
# Magazine Luiza S.A.
# 2nd Quarter 2014 Earnings Release

São Paulo, July 31, 2014 - Magazine Luiza S.A. (BM&FBOVESPA: MHLU3), one of the largest retail chains focused on durable goods, actively engaged in serving Brazil's low income segment, hereby announces its results for the second quarter of 2014 (2Q14). The Company's accounting information is based on consolidated numbers, in millions of reais (except when indicated otherwise), according to the International Financial Reporting Standards (IFRS).

## Net revenue up 28.5% in 2Q14 versus 2Q13 (same stores up 24.5%)
## Net income for 2Q14 more than doubled to R$26.6 million

- **High double-digit revenue growth, same level as 1Q14.** Net revenue increased by 28.5% in 2Q14 to R$2.3 billion, driven by the 24.5% growth in same-store sales (+44.1% in e-commerce and +21.3% at physical stores). In 1H14, net revenue increased by 28.5%, with same-store growth of 24.9% (+44.0% in e-commerce and +21.8% at the physical stores)

- **Strong operating leverage.** Even with the higher marketing spent, the increase in selling, general and administrative (SG&A) expenses was 19.9% in 2Q14, well below the 28.5% increase in sales, for 160 bps dilution in SG&A expenses. In 1H14, the dilution of SG&A expenses totaled 200 bps and represented 22.6% of net sales.

- **Adjusted EBITDA rose by 40.3% to R$133.0 million in 2Q14**, with EBITDA margin expanding by 50 bps yoy to 5.7%. In 1H14, the adjusted EBITDA increased 61.1% to R$253.8 million, with an EBITDA margin of 5.5%.

- **Luizacred's equity income increased by 79.9% in 2Q14 to R$18.1 million, for a return on equity (ROE) of 30%.** In 1H14, Luizacred's equity income more than doubled to R$37.9 million.

- **Net income of R$26.6 million in 2Q14**, with a net margin of 1.1%. In 1H14, net income totaled R$47.2 million, with a net margin of 1.0%.

### Key Indicators

| R$ million (except when otherwise indicated) | 2Q14 | 2Q13 | % Chg | 1H14 | 1H13 | % Chg |
|---|---|---|---|---|---|---|
| Gross Revenue | 2,756.6 | 2,192.4 | 25.7% | 5,455.7 | 4,323.7 | 26.2% |
| Net Revenue | 2,342.8 | 1,823.1 | 28.5% | 4,611.6 | 3,588.7 | 28.5% |
| Gross Income | 633.7 | 514.2 | 23.2% | 1,253.7 | 1,012.4 | 23.8% |
| Gross Margin | 27.1% | 28.2% | -110 bps | 27.2% | 28.2% | -100 bps |
| Adjusted EBITDA | 133.0 | 94.8 | 40.3% | 253.8 | 157.5 | 61.1% |
| Adjusted EBITDA Margin | 5.7% | 5.2% | 50 bps | 5.5% | 4.4% | 110 bps |
| Adjusted Net Income | 26.6 | 11.5 | 130.6% | 47.2 | 12.4 | 281.9% |
| Adjusted Net Margin | 1.1% | 0.6% | 50 bps | 1.0% | 0.3% | 70 bps |
| Same Store Sales Growth | 24.5% | 9.3% | - | 24.9% | 7.2% | - |
| Same Physical Store Sales Growth | 21.3% | 8.6% | - | 21.8% | 5.7% | - |
| Internet Sales Growth | 44.1% | 13.3% | - | 44.0% | 17.1% | - |
| Number of Stores - End of Period | 736 | 733 | 0.4% | 736 | 733 | 0.4% |
| Sales Area - End of Period (M2) | 471,926 | 464,397 | 1.6% | 471,926 | 464,397 | 1.6% |

MGLU3: R$ 9.10 per share
Total Shares: 181,494,467
Market Cap: R$ 1.7 billion

**Conference call: August 01, 2014 (Friday)**
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## MANAGEMENT COMMENTS

**The Company achieved the best performance in the first half in recent years, continuing the virtuous cycle of delivering positive and increasing results that began in 2013, after the completion of the integration of Maia and Baú chains.** Our revenue continued to grow at a rapid pace, with same-store growth exceeding 20% once again in the second quarter. This strong performance is the result of good planning by the commercial, sales and marketing areas, which were able to boost sales across all channels, particularly in the Northeast and the e-commerce operation, which continues to grow above the Company average. The Company has been consistently increasing its market share, particularly in the smartphone and tablets category and TVs during the first half of the year.

**Solid operating leverage with a dilution of selling, general and administrative expenses of 200 bps yoy,** even with the increased marketing investment in the first half, due to the sponsorship of the World Cup on the Rede Globo television network**.** This strategy of television media with national reach aligned with our “Prédio pra Você” (giving away a building) promotional campaign generated many positives for the Company, as evidenced by our sales performance. Both the campaign and the sponsorship significantly increased awareness of Magazine Luiza brand and brought new customers to stores and to our e-commerce website, particularly in regions where the Company does not have physical stores. In August, the drawing will be held for the second winner of the “Prédio pra Você” campaign (in April we announced the first winner of the promotion).

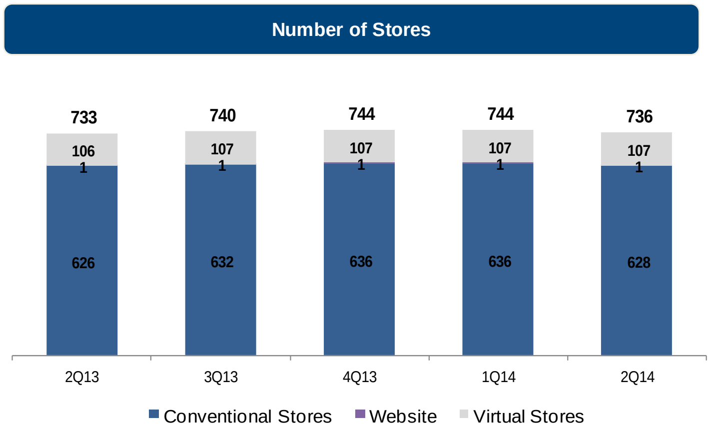
**Luizacred continues providing an important contribution to earnings.** During the first half of the year, Luizacred net income reached R$75.8 million (for 100% of the operation), equivalent to approximately 85% of the net income posted during all of 2013. Luizacred’s results have been very consistent in recent quarters, given the conservative abpsroach to the abpsroval of new credit, as well as the provisioning and monitoring of the existing credit portfolio.

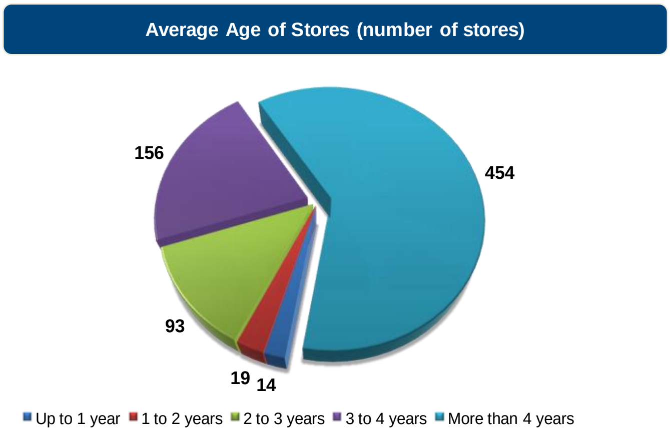
**Growth of multi-channel operations.** The Company is continually improving the operations of the physical stores and its website, with better subpsly through both channels, reducing costs and delivery times on e-commerce orders, bringing efficiency gains throughout the chain as a whole.

We’re aware that the base of comparison is more difficult in the second half of the year and that the macroeconomic scenario continues to be challenging. We remain confident in our ability to outperform the results we have achieved to date, because in addition to the network integration synergies that we are capturing, the profitability of the operation as a whole is consistently improving on a quarterly basis and in a positive manner.

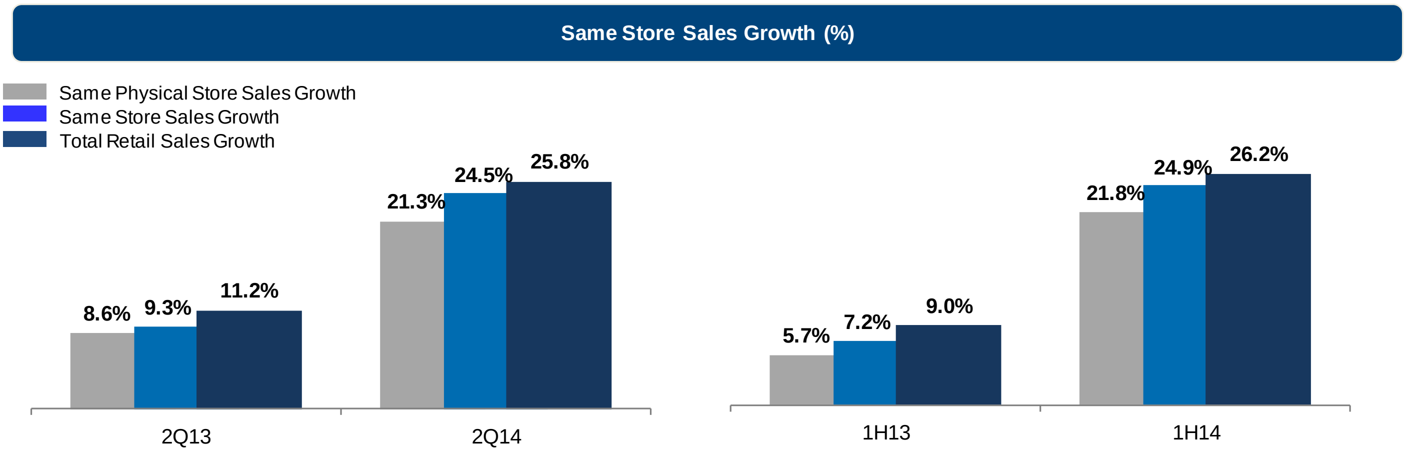
## OPERATING AND FINANCIAL PERFORMANCE

Magazine Luiza ended June 2014 with 736 stores, 628 of which were conventional stores, 107 were virtual stores and the website. In 2Q14, the Company opened two new conventional stores (one in Salvador, BA and one in São José do Rio Preto, SP) and began investments to open another 21 stores for which we have already signed the leasing contracts, with opening forecast by 4Q14. As part of the process of increasing productivity and rationalizing costs and expenses, the Company decided to close 10 stores (eight in the state of São Paulo, one in Paraná and one in Santa Catarina), which strongly overlabpsed with other larger stores. Of the 736 Magazine Luiza stores, approximately 38% have been operating for less than four years and are therefore still in the process of reaching full maturity.

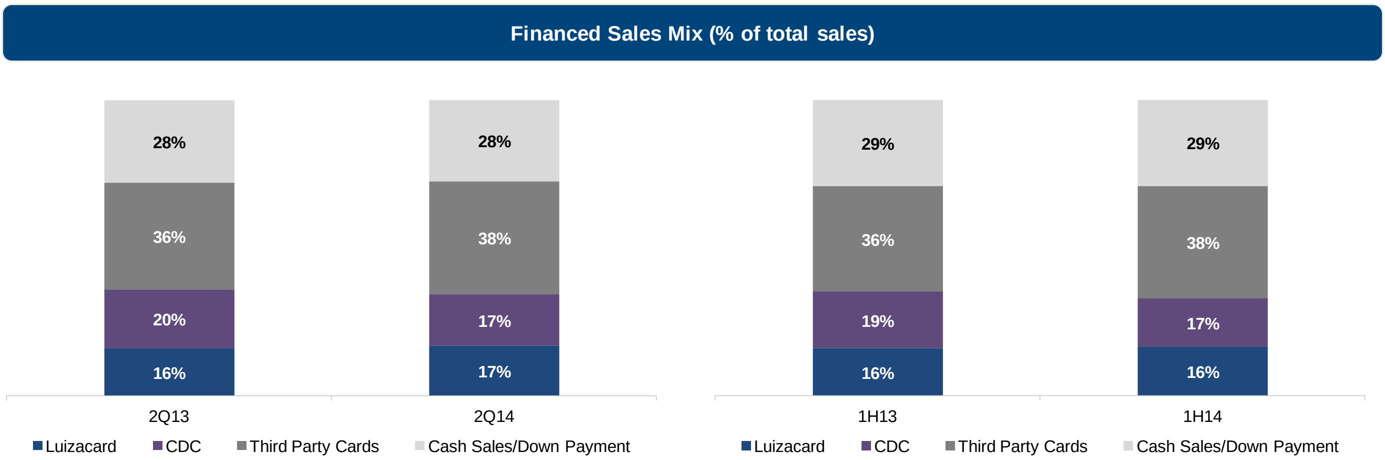



Same-store sales, including e-commerce, grew by 24.5% between in 2Q14 yoy, while total sales were up 25.8% for the quarter. In 1H14, the growth in same-store sales, including e-commerce, was 24.9% and total sales were up 26.2%.




In 2Q14, sales on Luiza cards increased from 16% to 17% of total retail sales. It should be noted that the Company is maintaining its policy of limiting interest-free sales in Luiza cards to no higher than 15% of total sales.



## Consolidated Gross Revenue

| R$ million | 2Q14 | 2Q13 | % NR | 1H14 | 1H13 | % NR |
|---|---|---|---|---|---|---|
| Gross Revenue - Retail - Merchandise Sales | 2,619.7 | 2,096.9 | 24.9% | 5,195.2 | 4,136.0 | 25.6% |
| Gross Revenue - Retail - Services | 128.4 | 87.7 | 46.5% | 243.9 | 172.3 | 41.6% |
| **Subtotal Retail** | **2,748.2** | **2,184.6** | **25.8%** | **5,439.1** | **4,308.2** | **26.2%** |
| Gross Revenue - Consortium Management | 10.2 | 9.6 | 6.1% | 20.1 | 18.9 | 6.4% |
| Eliminations | (1.8) | (1.7) | 1.9% | (3.5) | (3.4) | 2.2% |
| **Total Gross Revenue** | **2,756.6** | **2,192.4** | **25.7%** | **5,455.7** | **4,323.7** | **26.2%** |

Magazine Luiza's consolidated gross revenue increased by 25.7% in 2Q14, to R$2,756.6 million, due to strong revenue growth of the resale of goods (+24.9%) and services (+46.5%). In 1H14, consolidated gross revenue rose by 26.2%, totaling R$5,455.7 million.

## Consolidated Net Revenue

| R$ million | 2Q14 | 2Q13 | % NR | 1H14 | 1H13 | % NR |
|---|---|---|---|---|---|---|
| Net Revenue - Retail - Merchandise Sales | 2,223.0 | 1,739.3 | 27.8% | 4,383.4 | 3,424.0 | 28.0% |
| Net Revenue - Retail - Services | 112.2 | 76.7 | 46.2% | 213.4 | 150.8 | 41.5% |
| **Subtotal Retail** | **2,335.2** | **1,816.0** | **28.6%** | **4,596.8** | **3,574.9** | **28.6%** |
| Net Revenue - Consortium Management | 9.3 | 8.8 | 5.9% | 18.3 | 17.2 | 6.2% |
| Eliminations | (1.8) | (1.7) | 1.9% | (3.5) | (3.4) | 2.2% |
| **Total Net Revenue** | **2,342.8** | **1,823.1** | **28.5%** | **4,611.6** | **3,588.7** | **28.5%** |

Consolidated net revenue increased by 28.5% yoy in 2Q14, to R$2,342.8 million. The increase in net revenue was higher than the increase in gross revenue due to a reduction in the PIS/COFINS taxes for certain categories (smartphones and tablets) that had strong performance for the quarter and increased their share of the Company's total revenue. In 1H14, consolidated net revenue increased 28.5%, totaling R$4,611.6 million.

## Consolidated Gross Profit

In 2Q14, consolidated gross profit increased by 23.2%, totaling R$633.7 million, equivalent to a gross margin of 27.1%. The 110 bps reduction in the gross margin is primarily related to the effect of the sales mix (greater weight of TVs, which has a lower than average margin) and the increased tax substitution effect. Note that gross profit over gross revenue went down from 23.5% in 2Q13 to 23.0% in 2Q14, a decline of 50 bps excluding tax effects.

| R$ million | 2Q14 | 2Q13 | % NR | 1H14 | 1H13 | % NR |
|---|---|---|---|---|---|---|
| Gross Income - Retail - Merchandise Sales | 515.4 | 432.1 | 19.3% | 1,028.4 | 851.0 | 20.8% |
| Gross Income - Retail - Services | 112.2 | 76.7 | 46.2% | 213.4 | 150.8 | 41.5% |
| **Subtotal Retail** | **627.6** | **508.8** | **23.3%** | **1,241.8** | **1,001.9** | **24.0%** |
| Gross Income - Consortium Management | 6.1 | 5.4 | 13.1% | 11.9 | 10.6 | 12.3% |
| **Total Gross Income** | **633.7** | **514.2** | **23.2%** | **1,253.7** | **1,012.4** | **23.8%** |
| | - | - | | - | - | |
| % of Net Revenue | 2Q14 | 2Q13 | % NR | 1H14 | 1H13 | % NR |
| Gross Margin - Retail - Merchandise Sales | 23.2% | 24.8% | -160 bps | 23.5% | 24.9% | -140 bps |
| Gross Margin - Retail - Services | 100.0% | 100.0% | 0.0 bps | 100.0% | 100.0% | 0.0 bps |
| **Subtotal Retail** | **26.9%** | **28.0%** | **-110 bps** | **27.0%** | **28.0%** | **-100 bps** |
| Gross Margin - Consortium Management | 65.8% | 61.6% | 420 bps | 64.8% | 61.3% | 350 bps |
| **Total Gross Margin** | **27.1%** | **28.2%** | **-110 bps** | **27.2%** | **28.2%** | **-100 bps** |

## Operating Expenses

| R$ million | 2Q14 | % NR | 2Q13 | % NR | % Chg | 1H14 | % NR | 1H13 | % NR | % Chg |
|---|---|---|---|---|---|---|---|---|---|---|
| Selling Expenses | (415.8) | -17.7% | (349.5) | -19.2% | 19.0% | (835.7) | -18.1% | (704.6) | -19.6% | 18.6% |
| General and Administrative Expenses | (106.2) | -4.5% | (85.7) | -4.7% | 23.9% | (208.5) | -4.5% | (179.7) | -5.0% | 16.0% |
| Provisions for Loan Losses | (7.1) | -0.3% | (5.1) | -0.3% | 37.7% | (11.8) | -0.3% | (10.0) | -0.3% | 17.9% |
| Other Operating Revenues, Net | 8.1 | 0.3% | 73.4 | 4.0% | -89.0% | 14.1 | 0.3% | 81.8 | 2.3% | -82.7% |
| **Total Operating Expenses** | **(521.0)** | **-22.2%** | **(367.0)** | **-20.1%** | **42.0%** | **(1,041.9)** | **-22.6%** | **(812.5)** | **-22.6%** | **28.2%** |
| Extraordinary Expenses | - | 0.0% | (65.3) | -3.6% | -100.0% | - | 0.0% | (65.3) | -1.8% | -100.0% |
| **Total Recurring Expenses** | **(521.0)** | **-22.2%** | **(432.3)** | **-23.7%** | **20.5%** | **(1,041.9)** | **-22.6%** | **(877.8)** | **-24.5%** | **18.7%** |

### Selling Expenses

Selling expenses totaled R$415.8 million in 2Q14, equivalent to 17.7% of net revenue, a 150 bps decline yoy, despite the increased investment in marketing (media) during 1H14 due to the sponsorship of the World Cup on TV Globo and the second prize for the "Prédio para Você" (building for you) promotional campaign, which will be drawn and delivered in August. In 1H14, selling expenses totaled R$835.7 million, equivalent to 18.1% of net revenue, down 150bps yoy.

### General and Administrative Expenses

General and administrative expenses totaled R$106.2 million in 2Q14, equivalent to 4.5% of net revenue (20 bps lower yoy). It is worth noting that this line includes all of the expenses of our main offices and the distribution centers, as well as the payment of rent related to the sale of 76.7% of the distribution center in Louveira/SP in June 2013, and the provisions for profit sharing, which we began to provision on a quarterly basis starting in 2014. In 1H14, general and administrative expenses totaled R$208.5 million, equivalent to 4.5% of net revenue, down 50 bps yoy.

### Provisions for Loan Losses

Provisions for loan losses remained stable when compared to the same period last year, reaching R$7.1 million in 2Q14, corresponding to 0.3% of net revenue. These provisions refer only to Magazine Luiza's accounts receivables, with most of the provisions for loan losses recorded by Luizacred (as explained in Annex 1). In 1H14, provisions for loan losses totaled R$11.8 million, equivalent to 0.3% of net revenue and stable in relation to 1H13.

### Other Operating Revenue, Net

| R$ million | 2Q14 | % NR | 2Q13 | % NR | % Chg | 1H14 | % NR | 1H13 | % NR | % Chg |
|---|---|---|---|---|---|---|---|---|---|---|
| Gain on Sale of Assets | (0.8) | 0.0% | 126.4 | 6.9% | -100.7% | (0.9) | 0.0% | 126.3 | 3.5% | -100.7% |
| Deferred Revenue Recorded | 8.7 | 0.4% | 8.3 | 0.5% | 5.2% | 16.6 | 0.4% | 16.8 | 0.5% | -1.2% |
| Provision for Tax Liabilities | 2.5 | 0.1% | (45.3) | -2.5% | -105.6% | 0.9 | 0.0% | (43.9) | -1.2% | -101.9% |
| Non-recurring Expenses | (2.6) | -0.1% | (15.8) | -0.9% | -83.7% | (2.6) | -0.1% | (17.2) | -0.5% | -85.0% |
| Other | 0.3 | 0.0% | (0.2) | 0.0% | -262.8% | 0.2 | 0.0% | (0.2) | 0.0% | -188.8% |
| **Total** | **8.1** | **0.3%** | **73.4** | **4.0%** | **-89.0%** | **14.1** | **0.3%** | **81.8** | **2.3%** | **-82.7%** |

Other net operating revenues totaled R$8.1 million in 2Q14, equivalent to 0.3% of net revenue, essentially influenced by the appropriation of deferred revenue of R$8.7 million, the increase of R$2.5 million in provisions for tax losses and non-recurring expenses of R$2.6 million. In 1H14, other net operating revenues totaled R$14.1 million, equivalent to 0.3% of net revenue. In 2Q13 the Company completed the sale of its 76.7% stake in the distribution center located in Louveira (SP) to Fundo FII Kinea, for R$205.5 million, which generated an operating gain net of other non-recurring expenses in the amount of R$65.3 million for that quarter, classified as other operating revenue.

### Equity Income

Equity income climbed from income of R$12.8 million in 2Q13 to income of R$20.3 million in 2Q14, equivalent to 0.9% of net revenue. The main factor impacting shareholders' equity was once again Luizacred's excellent performance, as noted in Annex I.

## EBITDA

| R$ million | 2Q14 | % NR | 2Q13 | % NR | % Chg | 1H14 | % NR | 1H13 | % NR | % Chg |
|---|---|---|---|---|---|---|---|---|---|---|
| **EBITDA** | **133.0** | **5.7%** | **160.1** | **8.8%** | **-16.9%** | **253.8** | **5.5%** | **222.8** | **6.2%** | **13.9%** |
| Extraordinary Revenue | - | 0.0% | (126.4) | -6.9% | -100.0% | - | 0.0% | (126.4) | -3.5% | -100.0% |
| Extraordinary Expenses | - | 0.0% | 61.1 | 3.4% | -100.0% | - | 0.0% | 61.1 | 1.7% | -100.0% |
| **Adjusted EBITDA** | **133.0** | **5.7%** | **94.8** | **5.2%** | **40.3%** | **253.8** | **5.5%** | **157.5** | **4.4%** | **61.1%** |

In 2Q14, earnings before interest, taxes, depreciation and amortization (Consolidated EBITDA) grew much faster than the increase in net sales (40.3% versus 28.5%) to a quarterly record R$133.0 million, for a margin of 5.7%, essentially fueled by: (i) the strong performance of sales in all channels (ii) better dilution of operating expenses and (iii) Luizacred's equity income.

## Financial Result

| R$ million | 2Q14 | % NR | 2Q13 | % NR | % Chg | 1H14 | % NR | 1H13 | % NR | % Chg |
|---|---|---|---|---|---|---|---|---|---|---|
| **Financial Expenses** | (105.7) | -4.5% | (74.1) | -4.1% | 42.6% | (201.1) | -4.4% | (133.4) | -3.7% | 50.7% |
| Interest on loans and financing | (42.5) | -1.8% | (32.4) | -1.8% | 31.3% | (81.4) | -1.8% | (58.3) | -1.6% | 39.7% |
| Interest on prepayment of receivables – third party card | (30.9) | -1.3% | (17.5) | -1.0% | 76.8% | (60.5) | -1.3% | (33.2) | -0.9% | 82.2% |
| Interest on prepayment of receivables – Luiza Card | (19.6) | -0.8% | (11.5) | -0.6% | 70.0% | (35.6) | -0.8% | (21.6) | -0.6% | 65.1% |
| Other expenses | (12.7) | -0.5% | (12.8) | -0.7% | -0.3% | (23.5) | -0.5% | (20.3) | -0.6% | 15.7% |
| **Financial Revenues** | 26.2 | 1.1% | 14.6 | 0.8% | 79.1% | 47.2 | 1.0% | 28.6 | 0.8% | 64.7% |
| Gains on marketable securities | 1.8 | 0.1% | 1.1 | 0.1% | 70.3% | 3.1 | 0.1% | 1.5 | 0.0% | 110.2% |
| Other financial revenues | 24.4 | 1.0% | 13.6 | 0.7% | 79.8% | 44.1 | 1.0% | 27.2 | 0.8% | 62.3% |
| **Total Financial Results** | (79.5) | -3.4% | (59.5) | -3.3% | 33.7% | (153.9) | -3.3% | (104.8) | -2.9% | 46.9% |
| Income from cash and cash equivalentes[1] | 6.0 | 0.3% | 6.5 | 0.4% | -8.2% | 14.3 | 0.3% | 8.7 | 0.2% | 64.0% |
| **Adjusted Financial Results** | (73.6) | -3.1% | (53.0) | -2.9% | 38.8% | (139.6) | -3.0% | (96.1) | -2.7% | 45.3% |

Note (1): yields of the exclusive fund, which are booked as financial revenue in the Parent Company and as gross revenue in the Consolidated, as per the Explanatory Notes.

Adjusted net financial expenses (including income from the exclusive fund) totaled R$73.6 million in 2Q14, representing 3.1% of net consolidated revenues, up from 2.9% in 2Q13. The interest related to discount of third-party-credit card receivables and Luiza card receivables together represented approximately half of the financial expenses for the quarter. On the other hand, the 79.8% increase in other financial revenue is related to the interest revenue from extended guarantee sales, in line with the strong performance of financial services during the period. In 1H14, the net adjusted financial results increased by 45.3% to R$139.6 million (representing 3.0% of net revenues).

## Consolidated Net Income

The consolidated net income reported in 2Q14 more than doubled to R$26.6 million, equivalent to a net margin of 1.1%. In 1H14, net income totaled R$47.2 million, with a net margin of 1.0%.

## Working Capital

| R$ million | jun-14 | mar-14 | dec-13 | sep-13 | jun-13 |
|---|---|---|---|---|---|
| Accounts Receivables | 577.4 | 510.0 | 530.6 | 463.7 | 458.4 |
| Inventories | 1,144.2 | 1,264.0 | 1,251.4 | 1,135.5 | 1,051.1 |
| Related Parties | 87.8 | 82.0 | 108.9 | 67.8 | 86.3 |
| Recoverable Taxes | 193.4 | 224.4 | 218.6 | 214.3 | 230.5 |
| Other Assets | 57.1 | 56.0 | 41.0 | 64.0 | 73.2 |
| **Current Operating Assets** | 2,060.0 | 2,136.4 | 2,150.4 | 1,945.3 | 1,899.6 |
| Suppliers | 1,189.5 | 1,528.4 | 1,651.5 | 1,332.3 | 1,306.1 |
| Payroll, Vacation and Related Charges | 153.2 | 155.4 | 166.6 | 146.7 | 126.7 |
| Taxes Payable | 46.5 | 27.3 | 41.7 | 18.9 | 28.5 |
| Related Parties | 66.8 | 61.6 | 73.6 | 53.8 | 50.9 |
| Taxes in Installments | 7.1 | 7.7 | 8.3 | 8.9 | 8.9 |
| Other Accounts Payable | 101.7 | 118.0 | 107.7 | 85.4 | 80.1 |
| **Current Operating Liabilities** | 1,564.8 | 1,898.3 | 2,049.4 | 1,646.0 | 1,601.1 |
| **Working Capital** | 495.2 | 238.1 | 101.0 | 299.2 | 298.5 |
| **% of Gross Revenue (LTM)** | 4.6% | 2.3% | 1.0% | 3.3% | 3.4% |
| **Discounted Receivables Balance** | 1,270.3 | 1,238.0 | 1,186.3 | 993.1 | 904.9 |
| **Working Capital Adjusted** | 1,765.5 | 1,476.1 | 1,287.3 | 1,292.3 | 1,203.4 |
| **% of Gross Revenue (LTM)** | 16.3% | 14.4% | 13.3% | 14.0% | 13.6% |

In June 2014, net working capital totaled R$495.2 million, representing 4.6% of gross revenue in the past 12 months, higher than June's 2013 level of 3.4%. The increased working capital requirements in 2Q14 mainly reflected management's decision to anticipate May and June purchases to March and April, due to the World Cup event. This strategy resulted in anticipated payments to suppliers, reducing the suppliers in the quarter, this should revert to more normal levels going forward. It is worth noting that there was an improvement in inventory turnover, with a reduction of 12 days yoy. At the end of June 2014, the balance of receivables from third-party credit cards anticipated by the Company in the form of discounted receivables was R$1,270.3 million.

## Capex

| R$ million | 2Q14 | 2Q13 | 1H14 | 1H13 |
|---|---|---|---|---|
| New Stores | 3.6 | 5.3 | 5.1 | 10.6 |
| Remodeling | 16.0 | 10.3 | 24.4 | 17.6 |
| Technology | 17.3 | 7.8 | 21.1 | 16.3 |
| Logistics | 3.5 | 7.1 | 5.7 | 12.5 |
| Other | 0.6 | 3.3 | 1.1 | 4.2 |
| **Total** | **41.0** | **33.8** | **57.4** | **61.1** |

Investments in fixed and intangible assets totaled R$41.0 million in 2Q14 and were distributed in the following manner: the opening of two new stores, store remodelings, particularly the stores in Natal/RN, investments in technology and logistics, as shown in the table above. In 2Q14, the breakdown of investments was: 48% of the total capex in store renovations and openings and 52% on technology and logistics.

## Net Debt

| R$ million | jun-14 | mar-14 | dec-13 | sep-13 | jun-13 |
|---|---|---|---|---|---|
| (+) Current Loans and Financing | 422.4 | 520.6 | 425.2 | 555.5 | 534.8 |
| (+) Non-current Loans and Financing | 1,154.0 | 708.7 | 895.1 | 829.1 | 860.4 |
| **(=) Gross Debt** | 1,576.5 | 1,229.3 | 1,320.3 | 1,384.6 | 1,395.2 |
| (-) Cash and Cash Equivalents | 287.4 | 235.3 | 280.3 | 260.3 | 176.6 |
| (-) Current Securities | 283.8 | 306.3 | 491.3 | 423.5 | 539.0 |
| **(-) Total Cash** | 571.1 | 541.5 | 771.6 | 683.8 | 715.6 |
| **(=) Net Debt** | 1,005.3 | 687.7 | 548.7 | 700.9 | 679.6 |
| Short Term Debt/Total | 27% | 42% | 32% | 40% | 38% |
| Long Term Debt/Total | 73% | 58% | 68% | 60% | 62% |
| Adjusted EBITDA (LTM) | 507.9 | 469.7 | 411.6 | 364.3 | 317.4 |
| **Net Debt/ Adjusted EBITDA** | 2.0 x | 1.5 x | 1.3 x | 1.9 x | 2.1 x |

In June 2014, the Company had loans and financing in the amount of R$1,576.5 million, cash and financial investments in the amount of R$571.1 million, resulting in a net debt of R$1,005.3 million, equivalent to 2.0x adjusted EBITDA of the last 12 months. It is worth noting the lengthening of the debt profile, Standard & Poor's corporate rating issue and the slight reduction in leverage in relation to June 2013, even with the increased need for working capital in the quarter.

# ANNEX I
# LUIZACRED

**Operating Indicators**

Luizacred is a joint venture between Magazine Luiza and Itaú Unibanco, responsible for financing the majority of the Company's sales. Magazine Luiza's main role is employee management and customer service, while Itaú Unibanco is responsible for funding at Luizacred, drafting the credit and collections policies and back office activities, such as accounting and treasury.

In June 2014, Luizacred had a total base of 3.4 million cards issued, 5.5% down in relation to the number of cards in June 2013. In 2013 and 2014, Luizacred focused on improving the distribution between Cartão Luiza and direct consumer credit (DCC), opting to direct new customers to DCC instead of the credit card. In 2Q14, it is worth noting the growth of Cartão Luiza, particularly in stores, and the conservative approach to approving credit, especially with respect to DCC.

Luizacred's credit portfolio, including credit cards, direct consumer credit and personal loans, totaled the record amount of R$4.3 billion at the close of 2Q14, 17.8% higher than in 2Q13.

| R$ million | 2Q14 | 2Q13 | % Chg | 1H14 | 1H13 | % Chg |
|---|---|---|---|---|---|---|
| Total Card Base (thousand) | 3,389 | 3,586 | -5.5% | 3,389 | 3,586 | -5.5% |
| Luiza Card Sales – In chain | 459 | 341 | 34.4% | 878 | 705 | 24.5% |
| Luiza Card Sales – Outside Brand | 1,726 | 1,534 | 12.5% | 3,317 | 2,922 | 13.5% |
| DCC Sales | 354 | 374 | -5.2% | 671 | 680 | -1.4% |
| Personal Loans Sales | 29 | 34 | -15.8% | 61 | 74 | -18.1% |
| **Total Luizacred Sales** | **2,568** | **2,284** | **12.4%** | **4,926** | **4,381** | **12.4%** |
| Card Portfolio | 3,076 | 2,519 | 22.1% | 3,076 | 2,519 | 22.1% |
| DCC Portfolio | 1,138 | 1,033 | 10.3% | 1,138 | 1,033 | 10.3% |
| Personal Loans Portfolio | 57 | 75 | -24.5% | 57 | 75 | -24.5% |
| **Total Portfolio** | **4,272** | **3,626** | **17.8%** | **4,272** | **3,626** | **17.8%** |

**Credit and Collection Policy**

The granting of credit at Luizacred follows the policies and criteria established by Itaú Unibanco's Credit Modeling and Policies area. The policies are defined based on proprietary statistics models, using the Risk Adjusted Return on Capital (RAROC) model. Maintaining its conservative approach, Luizacred maintained its low credit approval rate in 2Q14.

**Income Statement**

| R$ million | 2Q14 | V.A. | 2Q13 | V.A. | % Chg | 1H14 | V.A. | 1H13 | V.A. | % Chg |
|---|---|---|---|---|---|---|---|---|---|---|
| **Financial Intermediation Revenue** | 329.0 | 100.0% | 285.5 | 100.0% | 15.2% | 643.8 | 100.0% | 562.4 | 100.0% | 14.5% |
| Luiza Card | 191.8 | 58.3% | 153.9 | 53.9% | 24.6% | 365.6 | 56.8% | 302.5 | 53.8% | 20.9% |
| DCC | 121.7 | 37.0% | 112.5 | 39.4% | 8.1% | 247.6 | 38.5% | 221.7 | 39.4% | 11.7% |
| Personal Loans | 15.5 | 4.7% | 19.0 | 6.7% | -18.5% | 30.6 | 4.8% | 38.3 | 6.8% | -20.1% |
| **Financial Intermediation Expenses** | (205.4) | -62.4% | (188.6) | -66.1% | 8.9% | (399.0) | -62.0% | (376.9) | -67.0% | 5.9% |
| Market Funding Operations | (55.8) | -17.0% | (34.6) | -12.1% | 61.6% | (108.0) | -16.8% | (67.1) | -11.9% | 61.1% |
| Provision for Loan Losses | (149.5) | -45.5% | (154.1) | -54.0% | -2.9% | (290.9) | -45.2% | (309.9) | -55.1% | -6.1% |
| **Gross Financial Intermediation Income** | 123.7 | 37.6% | 96.9 | 33.9% | 27.6% | 244.8 | 38.0% | 185.5 | 33.0% | 32.0% |
| **Other Operating Revenues (Expenses)** | (63.5) | -19.3% | (63.4) | -22.2% | 0.1% | (118.6) | -18.4% | (126.0) | -22.4% | -5.9% |
| Service Revenue | 79.0 | 24.0% | 63.5 | 22.2% | 24.4% | 154.4 | 24.0% | 124.1 | 22.1% | 24.4% |
| Personnel Expenses | (1.1) | -0.3% | (0.8) | -0.3% | 28.0% | (2.1) | -0.3% | (1.4) | -0.3% | 45.8% |
| Other Administrative Expenses | (129.4) | -39.3% | (107.7) | -37.7% | 20.1% | (238.6) | -37.1% | (213.5) | -38.0% | 11.7% |
| Depreciation and Amortization | (3.3) | -1.0% | (3.3) | -1.1% | -0.6% | (6.5) | -1.0% | (6.6) | -1.2% | -0.9% |
| Tax Expenses | (20.5) | -6.2% | (18.4) | -6.4% | 11.3% | (40.2) | -6.2% | (36.2) | -6.4% | 11.2% |
| Other Operating Revenues (Expenses) | 11.7 | 3.5% | 3.3 | 1.1% | 256.7% | 14.5 | 2.2% | 7.6 | 1.4% | 89.8% |
| **Income Before Tax** | 60.2 | 18.3% | 33.5 | 11.7% | 79.7% | 126.2 | 19.6% | 59.5 | 10.6% | 112.3% |
| Income Tax and Social Contribution | (24.1) | -7.3% | (13.4) | -4.7% | 79.3% | (50.5) | -7.8% | (23.8) | -4.2% | 112.2% |
| **Net Income** | 36.1 | 11.0% | 20.1 | 7.0% | 79.9% | 75.8 | 11.8% | 35.7 | 6.3% | 112.4% |

**Revenue from Financial Intermediation**

In 2Q14, gross revenue from financial intermediation grew by 15.2% over 2Q13, mainly due to the increases of 24.6% and 8.1%, respectively, in financial transactions with the card and transactions with direct consumer credit (DCC).

**Provision for Loan Losses**

The portfolio of loans overdue was stable in relation to March 2014. The short-term indicator (NPL 15) improved 20 bps in relation to March 2014, while the portfolio of loans overdue for more than 90 days (NPL 90) increased by 30 bps. The default indicators remain under strict control with a tendency to improve, thanks to the conservative approach to granting credit and the reduction in default associated with the most recent credit.

Provisions for loan losses, net of recoveries, fell from 54.0% of gross financial intermediation revenue in 2Q13 to 45.5% in 2Q14, reflecting the improvement in default indicators and the portfolio profile in 2Q14. Provisions for loan losses accounted for 3.5% of the total portfolio in 2Q14, significantly below the 4.2% recorded in 2Q13.

| R$ million | jun/14 | | mar/14 | | dec/13 | | sep/13 | | jun/13 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Portfolio | 4,271.5 | 100.0% | 4,130.4 | 100.0% | 4,121.6 | 100.0% | 3,746.5 | 100.0% | 3,626.4 | 100.0% |
| 000 to 014 days | 3,641.4 | 85.2% | 3,519.8 | 85.2% | 3,527.7 | 85.6% | 3,204.2 | 85.5% | 3,112.9 | 85.8% |
| 015 to 030 days | 48.8 | 1.1% | 52.6 | 1.3% | 40.6 | 1.0% | 36.6 | 1.0% | 44.1 | 1.2% |
| 031 to 060 days | 51.5 | 1.2% | 56.0 | 1.4% | 36.6 | 0.9% | 30.3 | 0.8% | 40.9 | 1.1% |
| 061 to 090 days | 77.2 | 1.8% | 75.2 | 1.8% | 55.0 | 1.3% | 52.0 | 1.4% | 64.4 | 1.8% |
| 091 to 120 days | 66.8 | 1.6% | 57.1 | 1.4% | 51.0 | 1.2% | 52.2 | 1.4% | 50.6 | 1.4% |
| 121 to 150 days | 72.4 | 1.7% | 50.3 | 1.2% | 43.8 | 1.1% | 50.8 | 1.4% | 49.6 | 1.4% |
| 151 to 180 days | 62.1 | 1.5% | 46.8 | 1.1% | 43.4 | 1.1% | 51.5 | 1.4% | 45.0 | 1.2% |
| 180 to 360 days | 251.4 | 5.9% | 272.6 | 6.6% | 323.5 | 7.8% | 268.8 | 7.2% | 218.9 | 6.0% |
| Overdue 15-90 days | 177.5 | 4.2% | 183.8 | 4.4% | 132.1 | 3.2% | 119.0 | 3.2% | 149.4 | 4.1% |
| Overdue Above 90 days | 452.7 | 10.6% | 426.8 | 10.3% | 461.7 | 11.2% | 423.3 | 11.3% | 364.0 | 10.0% |
| Total Overdue | 630.2 | 14.8% | 610.6 | 14.8% | 593.9 | 14.4% | 542.3 | 14.5% | 513.5 | 14.2% |
| Allowance for Doubtful in IFRS | 552.0 | 12.9% | 538.8 | 13.0% | 542.7 | 13.2% | 493.9 | 13.2% | 458.8 | 12.7% |
| Coverage (%) | 122% | | 126% | | 118% | | 117% | | 126% | |

Note: for better comparability and analysis of the performance of loans (NPL), the Company started providing the breakdown of the portfolio by overdue bracket whereas it continues to provide the portfolio breakdown by risk bracket to the Central Bank.

**Gross Financial Intermediation Result**

As a result of the sharp growth in gross financial intermediation revenue and the reduction of provisions for loan losses, partially offset by a higher average CDI rate, the gross margin from financial intermediation stood at 37.6% in 2Q14, a 3.7 bp upturn over 2Q13 (33.9%).

**Other Operating Revenues (Expenses)**

- **Service Revenue** increased by 24.4% over 2Q13, mainly driven by commissions for the use of Luiza cards outside the Magazine Luiza stores, and revenues from insurance and new services;
- **Selling and Administrative Expenses** (personnel, administrative, depreciation, amortization and taxes): equivalent to 46.9% of financial intermediation revenue, 130 bps down on 2Q13 (45.6%), due to the project to reduce costs and expenses implemented in 2013;
- **Other Operating Revenues (Expenses):** net revenues of R$11.7 million, equivalent to 3.5% of financial intermediation revenue.

**Net Operating Result**

Luizacred recorded operating income of R$60.2 million in 2Q14, equivalent to 18.3% of financial intermediation revenue, a significant improvement over the operating income of R$33.5 million recorded in 2Q13 (11.7% of financial intermediation revenue).

Net income totaled R$36.1 million in 2Q14, with an average ROE (Return on Equity) of 30%, substantially higher than the R$20.1 million recorded in 2Q13.

**Shareholders' Equity**

In compliance with the accounting practices established by the Brazilian Central Bank, considering the minimum provisions required by Law 2682, Luizacred posted net income of R$38.9 million in 2Q14, with a shareholders' equity of R$553.2 million in June 2014. As a result of adjustments required under IFRS, specifically additional provisions for expected losses, net of taxes, Luizacred's shareholders' equity for use in the financial statements of Magazine Luiza was R$500.8 million.

# ANNEX II
# FINANCIAL STATEMENTS – CONSOLIDATED RESULTS

| CONSOLIDATED INCOME STATEMENT (R$ million) | 2Q14 | V.A. | 2Q13 | V.A. | % Chg | 1H14 | V.A. | 1H13 | V.A. | % Chg |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross Revenue** | 2,756.6 | 117.7% | 2,192.4 | 120.3% | 25.7% | 5,455.7 | 118.3% | 4,323.7 | 120.5% | 26.2% |
| Taxes and Deductions | (413.8) | -17.7% | (369.4) | -20.3% | 12.0% | (844.0) | -18.3% | (735.0) | -20.5% | 14.8% |
| **Net Revenue** | 2,342.8 | 100.0% | 1,823.1 | 100.0% | 28.5% | 4,611.6 | 100.0% | 3,588.7 | 100.0% | 28.5% |
| Total Costs | (1,709.0) | -72.9% | (1,308.8) | -71.8% | 30.6% | (3,357.9) | -72.8% | (2,576.2) | -71.8% | 30.3% |
| **Gross Income** | 633.7 | 27.1% | 514.2 | 28.2% | 23.2% | 1,253.7 | 27.2% | 1,012.4 | 28.2% | 23.8% |
| Selling Expenses | (415.8) | -17.7% | (349.5) | -19.2% | 19.0% | (835.7) | -18.1% | (704.6) | -19.6% | 18.6% |
| General and Administrative Expenses | (106.2) | -4.5% | (85.7) | -4.7% | 23.9% | (208.5) | -4.5% | (179.7) | -5.0% | 16.0% |
| Provisions for Loan Losses | (7.1) | -0.3% | (5.1) | -0.3% | 37.7% | (11.8) | -0.3% | (10.0) | -0.3% | 17.9% |
| Equity in Subsidiaries | 20.3 | 0.9% | 12.8 | 0.7% | 58.3% | 41.9 | 0.9% | 22.8 | 0.6% | 83.5% |
| Other Operating Revenues, Net | 8.1 | 0.3% | 73.4 | 4.0% | -89.0% | 14.1 | 0.3% | 81.8 | 2.3% | -82.7% |
| Total Operating Expenses | (500.7) | -21.4% | (354.1) | -19.4% | 41.4% | (999.9) | -21.7% | (789.6) | -22.0% | 26.6% |
| **EBITDA** | 133.0 | 5.7% | 160.1 | 8.8% | -16.9% | 253.8 | 5.5% | 222.8 | 6.2% | 13.9% |
| Depreciation and Amortization | (27.7) | -1.2% | (25.6) | -1.4% | 8.2% | (54.7) | -1.2% | (50.2) | -1.4% | 8.9% |
| **EBIT** | 105.3 | 4.5% | 134.5 | 7.4% | -21.7% | 199.1 | 4.3% | 172.6 | 4.8% | 15.3% |
| Financial Results | (79.5) | -3.4% | (59.5) | -3.3% | 33.6% | (153.9) | -3.3% | (104.8) | -2.9% | 46.9% |
| **Operating Income** | 25.8 | 1.1% | 75.0 | 4.1% | -65.6% | 45.2 | 1.0% | 67.8 | 1.9% | -33.4% |
| Income Tax and Social Contribution | 0.8 | 0.0% | (20.4) | -1.1% | -104.1% | 2.0 | 0.0% | (12.4) | -0.3% | -116.0% |
| **Net Income** | 26.6 | 1.1% | 54.7 | 3.0% | -51.3% | 47.2 | 1.0% | 55.5 | 1.5% | -14.9% |

**Reconciliation of EBITDA for extraordinary expenses**

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **EBITDA** | 133.0 | 5.7% | 160.1 | 8.8% | - | 253.8 | 5.5% | 222.8 | 6.2% | - |
| Extraordinary Costs | - | 0.0% | - | 0.0% | - | - | 0.0% | - | 0.0% | - |
| Extraordinary Revenues | - | 0.0% | (126.4) | -6.9% | - | - | 0.0% | (126.4) | -3.5% | - |
| Extraordinary Expenses | - | 0.0% | 61.1 | 3.4% | - | - | 0.0% | 61.1 | 1.7% | - |
| Adjusted Deferred Revenues | - | 0.0% | - | 0.0% | - | - | 0.0% | - | 0.0% | - |
| **Adjusted EBITDA** | 133.0 | 5.7% | 94.8 | 5.2% | - | 253.8 | 5.5% | 157.5 | 4.4% | - |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net Income** | 26.6 | 1.1% | 54.7 | 3.0% | - | 47.2 | 1.0% | 55.5 | 1.5% | - |
| Extraordinary Operational Results | - | 0.0% | (65.3) | -3.6% | - | - | 0.0% | (65.3) | -1.8% | - |
| Extraordinary Financial Results | - | 0.0% | - | 0.0% | - | - | 0.0% | - | 0.0% | - |
| Tax Over Extraordinary Results | - | 0.0% | 22.2 | 1.2% | - | - | 0.0% | 22.2 | 0.6% | - |
| Extraordinary Tax Credits | - | 0.0% | - | 0.0% | - | - | 0.0% | - | 0.0% | - |
| **Adjusted Net Income** | 26.6 | 1.1% | 11.5 | 0.6% | - | 47.2 | 1.0% | 12.4 | 0.3% | - |

## ANNEX III
## FINANCIAL STATEMENTS – CONSOLIDATED BALANCE SHEET

| ASSETS (R$ million) | jun-14 | mar-14 | dec-13 | sep-13 | jun-13 |
|---|---|---|---|---|---|
| **CURRENT ASSETS** | | | | | |
| Cash and Cash Equivalents | 287.4 | 235.3 | 280.3 | 260.3 | 176.6 |
| Securities | 283.8 | 306.3 | 491.3 | 423.5 | 539.0 |
| Accounts Receivable | 577.4 | 510.0 | 530.6 | 463.7 | 458.4 |
| Inventories | 1,144.2 | 1,264.0 | 1,251.4 | 1,135.5 | 1,051.1 |
| Related Parties | 87.8 | 82.0 | 108.9 | 67.8 | 86.3 |
| Taxes Recoverable | 193.4 | 224.4 | 218.6 | 214.3 | 230.5 |
| Other Assets | 57.1 | 56.0 | 41.0 | 64.0 | 73.2 |
| **Total Current Assets** | 2,631.1 | 2,678.0 | 2,922.0 | 2,629.0 | 2,615.2 |
| **NON-CURRENT ASSETS** | | | | | |
| Accounts Receivable | 3.8 | 3.6 | 4.7 | 4.3 | 4.0 |
| Deferred Income Tax and Social Contribution | 146.9 | 142.0 | 139.4 | 148.0 | 148.3 |
| Recoverable Taxes | 159.8 | 150.0 | 158.8 | 156.1 | 148.3 |
| Judicial Deposits | 187.9 | 178.3 | 170.1 | 157.4 | 150.4 |
| Other Assets | 48.2 | 46.1 | 45.4 | 42.8 | 41.7 |
| Investments in Subsidiaries | 287.1 | 266.0 | 251.7 | 248.7 | 236.6 |
| Fixed Assets | 534.7 | 530.8 | 540.4 | 527.9 | 510.8 |
| Intangible Assets | 487.9 | 480.4 | 481.4 | 437.5 | 436.6 |
| **Total Non-current Assets** | 1,856.3 | 1,797.2 | 1,791.9 | 1,722.6 | 1,676.8 |
| **TOTAL ASSETS** | 4,487.4 | 4,475.2 | 4,713.9 | 4,351.7 | 4,292.0 |

| LIABILITIES (R$ million) | jun-14 | mar-14 | dec-13 | sep-13 | jun-13 |
|---|---|---|---|---|---|
| **CURRENT LIABILITIES** | | | | | |
| Subpsliers | 1,189.5 | 1,528.4 | 1,651.5 | 1,332.3 | 1,306.1 |
| Loans and Financing | 422.4 | 520.6 | 425.2 | 555.5 | 534.8 |
| Payroll, Vacation and Related Charges | 153.2 | 155.4 | 166.6 | 146.7 | 126.7 |
| Taxes Payable | 46.5 | 27.3 | 41.7 | 18.9 | 28.5 |
| Related Parties | 66.8 | 61.6 | 73.6 | 53.8 | 50.9 |
| Taxes in Installments | 7.1 | 7.7 | 8.3 | 8.9 | 8.9 |
| Deferred Revenue | 37.7 | 36.7 | 36.7 | 35.6 | 35.6 |
| Dividends Payable | - | 16.2 | 16.2 | - | - |
| Other Accounts Payable | 101.7 | 118.0 | 107.7 | 85.4 | 80.1 |
| **Total Current Liabilities** | 2,025.0 | 2,471.8 | 2,527.6 | 2,237.2 | 2,171.5 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Loans and Financing | 1,154.0 | 708.7 | 895.1 | 829.1 | 860.4 |
| Taxes in Installments | - | - | - | - | 0.6 |
| Provision for Tax, Civil and Labor Risks | 262.2 | 255.0 | 245.9 | 228.7 | 227.3 |
| Deferred Revenue | 334.6 | 341.3 | 349.2 | 358.2 | 359.9 |
| Other Accounts Payable | 1.8 | 1.7 | 1.5 | 1.0 | 0.9 |
| **Total Non-current Liabilities** | 1,752.6 | 1,306.7 | 1,491.7 | 1,417.0 | 1,449.1 |
| **SHAREHOLDERS' EQUITY** | | | | | |
| Capital Stock | 606.5 | 606.5 | 606.5 | 606.5 | 606.5 |
| Capital Reserve | 7.9 | 6.8 | 5.6 | 4.9 | 4.2 |
| Treasury Shares | - | (39.8) | (20.1) | - | - |
| Legal Reserve | 9.7 | 9.7 | 9.7 | 4.0 | 4.0 |
| Profit Retention Reserve | 39.4 | 94.5 | 94.5 | 2.6 | 2.6 |
| Other Comprehensive Income | (0.7) | (1.5) | (1.6) | (1.4) | (1.3) |
| Accumulated Losses | 47.2 | 20.5 | - | 80.8 | 55.5 |
| Total Shareholders' Equity | 709.9 | 696.6 | 694.6 | 697.5 | 671.4 |
| **TOTAL** | 4,487.4 | 4,475.2 | 4,713.9 | 4,351.7 | 4,292.0 |

## ANNEX IV
## FINANCIAL STATEMENTS - ADJUSTED CASH FLOW STATEMENT

| ADJUSTED CASH FLOW STATEMENTS (in R$ million) | 2Q14 | 2Q13 | 1H14 | 1H13 |
|---|---|---|---|---|
| **Net Income** | **26.6** | **54.7** | **47.2** | **55.5** |
| Effect of IR / CS Net of Payment | (1.4) | 16.5 | (3.0) | 8.5 |
| Depreciation and Amortization | 27.7 | 25.6 | 54.7 | 50.2 |
| Interest Accrued on Loans | 37.8 | 28.4 | 72.3 | 50.3 |
| Equity, Net of Dividends Received | (20.3) | (11.7) | (18.2) | (11.4) |
| Provision for Losses on Inventories and Receivables | 17.9 | 18.4 | 36.2 | 33.3 |
| Provision for Tax, Civil and Labor Contingencies | 10.1 | 44.9 | 21.7 | 55.0 |
| Gain on Sale of Fixed Assets | 0.8 | (126.5) | 0.9 | (126.3) |
| Recognition of Deferred Income | (8.7) | (8.3) | (16.6) | (16.8) |
| Stock Option Expenses | 1.1 | 0.7 | 2.2 | 1.4 |
| **Adjusted Net Income** | **91.6** | **42.7** | **197.4** | **99.6** |
| Trade Accounts Receivable | (83.3) | (21.7) | (73.7) | 2.1 |
| Inventories | 117.6 | (83.1) | 98.7 | 6.6 |
| Taxes Recoverable | 21.2 | (40.1) | 24.1 | (29.0) |
| Other Receivables | (17.4) | (27.0) | (30.6) | (74.9) |
| **Changes in Operating Assets** | **38.1** | **(171.9)** | **18.5** | **(95.2)** |
| Trade Accounts Payable | (338.9) | 129.8 | (462.0) | (26.6) |
| Other Payables | (1.1) | (31.5) | (32.2) | (60.8) |
| **Change in Operating Liabilities** | **(340.0)** | **98.4** | **(494.3)** | **(87.4)** |
| **Cash Flow from Operating Activities** | **(210.2)** | **(30.8)** | **(278.4)** | **(83.0)** |
| Additions of Fixed and Intangible Assets | (41.1) | (33.8) | (57.7) | (61.1) |
| Cash on Sale of Fixed Assets | - | 205.5 | - | 205.5 |
| Sale of Exclusive Dealing and Exploration Right Contract | 3.0 | - | 3.0 | - |
| **Cash Flow from Investing Activities** | **(38.1)** | **171.7** | **(54.7)** | **144.4** |
| Loans and Financing | 411.6 | 0.2 | 412.2 | 202.7 |
| Repayment of Loans and Financing | (72.1) | (37.8) | (165.4) | (55.5) |
| Payment of Interest on Loans and Financing | (30.2) | (16.2) | (62.9) | (38.2) |
| Treasury Shares | 0.0 | 0.0 | (19.8) | 0.0 |
| Payment of Dividends | (31.5) | 0.0 | (31.5) | 0.0 |
| **Cash Flow from Financing Activities** | **277.9** | **(53.7)** | **132.7** | **109.0** |
| Cash, Cash Equivalents and Securities at Beginning of Period | 541.5 | 628.5 | 771.6 | 545.3 |
| Cash, Cash Equivalents and Securities at end of Period | 571.1 | 715.6 | 571.1 | 715.6 |
| **Change in Cash and Cash equivalents** | **29.6** | **87.1** | **(200.5)** | **170.3** |

Note: The difference between the Cash Flow Statement and the Adjusted Cash Flow Statement is basically related to the treatment of Bonds and Securities as Cash Equivalents.

# ANNEX V
# RESULTS BY SEGMENT – 2Q14

| 2Q14 (in R$ million) | Retail | Consortium 100% | Eliminations | Consolidated | Cons. Finance 50% | Insurance 50% | Eliminations | Consolidated Pro-Forma |
|---|---|---|---|---|---|---|---|---|
| **Gross Revenue** | 2,748.2 | 10.2 | (1.8) | 2,756.6 | 204.0 | 40.0 | (65.6) | 2,935.0 |
| Taxes and Deductions | (412.9) | (0.9) | - | (413.8) | - | - | - | (413.8) |
| **Net Revenue** | 2,335.2 | 9.3 | (1.8) | 2,342.8 | 204.0 | 40.0 | (65.6) | 2,521.2 |
| Total Costs | (1,707.6) | (3.2) | 1.8 | (1,709.0) | (27.9) | (3.7) | 0.0 | (1,740.6) |
| **Gross Income** | 627.6 | 6.1 | - | 633.7 | 176.1 | 36.3 | (65.6) | 780.5 |
| Selling Expenses | (415.8) | - | - | (415.8) | (74.9) | (30.1) | 55.8 | (465.0) |
| General and Administrative Expenses | (101.4) | (4.7) | - | (106.2) | (0.5) | (5.4) | - | (112.1) |
| Provisions for Loan Losses | (7.1) | - | - | (7.1) | (74.8) | - | - | (81.8) |
| Equity in Subsidiaries | 21.4 | - | (1.1) | 20.3 | - | - | (20.3) | - |
| Other Operating Revenues, Net | 8.1 | 0.0 | - | 8.1 | 5.8 | 0.1 | (1.4) | 12.6 |
| Total Operating Expenses | (494.9) | (4.7) | (1.1) | (500.7) | (144.4) | (35.4) | 34.2 | (646.4) |
| **EBITDA** | 132.7 | 1.4 | (1.1) | 133.0 | 31.7 | 0.9 | (31.4) | 134.2 |
| Depreciation and Amortization | (27.6) | (0.1) | - | (27.7) | (1.6) | (0.0) | 1.4 | (27.9) |
| **EBIT** | 105.1 | 1.3 | (1.1) | 105.3 | 30.1 | 0.9 | (30.1) | 106.3 |
| Financial Results | (79.9) | 0.3 | - | (79.5) | - | 2.8 | 9.8 | (67.0) |
| **Operating Income** | 25.3 | 1.6 | (1.1) | 25.8 | 30.1 | 3.7 | (20.3) | 39.3 |
| Income Tax and Social Contribution | 1.4 | (0.5) | - | 0.8 | (12.0) | (1.5) | - | (12.6) |
| Net Income | 26.6 | 1.1 | (1.1) | 26.6 | 18.1 | 2.2 | (20.3) | 26.6 |
| Gross Margin | 26.9% | 65.8% | 0.0% | 27.1% | 86.3% | 90.8% | 100.0% | 31.0% |
| EBITDA Margin | 5.7% | 14.9% | 63.0% | 5.7% | 15.5% | 2.3% | 47.9% | 5.3% |
| Net Margin | 1.1% | 11.9% | 63.0% | 1.1% | 8.8% | 5.5% | 30.9% | 1.1% |

# ANNEX VI
# RESULTS BY SEGMENT – 1H14

| 1H14 (in R$ million) | Retail | Consortium 100% | Eliminations | Consolidated | Cons. Finance 50% | Insurance 50% | Eliminations | Consolidated Pro-Forma |
|---|---|---|---|---|---|---|---|---|
| **Gross Revenue** | 5,439.1 | 20.1 | (3.5) | 5,455.7 | 399.1 | 70.8 | (122.9) | 5,802.6 |
| Taxes and Deductions | (842.3) | (1.8) | - | (844.0) | - | - | - | (844.0) |
| **Net Revenue** | 4,596.8 | 18.3 | (3.5) | 4,611.6 | 399.1 | 70.8 | (122.9) | 4,958.6 |
| Total Costs | (3,355.0) | (6.4) | 3.5 | (3,357.9) | (54.0) | (7.4) | 0.0 | (3,419.4) |
| **Gross Income** | 1,241.8 | 11.9 | - | 1,253.7 | 345.1 | 63.4 | (122.9) | 1,539.2 |
| Selling Expenses | (835.7) | - | - | (835.7) | (139.4) | (51.5) | 105.1 | (921.6) |
| General and Administrative Expenses | (199.0) | (9.4) | - | (208.5) | (1.0) | (10.8) | - | (220.3) |
| Provisions for Loan Losses | (11.8) | - | - | (11.8) | (145.5) | - | - | (157.3) |
| Equity in Subsidiaries | 43.9 | - | (2.0) | 41.9 | - | - | (41.9) | - |
| Other Operating Revenues, Net | 14.1 | 0.0 | - | 14.1 | 7.2 | 0.1 | (2.8) | 18.7 |
| Total Operating Expenses | (988.5) | (9.4) | (2.0) | (999.9) | (278.7) | (62.2) | 60.4 | (1,280.4) |
| **EBITDA** | 253.3 | 2.5 | (2.0) | 253.8 | 66.4 | 1.2 | (62.5) | 258.8 |
| Depreciation and Amortization | (54.5) | (0.2) | - | (54.7) | (3.3) | (0.0) | 2.8 | (55.2) |
| **EBIT** | 198.8 | 2.3 | (2.0) | 199.1 | 63.1 | 1.2 | (59.7) | 203.7 |
| Financial Results | (154.6) | 0.7 | - | (153.9) | - | 5.5 | 17.8 | (130.6) |
| **Operating Income** | 44.2 | 3.0 | (2.0) | 45.2 | 63.1 | 6.7 | (41.9) | 73.1 |
| Income Tax and Social Contribution | 3.0 | (1.0) | - | 2.0 | (25.2) | (2.7) | - | (25.9) |
| Net Income | 47.2 | 2.0 | (2.0) | 47.2 | 37.9 | 4.0 | (41.9) | 47.2 |
| Gross Margin | 27.0% | 64.8% | 0.0% | 27.2% | 86.5% | 89.5% | 100.0% | 31.0% |
| EBITDA Margin | 5.5% | 13.4% | 56.9% | 5.5% | 16.6% | 1.7% | 50.8% | 5.2% |
| Net Margin | 1.0% | 10.9% | 56.9% | 1.0% | 9.5% | 5.7% | 34.1% | 1.0% |

# ANNEX VII
# RESULTS BY SEGMENT – 2Q13*

| 2Q13 (in R$ million) | Retail | Consortium 100% | Eliminations | Consolidated | Cons. Finance 50% | Insurance 50% | Eliminations | Consolidated Pro-Forma |
|---|---|---|---|---|---|---|---|---|
| **Gross Revenue** | 2,184.6 | 9.6 | (1.7) | 2,192.4 | 174.5 | 24.1 | (42.5) | 2,348.6 |
| Taxes and Deductions | (368.5) | (0.8) | - | (369.4) | - | - | - | (369.4) |
| **Net Revenue** | 1,816.0 | 8.8 | (1.7) | 1,823.1 | 174.5 | 24.1 | (42.5) | 1,979.2 |
| Total Costs | (1,307.2) | (3.4) | 1.7 | (1,308.8) | (17.3) | (2.3) | - | (1,328.4) |
| **Gross Income** | 508.8 | 5.4 | - | 514.2 | 157.2 | 21.9 | (42.5) | 650.8 |
| Selling Expenses | (349.5) | - | - | (349.5) | (63.1) | (16.0) | 36.7 | (391.9) |
| General and Administrative Expenses | (81.3) | (4.4) | - | (85.7) | (0.4) | (2.9) | - | (89.0) |
| Provisions for Loan Losses | (5.1) | - | - | (5.1) | (77.0) | - | - | (82.2) |
| Equity in Subsidiaries | 13.5 | - | (0.7) | 12.8 | - | - | (12.8) | (0.0) |
| Other Operating Revenues, Net | 73.4 | 0.0 | - | 73.4 | 1.6 | (0.2) | (1.4) | 73.5 |
| Total Operating Expenses | (349.0) | (4.4) | (0.7) | (354.1) | (138.9) | (19.1) | 22.5 | (489.6) |
| **EBITDA** | 159.8 | 1.0 | (0.7) | 160.1 | 18.4 | 2.8 | (19.9) | 161.3 |
| Depreciation and Amortization | (25.5) | (0.1) | - | (25.6) | (1.6) | (0.0) | 1.4 | (25.8) |
| **EBIT** | 134.3 | 0.9 | (0.7) | 134.5 | 16.7 | 2.8 | (18.6) | 135.5 |
| Financial Results | (59.7) | 0.1 | - | (59.5) | - | 1.8 | 5.8 | (51.9) |
| **Operating Income** | 74.7 | 1.1 | (0.7) | 75.0 | 16.7 | 4.6 | (12.8) | 83.5 |
| Income Tax and Social Contribution | (20.0) | (0.4) | - | (20.4) | (6.7) | (1.8) | - | (28.9) |
| Net Income | 54.7 | 0.7 | (0.7) | 54.7 | 10.0 | 2.8 | (12.8) | 54.7 |
| Gross Margin | 28.0% | 61.6% | 0.0% | 28.2% | 90.1% | 90.7% | 100.0% | 32.9% |
| EBITDA Margin | 8.8% | 11.4% | 41.6% | 8.8% | 10.5% | 11.5% | 47.0% | 8.1% |
| Net Margin | 3.0% | 8.2% | 41.6% | 3.0% | 5.7% | 11.5% | 30.2% | 2.8% |

**Reconciliation of EBITDA for extraordinary expenses**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **EBITDA** | 159.8 | 1.0 | (0.7) | 160.1 | 18.4 | 2.8 | (19.9) | 161.3 |
| Extraordinary costs | - | - | - | - | - | - | - | - |
| Extraordinary revenues | (126.4) | - | - | (126.4) | - | - | - | (126.4) |
| Extraordinary expenses | 61.1 | - | - | 61.1 | - | - | - | 61.1 |
| Adjusted deferred revenues | - | - | - | - | - | - | - | - |
| **Adjusted EBITDA** | 94.5 | 1.0 | (0.7) | 94.8 | 18.4 | 2.8 | (19.9) | 96.0 |
| **Adjusted EBITDA Margin** | 5.2% | 11.4% | 41.6% | 5.2% | 10.5% | 11.5% | 47.0% | 4.8% |
| **Net Income** | 54.7 | 0.7 | (0.7) | 54.7 | 10.0 | 2.8 | (12.8) | 54.7 |
| Extraordinary operational results | (65.3) | - | - | (65.3) | - | - | - | (65.3) |
| Extraordinary financial results | - | - | - | - | - | - | - | - |
| Tax over extraordinary results | 22.2 | - | - | 22.2 | - | - | - | 22.2 |
| Extraordinary tax credits | - | - | - | - | - | - | - | - |
| **Adjusted Net Income** | 11.5 | 0.7 | (0.7) | 11.5 | 10.0 | 2.8 | (12.8) | 11.5 |
| **Adjusted Net Income Margin** | 0.6% | 8.2% | 41.6% | 0.6% | 5.7% | 11.5% | 30.2% | 0.6% |

*In 2Q13 the Company completed the sale of its 76.7% stake in the distribution center located in Louveira (SP) to Fundo FII Kinea, for R$205.5 million, which generated an operating gain net of other non-recurring expenses in the amount of R$65.3 million for the quarter, classified as other operating revenue.

# ANNEX VIII
# RESULTS BY SEGMENT – 1H13*

| 1H13 (in R$ million) | Retail | Consortium 100% | Eliminations | Consolidated | Cons. Finance 50% | Insurance 50% | Eliminations | Consolidated Pro-Forma |
|---|---|---|---|---|---|---|---|---|
| **Gross Revenue** | 4,308.2 | 18.9 | (3.4) | 4,323.7 | 343.2 | 45.3 | (84.3) | 4,627.9 |
| Taxes and Deductions | (733.4) | (1.6) | - | (735.0) | - | - | - | (735.0) |
| **Net Revenue** | 3,574.9 | 17.2 | (3.4) | 3,588.7 | 343.2 | 45.3 | (84.3) | 3,892.9 |
| Total Costs | (2,573.0) | (6.7) | 3.4 | (2,576.2) | (33.5) | (4.6) | - | (2,614.4) |
| **Gross Income** | 1,001.9 | 10.6 | - | 1,012.4 | 309.7 | 40.7 | (84.3) | 1,278.5 |
| Selling Expenses | (704.6) | - | - | (704.6) | (124.9) | (29.9) | 73.6 | (785.8) |
| General and Administrative Expenses | (170.8) | (9.0) | - | (179.7) | (0.7) | (6.1) | - | (186.5) |
| Provisions for Loan Losses | (10.0) | - | - | (10.0) | (154.9) | - | - | (164.9) |
| Equity in Subsidiaries | 24.1 | - | (1.2) | 22.8 | - | - | (22.8) | (0.0) |
| Other Operating Revenues, Net | 81.8 | 0.0 | - | 81.8 | 3.8 | 0.0 | (2.8) | 82.9 |
| Total Operating Expenses | (779.5) | (8.9) | (1.2) | (789.6) | (276.7) | (36.0) | 47.9 | (1,054.4) |
| **EBITDA** | 222.4 | 1.7 | (1.2) | 222.8 | 33.0 | 4.7 | (36.4) | 224.1 |
| Depreciation and Amortization | (50.1) | (0.2) | - | (50.2) | (3.3) | (0.0) | 2.8 | (50.7) |
| **EBIT** | 172.3 | 1.5 | (1.2) | 172.6 | 29.7 | 4.6 | (33.6) | 173.3 |
| Financial Results | (105.1) | 0.3 | - | (104.8) | - | 3.7 | 10.8 | (90.3) |
| **Operating Income** | 67.2 | 1.8 | (1.2) | 67.8 | 29.7 | 8.3 | (22.8) | 83.0 |
| Income Tax and Social Contribution | (11.8) | (0.6) | - | (12.4) | (11.9) | (3.3) | - | (27.6) |
| Net Income | 55.5 | 1.2 | (1.2) | 55.5 | 17.8 | 5.0 | (22.8) | 55.5 |
| Gross Margin | 28.0% | 61.3% | 0.0% | 28.2% | 90.2% | 89.7% | 100.0% | 32.8% |
| EBITDA Margin | 6.2% | 9.6% | 35.4% | 6.2% | 9.6% | 10.3% | 43.2% | 5.8% |
| Net Margin | 1.6% | 7.0% | 35.4% | 1.5% | 5.2% | 11.1% | 27.1% | 1.4% |

**Reconciliation of EBITDA for extraordinary expenses**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **EBITDA** | 222.4 | 1.7 | (1.2) | 222.8 | 33.0 | 4.7 | (36.4) | 224.1 |
| Extraordinary costs | - | - | - | - | - | - | - | - |
| Extraordinary revenues | (126.4) | - | - | (126.4) | - | - | - | (126.4) |
| Extraordinary expenses | 61.1 | - | - | 61.1 | - | - | - | 61.1 |
| Adjusted deferred revenues | - | - | - | - | - | - | - | - |
| **Adjusted EBITDA** | 157.1 | 1.7 | (1.2) | 157.5 | 33.0 | 4.7 | (36.4) | 158.8 |
| **Adjusted EBITDA Margin** | 4.4% | 9.6% | 35.4% | 4.4% | 9.6% | 10.3% | 43.2% | 4.1% |
| **Net Income** | 55.5 | 1.2 | (1.2) | 55.5 | 17.8 | 5.0 | (22.8) | 55.5 |
| Extraordinary operational results | (65.3) | - | - | (65.3) | - | - | - | (65.3) |
| Extraordinary financial results | - | - | - | - | - | - | - | - |
| Tax over extraordinary results | 22.2 | - | - | 22.2 | - | - | - | 22.2 |
| Extraordinary tax credits | - | - | - | - | - | - | - | - |
| **Adjusted Net Income** | 12.4 | 1.2 | (1.2) | 12.4 | 17.8 | 5.0 | (22.8) | 12.4 |
| **Adjusted Net Income Margin** | 0.3% | 7.0% | 35.4% | 0.3% | 5.2% | 11.1% | 27.1% | 0.3% |

*In 2Q13 the Company completed the sale of its 76.7% stake in the distribution center located in Louveira (SP) to Fundo FII Kinea, for R$205.5 million, which generated an operating gain net of other non-recurring expenses in the amount of R$65.3 million for the quarter, classified as other operating revenue.

## ANNEX IV
## FINANCIAL STATEMENTS – PRO-FORMA CONSOLIDATED RESULTS

| CONSOLIDATED PRO-FORMA (R$ million) | 2Q14 | V.A. | 2Q13 | V.A. | % Chg | 1H14 | V.A. | 1H13 | V.A. | % Chg |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross Revenue** | 2,935.0 | 116.4% | 2,348.6 | 118.7% | 25.0% | 5,802.6 | 117.0% | 4,627.9 | 118.9% | 12.2% |
| Taxes and Deductions | (413.8) | -16.4% | (369.4) | -18.7% | 12.0% | (844.0) | -17.0% | (735.0) | -18.9% | 11.3% |
| **Net Revenue** | 2,521.2 | 100.0% | 1,979.2 | 100.0% | 27.4% | 4,958.6 | 100.0% | 3,892.9 | 100.0% | 12.3% |
| Total Costs | (1,740.6) | -69.0% | (1,328.4) | -67.1% | 31.0% | (3,419.4) | -69.0% | (2,614.4) | -67.2% | 11.8% |
| **Gross Income** | 780.5 | 31.0% | 650.8 | 32.9% | 19.9% | 1,539.2 | 31.0% | 1,278.5 | 32.8% | 13.4% |
| Selling Expenses | (465.0) | -18.4% | (391.9) | -19.8% | 18.7% | (921.6) | -18.6% | (785.8) | -20.2% | 7.5% |
| General and Administrative Expenses | (112.1) | -4.4% | (89.0) | -4.5% | 26.0% | (220.3) | -4.4% | (186.5) | -4.8% | 10.8% |
| Provisions for Loan Losses | (81.8) | -3.2% | (82.2) | -4.2% | -0.4% | (157.3) | -3.2% | (164.9) | -4.2% | 5.1% |
| Other Operating Revenues, Net | 12.6 | 0.5% | 73.5 | 3.7% | -82.8% | 18.7 | 0.4% | 82.9 | 2.1% | 390.6% |
| Total Operating Expenses | (646.4) | -25.6% | (489.6) | -24.7% | 32.0% | (1,280.4) | -25.8% | (1,054.4) | -27.1% | 3.2% |
| **EBITDA** | 134.2 | 5.3% | 161.3 | 8.1% | -16.8% | 258.8 | 5.2% | 224.1 | 5.8% | 119.1% |
| Depreciation and Amortization | (27.9) | -1.1% | (25.8) | -1.3% | 8.1% | (55.2) | -1.1% | (50.7) | -1.3% | 14.5% |
| **EBIT** | 106.3 | 4.2% | 135.5 | 6.8% | -21.6% | 203.7 | 4.1% | 173.4 | 4.5% | 195.2% |
| Financial Results | (67.0) | -2.7% | (51.9) | -2.6% | 29.0% | (130.6) | -2.6% | (90.3) | -2.3% | 10.3% |
| **Operating Income** | 39.3 | 1.6% | 83.5 | 4.2% | -53.0% | 73.1 | 1.5% | 83.0 | 2.1% | -394.4% |
| Income Tax and Social Contribution | (12.6) | -0.5% | (28.9) | -1.5% | -56.2% | (25.9) | -0.5% | (27.6) | -0.7% | - |
| **Net Income** | 26.6 | 1.1% | 54.7 | 2.8% | -51.3% | 47.2 | 1.0% | 55.5 | 1.4% | -591.2% |

**Reconciliação do EBITDA pelas despesas extraordinárias**

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **EBITDA** | 134.2 | 5.3% | 161.3 | 8.1% | - | 258.8 | 5.2% | 224.1 | 5.8% | - |
| Extraordinary costs | - | 0.0% | - | 0.0% | - | - | 0.0% | - | 0.0% | - |
| Extraordinary revenues | - | 0.0% | (126.4) | -6.4% | - | - | 0.0% | (126.4) | -3.2% | - |
| Extraordinary expenses | - | 0.0% | 61.1 | 3.1% | - | - | 0.0% | 61.1 | 1.6% | - |
| Adjusted deferred revenues | - | 0.0% | - | 0.0% | - | - | 0.0% | - | 0.0% | - |
| **Adjusted EBITDA** | 134.2 | 5.3% | 96.0 | 4.8% | - | 258.8 | 5.2% | 158.8 | 4.1% | - |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Net Income** | 26.6 | 1.1% | 54.7 | 2.8% | - | 47.2 | 1.0% | 55.5 | 1.4% | - |
| Extraordinary operational results | - | 0.0% | (65.3) | -3.3% | - | - | 0.0% | (65.3) | -1.7% | - |
| Extraordinary financial results | - | 0.0% | - | 0.0% | - | - | 0.0% | - | 0.0% | - |
| Tax over extraordinary results | - | 0.0% | 22.2 | 1.1% | - | - | 0.0% | 22.2 | 0.6% | - |
| Extraordinary tax credits | - | 0.0% | - | 0.0% | - | - | 0.0% | - | 0.0% | - |
| **Adjusted Net Income** | 26.6 | 1.1% | 11.5 | 0.6% | - | 47.2 | 1.0% | 12.4 | 0.3% | - |

## ANNEX X
## BREAKDOWN OF SALES AND NUMBER OF STORES PER CHANNEL

| Gross Revenue by Channel (R$ million) | 2Q14 | V.A. | 2Q13 | V.A. | Growth Total |
|---|---|---|---|---|---|
| Virtual Stores | 124.8 | 4.5% | 101.0 | 4.6% | 23.5% |
| Website | 429.9 | 15.7% | 298.4 | 13.7% | 44.1% |
| **Subtotal - Virtual Stores** | **554.7** | 20.2% | **399.5** | 18.3% | 38.8% |
| Conventional Stores | 2,187.5 | 79.8% | 1,778.6 | 81.7% | 23.0% |
| **Total** | **2,742.2** | 100.0% | **2,178.1** | 100.0% | 25.9% |

| Gross Revenue by Channel (R$ million) | 1H14 | V.A. | 1H13 | V.A. | Growth Total |
|---|---|---|---|---|---|
| Virtual Stores | 244.3 | 4.5% | 194.9 | 4.5% | 25.4% |
| Website | 863.1 | 15.9% | 599.3 | 13.9% | 44.0% |
| **Subtotal - Virtual Stores** | **1,107.4** | 20.4% | **794.1** | 18.5% | 39.5% |
| Conventional Stores | 4,317.4 | 79.6% | 3,505.4 | 81.5% | 23.2% |
| **Total** | **5,424.8** | 100.0% | **4,299.5** | 100.0% | 26.2% |

| Number of stores per channel – End of the period | jun-14 | Part(%) | jun-13 | Part(%) | Growth Total |
|---|---|---|---|---|---|
| Virtual Stores | 107 | 14.4% | 106 | 14.5% | 1 |
| Website | 1 | 0.1% | 1 | 0.1% | - |
| **Subtotal - Virtual Stores** | **108** | 14.5% | **107** | 14.6% | 1 |
| Conventional Stores | 628 | 84.4% | 626 | 85.4% | 2 |
| **Total** | **736** | 98.9% | **733** | 100.0% | 3 |
| | | | | | |
| **Total Sales Area (m²)** | 471,926 | 100% | 464,397 | 100% | 1.6% |

Note: In compliance with Technical Pronouncement CPC 36, the booking of the proceeds from the exclusive funds whose quotas are 100% owned by Magazine Luiza changed from financial income to operating income from services in the retail segment in the amount of R$6.0 million in 2Q14 and R$6.5 million in 2Q13. The differences in gross revenue from the retail segment in the breakdown by channel and income statements refer to these classifications.

## RESULTS CONFERENCE CALL

**Conference Call in Portuguese/English (with simultaneous interpreting)**

**August 1, 2014 (Friday)**

**11:30 a.m. – Brasília time**

**10:30 a.m. – US EST**

**03:30 p.m. – United Kingdom (London)**

**Callers from Brazil:**
Dial-in: +55 (11) 2188-0155
Access Code: Magazine Luiza
Webcast Link:
http://webcast.neo1.net/Cover.aspx?PlatformId=RQQvoo0fD5iCWjgMF%2FAkpQ%3D%3D

**Callers from other countries:**
Dial-in US EST: +1 (646) 843-6054
Dial-in Europe: +44 (203) 051-6929
Access Code: Magazine Luiza
Webcast Link:
http://webcast.neo1.net/Cover.aspx?PlatformId=Iga4aV6lsya%2FVnQLy8PAUw%3D%3D

**Replay (available for 7 days):**
Dial-in number for callers from Brazil: +55 (11) 2188-0040
Access code for Portuguese and English versions: Magazine Luiza

## Investor Relations

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***About Magazine Luiza***

*Founded in 1957, Magazine Luiza is one of Brazil's largest retail chains focused on durable goods, actively engaged in Brazil's low income classes. To strengthen its relationship with its customers, Magazine Luiza innovated in 2001 by entering into a partnership with Itaú Unibanco to create Luizacred. In 2005, Magazine Luiza once again innovated when it became the first retailer to control an insurance company, Luizaseg, in partnership with Cardif, of the BNP Paribas group. And in 2010, Magazine Luiza acquired Lojas Maia, one of the largest retail chains with a presence in all the states across Northeast Brazil – the fastest growing region in the country. In June 2011, it acquired Baú da Felicidade stores.*

***EBITDA, Adjusted EBITDA and Adjusted Net Income***

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