2Q12 Conference Call

August 14th. 2012

- **Highlights of 2Q12**
- Financial Performance
- Operational Performance
- Expectations for the Next Quarters

Highlights of 2Q12

Initiatives and Achievements

- **Significant sales growth *versus* 2Q11**
  - Total sales growth of 21.6%
  - Same store sales growth of 13.0%
    - E-commerce growth of 45.0%
    - Physical stores sales growth of 9.0%
- **Sustainable growth**
  - Consolidated gross margin evolution – 33.5% over net revenues
    - Increased by 0.7pp over 2Q11
    - Increased by 1.7pp over 1Q12
  - Financial discipline (limited sales with no interest)
  - Conservative credit approval rate
- **Continuation of Lojas Maia integration process**
  - Corporate merger – April, 30th
  - Systems integration – began in 2Q12
- **Reduction and Rationalization of Costs and Expenses**
  - Rationalization of costs and expenses program – Company's main focus in 2012
  - 0.6pp reduction on SG&A expenses of retail segment
    - 24.7% of net revenues versus 25.3% in 2Q11

Impacts on Financial Results

- **Investments in infrastructure and expansion**
  - Total investments: R$35.1 million
    - 1 new conventional store inaugurated in the Northeast
    - Stores remodeling
    - Investments in IT and Logistics (concluded the expansion of Louveira distribution center)
- **Extraordinary expenses - integration:**
  - Totaled only R$3.3 million (as expected)
- **Luizacred results**
  - Improved overdue indicators
  - Maintenance of conservative approach
    - Reduction of credit approval rate
    - Substantial provisions for loan losses
  - Participation in the rationalization of costs and expenses program
- **Magazine Luiza results**
  - Results in line with budget, despite the slowdown in the economy activity
    - Sustainable growth
    - Program of rationalization of costs and expenses
  - Positive results – retail and consolidated business

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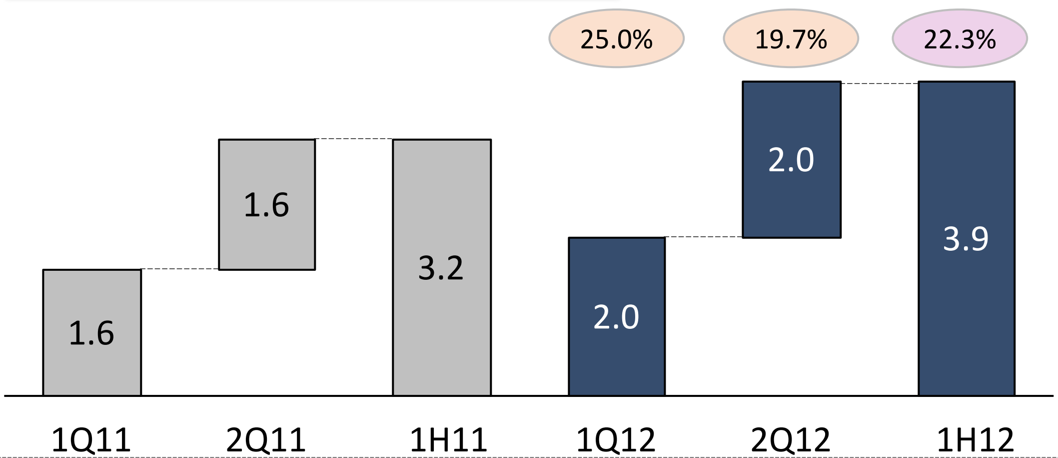
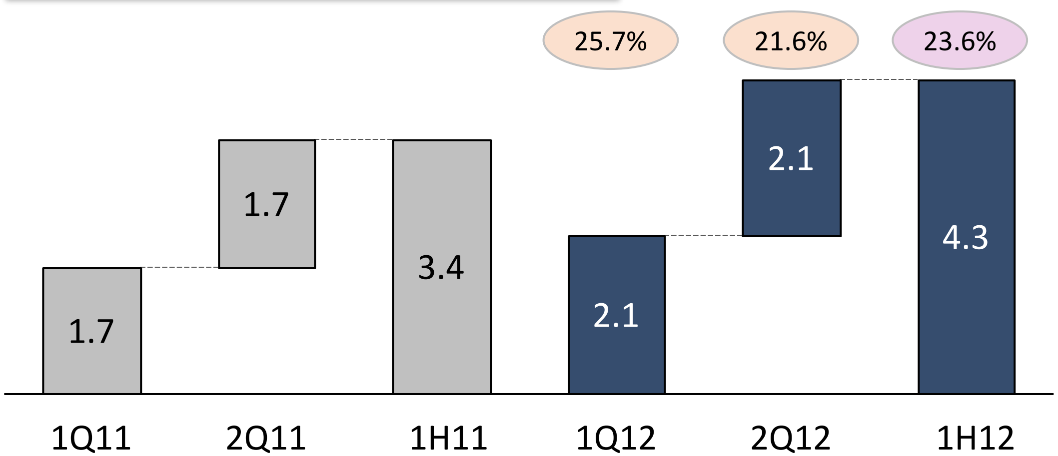
Gross Revenues (R$ billion)

Retail



Consolidated



% of growth over the same quarter of 2011 % of growth over the same half of 2011

Comments

- **19.7% growth in the retail segment** *versus* 2Q11 and **13.0% same store sales growth**, driven by:
  - Stores maturation
  - Increased productivity in renovated stores
  - Accelerated growth in the Northeast (R$301 million – 15.4% of total retail sales)
- **22.3% growth in the retail segment** *versus* 1H11
- **21.6% growth in the consolidated gross revenues** *versus* 2Q11:
  - 44.5% growth in revenues from the consumer financing segment (chiefly influenced by the increase in service revenues, direct credit to consumer and personal loans at Luizacred)
- **Increase in store count** – from 613 in the end of 2Q11 to 731 stores in the end of 2Q12

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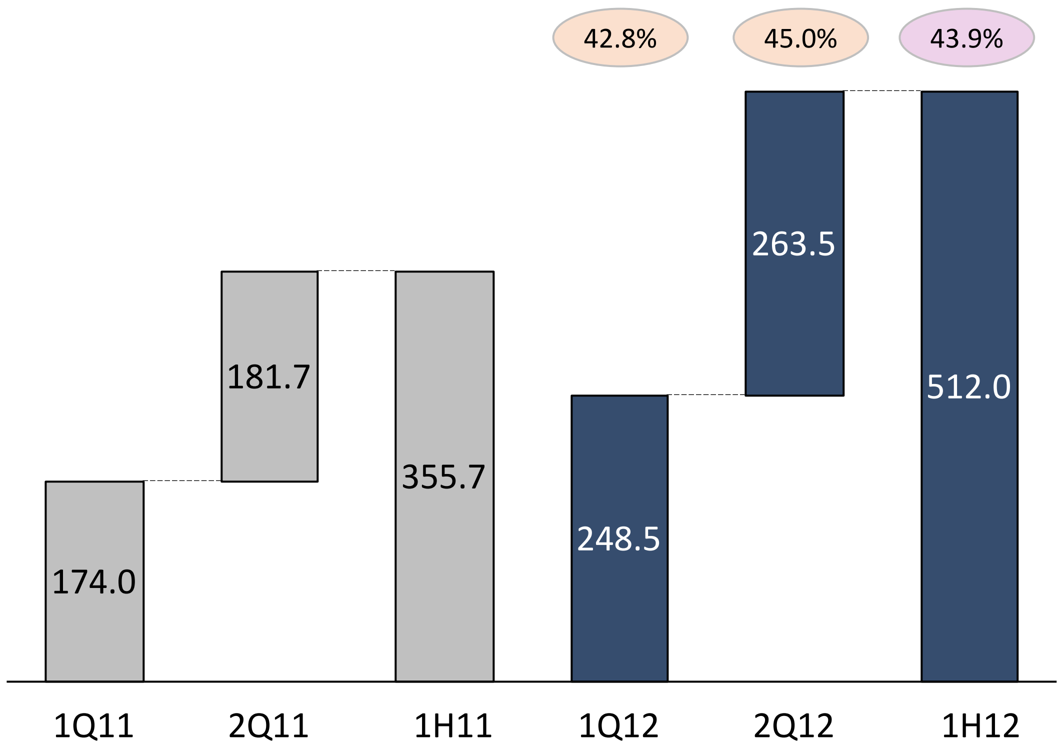
Gross Revenues – Internet (R$ million)

Internet



Comments

- Internet sales climbed 45.0% in 2Q12 *versus* 2Q11 and 43.9% versus 1H11 influenced by:
  - — **Increase in product mix**
  - — **Innovations** in content
  - — **Multi-channel approach**: infrastructure shared with other channels

% of growth over the same quarter of 2011 % of growth over the same half of 2011

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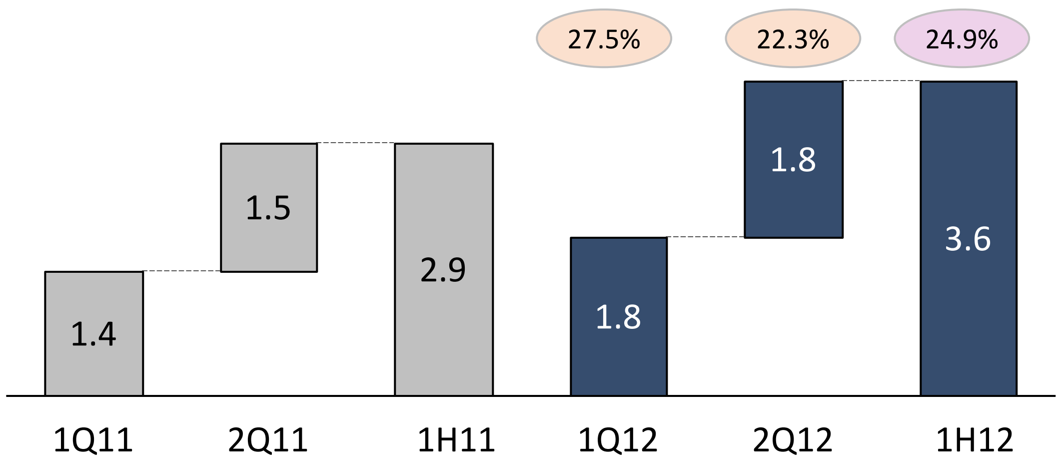
Net Revenues and Gross Profit (R$ billion)

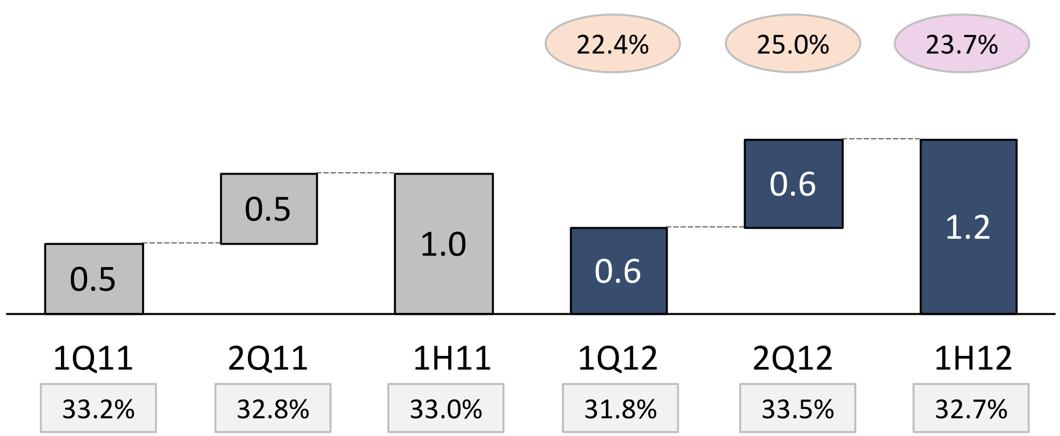
Net Revenues - Consolidated



Comments

- Strong growth due to **advancement of gross revenues** (retail segment and consumer finance)
- Net revenues growth outpaced gross revenues growth – **higher volume of products subject to tax substitution** (booked under COGS)

Gross Profit - Consolidated



Comments

- **Improve of 0.7% of gross margin in 2Q12 *versus* 2Q11 and 1.7% versus 1Q12** due to:
  - Increase in gross margin from the consumer finance (Luizacred)
  - Slight decrease in retail segment margin (higher share of Internet sales, integration of Lojas Maia and AVP adjustments)
- **Gross margin in the Northeast: from 21.2% in 1Q12 to 25.0% in 2Q12**

% of growth over the same quarter of 2011 | % of growth over the same half of 2011 | Gross Margin (%)

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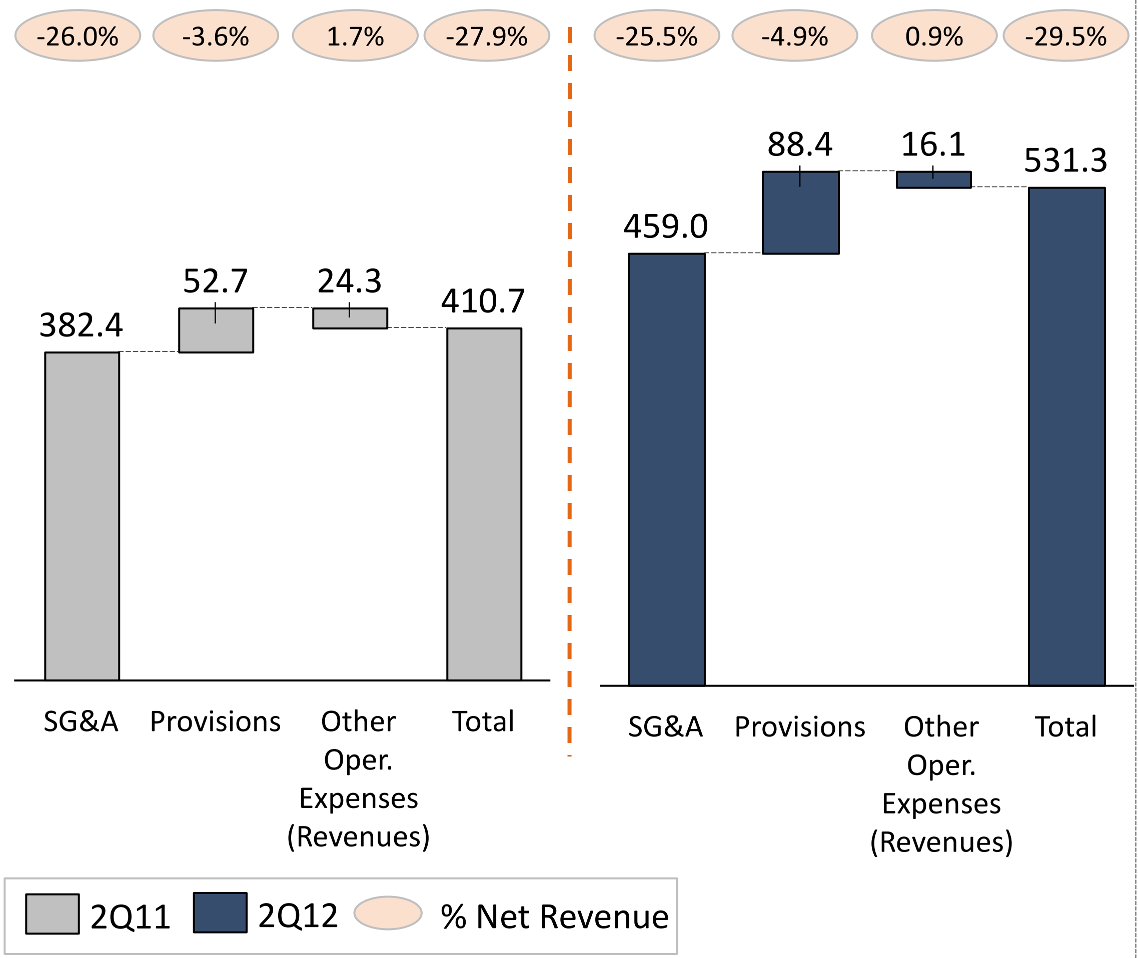
Operating Expenses – Consolidated (R$ million)

Operating Expenses (R$ MM)



Comments

- **Reduction of 0.5% on Sales, General and Administrative Expenses versus 2Q11**:
  - Adjustments made to stores' expenses in order to **increase productivity**
  - Result of the integration of the offices of Baú stores and of rationalization of expenses
- **Provisions for Loan Losses:**
  - Substantial provisions (Luizacred conservative approach)
- **Other Operating Expenses (Revenues):**
  - See next slide

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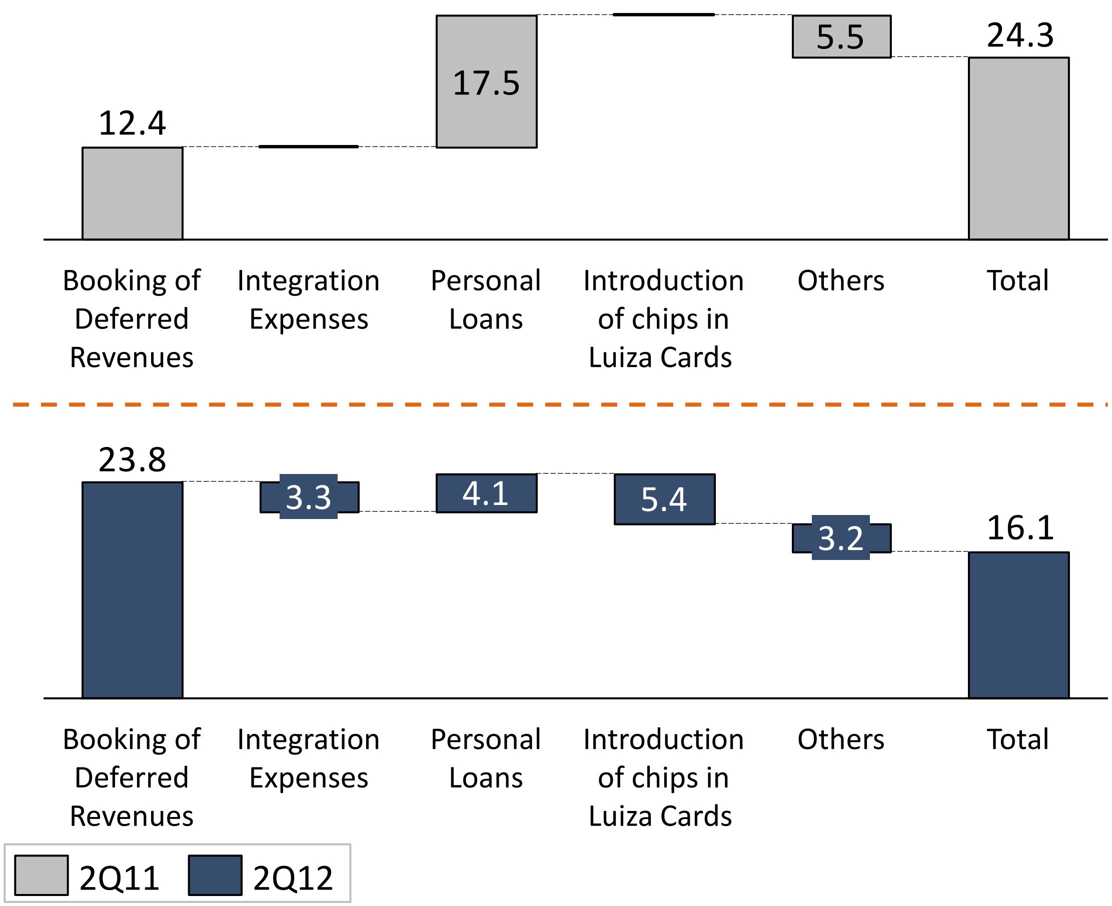
Other Operating Expenses (Revenues) – Consolidated

Other Operating Expenses (Revenues) (R$ MM)



Comments

- **Other Operating Expenses (Revenues) :**
  - **Deferred revenues:**
    - **Reduction in the booking of deferred revenues** (straight-line method)
    - In 2Q12, **other deferred revenues of R$18.0 million** (R$10.5 million from the retail segment and R$7.5 million from Luizacred) – renewal of the Agreement with Cardif
  - **Non-recurring expenses** with the integration of the store chains of R$3.3 million
  - **Change in the booking of personal loans**, which are now recognized under financial intermediation result, thereby reducing revenues from profit sharing from R$17.5 million to R$4.1 million
  - **Expenses with the introduction of chips in Luiza cards totaled** R$5.4 million in 2Q12

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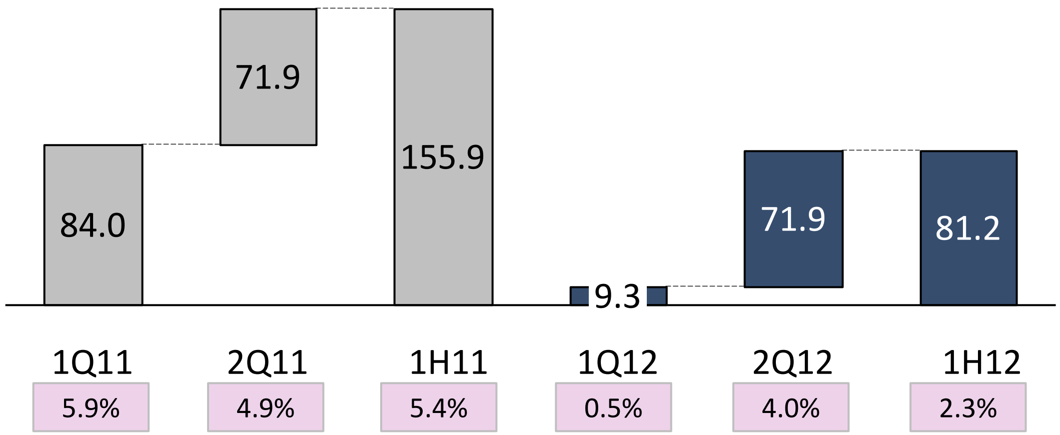
EBITDA and Adjusted EBITDA (R$ million)

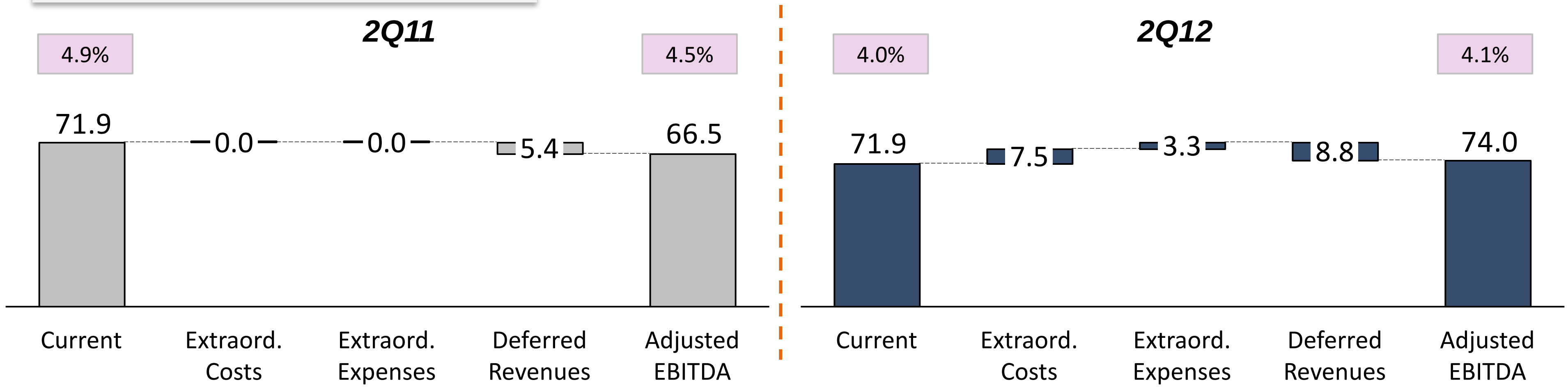
EBITDA



Comments

- EBITDA impacted by:
  - **Sales and gross profit growth**
  - **Non-recurring costs, revenues and expenses**
  - **Higher provisions** for loan losses

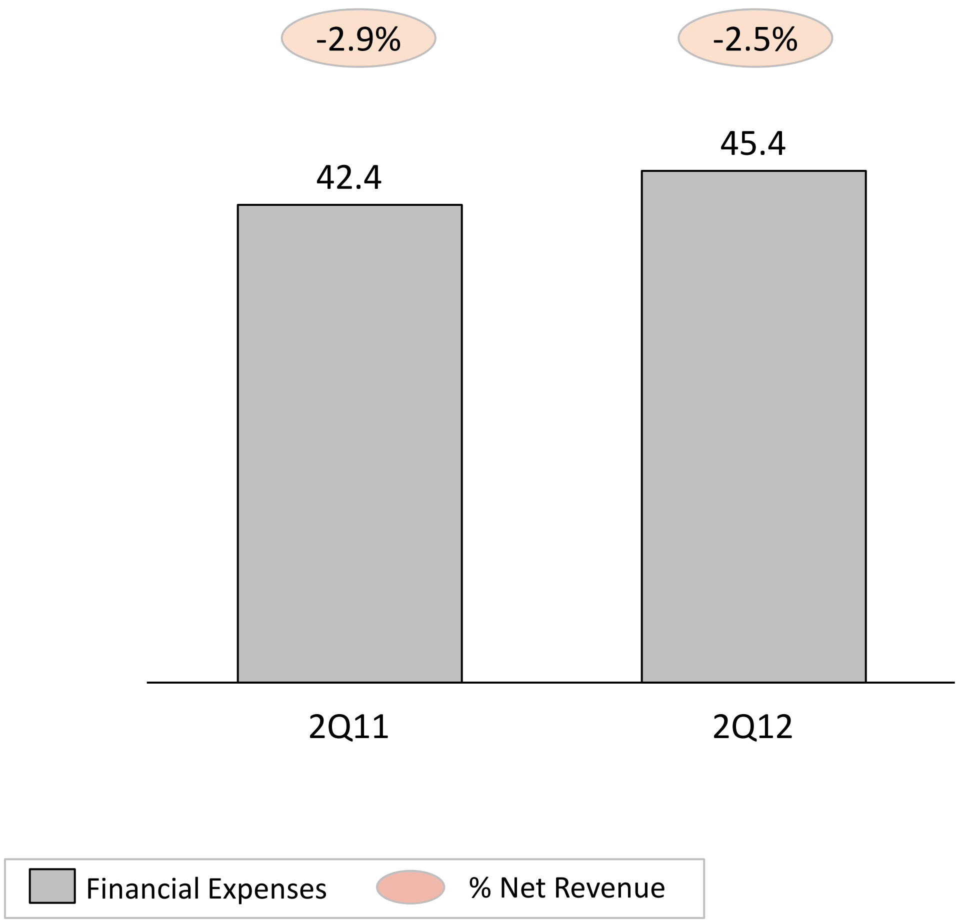
Adjusted EBITDA



Margin EBITDA (%)

Financial Expenses – Consolidated (R$ million)

Financial Expenses (R$ MM)



Comments

- **Financial Results**:
  - **Decline from 2.9% of net revenue in 2Q11 to 2.5% in 2Q12**:
    - Positively impacted by the reduction in CDI rate
    - Partially offset by the increase in working capital requirements
    - Change in the estimated discount rate used in the adjustment to present value of extended warranty operations
    - Change in the appropriation of the costs of prepayment of receivables on third-party cards, which is now recognized on the date of the discount operation

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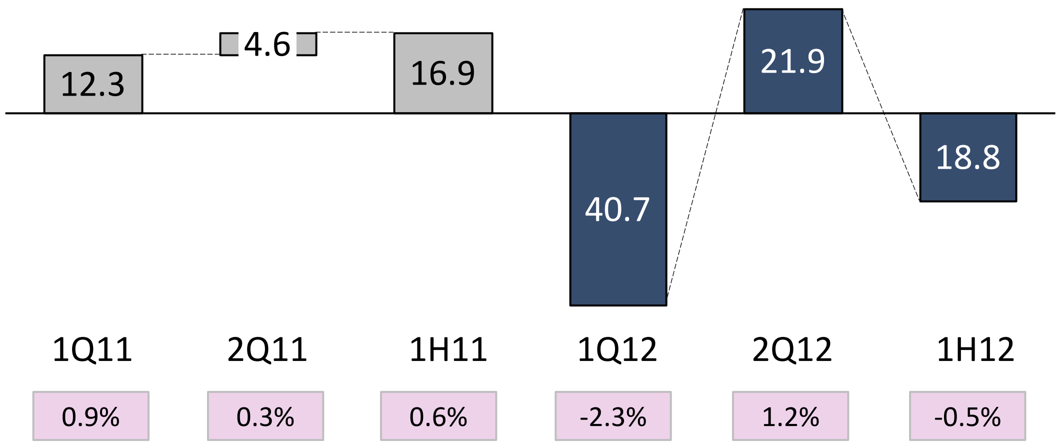
Net Income and Adjusted Net Income (R$ million)

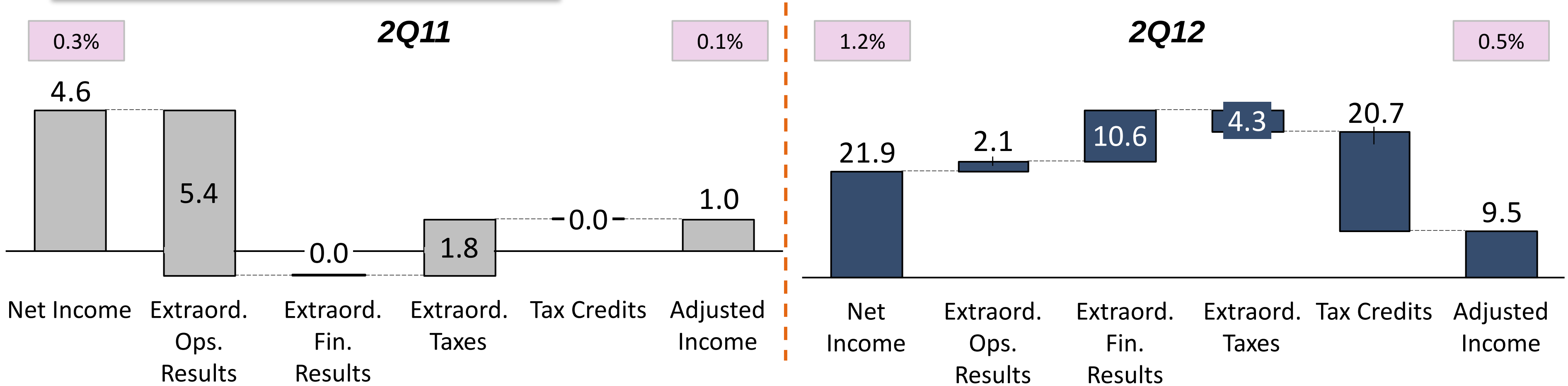
Net Income



Comments

- Net Income impacted by:
  - — Non-recurring costs, revenues and expenses
  - — Change in the appropriation of the costs of prepayment of receivables
  - — Changes in accounting practices in the financial result
  - — Non-recurring tax credits

Adjusted Net Income



Net Margin (%)

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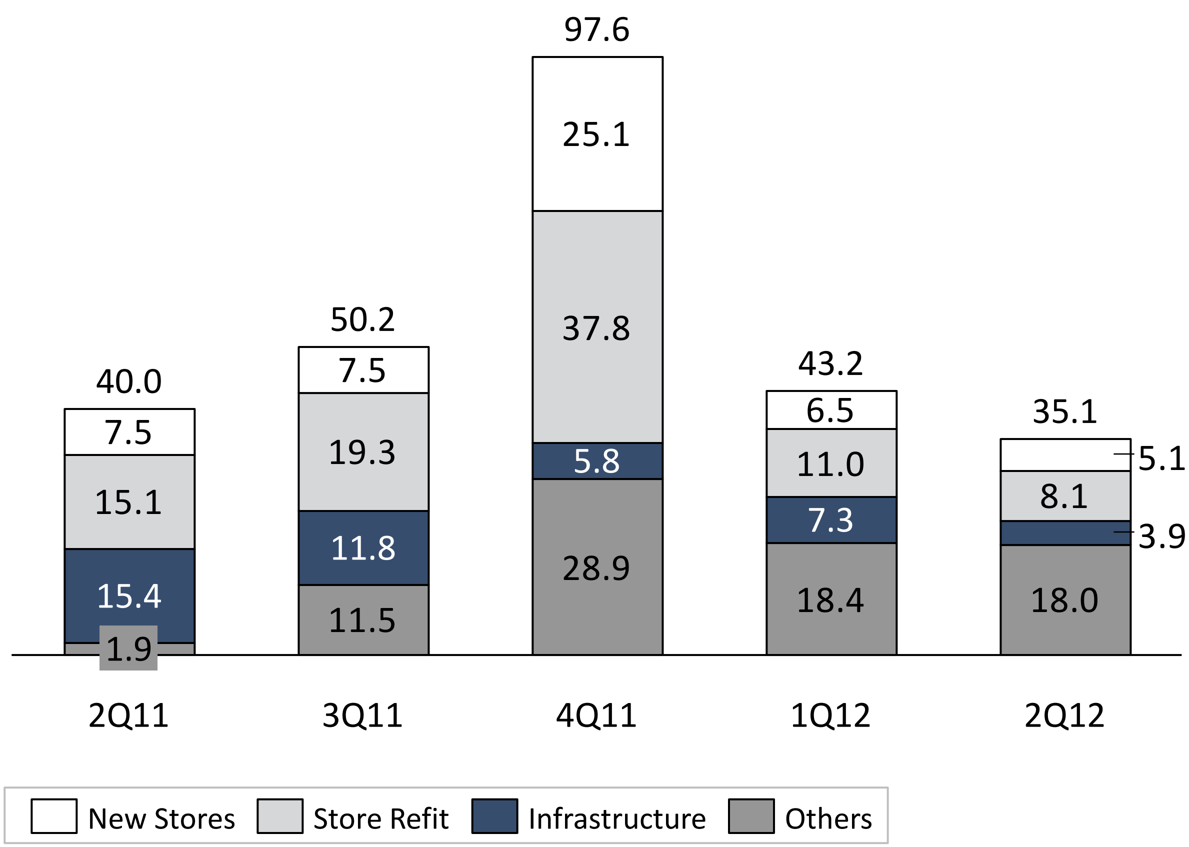
Investments (R$ million)

Investments



Comments

- **Stores remodeling**
- **New stores (inaugurated and to be) – 1 new conventional store inaugurated** in the Northeast
- Other investments include the conclusion of **expansion of the Louveira distribution center** and other investments in logistics, which totaled R$9.6 million in 2Q12

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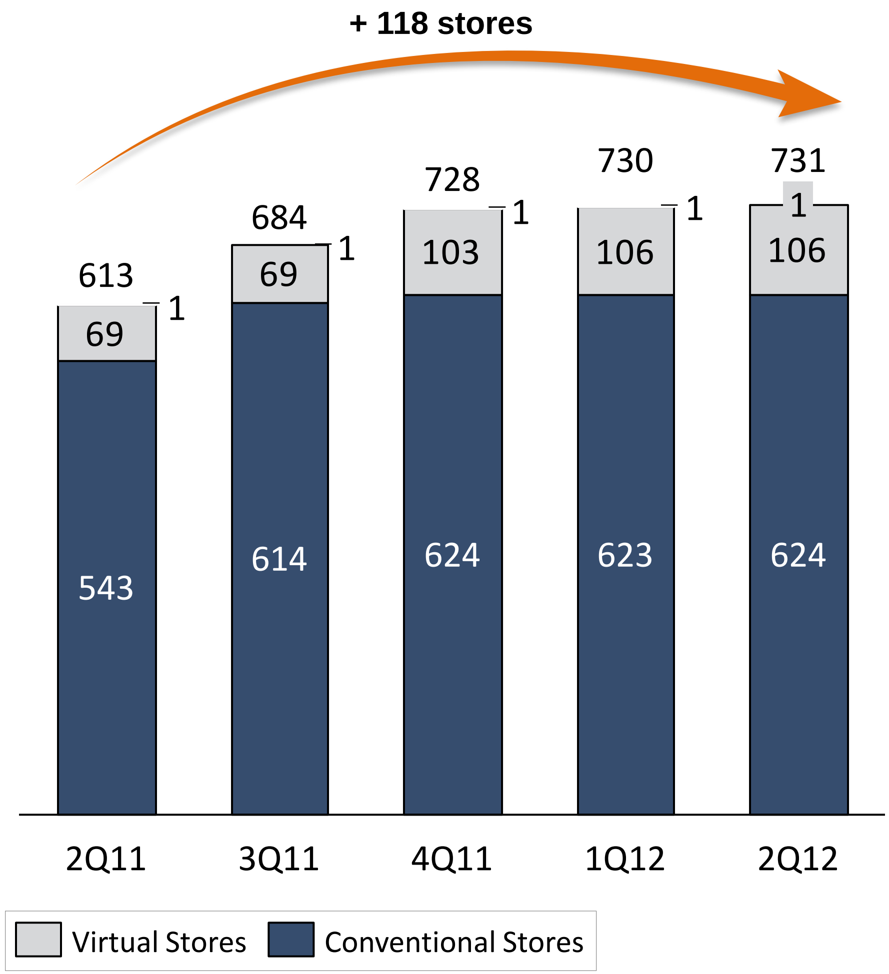
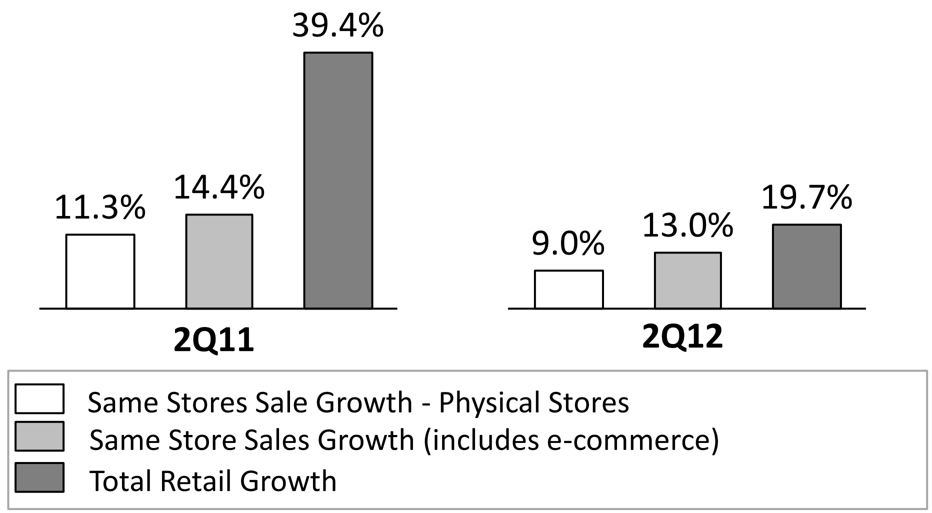
Operational Performance – Stores

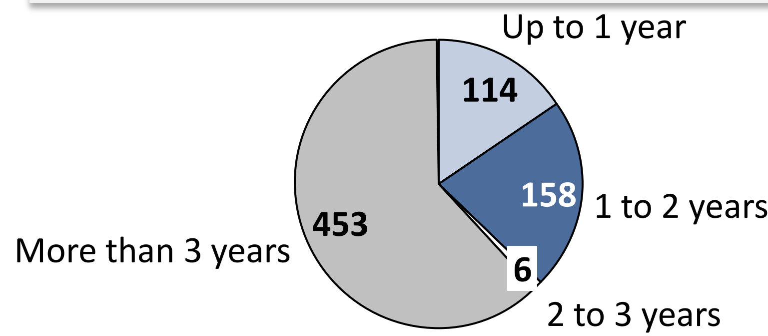
Number of Stores (unit)



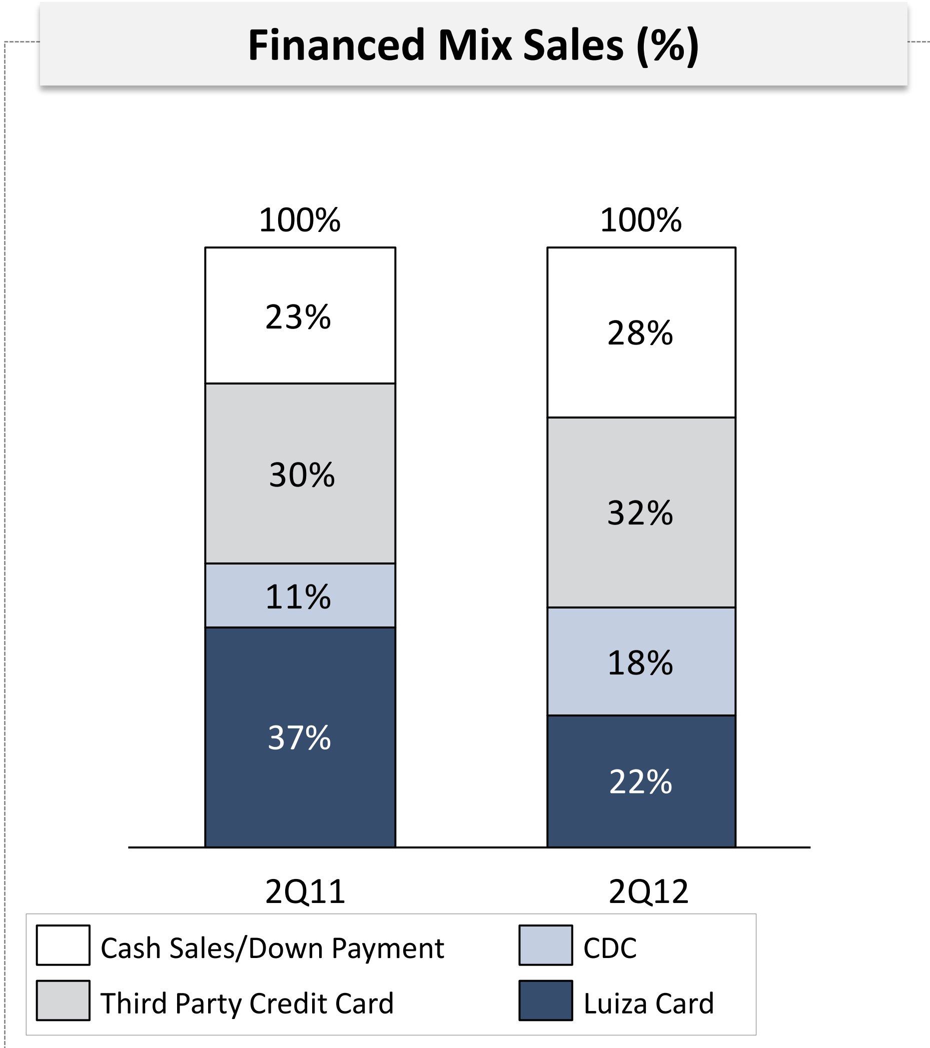
Same Store Sales Growth (%)

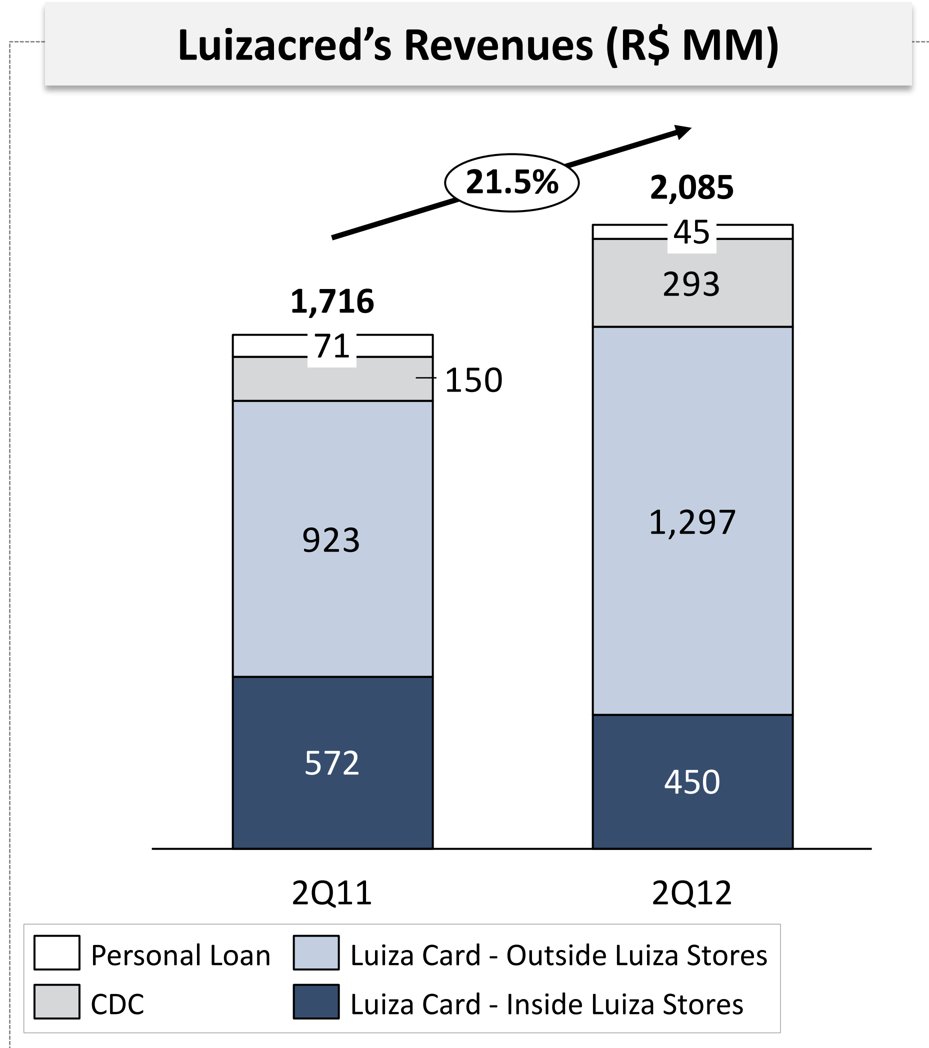


Average Age – Stores



Operational Performance – Luizacred





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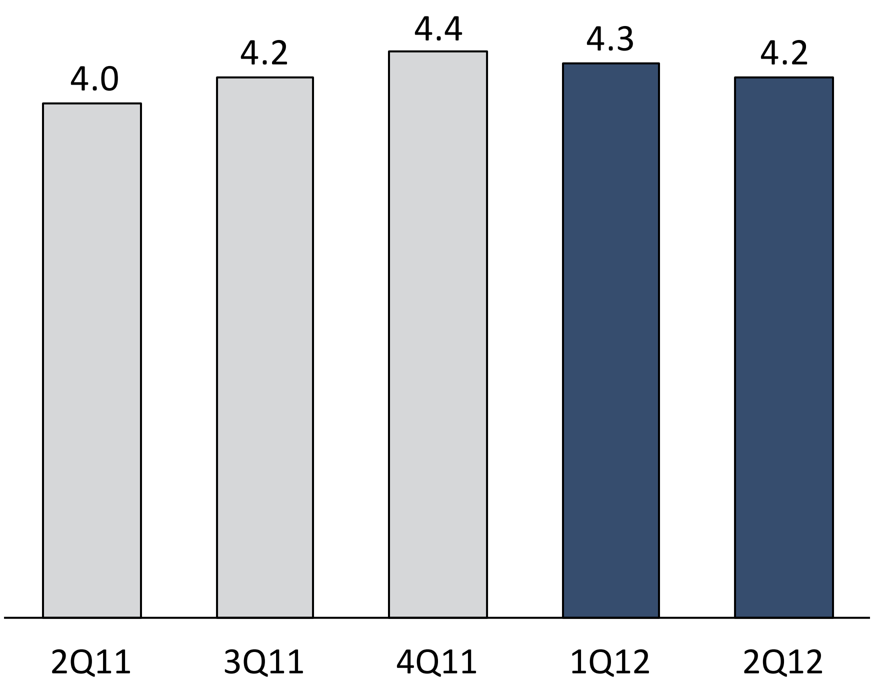
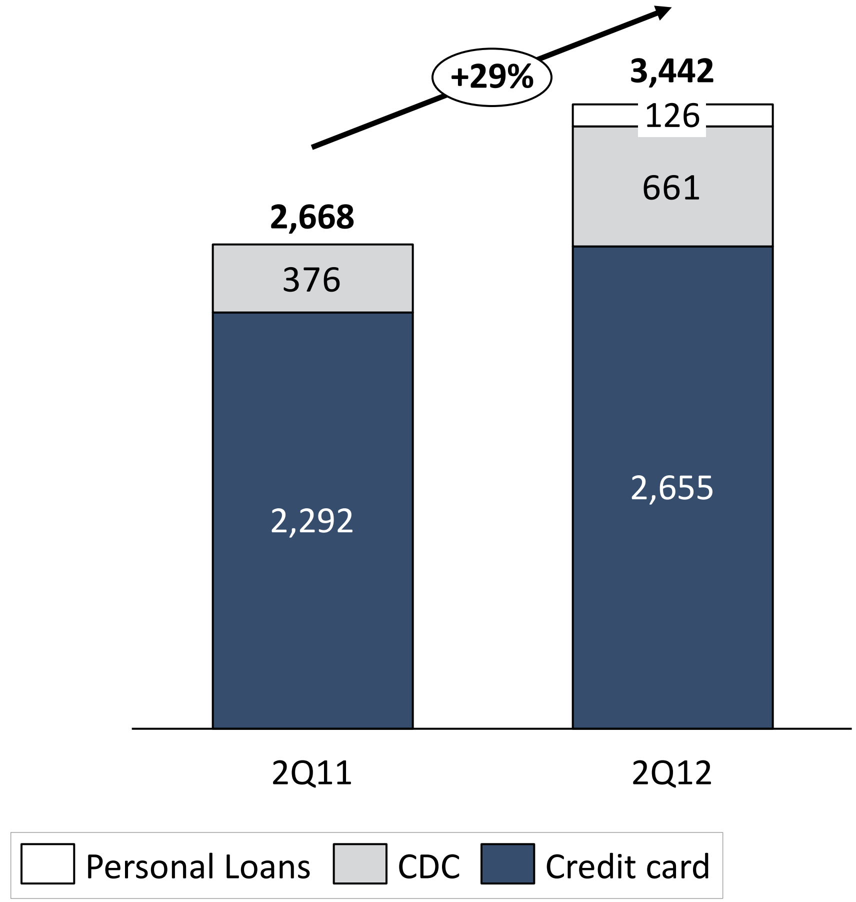
Operational Performance – Portfolio's composition

Luiza Card – Total Credit Card Base (MM)

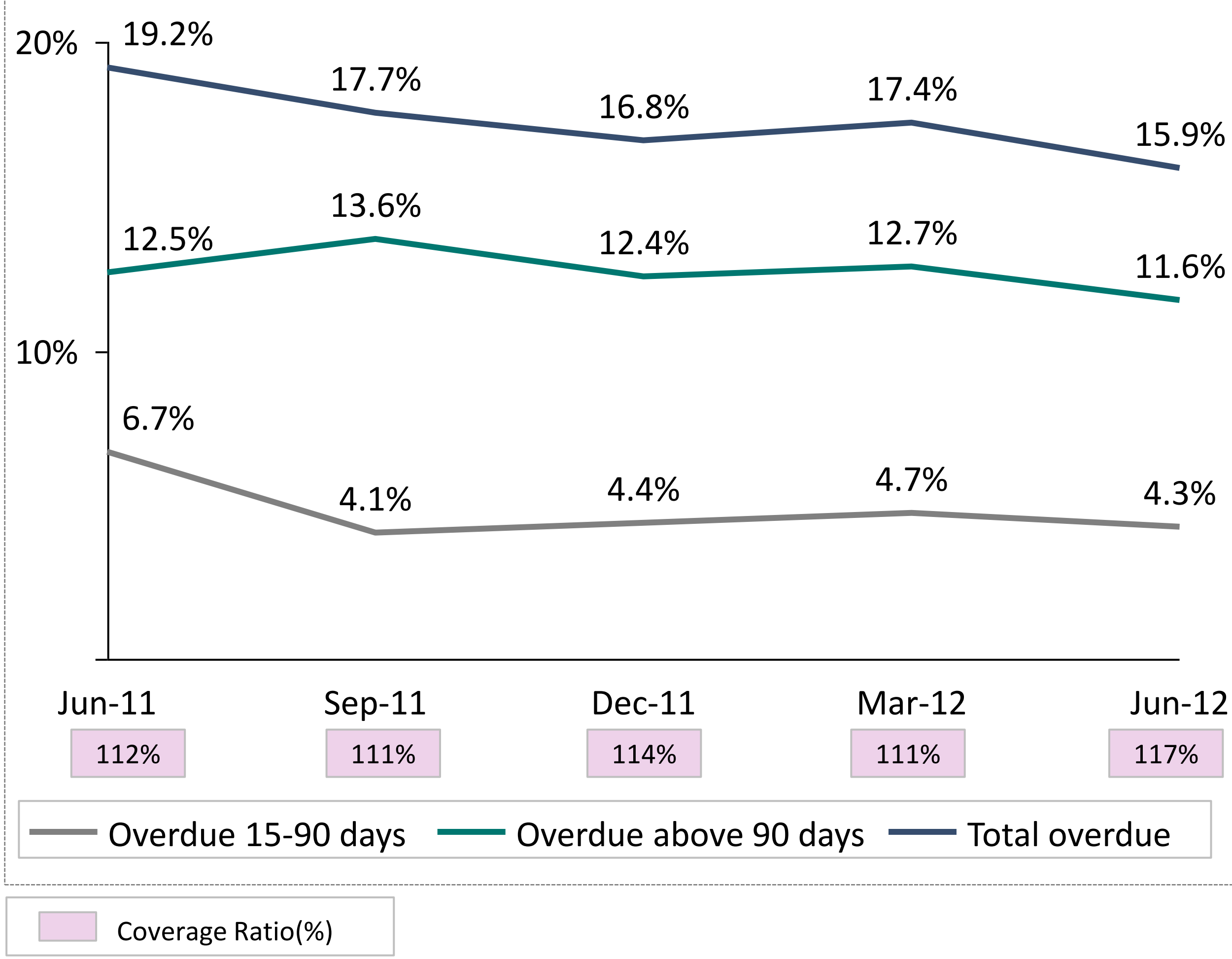


Portfolio (R$ MM)



Luizacred Portfolio (% of portfolio)

Portfolio Overdue



Comments

- Differently from the market in general, the portfolio's overdue indicators continue to improve both in relation to the previous year and the previous quarter, due to:
  - — Conservative approach in the credit approval rate
  - — Constant control of delinquency per store
- Provisions should be proportionally lower in 2H12

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Expectations for the next quarters

1 Sales Growth

- Consistent sales growth:
    - Maturation of new stores
    - Northeast stores
    - Internet
    - Better performance by the Brazilian economy, especially in 4Q12

2 Lojas Maia Integration Process

- Integration of Lojas Maia's systems – conclusion: oct/12
- Fully integrated management – 2013
    - Dilution of administrative and logistics expenses
    - Benefits to working capital and price management – increasing the gross margin

3 Investments

- Investments in technology, logistics and store remodeling, which includes changing the Lojas Maia brand to Magazine Luiza
- The Company plans the organic opening of 17 more stores in 2H12, 10 of them in the Northeast

4 Results

- Continuality of cost and expense reduction and rationalization program
- Capture of synergies from the integration of Lojas do Baú and Lojas Maia
- Better productivity indicators and positive results in 2012

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