is probable. The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation at the end of the year or period, considering the risks and uncertainties inherent to such obligation. When a provision is measured based on the cash flows estimated to settle an obligation, its carrying amount corresponds to the present value of such cash flows. When some or all the economic benefits required for the settlement of a provision are expected to be recovered from a third party, an asset is recognized if, and only if, reimbursement is certain and the amount may be reliably measured. **2.21. 1. Provision for tax, civil and labor contingencies** The provision for contingencies is recorded based on legal opinions and Management's assessment on lawsuits known at the reporting dates for probable losses. **2.21.2. Insurance reserves (applicable to Luizaseg) a)** Unearned premium reserve (PPNG) Represents the portion of premiums to be recognized in profit (loss) over the term of policies or invoices, calculated on a pro rata temporis basis. **b)** Current but not issued risk reserve (PPNG-RVNE) Represents the PPNG adjustment due to the existence of current risks whose policy was not yet issued; calculated based on

specific actuarial assumptions of insurance companies. **c)** Premium deficiency reserve (PIP) This reserve is recognized if the PPNG should be supplemented to cover estimated losses and administrative expenses incurred until the end of the term of the insured risk. There was no premium deficiency reserve in any of the reporting years. **d)** Reserve for unsettled claims (PSL) This represents the reserve for payment of probable indemnities, whether judicial or not, determined based on the claim notices received through the reporting date. **e)** Reserve for incurred but not reported losses (IBNR) This is recognized to secure the payment of losses incurred but not reported to the Group through the reporting date. **2.21.3. Reserves for contingent liabilities acquired in a business combination** Known contingent liabilities acquired in a business combination are initially measured at fair value on the acquisition date. At the end of the year, these contingent liabilities are measured at the greater of the amount to be recognized in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets (equivalent to CPC 25) and the amount initially recognized, less accumulated amortization, recognized in accordance with IAS 18 - Revenue (equivalent to CPC 30). **2.22. Taxation a)** Current taxes Provisions for income tax and social contribution are based on the taxable base. Taxable income differs from profit recorded in the statement of operations because it excludes income or expenses taxable or deductible in other years, as well as the permanently nontaxable or nondeductible items. The provisions for income tax and social contribution are calculated individually (per Group company)

b) Deferred taxes Deferred income tax and social contribution ("deferred taxes") are recognized on temporary differences between the balances of assets and liabilities recognized in the financial statements at the end of each year or period and the related tax bases adopted to calculate taxable income, including tax losses, when applicable, and are calculated per each Group company based on the rates prevailing at the end of the years. Deferred tax liabilities are usually recognized on all the temporary taxable differences and deferred tax assets are recognized on all the temporary deductible differences only when it is probable that the future taxable income will be in a sufficient amount to absorb temporary deductible differences. Deferred tax assets or liabilities are not recognized on temporary differences arising from goodwill or initial recognition (except for business combinations) of other assets and liabilities in a transaction that does not affect taxable or book income. The likelihood of recovery of deferred tax assets is reviewed at the end of each year or period and, when it is not probable that future taxable bases are available and allow the total or partial recovery of these taxes, the asset balance is reduced to the expected recoverable amount. Deferred tax assets and liabilities are measured using the tax rates applicable for the year or period in which the liability is expected to be settled or the asset is expected to be realized, based on the tax rates set forth in the tax law prevailing at the end of each year or period, or when new legislation has been substantially approved. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the year or period, to recover or settle the carrying amount of these assets and liabilities. Deferred tax assets and liabilities are mutually offset only when there is a legal right of offset, and when they are related to taxes managed by the same tax authority and the Group has the intention to settle the net amount of its current tax assets and liabilities. **c)** Current and deferred income tax Current and deferred income tax is recognized in profit (loss) for the year or period, except when they are related to items directly recorded in other comprehensive income (loss) or equity or arise from the initial recognition of a business combination, when they are accounted for in line with the accounting for these transactions. **2.23. Employee benefits** The Group offers benefit plans to employees, including private pension plan, health care and profit sharing. The main benefit plans offered to employees are described in Note 28. The private pension plan is a defined contribution plan over which the Group has no legal obligation if the plan does not have sufficient assets to pay benefits to employees as a result of past services. **2.24. Statement of Value Added** The purpose of this statement is to present the wealth produced by the Group and its distribution during a given period. It is presented, as required by the Brazilian Corporate Law, as part of the parent company's financial statements and as supplemental information to the consolidated financial statements, since it is not required by the IFRS. The statement of value added was prepared using information obtained in the same accounting records used to prepare the financial statements and pursuant to the provisions of CPC 09 - Statement of Value Added. In its first part, the statement of value added presents the wealth produced by the Group, represented by the revenues (gross revenue from sales, including taxes levied thereon, other revenues and the effects of the allowance for doubtful accounts), the inputs acquired from third parties (cost of sales and purchase of materials, electric power and outsourced services, including taxes levied at the time of purchase, the effects of losses, recovery of assets amounts, and depreciation and amortization) and the value added received from third parties (equity in the earnings (losses) of subsidiaries, financial income and other similar revenues). The second part of the statement of value added presents the distribution of wealth among personnel, taxes, fees and contributions, value distributed to providers of capital, and value distributed to shareholders. **2.25. Main accounting judgments and sources of uncertainties on estimates** In applying the Group's accounting policies, Management makes judgments and estimates regarding the reported amounts of assets and liabilities for which objective information is not easily obtained from other sources. Estimates and respective assumptions are based on past experience and other factors deemed relevant. Actual results may differ from those estimates. Underlying estimates and assumptions are constantly reviewed. The effects from the review of accounting estimates are recognized in the year or period in which estimates are reviewed, if the review affects only that year or period, or also in subsequent years or periods, if the review affects future periods. In order to understand how the Group makes judgments on future events, including variables and assumptions used to make estimates, below are the comments on some issues: **a)** Deferred income tax and social contribution Future earnings projections prepared by Management and approved by the Board of Directors are used, containing several assumptions and judgments, in order to measure the potential generation of future taxable income that supports the realization of taxable bases generating deferred income tax and social contribution to be recorded in the financial statements. Actual future taxable income can be higher or lower than estimates when the need to account for deferred income tax and social contribution is defined. **b)** Useful lives of long-lived assets The Group recognizes the depreciation of its long-lived assets based on their estimated useful lives, which are based on the Group's practices and past experience and reflect the economic lives of these assets. However, the actual useful lives can vary as a result of several factors. The useful lives of long-lived assets also affect impairment tests. **c)** Impairment of assets At each year-end, the Group reviews the intangible assets and property and equipment balances to check whether there are indications that these assets may be impaired (value in use). If so, Management conducts a detailed test for impairment on each asset through the individual future cash flow calculation discounted at present value and, when necessary, adjusts the asset balance and its market value. **d)** Provision for inventory losses The provision for inventory losses is estimated based on the history of losses identified in the physical inventory taking of stores and distribution centers, and is considered sufficient by Management to cover probable related losses. **e)** Allowance for inventory realization The allowance for inventory realization is based on analysis of current sales prices, less taxes and overhead incurred for the sales effort, plus historical percentage of margin recovery with suppliers, compared to the cost of purchase of the products. **f)** Allowance for doubtful accounts Recorded in an amount considered sufficient by Management to cover potential losses on the loan portfolio and other receivables. The criterion for recording the allowance, for retail activities, takes into account the historical recovery percentage for past-due receivables and the default rate for amounts not yet overdue. The allowance relating to financial activities, applicable to Luizacred, is recorded based on default on payments of principal or interest, financial difficulties of the debtor and other objective evidence that deteriorates the financial position of the debtor, such as equity ratio, percentage of net revenue from sales or other indicators captured by systems used to monitor credits, infringement of clauses or terms of personal loans. **g)** Provision for tax, civil and labor contingencies The Group is a party to several lawsuits and administrative proceedings, as described in Note 20. Provisions are recognized for all risks arising from lawsuits that represent probable losses that can be reliably estimated. The likelihood of loss is assessed based on available evidence, the hierarchy of laws, available court precedents, most recent court decisions, and their relevance within the legal system, and the assessment made by our external legal counsel. Management believes that these provisions for tax, civil, and labor contingent liabilities are accurately presented in the financial statements.**Change in discount rate used in the adjustment to present value and appropriation of interest on discounts of receivables** Long or short-term asset and liability items, if relevant, are adjusted to present value based on the discount rate that reflects the best market valuations regarding the time value of money and the liability risks and expected assets on their original dates. The Company's Management changed the estimates to calculate the discount rate used in the adjustment to present value, considering financing rates paid by the final consumer, weighed by the default risk percentage evaluated and already considered in the allowance for doubtful accounts. This change was due to Management's longer experience and understanding that this is the best valuation regarding the time value of money. It generated a total additional expense of R$10,948 in the estimated discount rate used in the adjustment to present value. Additionally, the Company changed the criterion to recognize interest on discounts of credit card receivables, which is now recognized in the profit or loss for the year upon the discount, since the Company no longer has the risk of not realizing such receivables. This change generated an additional expense of R$23,357 in 2012. **Other matters** For a better presentation, the value R$72,356, related to expenses with implementation of new credit cards and with marketing initiatives, among others, in the statement of operations for 2011 was reclassified from "Other operating revenues, net" to "Selling expenses." **2.26. Standards and interpretations of standards not yet effective** Below are the standards issued but not yet effective up to the date of issue of the financial statements and not early adopted by the Company. This list includes standards and interpretations that the Company reasonably expects to have an impact on its disclosures, financial position or performance after future adoption. The Company intends to adopt such standards when they become effective. **IFRS 7 - Disclosures - Offsetting Financial Assets and Financial Liabilities** - the revision requires additional disclosure on financial assets transferred but not derecognized, so as to allow the users of the financial statements to understand the relation between assets that were not derecognized and corresponding liabilities. The revision also requires additional disclosure on the continuous involvement of the entity with derecognized assets, in order to enable users to evaluate the nature of the involvement and related risks. This standard will be effective for fiscal years beginning on or after January 1, 2013. **IFRS 9 - Financial Instruments** - concludes the first part of the project to replace "IAS 39 Financial Instruments: Recognition and Measurement." IFRS 9 uses a simple approach to define if a financial asset is measured at the amortized cost or fair value, based on how an entity manages its financial instruments (its business model) and the financial assets' contractual cash flows. The standard also requires the adoption of only one impairment test method. This standard will become effective for the fiscal years beginning on or after January 1, 2013. The Company does not expect any significant effect as a result of its adoption. **IFRS 10 - Consolidated financial statements** - IFRS 10 replaces SIC 12 and IAS 27 and is applied to the consolidated financial statements when an entity controls one or more entities. The standard establishes a three-element-based control: a) power over an investee; b) exposure, or rights, to variable returns on its interest in the investee; and c) capacity of using its power over the investee to affect the returns to investors. The standard will become effective for the fiscal years beginning on or after January 1, 2013, and the Company does not expect any significant effect as a result of its adoption. **IFRS 11 - Joint Arrangements** - replaces SIC 13 and IAS 31 and is applied to jointly-owned entities. According to this standard, joint arrangements are classified as jointly operations or joint ventures, according to the rights and obligations of the parties to the arrangement. The joint ventures must be accounted for using the equity method, whereas the jointly-owned entities can be recorded either using the equity method or the proportional accounting method. The standard will become effective for the fiscal years beginning on or after January 1, 2013. **IFRS 12 - Disclosure of interests in other entities** - addresses the disclosure of interests in other entities, whose purpose is to allow the users to know the risks, the nature and effects of these interests on the financial statements. The standard will become effective for the fiscal years beginning as of January 1, 2013, and the Company does not expect any significant effect as a result of its adoption. **IFRS 13 - Fair Value Measurement** - applied when other IFRS pronouncements require or allow fair value measurements or disclosures (and measurements, such as fair value less cost of sales, based on the fair value or disclosures of said measurements). The standard will become effective for the fiscal years beginning on or after January 1, 2013, and the Company does not expect any significant effect as a result of its adoption. IASB issued clarifications for IFRS standards and amendments. Below are the main amendments: • IAS 1 - The revisions of IAS 1 changed the group of "Other Comprehensive Income" items, whose amendment will become effective for the fiscal years beginning on or after January 1, 2013. • IAS 27 - Parent Company and Consolidated Financial Statements (CPC 36): As a result of the future application of IFRS 10 and 12, this standard only establishes that the subsidiaries, jointly-owned entities and affiliates must be recorded in separate lines in the financial statements. The amendment will become effective for fiscal years beginning on or after January 1, 2013, and the Company does not expect any significant effect as a result of its adoption.

• IAS 28 - Investments in Associates: As a result of the future application of IFRS 11 and 12, the name of the standard will be IAS 28 - Investments in Associates and Joint Ventures, and the standard describes the equity method used in interests in joint ventures and associates. The amendment will become effective for fiscal years beginning on or after January 1, 2013. • IAS 32 - Offsetting Financial Assets and Financial Liabilities - this improvement explains that income taxes arising from distribution to shareholders are accounted for in compliance with IAS 12 - Income Taxes. This standard will become effective for fiscal years beginning on or after January 1, 2013. In the Management's opinion, no other standards and interpretations issued but not yet adopted may have a significant impact on profit or loss for the year or equity disclosed by the Company.

3. Cash and cash equivalents and securities

3.1. Cash and cash equivalents

	Rates	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		2012	2011	2012	2011
Cash		16,973	10,751	16,977	13,260
Banks		86,819	32,820	92,694	41,428
Financial assets at fair value through profit or loss and held for trading:					
Bank deposit certificates	From 80.0% to 105% CDI	237,828	106,876	238,244	113,025
Non-exclusive investment funds	102.0% CDI	62,523	533	75,213	5,404
Total cash and cash equivalents		404,143	150,980	423,128	173,117

3.2. Securities

Financial assets at fair value through profit or loss		Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		2012	2011	2012	2011
Held for trading					
Non-exclusive investment funds	105% CDI	4,333	-	28,592	29,587
Boutique investment funds:					
Investment fund shares	(a)	7,210	-	7,210	-
Federal government securities	(a)	2,898	22,476	2,898	22,476
Purchase and sale commitments	(a)	33,339	2,803	33,339	2,803
Time deposits and other securities	(a)	78,605	1,597	78,605	1,597
		122,052	26,876	122,052	26,876
Available for sale					
Government securities – LFT/LTN/NTN	100% SELIC			83,838	61,761
Total securities		126,385	26,876	234,482	118,224
Current assets		126,385	26,876	175,227	74,957
Noncurrent assets		-	-	59,255	43,267
Total		126,385	26,876	234,482	118,224

(a) Considers the boutique fixed income investment fund. At December 31, 2012 the portfolio was mainly distributed into the four categories described in the table above, which are linked to financial operations securities, indexed to the monthly variation of CDI rate, to return the average profitability of 103% of the CDI to the Company.

4. Trade receivables

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Trade receivables:				
Debit and credit cards (a)	230,151	262,117	230,151	293,739
Own installment program (b)	81,623	59,824	81,623	73,492
Additional warranty agreements (c)	84,691	31,434	84,691	31,434
Loan operations (d)	-	-	1,846,248	1,667,164
Total trade receivables	396,465	353,375	2,242,713	2,065,829
Arising from sales agreements (e)	155,610	128,265	155,610	146,738
Allowance for doubtful accounts	(38,496)	(24,456)	(265,366)	(259,221)
Adjustment to present value	(26,707)	(15,000)	(26,707)	(16,111)
Total receivables	486,872	442,184	2,106,250	1,937,235
Current	486,474	436,326	2,104,479	1,927,828
Noncurrent	398	5,858	1,771	9,407

Receivables are measured at amortized cost. The Company's days sale outstanding is 17 days, whereas in the consolidated this number goes to 86 days.

The adjustment to present value is calculated on the reporting dates for all trade receivables. The calculation is based on the term of realization of the asset by using a discount rate based on the average rate of financial charges collected from end customers, deducted from its default risk, as stated in Note 2.7.3. This rate is taken into consideration by the Group's Management when making market valuations of the time value of money and the specific risks relating to these assets. Loans are recorded at present value, calculated on a pro rata die basis based on agreed interest rate.

Receivables were assigned to secure borrowings in the amount of R$144,802 at December 31, 2012 (R$187,269 as of December 31, 2011), represented by credit card receivables. **a)** Refer to credit and debit card receivables, which the Company receives from credit card companies at the amount, term and number of installments defined when the product is sold. At December 31, 2012, the Company had credits granted to financial institutions totaling R$791,361 (R$441,012 on December 31, 2011), where a discount between 105.0% and 108.0% of CDI is applied, which is recognized in profit or loss under "Financial expenses." The Company, through advances from cards, transfers to the credit card companies and financial institutions all risks of payment by customers and, therefore, does not recognize the receivables referring to these credits. The respective financial charges are recognized in profit or loss for the year upon derecognition. **b)** Refers to receivables from sales financed by the Company. **c)** These sales are intermediated by the Company on behalf of Luizaseg. The Company allocates to Luizaseg the extended warranty amount, in full, in the month following the sale and receives from customers according to the transaction term. **d)** Refers to financing to customers and personal loans entered into by the joint venture Luizacred. **e)** Refers to bonuses on products to be received from suppliers, arising from the fulfillment of the volume of purchase and a portion of agreements defining the suppliers' interest in the disbursements related to advertising and marketing (joint advertising). Changes in the allowance for doubtful accounts are as follows:

	Company		Consolidated	
	2012	2011	2012	2011
Balance at the beginning of the year	(24,456)	(28,172)	(259,221)	(182,924)
(+) Additions	(37,125)	(18,710)	(352,174)	(250,362)
(-) Write-offs	23,085	22,426	346,029	174,065
Balance at the end of the year	(38,496)	(24,456)	(265,366)	(259,221)

Receivables were assigned to secure borrowings in the amount of R$144,802 at December 31, 2012 (R$187,269 as of December 31, 2011), represented by credit card receivables. **a)** Refer to credit and debit card receivables, which the Company receives from credit card companies at the amount, term and number of installments defined when the product is sold. At December 31, 2012, the Company had credits granted to financial institutions totaling R$791,361 (R$441,012 on December 31, 2011), where a discount between 105.0% and 108.0% of CDI is applied, which is recognized in profit or loss under "Financial expenses." The Company, through advances from cards, transfers to the credit card companies and financial institutions all risks of payment by customers and, therefore, does not recognize the receivables referring to these credits. The respective financial charges are recognized in profit or loss for the year upon derecognition. **b)** Refers to receivables from sales financed by the Company. **c)** These sales are intermediated by the Company on behalf of Luizaseg. The Company allocates to Luizaseg the extended warranty amount, in full, in the month following the sale and receives from customers according to the transaction term. **d)** Refers to financing to customers and personal loans entered into by the joint venture Luizacred. **e)** Refers to bonuses on products to be received from suppliers, arising from the fulfillment of the volume of purchase and a portion of agreements defining the suppliers' interest in the disbursements related to advertising and marketing (joint advertising). Changes in the allowance for doubtful accounts are as follows:

4. Trade receivables (Continued)

The aging list of trade receivables is as follows:

	Company		Consolidated	
	2012	2011	2012	2011
Falling due:				
Up to 30 days	54,932	29,895	652,245	509,045
Between 31 and 60 days	34,545	39,248	408,242	330,951
Between 61 and 90 days	29,765	48,713	280,396	249,269
Between 91 and 180 days	107,162	101,132	374,011	401,886
Between 181 and 360 days	143,024	109,075	265,066	281,020
Over 361 days	6,051	8,440	7,529	12,433
	375,479	336,503	1,987,489	1,784,604
Past-due:				
Up to 30 days	6,091	4,573	28,882	26,046
Between 31 and 60 days	3,839	2,882	18,286	18,622
Between 61 and 90 days	3,246	2,468	24,473	31,843
Between 91 and 180 days	7,810	6,949	50,086	71,431
Between 181 and 360 days	-	-	133,497	132,636
Over 361 days	-	-	-	647
	20,986	16,872	255,224	281,225
Total	396,465	353,375	2,242,713	2,065,829

Receivables from sales agreements, by age and maturity, net of the allowance for doubtful

	Company		Consolidated	
	2012	2011	2012	2011
Falling due:				
Up to 30 days	26,458	32,270	26,458	35,281
Between 31 and 60 days	46,379	55,221	46,379	63,650
Between 61 and 90 days	57,681	16,195	57,681	17,609
Between 91 and 180 days	16,284	15,637	16,284	17,276
Between 181 and 360 days	188	850	188	944
	146,990	120,173	146,990	134,760
Past-due:	-			
Up to 30 days	1,376	2,056	1,376	3,106
Between 31 and 60 days	456	1,145	456	1,926
Between 61 and 90 days	896	387	896	658
Between 91 and 180 days	1,010	1,429	1,010	2,577
Between 181 and 360 days	2,072	1,661	2,072	2,297
Over 361 days	2,810	1,414	2,810	1,414
	8,620	8,092	8,620	11,978
Total	155,610	128,265	155,610	146,738

5. Inventories

The aging list of trade receivables is as follows:

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Goods for resale	1,079,285	1,101,316	1,079,285	1,274,953
Material for consumption	9,706	5,171	9,706	7,891
Advances to suppliers	826	628	826	628
Provision for losses	(21,055)	(15,034)	(21,055)	(18,815)
Total	1,068,762	1,092,081	1,068,762	1,264,657

a) At December 31, 2012, the Company has revolving inventories assigned as guarantee in legal lawsuits pending judgment, totaling approximately R$17,163 (see Note 20, item a-i). Changes in the provision for losses and adjustment to net realizable value, which reduced the balance of inventories, are as follows:

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Balance at December 31, 2011	(15,034)	(18,597)	(18,815)	(32,629)
Inventories written-off or sold	19,385	9,643	19,385	20,043
Addition through merger	(3,781)	-	-	-
Recognition of provision	(21,625)	(6,080)	(21,625)	(6,229)
Balance at December 31, 2012	(21,055)	(15,034)	(21,055)	(18,815)

The provision for inventory losses is estimated based on the history of losses on stores' and distribution centers' physical inventory. The provision for inventory realization is recognized based on analysis of current sales prices, less taxes and overhead incurred for the sales effort, plus historical percentage of margin recovery with suppliers, compared to the cost of purchase of the products. Also, goods transferred to technical assistance were considered in the analysis of obsolete products.

6. Related-party transactions

a) Balances from related parties

Current assets	Company (BRGAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Commissions on services				
Joint ventures:				
Luizacred (i)	31,520	30,415	15,761	15,555
Luizaseg (ii)	18,985	10,788	9,494	5,394
	50,505	41,203	25,255	20,949
Subsidiaries:				
Consortium Group ("LAC") (iii)	717	498	-	-
Reimbursement of expenses and costs with consortium draws				
Subsidiaries:				
Consortium Group ("LAC") (iii)	1,154	169	1,154	749
Lojas Maia (iv)	-	24,498	-	-
	1,154	24,667	1,154	749
Dividends receivable:				
Luizacred (i)	1,130	2,451	-	-
Luizaseg (ii)	2,573	1,774	-	-
	3,703	4,225	-	-
Receivables from credit card sales:				
Luizacred (i)	18,263	39,008	9,132	20,903
Loans with subsidiary:				
Lojas Maia (iv)	-	20,564	-	-
Total current assets	74,342	130,165	35,541	42,601
	-		-	
Securities				
ML Renda Fixa Créd. Privado Fundo de Investimento (xi)	122,052	-	122,052	-
Other receivables				
Itaú Unibanco S.A. (viii)	-	-	7,075	-

6. Related-party transactions (Continued)

a) Balances from related parties (Continued)

Current liabilities	Company (BRGAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Transfers of receivables from services				
Joint ventures:				
Luizacred (i)	23,623	15,656	11,794	3,805
Luizaseg (ii)	25,551	16,785	12,776	8,391
	49,174	32,441	24,570	12,196
Subsidiaries:				
Consortium Group ("LAC") (iii)	698	574	-	574
Rental payable and other transfers				
Controlled by the Company's controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (v)	1,258	1,103	1,258	1,103
PJD Agropastoril Ltda. (vii)	137	31	137	31
	1,395	1,134	1,395	1,134
Controlled by the Company's controlling shareholders:				
Payables relating to advertising campaigns:				
ETCO - Empresa Técnica de Comunicação Ltda. (vi)	24	11,588	24	11,588
Total current liabilities	51,291	45,737	25,989	25,492
Other balances with related parties				
Interbank deposits:				
Itaú Unibanco S.A. (viii)	-	-	990,021	981,478
Credit card operations:				
Redecard S.A. (ix)	-	-	292,632	174,099
Other liabilities:				
Itau Seguros S.A. (ix)	-	-	1,387	-

	Company (BRGAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Income from service intermediation commissions				
Joint ventures:				
Luizacred (i)	136,052	127,599	71,270	63,800
Luizaseg (ii)	120,659	86,912	60,330	43,456
	256,711	214,511	131,600	107,256
Revenue from return on boutique fund:				
ML Renda Fixa Créd. Privado Fundo de Investimento (xi)	-	-	10,542	-
Subsidiaries:				
Consortium Group ("LAC") (iii)	5,903	4,954	-	-
Reimbursement of shared expenses				
Joint ventures:				
Luizacred (i)	36,141	47,323	18,071	23,662
Subsidiaries:				
Lojas Maia (iv)	-	39,834	-	-
Financial income from loans:				
Lojas Maia (iv)	-	603	-	-
Sale of disclosure structure:				
Banco Itaúcard S.A. (ix)	-	-	-	21,454
Revenue from personal loans - Profit Sharing:				
Banco Itaúcard S.A (ix)	-	-	125	34,981
Itaú Unibanco S.A. (viii)	-	-	17,319	15,198
	-	-	17,444	50,179
Transactions with other Itaú Group companies:				
Granting of credits and intermediation of financial services (ix)	-	-	16,204	48,317
	-	-	16,204	48,317
Earnings from sale of property and equipment				
Controlled by the Company's controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (v)	-	10,661	-	10,661
Total revenues	298,755	317,886	193,861	261,529

6. Related-party transactions (Continued)

a) Balances from related parties (Continued)

	Company (BRGAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Expenses with rental of commercial buildings				
Controlled by the Company's controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (v)	(5,362)	(4,892)	(5,362)	(4,892)
PJD Agropastoril Ltda. (vii)	(417)	(572)	(417)	(572)
	(5,779)	(5,464)	(5,779)	(5,464)
Expenses with charges on credit card prepayments:				
Luizacred (i)	(47,181)	(49,161)	(23,591)	(24,581)
Expenses with charges on interbank deposits:				
Itaú Unibanco (viii)	-	-	(82,436)	(102,261)
Financial system service expenses:				
Itaú Unibanco (viii)			(12,673)	-
Shared costs:				
Itaú Unibanco (viii)	-	-	-	(903)
Cardif do Brasil Vida e Previdência S.A. (x)	-	-	(1,384)	(1,326)
	-	-	(1,384)	(2,229)
Advertising expenses				
Controlled by the Company's controlling shareholders:				
ETCO - Empresa Técnica de Comunicação Ltda. (vi)	(139,007)	(94,805)	(139,007)	(94,805)
Total expenses	(191,967)	(149,430)	(264,870)	(229,340)

Banco Itaucard was taken as Luizacred's related party in the consolidated financial statements. i. Transactions with Luizacred, subsidiary jointly controlled with Banco Itaúcard S.A., refer to the following activities: **a)** Commissions on the issuance and activation of own branded credit cards ("Cartão Luiza") and financial expenses on the advance of receivables from such cards; **b)** Receivables from sales of products financed to customers by Luizacred, received by the Company on the following day ("D+1"); **c)** Commissions on the services monthly provided by the Company, which include the attraction of customers, management and administration of consumer credit transactions, control and collection of financing granted, access to telecommunication systems and network, in addition to storage and availability of physical space in the points of sale. The amounts payable (current liabilities) refer to the receipt of customers' installments in the Company's store cashiers, which are transferred to Luizacred on D+1. ii. The amounts receivable (current assets) and revenues of Luizaseg, subsidiary jointly controlled with NCVP Participações Societárias S.A., a subsidiary of Cardif do Brasil Seguros e Previdência S.A., arise from commissions on services monthly provided by the Company, relating to the sale of additional warranties. The amounts payable (current liabilities) refer to the transfers of extended warranties sold to Luizaseg, in full, in the month following the sale. iii. The amounts receivable (current assets) of LAC, wholly-owned subsidiary, refers to commissions and sales made by the Company as the agent of consortium transactions. The amounts payable (current liabilities) refer to the transfers to be made to LAC relating to the installments of consortiums received by the Company in the cashiers of its points of sale. iv. All transactions relating to Lojas Maia, wholly-owned subsidiary, are stated up to its merger on April 30, 2013 and refer to: (i) the agreement for reimbursement of advertising expenses assumed by the Company, based on a formal agreement among the parties; and (ii) loans between the parties due on April 30, 2012 and compensation of 100% of CDI. v. Transactions with MTG Administração, Assessoria e Participações S.A. ("MTG"), controlled by the Company's controlling shareholders, refer to expenses with rental of office buildings for the installation of its stores, distribution centers and head office. vi. Transactions with ETCO - Empresa Técnica de Comunicação Ltda., an entity indirectly controlled by the Vice Chairman of the Company's Board of Directors, refer to advertising and marketing service contracts, also including transfers relating to placement, media production and graphic design services. vii. Transactions with PJD Agropastoril Ltda., an entity controlled by the Company's indirect controlling shareholders, refer to expenses with rental of commercial buildings for installation of stores. viii. Balances and transactions with Itaú Unibanco S.A., jointly controlling shareholder of Luizacred, refer to: **a)** Interbank deposits and the related charges appropriated to profit (loss), as mentioned in Note 17, are funds raised by Luizacred.**b)** Luizacred's participation in revenue from sales of financial products of Itaú Unibanco portfolio, offered by Luizacred to customers at the Company's points of sale.**c)** Administrative and operating costs, according to apportionment agreement between the parties. ix. Transactions with other affiliates, which are controlled by Itaú Unibanco S.A., refer to the intermediation of financial services, mainly related to sales of insurance and correspondent banks. x. Transactions with Cardif do Brasil Vida e Previdência S.A., jointly controlling shareholder of Luizaseg, refer to administrative and operating costs, in accordance with agreement between the parties. xi. Transactions with ML Renda Fixa Crédito Privado Fundo de Investimento refer to operations with the exclusive investment fund (see Note 3.2 -Securities). Additionally, the Company has balances relating to deferred income from related-party transactions, which were maintained in a specific line item for purposes of reporting, as

described in Note 18.

	2012	2011
Board of Directors	319	219
Board of Executive Officers	10,436	9,965

The Company does not grant post-employment benefits, severance benefits, or other long-term benefits. Short-term benefits to the Board of Executive Officers are the same to other employees, according to Note 28. The amounts for these benefits are added to the Board's compensation. At the Board of Directors' meeting held on January 5, 2012, the Company determined the eligiblebeneficiaries of the Stock Option Plan approved on April 1, 2011, that are the Group's managers, employees or outsourced employees, as per Note 22. Additionally, the Company does not offer any benefits to the key management personnel of its related parties. The benefits to the Company's, its subsidiaries' and joint ventures' employees are described in Note 28. Pursuant to Brazilian Corporate Law and the Company's Bylaws, it is incumbent upon the shareholders to establish and approve Management's overall annual compensation at the Shareholders' Meeting. The maximum limit of Management global compensation was approved for the year ended December 31, 2012, totaling R$6,497, with no charges.

7. Taxes recoverable

	Controladora (BR GAAP)		Consolidado (IFRS e BR GAAP)	
	2012	2011	2012	2011
ICMS a recuperar (a)	320.594	20.605	320.594	37.212
IRPJ e CSLL a recuperar	7.849	2.282	14.117	4.994
IRRF a recuperar	10.365	7.123	10.378	7.799
Pis e Cofins a recuperar	7.037	3.921	7.037	3.921
Outros	10	-	1.054	1.724
Total	345.855	33.931	353.180	55.650
Ativo circulante	208.490	18.749	214.771	24.608
Ativo não circulante	137.365	15.182	138.409	31.042

(a) These refer to accumulated ICMS and ICMS-ST credits arising from application of several tax rates to interstate goods entry and shipment operations. Said credits will be realized through formal application for tax refund and/or offset of tax liabilities of the same nature, filed with the tax authorities of the state in which tax credits originated.

8. Other assets

	Company (BRGAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Prepaid expenses (a)	12,006	4,131	12,006	6,085
Credits of certificates of judgment debt of the government (b)	32,796	8,838	32,796	8,838
Settlement in progress	-	-	-	20,733
Benefits from Federal VAT (IPI) (c)	5,337	5,493	5,337	5,493
Prepayments of personnel expenses	6,593	6,881	6,593	7,146
Receivables from intermediation of services	7,998	4,594	14,509	11,253
Escrow deposits	4,950	6,944	4,950	6,944
Other	6,393	720	11,776	12,656
Total	76,073	37,601	87,967	79,148
Current assets	37,130	21,819	48,062	59,359
Noncurrent assets	38,943	15,782	39,905	19,789

(a) Refer to prepaid expenses arising from agreements for future advertising campaigns, insurance contracts, taxes, among others, which will be recognized in profit or loss according to terms agreed. (b) Refer to credits of judgment debt of Paraná and São Paulo state governments. The variation of balance is due to the return of these credits previously used, as described in Note 21. (c) Amounts receivable from suppliers arising from IPI benefit, granted to household appliances and furniture line.

9. Income tax and social contribution

a) The table below shows the reconciliation of the tax effect on income before income tax and social contribution by applying the rates in effect for the Company and the consolidated effects in force on the respective years.

	Company (BRGAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Profit (loss) before income tax and social contribution	(36,673)	14,666	(24,032)	47,937
Statutory rate	34%	34%	34%	34%
Expected income tax and social contribution credits (debits) at statutory rates	12,469	(4,986)	8,171	(16,299)
Effect of deferred tax balances due to change in social contribution tax rate of financial institutions, from 9% to 15%, Luizacred and Luizaseg	-	-	(1,757)	(1,390)
Effect of tax losses not recorded as deferred tax assets of the subsidiaries Lojas Maia and New-Utd [1]	-	(2,009)	(8,149)	(13,574)
Recording of deferred taxes over temporary differences arising from Lojas Maia, after merger	20,741	-	20,741	-
Exclusion – equity in the earnings (losses) of subsidiaries	(2,391)	4,460	-	-
Nondeductible reserves - Law No. 9249/95	-	-	-	(3,089)
Other permanent (additions) exclusions, net	(891)	(465)	(1,719)	(1,919)
Income tax and social contribution credits (debits)	29,928	(3,000)	17,287	(36,271)
Current	-	-	(16,301)	(39,059)
Deferred	29,928	(3,000)	33,588	2,788
Total	29,928	(3,000)	17,287	(36,271)
Effective tax rate	81.6%	20.5%	71.9%	75.7%

(1) The Company's reconciliation balance refers to New-Udt's and F.S. Vasconcelos' tax loss, which cannot be used for tax purposes.

Under the prevailing tax legislation, the accounting and tax records of income tax and social contribution for the past five years are open to review by tax authorities. Other taxes and contributions are open to review and approval by tax authorities for varying statutory periods.

b) Breakdown of deferred income tax and social contribution assets and liabilities:

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Deferred income tax and social contribution assets on:				
Income tax and social contribution losses	75,337	68,747	75,337	72,470
Temporary difference for adoption of RTT (2)	-	3,219	-	3,219
Allowance for doubtful accounts	18,459	9,512	61,539	51,618
Provision for inventory losses	7,159	5,112	7,159	5,112
Provision for tax, civil and labor contingencies	49,849	28,620	51,899	30,256
Provision for tax, civil and labor contingencies in business combination	-	-	-	4,345
Other provisions	1,648	7,123	10,619	11,887
	152,452	122,333	206,553	178,907
Deferred income tax and social contribution liabilities:				
Amortization of intangible assets in business combination	-	-	-	(10,693)
Temporary difference for adoption of RTT (2)	(4,694)	-	(4,694)	-
Other	-	-	(129)	(72)
	(4,694)	-	(4,823)	(10,765)
Deferred income tax and social contribution	147,758	122,333	201,730	168,142

(2) The Company adopted the Transitional Tax System (RTT), as prescribed by Law No. 11941/09 which, beginning the adoption of new accounting practices, creates temporary differences on taxable bases.

The asset recorded is limited to the amounts whose realization is supported by future taxable base projections, approved by Management. Future taxable income projections include several estimates related to the performance of the Brazilian and global economies, selection of foreign exchange rates, sales volume and price, tax rates, among others, which may differ from actual amounts. As income tax and social contribution income or expenses result not only from taxable income but also from the Group's tax and corporate structure, the expected realization of temporarily non-deductible differences, the existence of non-taxable income, non-deductible expenses, and several other variables, there is no significant correlation between the Company's and its subsidiaries' and joint ventures' profit (loss) and the income tax and social contribution income or expenses. Accordingly, the growth in the realization of temporarily non-deductible differences should not be considered as an indication of the Company's and its subsidiaries' and joint ventures' future profits.

The expectation of realization of deferred income tax and social contribution at December 31, 2012 is the following:

Year of realization	Company (BR GAAP)	Consolidated (IFRS and BR GAAP)
2013	40,474	91,124
2014	20,947	17,476
2015	26,010	23,574
2016	31,638	29,246
2017 onwards	28,689	40,310
	147,758	201,730

10. Investments in subsidiaries

Below is the description of the Company's subsidiaries at year-end:

Subsidiary	Main activity	Equity interest - % 2012 and 2011
Lojas Maia (*)	Retail sales - consumer goods	100%
LAC	Consortium management	100%

(*) Fully merged into its controlling company on April 30, 2012.

Changes in ownership interest in subsidiaries, stated in the parent company's financial

	Luiza Administradora de Consórcio ("LAC")		Lojas Maia	
	2012	2011	4/30/2012 Date of merger	2011
Units of interest/shares held	6,500	6,500	5,000	5,000
Current assets	15,569	11,815	269,761	270,313
Noncurrent assets	2,188	2,170	210,580	190,955
Current liabilities	3,337	3,607	311,663	288,716
Noncurrent liabilities	2,148	607	336,331	340,026
Net revenue	30,755	25,795	311,951	777,998
Capital stock	6,500	6,500	47,000	17,000
Equity (net capital deficiency)	12,272	9,771	(167,653)	(167,473)
Profit (loss) for the year	2,501	(354)	(30,177)	10,246
Changes in investments (provision for losses)	2012	2011	30/04/2012	2011
Balances at the beginning of the year	9,771	10,125	63,106	96,017
Advance for future capital increase	-	-	30,000	12,000
Loss on share subscription	-	-	-	(55,157)
Net assets merged	-	-	(62,929)	-
Equity in the earnings (losses) of subsidiaries	2,501	(354)	(30,177)	10,246
Balances at the end of the year	12,272	9,771	-	63,106

Total investments in subsidiaries	2012	2011
Consortium Group ("LAC")	12,272	9,771
Lojas Maia	-	63,106
	12,272	72,877

In 2011, equity in the earnings (losses) of subsidiaries is affected by corresponding expense totaling R$22,631, related to the equity in the subsidiary New-Utd Utilidades Domésticas S.A. up to its merger into the Company on October 31, 2011, as well as in 2012, the equity in the earnings (losses) of subsidiaries is affected by an expense of R$30,177, referring to the equity in the subsidiary Lojas Maia in the fourth-month period up to its merger into the Company on April 30, 3012, as described below:

Merger of the subsidiary F.S. Vasconcelos Ltda. – Lojas Maia

The Special Shareholders' Meeting held on April 30, 2012 approved the Protocol and Justification of Merger of F.S. Vasconcelos e Cia. Ltda. ("Lojas Maia"), Company's wholly-owned subsidiary, without increase in the Company's capital. The net assets merged on April 30, 2012 are broken down as follows:

	4/30/2012		4/30/2012
Cash and cash equivalents	5,459	Trade payables	180,176
Receivables	77,162	Loans and financing	39,109
Inventories	157,242	Payroll, vacation pay and social charges	12,577
Related parties	13,239	Taxes payable	347
Recoverable taxes	2,866	Related parties	52,732
Other assets	13,793	Deferred revenue	10,406
Current assets	269,761	Other payables	16,316
		Current liabilities	311,663
Deferred income tax and social contribution	5,169		
Recoverable taxes	17,598	Loans and financing	85,386
Escrow deposits	38,750	Provision for contingencies	84,000
Other assets	16	Deferred revenue	154,369
Investment in joint ventures	30,532	Deferred income tax and social contribution	9,673
Property and equipment	81,825	Other payables	2,903
Intangible assets	36,690	Noncurrent liabilities	336,331
Noncurrent assets	210,580		
		Capital deficiency	(167,653)
Total assets	480,341	Total liabilities and capital deficiency	480,341

At the merger, the goodwill on the acquisition of F.S. Vasconcelos & Cia. Ltda. ("Lojas Maia"), totaling R$230,579, and the respective remaining fair values of assets acquired and liabilities assumed calculated at the moment of the business combination, previously recorded in Investments in Subsidiaries in the Company's financial statements, were reclassified to Intangible Assets (Note 13).

11. Investments in joint ventures

	Luizacred		Luizaseg	
	2012	2011	2012	2011
Total shares – in thousands	978	847	13,883	13,883
Interest percentage	50% (i)	40.55% (i)	50%	50%
Current assets	3,299,478	2,944,752	124,647	104,350
Noncurrent assets	326,972	326,468	122.432	91,910
Current liabilities	3,224,852	2,955,772	109.885	83,626
Noncurrent liabilities	38.096	12,468	54.907	35,838
Net revenues	1,334,394	1,057,740	172,670	137,508
Capital stock	274,623	226,624	13,884	13,884
Equity	363,502	302,980	82.286	76,796
Profit (loss) for the year	14,782	45,494	21,240	14,942
Changes in investments	2012	2011	2012	2011
Balance at the beginning of the year	122,858	51,802	38,398	37,116
Capital increase	19,465	-	-	-
Gain on relative interest	-	55,157	-	-
Addition through merger of subsidiary	30,532	-	-	-
Proposed dividends	(1,131)	(2,489)	(7.949)	(6,189)
Other comprehensive income	-	-	75	-
Equity in the earnings (losses) of subsidiaries	10,027	18,388	10,619	7,471
Balance at the end of the year	181,751	122,858	41.143	38,398

Total investments in joint ventures	2012	2011
Luizacred	181,751	122,858
Luizaseg	41,143	38,398
	222,984	161,256

(i) Direct interest was 40.55% in 2011. The Company held 9.45% of additional interest indirectly through subsidiary Lojas Maia, totaling 50% of direct and indirect interest. On April 30, 2012, after the merger of Lojas Maia, the Company acquired the direct interest of 50%. The Company's interests in joint ventures are as follows: **a)** 50% direct and indirect interest in the voting capital of Luizacred, a subsidiary jointly controlled with Banco Itaúcard S.A., engaged in the offer, distribution and sale of financial products and services to the customers in the Company's store chain. **b)** 50% interest in the voting capital of Luizaseg, a subsidiary jointly controlled with NCVP Participações Societárias S.A., subsidiary of Cardif do Brasil Seguros e Previdência S.A., engaged in the development, sale and management of extended warranties to any kind of product sold in Brazil through the Company's store chain. Interests in assets, liabilities, revenue and expenses of joint ventures are consolidated proportionally to the Company's interest, with similar items, on a line by line basis, in these consolidated financial statements, as prescribed by the technical pronouncement CPC 19 - Investments in Joint Ventures. **c)** Interests in the assets, liabilities, revenue and expenses of joint ventures are proportionally consolidated to the Company's interest, with similar items, on a line by line basis, in these consolidated financial statements, as prescribed in technical pronouncement CPC 19 - Investments in Joint Ventures.As approved at the Annual Shareholders' Meeting of the joint venture Luizacred held on January 16, 2012, capital stock was increased by R$48,000, in cash, through the issue of 130,852 new shares, of which 65,426 are preferred shares and 65,426 are common shares. The funds were contributed as follows:

Shareholder	Preferred	Common	% capital stock
Itaucard	244,404	244,404	50.00%
Magazine Luiza	198,212	198,212	40.55%
Lojas Maia	46,192	46,192	9.45%
Total	488,808	488,808	100.00%

12. Property and equipment

Changes in property and equipment for the years ended December 31, 2012 and 2011 are as follows:

a) Company

	Balance on 12.31.2011	Additions	Addition due to merger of subsidiary	Depreciation	Write-offs	Transfers	Balance on 12.31.2012
Furniture and fixture	58,378	-	7,331	(10,664)	(2,242)	26,797	79,600
Machinery and equipment	29,959	4	4,503	(2,349)	-	12,874	44,991
Vehicles	22,651	783	4,418	(3,054)	-	2,710	27,508
Computers and peripherals	38,796	-	13,601	(16,041)	-	7,016	43,372
Leasehold improvements	205,008	869	51,016	(23,977)	-	69,483	302,399
Construction in progress	52,563	85,768	-	-	(3)	(71,393)	66,935
Other	9,940	49,214	956	(3,020)	(1,185)	(47,487)	8,418
	417,295	136,638	81,825	(59,105)	(3,430)	-	573,223

	Balance on 12.31.2010	Additions	Addition due to merger of subsidiary	Depreciation	Write-offs	Transfers	Balance on 12.31.2011
Buildings	4,927	-	-	(68)	(4,859)	-	-
Furniture and fixture	39,347	20,867	3,335	(7,773)	(11)	2,613	58,378
Machinery and equipment	19,425	12,003	-	(1,889)	-	420	29,959
Vehicles	20,373	6,496	-	(1,906)	(28)	(2,284)	22,651
Computers and peripherals	33,060	15,698	2,373	(12,182)	-	(153)	38,796
Leasehold improvements	207,432	27,243	138	(26,935)	(326)	(2,544)	205,008
Construction in progress	-	48,883	-	-	-	3,680	52,563
Other	6,742	5,926	37	(1,031)	(2)	(1,732)	9,940
	331,306	137,116	5,883	(51,784)	(5,226)	-	417,295

	2012			2011		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Furniture and fixture	124,130	(44,530)	79,600	93,772	(35,394)	58,378
Machinery and equipment	60,109	(15,118)	44,991	42,773	(12,814)	29,959
Vehicles	39,505	(11,997)	27,508	31,843	(9,192)	22,651
Computers and peripherals	124,582	(81,210)	43,372	114,478	(75,682)	38,796
Leasehold improvements	474,040	(171,641)	302,399	353,095	(148,087)	205,008
Construction in progress	66,935	-	66,935	52,563	-	52,563
Other	14,726	(6,308)	8,418	15,133	(5,193)	9,940
	904,027	(330,804)	573,223	703,657	(286,362)	417,295

b) Consolidated

	Balance on 12.31.2011	Additions[1]	Depreciation	Write-offs	Transfers	Balance on 12.31.2012
Furniture and fixture	72,172	-	(10,664)	(2,242)	20,334	79,600
Machinery and equipment	35,915	4	(2,349)	-	11,421	44,991
Vehicles	26,798	783	(3,054)	-	2,981	27,508
Computers and peripherals	42,284	-	(16,041)	-	17,129	43,372
Leasehold improvements	247,898	869	(23,977)	-	77,609	302,399
Construction in progress	52,563	85,768	-	(3)	(71,393)	66,935
Other	12,308	63,275	(5,749)	(1,373)	(58,081)	10,380
	489,938	150,699	(61,834)	(3,618)	-	575,185

	Balance on 12.31.2010	Additions	Addition due to business combination	Depreciation	Write-offs	Transfers	Balance on 12.31.2011
Buildings	5,012	-	-	(68)	(4,859)	(85)	-
Furniture and fixture	45,440	29,380	3,735	(8,934)	(11)	2,562	72,172
Machinery and equipment	22,920	14,745	-	(2,257)	-	507	35,915
Vehicles	25,054	6,501	-	(2,524)	(28)	(2,205)	26,798
Computers and peripherals	33,958	19,845	2,362	(13,391)	(623)	133	42,284
Leasehold improvements	217,468	61,132	-	(27,795)	-	(2,907)	247,898
Construction in progress	-	48,883	-	-	-	3,680	52,563
Other	8,989	6,883	6	(1,834)	(51)	(1,685)	12,308
	358,841	187,369	6,103	(56,803)	(5,572)	-	489,938

	2012			2011		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Furniture and fixture	124,130	(44,530)	79,600	110,064	(37,892)	72,172
Machinery and equipment	60,109	(15,118)	44,991	49,555	(13,640)	35,915
Vehicles	39,505	(11,997)	27,508	36,906	(10,108)	26,798
Computers and peripherals	124,582	(81,210)	43,372	119,314	(77,030)	42,284
Leasehold improvements	474,040	(171,641)	302,399	397,040	(149,142)	247,898
Construction in progress	66,935	-	66,935	52,563	-	52,563
Other	20,279	(9,899)	10,380	17,779	(5,471)	12,308
	909,580	(334,395)	575,185	783,221	(293,283)	489,938

(1) Most investments in modernization and adequation of store facilities were financed by Caixa Econômica Federal, as detailed in Note 15.

c) Depreciation rates

As described in Note 2.15, the Group reviews the estimated useful life of property and equipment items and the corresponding net book value at the end of each year. The annual depreciation rates are the following:

	2012	2011
Buildings	1.67%	1.67%
Furniture and fixture	10%	10%
Machinery and equipment	5%	5%
Light vehicles	20%	20%
Heavy vehicles	14.3%	14.3%
Computers and peripherals	20%	20%
Leasehold improvements	6.7%	6.7%

As at December 31, 2012, the Group's operational property and equipment was fully depreciated at the amount of R$81,641 (R$86,547 as at December 31, 2011). The Group does not have idle or held-for-sale property and equipment items.

d) Impairment testing All property and equipment items whose carrying amounts are higher than their recoverable amounts were tested to determine the need to record an allowance to write down their carrying amounts to their realizable values.The smallest cash-generating unit determined by the Company to test the impairment of tangible and intangible assets corresponds to each one of its stores. Management tested each asset for impairment under the individual future cash flows method (by store) discounted to present value and compared to the assets' carrying amounts for stores that reported negative indicators based on existing operating and financial performance indicators. Based on the calculations made, no assets requiring impairment allowance were identified.As of the reporting years, there were no events indicating the need for calculations to assess whether property and equipment items were impaired.

13. Intangible assets

Changes in intangible assets for the years ended December 31, 2012 and 2011 are as follows:

a) Company

	Balance on 12.31.2011	Additions	Addition due to merger of subsidiary	Depreciation	Write-offs	Transfers	Balance on 12.31.2012
Goodwill on acquisition of new store chains	83,278	-	230,578	-	-	-	313,856
Goodwill	46,095	-	36,013	(14,996)	-	2,079	69,191
Software	32,837	284	397	(12,124)	-	12,619	34,013
Projects in progress	13,301	19,491	-	-	(371)	(14,734)	17,687
Other	205	-	278	(217)	-	36	302
	175,716	19,775	267,266	(27,337)	(371)	-	435,049

	Balance on 12.31.2010	Additions	Addition due to merger of subsidiary	Amortization	Transfers	Balance on 12.31.2011
Goodwill on acquisition of new store chains	25,327	57,951	-	-		83,278
Goodwill	29,551	1,301	17,416	(6,745)	4,572	46,095
Software	24,432	9,690	-	(12,502)	11,217	32,837
Projects in progress	13,129	13,483	-	-	(13,311)	13,301
Other	2,710	3	-	(30)	(2,478)	205
	95,149	82, 428	17,416	(19,277)	-	175,716

	2012			2011		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Goodwill on acquisition of new store chains	325,451	(11,595)	313,856	94,872	(11,594)	83,278
Goodwill	120,882	(51,691)	69,191	84,602	(38,507)	46,095
Software	86,511	(52,498)	34,013	73,210	(40,373)	32,837
Projects in progress	17,687	-	17,687	13,301	-	13,301
Other	6,642	(6,340)	302	6,495	(6,290)	205
	557,173	(122,124)	435,049	272,480	(96,764)	175,716

b) Consolidated

	Balance on 12.31.2011	Additions[1]	Amortization	Write-offs	Transfers	Balance on 12.31.2012
Goodwill on acquisition of new store chains	313,857	-	-	-	-	313,857
Goodwill	80,452	-	(18,563)	-	7,302	69,191
Partnerships	5,983	-	(658)	-	11	5,336
Software	32,692	284	(12,124)	-	13,497	34,349
Projects in progress	13,398	19,491	-	(371)	(14,831)	17,687
Other	2,526	4,407	(356)	(280)	(5,979)	318
	448,908	24,182	(31,701)	(651)	-	440,738

	Balance on 12.31.2010	Additions	Addition due to business combination	Amortization	Transfers	Balance on 12.31.2011
Goodwill on acquisition of new store chains	255,906	57,951	-	-	-	313,857
Goodwill	69,618	6,312	16,235	(16,285)	4,572	80,452
Partnerships	7,847	-	-	(994)	(870)	5,983
Software	23,909	10,421	-	(12,855)	11,217	32,692
Projects in progress	13,226	13,483	-	-	(13,311)	13,398
Other	4,113	21	-	-	(1,608)	2,526
	374,619	88,188	16,235	(30,134)	-	448,908

	2012			2011		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Goodwill on acquisition of new store chains	325,451	(11,594)	313,857	325,451	(11,594)	313,857
Goodwill	120,882	(51,691)	69,191	129,365	(48,913)	80,452
Partnerships	13,506	(8,169)	5,337	13,506	(7,523)	5,983
Software	87,467	(53,118)	34,349	74,587	(41,895)	32,692
Projects in progress	17,687	-	17,687	13,398	-	13,398
Other	6,667	(6,350)	317	7,961	(5,435)	2,526
	571,660	(130,922)	440,738	564,268	(115,360)	448,908

The balance of goodwill arising from the acquisition of new stores chains derives from the process of merger of companies acquired by the Company. Goodwill amounts were amortized on a straight-line basis through 2007. Beginning January 1, 2008, transition date of the financial statements to the new accounting practices, goodwill was no longer recorded, since it refers to indefinite-lived intangibles. Accordingly, goodwill was evaluated as to its future recovery based on projected income, by store, prepared by management and approved by the Board of Directors.

Other assets are classified as intangible assets with finite useful lives, represented mainly by amounts paid on the acquisition of new points of sale (goodwill), amortized over ten years on a straight-line basis, a period that reflects contractual rights on the time of stay in the leased property, as well as software, which was amortized over the average term of the licenses obtained.

Software refers to cost of licenses on the corporate management system and is amortized over five years on a straight-line basis. Some modules of such system are not yet in operation and therefore, are recorded under "projects in progress." Expenses on amortization of finite-lived intangibles are recorded under "depreciation and amortization" in the statement of operations. The Group does not have intangible assets generated internally.

Impairment testing of goodwill and intangible assets

Goodwill and intangible assets were tested for impairment as of December 31, 2012 and 2011, according to the method described in Note 2.5. Management prepared an estimate of the recoverable amounts or values in use for all assets. The assumptions adopted are described below.

Impairment tests comprise the calculation of the recoverable amounts of cash-generating units (CGUs), which correspond to the group of stores of acquired store chains, to which goodwill and intangible assets were allocated, as follows:

	2012	2011
Goodwill on acquisition of store chains in the South region	25,327	25,327
Goodwill on acquisition of Lojas Maia	230,579	230,579
Goodwill on acquisition of New-Utd	57,951	57,951
Total	313,857	313,857

For purposes of internal evaluation, impairment tests comprise the calculation of the value in use of each CGU, in accordance with the principles described in Note 2.5. The value in use is calculated according to the discounted cash flow method, by applying the following rates:

	Discount rate
Discounted cash flow	10.5% (1)
Average weighted growth rate for the first ten years	8.8%
Perpetuity	3.5%

(1) CAPM rate (Average Cost of Equity).

The assumptions of future cash flows and growth prospects for regions of Brazil where each CGU is located are based on the Company's annual budget and business plan for the following ten years approved by the Board of Directors, as well as on comparable market data, representing the management's best estimate on the economic conditions in effect during the economic useful life of the group of cash flow generating assets.

The Company did not identify impairment losses during the tests.

14. Trade payables

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Resale of goods - domestic	1,323,817	1,077,806	1,325,980	1,257,299
Other suppliers	14,369	26,690	14,369	26,690
Adjustment to present value	(12,194)	(13,483)	(12,194)	(16,215)
	1,325,992	1,091,013	1,328,155	1,267,774

Purchases in installments, basically from suppliers of goods for resale, are adjusted to their present value on the transaction date, according to their maturities, using the average rate of financial charges on funding incurred by the Company, as stated in Note 2.7.3. Such rate is taken into consideration by the Company's management when making market valuations of the time value of money and specific risks relating to its assets and liabilities. The adjustment to present value of purchases is recorded under line item "Trade payables" (with a corresponding entry to line item "Inventories") and its reversal is recorded under line item "Cost," according to maturity.

15. Loans and financing

Type	Charge	Collaterals	Final maturity	Company 2012	Company 2011	Consolidated 2012	Consolidated 2011
BNDES (a)	(i) TJLP + 2.38% p.a. (ii) IPCA + 8.91% p.a. (equal to 2011)	Bank pledge	Dec/13	13,579	32,297	13,579	32,297
Working capital (b)	107.5% to 118.8% of CDI p.a.(equal to 2011)	(b)	Mar/15	801,494	538,594	801,494	658,646
Finance leases (c)	CDI/TJLP/LIBOR (equal to 2011)	Fiduciary sale/ escrow deposits	Dec/19	18,032	20,366	18,032	20,392
Debentures – Restrict offer (d)	113% of CDI	-	Jun/14	200,180	-	200,180	-
Promissory notes (e)	105% of CDI	-	Oct/13	202,679	-	202,679	-
				1,235,964	591,257	1,235,964	711,335
Current liabilities				317,198	94,979	317,198	129,671
Noncurrent liabilities				918,766	496,278	918,766	581,664

(a) Loans contracted with BNDES comprise: (i) financing for the opening of new stores and (ii) purchase of facilities and equipment. Principal and interest on these contracts are paid

on a monthly basis.

(b) This financing is collateralized by sureties, commercial lien and a portion of receivables from credit cards, as described in Note 4.

A portion of the funds was contracted in foreign currency, over which fixed interest and exchange rate change are levied. In order to hedge its transactions against exchange rate change risks, the Company entered into swap transactions to substitute the charges contracted for DI-indexed fixed interest. This is a perfectly matched transaction that does not expose the Company to currency or foreign interest rate risks. The effect of such transaction is stated in Note 30.

(c) The Company has finance lease contracts relating to: (i) aircraft, whose contract was entered into in 2005 and expires in 2016. For this contract, R$1,232 (equivalent to US$610 thousand) was deposited in escrow, recorded in line item "Other noncurrent assets," which will be redeemed at the final maturity of the contract. This deposit, equivalent to 15% of the total asset amount, is adjusted for inflation, whose corresponding entry is recorded in profit (loss) for the period; (ii) IT equipment and software, whose contracts expire in 2019.

(d) The Company conducted its first issue of nonconvertible debentures, in a single series, for public distribution with restricted placement efforts, in accordance with CVM Rule 476/09, on December 26, 2011. A total of 200 debentures were issued, at par value of R$1,000 each, totaling R$200,000.

The debentures will have a thirty-month term as of the date of issue, falling due on June 26, 2014. Debentures will not have their par value adjusted for inflation and will bear interest corresponding to 113% of accumulated variation of daily average DI (Interbank Deposits) rates, which will be paid semiannually, the first payment of which made on June 26, 2012. In this case, the Company incurred transaction costs of R$1,722, which will be appropriated to profit (loss) during the same term.

Considering the transaction costs, the estimated effective interest rate (TIR) is approximately 116.38% of CDI, per year.The debentures were paid on January 6, 2012, after registration and compliance with CETIP settlement rules, at their par value plus corresponding remuneration thereon calculated on a pro rata temporis basis from the date of issue to the date

of effective payment.

(e) On October 4, 2012, the Company's Board of Directors approved the second issue of promissory notes, in a single series, for public distribution with restricted placement efforts. A total of 20 promissory notes were issued, with par value of R$10,000, totaling R$200,000. Promissory notes will have a 360-day term as of the date of issue. Promissory notes will not have their par value adjusted for inflation and will bear interest, calculated as of the date of issue, corresponding to 105.00% of accumulated variation of daily average DI rates. The funds raised were allocated to reinforce the Company's cash position.

The Company maintains some working capital agreements with covenants. The clauses relating to financial indexes refer to:

i. Banco do Brasil: maintenance of the adjusted net debt/EBITDA ratio below 3 times. Adjusted net debt means the sum of any and all bank loans, including debentures and excluding compror and vendor, less cash and cash equivalents added to receivables from credit cards.

ii. Caixa Econômica Federal: maintenance of the adjusted net debt/EBITDA ratio below 3.5 times. Additionally, the evidence of use of funds raised through investment plan and use of funds report is required.

The Company is found in compliance with the above-mentioned covenants as at December 31, 2012.

16. Interbank deposits

Type	Charges	Consolidated (IFRS and BR GAAP) 2012	Consolidated (IFRS and BR GAAP) 2011
Interbank deposits	103.9% of CDI	990,021	981,478

Interbank Deposit Certificates ("CDIs") are securities issued by financial institutions and their trading is restricted to the interbank market. They refer to interbank deposits made by Luizacred with Itaú Unibanco, whose maturities are as follows:

	Consolidated
Up to 90 days	989,094
From 91 to 365 days	927
	990,021

17. Credit card operations

These refer to amounts to be transferred by joint venture Luizacred to other commercial establishments from sales using Group's private label credit cards.

18. Deferred revenue

	Company (BR GAAP)		Consolidated (IFRS and BRGAAP)	
	2012	2011	2012	2011
Deferred revenue from third parties:				
Exclusive dealing agreement with Banco Itaúcard (a)	184,000	196,500	184,000	196,500
Exploration right agreement - payroll (b)	1,531	5,207	1,531	5,207
Sales agreement - Cardif (c)	38,360	-	45,860	16,802
	223,891	201,707	231,391	218,509
Deferred revenue from related parties:				
Exclusive dealing agreement with Luizacred (d)	188,380	48,000	94,192	99,844
Total deferred revenue	412,271	249,707	325,583	318,353
Current liabilities	37,104	19,217	31,560	24,092
Noncurrent liabilities	375,167	230,490	294,023	294,261

a) On September 27, 2009, the Company entered into an alliance agreement with financial institutions Itaú Unibanco Holding S.A. ("Itaú") and Banco Itaucard S.A., whereby the Company grants to Luizacred the exclusive right to offer, distribute, and sell financial products and services in its store chain for a 20-year period.In consideration for the aforementioned alliance, Itaú group companies paid in cash R$250,000, of which: (i) R$230, 000 relati ng to consummation of the negotiation, without right of reimbursement; and (ii) R$20,000 subject to attainment of profitability goals in Luizacred, subject to refund of a portion or all the amount, to be allocated to profit (loss) over the term of the contrac t, i.e., 20 years, as goals are attained. **b)** On June 30, 2008, the Company entered into an exclusive payroll services agreement with a financial institution for a five-year period for provision of banking services to its employees. This partnership allowed the inflow of R$ 20,250 to the Company's cash. The recognition of revenue arising from the funds received is allocated to profit (loss) over the term of the contract. **c)** On June 21, 2012, considering the merger of subsidiary Lojas Maia, as well as the intention to renew and extend the Operating and Sales Agreement for distribution of several insurance services in Magazine Luiza's distribution chain up to December 31, 2015, the Company and Cardif do Brasil entered into an amendment to the abovementioned agreements, which allowed the inflow of R$80,000 to the Company's cash, R$30,000 of which are allocated to joint v enture Luizacred, since it waived the priority in the distribution of credit card loss and theft insurance. The recognition of revenue from this agreement is recognized in profit (loss) over the term of the agreement. **d)** On December 29, 2010, subsidiary Lojas Maia entered into an alliance agreement with Luizacred, a joint venture, whereby it has granted the exclusive right to offer, distribute and sell financial products and services in its store chain for a 19-year period. As a result of such alliance, Luizacred paid R$160,000 in cash to Lojas Maia (in consolidation, R$80,000 are eliminated from Luizacred's intangible assets), which are recognized in profit (loss) over the term of the agreement. Under this alliance agreement, the amount of R$ 20,000, mentioned in item "(a) ii" above was increased to R$55,000. On December 16, 2011, the Company entered into an amendment to the alliance agreement with joint venture Luizacred, due to increase in Company's operations resulting from the acquisition of New-Utd. As a result of this amendment, Luizacred paid R$48,000 in cash to the Company, which will be allocated to profit (loss) over the remaining term of the agreement. On February 22, 2013, the Company entered into a new amendment to the alliance agreement, aiming at transferring Luizacred's credit card issuance activities ("Luiza Card"), as well as its corresponding assets and liabilities, to Itaú or Itaú's affiliate ("Transfer"). After the transfer, Magazine Luiza will continue to receive 50% of Luiza Card's results through profit sharing, maintaining its economic interest. This Amendment also maintains its exclusive dealing rights up to 2029.

19. Insurance reserves

	Consolidated (IFRS and BR GAAP) 2012	Consolidated (IFRS and BR GAAP) 2011
Unearned premium reserve (a)	43,478	45,061
Reserve for unsettled claims (b)	1,026	1,068
Reserve for incurred but not reported losses (c)	37	43
Other reserves (d)	16,952	4,145
Total	61,493	50,317
Current liabilities	34,140	32,464
Noncurrent liabilities	27,353	17,853
Total	61,493	50,317

(a) Recognized to secure insurance losses to occur considering related indemnities and expenses, during the remaining terms of current risks on the calculation reference date. **(b)** Represents the reserve for payment of probable indemnities, whether judicial or not, determined on the loss notices received through the reporting date. **(c)** Recognized to secure payment of losses incurred but not reported to the Group through the reporting date. **(d)** Refer to deferred commercial premium, which will be appropriated to profit or loss according to the duration of the policies.

20. Provision for tax, civil and labor contingencies

The Company and its subsidiaries and joint ventures are parties to labor, civil and tax lawsuits in progress for which they have submitted administrative or legal defense. For cases on which our legal counsel's opinion is unfavorable, the Company recognized, as of December 31, 2012, in noncurrent liabilities, a provision for tax, civil and labor contingencies, which is the Group's management best estimate of future disbursement. Changes in the provision for tax, civil and labor contingencies are as follows:

Company

	2011	Additions	Addition due to merger	Reversal	Write-offs	Inflation adjustment	2012
Tax	50,424	23,573	81,127	(1,086)	(9,671)	7,118	151,485
Civil	8,521	3,601	-	-	(2,024)	-	10,098
Labor	25,231	2,729	2,873	(5,311)	(1,078)	-	24,444
	84,176	29,903	84,000	(6,397)	(12,773)	7,118	186,027

Consolidated

	2011	Additions	Reversal	Write-offs	Inflation adjustment	2012
Tax	126,233	30,335	(1,571)	(3,315)	7,676	159,358
Civil	17,935	14,684	(819)	(16,822)	-	14,978
Labor	29,236	3,040	(5,524)	(1,886)	-	24,866
	173,404	48,059	(7,914)	(22,023)	7,676	199,202

As of December 31, 2012, the Company's main lawsuits classified by management as probable loss based on the opinion of its legal counsel, as well as legal obligations whose amounts are deposited in court, for which the amounts were included in the reserve for contingencies, are as follows:

a) Tax lawsuits: (i) The Company is challenging 32 tax-deficiency notices filed by the Department of Finance of São Paulo, which claims underpayment of the State VAT (ICMS), allegedly due to incorrect application of rates. The Company recorded a reserve for risks assessed as probable loss by its legal counsel. These tax-deficiency notices amounted to R$18,687 at December 31, 2012 (R$15,706 at December 31, 2011), of which approximately R$17,613 is guaranteed by revolving inventories of Company's goods. (ii) The Company is challenging through writ of mandamus the constitutionality of the Contribution to the National Institute of Rural Settlement and Agrarian Reform (INCRA), for which an escrow deposit was made totaling R$5,353 at December 31, 2012 (R$3,477 at December 31, 2011), with a provision for tax risks at the same amount. (iii) The Company is challenging the increase in the Occupational Accident Risk rate (RAT). As such, it has filed a lawsuit and deposited the amounts corresponding to the increased rate in an escrow account. The amount of the escrow deposit totals R$29,652 at December 31, 2012 (R$17,532 at December 31, 2011). (iv) The Company discusses at administrative level the FAP (Accident Prevention Factor) index which was imposed to it by MPS/CNPS Resolution 1269/06. The respective provision totals R$22,123 at December 31, 2012 (R$13,709 as at December 31, 2011). (v) Other tax claims assessed by the Company's managementand its legal counsel as probable loss amount to R$31,227 at December 31, 2012 (R$36,193 at December 31, 2011), for which a reserve has been recognized. The tax claims are related to tax-deficiency notices allegedly due to incorrect application of ICMS rates, as well as to risks related to PIS/COFINS on debits on interest income, tax incentives received and credits subject to challenge with the tax authorities. (vi) The merged subsidiary, Lojas Maia, did not acknowledge the mandatory collection of PIS/COFINS on ICMS tax base, depositing in an escrow account the amount of the related provision, totaling R$36,554 at December 31, 2012 (R$33,084 at December 31, 2011). (vii) During the business combination process of merged subsidiary Lojas Maia, other tax risks relating to ICMS, IRPJ, CSSL and ISS were identified by the Company and weighted in the context of calculation of the related fair values, and an additional provision was recognized, totaling R$7,889 at December 31, 2012 (R$6,532 at December 31, 2011).

b) Civil lawsuits:

Civil contingencies of R$10,098 as at December 31, 2012 (R$8,521 at December 31, 2011) are related to claims filed by customers on possible product defects. Other non-significant balances are recorded in the Company's joint ventures.

c) Labor lawsuits:

i. At the labor courts, the Company is a party to various labor lawsuits, mostly claiming overtime. The accrued amount of R$18,483 as at December 31, 2012 (R$21,932 at December 31, 2011) in the Company reflects the likelihood of probable loss assessed by the Company's management and its legal counsel. Other non-significant balances are recorded in the Company's other subsidiaries and joint ventures. ii. The Company is also challenging the payment of social security contribution on paid prior notice, which is being fully deposited in escrow and totals R$6,383 as at December 31, 2012 (R$3,299 at December 31, 2011). The Company is a party to other lawsuits that were assessed by management, based on the opinion of its legal counsel, as possible losses and therefore, no provision was recognized for such lawsuits. The amounts attributed to the main lawsuits where the Company is the defendant are: ***Tax lawsuits:*** there are tax lawsuits where the Company and its subsidiaries and joint ventures are the defendants. The amount estimated by management and its legal counsel relating to these lawsuits, which are at the administrative or legal level, is R$339, 161 as at December 31, 2012 (R$377,309 at December 31, 2011). The main lawsuits classified as possible losses are described below: ***PIS/COFINS*** - Administrative lawsuits, which are pending in the Regional Judgment Authority and CARF, relating to tax-deficiency notice issued due to possible differences in tax calculation bases, credits calculated and offset, but not ratified by Brazil's Internal Revenue Service, among others involving lower amounts. The lawsuits representing possible losses totaled R$173,393. ***ICMS*** - Administrative and legal lawsuits, relating to tax-deficiency notices issued due to: (i) possible differences in ICMS rates; (ii) noncompliance with some accessory obligations, (iii) acquisition of goods from suppliers, whose registrations were later declared inapt by the tax authority; and (iv) discussion on rate increase in the state of São Paulo, from 17% to 18%, in which the government does not accept reimbursement of a 1% difference. Among others involving lower amounts, the estimated value of these lawsuits is R$213,063. **d) Civil and labor lawsuits:** The Company challenges civil and labor administrative lawsuits, with likelihood of possible loss, whose amounts are immaterial for disclosure. ***Contingent assets*** The Company is party to other tax lawsuits of diverse nature as plaintiff. The estimated amounts of these lawsuits total approximately R$371,821 as at December 31, 2012 (R$294, 528 at December 31, 2011), which were not recorded since they refer to contingent assets. These credits refer primarily to the lawsuit filed to exclude ICMS from the PIS/COFINS tax base, totaling approximately R$223,149. Other credits may be obtained from lawsuits that address the increase in the PIS tax base, the exclusion of ISS from the PIS/COFINS tax base, among others.

21. Taxes payable in installments

	Company		Consolidated	
	2012	2011	2012	2011
ICMS – Installments - Law 17082	6,504	-	6,504	-
REFIS IV	4,407	6,536	4,407	6,536
PAES		716		716
	10,911	7,252	10,911	7,252
Current liabilities	9,128	2,854	9,128	2,854
Noncurrent liabilities	1,783	4,398	1,783	4,398

In the third quarter of 2012, the Company started to participate in the installment payment system of ICMS debts registered as overdue tax liability with the Paraná State Finance Office. The Company's legal counsel was litigating these debts, given that they were paid in the past with credits of certificate of judgment debt of Paraná State government. However, the offset was not accepted by the Paraná State Finance Office, due to an amendment to the state law at the time, which was the subject of litigation. With its participation, the Company also recovered the previously used credits of certificate of judgment debt of Paraná State government, duly adjusted for inflation, which were recorded in line item "Other assets." The Company was granted debt amnesty for R$5,011 by Law No. 17082/2012 out of a total debt of R$19,536. Part of the remaining debt was settled with escrow deposits, in the amount of R$8,021, and for the remainder amounting to R$6,504, credits of certificate of judgment debt of the government were offered, in accordance with regulatory law, which are under the Paraná State Office's analysis.

22. Equity

Capital stock On May 2, 2011, the Company conducted an Initial Public Offering (IPO) of primary and secondary offering of common shares held by the Selling Shareholders. There was also the subscription of overallotment shares, defined as "Greenshoe Option" in the final offering prospectus. Overallotment shares were sold under the same conditions and prices of those originally offered, whose IPO process was concluded on June 3, 2011. The Tender Offer distributed the total of 55,398,796 shares and raised R$886,380. Below is the Company's shareholding structure as at December 31, 2012, also all shares are common registered book-entry shares with no nominal value:

	Number of shares	Interest %
Controlling shareholders	126,688,581	67.93
Outstanding shares	59,805,886	32.07
Total	186,494,467	100.00

Under the Company's charter, capital may be increased, in accordance with article 168 of Law No. 6404/76, through issue of up to 50,000,000 new common shares. **Stock option plan** At the Board of Directors' meeting held on January 5, 2012, the Company resolved on the election of Stock Option Plan beneficiaries approved on April 1, 2011, the provisions of which set forth that the Group's managers, employees and outsourced employees are eligible to receive the stock options. Also, the exercise price of options to be granted was determined at R$13.60 for Plan 2 and R$10.32 for Plan 1. The private instruments for granting the stock options to the beneficiaries were signed, totaling 2,250,000 stock options for R$10.32 (Plan 1) and 1,274,732 stock options for R$13.60 (Plan 2). Both types of plans will be effective for eight years as of their grant date. The options may be total or partially exercised, provided that the beneficiaries continuously maintain their relationship with the Company, as managers or employees from the grant date to the dates mentioned below. For Plan 1, 20% of the options can be exercised upon grant, and as of this date, additional 20% of the options can be exercised in each year the beneficiary is with the Company. For Plan 2, 20% of the options can be exercised as of March 1, 2012 and, as of this date, additional 20% can be exercised in each year the beneficiary is with the Company. These options, when exercised, will be settled upon submission of the Company's equity instruments. Up to December 31, 2012, no stock option was exercised. The fair value of each option granted is estimated on the grant date through Black & Scholes pricing model, considering the following assumptions: (a) average life expectation of options of 5.5 years, representing the period in which the options are expected to be exercised and taking into account the average turnover of the plan's beneficiaries; (b) annualized average volatility considered for companies within the same industry of 43.5%; (c) risk-free interest rate of 10%. The weighted average fair value of the options granted as at December 31, 2012 was R$6.49. According to CPC 10 R1 and IFRS 2, the effects of share-based payment transactions were recorded in the profit (loss) for the year, considering the fair value of stock options, resulting in an expense of R$2,820 for the year ended December 31, 2012. The table below shows the interest dilution limit percentage, which would be submitted to current shareholders, had all the options granted been exercised up to December 31:

	12/31/2012
Number of current shares	186,494,467
Balance of stock options in effect	3,524,732
Dilution limit percentage	1.89%

Legal reserve Legal reserve, as provided for in Article 193 of Law No. 6404/76, refers to the allocation of 5% of profit for the year, limited to 20% of capital stock. As at December 31, 2012 and 2011, the Company's legal reserve totaled R$4,025. **Dividends** The Company's Articles of Incorporation set forth the distribution of mandatory minimum dividend of 15% of profit adjusted according to Brazilian Corporation Law. For the year ended December 31, 2011, management recorded a provision of R$1,662 for the mandatory minimum dividend. The Annual Shareholders' Meeting held on April 30, 2012 resolved on the allocation of R$2,771 as dividend distribution, i.e., R$1,109 more than the mandatory dividend. This amount was fully settled in the second quarter of 2012. **Retained profits reserve** After legal retentions and distribution of dividends, the remaining balance of profits is transferred to the retained profits reserve, which will be allocated as resolved at the annual shareholders' meeting. **Earnings per share** As established by CPC 41 and IAS 33, "Earnings per Share", reconciliation of the net income for the period to the amounts used to calculate basic and diluted earnings per share is as follows:

	12/31/2012	12/31/2011
Profit (loss) for the periods attributable to the owners of the Company	(6,745)	11,666
Weighted average of outstanding shares for the period	186,494	174,448
Basic and diluted earnings per share (in reais)	(0.04)	0.07

Considering that the market average price of outstanding shares is lower than the exercise price of the stock options granted, in the period between the grant of the stock option plan and December 31, 2012, the diluting effect of earnings per share is not affected.

23. Net operating revenue

	Company (BR GAAP)		Consolidated (IFRS and BRGAAP)	
	2012	2011	2012	2011
Gross revenue:				
Retails – Resale of goods	7,733,619	5,857,772	8,114,022	6,848,111
Retails – Services provided	294,204	241,205	166,228	152,443
Financial operations	-	-	654,148	504,290
Insurance operations	-	-	86,335	68,754
Consortium management	-	-	33,713	27,738
	8,027,823	6,098,977	9,054,446	7,601,336
Taxes and returns:				
Resale of goods	(1,269,143)	(931,262)	(1,345,951)	(1,145,076)
Services provided	(39,255)	(32,129)	(43,383)	(36,889)
	(1,308,398)	(963,391)	(1,389,334)	(1,181,965)
Net sales	6,719,425	5,135,586	7,665,112	6,419,371

24. Cost of sales, services and funds raised for financial operations

	Company (BR GAAP)		Consolidated (IFRS and BRGAAP)	
	2012	2011	2012	2011
Costs:				
Goods resold	(4,810,471)	(3,589,901)	(5,051,968)	(4,163,438)
Services provided	-	-	(12,184)	(14,061)
Funds raised for financial operations	-	-	(82,445)	(97,585)
	(4,810,471)	(3,589,901)	(5,146,597)	(4,275,084)

25. Information on the nature of the expenses recognized in the statement of operations

The Group's statement of operations is presented based on the classification of expenses according to their functions. Information on the nature of expenses recognized in the statement of operations is as follows:

	Company (BR GAAP)		Consolidated (IFRS and BRGAAP)	
	2012	2011	2012	2011
Personnel	(938,112)	(752,566)	(979,062)	(860,827)
Service providers	(349,177)	(273,453)	(421,024)	(388,938)
Other	(357,854)	(258,957)	(538,109)	(348,994)
Total	(1,645,143)	(1,284,976)	(1,938,195)	(1,598,759)

26. Other operating income, net

	Company (BR GAAP)		Consolidated (IFRS and BRGAAP)	
	2012	2011	2012	2011
Gain (loss) on sale of property and equipment (a)	(833)	10,342	(833)	10,133
Recognition of deferred revenue (b)	39,388	26,447	44,947	27,665
Provision for tax losses	12,910	(6,448)	12,910	42,633
Chain integration expenses (c)	(23,009)	(12,702)	(25,645)	(39,414)
Chip credit card expenses (d)	-	-	(7,837)	-
Personal loans - Luizacred (e)	-	-	17,444	50,179
Sale of brand disclosure structure (f)	-	-	-	22,500
Financial loss (g)	-	-	(4,629)	(8,160)
Other	1,444	894	(5,074)	(6,339)
Total	29,900	18,533	31,283	99,197

a) In 2011, this balance referred to sale of properties to related parties, as described in Note 6 -a. The amount of this transaction in 2012 refers to sale of intangible assets, such as scrap to third parties. **b)** Refers to the allocation of deferred revenue from assignment of exploration rights, as described in detail in Note 18.**c)** Refer to nonrecurring expenses in the chains merger process. **d)** Refers to expenses with issue of new chip credit cards for new and old customers. **e)** In 2005, Luizacred entered into a partnership agreement with former Banco Fininvest S.A., succeeded by Itaú Unibanco, for the offer of payroll-deductible loan to Magazine Luiza customers, to complement the service portfolio offered by Luizacred. The main condition of the agreement provides for the transfer of profits earned on a monthly basis ("profit sharing") from loan services contracted with Fininvest, on behalf of Luizacred. **f)** Refers to revenue from sale of Luizacred's disclosure structure, with a view to promoting the Itaúcard brand. **g)** Refers to expenses with Luizacred's credit card operation losses.

27. Financial expenses, net

	Company		Consolidated	
	2012	2011	2012	2011
Financial income:				
Interest on extended warranty sales	27,656	13,248	27,656	13,248
Income from short-term financial investments and securities	15,441	20,079	13,903	32,198
nterest on sale of goods - Interest on delay in collection	2,285	1,745	2,423	2,149
Exchange gains	-	469	-	469
Discount obtained	5,781	2,360	5,795	2,897
Other	5,918	672	5,918	725
	57,081	38,573	55,695	51,686
Financial expenses:				
Interest on loans and financing	(107,936)	(115,267)	(114,274)	(136,797)
Charges on credit card advances	(103,208)	(71,962)	(82,043)	(52,885)
Provision of interest on extended warranty	(14,284)	(8,951)	(14,284)	(8,951)
Exchange loss	(278)	(858)	(278)	(858)
Other	(16,612)	(16,357)	(17,113)	(17,918)
	(242,318)	(213,395)	(227,992)	(217,409)
Financial expenses, net	(185,237)	(174,822)	(172,297)	(165,723)

28. Employee benefits

The Group offers a pension plan for all its employees. This pension plan is a defined contribution pension plan with no actuarial liability for the Group. The Group's contribution is equivalent to 0.20 percent of the salary of the participating employees and can be suspended at any time, at the Group's discretion, provided that participants receive a prior notice. In 2012 and 2011, contributions amounted to R$648 and R$337, respectively. Participants can make voluntary contributions, deducted from payroll, with no matching contribution by the Group.

The Group offers to its employees health care benefits, dental reimbursement, life insurance, meal ticket, transportation voucher, scholarship, action plans, among others. The expense on such benefits, recorded in 2012, was R$111,461 (R$94,738 in 2011). Additionally, the Group does not offer any benefits to the key management personnel of its related parties.

29. Segment reporting

CPC 22 and IFRS 8 - Segment Reporting – require that the operating segments are identified based on internal reports related to the Company's components periodically reviewed by the CEO, the main operating decision maker, so that funds may be allocated to segments and their performance may be assessed. To manage its business taking into consideration its financial and operating activities, the Company classified its business into Retail, Credit, Insurance and Consortium management operations. These classifications are considered as the primary segments for disclosure of information. The characteristics of these divisions are described below: **Retail** - mainly resale of goods and provision of services in the Company's stores; **Financial operations** - through joint venture Luizacred, mainly engaged in the extension of credit to Company customers for acquisition of products; **Insurance** - through joint venture Luizaseg, mainly engaged in the offer of extended warranties of products purchased by Company customers; **Consortium management** - through subsidiary LAC, mainly engaged in the management of consortiums to Company customers for purchase of products. The Company's sales are fully made in the Brazilian territory and considering retail operations, there is no concentration of customers, as well as of products and services offered by the Group.

29. Segment reporting (Continued)

Statement of operations

2012	Retail	Financial operations	Insurance operations	Consortium management	Total	Exclusions	Consolidated balance
Gross revenue from third parties	8,280,248	643,608	86,335	33,713	9,043,904	-	9,043,904
Gross revenue from related parties	148,045	23,590	-	-	171,635	(161,093)	10,542
Revenue deductions	(1,386,376)	-	-	(2,958)	(1,389,334)	-	(1,389,334)
Net segment sales	7,041,917	667,198	86,335	30,755	7,826,205	(161,093)	7,665,112
Costs	(5,051,968)	(82,445)	(6,348)	(11,739)	(5,152,500)	5,903	(5,146,597)
Gross profit	1,989,949	584,753	79,987	19,016	2,673,705	(155,190)	2,518,515
Selling expenses	(1,404,098)	(179,772)	2,821	-	(1,581,049)	-	(1,581,049)
Selling expenses - related parties	-	(71,270)	(60,330)	-	(131,600)	131,600	-
General and administrative expenses	(355,518)	(3,051)	(13,157)	(16,703)	(388,429)	-	(388,429)
Result from allowance for doubtful accounts	(23,471)	(315,048)	-	-	(338,519)	-	(338,519)
Depreciation and amortization	(92,156)	(6,621)	(12)	(291)	(99,080)	5,544	(93,536)
Equity in earnings (losses) of subsidiaries	20,512	-	-	-	20,512	(20,512)	-
Other operating income	30,989	4,839	257	742	36,827	(5,544)	31,283
Financial expenses, net	(181,130)	-	7,918	915	(172,297)	-	(172,297)
Financial income (expenses) from related parties	(23,590)	-	-	-	(23,590)	23,590	-
Income tax and social contribution	31,768	(6,438)	(6,865)	(1,178)	17,287	-	17,287
Net income (loss) for the year	(6,745)	7,392	10,619	2,501	13,767	(20,512)	(6,745)

29. Segment reporting (Continued)

Statement of operations (Continued)

2011	Retail	Financial operations	Insurance operations	Consortium management	Total	Exclusions	Consolidated balance
Gross revenue from third parties	7,000,554	504,290	68,754	27,738	7,601,336	-	7,601,336
Gross revenue from related parties	112,210	24,580	-	-	136,790	(136,790)	-
Revenue deductions	(1,180,022)	-	-	(1,943)	(1,181,965)	-	(1,181,965)
Net segment sales	5,932,742	528,870	68,754	25,795	6,556,161	(136,790)	6,419,371
Costs	(4,163,438)	(97,585)	(4,918)	(14,097)	(4,280,038)	4,954	(4,275,084)
Gross profit	1,769,304	431,285	63,836	11,698	2,276,123	(131,836)	2,144,287
Selling expenses	(1,201,711)	141,250	(366)	-	1,343,327	-	(1,343,327)
Selling expenses - related parties	-	(63,799)	(43,456)	-	(107,255)	107,255	-
General and administrative expenses	(327,165)	(3,174)	(11,285)	(13,005)	(354,629)	-	(354,629)
Result from allowance for doubtful accounts	(13,279)	(231,652)	-	-	(244,931)	-	(244,931)
Depreciation and amortization	(85,511)	(5,410)	(5,140)	(278)	(96,339)	9,402	(86,937)
Equity in earnings (losses) of subsidiaries	29,864	-	-	-	29,864	(29,864)	-
Other operating income	54,498	54,280	(188)	8	108,598	(9,401)	99,197
Financial expenses, net	(175,611)	-	8,975	913	(165,723)	-	(165,723)
Financial income (losses) from related parties	(24,580)	-	-	-	(24,580)	24,580	-
Income tax and social contribution	(14,143)	(17,533)	(4,905)	310	(36,271)	-	(36,271)
Net income (loss) for the year	11,666	22,747	7,471	(354)	41,530	(29,864)	11,666

Statement of financial position

2012	Retail	Financial operations	Insurance operations	Consortium management	Total	Exclusions	Consolidated balance
Assets							
Cash and cash equivalents	404,143	4,244	5	14,736	423,128	-	423,128
Securities	126,385	5,024	103,073	-	234,482	-	234,482
Trade receivables	486,872	1,619,378	-	-	2,106,250	-	2,106,250
Inventories	1,068,762	-	-	-	1,068,762	-	1,068,762
Investments	235,166	-	-	-	235,166	(235,166)	-
Property and equipment and intangible assets	1,008,272	100,802	16	1,023	1,110,113	(94,190)	1,015,923
Other assets	773,376	83,777	20,448	1,998	879,599	(63,389)	816,210
	4,102,976	1,813,225	123,542	17,757	6,057,500	(392,745)	5,664,755
Liabilities							
Trade payables	1,325,992	-	1,845	318	1,328,155	-	1,328,155
Loans and financing	1,235,964	-	-	-	1,235,964	-	1,235,964
Interbank deposits	-	990,021	-	-	990,021	-	990,021
Credit card operations	-	566,664	-	-	566,664	-	566,664
Insurance reserves	-	-	61,493	-	61,493	-	61,493
Provision for civil, tax and labor contingencies	186,027	11,548	101	1,526	199,202	-	199,202
Deferred revenue	412,271	7,500	-	-	419,771	(94,188)	325,583
Other payables	326,730	55,740	18,959	3,641	405,070	(63,389)	341,681
	3,486,984	1,631,473	82,398	5,485	5,206,340	(157,577)	5,048,763

2011	Retail	Financial operations	Insurance operations	Consortium management	Total	Exclusions	Consolidated balance
Assets							
Cash and cash equivalents	158,171	3,817	18	11,111	173,117	-	173,117
Securities	26,876	5,315	86,033	-	118,224	-	118,224
Trade receivables	504,836	1,432,399	-	-	1,937,235	-	1,937,235
Inventories	1,264,657	-	-	-	1,264,657	-	1,264,657
Investments	32,186	-	-	-	32,186	(32,186)	-
Property and equipment and intangible assets	930,254	107,342	4	980	1,038,580	(99,734)	938,846
Other assets	461,117	86,737	12,075	1,894	561,823	(116,548)	445,275
	3,378,097	1,635,610	98,130	13,985	5,125,822	(248,468)	4,877,354
Liabilities							
Trade payables	1,266,046	-	1,066	662	1,267,774	-	1,267,774
Loans and financing	711,335	-	-	-	711,335	-	711,335
Interbank deposits	-	981,478	-	-	981,478	-	981,478
Credit card operations	-	436,130	-	-	436,130	-	436,130
Insurance reserves	-	-	50,317	-	50,317	-	50,317
Provision for civil, tax and labor contingencies	166,569	6,167	61	607	173,404	-	173,404
Deferred revenue	418,088	-	-	-	418,088	(99,735)	318,353
Other payables	362,588	60,345	8,288	2,945	434,166	(116,548)	317,618
	2,924,626	1,484,120	59,732	4,214	4,472,692	(216,283)	4,256,409

30. Financial instruments

Capital risk management

The Company's funds are managed so as to ensure the continuity of the Company as a going concern and to maximize its funds to allow for investments in new stores, refurbishment and redesign of existing stores and provide return to shareholders. The Company's capital structure comprises financial liabilities, cash and cash equivalents, securities and equity. Periodically, management reviews the capital structure and its ability to settle its liabilities, as well as monitors, on a timely basis, the average term of suppliers in relation to the average term of inventory turnover. Actions are promptly taken when the assets resulting from this ratio are higher than the liabilities. The objectives of capital management are to safeguard the continuous return to the Company's shareholders and benefits to other related parties, and maintain an ideal capital structure to reduce this cost and maximize its funds to allow for investments in new stores, refurbishment and redesign of existing stores. The Company also uses the Net Debt/EBITDA ratio, which in its opinion, represents the most adequate manner to measure its indebtedness since it reflects the net consolidated financial obligations of immediate funds available for payment, considering its operating cash generation. Net Debt means the sum of all Loans and Financing in current and noncurrent liabilities, less cash and cash equivalents in current assets. EBITDA means profit before income tax and social contribution, financial income and expenses, depreciation and amortization. The Company's capital structure is broken down below:

	Company		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Loans and financing	1,235,964	591,257	1,235,964	711,335
(-) Cash and cash equivalents	(404,143)	(150,980)	(423,128)	(173,117)
(-) Securities	(126,385)	(26,876)	(234,482)	(118,224)
Net debt	705,436	413,401	578,354	419,994
Equity	615,992	620,945	615,992	620,945

Categories of financial instruments

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
Financial assets	2012	2011	2012	2011
Loans and receivables (including cash and banks):				
Cash and banks	103,792	43,571	109,671	54,688
Escrow deposits	129,348	53,534	137,792	88,969
Trade receivables	486,872	442,184	2,106,250	1,937,235
Related parties	71,769	130,165	35,541	42,601
Held for trading:				
Cash equivalents and securities	426,736	134,285	547,939	174,892
Available for sale:				
Securities	-	-	83,838	61,761
Financial liabilities				
Amortized cost:				
Loans, financing and interbank deposit	1,235,964	591,527	2,225,985	1,692,813
Credit card operations	-	-	566,664	436,130
Trade payables	1,325,992	1,091,013	1,328,155	1,267,774
Related parties	51,291	45,737	25,989	25,492
Taxes paid in installments	10,911	7,252	10,911	7,252

In the opinion of the Company's management, the carrying amounts of the financial instruments recognized in the company and consolidated financial statements approximate their respective fair values, as the maturity dates of most balances are close to the reporting date. Loans and financing are adjusted for inflation based on inflation indices and variable interest rates according to market conditions and therefore, the debit balance recorded at the reporting dates approximates their fair value. **Fair value measurement** Consolidated assets and liabilities at fair value are summarized as follows: Cash and cash equivalents are classified in Level 2 and the fair value is estimated based on reports from brokerage firms making use of market prices quoted for similar instruments. The fair value of other financial instruments described above allows to approximate their carrying amounts based on the existing payment conditions. The Company has no outstanding assets or liabilities whose fair value could be measured by using nonobservable significant information (Level 3) as at December 31, 2012 and 2011. **Liquidity risk management** The Company's management has ultimate responsibility for managing liquidity risk and has prepared an appropriate liquidity risk management model to manage funding requirements and short-, medium- and long-term liquidity management. The Group manages liquidity risk through continuous monitoring of estimated and actual cash flows, combination of maturity profiles of financial assets and liabilities and maintenance of a close relationship with financial institutions, with regular disclosure of information to support credit decisions when external funds are necessary. The table below details the remaining contractual maturity of the Group's financial liabilities and the contractual repayment periods. This table was prepared using the undiscounted cash flows of financial liabilities, based on the closest date when the Group should settle the related obligations. The tables include interest and principal cash flows. As interest flows are based on floating rates, the undiscounted amount was based on the interest curves at year-end. Contractual maturity is based on the most recent date when the Company should settle the related obligations.

	Less than one year	From one to three years	From three to five years	Total
Trade payables	1,328,155	-	-	1,328,155
Loans and financing	317,198	756,622	162,144	1,235,964
Related parties	25,989	-	-	25,989
Taxes paid in installments	9,128	1,070	713	10,911

Considerations on risks The Company's and its subsidiaries' businesses mainly comprise the retail sale of consumer goods, mainly home appliances, personal electronics, furniture and financial services, consumer financing for purchase of these assets and consortium-related activities, created to purchase vehicles, motorcycles, home appliances and furniture. The main market risk factors affecting the Company's business are as follows: ***Credit risk:*** arises from the possibility that the Group may incur losses due to non-receipt of amounts billed to their customers, whose balance amounts to R$2,242,713 as at December 31, 2012 (R$2,065,829 as at December 31, 2011). This risk is assessed by the Company as low due to the normal dispersion of sales as a result of the large number of customers; however, there are no guarantees of actual receipt of the total balance of trade receivables due to the nature of the Group's activities. In cases in which the concentration of billed amounts is greater, the risk is managed by means of periodic analysis of default rate and adoption of more efficient collection measures. As at December 31, 2012, the Group recorded past-due or uncollectible balances under "trade receivables," whose terms were renegotiated, in the amount of R$161,192 (R$89,694 as at December 31, 2011), which are included in the Group's analysis on the need to recognize an allowance for doubtful accounts. ***Market risk:*** arises from the slowdown of retail sales in the Brazilian economic environment. The risks involved in these transactions are managed by establishing operational and commercial policies, determining limits for derivative transactions, and constantly monitoring assumed positions. ***Interest rate risk:*** the Group is exposed to floating interest rates tied to the "Long-term Interest Rate (TJLP)" and "Certificate of Interbank Deposit (CDI)" and Selic, relating to financial investments and loans and financing in Brazilian reais, which were the subject of a sensitivity analysis performed by the Group, as described in the following item. ***Currency risk management:*** the Company uses derivatives, recorded in statement of financial position and statement of operations accounts, to meet its market risk management requirements, arising from mismatching between currencies and indices. Derivative transactions are carried out through the Finance Department, pursuant to the strategies previously approved by the Group's Board of Directors. In this scenario, the Company raised interest-bearing loans in foreign currency, for which it entered into swap transactions to hedge against exchange rate variation, swapping contracted interest rate and foreign currency exchange rate for CDI plus fixed rate. This is a matched transaction which consists formally of a loan agreement and a swap transaction entered into on the same date, with the same maturity and counterpart, and to be settled by its net value. Thus, management believes that, in substance, this is a loan transaction denominated in foreign currency, subject to a certain interest rate; accordingly, the accounting treatment and related disclosures reflect the substance of this transaction. The Company does not adopt hedge accounting provided for by CPC 38.Below is the description of agreements that affected profit or loss for the year ended December 31, 2012:

Bank	Notional value	Fair value through gain (loss) on swap (a)	Bank index: Index	Bank index: Interest	Company index: Index	Company index: Interest
Bradesco	44,713	9,527	US$	4.08% p.a.	CDI	118% p.a.
Banco do Brasil	85,517	21,296	US$	4.79% p.a.	CDI	116% p.a.
	130,230	30,823				

There were no transactions, in the reporting period, classified as hedging transactions, and no future commitments subject to cash flow hedge. **Sensitivity analysis of financial instruments** As of December 31, 2012, management carried out a sensitivity analysis, taking into account a 25 and 50 percent increase or reduction in the expected interest rates (probable scenario), based on future exchange rates disclosed by BM&FBOVESPA and/or BACEN. The expected effects of interest expenses net of financial income from investments for the 12-month period are as follows:

	Probable rate	Probable Scenario I	Scenario II (+ 25%)	Scenario III (- 25%)	Scenario IV (+ 50%)	Scenario V (- 50%)
Interest to be incurred exposed to:						
CDI	6.90%	42,096	52,620	31,572	63,144	21,048
TJLP	6.00%	1,411	1,541	1,198	1,712	1,027
IPCA	5.60%	1,205	1,316	1,035	1,457	894
Total		44,712	55,477	33,805	66,313	22,969

As discussed above, the Group's management understands that there is no market risk arising from foreign exchange fluctuations since all significant financial liabilities recorded in foreign currency are tied to swap transactions, so that these loans are recorded in local currency. Accordingly, changes in swap instruments and loans and financing are offset.

31. Commitments

Operating lease - lease agreements The Company has several property lease agreements with related parties (MTG Administração e Participações S.A.) and third parties, whose average terms are five years, renewable for another 5-year period, which management analyzed and concluded to be classified as operating lease. These contracts provide for fixed or variable rental amounts, based on the percentage of net sales, according to contractual provisions. As of December 31, 2012, the Company had 743 leased stores. For these lease agreements, including nine distribution centers, lease expenses totaled R$172,046 for the year ended December 31, 2012 (R$111,596 in 2011). Future commitments arising from these contracts over the next five years amount to:

Year	Amount
2013	180,683
2014	190,113
2015	199,060
2016	208,180
2017	217,717
Total	995,753

Finance lease agreements

	Minimum payments			
	Company		Company	
	2012	2011	2012	2011
Up to one year	9,834	10,555	9,834	10,586
Two to five years	10,072	15,405	10,072	15,405
More than five years	250	44	250	44
	20,156	26,004	20,156	26,035
Less: non-incurred financial result	(2,124)	(5,638)	(2,124)	(5,643)
Present value of minimum payments	18,032	20,366	18,032	20,392

In the year ended December 31, 2006, the Company purchased an aircraft using a finance lease maturing in 2016, subject to foreign exchange fluctuation and LIBOR. (See Note 15-c for further information.) No financial instruments were contracted to hedge against the risk of fluctuations in the foreign exchange rate agreed under said agreements. The Company also entered into finance lease agreements for IT equipment and software, with maturity in 2019, as described in Note 15-b. The amounts of assets, less accumulated depreciation, acquired through finance lease are shown below, in compliance with item 31 of CVM pronouncement 645/2009:

Category of assets	2012	2011
Computers and peripherals	9,147	12,831
Vehicles	9,684	8,774
Software	8,595	-
Total	27,426	21,605

Additionally, there were no contingent payments recognized as expenses and subleases during the reporting periods. As of the reporting years, there were no events indicating the need for calculations to assess whether these assets had been impaired.

32. Statements of cash flows

32.1. Transactions not affecting cash The Company's management defines as "cash and cash equivalents" amounts maintained for the purpose of meeting short-term commitments and not for investment or any other purposes. Short-term investments can be immediately converted into a known cash amount and are not subject to significant changes in value. As of December 31, 2012 and 2011, this line account is broken down as described in Note 3. Changes in equity not impacting the Company's cash flows are as follows:

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Amounts payable on acquisition of property and equipment	-	7,389	-	7,389
Dividends paid by joint ventures and not received	3,702	8,647	-	-
Dividends declared and not paid in the year	-	1,662	-	1,662
Other comprehensive income	81	-	81	-

32.2. Additional information to the statements of cash flows whose disclosures are supported by CPC 03 (R2) - statements of cash flows 32.2.1. Statements of cash flows of investments in joint ventures The cash flows from operating, investing and financing activities, relating to the interests in joint ventures under the proportionate consolidation method, are as follows:

	Luizacred		Luizaseg	
	2012	2011	2012	2011
Net cash provided by (used in) operating activities	(20,472)	(44,372)	27	5,957
Net cash used in investing activities	(80)	(25,003)	-	-
Net cash provided by (used in) financing activities	20,979	72,943	(22)	(5,970)
Increase (decrease) in cash and cash equivalents	427	3,568	(5)	(13)

32.2.2. Statements of cash flows by business segment

2012	Retail	Financial operations	Insurance operations	Consortium management	Exclusions	Consolidated
Net cash provided by (used in) operating activities	54,040	(20,472)	27	3,958	(101,630)	(64,077)
Net cash used in investing activities	(256,597)	(80)	(22)	(333)	147,151	(109,881)
Net cash provided by (used in) financing activities	453,970	20,979	-	-	(50,980)	423,969
Increase (decrease) in cash and cash equivalents	251,413	427	5	3,625	(5,459)	250,011

2011	Retail	Financial operations	Insurance operations	Consortium management	Exclusions	Consolidated
Net cash provided by (used in) operating activities	(214,842)	(44,372)	5,957	2,263	(21,850)	(272,844)
Net cash used in investing activities	(340,017)	(25,003)	-	(378)	100,822	(264,576)
Net cash provided by (used in) financing activities	393,671	72,943	(5,970)	-	(78,972)	381,672
Increase (decrease) in cash and cash equivalents	(161,188)	3,568	(13)	1,885	-	(155,748)

33. Insurance

The Company has insurance contracts with coverage determined following the advice of experts, taking into account the nature and degree of risk, in amounts considered sufficient to cover significant losses on its assets and/or liabilities. As of December 31, 2012 and 2011, insurance coverage is as follows:

	2012	2011
Civil liability	500	500
Sundry risks - inventories and property and equipment	723,533	474,770
Vehicles	12,759	10,207
	736,792	485,477

34. Subsequent events

34.1. Association Agreement On February 22, 2013, an amendment to the alliance agreement between Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento ("Luizacred") and Itaú Unibanco Holding S.A. and Banco Itaucard S.A. ("Itaú") was signed, aiming at transferring Luizacred's ("Luiza Card") credit card issuance activities and the corresponding assets and liabilities to Itaú or Itaú's affiliate ("Transfer"). After the transfer, Magazine Luiza will continue to receive 50% of the results of Luiza Card through profit sharing, maintaining its economic interest. The direct consumer credit ("CDC") and personal loans will remain in Luizacred. This Amendment also maintains Luizacred and Luiza Card's general governance principles, as well as its exclusivity rights up to 2029. **34.2. Issue of debenture** On March 07, 2013, the Company's Board of Directors approved the second issue of unsecured simple debentures, not convertible into Company shares, in two series ("Issue" and "Debentures", respectively), for public distribution with restricted placement efforts. There will be issue of 200 debentures, with nominal unit value of R$1,000, totaling R$200,000. For legal purposes, debenture issue date will be March 22, 2013 in two series; namely: (a) 1st series in the amount of R$ 100,000, with term of 2 years, with unit value not subject to restatement and earning interest of 112.00% of accumulated variation of average DI rates; and 2nd series in the amount of R$ 100,000, with term of 3 years, with unit value not subject to restatement and earning interest of 114.50% of DI. The funds raised will be destined to extend the Company's debt repayment profile.

35. Approval of the financial statements

The disclosure of the financial statements was approved and authorized by the Board of Directors on March 26, 2013.

Independent auditor's report on financial statements

To the Management and Shareholders

Magazine Luiza S.A.

Franca - SP

Introduction

We have audited the accompanying parent company and consolidated financial statements of Magazine Luiza S.A. ("Company"), identified as Company and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2012 and the statements of operations, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the parent company's financial statements in accordance with accounting practices adopted in Brazil, and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in t he circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the parent company's financial statements

In our opinion, the abovementioned parent company financial statements present fairly, in all material respects, the financial position of Magazine Luiza S.A. as at December 31, 2012, and its financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the abovementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of Magazine Luiza S.A. as at December 31, 2012, and the consolidated financial performance and consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

As discussed in Note 2.1 to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Magazine Luiza S.A., these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries, associates and joint ventures based on equity accounting, while IFRS requires measurement based on cost or fair value. We issued an unqualified opinion on this matter.

Other matters

Statements of value added

We also have audited the parent company and consolidated statements of value added for the year ended December 31, 2012, the presentation of which is required by the Brazilian corporate legislation for listed companies, but is considered supplementary information for IFRS purposes. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Prior-year amounts

The parent company and consolidated financial statements of Magazine Luiza S.A. for the year ended December 31, 2011 and the corresponding statements of operations, comprehensive income, changes in equity and cash flows for the year then ended, presented for comparison purposes, were audited by other independent auditors, who issued an unqualified audit report thereon dated March 22, 2012.

São Paulo, March 26, 2013.

ERNST & YOUNG TERCO

Auditores Independentes S.S.

CRC-2SP015199/O-6

Luiz Carlos Nannini — Accountant CRC-1SP171638/O-7

Alexandre Rubio — Accountant CRC-1SP223361/O-2

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Annual Report
2012

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RI, MSA and New Businesses / Department Director

Anderson Rezende
Investor Relations / Manager

Rovilson Vieira Junior
Investor Relations / Analyst

Ivone Santana
Corporate Communications and Sustainability / Manager

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PR Consulting Brazil
Graphic design and art direction
Fernando Albuquerque and PR Consulting Brazil

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Fernando Albuquerque and Ana Paula Alcântara

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Magazine Luiza Collection
Etco A WPP Company
Alexandre Rezende

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Post-printing treatment
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