4Q12 Conference Call

March, 27th 2013

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- **Highlights of 4Q12 and 2012**
- Operational Performance
- Financial Performance
- Expectations for 2013

Highlights of 4Q12 and 2012 – consolidated

Sales Performance

- **Consolidated gross revenue growth**
  - 4Q12: 15.2% over 4Q11 – R$2.6 billion
  - 2012: 19.1 % over 2011 – R$9.1 billion
- **Same store sales growth**
  - 4TQ2: 11.9% over 4T11
  - 2012: 12.5% over 2011
- **Growth drivers**: maturation of the new stores, especially the stores in the Northeast, and the accelerated growth of e-commerce, despite the economic environment and the fierce competition

Northeast and Baú Integration

- **Integrations in 2012**
  - 104 stores in the South/Southeast – concluded Feb..
  - 150 stores in the Northeast – concluded Out.
- **Stores, DCs , Accounting and Management Systems** – completed integrated
- The integration process was **extremely successful**, despite its complexity, directly involving more than 200 employees
- The integration is **a symbol of the conclusion of a very important growth cycle** for the consolidation of the Company in the Brazilian retail segment

"More with Less" Program

- The first step of a **cycle focused on productivity and profitability**
- **4Q12**: Company's recurring operating expenses, adjusted for non-recurring expenses, **edged down by 0.7 p.p**. over 4Q11

Financial Results

- **4Q12:** (+) sales growth, expense rationalization and Luizacred's improved performance; (-) decline in the gross margin from the retail segment (2.3p.p. – stimulus to consumption through intensive promotions and marketing campaigns, given Christmas sales below expectations)
- **2012:** (-) non-recurring expenses related to the integration of the stores in the Northeast and Baú stores, robust provisions for loan losses at Luizacred and the ongoing maturation of the new stores

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Highlights of 4Q12 and 2012 – per business

Retail

- 4Q12: retail gross **revenue moved up by 15.5%** over 4Q11, totaling R$2.4 billion
- 4Q12: **same-store sales** grew by **11.9%**, 10.2% in the bricks-and-mortar stores
- The need to stimulate consumption through promotions and campaigns, such as Black Friday**, led to a 2.9 p.p. reduction in the gross margin** amid fierce competition
- **Recurring operating expenses** from the retail segment **declined by 3.1 p.p.,** thanks to the program to reduce costs and expenses and increase store productivity
- In 2012, the Company **opened 22 new stores**, closed 7 and remodeled 75, 16 of which related to the change of brand in the Salvador metropolitan region

E-commerce

- **4Q12**: gross revenue of R$313.7 million, 25.0% up on 4Q11
- **2012**: R$1.1 billion, 33.3% up on 2011
- Growth in the number of website users, the expanded product assortment and new B2B and market place partnerships
- **E-bit's best home appliance store and most beloved store in Brazil awards**
- Focus on **innovation** with the launch of the new version of the website/mobile and a significant improvement in logistics and operations
- ***Magazinevocê***: more than 70,000 disseminators 10 months after its launch in February 2012

Luizacred

- 4Q12: **gross margin widened by 6.5 p.p. over 4Q11, reaching 90.6%**
  - Reduction in the CDI rate and the increase in the share of direct consumer credit
- Default indicators (NPLs above 90 days) – dropped from 10.4% in 3Q12 to 8.2% in 4Q12, allowing a 3.4 p.p. reduction in provisions for loan losses as a percentage of net revenue over 3Q12
- Balanced mix between direct consumer credit and co-branded credit card
- Project to rationalize costs and expenses and increase store productivity
- **4Q12: EBITDA margin of 11.6% and net margin of 6.0%**

- Highlights of 4Q12 and 2012
- **Operational Performance**
- Financial Performance
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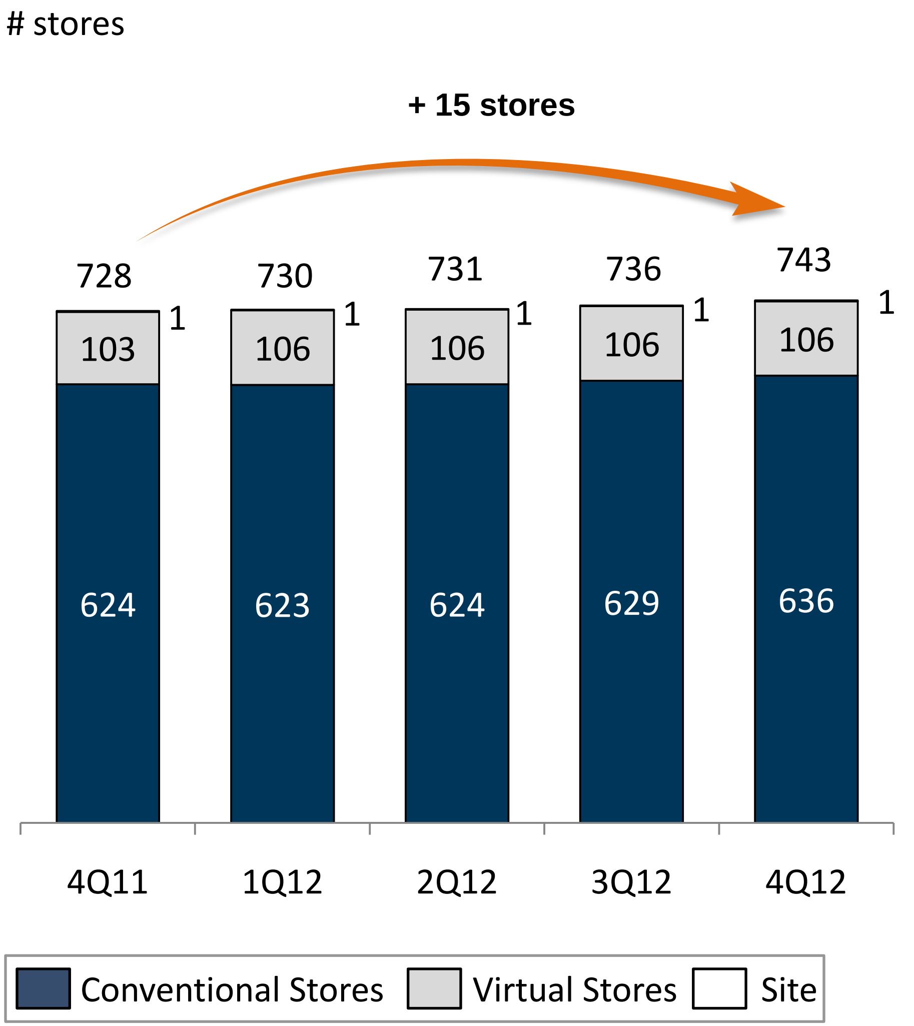
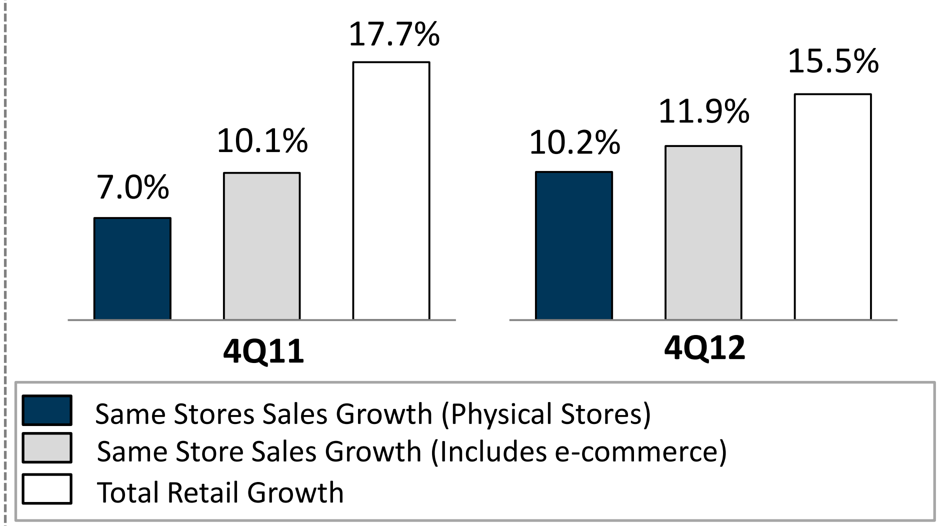
Operational Performance – Stores

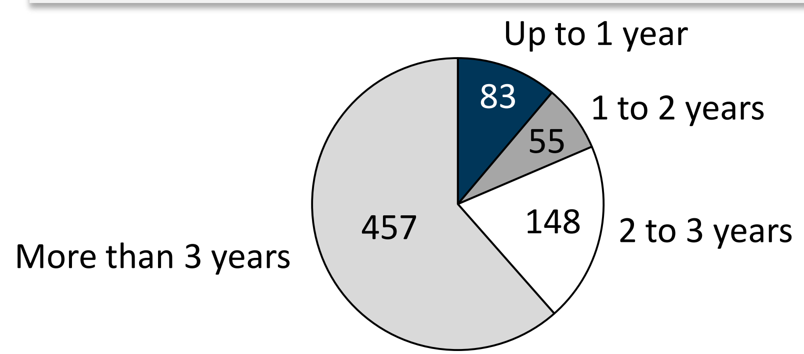
Number of Store



Same Store Sales Growth



Average Age – Stores



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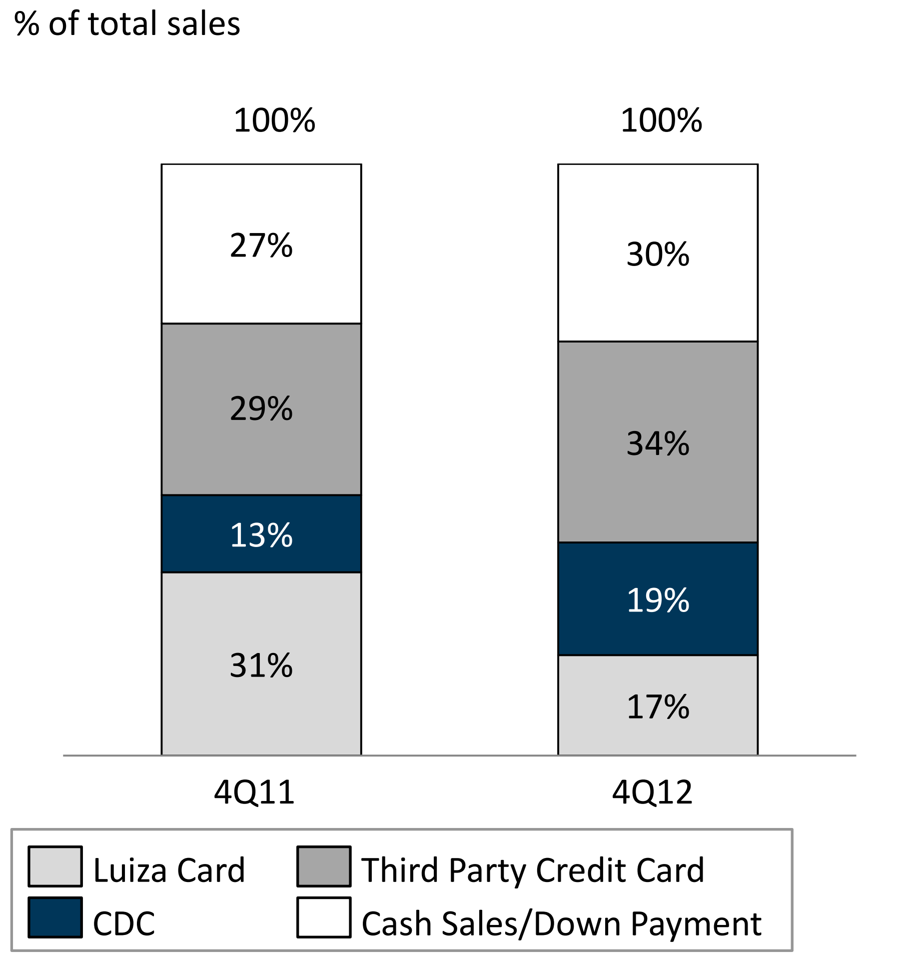
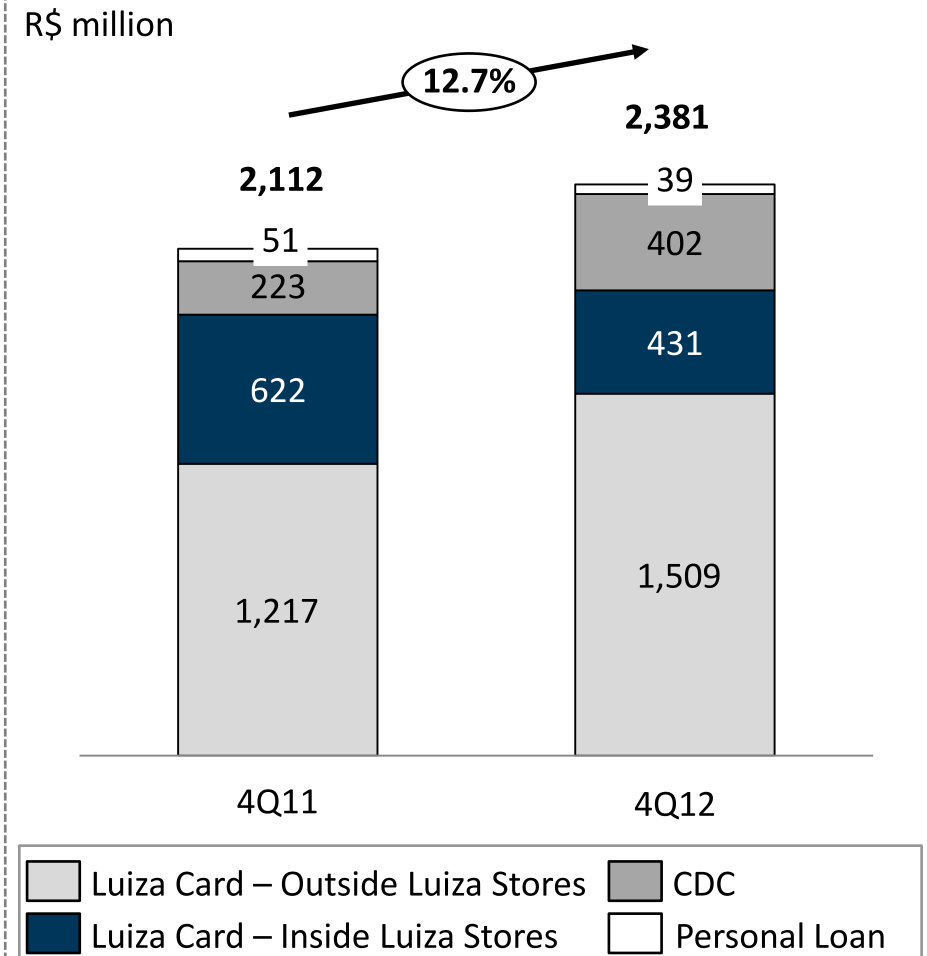
Operational Performance – Luizacred

Financed Mix Sales

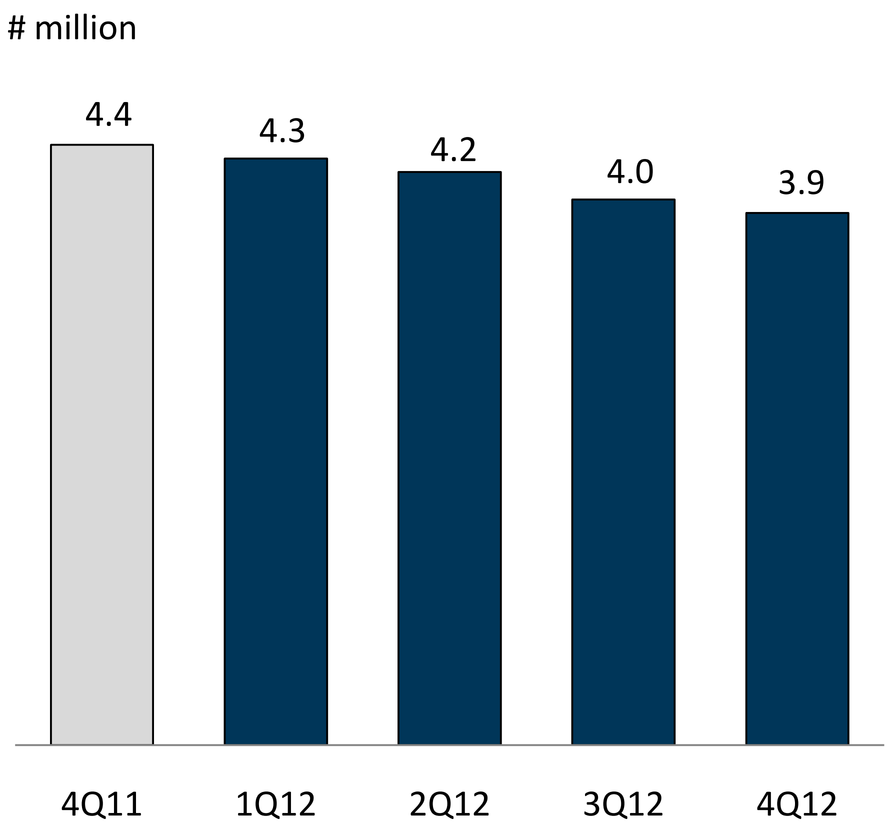


Luizacred's Revenues

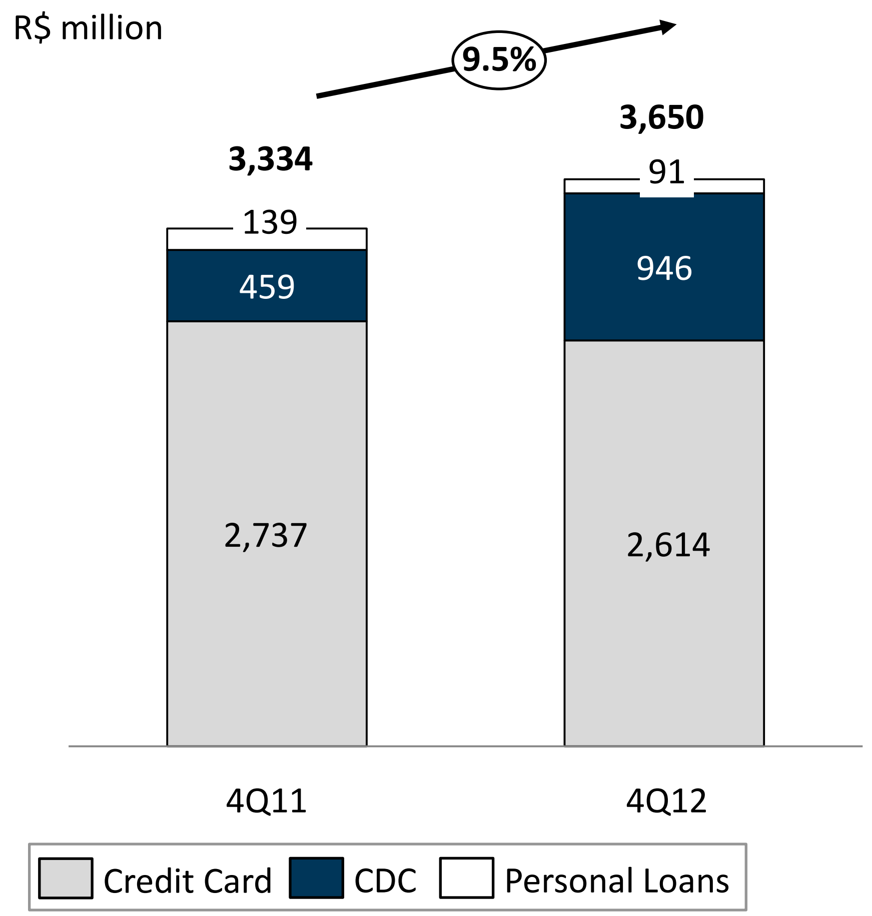


Operational Performance – Portfolio's composition

Luiza Card – Total Credit Card Base

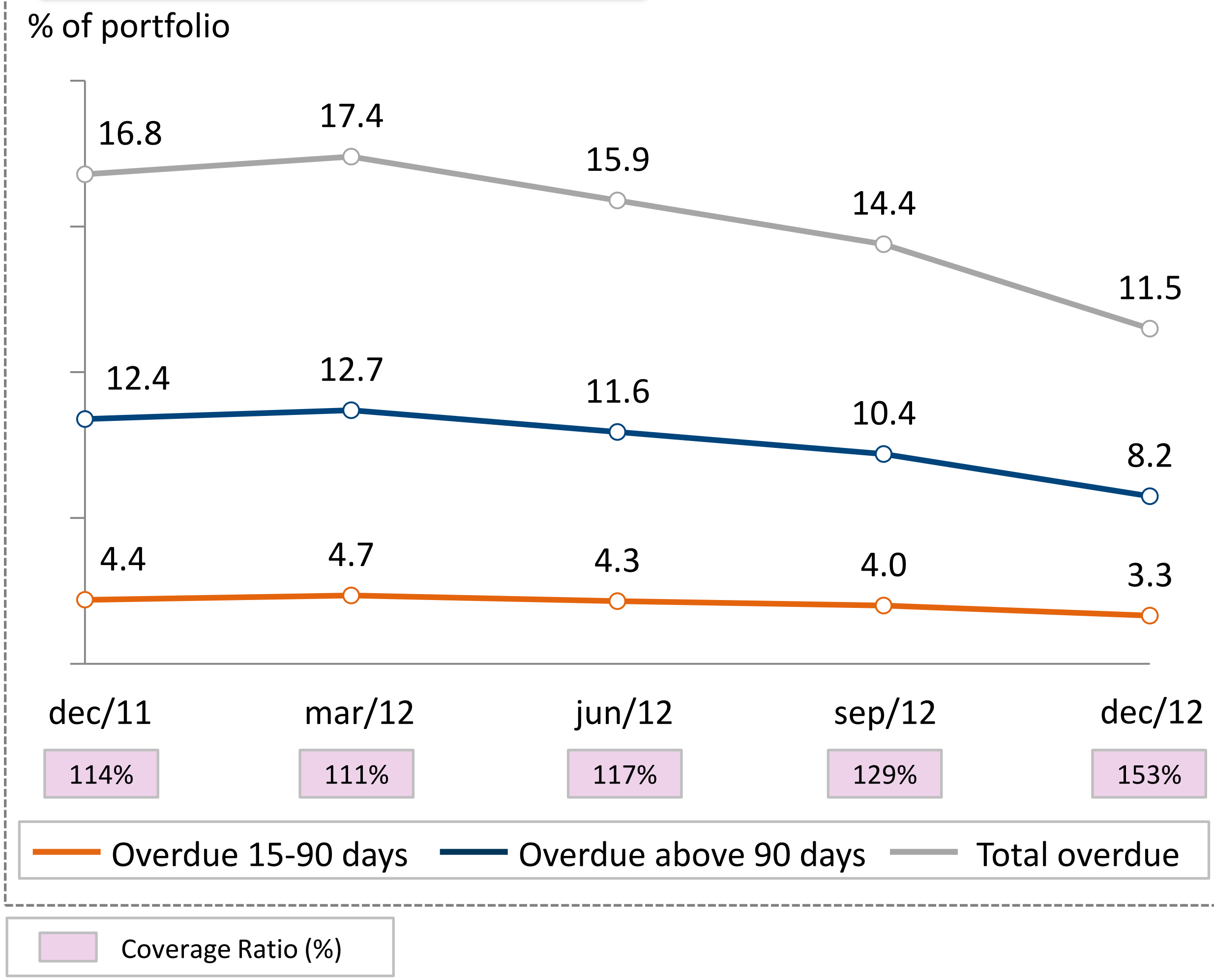


Portfolio



Luizacred Portfolio

Portfolio Overdue

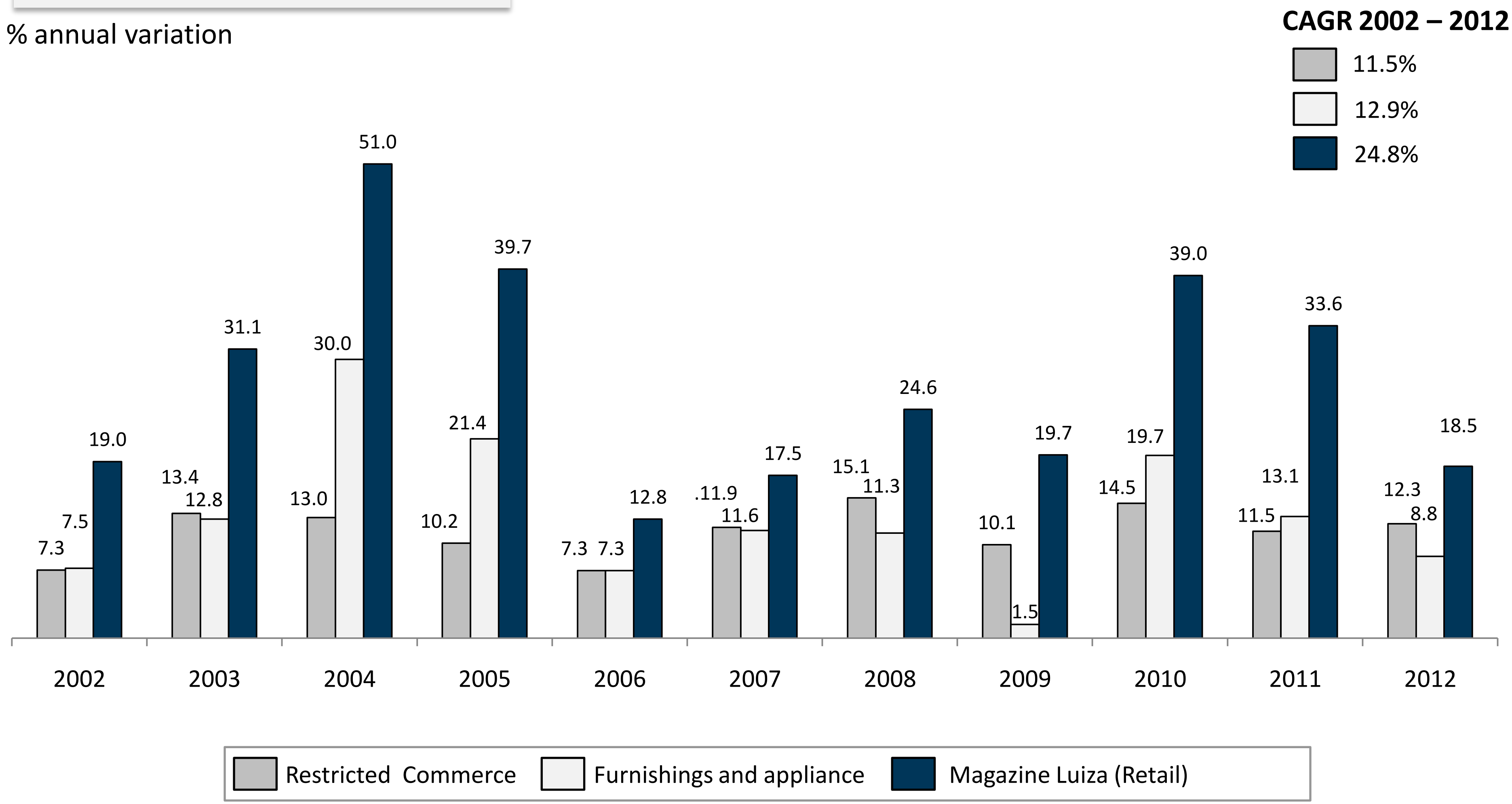


Comments

- **Default indicators** at the close of December 2012 **significantly better** than in September 2012 and December 2011
- **Provisions for loan losses:** 4.3% of the total portfolio in 4Q12, lower than the 4.7% recorded in 3Q12
- **Balance of provisions** fell by R$4.4 million in 4Q12, from R$460.8 million in September 2012 to R$456.4 million in December 2012
- **Portfolio balance** overdue by more than 90 days decreased by R$57.1 million, from R$355.9 million in September 2012 to R$298.8 million in December 2012
- **Coverage ratio** increased from 129% to 153%

Comparative Growth

Nominal Sales



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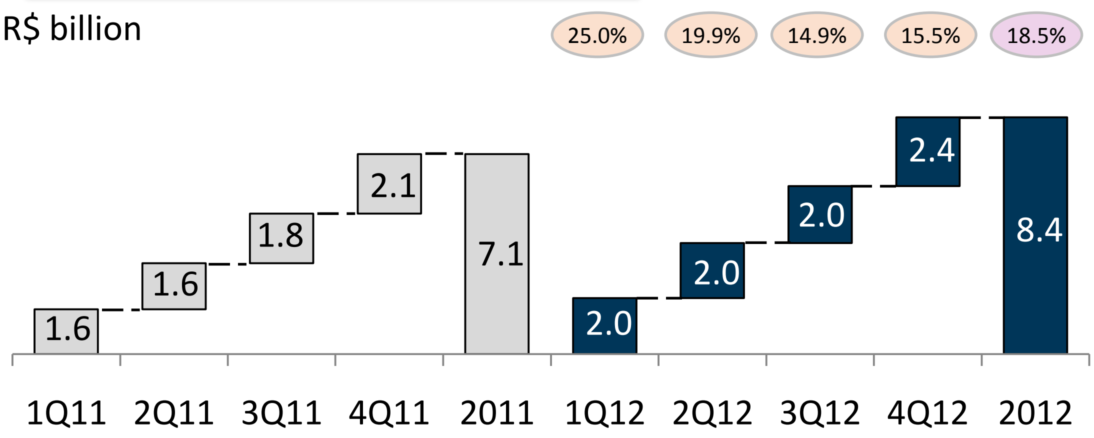
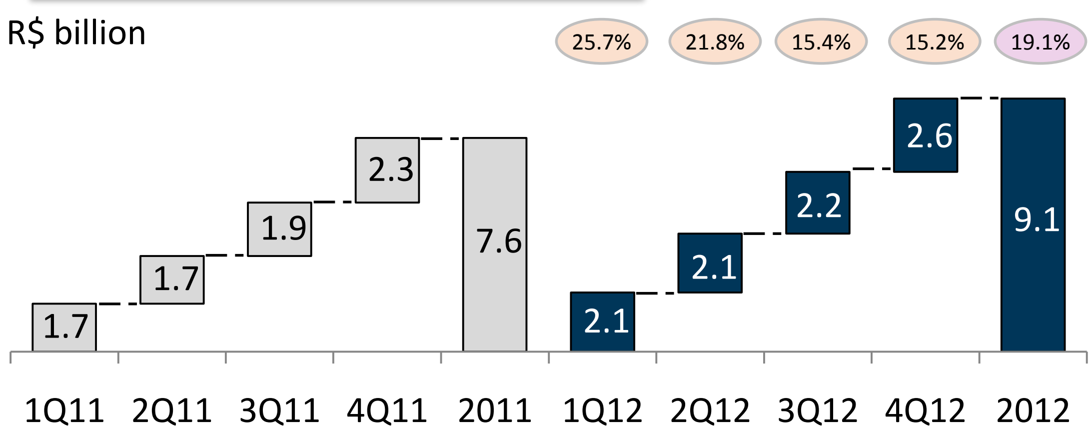
- Highlights of 4Q12 and 2012
- Operational Performance
- **Financial Performance**
- Expectations for 2013

Gross Revenue

Retail



Consolidated



Growth over the same quarter of 2011 Growth over 2011

Comments

- Magazine Luiza **grows above industry average**, highlighting sustainability of its top line growth
- **Aggressive sales expansion** demonstrates Magazine Luiza's ability to weather difficult economic conditions, passing stress test with flying colors
  - Strong growth of e-commerce (accounts for 12.8% of retail sales)
  - Northeast robust performance: 18.6% of same store sales growth
  - 9.4% growth in revenue from the consumer finance segment
- **The success of campaigns** such as Golden Clients Day and Black Friday partially offset the lower than expected Christmas sales
- **Promotions to stimulate consumption**, given the slower pace of economic activity and the increased competition

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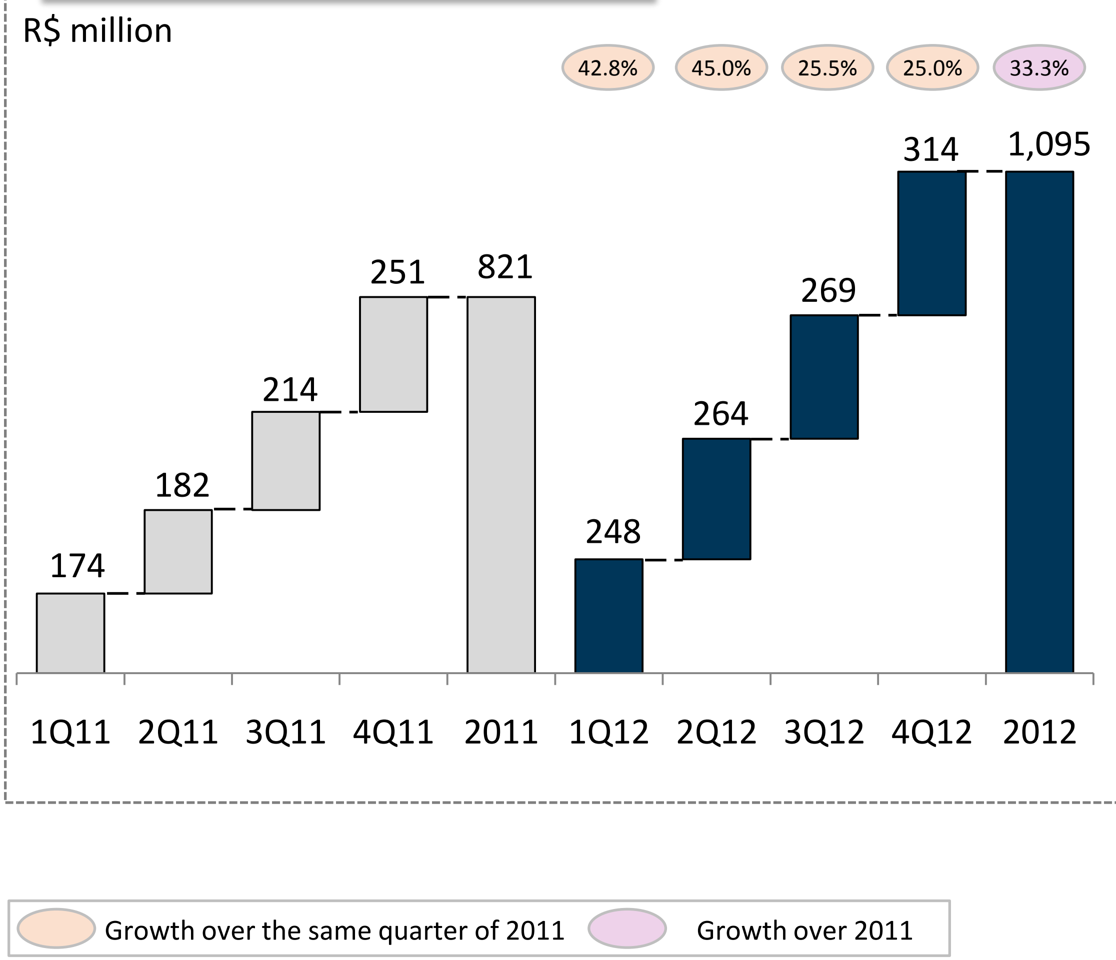
Gross Revenue – Internet

Internet



Comments

- For the first time in the Company's history, **e-commerce sales have exceeded R$1 billion**, closing 2012 at R$1.1 billion, 33.3% up on 2011
- **Main growth drivers:**
  - Growth in the number of website users
  - Expanded product assortment
  - New B2B and market place partnerships
- 2012**: e-bit's best home appliance store and most beloved store in Brazil awards**

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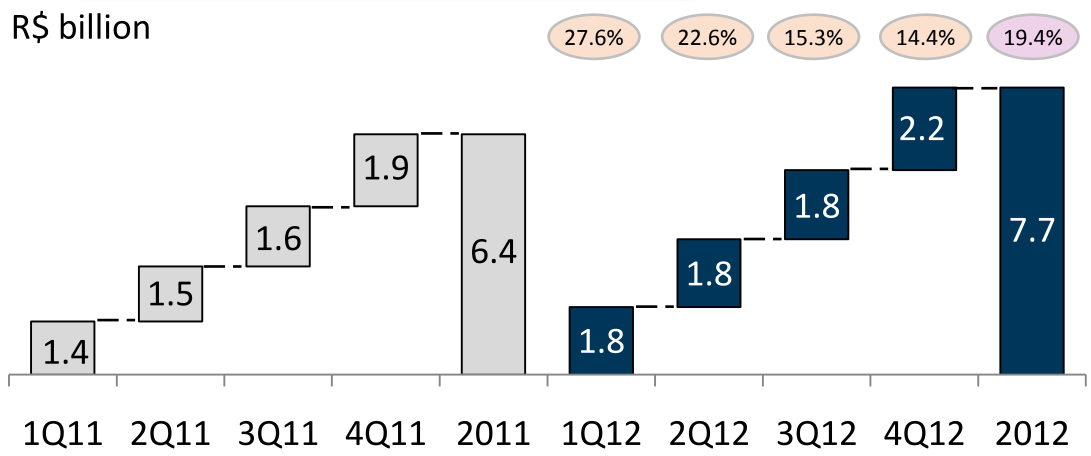
Net Revenues and Gross Profit

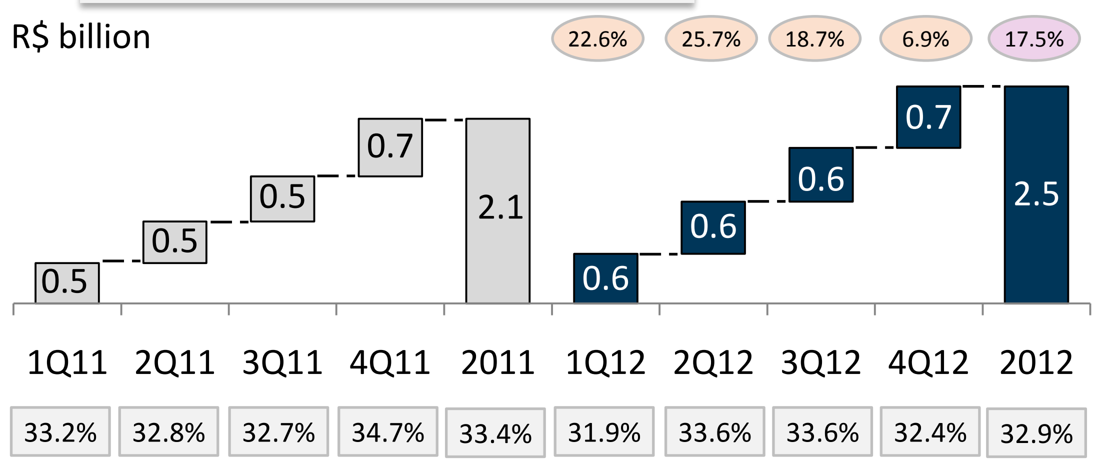
Net Revenue – Consolidated



Comments

- **Strong growth due to the retail and consumer finance segments**

Gross Profit – Consolidated



Comments

- **Impacted by non-recurring promotions** to stimulate consumption, as well as the higher share of Internet sales and the integration of the Northeast (gross margin of 26.8% in 4Q12 *versus* 28.0% in the other stores)
- **Gross margin from the consumer finance segment** - 90.6% in 4Q12, 6.5 p.p. more than 4Q11 (reduction in the CDI rate and increase in the share of direct consumer credit)

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

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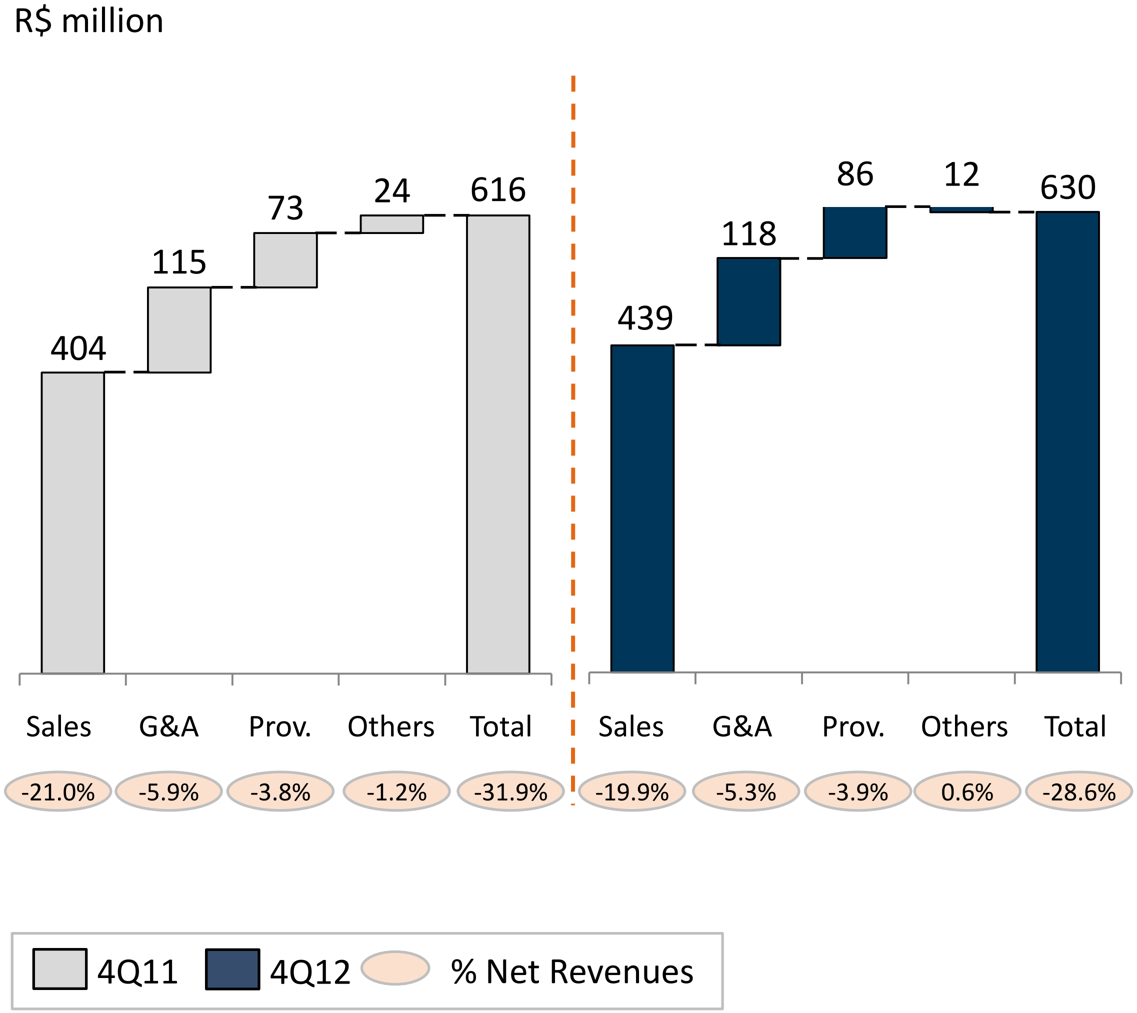
Operating Expenses – Consolidated

Operating Expenses



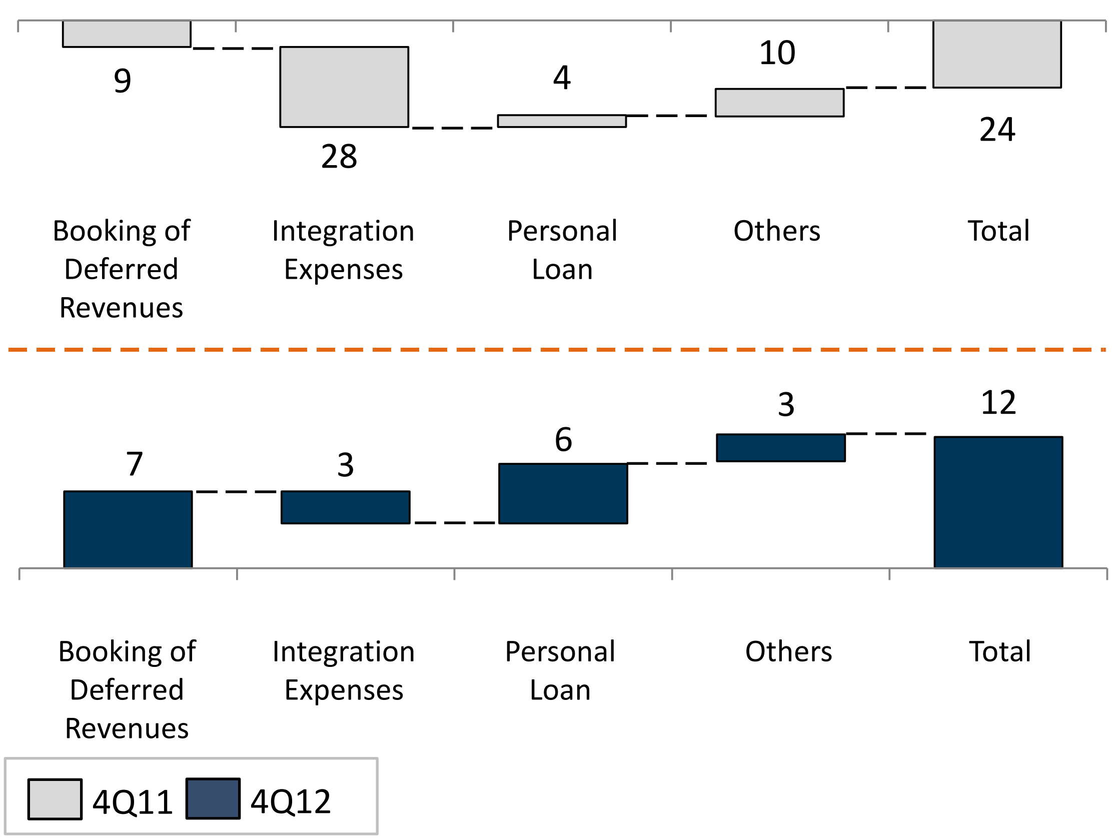
Comments

- Company's recurring operating expenses, adjusted for non-recurring expenses, **edged down by 0.7 p.p. over 4Q11**, due to the program to rationalize costs and expenses
- **Provisions for loan losses**: 0.7 p.p. reduction from 3Q12 was due to the improvement in default indicators in recent quarters
- **Opportunities of further reduction with the ongoing "*More with Less*" in 2013**, besides the maturation process of more than 1/3 of the stores

Other Operating Expenses (Revenues) – Consolidated

Other Operating Expenses (Revenues)

R$ million



Comments

- **Non-recurring expenses with the integration of the store chains, totaling R$3.0 million in 4Q12,** marking the end of the integration process of all of the stores acquired by the Company
- Recording of deferred revenue of R$7.2 million in 4Q12. Note that the reversal of deferred revenue of R$9.3 million in 4Q11 was mainly due to the change of the accounting methodology to the straight-line method in 4Q11

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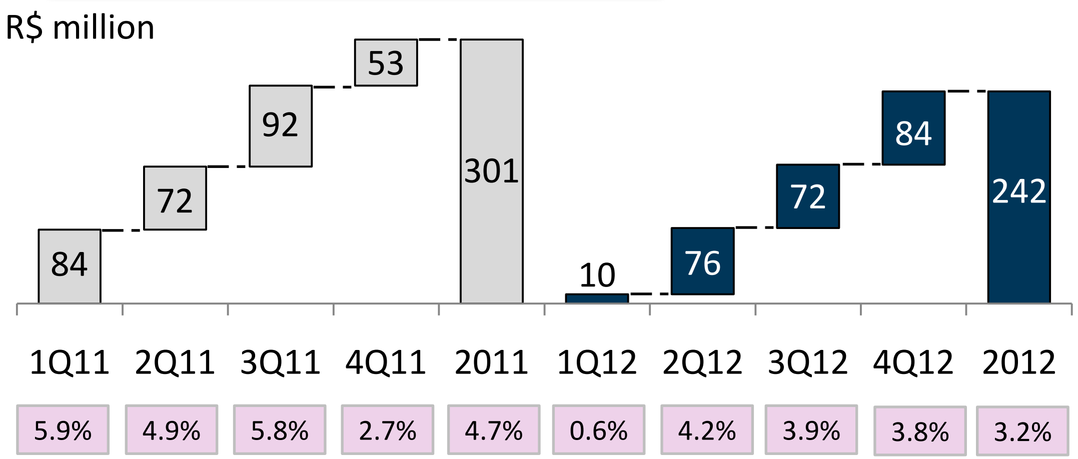
EBITDA and Adjusted EBITDA

EBITDA



Comments

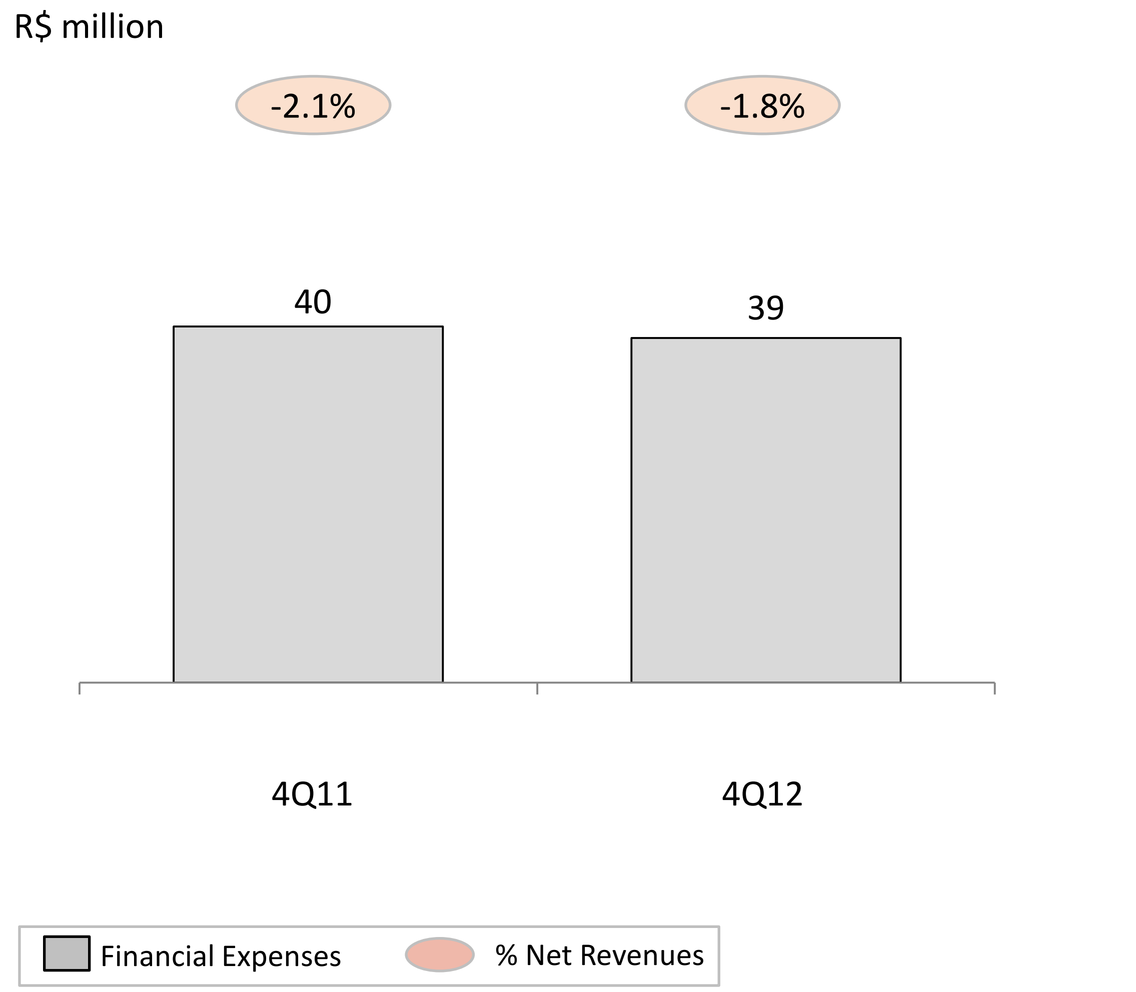
- EBITDA **chiefly impacted by the decline in the gross retail margin and by the conclusion of the Lojas Maia integration process** in October 2012**,** partially offset by sales growth, expenses reduction and improvements at Luizacred
- **EBITDA for the Northeast region was R$6.2 million in 4Q12** and does not reflect the benefits expected with the incorporation of the Maia stores

Adjusted EBITDA

Margin EBITDA (%)

Financial Expenses – Consolidated

Financial Expenses

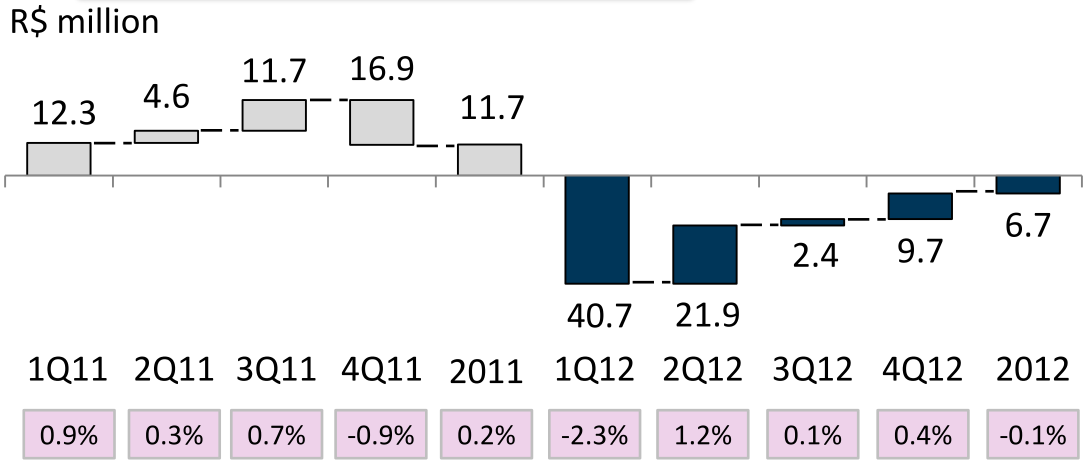


Comments

- **Financial Expenses:**
  - Reduction in the CDI rate
  - Reduction in working capital requirements for the period

Net Income and Adjusted Net Income

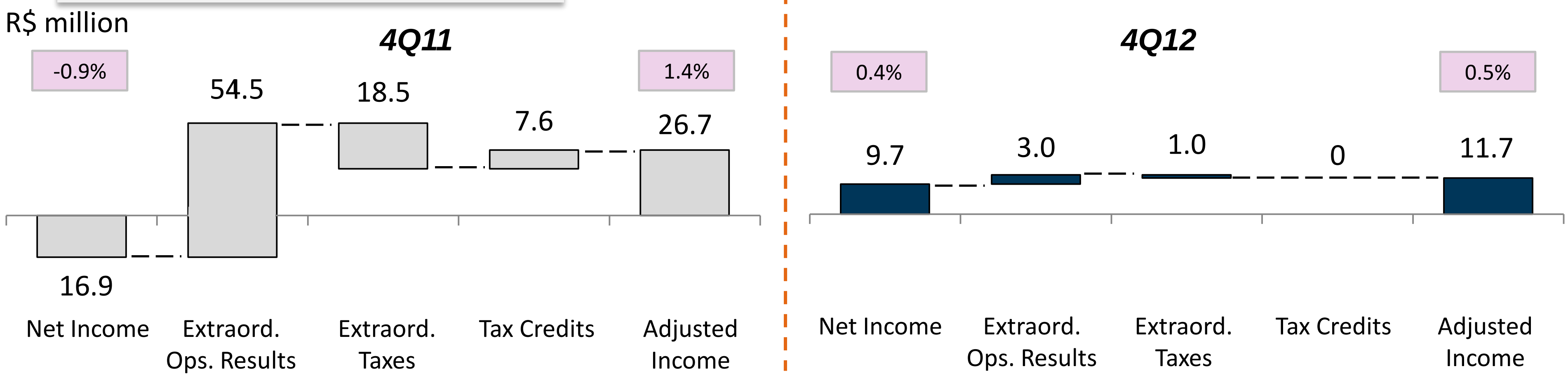
Net Income



Comments

- **4Q12:** positively impacted by sales growth, expenses reduction and improvements at Luizacred; negatively impacted by gross margin decline

Adjusted Net Income



Net Margin (%)

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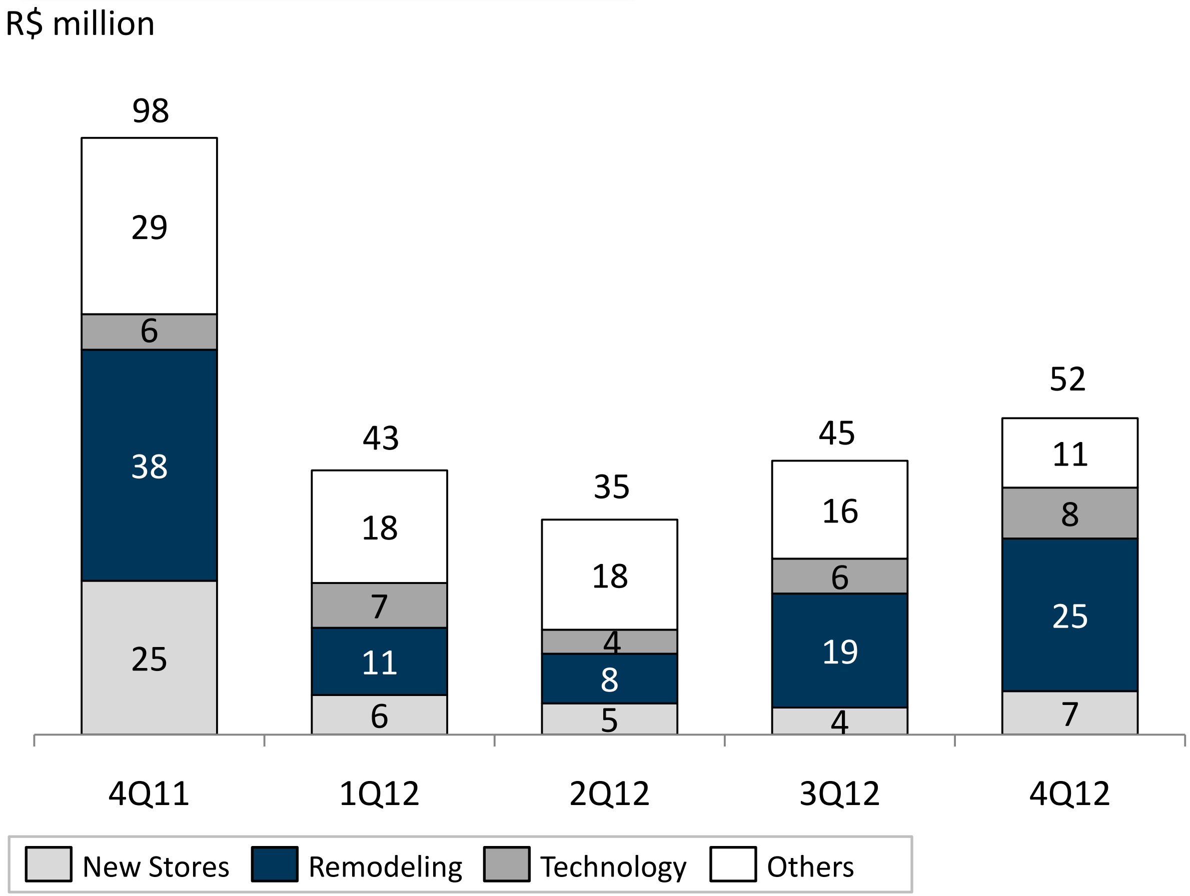
Investments

Investments



Comments

- **Significant reduction in investments over 4Q11**
- **Store remodeling** – 75, 16 of which related to the change of brand in the Salvador metropolitan region
- **New stores**
  - Opened nine bricks-and-mortar stores
  - Began investing in 12 more stores to be opened in 2013
- **Other investments include logistics, which totaled R$9.5 million in 4Q12**

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- Highlights of 4Q12
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- **Expectations for 2013**

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Expectativas para 2013

Sales Performance

- **Conservative sales growth projections**, with the aim of preserving margins in a more competitive environment
- The company plans **to open between 20 and 25 new stores**, after closing 14 stores in January 2013
- Same-store sales are expected to record high single-digit growth in the bricks-and-mortar stores and an upturn of between 20% and 30% in e-commerce

Gross Margin

- The Company expects to **reduce the difference in the gross margin** between stores in the Northeast and the stores in the other regions where it operates
- **Price Management Project**: currently being implemented; designed to increase pricing intelligence by channel, region and product family

"More with Less" Program

- **Stricter control policies for 2013**
  - Redefinition of budget processes for each department
  - Maintenance of the committee responsible for the success of the entire program
  - Adoption of "zero base" goals for each area
  - Prioritizing cost reduction projects that will be implemented during the year

Other Opportunities

- **Payroll tax exemption** and reduced electricity costs, as announced by the Federal Government
- **Higher productivity** of back office teams and Luizacred personnel in the stores
- **Lower logistics costs** with the multi-channel delivery project
- **Dilution of marketing expenses**
- **Amendment to Luizacred agreement** – operational efficiency improvement

Investor Relations

ri@magazineluiza.com.br

www.magazineluiza.com.br/ir

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