2Q13 Conference Call

August, 07th 2013

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- **Highlights of 2Q13**
- Operational Performance
- Financial Performance
- Expectations for 2013

Highlights of 2Q13

1 Operational Performance

- **Consolidated gross revenue growth: 11.2% over 2Q12 – R$2.2 billion**
  - Same store sales growth: 9.3% over 2Q12
  - High base of comparison over 2Q12 (SS of physical stores – 9.0% and e-commerce of 45.0%)
  - Economic environment was more challenging, including the social protests in June

- **Consolidated gross margin grew 0.2 percentage points over 2Q12**
  - Increase in Northeast stores gross margin
  - Maintenance of gross margin in other regions

- **Significant improvement in Luizacred's profitability**
  - Gross margin improvement, delinquency over control and operational expenses reduction
  - EBITDA margin grew to 10.2% in 2Q13 (3.1% in 2Q12) and net margin grew to 5.6% in 2Q13 (1.2% in 2Q12)

- **The Company concluded the sale of a 76.7% interest in a distribution center located in Louveira (SP)**
  - Sold for R$205.5 million, which resulted in a net operating gain from other non-recurring expenses of R$65.3 million
  - The objective of the transaction was to capitalize the core business, generating higher returns for shareholders

2 Profitability

- **Consolidated EBITDA totaled R$160.1 million, with a margin of 8.7%**
  - Consolidated adjusted EBITDA amounted to R$94.8 million with adjusted EBITDA margin of 5.1%.(3.6% in 1Q13)
  - Reduction of selling, general and administrative expenses by 0.7 percentage points compared to 1Q13
  - Lower contribution from e-commerce in our total sales (growth of 13.3% in 2Q13, below initial expectations)
  - Greater marketing efforts

- **Consolidated net income totaled R$54.7 million with net margin of 3.0%**
  - Adjusted consolidated net income totaled R$11.5 million (net margin of 0.6%)
  - Significant improvement compared with the net income of R$0.8 million reported in 1Q13

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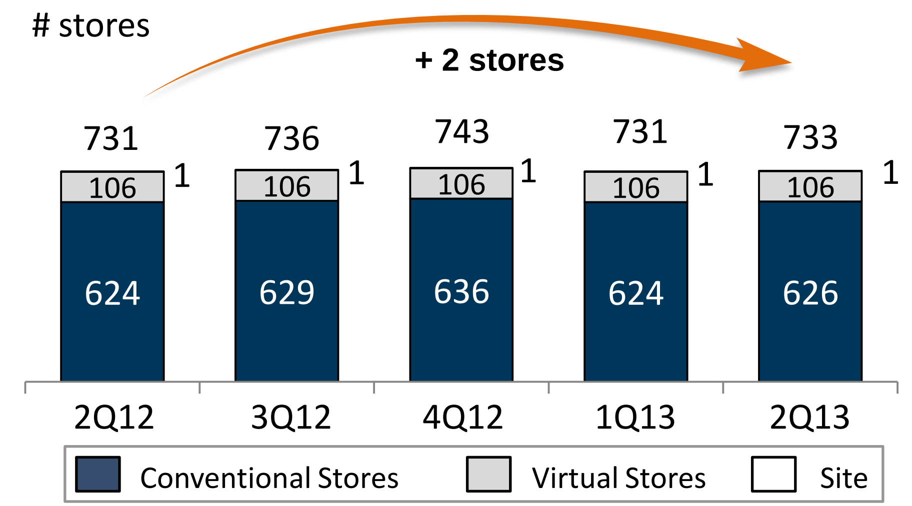
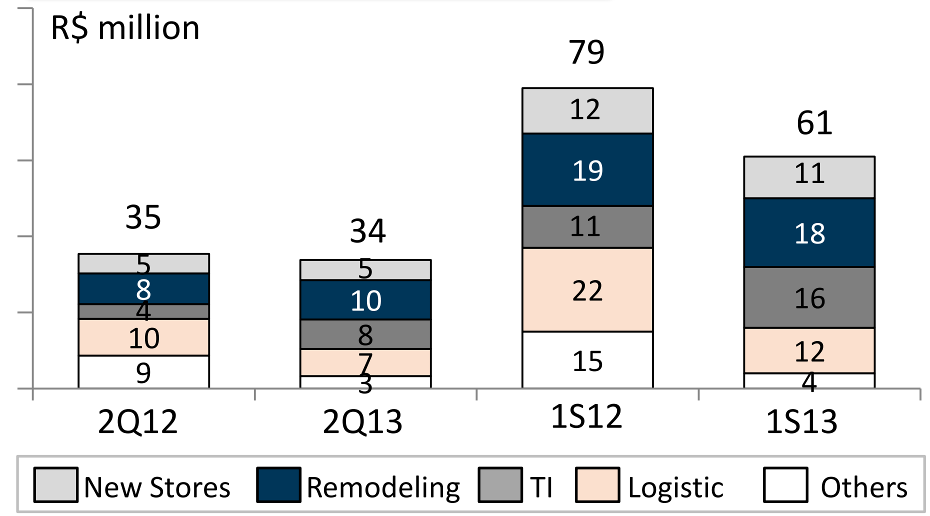
Operational Performance – Stores

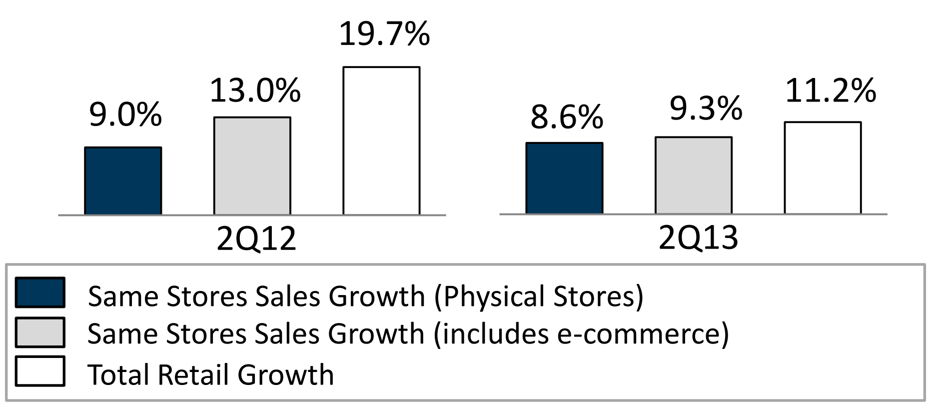
Number of Stores



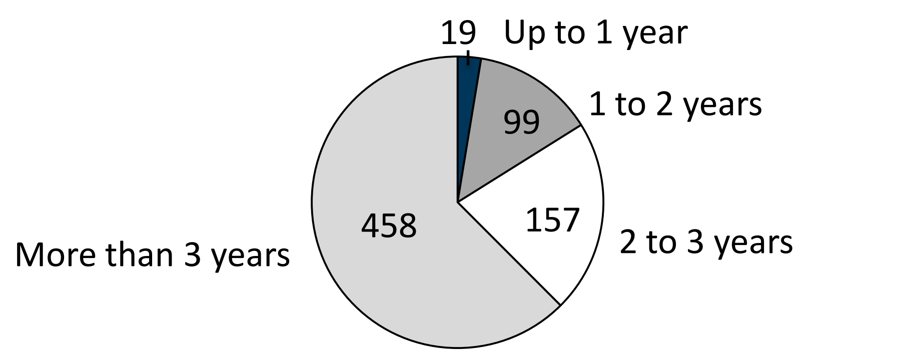
Investments



Same Store Sales Growth

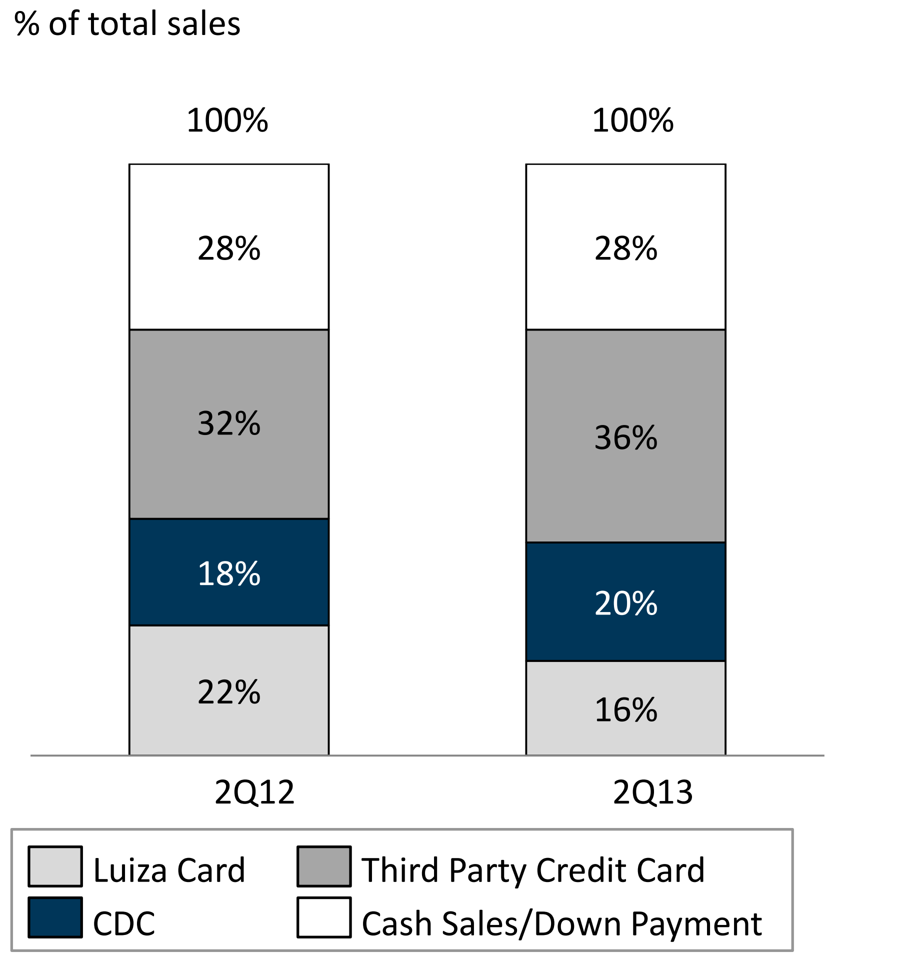


Average Age - Stores

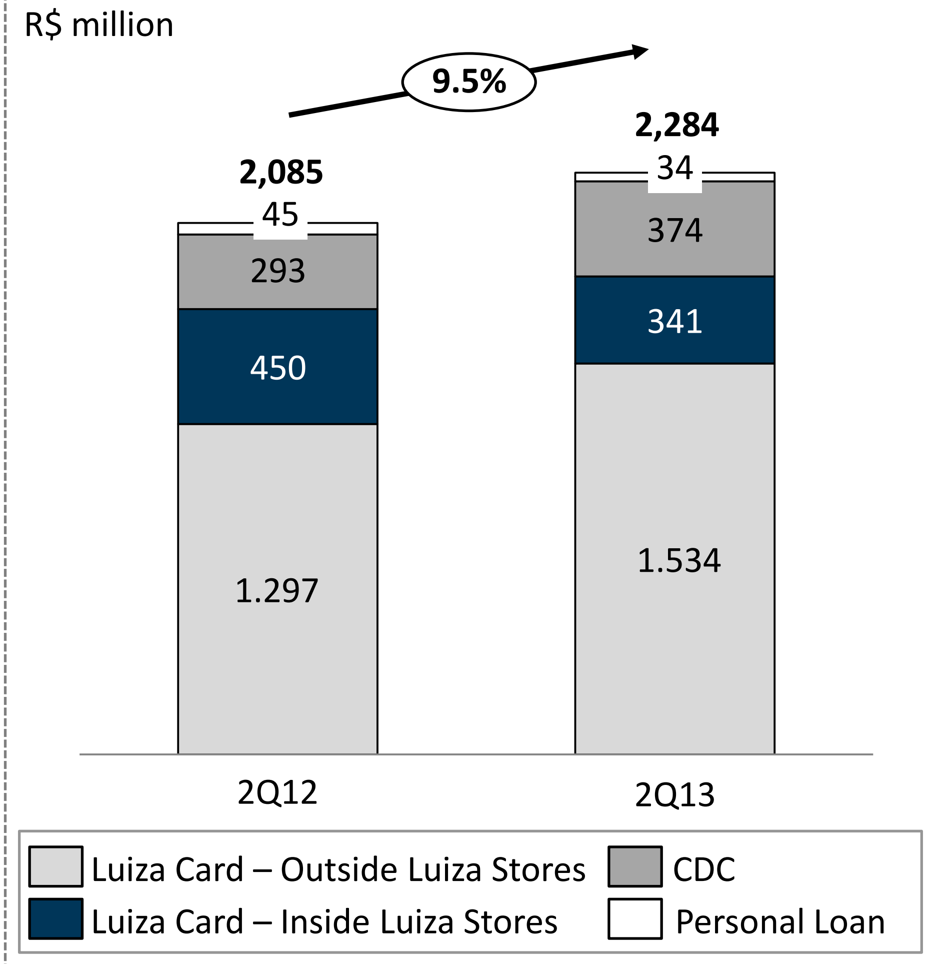


Operational Performance – Luizacred

Financed Mix Sales



Luizacred's Revenues



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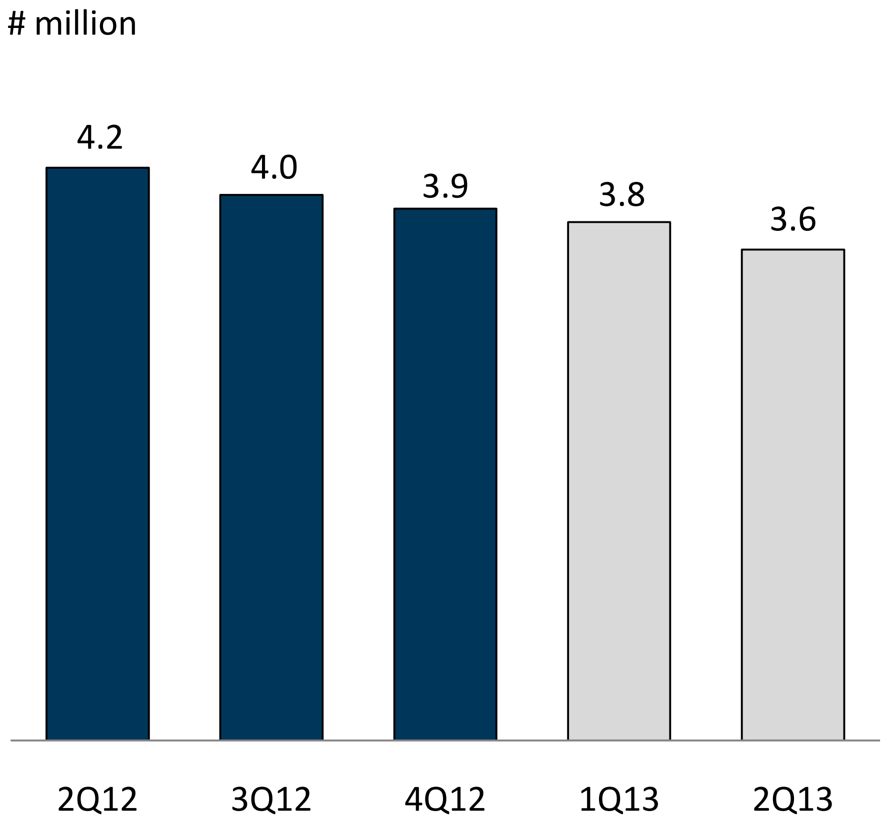
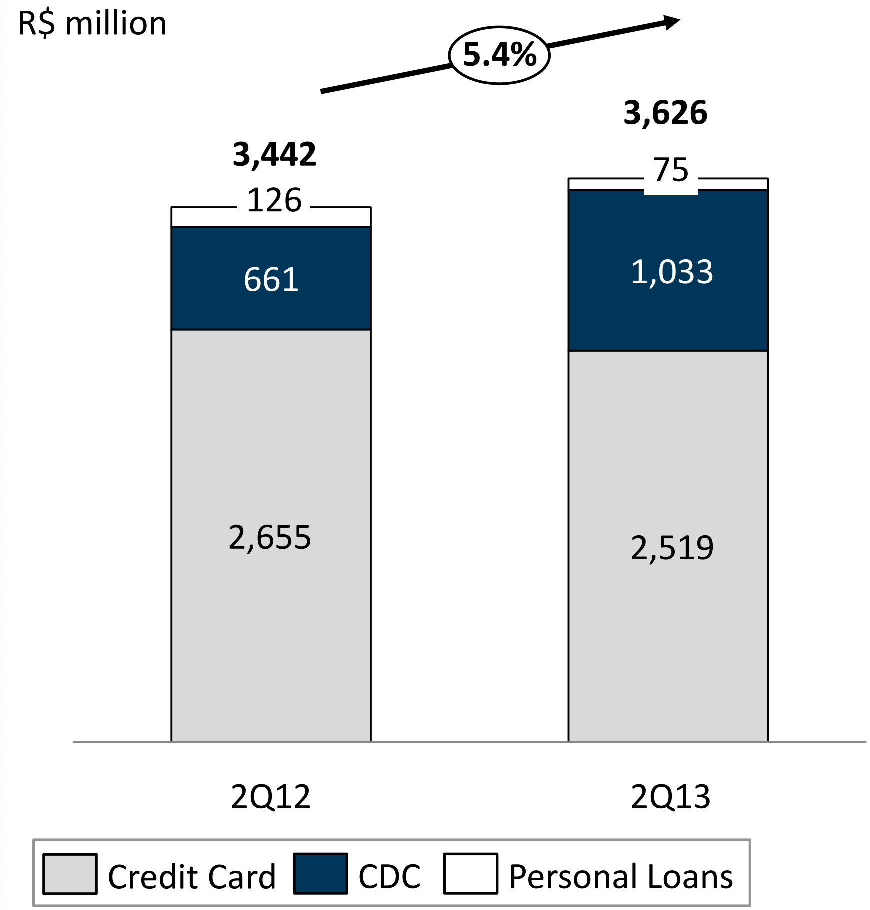
Operational Performance – Portfolio's composition

Luiza Card – Total Credit Card Base

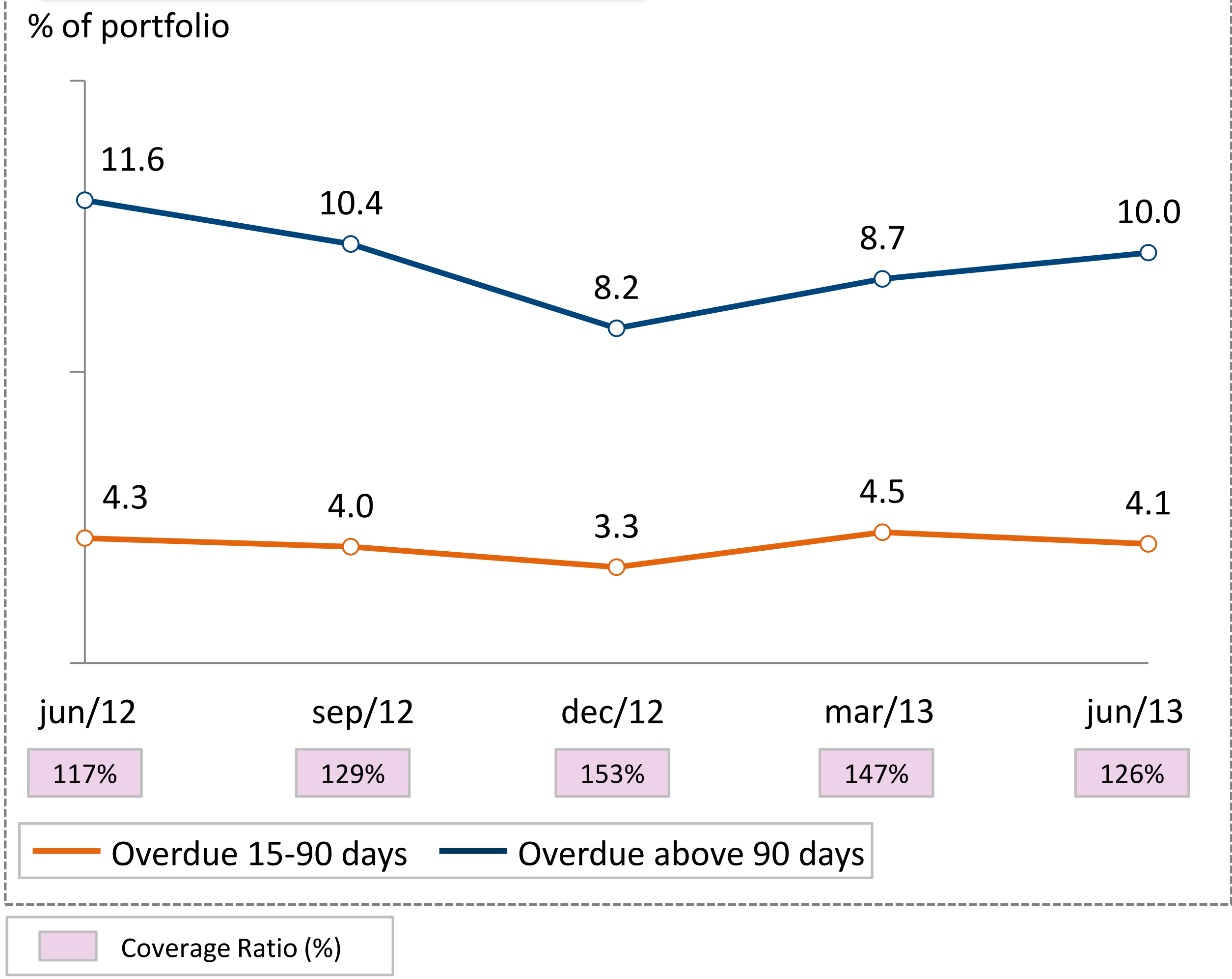


Portfolio



Luizacred Portfolio

Portfolio Overdue



Comments

- **NPL 90**: **reduced 1.6 pp** over jun./12
- **Provisions for loan losses**: from 48.4% over total revenues in 2Q12 to 45.7% in 2Q13
- **Provisions for loan losses**: 4.5% of the total portfolio in 2Q13 (4.7% recorded in 2Q12)
- **Conservative approach**
- **Coverage ratio:** above jun/12**, equivalent to 126%**

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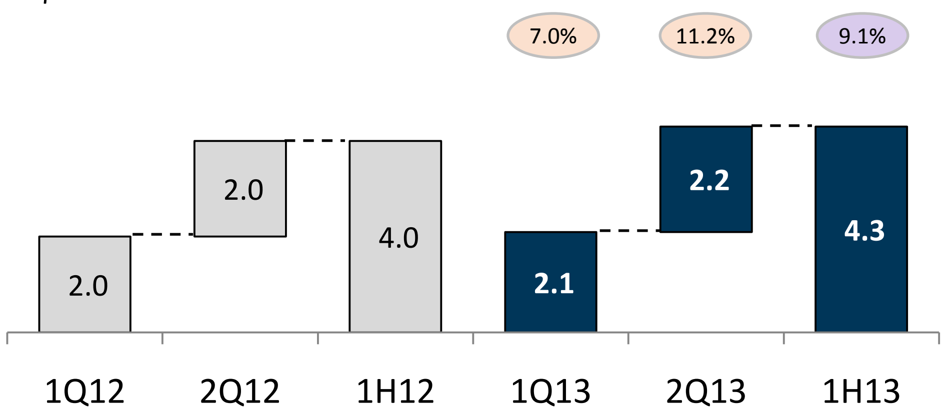
Gross Revenue and Net Revenue

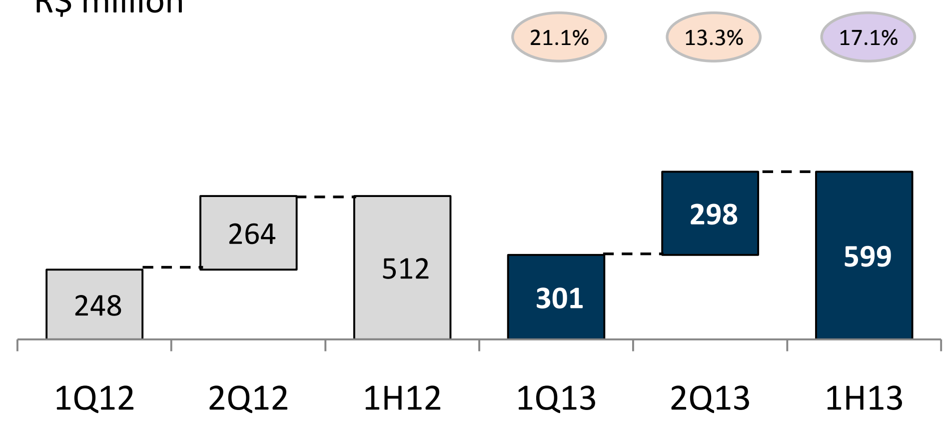
Gross Revenue - Consolidated

R$ billion



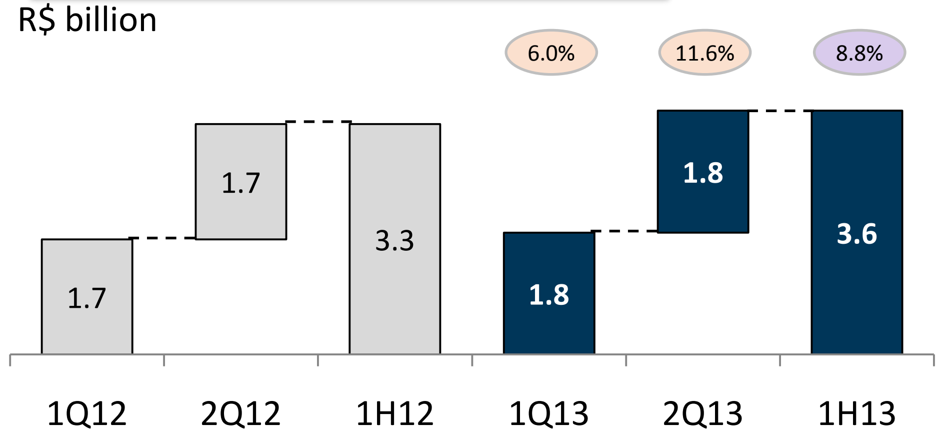
Gross Revenue - Internet

R$ million



Net Revenue - Consolidated

R$ billion



Growth over the same quarter of 2012 Growth over the same half of 2012

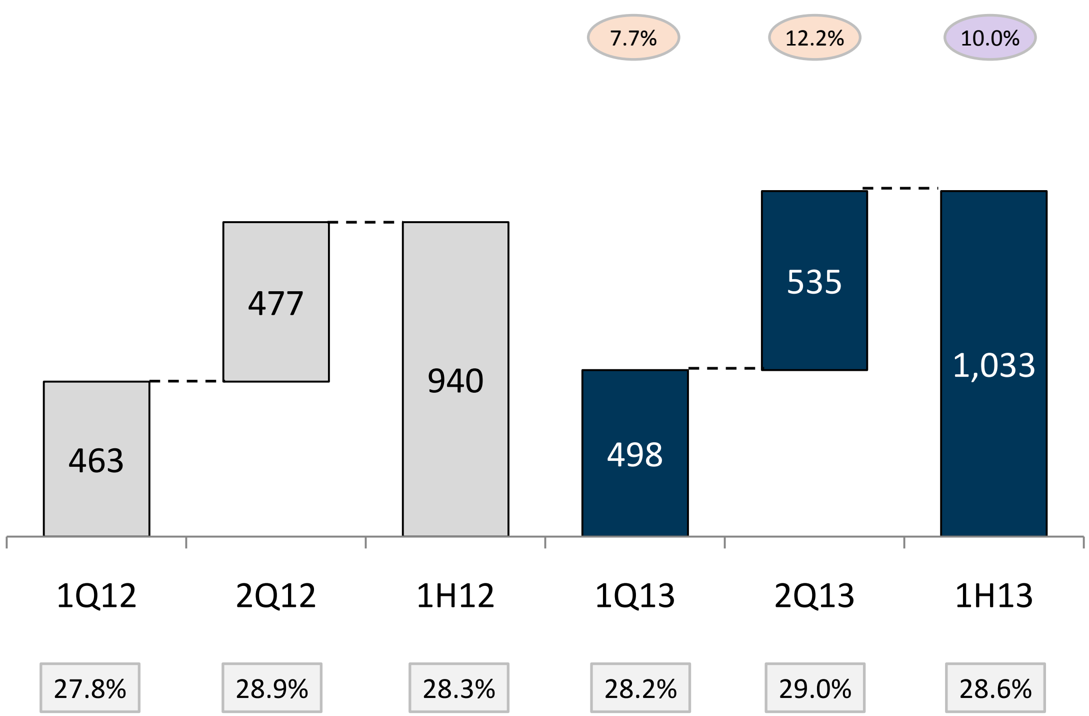
Comments

- **Consolidated gross revenue: increased 11.2% in 2Q13**
  - **9.3% growth in same-store sales**
  - **High base of comparison** (SSS growth of 9.0% at physical stores and 45.0% at e-commerce in 2Q12)
- **In 1H13, consolidated gross revenue climbed 9.1% to R$4,323.7 million**

Gross Profit

Gross Profit – Consolidated

R$ million



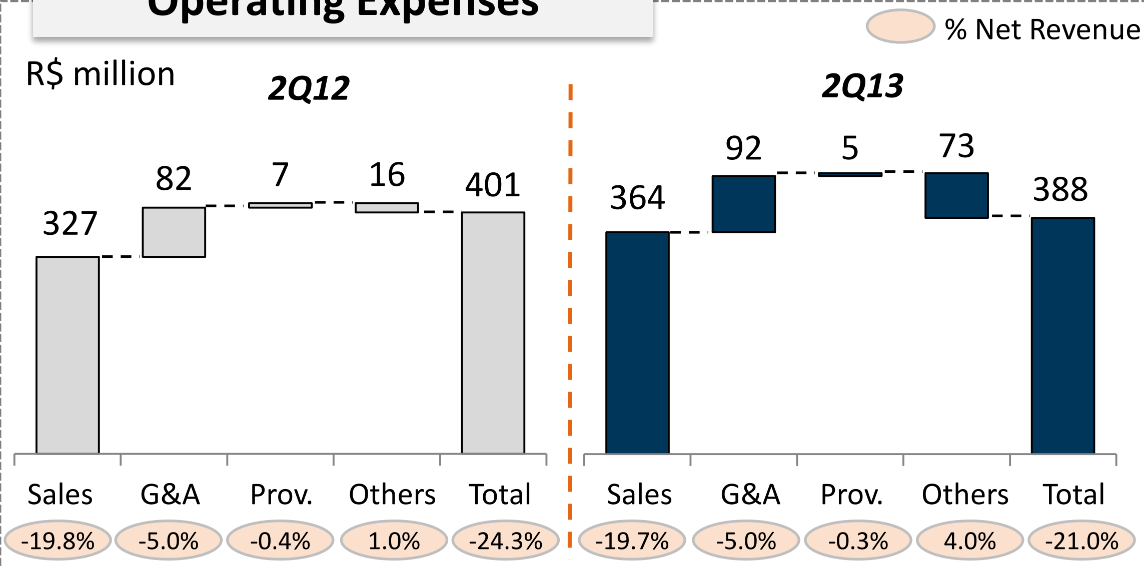
Comments

- **0.2 percentage points higher than 2Q12**
  - Improvement in **Northeast stores gross margin** (complete integration of operations)
  - **Maintenance of margin** in other regions
  - **Higher share of Internet sales**
- **1H13: upturn of 0.3 percentage points over the same period last year**

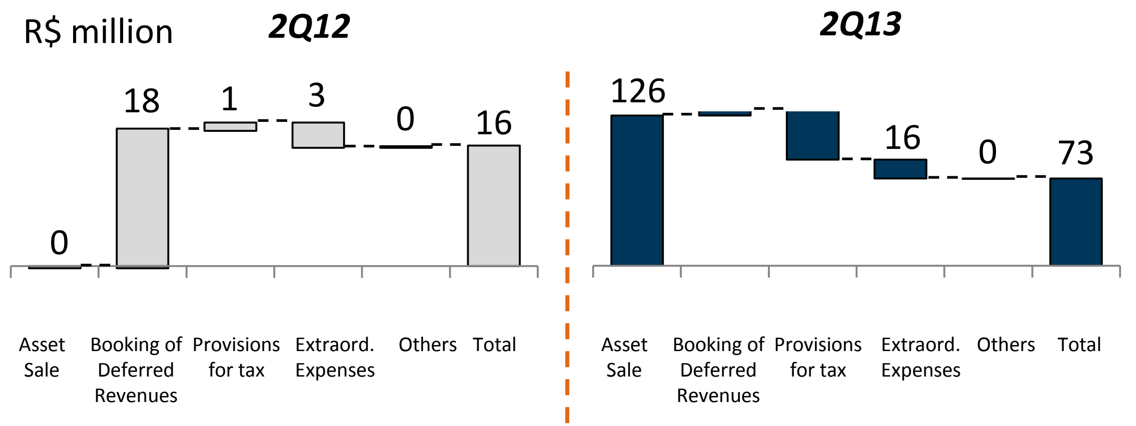
Growth over the same quarter of 2012 | Growth over the same half of 2012 | Gross Margin (%)

Operating Expenses and Others Expenses (Revenues)

Operating Expenses



Others Expenses (Revenues) Operating



Comments

- **Reduction of 3.3pp over 2Q12**
  - Selling, general and administrative expenses in line with net revenue growth (0.7 pp lower than 1Q13)
- **Other Operating Revenues (Expenses)** :
  - **Gain from the sale** of the 76.7% interest held by the Company in the **distribution center** in Louveira (SP) in the amount of R$126.4 million
  - **Deferred revenue**: R$8.3 million in 2Q13
  - **Increase in provisions** for ICMS, PIS and COFINS tax liabilities, revised to probable losses in the amount of R$45.3 million
  - **Other non-recurring expenses** mainly related to provisions and write-offs from the process of accounting incorporation of Lojas Maia in the amount of R$15.8 million.

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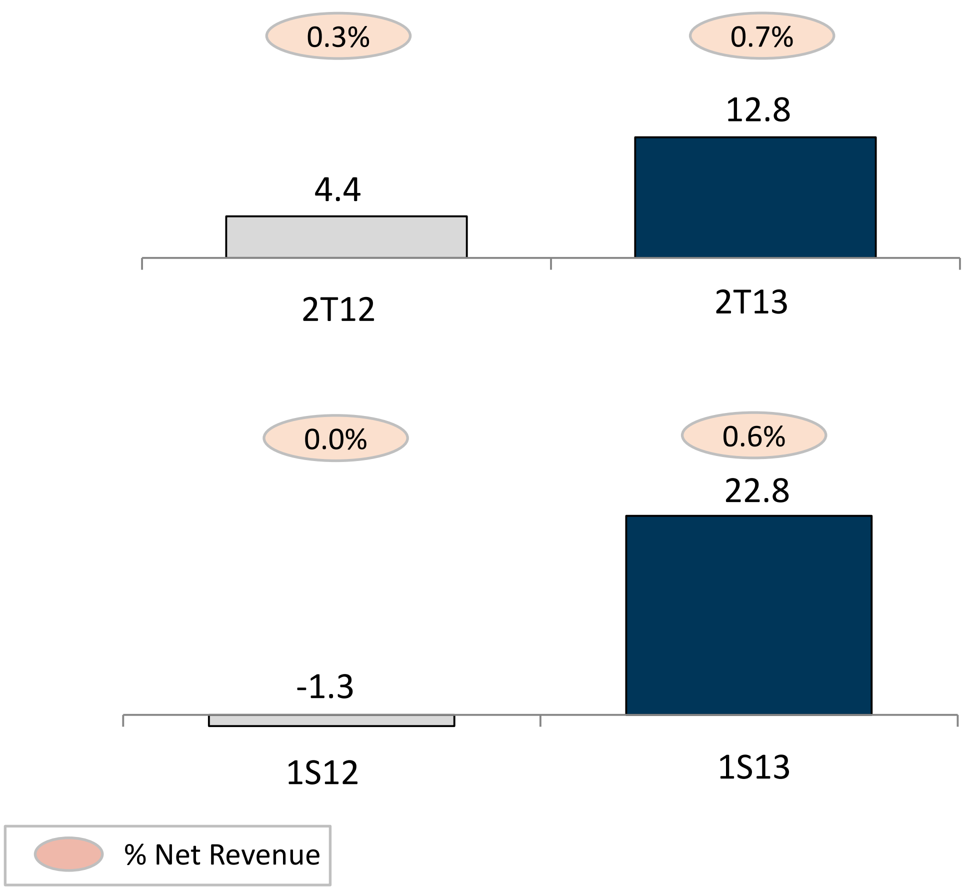
Equity in Subsidiaries

Equity in Subsidiaries

R$ million



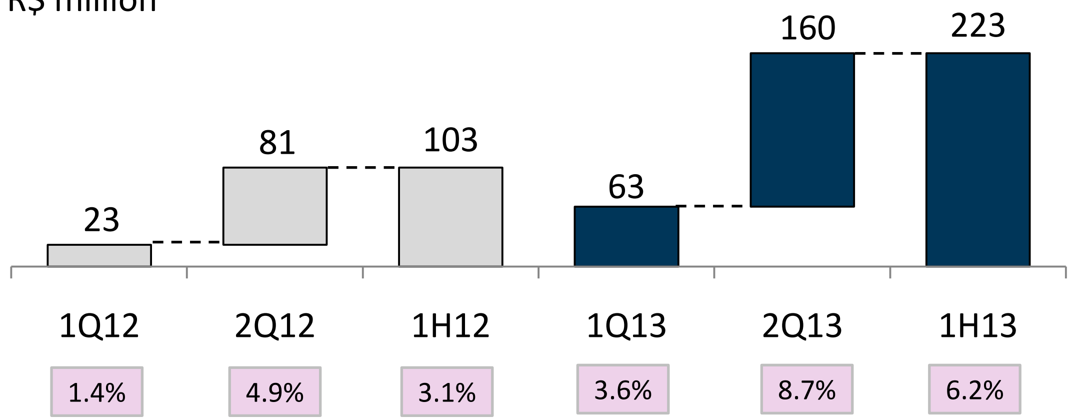
Comments

- **Equity in Subsidiaries**
  - Luizacred's net margin grew from 1,2% in 2Q12 to 5.6% in 2Q13.
  - Luizaseg's net margin satble, equivalent to 11,5% in 2Q13.

EBITDA and Adjusted EBITDA

EBITDA

R$ million

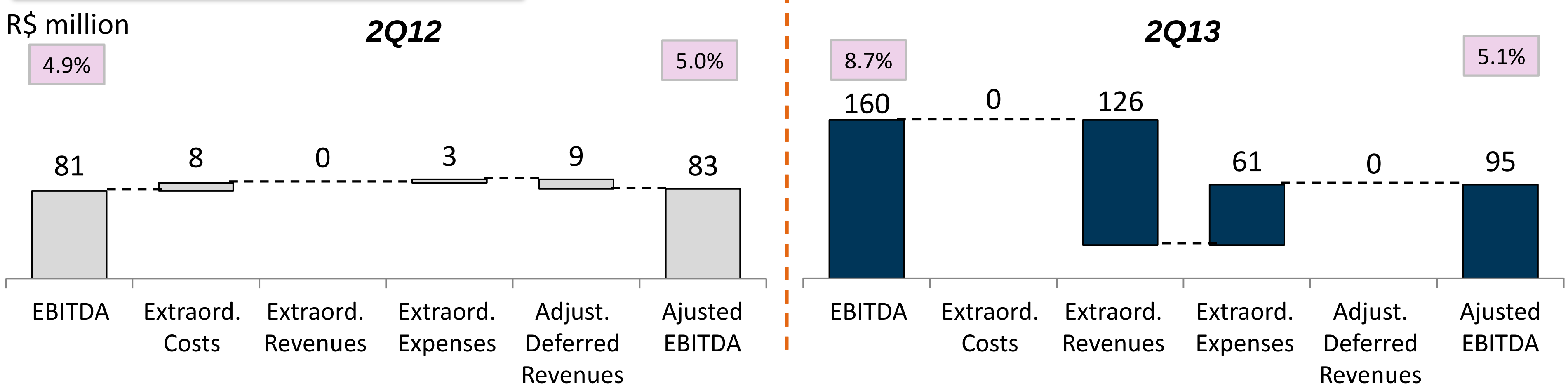


Comments

- **3.8 pp increase in EBITDA margin over 2Q12**
- Impacts: higher gross margin, an increase in equity income owing to an improvement in Luizacred's net result and sales of DC
- **Adjusted EBITDA margin**: in line with the trend of gradual improvement in profitability expected by the Company for 2013

Adjusted EBITDA

R$ million

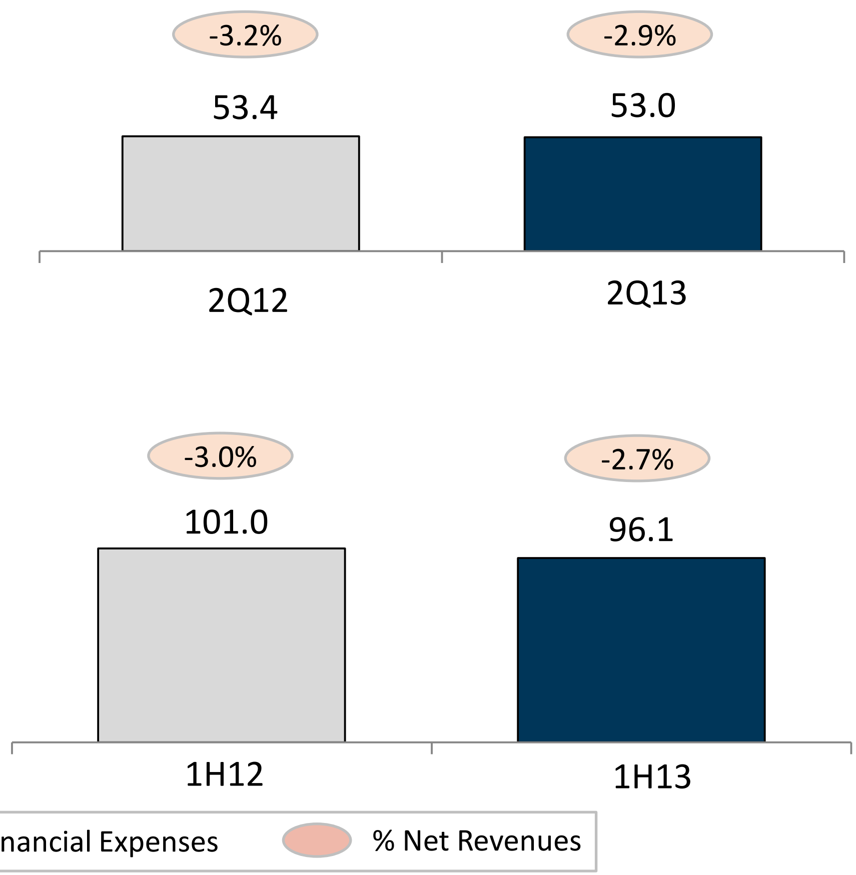


Margin EBITDA (%)

Financial Expenses – Consolidated

Adjusted Financial Expenses

R$ million



Comments

- **Adjusted Financial Expenses:**
  - Reduction of 0.3 pp over 2Q12
    - ✓ Reduction in the CDI rate
    - ✓ Lower working capital requirements
    - ✓ Increase in investments funds income
  - Reduction of 0.3 pp over 1H12

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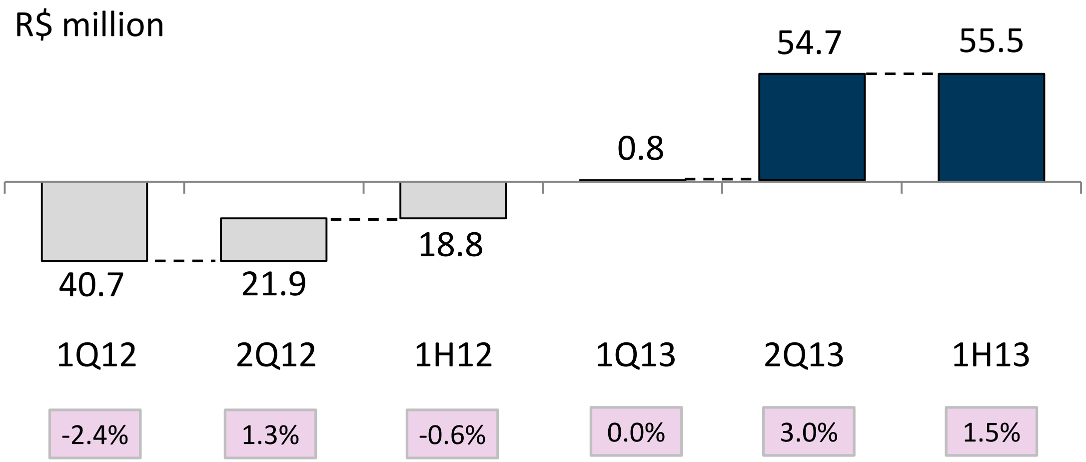
Net Income and Adjusted Net Income

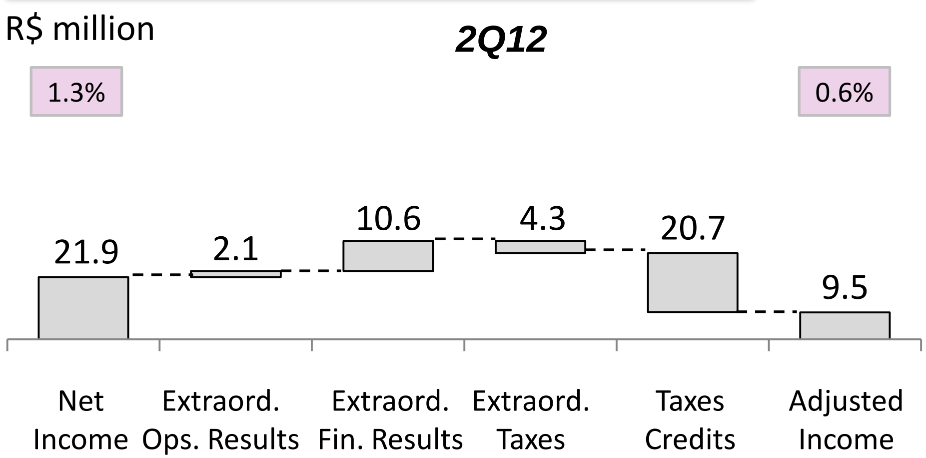
Net Income

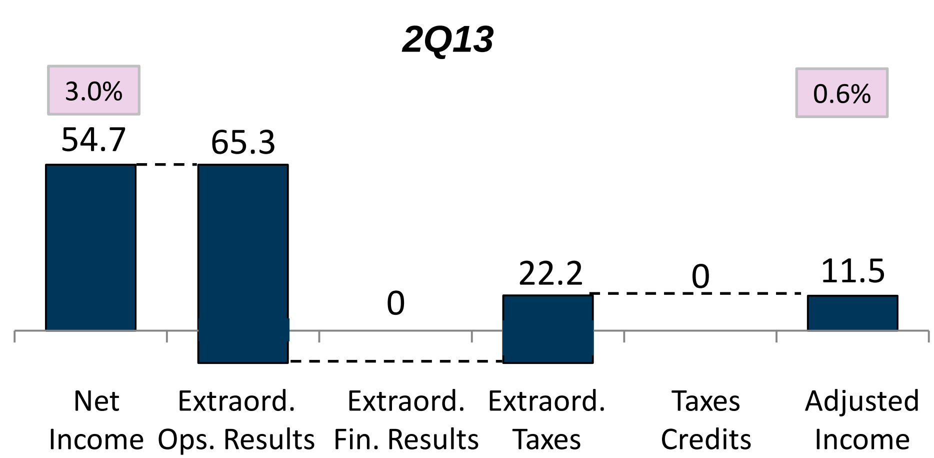


Comments

- **2Q13 net result was positive by R$54.7 million, with a net margin of 3.0%.** In 1H13, consolidated net income totaled R$55.5 million with a margin of 1.5%
- In line with the trend of gradual improvement in profitability expected by the Company for 2013

Adjusted Net Income





Net Margin (%)

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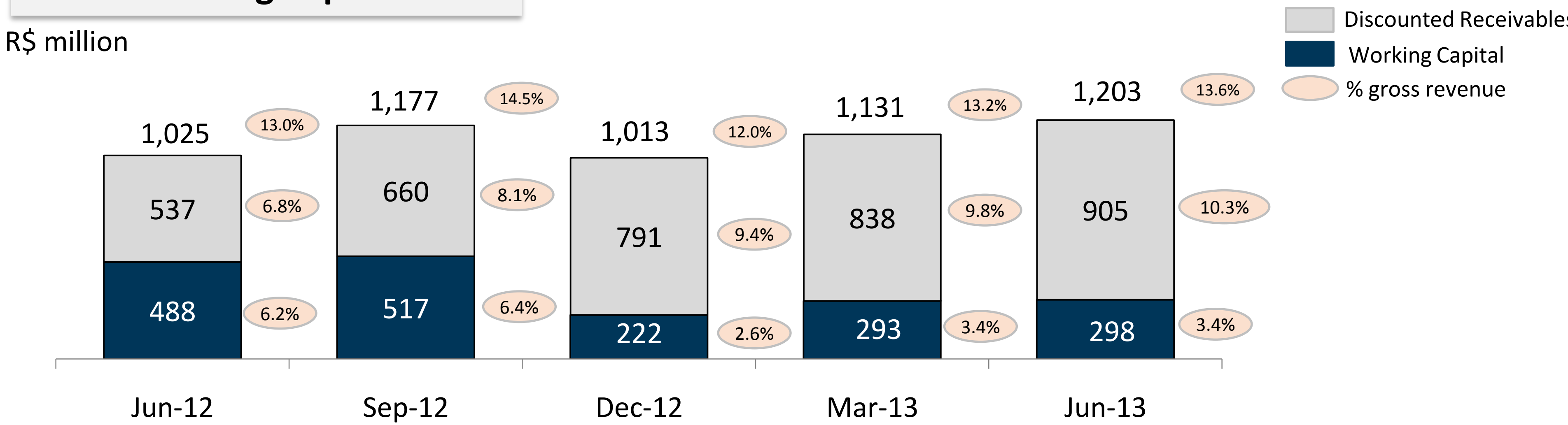
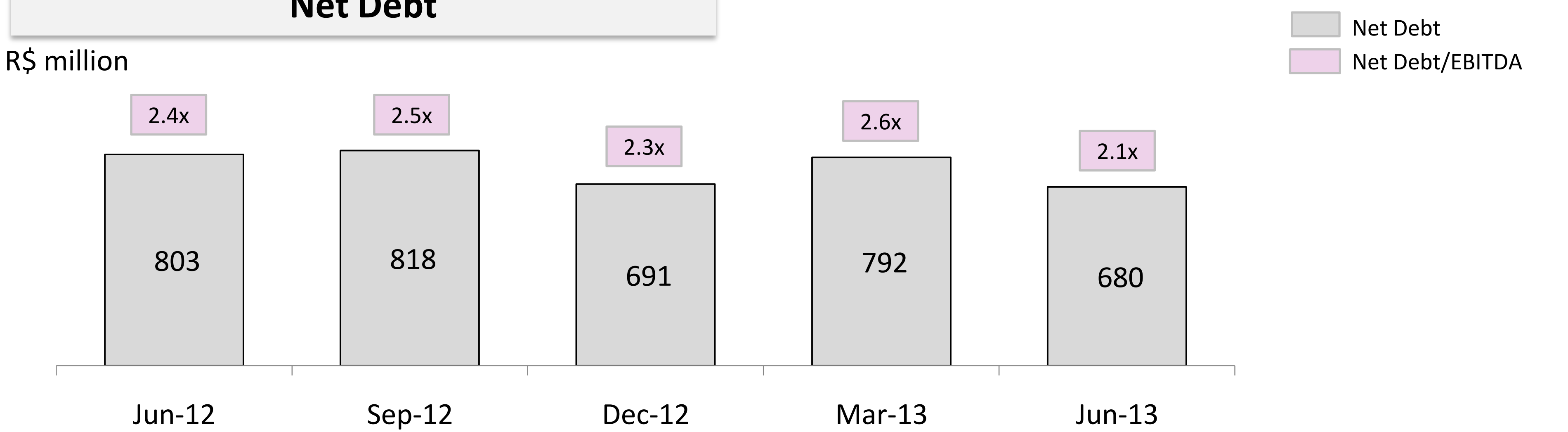
Working Capital and Net Debt

Working Capital



Net Debt



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Expectations for 2013

1 Growth expectations for 2013

- Maintenance of the growth expectations for 2013
- *Minha Casa Melhor* (My Better Home) Program
- Lower taxes over smartphones
- Initiatives focused on client satisfaction

2 Maintenance of the gross margin

- Increase of gross margin across Northeast stores
- Stable in other regions
- Pricing Project – aim to increase pricing intelligence over channel, region and product families

3 Costs and expenses rationalization

- Gains from the streamlining of costs and expenses will be more significant in the last quarter of 2013, a period to execute a large part of the new budget processes
- Stricter controls for 2013 (ZBB - Zero Based Budgeting)
- Productivity increase at stores
- Reduced logistics costs with the multichannel delivery project
- Dilution in operating expenses through the maturation of stores, including the Baú and Maia stores acquired

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