(Convenience Translation into English from the Original Previously Issued in Portuguese)

Magazine Luiza S.A.

Financial Statements for the Year Ended December 31, 2011 and Independent Auditors' Report

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders, Board of Directors and Management of
Magazine Luiza S.A.
Franca - SP

We have audited the accompanying individual and consolidated financial statements of Magazine Luiza S.A. (the "Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheets as of December 31, 2011, and the statements of income, changes in shareholders' equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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Opinion on the individual financial statements

In our opinion, the individual financial statements present fairly, in all material respects, the financial position of Magazine Luiza S.A. as of December 31, 2011, its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Magazine Luiza S.A. as of December 31, 2011, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB, and accounting practices adopted in Brazil.

Emphasis of matter

We draw attention to note 2 to the financial statements, which states that the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Magazine Luiza S.A., these accounting practices differ from the IFRS, applicable to separate financial statements, only with respect to the measurement of investments in subsidiaries, associates and joint ventures by the equity method of accounting, which, for purposes of IFRS, would be measured at cost or fair value. Our opinion is not qualified in respect of this matter.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added ("DVA"), for the year ended December 31, 2011, prepared under the responsibility of the Company's Management, the presentation of which is required by the Brazilian Corporate Law for publicly-traded companies, and as supplemental information for IFRS that does not require a presentation of DVA. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Financial statements translated into English

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Campinas, March 22, 2012

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Edgar Jabbour
Engagement Partner

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

MAGAZINE LUIZA S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2011 AND 2010
(In thousands of Brazilian reais - R$)

		Company - BR GAAP		Consolidated - IFRS and BR GAAP	
ASSETS	Note	2011	2010	2011	2010
CURRENT ASSETS					
Cash and cash equivalents	3.1.	150,980	181,263	173,117	328,865
Securities	3.2.	26,876	-	74,957	46,732
Trade accounts receivable	4	436,326	422,702	1,927,828	1,524,671
Inventories	5	1,092,081	728,147	1,264,657	849,799
Related parties	6	130,165	41,688	42,601	36,018
Recoverable taxes		18,749	43,986	24,608	46,524
Other assets		21,819	27,842	59,359	62,976
Total current assets		1,876,996	1,445,628	3,567,127	2,895,585
NONCURRENT ASSETS					
Securities	3.2.	-	-	43,267	31,951
Trade accounts receivable	4	5,858	1,661	9,407	18,714
Deferred income tax and social contribution	7	122,333	114,458	178,907	168,225
Recoverable taxes		15,182	-	31,042	10,245
Escrow deposits		53,534	24,175	88,969	47,214
Other assets		15,782	5,670	19,789	22,386
Investments in subsidiaries	8	72,877	106,142	-	-
Investments in jointly-owned subsidiaries	9	161,256	88,918	-	-
Property, plant and equipment	10	417,295	331,306	489,938	358,841
Intangible assets	11	175,716	95,149	448,908	374,619
Total noncurrent assets		1,039,833	767,479	1,310,227	1,032,195
TOTAL ASSETS		2,916,829	2,213,107	4,877,354	3,927,780

		Company - BR GAAP		Consolidated - IFRS and BR GAAP	
LIABILITIES	Note	2011	2010	2011	2010
CURRENT LIABILITIES					
Trade accounts payable	12	1,091,013	977,173	1,267,774	1,132,289
Loans and financing	13	94,979	88,876	129,671	108,758
Interbank deposits	14 e 6	-	-	981,478	852,680
Credit card operations	15 e 6	-	-	436,130	220,230
Payroll, vacation and related charges		109,726	109,218	121,596	116,525
Taxes		33,289	35,823	49,324	39,438
Related parties	6	45,737	33,775	25,492	21,666
Taxes in installments	19	2,854	8,239	2,854	43,019
Deferred income	16	19,217	20,686	24,092	25,956
Dividends payable	20	1,662	-	1,662	-
Technical insurance reserves	17	-	-	32,464	22,937
Other accounts payable		78,715	71,515	94,598	102,410
Total current liabilities		1,477,192	1,345,305	3,167,135	2,685,908
NONCURRENT LIABILITIES					
Loans and financing	13	496,278	544,868	581,664	666,115
Interbank deposits	14 e 6	-	-	-	4,045
Taxes in installments	19	4,398	6,300	4,398	6,300
Reserve for tax, civil and labor contingencies	18	84,176	58,285	173,404	182,020
Technical insurance reserves	17	-	-	17,853	20,758
Deferred income	16	230,490	207,468	294,261	296,062
Deferred income tax and social contribution	7	-	-	10,765	13,746
Other accounts payable		3,350	3,445	6,929	5,390
Total noncurrent liabilities		818,692	820,366	1,089,274	1,194,436
TOTAL LIABILITIES		2,295,884	2,165,671	4,256,409	3,880,344
SHAREHOLDERS' EQUITY					
Capital	20	606,505	43,000	606,505	43,000
Legal reserve	20	4,025	3,442	4,025	3,442
Earnings retention reserve	20	10,415	994	10,415	994
Total shareholders' equity		620,945	47,436	620,945	47,436
SHAREHOLDERS' EQUITY		2,916,829	2,213,107	4,877,354	3,927,780

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

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MAGAZINE LUIZA S.A.

STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousands of Brazilian reais - R$)

		Company - BR GAAP		Consolidated - IFRS and BR GAAP	
	Note	2011	2010	2011	2010
NET SALES	21	5,135,586	4,193,623	6,419,371	4,808,024
COST OF GOODS RESOLD, SERVICES PROVIDED FUNDING FOR FINANCIAL TRANSACTIONS	22	(3,589,901)	(2,916,704)	(4,275,084)	(3,166,261)
GROSS PROFIT		1,545,685	1,276,919	2,144,287	1,641,763
OPERATING INCOME (EXPENSES)					
Selling	23	(1,038,760)	(855,866)	(1,270,971)	(960,179)
General and administrative	23	(264,749)	(198,151)	(354,629)	(248,853)
Losses on allowance for doubtful accounts	23	(13,279)	(14,471)	(244,931)	(175,333)
Depreciation and amortization	23	(71,061)	(65,702)	(86,937)	(68,487)
Equity results	8 e 9	13,119	40,130	-	-
Other operating income, net	24	18,533	54,820	26,841	62,522
		(1,356,197)	(1,039,240)	(1,930,627)	(1,390,330)
OPERATING INCOME (LOSS) BEFORE FINANCIAL INCOME (LOSS)		189,488	237,679	213,660	251,433
FINANCIAL INCOME (LOSS)					
Financial Revenue	25	38,573	27,438	51,686	36,562
Finacial Expenses	25	(213,395)	(182,515)	(217,409)	(178,027)
		(174,822)	(155,077)	(165,723)	(141,465)
OPERATING INCOME (LOSS) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		14,666	82,602	47,937	109,968
Current and deferred income tax and social contribution	7	(3,000)	(13,768)	(36,271)	(41,134)
NET INCOME (LOSS)		11,666.00	68,834.00	11,666.00	68,834.00
Income (loss) attributable to:					
Company's shareholders		11,666	68,834	11,666	68,834
EARNING (LOSS) PER SHARE					
Arising from continuing operations:					
Basic (Brazilian reais per share)	20	0.07	0.46	0.07	0.46

There is no other comprehensive income (loss) in the reporting years.

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

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MAGAZINE LUIZA S.A.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousands of Brazilian reais - R$)

	Note	Capital	Legal reserve	Earnings retention reserve	Accumulated losses	Total
BALANCES AS OF DECEMBER 31, 2009		220,000	34	651	(226,748)	(6,063)
Capital reduction for absorption of accumulated losses		(177,000)	-	-	177,000	-
Loss for the year		-	-	-	68,834	68,834
Transfer to absorb accumulated losses with legal reserve		-	(34)	(651)	685	-
Allocations:						
Legal reserve		-	3,442	-	(3,442)	-
Recognition of earnings retention reserve		-	-	994	(994)	-
Distribution of dividends		-	-	-	(15,335)	(15,335)
BALANCES AS OF DECEMBER 31, 2010		43,000	3,442	994	-	47,436
Capital increase, net of expenses related to the tender offer and tax effects	20	563,505	-	-	-	563,505
Net income for the year		-	-	-	11,666	11,666
Allocations:						
Legal reserve	20	-	583	-	(583)	-
Earnings retention reserve	20	-	-	9,421	(9,421)	-
Distribution of dividends	20	-	-	-	(1,662)	(1,662)
BALANCES AS OF DECEMBER 31, 2011		606,505	4,025	10,415	-	620,945

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

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MAGAZINE LUIZA S.A.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousands of Brazilian reais - R$)

		Company - BR GAAP		Consolidated - IFRS and BR GAAP	
	Note	2011	2010	2011	2010
CASH FLOW FROM OPERATING ACTIVITIES					
Net income (loss) for the year		11,666	68,834	11,666	68,834
Adjustments to reconcile loss cash provided by (used in) operating activities:					
Income tax and social contribution expense recognized in the statement of income	7	3,000	13,768	36,271	41,134
Depreciation and amortization		71,061	65,702	86,937	68,487
Interest on loans and financing accrued		89,489	80,725	106,380	85,700
Income from the joining the tax installment program (Law 11941/09)		(17,537)	-	(17,537)	-
Equity in subsidiaries	8 e 9	(13,119)	(40,130)	-	-
Provision for losses on assets		19,359	(1,586)	248,511	141,690
Reserve for contingencies		28,735	32,759	16,840	36,864
Write-off of property, plant and equipment and intangible assets	24	(10,342)	2,388	(10,133)	18,972
Realization of deferred income	24	(26,447)	(54,947)	(27,665)	(50,539)
Reimbursement of taxes	24	-	(9,611)	-	(9,611)
(Increase) decrease in operating assets:					
Trade accounts receivable		(27,742)	79,383	(638,781)	(458,344)
Securities		-	-	(12,665)	(15,503)
Inventories		(326,766)	(196,674)	(418,438)	(257,737)
Related parties		(92,829)	(1,002)	(23,003)	(17,375)
Recoverable taxes		15,591	(14,321)	1,120	6,093
Other assets		(32,926)	(17,934)	(35,541)	(61,790)
(Increase) decrease in operating liabilities:					
Suppliers		78,086	280,798	132,951	395,313
Interbank deposits		-	-	124,753	283,437
Credit card operations		-	-	215,900	99,695
Technical insurance reserves		-	-	6,622	8,438
Payroll, vacation and related charges		(2,277)	40,820	5,071	40,897
Taxes payable		463	19,890	7,164	(1,101)
Related parties		(32,408)	2,809	3,826	(656)
Taxes in installments		(7,648)	(3,360)	(42,428)	(3,360)
Other accounts payable		28,499	(9,378)	(5,063)	5,994
Cash provided by (used in) operating activities		(244,092)	338,933	(227,242)	425,532
Income tax and social contribution on net income paid		(3,596)	(20,124)	(36,340)	(20,124)
Receipt of subsidiary dividends		13,028	8,713	-	-
Cash provided by (used in) operating activities		(234,660)	327,522	(263,582)	405,408
CASH FLOW FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	10	(129,727)	(88,373)	(179,980)	(92,814)
Purchase of intangible assets	11	(24,477)	(30,425)	(30,237)	(30,836)
Sale of exclusivity and exploration right agreement	16	48,000	-	24,000	80,000
Exclusive investment fund redemption		(1,379,687)	-	(1,379,687)	-
Income from exclusive investment fund		1,370,348	-	1,370,348	-
Investment in subsidiary		(12,000)	-	-	-
Acquisition of subsidiaries		(106,955)	(64,948)	(106,955)	(61,830)
Receipt of property, plant and equipment sales		15,568	-	32,125	-
Cash provided by (used in) investing activities		(218,930)	(183,746)	(270,386)	(105,480)
CASH FLOW FROM FINANCING ACTIVITIES					
Capital increase due to tender offer		552,993	-	552,993	-
Loans and financing		182,691	178,952	182,758	319,873
Payment of loans and financing		(247,714)	(247,335)	(273,076)	(405,911)
Payment of interest on loans and financing		(71,808)	(63,554)	(84,455)	(63,734)
Payment of dividends		-	(13,700)	-	(13,700)
Cash (used in) provided by financing activities		416,162	(145,637)	378,220	(163,472)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(37,428)	(1,861)	(155,748)	136,456
Cash and cash equivalents at the beginning of the year		181,263	183,124	328,865	192,409
Caixa recebido por incorporação de controlada	8	7,145	-	-	-
Cash and cash equivalents at the end of the year		150,980	181,263	173,117	328,865
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(37,428)	(1,861)	(155,748)	136,456

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

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MAGAZINE LUIZA S.A.

STATEMENTS OF VALUE ADDED FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	2011	2010	2011	2010
REVENUES				
Sale of goods, products and services	5,787,070	4,777,414	7,266,423	5,412,530
Allowance for doubtful accounts, net of reversals	(13,279)	(14,471)	(244,931)	(175,333)
Other operating income	34,276	105,029	119,602	213,040
	5,808,067	4,867,972	7,141,094	5,450,237
INPUTS PURCHASED FROM THIRD PARTIES				
Cost of products, goods and services sold	(3,951,735)	(3,060,552)	(4,636,916)	(3,369,693)
Materials, electric power, outside services and other	(464,413)	(390,424)	(669,210)	(470,355)
Loss and recovery of asset amounts	(9,193)	(10,842)	(9,193)	(10,842)
	(4,425,341)	(3,461,818)	(5,315,319)	(3,850,890)
GROSS VALUE ADDED	1,382,726	1,406,154	1,825,775	1,599,347
DEPRECIATION AND AMORTIZATION	(71,061)	(65,702)	(86,937)	(68,487)
NET VALUE ADDED GENERATED BY THE ENTITY	1,311,665	1,340,452	1,738,838	1,530,860
VALUE ADDED RECEIVED IN TRANSFER				
Equity in subsidiaries	13,119	40,130	-	-
Financial income	37,720	37,588	50,848	46,712
WEALTH FOR DISTRIBUTION	1,362,504	1,418,170	1,789,686	1,577,572
WEALTH DISTRIBUTED				
Employees:				
Salaries and wages	478,747	363,691	557,942	385,933
Benefits	86,869	78,352	104,903	81,196
FGTS	40,410	33,355	47,247	35,432
	606,026	475,398	710,092	502,561
Taxes and contributions:				
Federal	234,882	197,312	401,635	280,391
State	156,654	370,683	267,468	413,968
Municipal	20,232	14,730	26,554	18,516
	411,768	582,725	695,657	712,875
Interest on debt:				
Interest	187,229	183,292	189,682	173,662
Rentals	121,210	97,871	154,964	107,956
Other	24,605	10,050	27,625	11,684
	333,044	291,213	372,271	293,302
Interest on capital:				
Dividends	1,662	15,335	1,662	15,335
Retaned Earnings	10,004	53,499	10,004	53,499
	1,362,504	1,418,170	1,789,686	1,577,572

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

1. OPERATIONS

Magazine Luiza S.A. (the “Company”) is primarily engaged in the retail sale of consumer goods (mainly home appliances, personal electronics and furniture), through physical and virtual stores or through e-commerce, with headquarters in the city of Franca, State of São Paulo, Brazil. Its parent and holding company is LTD Administração e Participação S.A.

On December 31, 2011, the Company and its subsidiaries owned 728 stores (604 stores in 2010) and 8 distribution centers (8 distribution centers in 2010), located in the South, Southeast, Mid-west and Northeast regions of Brazil.

The Company holds ownership interest in other companies, as described below:

a) Luizacred S.A. - Sociedade de Crédito, Financiamento e Investimento (“Luizacred”) - Subsidiary jointly controlled with Banco Itaúcard S.A., engaged in the offer, distribution and sale of financial products and services to the customers of Magazine Luiza’s store chain.

b) Luizaseg Seguros S.A. (“Luizaseg”) - Subsidiary jointly controlled with NCVP Participações Societárias S.A., a subsidiary of Cardif do Brasil Seguros e Previdência S.A., engaged in the development, sale and management of extended warranties for any kind of product sold in Brazil, to the customers of Magazine Luiza’s store chain.

c) Luiza Administradora de Consórcios Ltda. (“LAC”) - Wholly-owned subsidiary engaged in the management of consortium groups created to purchase vehicles, motorcycles, home appliances and furniture.

d) F.S. Vasconcelos & Cia Ltda. (“Lojas Maia”) - Wholly-owned subsidiary, represented by a store chain, operating in the same business segment as Magazine Luiza S.A. in the Northeast region of Brazil, acquired in July 2010.

In 2011, the Company acquired New-Utd Utilidades Domésticas S.A. (“New-Utd”), a company whose net assets comprise the 121 stores of BF Utilidades Domésticas Ltda. and BF PAR Utilidades Domésticas Ltda., the corresponding lease agreements, furniture, equipment and facilities, as well as the IT structures (hardware and software). The acquisition process was concluded with the merger of New-Utd on October 31, 2011. See detailed information in note 8.

Magazine Luiza S.A. and its subsidiaries and jointly-owned subsidiaries are hereinafter referred to as “Group” for purposes of this report, unless otherwise stated.

2. PRESENTATION AND PREPARATION OF THE FINANCIAL STATEMENTS

2.1. Statement of Compliance

The Group's financial statements comprise:

- The consolidated financial statements prepared in accordance with the International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board- IASB, and the accounting practices adopted in Brazil, identified as "Consolidated" (IFRS and BR GAAP); and

- The parent company financial statements of the Company prepared in accordance with accounting practices adopted in Brazil, identified as Company - BR GAAP.

The accounting practices adopted in Brazil include those established in the Brazilian Corporate Law as well as the Pronouncements, Instructions and Interpretations issued by the Accounting Pronouncements Committee ("CPC") and approved by the Brazilian Securities and Exchange Commission ("CVM").

The parent company financial statements present the valuation of investments in subsidiaries and jointly-owned subsidiaries under the equity method. Therefore, these parent company financial statements are not considered fully compliant with IFRS, which require these investments to be stated at fair value or cost in the Company's parent company financial statements.

As there is no difference between the consolidated shareholders' equity and the consolidated net income attributable to the shareholders of the Company, disclosed in the consolidated financial statements prepared in accordance with IFRS and accounting practices adopted in Brazil, and the Parenty company's shareholders' equity and net income, disclosed in the parent company financial statements prepared in accordance with accounting practices adopted in Brazil, the Company opted for presenting alongside these parent company and consolidated financial statements in a single document.

2.2. Basis of preparation

The financial statements have been prepared based on the historical cost, except for certain financial instruments measured at their fair values, as described in the following accounting practices. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

A summary of main accounting practices applied to the financial statements for the years ended December 31, 2011 and 2010 is as follows:

2.3. Basis of consolidation and investments in subsidiaries and jointly-owned subsidiaries

The Company fully consolidated its financial statements and all subsidiaries' financial statements. The Company controls an entity when it directly or indirectly has the majority of voting rights in the Shareholders' Meeting or the power to determine the financial and operating policies, with a view to obtaining benefits from the entity's activities. The financial statements of a jointly-owned subsidiary were consolidated in proportion to the ownership interest the Company holds. Shared control occurs when the strategic, financial and operating decisions concerning the activities are taken only by unanimous agreement of the parties that hold the control.

In the parent company financial statements, the financial information on subsidiaries and jointly-owned subsidiaries are recognized under the equity method.

The net income of the subsidiary acquired during the year is included in the consolidated financial statements as of the actual acquisition date.

When necessary, the subsidiaries' and jointly-owned subsidiaries' financial statements are adjusted to conform their accounting policies to those of the Group. All transactions, balances, revenue and expenses with subsidiaries are fully eliminated in consolidation. In the case of jointly-owned subsidiaries, the elimination is in proportion to the ownership interest the Company holds.

2.4. Business combination

In the consolidated financial statements, business acquisitions are accounted for under the acquisition method, consisting of the sum of the fair values of assets transferred and liabilities assumed when the control of the acquiree is transferred (acquisition date). Acquisition-related costs (due diligence and attorneys' fees, etc.) are recognized in income for the year, when incurred.

Goodwill on acquisitions is stated as the cost of business combinations exceeding the buyer's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill and other intangible assets with indefinite useful lives are not amortized; however the asset is tested for impairment at least annually (see item 2.5 below). Any permanent impairment loss identified is immediately recorded in income for the year and is not subject to subsequent reversal.

When a subsidiary or jointly-owned subsidiary is sold, the goodwill is included in the calculation of the gains or losses on the sale.

If the buyer's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is higher than the acquisition cost, the excess amount (previously known as negative goodwill) is recorded as immediate gain in the statement of income in the year of acquisition.

Goodwill on acquisition will be adjusted during the measurement period (period of up to 12 months after the acquisition date), if contingent assets and liabilities attributable to the acquisition date are identified during such period. After the measurement period, the contingent consideration attributable to the asset or liability is remeasured on the subsequent reporting dates in accordance with IAS 39 (equivalent to technical pronouncement CPC 38), or IAS 37 - Reserves, Contingent Liabilities and Contingent Assets (equivalent to technical pronouncement CPC 25), as applicable, and the related gain or loss is recognized in income (loss) for the year in progress.

In the parent company financial statements, the Company complies with Technical Interpretation ICPC - 09, according to which the amounts exceeding the acquisition cost on the Company's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities on the acquisition date are recognized as goodwill, which is added to the carrying amount of the investment. The fair value of the identifiable assets, liabilities and contingent liabilities in excess of the acquisition cost must be immediately recognized in income (loss). Consideration transferred and the net fair value of assets and liabilities are measured using the same criteria applicable to the consolidated financial statements, described above.

2.5. Allocation of goodwill balances

The goodwill arising from a business combination is stated at cost on the date of the business combination (see item 2.4 above), net of the accumulated impairment loss, if any.

To determine the recoverable amount of assets, they are grouped at their lowest levels for which there are separately identifiable cash flows (Cash Generating Units - CGUs), as described in note 11.

The cash-generating units to which goodwill was allocated are annually tested for impairment or more frequently when there are indications that the CGU will show a below-than-expected performance. If the recoverable amount of a cash-generating unit is lower that its carrying amount plus the goodwill attributable to such cash-generating unit, impairment losses are firstly allocated to write down the goodwill allocated to the CGU and subsequently to the other assets of the CGU, prorated to the carrying amount of each of its assets. Impairment losses on goodwill are directly recorded in the statement of income for the year in which it was identified, which is not reversed in subsequent periods, even if the factors requiring its recording no longer exist.

2.6. Interests in joint ventures

A joint venture is a contractual agreement through which the Group and other parties exercise an economic activity subject to joint control, where the decisions on financial, operating and strategic policies relating to the joint venture activities require the approval of all parties sharing control. Existing joint venture agreements, in the case of the Company, comprise the organization of a separate entity where each investor holds an interest therein (hereinafter referred to as “jointly-owned subsidiaries”).

The Group recognizes its interests in jointly-owned subsidiaries in its consolidated financial statements under the proportionate consolidation method. The Group’s interests in assets, liabilities and income and loss of jointly-owned subsidiaries are combined, in proportion to the Company's interest, with the corresponding items in the Group’s consolidated financial statements, on a line by line basis, excluding intercompany transactions and balances, in proportion to the Company's interest.

In the parent company financial statements, interests in jointly-owned subsidiaries are recognized under the equity method.

When a Group company carries out transactions with its jointly-owned subsidiaries, the related gains or losses are recognized in the consolidated financial statements only to the extent of the portion attributable to the interest of other investors.

2.7. Revenue calculation

2.7.1. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, less any expected returns, discounts and taxes on sales.

a) Resale of products

Revenues from resale are recognized when products are delivered and their legal ownership is transferred, also taking into account the fulfillment of the following conditions:

- Transfer to the buyer of significant risks and benefits related to product ownership.
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the resold products.
- Revenue can be reliably measured.
- It is probable that the economic benefits associated with the transaction will flow to the Company or the Group; and
- Incurred or unincurred costs related to the transaction can be reliably measured.

b) Loans

Loans are recorded over the duration of the agreements on a *pro rata die* basis, in accordance with the corresponding agreed interest rates.

c) Insurance

Insurance premiums and their acquisition costs are recorded in income (loss) when the policies or invoices are issued, adjusted using the variation in unearned premiums reserves and deferred acquisition costs, in accordance with the term elapsed of policies and invoices.

d) Management of consortium groups

Revenue from management fee of consortium groups is recorded on a monthly basis after the installments from consortium members are effectively received which, for the consortium management activities, represents the effective service rendering period.

2.7.2. Costs on goods resold and services rendered

Include costs with the acquisition of goods and services provided, less adjustments of costs received from suppliers and recoverable ICMS tax substitution. Freight expenses related to the transportation of goods from suppliers to the distribution centers are included in cost of resale of goods. In the consolidated, it also includes income from financial intermediation on funding transactions.

2.7.3. Adjustment to present value

Relevant long- and short-term assets and liabilities are discounted to present value based on the discount rate that reflects best market evaluations of the time value of money and liability risks and asset expectations on their original dates.

Retail activities

The main transactions resulting in adjustments to present value refer to the purchase of goods for resale in installments and resale of goods, whose balances are paid in installments by customers, at fixed interest rates, and discounted to present value on transaction dates, due to their installment terms.

The discount rate used is tied to the yield of the Interbank Deposit Rate (“CDI”), which is considered by the Group’s Management as a risk-free rate of return, taking into consideration the risks of the country. Such rate is adjusted by Management to reflect the Company’s operating risks and is based on the average rate of financial charges on funding incurred by the Group. Additionally, such adjusted rate includes other probabilities associated with the realization of trade accounts receivable and settlement of trade accounts payable.

Discount rates used were:

	2011	2010
Discount rate - per year	11.74%	12.24%
Relative percentage rate of CDI	108%	115%

The adjustment to present value relating to the purchase of goods for resale is recorded under line item “Trade accounts payable” (with a corresponding entry to line item “Inventories”). Its reversal is recorded under line item “Cost of resales, services and fund raising for financial operations”, according to maturity.

The adjustment to present value of installment resale of goods is recorded under “Accounts receivable”. Its realization is recorded under “Revenue from resale of goods”, according to maturity.

A portion of financial costs incurred by the Company, in proportion to the loan granted to customers, is recorded as cost of sales as a corresponding entry to the financial income recorded as revenue from sales.

Loans

Loans in the jointly-owned subsidiary Luizacred are stated at present value, based on agreed interest rates and variations in operation indexes.

No significant adjustments to the calculation at present value of long-term liabilities, such as taxes paid in installments and reserve for tax, civil and labor contingencies, were identified, considering mainly that the balances of these line items correspond to the Company’s Management best estimate of disbursement as of December 31, 2011 and 2010, and are adjusted for inflation, when applicable.

2.7.4. Advertising expenses are recognized in income (loss) in the period advertisements are placed, less suppliers’ interest, which is reimbursable to the Group.

2.7.5. Freight expenses related to the transportation of goods between distribution centers and physical stores and delivery of products resold to consumers are recognized as selling expenses.

2.8. Functional currency and translation of foreign currency-denominated balances

(a) Functional and reporting currency of financial statements

The Group's functional currency is the Brazilian real (R$). The subsidiaries' and jointly-owned subsidiaries' financial statements consolidated by the Company and those used as basis for accounting for investments under the equity method are also prepared in Brazilian reais (R$).

(b) Transactions denominated in foreign currency

Monetary assets and liabilities indexed to foreign currencies are translated into Brazilian reais at the exchange rate in effect at the balance sheet dates. Currency translation differences are recorded as financial income or expenses in the statement of income.

2.9. Financial instruments

Financial assets and financial liabilities are recognized when a Group entity is a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are originally measured at fair value. The fair value of financial assets and financial liabilities is added to or deducted from the transaction costs directly attributable to the purchase or issue of such financial assets and financial liabilities (except for financial assets and financial liabilities recognized at fair value through profit or loss) after initial recognition, when applicable. The transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are immediately recognized in profit or loss.

Financial assets

Financial assets are classified in the following specific categories: (1) financial assets measured at fair value through profit or loss; (2) held-to-maturity financial assets; (3) available-for-sale financial assets; and (4) loans and receivables. Such classification depends on the nature and purpose of the financial assets and is determined upon initial recognition. All regular way purchases or sales of financial assets are recognized or derecognized on the trade date. Regular way purchases or sales of financial assets correspond to those requiring the delivery of assets within a period established by standard or market practices.

Effective interest method

The effective interest method is a method for calculating the amortized cost of a financial asset and allocating interest income over the period such asset is held by the Group. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that are an integral part of the effective interest rate, transaction costs, and other premiums or discounts) through the expected financial asset life, or, when appropriate, for a shorter period.

Financial assets at fair value through profit or loss

Gains or losses on financial assets at fair value through profit or loss are directly recognized in income (loss). Net gains or losses recognized in income (loss) include dividends or interest income on the financial asset. Fair value is determined as described in note 29.

Financial assets are classified at fair value through profit or loss when they are held for trading, based on the following assumptions:

- Purchased principally for the purpose of selling it in the near term.

- Part of a portfolio of identified financial instruments that are jointly managed and for which there is evidence of a recent actual pattern of short-term profit-taking; or

- A derivative not designated and maintained as an effective hedge instrument.

A financial asset that is not held for trading can be designated at fair value through profit or loss upon initial recognition when:

- This designation eliminates or significantly reduces an inconsistency that might arise upon measurement or recognition.

- The financial asset is part of a group of financial assets or liabilities, or both, whose performance is evaluated based on its fair value in accordance with the risk management policy and investment strategies set by the Group's Management; or

- If the financial asset is part of a contract containing one or more embedded derivatives and IFRS permits that the combined contract as a whole (assets or liabilities) be designated at fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments refer to non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has a positive intention or ability to hold to maturity. Held-to-maturity investments are stated at amortized cost using the effective interest method, less the provision for impairment, when applicable, whose revenues are recognized based on the effective return rate.

Available-for-sale financial instruments

Listed redeemable securities, when held by the Group, traded on an active market, to be classified as available for sale and measured at fair value. Fair value is determined as described in note 29. Gains and losses on changes in the fair value are directly recognized in shareholders' equity, when applicable, except for impairment losses, interest calculated using the effective interest method and gains and losses on the exchange rate change of monetary assets, which are directly recognized in income (loss). Other changes in the carrying amount of available-for-sale financial assets are recognized as "other comprehensive income (loss)" and accumulated under the "Investment revaluation reserve". When the investment is sold or impaired, cumulative gains or losses, previously recognized under the "Investment revaluation reserve," are included in income (loss) for the respective year or period.

The fair value of available-for-sale monetary assets denominated in foreign currency, if any, is translated into the functional currency at the exchange rate at the end of the year. Changes in the fair value attributable to exchange differences resulting from the change in the amortized cost of the asset are directly recognized in the income (loss). Other changes are recognized in shareholders' equity in the investment revaluation reserve.

Loans and receivables

Loans and receivables are represented by non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and banks, trade accounts receivable, and other) are measured at amortized cost using the effective interest method, less impairment losses.

Impairment of financial assets

Financial assets, except those designated at fair value through profit or loss, are valued using impairment indicators at the end of each reporting period. Impairment losses are recognized if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with an impact on the estimated future cash flows.

For all other financial assets objective evidence can include:

- Significant financial difficulty of the issuer or obligor; or
- Breach of contract, in the form of default or delinquency in interest or principal payments; or
- It is probable that the borrower will enter bankruptcy or financial reorganization; or
- Dissolution of the active market for that financial asset due to financial problems.

Certain categories of financial assets, e.g. trade accounts receivable, which in the individual assessment are not impaired, can subsequently present impairment loss when considered together. Objective evidence of impairment of a loan portfolio may include the Group's past experience in the collection of receivables, the increase in the number of past-due receivables and observable changes in economic conditions related to the non-payment of receivables.

For financial assets recognized at amortizable cost, impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate of the financial asset.

For financial assets recognized at cost, impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the current return rate of a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is directly reduced by any impairment loss, except for receivables, whose carrying amount is reduced through use of an allowance account. Subsequent recoveries of previously provisioned amounts are added to the allowance. Changes in the carrying amount of the allowance account are recognized in income (loss).

When a financial asset classified as available for sale is considered uncollectible, the accumulated balance recognized in other comprehensive income (loss) (specific line item of shareholders' equity) must be reclassified to income.

For financial assets recognized at amortized cost, if impairment is reduced in a subsequent period and such decrease can be objectively related to an event occurred after its recognition, such impairment should be reversed and recorded in income (loss) for the year the reversal was made, limited to the net carrying amount of the accumulated amortization.

The reversals of impairment losses on available-or-sale equity securities originally recognized in income (loss) are recognized under "Other comprehensive income (loss)" and accumulated under "Investment revaluation reserve". On the other hand, the reversals of impairment losses on available-for-sale debt securities are reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurred after the impairment loss is recognized.

Write-off of financial assets

A financial asset is only written-off when the contractual rights on the asset cash flow expire or when the Group transfers the financial asset and substantially all risks and rewards on ownership to third parties. If the Group substantially maintains all risks and rewards on ownership and continues to control the transferred asset, it recognizes the interest on the asset and a related liability based on the amounts it will be required to pay when the asset is finally settled or transferred. The full write-off of a financial asset is recorded in income (loss) and corresponds to the difference between the carrying amount of the asset and the sum of the consideration received, receivable and the accumulated balance under "Other comprehensive income (loss)" in shareholders' equity.

2.10. Financial liabilities and equity instruments issued by the Group

Classification as debt instrument and equity instrument

Debt instruments and equity instruments are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement.

Equity instruments

Equity instrument refers to any contract containing a residual interest in the assets of an entity, less all liabilities. Equity instruments issued by the Group are recorded based on the funds received, net of direct issuance costs.

Compound instruments

The components of a compound instrument, if any, are segregated and separately classified as either financial liabilities or equity in accordance with the substance of the contractual arrangement. On the issuance date, the fair value of the liability is estimated using the effective market interest rate applicable to a similar non-convertible instrument. This amount is recorded as liability based on the amortized cost using the effective interest method until it is extinguished through the conversion or expiration of the instrument. The equity component is calculated by deducting the amount of the liability from the fair value of the compound instrument as a whole, being recognized and included in shareholders' equity, net of tax effects, and not subsequently remeasured.

Liabilities on contractual financial guarantees

Liabilities on contractual financial guarantees are initially measured at fair value and subsequently, at the greater of the amount of the contractual obligation, in accordance with IAS 37 (technical pronouncement CPC 25) Reserves, Contingent Liabilities and Contingent Assets, and the amount initially recognized, net of the accumulated allocation recognized in accordance with the revenue recognition practice set out above, when applicable.

Financial liabilities

Financial liabilities are classified at fair value through profit or loss or as other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when they are held for trading or designated at fair value through profit or loss.

A financial liability is classified as held for trading if it is:

- Incurred principally for the purpose of repurchasing it in the short term.

- Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

- A derivative that is not designated as an effective hedging instrument.

Financial liabilities that are not held for trading can be designated at fair value through profit or loss upon initial recognition when:

- This designation eliminates or significantly reduces an inconsistency that might arise upon measurement or recognition; or

- Comprise part of a group of financial assets or liabilities, or both, managed and stated at fair value, in accordance with the risk management policy and investment strategies documented by the Group; or

- It is part of a contract containing one or more embedded derivatives, and IAS 39 (technical pronouncement CPC 38) - Financial Instruments: Recognition and Measurement permits that the combined contract as a whole (assets or liabilities) be designated at fair value through profit or loss.

The recognition of gains or losses on financial liabilities at fair value through profit or loss includes any interest paid on the financial liability. Fair value is determined as described in note 29.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and, subsequently, at amortized cost using the effective interest method to calculate interest expense.

The effective interest method is a method for calculating the amortized cost of a liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Write-off of financial liabilities

The Group writes off financial liabilities only when the Group's obligations are discharged and cancelled or in their maturity.

2.11. Derivatives

The Group contracts derivative transactions, recorded in balance sheet and income statement accounts, to meet its market risk management requirements, arising from mismatching between currencies and indices. Derivative transactions are carried out through the Finance Department, pursuant to the strategies previously approved by the Board of Directors. In this scenario, the Company raised interest-bearing foreign currency-denominated loans, for which it entered into swap transactions to hedge against exchange rate changes, swapping contracted interest rate and foreign currency exchange rate change for CDI plus fixed rate. This is a matched transaction which consists formally of a loan agreement and a swap transaction entered into on the same date, with the same maturity and counterpart and that should be settled by its net value. Thus, Management believes that, in substance, this is a loan transaction denominated in foreign currency, subject to a certain interest rate; accordingly, the accounting treatment and related disclosures reflect the substance of the transaction.

Note 29 includes more detailed information on derivatives.

Derivatives are initially recognized at fair value on the date they are contracted and subsequently stated at their fair value at the end of each year or period. Possible gains or losses are recognized in income (loss) when incurred, as they are not designated as hedging instruments.

2.12. Cash and cash equivalents

Comprise cash, banks and short-term investments. Short-term investments are highly-liquid investments maturing in less than 90 days, or without fixed term for redemption, subject to an immaterial risk of change in value. Short-term investments can be immediately converted into a known cash amount and are subject to immaterial risk of change in value. The fair value of short-term investments, when applicable, is measured based on quotes or publicly-disclosed information. Short-term investments included in cash equivalents are classified as "Financial assets measured at fair value through profit or loss".

2.13. Securities

Securities are classified in the following categories: held-to-maturity securities, available-for-sale securities and trading securities at fair value through profit or loss (trading securities). The classification depends on the purpose for which the investment was acquired.

- When the purpose is to invest funds for short-term gains, they are classified as trading securities; when the funds are invested to be held to maturity, they are classified as held-to-maturity securities, provided that Management has the intention and financial conditions to hold these investments until their maturity dates.

- When the funds are invested for none of the purposes mentioned above, the financial investments are classified as available-for-sale securities.

- When applicable, incremental costs directly attributable to the acquisition of a financial asset are added to the originally recognized amount, except for trading securities, which are recorded at fair value through profit or loss.

Held-to-maturity securities are measured at amortized cost plus interest and adjustment for inflation or exchange rate variation, less impairment losses, when applicable, incurred up to the balance sheet date.

Trading securities are measured at fair value. Interest and adjustment for inflation or exchange rate variation, when applicable, as well as variations arising from valuation at fair value, are recognized in income (loss), when incurred.

Available-for-sale securities are measured at fair value. Interest and adjustment for inflation or exchange rate variation, when applicable, are recognized in income (loss), when incurred. Variations arising from valuation at fair value, except for impairment losses, are recognized in other comprehensive income (loss) when incurred. Accumulated gains and losses recorded in shareholders' equity are reclassified to income (loss) for the year at the moment these investments are realized in cash or cannot be recovered.

2.14. Trade accounts receivable and allowance for doubtful accounts

Recorded and maintained in the balance sheet at their original amounts, adjusted: a) to present value, when applicable, mainly represented by trade accounts receivable from resale in installments and through credit card, as disclosed in note 2.7.3 and, b) by the allowance for doubtful accounts defined based on the guidelines stated in note 2.9 - Financial Assets, in item "Impairment of financial assets".

The advances of credit card receivables is written off against trade accounts receivable since the Group substantially transfers all risks and rewards on the ownership of such receivables to the bank and/or credit card companies. Financial charges incurred by the Group are recognized in income (loss) as financial expenses.

Receivables from joint advertising, bonuses and other transactions with suppliers, arising from sales contracts and other agreements, are only recognized if there are documents supporting such agreement and are mainly calculated on the volume of purchases and specific advertising activities.

Loans included in accounts receivables are recorded at present value, calculated on a *pro rata die* basis, considering the variation of index and agreed interest rate, restated up to the sixty day the loan is overdue. After this period, charges are recognized in income (loss) when the installments are effectively received. The funds relating to these amounts are included in credit card operations under current liabilities.

2.15. Inventories

Stated at the lower of average acquisition cost and net realizable value. Average acquisition cost includes the purchase price, taxes and duties not recoverable, such as tax substitution ICMS, and other costs directly attributable to acquisition and sales discounts and deductions. Net realizable value is the estimated selling price of inventories less the estimated costs necessary to make the sale.

2.16. Property, plant and equipment

Stated at acquisition or construction cost, less accumulated depreciation, except for land and construction in progress, plus interest incurred and capitalized during the construction of property, plant and equipment, when applicable.

Depreciation is recognized based on the estimated useful life of each asset or group of assets under the straight-line method so that its residual value after its useful life is fully written off. The estimated useful lives, the residual values, and the depreciation methods are reviewed on an annual basis, and the effects from any change in estimates are recorded prospectively.

Subsequent costs are added to the residual value of property, plant and equipment or recognized as a specific item, as appropriate, only if the economic benefits associated to these items are probable and the amounts can be reliably measured. The residual balance of the replaced item is written off. Other repairs and maintenance are directly recognized in income for the year when incurred.

The carrying amount of an item of property, plant and equipment is written off when no future economic benefits are expected from its continuing use. The gain or loss arising from the sale or write-off of property, plant and equipment item corresponds to the difference between the amounts received and the carrying amount of the asset, and is recognized in profit or loss for the year or period of sale or write-off.

2.17. Leases

Leased assets are initially recognized as property, plant and equipment at fair values at the commencement of the lease or, if lower, the present value of the minimum lease payments. The liability corresponding to the lessor is presented in the financial statements as a lease obligation.

Assets acquired through financial leases are depreciated over their estimated useful lives as own assets or over a shorter period, when applicable, according to the terms of the underlying lease agreements.

Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability, so it produces a constant periodic rate of interest on the remaining balance of the liability.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are determined. Contingent operating lease payments are recognized as an expense in the year or period in which they are incurred.

2.18. Intangible assets

2.18.1. Intangible assets acquired separately

Intangible assets with definite useful lives, represented by amounts paid on the acquisition of new points of sale (goodwill), are amortized over 10 years, a period that reflects Management’s best estimate on the minimum time of stay in the leased property and are subject to impairment tests.

Software refers to the cost of licenses on the corporate management system and is amortized over 5 years. Some modules of such system are not yet in operation and, therefore, are recorded under “Projects in progress”.

Indefinite-lived intangibles are not amortized and are annually tested for impairment.

2.18.2. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination mainly refer to goodwill on the acquisition of investments represented by store chains. Through December 31, 2007, goodwill based on expected future earnings was amortized on a straight-line basis over a period from 5 to 10 years. Beginning January 1, 2008 (transition date), the balances of goodwill are not amortized in the accounting records and are annually subject to impairment tests.

In the consolidated financial statements, the intangible assets acquired in a business combination and recognized separately from the goodwill are recorded at fair value, which corresponds to its cost on the acquisition date.

2.18.3. Write-off of intangible assets

An intangible asset is written off upon sale or when no future economic benefits may arise from its continuous use. Gains or losses on the write-off of an intangible asset are represented by the difference between the net revenue from sale and its carrying amount and are recognized in the statement of income when the asset is written off.

2.19. Impairment of tangible and intangible assets, excluding goodwill

The Group’s Management reviews the carrying amount of its tangible and intangible assets to determine if there is any indication that these assets might be impaired based on transactions or when they are sold, at the end of each year. If there is any indication that an asset may be impaired, the recoverable amount of the asset is estimated to measure the impairment loss, if any. When it is not possible to estimate the recoverable amount of an asset, the Group calculates the recoverable amount of the cash-generating unit of the asset. When a reasonable and consistent allocation basis can be identified, corporate assets are also allocated to the individual cash-generating unit or the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives or not yet ready for use are tested for impairment at least annually or when there is any indication that such assets may be impaired.

The recoverable amount of an asset is the higher of its fair value less costs to sell or its value in use. Estimated future cash flows are discounted to present value to determine the value-in-use at the pretax discount rate that reflects a current market assessment rate of the time value of money and the specific risks for the asset.

If the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount. Impairment losses are immediately recognized in income (loss).

A subsequent reversal of an impairment loss reflects an increase in the carrying amount of an asset (or cash-generating unit) to the revised estimate of its recoverable amount, provided it does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. The reversal of an impairment loss is immediately recognized in income (loss).

2.20. Other assets and liabilities

A liability is recognized when the Group has a legal obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. Provisions are recognized based on the best estimates of the risk involved. An asset is recognized in the balance sheet when it is probable that its future economic benefits will benefit the Group and its cost or amount can be reliably measured. Assets and liabilities are classified as current when their realization or settlement is likely to occur within the next twelve months; otherwise, they are classified as noncurrent assets and liabilities.

2.21. Inflation adjustment of receivables and payables

Monetary assets and liabilities subject to contractual adjustments or inflation adjustment and exchange rate changes are adjusted through the balance sheet dates. These adjustments and changes are recorded in income for the year to which they refer.

2.22. Provisions

Recognized based on present obligations or risks as a result of past events, when the amount of the obligation can be reliably estimated, and its settlement is probable.

The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation at the end of the year or period, considering the risks and uncertainties inherent to such obligation. When a provision is measured based on the cash flows estimated to settle an obligation, its carrying amount corresponds to the present value of such cash flows.

When some or all the economic benefits required for the settlement of a provision are expected to be recovered from a third party, an asset is recognized if, and only if, reimbursement is certain and the amount may be reliably measured.

2.22.1. Reserve for tax, civil and labor contingencies

The reserve for contingencies is recorded based on legal opinions and Management's assessment on lawsuits known at the balance sheet dates for probable losses.

2.22.2. Technical insurance reserves (applicable to Luizaseg)

a) Unearned premium reserve (PPNG)

Represents the portion of premiums to be recognized in income (loss) over the term of policies or invoices, calculated on a *pro rata temporis* basis.

b) Current but not issued risk reserve (PPNG-RVNE)

Represents the PPNG adjustment due to the existence of current risks whose policy was not yet issued; calculated based on specific actuarial assumptions of insurance companies.

c) Premium deficiency reserve (PIP)

Recognized if the PPNG should be supplemented to cover estimated losses and administrative expenses incurred until the end of the term of the insured risk. There was no premium deficiency reserve in any of the reporting years.

d) Reserve for unsettled claims (PSL)

Represents the reserve for payment of probable indemnities, whether judicial or not, determined based on the claim notices received through the balance sheet date.

e) Reserve for incurred but not reported losses (IBNR)

Recognized to secure the payment of losses incurred but not reported to the Group through the balance sheet date.

2.22.3. Reserves for contingent liabilities acquired in a business combination

Known contingent liabilities acquired in a business combination are initially measured at fair value on the acquisition date. At the end of the year, these contingent liabilities are measured at the greater of the amount to be recognized in accordance with IAS 37 - Reserves, Contingent Liabilities and Contingent Assets (equivalent to technical pronouncement CPC 25) and the amount initially recognized, less accumulated amortization, recognized in accordance with IAS 18 - Revenues (equivalent to technical pronouncement CPC 30).

2.23. Taxation

a) Current taxes

Provision for income tax and social contribution is calculated based on the taxable base. Taxable income differs from net income stated in the statement of income because it excludes income or expenses taxable or deductible in other years, as well as the permanently nontaxable or nondeductible items. The provision for income tax and social contribution is calculated individually (per Group company) based on the statutory rates prevailing at year end.

b) Deferred taxes

Deferred income tax and social contribution (“deferred taxes”) are recognized on temporary differences between the balances of assets and liabilities recognized in the financial statements at the end of each year or period and the related tax bases adopted to calculate taxable income, including tax loss carryforwards, when applicable, and are calculated per each Group company based on the rates prevailing at the end of the years.

Deferred tax liabilities are usually recognized on all the temporary taxable differences and deferred tax assets are recognized on all the temporary deductible differences only when it is probable that the future taxable income will be in a sufficient amount to absorb temporary deductible differences. Deferred tax assets or liabilities are not recognized on temporary differences arising from goodwill or initial recognition (except for business combinations) of other assets and liabilities in a transaction that does not affect taxable or book income.

The likelihood of recovery of deferred tax assets is reviewed at the end of each year or period and, when it is nor probable that future taxable bases are available and allow the total or partial recovery of these taxes, the asset balance is reduced to the expected recoverable amount.

Deferred tax assets and liabilities are measured using the tax rates applicable for the year or period in which the liability is expected to be settled or the asset is expected to be realized, based on the tax rates set forth in the tax law prevailing at the end of each year or annual period, or when new legislation has been substantially approved. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the year or period, to recover or settle the carrying amount of these assets and liabilities.

Deferred tax assets and liabilities are mutually offset only when there is a legal right of offset, and when they are related to taxes managed by the same tax authority and the Group has the intention to settle the net amount of its current tax assets and liabilities.

c) Current and deferred income tax

Current and deferred income tax is recognized in income (loss) for the year or period, except when they are related to items directly recorded in other comprehensive income (loss) or shareholders' equity or arise from the initial recognition of a business combination, when they are accounted for in line with the accounting for these transactions.

2.24. Employee benefits

The Group offers benefit plans to employees, including private pension plan, health care and profit sharing. The main benefit plans offered to employees are described in note 26.

The private pension plan is a defined contribution plan over which the Group has no legal obligation if the plan has no sufficient assets to pay benefits to employees as a result of past services.

2.25. Statement of value added (“DVA”)

The purpose of this statement is to present the wealth created by the Group and its distribution during a given period. It is presented, as required by the Brazilian Corporate Law, as part of the parent company financial statements and as supplemental information to the consolidated financial statements, since it is not required by the IFRS.

The statement of value added was prepared using information obtained in the same accounting records used to prepare the financial statements and pursuant to the provisions of technical pronouncement CPC 09 - Statement of Value Added. In its first part, the statement of value added presents the wealth created by the Group, represented by the revenues (gross revenue from sales, including taxes levied thereon, other revenues and the effects of the allowance for doubtful accounts), the inputs acquired from third parties (cost of sales and purchase of materials, electric power and third-party services, including taxes levied at the time of purchase, the effects of losses, recovery of assets amounts, and depreciation and amortization) and the value added received from third parties (equity in subsidiaries, financial income and other revenues). The second part of the statement of value added presents the distribution of wealth among personnel, taxes, fees and contributions, lenders and lessors, and shareholders.

2.26. Main accounting judgments and sources of uncertainties on estimates

In applying the Group’s accounting policies, Management makes judgments and estimates regarding the reported amounts of assets and liabilities for which objective information is not easily obtained from other sources. Estimates and respective assumptions are based on past experience and other factors deemed relevant. Actual results could differ from those estimates.

Underlying estimates and assumptions are constantly reviewed. The effects from the review of accounting estimates are recognized in the year or period in which estimates are reviewed, if the review affects only that year or period, or also in subsequent years or periods, if the review affects future periods.

In order to understand how the Group makes judgments on future events, including variables and assumptions used to make estimates, below are the comments on some issues:

a) Deferred income tax and social contribution

Future earnings projections prepared by Management and approved by the Board of Directors are used, containing several assumptions and judgments, in order to measure the potential generation of future taxable income that support the realization of taxable bases generating deferred income tax and social contribution to be recorded in the financial statements. Actual future taxable income can be higher or lower than estimates when the need to account for deferred income tax and social contribution is defined.

b) Useful lives of long-lived assets

The Group recognizes the depreciation of its long-lived assets based on their estimated useful lives, which are based on the Group's practices and past experience and reflect the economic lives of these assets. However, the actual useful lives can vary as a result of several factors. The useful lives of long-lived assets also affect impairment tests.

c) Impairment of assets

At each year-end, the Group reviews the intangible assets and property, plant and equipment balances to check whether there are indications that these assets may be impaired (value in use). If these indications exist, Management conducts a detailed test for impairment on each asset through the individual future cash flow calculation discounted at present value and, when required, adjusts the asset balance.

d) Provision for inventory losses

The provision for inventory losses is estimated based on the history of losses identified in the physical inventory taking of stores and distribution centers, and is considered sufficient by Management to cover probable related losses.

e) Allowance for inventory realization

The allowance for inventory realization is based on analysis of current sales prices, less taxes and overhead incurred for the sales effort, plus historical percentage of margin recovery with suppliers, compared to the cost of purchase of the products.

f) Allowance for doubtful accounts

Recorded in an amount considered sufficient by Management to cover potential losses on the loan portfolio and other receivables. The criterion for recording the allowance, for retail activities, takes into account the historical recovery percentage for past-due receivables and the default rate for amounts not yet overdue.

The allowance relating to financial activities, applicable to Luizacred, is recorded based on the compliance with the regulatory framework established by the Brazilian Central Bank, plus possible needs identified by the Group's Management, such as default in payments of principal or interest, financial difficulties of the debtor and other objective evidence that deteriorate the financial position of the debtor, such as equity ratio, percentage of net revenue from sales or other indicators captured by systems used to monitor credits, infringement of clauses or terms of personal loans.

g) Reserve for tax, civil and labor contingencies

The Group is a party to several lawsuits and administrative proceedings, as described in note 18. Reserves are recognized for all risks arising from lawsuits that represent probable losses that can be reliably estimated. The likelihood of loss is assessed based on available evidences, the hierarchy of laws, jurisprudence available, most recent court decisions, and their relevance within the legal system, and the assessment made by our outside legal counsel. Management believes that these reserves for tax, civil, and labor contingent liabilities are accurately presented in the financial statements.

2.27. New and revised standards and interpretations issued and not yet adopted

(a) Standards, interpretations and amendments to existing standards effective on December 31, 2011 and which did not have significant impact on the Company's financial statements.

The interpretations and amendments to existing standards below were edited until December 31, 2011. However, they did not have significant impact on the Company's financial statements:

Standard	Main requirements	Date of effectiveness
Improvements in IFRS - 2010	Several accounting declaration changes	Applicable to annual reporting periods beginning on or after January 1, 2011
Amendments to IFRS 1	Limited exemption of comparative disclosures of IFRS 7 for first-time adopters	Applicable to annual periods beginning on or after July 1, 2010
Amendments to IAS 24	Related-party disclosure	Applicable to annual reporting periods beginning on or after January 1, 2011
Amendments to IFRIC 14	Prepayments of a minimum funding requirement	Applicable to annual reporting periods beginning on or after January 1, 2011
Amendments to IAS 32	Classification of rights issues	Applicable to annual reporting periods beginning on or after February 1, 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	Applicable to annual reporting periods beginning on or after July 1, 2010

(b) Standards, interpretations and amendments to existing standards which are not effective yet and were not early adopted by the Company.

The following standards and amendments to standards were published and are mandatory for the Company's accounting periods beginning on or after April 1, 2011, or for subsequent periods. However, the Company has not early adopted these standards and amendments to standards.

Standard	Main requirements	Date of effectiveness
IFRS 9 (as amended in 2010)	Financial instruments	Applicable to annual reporting periods beginning on or after January 1, 2013
Amendments to IFRS 1	Elimination of fixed dates for IFRS first-time adopters	Applicable to annual reporting periods beginning on or after July 1, 2011
Amendments to IFRS 7	Disclosures - transfers of financial assets	Applicable to annual reporting periods beginning on or after July 1, 2011
Amendments to IAS 12	Deferred taxes - recovery of underlying assets when the asset is measured using the fair value model according to IAS 40	Applicable to annual reporting periods beginning on or after January 1, 2012
IAS 28 (Revised in 2011) "Investments in Associates and Joint Ventures"	Revision of IAS 28 to include the amendments introduced by IFRS 10, 11 and 12	Applicable to annual reporting periods beginning on or after January 1, 2013
IAS 27 (Revised in 2011), "Separate Financial Statements"	Requirements of IAS 27 related to consolidated financial statements are replaced by IFRS 10. Requirements for separate financial statements are maintained.	Applicable to annual reporting periods beginning on or after January 1, 2013
IFRS 10 "Consolidated Financial Statements"	Replaced IAS 27 in relation to the requirements applicable to consolidated financial statements and to SIC 12. IFRS 10 determined one single consolidation model based on control, regardless of the nature of the investment.	Applicable to annual reporting periods beginning on or after January 1, 2013
IFRS 11 "Joint Arrangements"	Eliminated the proportional consolidation model for the entities with joint control, maintaining the model only by the equity method. Also eliminated the concept of "jointly-controlled assets", maintaining only "jointly-controlled operations" and "jointly-controlled entities."	Applicable to annual reporting periods beginning on or after January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	Improves the reporting requirements of the entities which are or not consolidated in which the entities have influence.	Applicable to annual reporting periods beginning on or after January 1, 2013
IFRS 13 "Fair Value Measurement"	Replaces and consolidates all the guideline and requirements related to fair value measurement included in other IFRS pronouncements into one single pronouncement. IFRS 13 defines fair value, advises how to determine fair value and the reporting requirements related to fair value measurement. However, it does not introduce any new requirement or amendment in relation to items which must be measured at fair value, which remain in the original pronouncements.	Applicable to annual reporting periods beginning on or after January 1, 2013
Amendments to IAS 19 "Employee Benefits"	Elimination of the "corridor approach", recognizing actuarial gains or losses as other comprehensive income (loss) for pension plans and in income (loss) for other long-term benefits, when incurred, among other amendments.	Applicable to annual reporting periods beginning on or after January 1, 2013

The Company's Management will assess the impacts of the adoption of these pronouncements and interpretations on its financial statements, which will be adopted when they become effective.

The Brazilian Accounting Pronouncements Committee ("CPC") has not yet edited the respective pronouncements and amendments related to the above-mentioned new and revised IFRS. Due to the commitment of the CPC and the Brazilian Securities and Exchange Commission ("CVM") to maintain updated the collection of standards issued based on the updates made by the International Accounting Standards Board - IASB, these pronouncements and amendments are expected to be edited by the CPC and approved by the CVM by the date of their mandatory application.

3. CASH AND CASH EQUIVALENTS AND SECURITIES

3.1. CASH AND CASH EQUIVALENTS

		Company		Consolidated	
		(BR GAAP)		(IFRS and BR GAAP)	
	Rate	2011	2010	2011	2010
Cash		10,751	8,806	13,260	10,292
Banks		32,820	147,629	41,428	255,702
Financial assets at fair value through profit or loss and held for trading:					
Bank deposit certificates	89.0% to 102.5% CDI	106,876	4,155	113,025	11,148
Non-exclusive investment funds	103.8% CDI	533	20,673	5,404	51,723
Total cash and cash equivalents		150,980	181,263	173,117	328,865

3.2. SECURITIES

		Company		Consolidated	
Financial assets at		(BR GAAP)		(IFRS and BR GAAP)	
fair value through profit or loss	Average rates	2011	2010	2011	2010
Held for trading					
Non-exclusive investment funds	105% CDI	-	-	29,587	30,456
Exclusive investment funds:					
Federal government securities	(a)	22,476	-	22,476	-
Purchase and sale commitments	(a)	2,803	-	2,803	-
Time deposits and other securities	(a)	1,597	-	1,597	-
Available for sale					
Government fixed securities - LFT	100% Selic	-	-	61,761	48,227
Total securities		26,876	-	118,224	78,683
Current assets		26,876	-	74,957	46,732
Noncurrent assets		-	-	43,267	31,951
Total		26,876	-	118,224	78,683

(a) Considers the exclusive fixed income investment fund. On December 31, 2011, the portfolio was distributed into the three categories listed above, which are linked to financial operations securities, indexed to the monthly variation of CDI rate, to return the average profitability of 103% of the CDI to the Company.

4. TRADE ACCOUNTS RECEIVABLE

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2011	2010	2011	2010
Trade accounts receivable:				
Debit and credit cards (a)	262,117	273,503	293,739	306,200
Own installment program (b)	59,824	60,076	73,492	121,406
Additional warranty agreements (c)	31,434	27,494	31,434	27,494
Loan operations (d)	-	-	1,667,164	1,179,822
Other	-	-	-	844
Total trade accounts receivable	353,375	361,073	2,065,829	1,635,766
Arising from sales agreements (e)	128,265	103,651	146,738	105,765
Allowance for doubtful accounts	(24,456)	(28,172)	(259,221)	(182,924)
Adjustment to present value	(15,000)	(12,189)	(16,111)	(15,222)
Total trade accounts receivable	442,184	424,363	1,937,235	1,543,385
Current	436,326	422,702	1,927,828	1,524,671
Noncurrent	5,858	1,661	9,407	18,714

Amounts classified as trade accounts receivable described above are classified as receivables and, consequently, measured at amortized cost. The average receipt term of trade accounts receivable is 201 days in the Company and 132 days in the consolidated.

The adjustment to present value is calculated on the balance sheet dates, for all trade accounts receivable, except those arising from commercial arrangements settled within a short period of time and whose effect is immaterial. Its calculation takes into account the term of realization of the asset by using a discount rate based on the average rate of financial charges on funding incurred by the Company, as stated in note 2.7.3. This rate is taken into consideration by the Group's Management when making market evaluations of the time value of money and the specific risks relating to these assets. Loans are recorded at present value, calculated on a pro rata basis based on the agreed interest rate.

Trade accounts receivable were assigned to secure borrowings in the amount of R$187,269 as of December 31, 2011 (R$231,284 as of December 31, 2010), represented by credit card receivables.

(a) Accounts a receivable from credit card sales, which the Company and its subsidiary Lojas Maia receive from credit card companies in amounts, term and in the number of installments selected when the product is sold.

On December 31, 2011, the Company had credits granted to financial institutions totaling R$441,012 (R$235,007 on December 31, 2010), where a discount between 104.8% and 107.0% of CDI is applied, which is recognized in income (loss) under "financial expenses". The Company, through advances from cards, transfers to the credit card companies and financial institutions all risks of payment by customers and, therefore, the accounts receivable balance is net of these credits.

(b) Refers to trade accounts receivable from sales financed by the Company.

(c) These sales are intermediated by the Company on behalf of Luizaseg. The Company allocates to Luizaseg the extended warranty amount, in full, in the month following the sale and receives from customers according to the transaction term.

(d) Refers to financing to customers and personal loans entered into by the jointly-owned subsidiary Luizacred.

(e) Refers to bonuses on products to be received from suppliers, arising from the fulfillment of the volume of purchase and a portion of agreements defining the suppliers' interest in the disbursements related to advertising and marketing (joint advertising).

Changes in the allowance for doubtful accounts are as follows:

	Company		Consolidated	
	2011	2010	2011	2010
Balance at the beginning of the period	(28,172)	(29,698)	(182,924)	(186,636)
(+) Additions	(18,710)	(26,368)	(250,362)	(222,637)
(-) Write-offs	22,426	27,894	174,065	226,349
Balance at the end of the period	(24,456)	(28,172)	(259,221)	(182,924)

The aging list of trade accounts receivable is as follows:

	Company		Consolidated	
	2011	2010	2011	2010
Falling due:				
Up to 30 days	29,895	44,927	509,045	288,252
Between 31 and 60 days	39,248	57,521	330,951	293,166
Between 61 and 90 days	48,713	50,286	249,269	185,258
Between 91 and 180 days	101,132	101,698	401,886	376,952
Between 181 and 360 days	109,075	91,398	281,020	275,649
Over 361 days	8,440	3,442	12,433	20,939
	336,503	349,272	1,784,604	1,440,216
Past-due:				
Up to 30 days	4,573	3,067	26,046	30,050
Between 31 and 60 days	2,882	2,086	18,622	29,068
Between 61 and 90 days	2,468	1,624	31,843	18,068
Between 91 and 180 days	6,949	4,752	71,431	44,186
Between 181 and 360 days	-	240	132,636	74,141
Over 361 days	-	32	647	37
	16,872	11,801	281,225	195,550
Total	353,375	361,073	2,065,829	1,635,766

Accounts receivable from sales agreements, by age and maturity, are broken down as follows:

	Company		Consolidated	
	2011	2010	2011	2010
Falling due:				
Up to 30 days	32,270	56,092	35,281	57,704
Between 31 and 60 days	55,221	20,363	63,650	20,623
Between 61 and 90 days	16,195	3,296	17,609	3,403
Between 91 and 180 days	15,637	999	17,276	1,134
Between 181 and 360 days	850	80	944	80
	120,173	80,830	134,760	82,944
Past-due:				
Up to 30 days	2,056	4,615	3,106	4,615
Between 31 and 60 days	1,145	2,951	1,926	2,951
Between 61 and 90 days	387	2,108	658	2,108
Between 91 and 180 days	1,429	4,787	2,577	4,787
Between 181 and 360 days	1,661	5,455	2,297	5,455
Over 361 days	1,414	2,905	1,414	2,905
	8,092	22,821	11,978	22,821
Total	128,265	103,651	146,738	105,765

5. INVENTORIES

	Company		Consolidated	
	(BR GAAP)		(IFRS and BR GAAP)	
	2011	2010	2011	2010
Goods for resale (a)	1,086,282	721,936	1,256,138	843,376
Material for consumption	5,171	3,310	7,891	3,522
Advances to suppliers	628	2,901	628	2,901
Total	1,092,081	728,147	1,264,657	849,799

(a) Added to the State VAT ("ICMS") paid in advance when inventories for resale are purchased, as if payable on the shipment of goods of the Company and subsidiary Lojas Maia, in the condition of taxpayer through a tax substitution, which is calculated on the added value margin ("MVA"), based on the resale price set out by the guidelines prescribed by the tax law. The trend of increase in the balance reported at the end of each year arises from the increase in resale items included by the states, on an annual basis, in the tax substitution regime. This tax will be realized when inventories are resold, and will be recorded against "Cost of sales".

On December 31, 2011, the Company has revolving inventories assigned as guarantee in legal lawsuits in progress, totaling approximately R$3,500 (see note 18).

Changes in the provision for losses and adjustment to net realizable value, which reduced the balance of inventories, are as follows:

	Company		Consolidated	
	2011	2010	2011	2010
Balance at the beginning of the period	(18,597)	(31,519)	(32,629)	(31,519)
Inventories written-off or sold	9,643	42,384	20,043	45,010
Recognition of provision	(6,080)	(29,462)	(6,229)	(46,120)
Balance at the end of the period	(15,034)	(18,597)	(18,815)	(32,629)

The provision for inventory losses is estimated based on the history of losses on stores' and distribution centers' physical inventory. The allowance for inventory realization is recognized based on analysis of current sales prices, less taxes and overhead incurred for the sales effort, plus historical percentage of margin recovery with suppliers, compared to the cost of purchase of the products. In 2011, Management reviewed the criteria for this provision and decided to change the estimate for inventory realization, including in the analysis the recovery margin ratio offered by suppliers, for promotional inventories. Also, goods transferred to technical assistance were considered in the analysis of obsolete products. The quantitative effects of this change did not result in significant variations when compared to previous assumptions.

6. RELATED-PARTY TRANSACTIONS

a) Balances from related parties:

	Company		Consolidated	
	(BR GAAP)		(IFRS and BR GAAP)	
Current assets	2011	2010	2011	2010
Commissions for services provided				
Joint ventures:				
Luizacred (i)	30,415	17,048	15,555	13,069
Luizaseg (ii)	10,788	11,867	5,394	5,934
	41,203	28,915	20,949	19,003
Subsidiaries:				
Consortium Group ("LAC") (iii)	498	405	-	-
Reimbursement of expenses and expenditures on consortium winning				
Subsidiaries:				
Consortium Group ("LAC") (iii)	169	98	749	98
Lojas Maia (iv)	24,498	3,664	-	-
	24,667	3,762	749	98
Dividends receivable:				
Luizacred (i)	2,451	7,057	-	-
Luizaseg (ii)	1,774	1,549	-	-
	4,225	8,606	-	-
Receivables from credit card sales:				
Luizacred (i)	39,008	-	20,903	-
Loans with subsidiary:				
Lojas Maia (iv)	20,564	-	-	-
Sale to Luizacred's jointly controlling shareholder:				
Banco Itaúcard S.A. (v)	-	-	-	497
Sale to subsidiary by the Company's controlling shareholders:				
MTG Administração. Assessoria e Participações S.A. (vi)	-	-	-	16,420
Total current assets	130,165	41,688	42,601	36,018

	Company		Consolidated	
	(BR GAAP)		(IFRS and BR GAAP)	
Current liabilities	2011	2010	2011	2010
Transfers from receipt of services				
Joint ventures:				
Luizacred (i)	15,656	4,676	3,805	2,338
Luizaseg (ii)	16,785	19,567	8,391	9,783
	32,441	24,243	12,196	12,121
Subsidiaries:				
Consortium Group (“LAC”) (iii)	574	493	574	493
Rental payable and other transfers				
Controlled by the Company’s controlling shareholders:				
MTG Administração. Assessoria e Participações S.A. (vi)	1,103	607	1,103	607
PJD Agropastoril Ltda. (viii)	31	-	31	-
Other related parties	-	-	-	13
	1,134	607	1,134	620
Controlled by the Company’s controlling shareholders:				
Payables relating to advertising campaigns:				
ETCO - Empresa Técnica de Comunicação Ltda. (vii)	11,588	8,432	11,588	8,432
Total current liabilities	45,737	33,775	25,492	21,666
Other balances with related parties				
Interbank deposits:				
Itaú Unibanco S.A. (ix)	-	-	981,478	856,725
Credit card operations:				
Redecard S.A. (x)	-	-	174,099	220,230

b) Transactions with related parties

	Company		Consolidated	
	(BR GAAP)		(IFRS and BR GAAP)	
	2011	2010	2011	2010
Income from service intermediation commissions				
Joint venture:				
Luizacred (i)	127,599	85,762	63,800	42,881
Luizaseg (ii)	86,912	77,238	43,456	38,619
	214,511	163,000	107,256	81,500
Subsidiary:				
Consortium Group (“LAC”) (iii)	4,954	3,633	-	-
Reimbursement of shared expenses				
Joint venture:				
Luizacred (i)	47,323	43,325	23,662	21,663
Subsidiary:				
Lojas Maia (iv)	39,834	3,664	-	-
Financial revenue from loans:				
Lojas Maia (iv)	603	-	-	-
Sale of disclosure structure:				
Banco Itaúcard S.A. (v)	-	-	21,454	-
Revenue from personal loans - Profit Sharing:				
Banco Itaúcard S.A. (v)	-	-	34,981	30,332
Itaú Unibanco S.A.	-	-	15,198	-
	-	-	50,179	30,332

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2011	2010	2011	2010
Transactions with other Itaú Group companies:				
Loan assignment (x)	-	-	23,610	-
Intermediation of financial services (x)	-	-	24,707	26,602
	-	-	48,317	26,602
Income from the sale of property, plant and equipment				
Controlled by the Company's controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (vi)	10,661	-	10,661	-
Total revenues	317,886	213,622	261,529	160,097
Rental of commercial buildings expenses				
Controlled by the Company's controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (vi)	(4,892)	(5,337)	(4,892)	(5,337)
PJD Agropastoril Ltda. (viii)	(572)	(1,025)	(572)	(1,025)
	(5,464)	(6,362)	(5,464)	(6,362)
Credit card prepayment expenses:				
Luizacred (i)	(49,161)	(44,067)	(24,581)	(22,034)
Interbank deposit charges expenses:				
Itaú Unibanco (ix)	-	-	(102,261)	(59,124)
Share of mutual costs:				
Itaú Unibanco (ix)	-	-	(903)	(5,322)
Cardif do Brasil Vida e Previdência S.A. (xi)	-	-	(1,326)	(1,349)
Advertising expenses				
Controlled by the Company's controlling shareholders:				
ETCO - Empresa Técnica de Comunicação Ltda. (vii)	(94,805)	(129,296)	(94,805)	(129,296)
Total expenses	(149,430)	(179,725)	(229,340)	(223,487)

Banco Itaucard was taken as Luizacred's related party in the consolidated financial statements.

i. Transactions with Luizacred, subsidiary jointly controlled with Banco Itaúcard S.A., refer to the following activities:

a) Commissions on the issuance and activation of own branded credit cards ("Cartão Luiza") and financial expenses on the advance of receivables from such cards.

b) Balance receivable from sales of products financed to customers by Luizacred, received by the Company on the following day ("D+1").

c) Commissions on the services monthly provided by the Company, which include the attraction of customers, management and administration of consumer credit transactions, control and collection of financing granted, access to telecommunication systems and network, in addition to storage and availability of physical space in the points of sale.

The amounts payable (current liabilities) refer to the receipt of customers' installments in the Company's store cashiers, which are transferred to Luizacred on D+1.

ii. The amounts receivable (current assets) and revenues of Luizaseg, subsidiary jointly controlled with NCVP Participações Societárias S.A., a subsidiary of Cardif do Brasil Seguros e Previdência S.A., arise from commissions on services monthly provided by the Company, relating to the sale of additional warranties. The amounts payable (current liabilities) refer to the transfers of extended warranties sold to Luizaseg, in full, in the month following the sale.

iii. The amounts receivable (current assets) of LAC, wholly-owned subsidiary, refer to commissions and sales made by the Company as the agent of consortium transactions. The amounts payable (current liabilities) refer to the transfers to be made to LAC relating to the installments of consortiums received by the Company in the cashiers of its points of sale.

iv. The balance receivable from Lojas Maia, wholly-owned subsidiary, refers to: (i) the agreement for reimbursement of advertising expenses assumed by the Company, based on a formal agreement among the parties; and (ii) loans between the parties due on December 31, 2012 and compensation of 100% of CDI. Additionally, the Company is the guarantor of this subsidiary in two loan transactions, whose contracts amount to R$120,052, through co-obligation under assignment of receivables from credit cards and sureties.

v. Balances and transactions with Itaúcard S.A., joint controlling shareholder of Luizacred arise from:

a. Luizacred’s interest in the income from the sale of financial products of Banco Itaúcard portfolio, offered by Luizacred to customers in the Company's points of sale.

b. Sale of disclosure structure, with a view to fostering the Itaúcard brand.

vi. Transactions with MTG Administração, Assessoria e Participações S.A. (“MTG”), controlled by the Company’s controlling shareholders, refer to expenses on rental of office buildings for the installation of its stores, distribution centers and head office.

vii. Transactions with ETCO - Empresa Técnica de Comunicação Ltda., an entity indirectly controlled by the Vice Chairman of the Company’s Board of Directors, refer to advertising and marketing service contracts, also including transfers relating to placement, media production and graphic design services.

viii. Transactions with PJD Agropastoril Ltda., an entity controlled by the Company’s indirect controlling shareholders, refer to expenses on rent of commercial buildings for installation of stores.

ix. Balances and transactions with Itaú Unibanco S.A., jointly controlling shareholder of Luizacred, refer to:

a. Interbank deposits and the related charges appropriated to income (loss), as mentioned in note 14, are funds raised by Luizacred.

b. Luizacred's participation in revenue from sales of financial products of Itaú Unibanco portfolio, offered by Luizacred to customers at the Company’s stores.

c. Administrative and operating costs, according to apportionment agreement between the parties.

x. Transactions with other affiliates, which are controlled by Itaú Unibanco S.A., refer to:

   a. Loan assignment, based on CMN Resolution 2836 of May 30, 2001, of Luizacred's agreements added to the allowance for doubtful accounts.

   b. Intermediation of financial services, mainly related to sales of insurance and correspondent banks.

xi. Transactions with Cardif do Brasil Vida e Previdência S.A., jointly controlling shareholder of Luizaseg, refer to administrative and operating costs, in accordance with agreement between the parties.

Additionally, the Company has balances relating to deferred income with related parties, which were maintained in a specific line item for purposes of reporting, as described in note 16.

c) Management's compensation:

	2011	2010
Board of Directors	219	180
Board of Executive Officers	9,965	9,104

The Company does not grant postemployment benefits, severance benefits, or other long-term benefits. Short-term benefits to the Board of Executive Officers are the same to other employees, according to note 26. The amounts for these benefits are added to the Board's compensation. On April 1, 2011, the Company's Board of Directors approved the share-based compensation plan to Management and some members of the Board. The granting of stock options related to this plan was held on January 4, 2012, as per note 32. Additionally, the Company does not offer any benefits to the key Management personnel of its related parties.

The benefits to the Company's, its subsidiaries' and jointly-owned subsidiaries' employees are described in note 26.

Pursuant to Brazilian Corporate Law and the Company's Bylaws, it is the shareholders' responsibility to establish Management's overall annual compensation amount at the Shareholders' Meeting. The maximum limit of Management global compensation was approved for the year ended December 31, 2011, totaling R$12,595.

7. INCOME TAX AND SOCIAL CONTRIBUTION

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

	Company		Consolidated	
	(BR GAAP)		(IFRS and BR GAAP)	
	2011	2010	2011	2010
Income (loss) before income tax and social contribution	14,666	82,602	47,937	109,968
Statutory rate	34%	34%	34%	34%
Expected debit of income tax and social contribution at statutory rates	(4,986)	(28,085)	(16,299)	(37,389)
Effect of deferred tax balances due to change in CSSL rate of financial institutions, from 9% to 15%, Luizacred and Luizaseg	-	-	(1,390)	(2,702)
Effect of tax losses not recorded as deferred tax assets of subsidiaries Lojas Maia and New-Utd [1]	(2,009)	-	(13,574)	(770)

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2011	2010	2011	2010
Reconciliation with effective rate (effects of the adoption of tax rates):				
Exclusion - equity in subsidiaries	4,460	13,644	-	-
Undeductible technical reserves - Law 9249/95	-	-	(3,089)	(710)
Other permanent (additions) exclusions, net	(465)	673	(1,919)	437
Credit (debit) of income tax and social contribution	(3,000)	(13,768)	(36,271)	(41,134)
Current	-	(8,736)	(39,059)	(28,326)
Deferred	(3,000)	(5,032)	2,788	(12,808)
Total	(3,000)	(13,768)	(36,271)	(41,134)

1. The Company’s reconciliation balance refers to New-Udt’s tax loss for November 2011, which cannot be used for tax purposes.

Under the prevailing tax legislation, the accounting and tax records of the income tax and social contribution for the past 5 years are open to review by tax authorities. Other taxes and contributions are open to review and approval by tax authorities for varying statutory periods.

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

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2011	2010	2011	2010
Deferred income tax and social contribution assets on:				
Tax loss carryforwards	68,747	64,053	72,470	65,010
Temporary difference for adoption of RTT[2]	3,219	14,213	3,219	14,213
Allowance for doubtful accounts	9,512	9,578	51,618	39,622
Provision for inventory losses	5,112	6,323	5,112	6,323
Reserve for tax, civil and labor contingencies	28,620	19,817	30,256	19,817
Reserve for tax, civil and labor contingencies in business combination	-	-	4,345	18,543
Other reserves	7,123	474	11,887	4,697
	122,333	114,458	178,907	168,225
Deferred income tax and social contribution liabilities:				
Amortization of intangible assets in business combination	-	-	10,693	13,746
Other	-	-	72	-
	-	-	10,765	13,746

2. The Company adopted the Transitional Tax Regime (“RTT”), as prescribed by Law 11941/09 which, beginning the adoption of new accounting practices, creates temporary differences on taxable bases.

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

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Changes in deferred taxes in each of the reporting years are as follows:

Company	Balance as of 01/01/2010	Recognized in income (loss)	Balance as of 12/31/2010	Recognized in income (loss)	Net presentation with liabilities	Directly recognized in shareholders' equity[2]	Balance as of 12/31/2011
Deferred income tax and social contribution assets on:							
Tax loss carryforwards	67,769	(3,716)	64,053	(6,181)	363	-	58,235
Temporary difference for adoption of RTT[1]	21,502	(7,289)	14,213	(10,994)	-	10,512	13,731
Allowance for doubtful accounts	10,097	(519)	9,578	(66)	-	-	9,512
Provision for inventory losses	10,716	(4,393)	6,323	(1,211)	-	-	5,112
Reserve for contingencies	8,679	11,138	19,817	8,803	-	-	28,620
Other contingencies	727	(253)	474	6,649	-	-	7,123
	119,490	(5,032)	114,458	(3,000)	363	10,512	122,333

Consolidated	Balance as of 01/01/2010	Recognized in income (loss)	Balance as of 12/31/2010	Recognized in income (loss)	Net presentation with liabilities	Directly recognized in shareholders' equity[2]	Balance as of 12/31/2011
Deferred income tax and social contribution assets on:							
Tax loss carryforwards	82,724	(17,714)	65,010	(3,415)	363	-	61,958
Temporary difference for adoption of RTT[2]	21,502	(7,289)	14,213	(10,994)	-	10,512	13,731
Allowance for doubtful accounts	36,236	3,386	39,622	11,996	-	-	51,618
Provision for inventory losses	10,716	(4,393)	6,323	(1,211)	-	-	5,112
Reserve for contingencies	8,679	11,138	19,817	10,439	-	-	30,256
Reserve for contingencies in business combinations	-	-	18,543	(14,198)	-	-	4,345
Other contingencies	2,633	2,064	4,697	7,190	-	-	11,887
	162,490	(12,808)	168,225	(193)	363	10,512	178,907
Deferred income tax and social contribution liabilities on:							
Amortization of intangible assets in business combination	-	-	13,746	(3,053)	-	-	10,693
Other	-	-	-	72	-	-	72
	-	-	13,746	(2,981)	-	-	10,765

[1] Offset of deferred tax assets against the balance of taxes in installments, specifically the amount of interest and fine to be paid by using credits arising from tax loss carryforwards, pursuant to Joint Ordinance PGFN/RFB 6/2009.

[2] Amounts directly recorded in shareholders' equity refer to temporary tax effects on public offering expenditures that were directly recorded in shareholders' equity, as mentioned in note 20.

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The estimated realization of deferred income tax and social contribution as of December 31, 2011 is as follows:

	Company	Consolidated
		(IFRS and
	(BR GAAP)	BR GAAP)
2012	32,413	75,961
2013	20,821	33,132
2014	22,151	22,635
2015	24,051	24,283
2016	1,431	1,431
2017 onwards	21,465	21,465
Total	122,333	178,907

8. INVESTMENTS IN SUBSIDIARIES

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

Subsidiary	Main activity	Equity interest - % 2011 and 2010
Lojas Maia	Retail sales - consumer goods	100%
LAC	Consortium manager	100%

Changes in ownership interest in subsidiaries, stated in the parent company financial statements, are as follows:

	Luiza Administradora de Consórcio ("LAC")		Lojas Maia	
	2011	2010	2011	2010
Quotas/shares held	6,500	6,500	5,000	5,000
Current assets	11,815	10,746	270,313	379,077
Noncurrent assets	2,170	1,235	190,955	120,970
Current liabilities	3,607	1,601	288,716	208,197
Noncurrent liabilities	607	255	340,026	426,412
Net revenue	25,795	19,560	777,998	248,337
Capital	6,500	6,500	17,000	5,000
Shareholders' equity (net capital deficiency)	9,771	10,125	(167,473)	(134,562)
Net income (loss) for the year/ period	(354)	935	10,246	(2,264)

Changes in investments (provision for losses)	2011	2010	2011	2010
Balances at the beginning of the year	10,125	9,190	96,017	-
Advance for future capital increase	-	-	12,000	-
Goodwill on acquisition	-	-	-	230,579
Shareholders' equity (net capital deficiency) on acquisition date of subsidiary	-	-	-	(132,298)
Loss on share subscription	-	-	(55,157)	-
Equity in of subsidiaries	(354)	935	10,246	(2,264)
Balances at the end of the year	9,771	10,125	63,106	96,017

Total investments in subsidiaries	2011	2010
Consortium Group ("LAC")	9,771	10,125
Lojas Maia	63,106	96,017
	72,877	106,142

Equity in subsidiaries is affected by corresponding expense totaling R$22,631, related to the equity in the subsidiary New-Utd Utilidades Domésticas S.A. up to its merger into the Company on October 31, 2011, as described below:

Acquisition and merger of the subsidiary New-Utd Utilidades Domésticas S.A.

On July 21, 2011, the Company entered into a purchase agreement with BF Utilidades Domésticas Ltda. and BF PAR Utilidades Domésticas Ltda., which establishes the terms and conditions for acquisition of 100% of voting capital of New-Utd Utilidades Domésticas S.A. ("New-Utd"), retail company of home appliances, consumer electronics and furniture, operated by Baú da Felicidade chain through the 121 stores located in the States of Paraná, São Paulo and Minas Gerais.

The transaction was established with the formation of New-Utd, whose net assets comprised 121 Baú da Felicidade stores, the corresponding lease agreements, furniture, equipment and facilities of stores, as well as IT systems (hardware and software) and ownership of customer base. See further information on acquisition of Baú da Felicidade chain in note 30.

Based on appraisal report at carrying amounts of net assets of New-Utd dated October 31, 2011, the Special Shareholders' Meeting of the Company held on November 30, 2011 resolved to absorb the subsidiary New-Utd, with the following book net assets:

	Net assets merged
Current assets:	
Cash and cash equivalents	7,145
Trade accounts receivable	3,358
Inventories	43,248
Other assets	6,057
Noncurrent assets:	
Property, plant and equipment	5,883
Intangible assets	17,416
Total assets	83,107
Current liabilities:	
Trade accounts receivable	33,220
Salaries, vacation pay and social charges	2,785
Taxes payable	596
Related parties	44,370
Other liabilities	2,429
Shareholders' equity:	
Capital	18,542
Capital reserve	3,796
Accumulated losses	(22,631)
Total liabilities and net capital deficiency	83,107

9. INVESTMENTS IN JOINTLY-OWNED SUBSIDIARIES (JOINT VENTURES)

	Luizacred		Luizaseg	
	2011	2010	2011	2010
Total shares - in thousands	847	688	13,883	13,883
Interest percentage	40.55% (i)	50%	50%	50%
Current assets	2,944,752	2,087,261	104,350	106,486
Noncurrent assets	326,468	310,074	91,910	74,179
Current liabilities	2,955,772	2,280,594	83,626	64,827
Noncurrent liabilities	12,468	13,137	35,838	41,668
Net revenues	1,057,740	790,746	137,508	116,593
Capital	226,624	66,623	13,884	13,883
Shareholders’ equity	302,980	103,604	76,796	74,170
Net income (loss) for the year	45,494	70,526	14,942	12,391

Changes in investments	2011	2010	2011	2010
Balance at the beginning of the period	51,802	23,597	37,116	34,586
Gain on relative interest (see statement presented below)	55,157	-	-	-
Proposed dividends	(2,489)	(7,058)	(6,189)	(3,66)
Equity in subsidiaries	18,388	35,263	7,471	6,196
Balance at the end of the period	122,858	51,802	38,398	37,116

Total investments in joint venture	2011	2010
Luizacred	122,858	51,802
Luizaseg	38,398	37,116
	161,256	88,918

(i) Direct interest of 40.55%. The Company holds 9.45% of additional interest indirectly through subsidiary Lojas Maia, totaling 50% of direct and indirect interest.

The Company’s interests in joint ventures are as follows:

a) 50% direct and indirect interest in the voting capital of Luizacred, a subsidiary jointly controlled with Banco Itaúcard S.A., engaged in the offer, distribution and sale of financial products and services to the customers in the Company’s store chain.

b) 50% interest in the voting capital of Luizaseg, a subsidiary jointly controlled with NCVP Participações Societárias S.A., subsidiary of Cardif do Brasil Seguros e Previdência S.A., engaged in the development, sale and management of extended warranties to any kind of product sold in Brazil through the Company’s store chain.

Interests in the assets, liabilities, income and expenses of joint ventures are consolidated, in proportion to the Company’s interest, with similar items, on a line by line basis, in these consolidated financial statements, as prescribed in technical pronouncement CPC 19 - Investments in Joint Ventures.

As approved at the Annual Shareholders' Meeting of the jointly-owned subsidiary Luizacred held on March 11, 2001, capital was increased by R$160,000, in cash, through the issue of 160,000 new shares, of which 80,000 preferred shares and 80,000 common shares. The funds were equally contributed by Banco Itaúcard S.A. and the wholly-owned subsidiary Lojas Maia, so that the latter became a shareholder of Luizacred, as follows:

Shareholder	Preferred	Common	Capital stock - %
Itaúcard	211,691	211,691	50.00%
Magazine Luiza	171,691	171,691	40.55%
Lojas Maia	40,000	40,000	9.45%
Total	423,382	423,382	100.00%

On the same date, the shareholders' agreement entered into between the Company and Banco Itaúcard to incorporate Lojas Maia in Luizacred's ownership structure was amended. However, the shared control between the Company and Banco Itaúcard was maintained, so that the Company held direct and indirect interest of 50% in Luizacred.

The capital increase was carried out to meet cash requirements for the payment of the exclusivity right on Lojas Maia, as described in note 16. After the capital contribution, Luizacred continues to comply with minimum capital limits required by the Brazilian Central Bank.

The effects of the capital increase in the individual balance sheets of the Company and its subsidiary Lojas Maia are shown below. No effects were recorded in the consolidated as there were no changes in Magazine Luiza's ownership interest in Luizacred:

	Before the capital increase	After the capital increase	Effect of the capital increase
Luizacred's ownership interest			
Shareholders' equity	102,940	262,940	160,000
Total shares	686,764	846,764	160,000
Gain on relative interest of Magazine Luiza			
Number of shares held by Magazine Luiza	343,382	343,382	-
Change in interest	50.00%	40.55%	(9.45%)
Direct investment -Magazine Luiza	51,470	106,627	55,157
Gain on interest (change in investment - capital invested)			55,157
Loss on share subscription of Lojas Maia			
Shares held by Lojas Maia	-	80,000	80,000
Change in interest	-	9.45%	9.45%
Direct investment - Lojas Maia	-	24,843	(24,843)
Investment loss (change in investment - capital invested)			(55,157)

10. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment for the years ended December 2011 and 2010 are as follows:

a) Company

		Furniture	Machinery		Computers		Construction		
Cost of property, plant and equipment, gross	Buildings	and fixture	and equipment	Vehicles	and peripherals	Improvements	in progress	Other	Total
Balance as of December 31, 2009	10,213	60,929	25,332	11,719	73,356	291,124	-	18,121	490,794
Additions	-	11,195	4,134	15,866	13,008	8,578	27,801	8,599	89,181
Write-offs	-	(1,398)	(5)	(5)	(6,029)	-	-	-	(7,437)
Transfers	-	(3,907)	921	94	16,238	30,273	(27,801)	(15,818)	-
Balance as of December 31, 2010	10,213	66,819	30,382	27,674	96,573	329,975	-	10,902	572,538
Additions	-	20,867	12,003	6,496	15,698	27,243	48,883	5,926	137,116
Addition due to merger of subsidiary	-	3,335	-	-	2,373	138	-	37	5,883
Write-offs	(10,213)	(331)	(34)	(43)	(334)	-	-	(925)	(11,880)
Transfers	-	3,082	422	(2,284)	168	(4,261)	3,680	(807)	-
Balance as of December 31, 2011	-	93,772	42,773	31,843	114,478	353,095	52,563	15,133	703,657
Accumulated depreciation									
Balance as of December 31, 2009	(2,901)	(23,746)	(8,102)	(5,975)	(54,934)	(97,567)	-	(1,840)	(195,065)
Additions	(445)	(5,975)	(2,718)	(1,150)	(13,157)	(26,959)	-	(812)	(51,216)
Write-offs	-	51	2	15	4,981	-	-	-	5,049
Transfers	(1,940)	2,198	(139)	(191)	(403)	1,983	-	(1,508)	-
Balance as of December 31, 2010	(5,286)	(27,472)	(10,957)	(7,301)	(63,513)	(122,543)	-	(4,160)	(241,232)
Additions	(68)	(7,773)	(1,889)	(1,906)	(12,182)	(26,935)	-	(1,031)	(51,784)
Write-offs	5,354	320	34	15	8	-	-	923	6,654
Transfers	-	(469)	(2)	-	5	1,391	-	(925)	-
Balance as of December 31, 2011	-	(35,394)	(12,814)	(9,192)	(75,682)	(148,087)	-	(5,193)	(286,362)
Property, plant and equipment, net									
Balance as of December 31, 2010	4,927	39,347	19,425	20,373	33,060	207,432	-	6,742	331,306
Balance as of December 31, 2011	-	58,378	29,959	22,651	38,796	205,008	52,563	9,940	417,295

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b) Consolidated

		Furniture	Machinery		Computers		Construction		
Cost of property, plant and equipment, gross	Buildings	and fixture	and equipment	Vehicles	and peripherals	Improvements	in progress	Other	Total
Balance as of December 31, 2009	10,213	62,729	25,332	11,712	72,855	290,624	-	21,656	495,121
Additions	77	13,024	5,304	15,951	13,008	9,858	27,801	8,599	93,622
Arising from acquisition of subsidiary	16,529	3,812	2,884	4,980	1,460	9,485	-	-	39,150
Write-offs	(18,237)	(1,409)	(106)	(5)	(6,030)	(34)	-	(97)	(25,918)
Transfers	-	(3,907)	921	94	16,238	30,273	(27,801)	(15,818)	-
Balance as of December 31, 2010	8,582	74,249	34,335	32,732	97,531	340,206	-	14,340	601,975
Additions	-	29,380	14,745	6,501	19,845	61,132	48,883	6,883	187,369
Addition due to business combination	-	3,735	-	-	2,362	-	-	6	6,103
Write-offs	(10,213)	(331)	(34)	(43)	(631)	-	-	(974)	(12,226)
Transfers	1,631	3,031	509	(2,284)	207	(4,298)	3,680	(2,476)	-
Balance as of December 31, 2011	-	110,064	49,555	36,906	119,314	397,040	52,563	17,779	783,221
Accumulated depreciation									
-									
Balance as of December 31, 2009	(2,901)	(24,779)	(8,127)	(5,991)	(54,934)	(97,567)	-	(3,031)	(197,330)
Additions	(560)	(6,291)	(3,266)	(1,511)	(13,218)	(27,154)	-	(812)	(52,812)
Write-offs	1,831	63	117	15	4,982	-	-	-	7,008
Transfers	(1,940)	2,198	(139)	(191)	(403)	1,983	-	(1,508)	-
Balance as of December 31, 2010	(3,570)	(28,809)	(11,415)	(7,678)	(63,573)	(122,738)	-	(5,351)	(243,134)
Additions	(68)	(8,934)	(2,257)	(2,524)	(13,391)	(27,795)	-	(1,834)	(56,803)
Write-offs	5,354	320	34	15	8	-	-	923	6,654
Transfers	(1,716)	(469)	(2)	79	(74)	1,391	-	791	-
Balance as of December 31, 2011	-	(37,892)	(13,640)	(10,108)	(77,030)	(149,142)	-	(5,471)	(293,283)
Property, plant and equipment, net									
Balance as of December 31, 2010	5,012	45,440	22,920	25,054	33,958	217,468	-	8,989	358,841
Balance as of December 31, 2011	-	72,172	35,915	26,798	42,284	247,898	52,563	12,308	489,938

In 2011, the Company entered into an agreement with a contractor to expand its Distribution Center located in the city of Louveira, State of São Paulo. The amounts defined in the agreement are paid monthly according to calculations in the physical progress of works. On December 31, 2011, R$22,332 was payable.

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c) Depreciation rates

As described in note 2.16, the Group reviews the estimated useful life of property, plant and equipment items and the corresponding residual value at the end of each year. In 2011, the Group's Management reviewed and changed the useful life of "leasehold improvements" group, which was then based on terms of lease agreements of properties. In the new estimate, the Group took into consideration the effective term of use of these improvements to the Group, based on estimated average time of stay in the leased properties. Another assumption used for this analysis was the formation of this group of assets in i) improvements in the construction of distribution centers, ii) improvements in the construction administrative office and iii) improvements in stores, considering that the structure of these items has different useful lives. Since it refers to changes in estimates, the Company recorded the effects of this change prospectively as of October 1, 2011, date of useful life review. Should this review had been made on January 1, 2011, the effect would have consisted of a decrease in depreciation expense of R$12,195 (R$11,713, if adopted on January 1, 2010).

The annual depreciation rates are the following:

	2011	2010
Buildings	1.67%	1.67%
Furniture and fixture	10%	10%
Machinery and equipment	5%	5%
Vehicles	20%	20%
Computers and peripherals	20%	20%
Leasehold improvements	6.7%	10%

As of December 31, 2011, the Group's operational property, plant and equipment was fully depreciated at the amount of R$86,547 (R$57,490 as at December 31, 2010). The Group does not have idle or held-for-sale property, plant and equipment items.

d) Impairment testing

All property, plant and equipment items whose carrying amounts are higher than their recoverable values were tested to determine the need to record an allowance to write down their carrying amounts to their realizable values.

The smallest cash-generating unit determined by the Company to test the impairment of tangible and intangible assets corresponds to each one of its stores. Management tested each asset for impairment under the individual future cash flows method (by store) discounted to present value and compared to the assets' carrying amounts for stores that reported negative indicators based on existing operating and financial performance indicators. Based on calculations made, no assets requiring impairment allowance were identified.

As of the reporting years, there were no events indicating the need for calculations to assess whether property, plant and equipment items were impaired.

11. INTANGIBLE ASSETS

Changes in intangible assets for the years ended December 2011 and 2010 are as follows:

a) Company

Cost of intangible assets, gross	Goodwill on acquisition of new store chains	Goodwill	Software	Projects in progress	Other	Total
Balance as of December 31, 2009	36,921	59,158	34,335	-	11,797	142,211
Additions	-	2,094	15,141	13,190	-	30,425
Transfers	-	61	-	(61)	-	-
Balance as of December 31, 2010	36,921	61,313	49,476	13,129	11,797	172,636
Additions	57,951	1,301	9,690	13,483	3	82,428
Addition due to merger of subsidiary	-	17,416	-	-	-	17,416
Transfers	-	4,572	14,044	(13,311)	(5,305)	-
Balance as of December 31, 2011	94,872	84,602	73,210	13,301	6,495	272,480
Accumulated amortization						
Balance as of December 31, 2009	(11,594)	(25,836)	(17,876)	-	(7,695)	(63,001)
Additions	-	(5,926)	(7,168)	-	(1,392)	(14,486)
Balance as of December 31, 2010	(11,594)	(31,762)	(25,044)	-	(9,087)	(77,487)
Additions	-	(6,745)	(12,502)	-	(30)	(19,277)
Transfers	-	-	(2,827)	-	2,827	-
Balance as of December 31, 2011	(11,594)	(38,507)	(40,373)	-	(6,290)	(96,764)
Net cost						
Balance as of December 31, 2010	25,327	29,551	24,432	13,129	2,710	95,149
Balance as of December 31, 2011	83,278	46,095	32,837	13,301	205	175,716

b) Consolidated

Cost of intangible assets, gross	Goodwill on acquisition of new store chains	Goodwill	Partnerships	Software	Projects in progress	Other	Total
Balance as of December 31, 2009	36,921	58,722	13,506	34,239	-	11,797	155,185
Additions	-	3,094	-	15,546	13,226	-	31,866
Addition due to business combination	230,579	40,430	-	337	-	1,510	272,856
Write-offs	-	-	-	-	-	(62)	(62)
Balance as of December 31, 2010	267,500	102,246	13,506	50,122	13,226	13,245	459,845
Additions	57,951	6,312	-	10,421	13,483	21	88,188
Addition due to business combination	-	16,235	-	-	-	-	16,235
Transfers	-	4,572	-	14,044	(13,311)	(5,305)	-
Balance as of December 31, 2011	325,451	129,365	13,506	74,587	13,398	7,961	564,268

Accumulated amortization	Goodwill on acquisition of new store chains	Goodwill	Partnerships	Software	Projects in progress	Other	Total
Balance as of December 31, 2009	(11,594)	(25,837)	(4,868)	(18,527)	-	(7,695)	(68,521)
Additions	-	(6,791)	(791)	(7,686)	-	(1,437)	(16,705)
Balance as of December 31, 2010	(11,594)	(32,628)	(5,659)	(26,213)	-	(9,132)	(85,226)
Additions	-	(16,285)	(994)	(12,855)	-	-	(30,134)
Transfers	-	-	(870)	(2,827)	-	3,697	-
Balance as of December 31, 2011	(11,594)	(48,913)	(7,523)	(41,895)	-	(5,435)	(115,360)
Net cost							
Balance as of December 31, 2010	255,906	69,618	7,847	23,909	13,226	4,113	374,619
Balance as of December 31, 2011	313,857	80,452	5,983	32,692	13,398	2,526	448,908

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

Other assets are classified as intangible assets with definite useful lives, mainly represented by amounts paid on the acquisition of new points of sale (goodwill), amortized over 10 years on a straight-line basis, a period that reflects contractual rights on the time of stay in the leased property.

Software refers to the cost of licenses on the corporate management system and is amortized over 5 years on a straight-line basis. Some modules of such system are not yet in operation and, therefore, are recorded under "Projects in progress".

Expenses on amortization of intangible assets with definite useful lives are recorded under line item "Depreciation and amortization", in the statement of income. The Group does not have intangible assets internally generated.

Impairment testing of goodwill and intangible assets

Goodwill and intangible assets were tested for impairment as of December 31, 2011 and 2010, according to the method described in note 2.5. Management prepared an estimate of the recoverable amounts or values in use for all assets. The assumptions adopted are described below.

As a result of impairment tests performed in the reporting years, the Company did not recognize impairment losses.

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

	2011	2010
Goodwill on acquisition of store chains in the South region	25,327	25,327
Goodwill on acquisition of Lojas Maia	230,579	230,579
Goodwill on acquisition of New-Utd	57,951	-
Total	313,857	255,906

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

	Discount rate
Discounted cash flow	12.0% (1)
Average weighted growth rate for the first 10 years	7.0%
Perpetuity	3.7%

(1) CAPM rate (Average Cost of Equity)

The assumptions of future cash flows and growth prospects for regions of Brazil where each CGU is located are based on the Company's annual budget and business plan for the following 10 years approved by the Board of Directors, as well as on comparable market data, representing the Management's best estimate on the economic conditions in effect during the economic useful life of the group of cash flow generating assets.

12. TRADE ACCOUNTS PAYABLE

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2011	2010	2011	2010
Resale of goods - domestic	1,077,806	977,146	1,257,299	1,134,515
Resale of goods - foreign	-	633	-	633
Other suppliers	26,690	10,980	26,690	10,977
Adjustment to present value	(13,483)	(11,586)	(16,215)	(13,836)
	1,091,013	977,173	1,267,774	1,132,289

Purchases in installments, basically from suppliers of goods for resale, are adjusted to their present value on the transaction date, according to their maturities, using the average rate of financial charges on funding incurred by the Company, as stated in note 2.7.3. Such rate is taken into consideration by the Company's Management when making market evaluations of the time value of money and the specific risks relating to its assets and liabilities.

The adjustment to present value of purchases is recorded under line item "Trade accounts payable" (with a corresponding entry to line item "Inventories") and its reversal is recorded under line item "Financial income (loss)", according to maturity.

13. LOANS AND FINANCING

Type	Charge	Collaterals	Final maturity	Company 2011	Company 2010	Consolidated 2011	Consolidated 2010
BNDES (a)	TJLP + 2.38% p.a. (i) IPCA + 8.91% p.a. (ii)	Bank pledge	Dec/13	32,297	50,338	32,297	50,338
Working capital (b)	107.5% to 118.8% of CDI p.a.	(b)	Aug/15	538,594	569,189	658,646	709,876
Finance leases (c)	CDI/TJLP/LIBOR	Fiduciary sale/ escrow deposits	Dec/2019	20,366	14,217	20,392	14,659
				591,257	633,744	711,335	774,873
Current liabilities				94,979	88,876	129,671	108,758
Noncurrent liabilities				496,278	544,868	581,664	666,115
				591,257	633,744	711,335	774,873

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

(b) This financing is collateralized by sureties, commercial lien, bank pledges, mortgages on properties owned by controlling shareholders and a portion of receivables from credit cards, as described in note 4.

A portion of the funds was contracted in foreign currency, over which fixed interest and exchange rate change are levied. In order to hedge its transactions against exchange rate change risks, the Company entered into swap transactions to substitute the charges contracted for DI-indexed fixed interest. This is a perfectly matched transaction that does not expose the Company to currency or foreign interest rate risks. The effect of such transaction is stated in note 29.

(c) The Company has finance lease contracts relating to: (i) aircraft, whose contract was entered into in 2005 and expires in 2016. For this contract, R$1,231 (equivalent to US$664 thousand) were deposited in escrow, recorded in line item “Other non-current assets”, which will be redeemed on the final maturity of the contract. This deposit, equivalent to 15% of the total asset amount, is adjusted for inflation, whose contra entry is recorded in income (loss) for the period; (ii) IT equipment and software, whose contracts expire in 2019.

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On August 19, 2011, the Company signed a debt consolidation and ratification agreement with Banco do Brasil S.A., with the purpose of consolidating the total outstanding balance with Banco do Brasil S.A. deriving from five to a single agreement. Thus, the total balance of R$431,738 on July 31, 2011 (reference date of the agreement) was consolidated with charges of 107.5% of CDI and final maturity on August 17, 2015. This agreement has amended the related covenants then effective to the following clauses:

i. Maintain the Adjusted Net Financial Debt / EBITDA ratio below 3 times, to be calculated on semi-annual basis, taking into account, for calculation of EBITDA, the accumulated performance over the last 12 months as from the date of closing of the statements. Adjusted Net Financial Debt means the sum of any and all bank loans, excluding Compror and Vendor, less cash and cash equivalents added to receivables from credit cards not anticipated as ACL (credit advance to store owner) and negotiated as acquisition of receivables.

ii. Provide information and financial statements to the lender.

iii. Maintain the assignment in an amount equivalent to at least 25% of the outstanding balance of this agreement in receivables from Visa credit card sales.

The Company is found in compliance with the above-mentioned covenants on December 31, 2011.

First issue of debentures, with restricted placement offering

The Company conducted its first issue of non-convertible debentures, in one single series, for public distribution with restricted placement efforts, in accordance with CVM Rule 476/09, on December 26, 2011. 200 debentures were issued, at par value of R$1,000 each, totaling R$200,000.

The debentures will have a thirty-month term as of the date of issue, falling due on June 26, 2014. Debentures will have their par value restated and will render compensatory interest corresponding to 113% of accumulated variation of daily average DI (Interbank Deposits) rates, which will be paid semiannually, the first payment of which is on June 26, 2012. For this operation, the Company incurred transaction costs of R$1,722, which will be appropriated to income (loss) during the same term. Considering the operation costs, the estimated effective interest rate (TIR) is approximately 116.38% of CDI, per year.

The debentures were paid on January 6, 2012, after registration and compliance with CETIP settlement rules, at their par value plus the corresponding remuneration calculated on a *pro rata temporis* basis from the date of issue to the date of effective payment. Accordingly, there is no accounting record on December 31, 2011.

14. INTERBANK DEPOSITS

		Consolidated (IFRS and BR GAAP)	
Type	Charges	2011	2010
Interbank deposits	103.9% of CDI	981,478	856,725
Current liabilities		981,478	852,680
Noncurrent liabilities		-	4,045

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

	Consolidated
Up to 90 days	980,184
From 91 to 365 days	1,294
	981,478

15. CREDIT CARD OPERATIONS

Refer to amounts to be transferred by the jointly-owned subsidiary Luizacred to other commercial establishments from sales using Group's private label credit cards.

16. DEFERRED INCOME

	Company (BR GAAP)		Consolidated (IFRS and BRGAAP)	
	2011	2010	2011	2010
Deferred income from third parties:				
Exclusivity agreement with Banco Itaúcard (a)	196,500	209,000	196,500	209,000
Exploration right agreement - payroll (b)	5,207	8,882	5,207	8,882
Sales agreement - Cardif (c)	-	-	16,802	19,000
	201,707	217,882	218,509	236,882
Deferred income from related parties:				
Exclusivity agreement with Luizacred (d)	48,000	-	99,844	80,000
Exclusivity agreement with Luizaseg (e)	-	10,272	-	5,136
	48,000	10,272	99,844	85,136
Total deferred income	249,707	228,154	318,353	322,018
Current liabilities	19,217	20,686	24,092	25,956
Noncurrent liabilities	230,490	207,468	294,261	296,062

a) On November 27, 2009, the Company entered into an "Alliance Agreement" with financial institutions Itaú Unibanco Holding S.A. ("Itaú") and Banco Itaucard S.A., under which the Company grants to Luizacred the exclusive right to offer, distribute, and sell financial products and services in its store chain for a period of 20 years.

In consideration for the aforementioned joint venture, Itaú group companies paid in cash the amount of R$250,000, of which: i) R$230,000 relating to the consummation of the negotiation, without right of reimbursement; and ii) R$20,000 subject to the attainment of profitability goals in Luizacred, subject to refund of a portion or all the amount, to be allocated to net income (loss) over the term of the contract, i.e., 20 years, as goals are attained.

b) On June 30, 2008, the Company entered into with a financial institution a payroll use exclusive assignment contract for a period of 5 years for the provision of banking services to employees. This partnership allowed the inflow of R$20,250 to the Company's cash. The recognition of the revenue arising from the funds received is allocated to income (loss) over the term of the contract.

c) On December 1, 2007, subsidiary Lojas Maia entered into a 6-year sales agreement with Cardif do Brasil Seguros e Garantias S.A. in order to sell insurance products such as extended warranty, financial protection and other. Under this agreement, the subsidiary Lojas Maia received R$23,000, which is recognized in income (loss) over the term of the agreement.

d) On December 29, 2010, subsidiary Lojas Maia entered into a sales agreement with Luizacred, a jointly-owned subsidiary, through which it has granted exclusivity in the right of offer, distribution and sale of financial products and services in its store chain, for a period of 19 years. As a result of such partnership, Luizacred paid R$160,000 in cash to Lojas Maia (R$80,000 are eliminated from Luizacred's intangible assets in the consolidated), which are recognized in income (loss) over the term of the agreement. As part of this partnership agreement, the amount of R$20,000, mentioned in item "(a) ii" above was increased to R$55,000.

On December 16, 2011, the Company executed an amendment to the sales agreement with the jointly-owned subsidiary Luizacred, due to increase in Company's operations resulting from the acquisition of New-Utd (see Note 30). As a result of this amendment, Luizacred paid R$48,000 in cash to the Company, which will be appropriated to income (loss) during the remaining term of the sales agreement.

e) On December 13, 2005, the Company entered into a strategic partnership with Cardif do Brasil Seguros e Previdência S.A., through which it has granted to the jointly-owned subsidiary Luizaseg, the right to explore and exclusivity in the offer, distribution and sale of additional warranty products, mainly extended warranties of the products sold in the Company's store chain, for a period of 10 years. This partnership allowed the inflow of R$50,000 to the Company's cash, without definition of goals to be attained, the amortization of which is related to the expectation of economic benefits estimated for the project.

17. TECHNICAL INSURANCE RESERVES

	Consolidated (IFRS and BR GAAP)	
	2011	2010
Unearned premium reserve (a)	45,061	36,087
Reserve for unsettled claims (b)	1,068	1,046
Reserve for incurred but not reported losses (c)	43	35
Other technical reserves (d)	4,145	6,527
Total	50,317	43,695
Current liabilities	32,464	22,937
Noncurrent liabilities	17,853	20,758
Total	50,317	43,695

(a) Recognized to secure the claims to incur considering related indemnities and expenses, during the remaining terms of current risks on the calculation reference date.

(b) Represents the reserve for payment of probable indemnities, whether judicial or not, determined based on the claim notices received through the balance sheet date.

(c) Recognized to secure the payment of losses incurred but not reported to the Group through the balance sheet date.

(d) Refer to deferred commercial premium, which will be appropriated to profit or loss according to the duration of policies.

18. RESERVE FOR TAX, CIVIL AND LABOR CONTINGENCIES

The Company and its subsidiaries and jointly-owned subsidiaries are parties to labor, civil and tax lawsuits in progress for which it has submitted administrative or legal defense. In cases where the legal opinion is unfavorable, the Company recognized, as of December 31, 2011, in noncurrent liabilities, a reserve for tax, civil and labor contingencies, which is the Group's management best estimate of future disbursement. Changes in the reserve for tax, civil and labor contingencies, as follows:

Company

	2010	Additions	Write-offs	Reversal	Restatement	2011
Tax	27,982	18,730	-	(416)	4,128	50,424
Civil	8,644	1,353	(1,476)	-	-	8,521
Labor	21,659	6,067	(1,368)	(1,400)	273	25,231
	58,285	26,150	(2,844)	(1,816)	4,401	84,176

Consolidated

	2010	Additions	Write-offs	Reversal	Restatement	2011
Tax	142,711	31,048	(5,313)	(46,480)	4,267	126,233
Civil	14,377	6,976	(2,907)	(780)	269	17,935
Labor	24,932	8,441	(3,006)	(1,404)	273	29,236
	182,020	46,465	(11,226)	(48,664)	4,809	173,404

As of December 31, 2011, the main lawsuits classified by Management as probable loss based on the opinion of its legal counsel, as well as legal obligations whose amounts are deposited in court, for which the amounts were included in the reserve for contingencies are as follows:

a) Tax lawsuits

(i) The Company is challenging fifteen tax assessment notices filed by the Department of Finance of São Paulo, which claims underpayment of the State VAT (ICMS), allegedly due to incorrect application of rates. The Company recorded a reserve for risks assessed as probable loss by its legal counsel. These tax-deficiency notices amounted to R$15,706 on December 31, 2011 (R$12,234 on December 31, 2010), of which approximately R$3,500 is guaranteed by revolving inventories of Company's goods.

(ii) The Company is challenging through writ of mandamus the constitutionality of the Contribution to the National Institute of Rural Settlement and Agrarian Reform (INCRA), for which an escrow deposit was made totaling R$3,477 on December 31, 2011 (R$2,321 on December 31, 2010).

(iii) The Company is challenging the increase in the Occupational Accident Risk rate (RAT). Thus, it filed a lawsuit and deposited the amounts corresponding to the increased rate in an escrow account. The amount of the escrow deposit totals R$17,532 as of December 31, 2011 (R$6,843 on December 31, 2010).

(iv) The Company discusses at administrative level the FAP (Accident Prevention Factor) index which was imposed to it, whose reserve totals R$13,709 as of December 31, 2011 (R$6,584 as of December 31, 2010).

(v) Other tax claims assessed by the Management of the Company and subsidiary Lojas Maia and their legal counsels as probable loss amount to R$36,193 as of December 31, 2011 (R$41,234 on December 31, 2010), for which a reserve has been recognized. The tax claims are related to tax deficiency notices allegedly due to the incorrect application of ICMS rates, as well as to risks related to PIS/COFINS on debits on interest income, tax incentives received and credits subject to challenge with the tax authorities.

(vi) Subsidiary Lojas Maia does not acknowledge the mandatory collection of PIS/COFINS on ICMS tax base, depositing in an escrow account the amount of the related provision, in the total amount of R$33,084 on December 31, 2011 (R$15,580 on December 31, 2010).

(vii) During the business combination process of subsidiary Lojas Maia, other tax risks relating to ICMS, IRPJ, CSSL and ISS were identified by the Company and weighted in the context of calculation of the related fair values, and an additional reserve was recognized in the total amount of R$6,532 on December 31, 2011 (R$41,038 on December 31, 2010). The variation in 2011 refers to the settlement of part of the risks mainly related to ICMS, evaluated based on legal forecasts.

The Group understands that the best estimate of future disbursements of tax lawsuits described in item a (i) is as follows:

	Consolidated
	Estimated disbursement
2013	5,234
2014	3,491
2015	3,491
2016	1,745
2017	1,745
	15,706

Assumptions adopted in such estimate take into consideration mainly:

a) Possible challenge of the lawsuit, both at administrative level or in courts.

b) Average term of the challenge: from 1 to 3 years at administrative level and above 10 years in courts, when applicable.

c) Possible inclusion in tax amnesty programs.

d) Escrow deposits, when applicable.

e) Potential changes in legislation and previous court decisions.

The Group’s other tax lawsuits have an expectation of disbursement in excess of five years and cannot be reliably estimated due to their initial stage and the resolution of conflicts that should occur before being challenged in courts.

b) Civil lawsuits Civil contingencies of R$8,521 as of December 31, 2011 (R$8,644 as of December 31, 2010) are related to claims filed by customers on possible product defects; the subsidiary Lojas Maia, since it also operates in the retail industry, is party to lawsuits of the same nature in the amount of R$5,652 as of December 31, 2011 (R$5,733 as of December 31, 2010). Other non-relevant balances are recorded in the Company’s other subsidiaries and jointly-owned subsidiaries.

c) Labor lawsuits

i. At the labor courts, the Company is a party to various labor lawsuits, mostly claiming overtime. The accrued amount of R$21,932 as of December 31, 2011 (R$19,900 as of December 31, 2010) in the Company reflects the of probable loss assessed by the Company's management and its legal counsel. Other non-relevant balances are recorded in the Company's other subsidiaries and jointly-owned subsidiaries.

The Company is also challenging the payment of social security contribution on paid prior notice, which is being fully deposited in escrow and totals R$3,299 as of December 31, 2011 (R$1,759 as of December 31, 2010), and the total balance was accrued in the Company.

The Group understands that the best estimate of future disbursements of civil and labor lawsuits recorded under "noncurrent liabilities" is as follows:

	Consolidated
	Estimated disbursement
2013	16,293
2014	9,134
2015	9,134
2016	6,305
2017	6,305
	47,171

Assumptions adopted in such estimate take into consideration, mainly the procedural phase, that both civil and labor lawsuits have an average term from three to five years, among all procedural phases.

The Company is a party to other lawsuits that were assessed by management, based on the opinion of its legal counsel, as possible losses and, therefore, no reserve was recognized for such lawsuits. The amounts attributed to the main lawsuits where the Company is the defendant are:

a) Tax lawsuits: There are tax lawsuits where the Company and its subsidiaries and jointly-owned subsidiaries are the defendants. The amount estimated by Management and its legal counsel relating to these lawsuits, which are at the administrative or legal level, is R$377,309 as of December 31, 2011 (R$132,245 as of December 31, 2010).

The main lawsuits classified as possible losses are described below:

PIS/COFINS - Administrative lawsuits, which are pending in the Regional Judgment Authority, relating to tax-deficiency notice issued due to possible differences in tax calculation bases, credits calculated and offset, but not ratified by the Federal Revenue Service, among others involving lower amounts. The lawsuits with possible losses totaled R$156,577.

ICMS - Administrative and legal lawsuits, relating to tax-deficiency notices issued due to: (i) possible differences in ICMS rates, (ii) non-compliance with some accessory obligations, (iii) acquisition of goods from suppliers, whose registrations were later declared inapt by the tax authority, and (iv) discussion on rate increase in the state of São Paulo, from 17% to 18%. Among others involving lower amounts, the estimated value of these lawsuits is R$188,028.

b) Civil and labor lawsuits: The Company challenges civil and labor administrative lawsuits, with likelihood of possible loss, whose amounts are immaterial for disclosure.

Contingent assets

The Company is party to other tax lawsuits of diverse nature as plaintiff. The estimated amounts of these lawsuits total approximately R$294,528 on December 31, 2011 (R$233,602 on December 31, 2010), which were not recorded since they refer to contingent assets. These credits refer primarily to the lawsuit filed to exclude the ICMS from the PIS/COFINS tax base, totaling approximately R$175,615. Other credits may be obtained from lawsuits that address the increase in the PIS tax basis, the exclusion of ISS from the PIS/COFINS tax basis, among others.

19. TAXES PAYABLE IN INSTALLMENTS

	Company (BRGAAP)		Consolidated (IFRS and BRGAAP)	
	2011	2010	2011	2010
PAES	716	2,398	716	2,398
REFIS IV	6,536	12,141	6,536	46,921
	7,252	14,539	7,252	49,319

During the year ended December 31, 2011, the Federal Revenue Service consolidated the debts included in Tax Recovery Program (REFIS) of the Company and the jointly-owned subsidiary Luizacred without significant changes in provisions. The variation of REFIS balance is due to the payment in cash by the subsidiary Luizacred.

20. SHAREHOLDERS' EQUITY

Capital

The Company approved at the Special Shareholders' Meeting held on December 17, 2010, the reduction of the capital in the amount of R$177,000, to absorb accumulated losses. On April 1, 2011, the Extraordinary Shareholders' Meeting approved the split of all common shares representing the Company's capital, so that each common share was represented by 3.10666710436154 new common shares, resulting in 150,000,000 common shares.

Tender Offer

On April 5, 2011, the Company entered into the *Novo Mercado* Listing Agreement with BM&FBOVESPA, whereby it agreed to abide by the *Novo Mercado* Differentiated Corporate Governance Practices, a special securities trading segment of BM&FBOVESPA, governed by the *Novo Mercado* Listing Rules, which establishes differentiated corporate governance practices to be adopted by the Company, that are stricter than those set forth in the Brazilian Corporate Law.

On May 2, 2011, the Company conducted a primary and secondary initial public offering of common shares held by the Selling Shareholders, at the offering price of R$16.00 per share. Additional shares, defined as "Over-allotment Option" was also subscribed at the final offering memorandum. Additional shares were sold under the same conditions and prices of those originally offered. The Tender Offer process was concluded on June 3, 2011.

Summary of the amounts involved in the operation:

	Initial lot	Overallotment	Total
Primary offering:			
Number of shares	33,750,000	2,744,467	36,494,467
Amounts in R$ thousand	540,000	43,911	583,911
Secondary offering:			
Number of shares	16,564,432	2,339,897	18,904,329
Amounts in R$ thousand	265,031	37,438	302,469
Total shares	50,314,432	5,084,364	55,398,796
Total offering amount	805,031	81,349	886,380

The Company's total shares after the offering will be 186,494,467 common shares, and the ownership structure will be distributed as follows:

	Number of shares	Interest - %
LTD Administração e Participações S.A.	113,035,011	60.61
Wagner Garcia Participações S.A.	8,411,383	4.51
Brazil Zia I. LLC	3,672,546	1.97
Brazil Zia II. LLC	963,698	0.52
Outstanding shares	55,398,796	29.70
Other	5,013,033	2.69
Total	186,494,467	100.00

Net proceeds from the Primary Offering will be used to (i) open new stores, (ii) acquire companies in the retail and e-commerce segments, (iii) remodel stores and (iv) increase working capital. Expenses related to the tender offer amounted to R$20,406, net of fiscal effects, of which R$14,932 refer to Banks and Brokers commissions.

The Company's shares started to be traded on May 2, 2011.

Legal reserve

Legal Reserve, as provided for in Article 193 of Law 6,404/76, refers to the allocation of 5% of net income for the year, limited to 20% of capital. On December 31, 2011, the Company's legal reserve totaled R$4,025 (R$3,442 on December 31, 2010).

Dividends

The Company's Bylaws set forth the distribution of minimum mandatory dividend of 15% of net income adjusted according to Brazilian Corporation Law. The proposal relating to dividend distribution and profit reserve submitted by the Management to the Annual Shareholders' Meeting in 2011 is as follows:

	2011
Net income for the year	11,666
(-) Legal reserve	(583)
Distributable net income base	11,083
Attribution of minimum mandatory dividend (in percentage)	15%
Proposed minimum dividends	1,662
Weighted average of outstanding shares in the period	174,448
Minimum dividends per share	0.01

Earnings retention reserve

After legal retentions and distribution of dividends, the remaining balance of profits is transferred to the earnings retention reserve, which will be allocated by the annual shareholders' meeting.

Earnings per share

As established by CPC 41 and IAS 33, "Earnings per Share", the reconciliation of net income for the period to the amounts used to calculate the basic and diluted earnings per share is as follows:

	2011	2010
Net income for the years attributable to the owners of the Company	11,666	68,834
Weighted average of outstanding shares in the period	174,448	150,000
Basic and diluted earnings per share (in reais)	0.07	0.46

There is no difference between basic and diluted earnings per share because no equity instruments with dilutive effects were recorded during the year ended December 31, 2011.

21. NET SALES

	Company		Consolidated	
	(BR GAAP)		(IFRS and BR GAAP)	
	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Gross revenue:				
Retails - resale of goods	5,857,772	4,812,178	6,848,111	5,138,279
Retails - services provided	241,205	184,196	152,443	100,984
Loan operations	-	-	504,290	373,339
Insurance operations	-	-	68,754	58,297
Consortium management	-	-	27,738	21,077
	6,098,977	4,996,374	7,601,336	5,691,976
Taxes and returns:				
Resale of goods	(931,262)	(778,644)	(1,145,076)	(857,705)
Services provided	(32,129)	(24,107)	(36,889)	(26,247)
	(963,391)	(802,751)	(1,181,965)	(883,952)
Net sales	5,135,586	4,193,623	6,419,371	4,808,024

22. COST OF SALES, SERVICES AND FUNDING

	Company		Consolidated	
	(BR GAAP)		(IFRS and BR GAAP)	
	2011	2010	2011	2010
Costs:				
Goods resold	(3,589,901)	(2,916,704)	(4,163,438)	(3,092,816)
Services provided	-	-	(14,061)	(12,484)
Funding for financial operations	-	-	(97,585)	(60,961)
	(3,589,901)	(2,916,704)	(4,275,084)	(3,166,261)

23. INFORMATION ON THE NATURE OF THE EXPENSES RECOGNIZED IN THE STATEMENT OF INCOME

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

	Company		Consolidated	
	(BR GAAP)		(IFRS and BR GAAP)	
	2011	2010	2011	2010
Purchase and variation in goods for resale	(3,504,314)	(2,869,188)	(4,052,297)	(3,060,622)
Financial costs (borrowing and financing)	(78,813)	(40,919)	(202,719)	(101,880)
Personnel expenses	(756,731)	(605,422)	(880,279)	(661,225)
Advertising expenses	(66,946)	(78,819)	(100,954)	(86,083)
Freight expenses	(153,490)	(115,563)	(184,262)	(130,563)
Rental expenses	(113,546)	(91,997)	(155,158)	(111,997)
Depreciation and amortization expenses	(71,061)	(65,702)	(86,937)	(68,487)
Service providers expenses	(101,836)	(123,641)	(170,761)	(142,160)
Sundry provisions	(18,071)	(25,599)	30,860	(61,190)
Allowance for doubtful accounts	(11,081)	(14,471)	(242,733)	(175,333)
Other	(83,328)	35,247	(160,471)	42,949
Total	(4,959,217)	(3,996,074)	(6,205,711)	(4,556,591)
Classified by function as:				
Cost of goods sold	(3,589,901)	(2,916,704)	(4,275,084)	(3,166,261)
Selling expenses	(1,038,760)	(855,866)	(1,270,971)	(960,179)
General and administrative expenses	(264,749)	(198,151)	(354,629)	(248,853)
Credit losses	(13,279)	(14,471)	(244,931)	(175,333)
Depreciation and amortization	(71,061)	(65,702)	(86,937)	(68,487)
Other operating income, net	18,533	54,820	26,841	62,522
	(4,959,217)	(3,996,074)	(6,205,711)	(4,556,591)

24. OTHER OPERATING INCOME, NET

	Company		Consolidated	
	(BR GAAP)		(IFRS and BR GAAP)	
	2011	2010	2011	2010
Gain (loss) on sale of property, plant and equipment(a)	10,342	-	10,133	-
Recognition of deferred income (b)	26,447	54,947	27,665	50,539
Reversal of provision for tax contingencies (c)	-	-	49,081	-
Refund of taxes (d)	-	9,611	-	9,611
Provision for tax losses	(6,448)	(10,948)	(6,448)	(10,948)
Pre-operating expenses (e)	(12,702)	-	(39,414)	-
Credit card expenses (f)	-	-	(72,356)	(22,271)
Personal loans - Luizacred (g)	-	-	50,179	39,836
Sale of brand disclosure structure (h)	-	-	22,500	-
Financial losses expenses (i)	-	-	(8,160)	(5,204)
Other	894	1,210	(6,339)	959
Total	18,533	54,820	26,841	62,522

a) The balance refers to the sale of properties to related parties, as described in Note 6.

b) Refers to the allocation of deferred income from the assignment of exploration rights, as described in detail in note 16.

c) Refers to the reversal of provision for possible tax losses, previously measured for the purposes of Lojas Maia business combination, which according to subsequent legal forecasts, they no longer exist.

d) Refers to tax credits, pegged to temporary credits recorded in 2010 on social security contributions of indemnity nature.

e) Refers to expenses incurred prior to the opening of Group stores. The main balance refers to stores acquired jointly with New-Utd (Lojas Baú).

f) Refers to expenses with issue and implementation of new credit cards, such as marketing and prospection actions, among others.

g) In 2005, Luizacred entered into a partnership agreement with the former Banco Fininvest S.A., succeeded by Itaú Unibanco, for the offer of personal loan to customers of Magazine Luiza, to complement the service portfolio offered by Luizacred. The main condition of the agreement provides for the transfer of profits earned on a monthly basis (“profit sharing”) from loan services contracted with Fininvest, on behalf of Luizacred.

h) Refers to income from sale of Luizacred’s disclosure structure, with a view to fostering the Itaúcard brand.

i) Refers to expenses with Luizacred’s credit card operation losses.

25. FINANCIAL INCOME (EXPENSES)

	Company		Consolidated	
	(BR GAAP)		(IFRS and BR GAAP)	
	2011	2010	2011	2010
Financial income:				
Interest on extended warranty sales	13,248	12,220	13,248	14,050
Income from short-term financial investments and securities	20,079	810	32,198	7,917
Interest on delay in collection	1,745	2,069	2,149	2,138
Exchange gains	469	692	469	692
Discount obtained	2,360	11,647	2,897	11,647
Other	672	-	725	118
	38,573	27,438	51,686	36,562
Financial expenses:				
Interest on loans and financing	(115,267)	(105,533)	(136,797)	(113,613)
Charges on credit card advances	(71,962)	(54,150)	(52,885)	(33,627)
Provision of interest on extended warranty	(8,951)	(11,896)	(8,951)	(11,896)
Exchange loss	(858)	(886)	(858)	(3,700)
Other	(16,357)	(10,050)	(17,918)	(15,191)
	(213,395)	(182,515)	(217,409)	(178,027)
Net financial income (expenses)	(174,822)	(155,077)	(165,723)	(141,465)

26. EMPLOYEE BENEFITS

The Group offers a pension plan for all its employees. This pension plan is a defined contribution pension plan with no actuarial liability for the Group. The Group's contribution is equivalent to 0.20 percent of the salary of the participating employees and can be suspended at any time, at the Group's discretion, provided that participants receive a prior notice. In 2011 and 2010, contributions amounted to R$1,285 and R$611, respectively. Participants can make voluntary contributions, deducted from payroll, with no contra entry by the Group.

The Group offers to its employees health care benefits, dental reimbursement, life insurance, meal ticket, transportation voucher, scholarship, among others. The expense on such benefits, recorded in 2011, was R$94,738 (R$59,545 in 2010). Additionally, the Group does not offer any benefits to the key management personnel of its related parties.

27. PROFIT SHARING

Pursuant to Collective Bargaining Agreements entered into with respective employees' unions, the Group has implemented the profit sharing program, based on an agreement of operating and financial goals agreed with them. No pre-defined goals were met in 2011; accordingly, no provision for the profit sharing payment was recorded in the balance. R$14,468 (R$4,585 in 2009) was accrued in the Company and consolidated for the year ended December 31, 2010. The amounts are recorded as operating expenses.

28. SEGMENT REPORTING

The technical pronouncement CPC 22 and IFRS 8 - Segment Reporting - require that the operating segments are identified based on internal reports related to the Company's components periodically reviewed by the CEO, the main operating decision maker, so that funds may be allocated to segments and their performance may be assessed.

To manage its business taking into consideration its financial and operating activities, the Company classified its business into Retail, Credit, Insurance and Consortium Management operations. These classifications are considered as the primary segments for disclosure of information. The characteristics of these divisions are described below:

- Retail - mainly resale of goods and provision of services in the Company's stores.
- Financial operations - through the jointly-owned subsidiary Luizacred, mainly engaged in the granting of credit to the Company's customers for acquisition of products.
- Insurance - through the jointly-owned subsidiary Luizaseg, mainly engaged in the offer of extended warranties of products purchased by the Company's customers.
- Consortium management - through the subsidiary LAC, mainly engaged in the management of consortiums to the Company's customers for purchase of products.

The Company's sales are fully made in the Brazilian territory and, considering retail operations, there is no concentration of customers, as well as of products and services offered by the Group.

Net income or loss

	2011						
		Financial	Insurance	Consortium			Consolidated
	Retail	operations	operations	management	Total	Exclusions	balance
Gross revenue from third parties	7,000,554	504,290	68,754	27,738	7,601,336	-	7,601,336
Gross revenue from related parties	112,210	24,580	-	-	136,790	(136,790)	-
Revenue deductions	(1,180,022)	-	-	(1,943)	(1,181,965)	-	(1,181,965)
Net segment sales	5,932,742	528,870	68,754	25,795	6,556,161	(136,790)	6,419,371
Cost of resales, services and fund raising for financial operations	(4,163,438)	(97,585)	(4,918)	(14,097)	(4,280,038)	4,954	(4,275,084)
Gross profit	1,769,304	431,285	63,836	11,698	2,276,123	(131,836)	2,144,287
Selling expenses accounts	(1,201,711)	(68,894)	(366)	-	(1,270,971)	-	(1,270,971)
Selling expenses - related parties	-	(63,799)	(43,456)	-	(107,255)	107,255	-
General and administrative expenses	(327,165)	(3,174)	(11,285)	(13,005)	(354,629)	-	(354,629)
Income (loss) from allowance for doubtful accounts	(13,279)	(231,652)	-	-	(244,931)	-	(244,931)
Depreciation and amortization	(85,511)	(5,410)	(5,140)	(278)	(96,339)	9,402	(86,937)
Equity in subsidiaries	29,864	-	-	-	29,864	(29,864)	-
Other operating income	54,498	(18,076)	(188)	8	36,242	(9,401)	26,841
Financial income	41,799	-	8,975	913	51,687	-	51,686
Financial expenses	(217,410)	-	-	-	(217,410)	-	(217,409)
Financial expenses from related parties	(24,580)	-	-	-	(24,580)	24,580	-
Income tax and social contribution	(14,143)	(17,533)	(4,905)	310	(36,271)	-	(36,271)
Net income (loss) for the period	11,666	22,747	7,471	(354)	41,530	(29,864)	11,666

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	2010						
		Financial	Insurance	Consortium			Consolidated
	Retail	operations	operations	management	Total	Exclusions	balance
Gross revenue from third parties	5,239,263	373,339	58,297	21,077	5,691,976	-	5,691,976
Gross revenue from related parties	85,132	22,034	-	-	107,166	(107,166)	-
Revenue deductions	(882,435)	-	-	(1,517)	(883,952)	-	(883,952)
Net segment income	4,441,960	395,373	58,297	19,560	4,915,190	(107,166)	4,808,024
Cost of resales, services and fund raising for financial operations	(3,092,816)	(60,961)	(2,935)	(9,549)	(3,166,261)	-	(3,166,261)
Gross profit	1,349,144	334,412	55,362	10,011	1,748,929	(107,166)	1,641,763
Selling expenses accounts	(877,728)	(82,451)	-	-	(960,179)	-	(960,179)
Selling expenses - related parties	-	(42,881)	(38,619)	(3,632)	(85,132)	85,132	-
General and administrative expenses	(234,824)	-	(7,841)	(6,188)	(248,853)	-	(248,853)
Income (loss) from allowance for doubtful accounts	(14,502)	(160,831)	-	-	(175,333)	-	(175,333)
Depreciation and amortization	(67,124)	(1,112)	(5,136)	(251)	(73,623)	5,136	(68,487)
Equity in subsidiaries	40,130	-	-	-	40,130	(40,130)	-
Other operating income	58,090	11,018	-	814	69,992	(7,400)	62,522
Financial income	29,468	-	6,414	680	36,562	-	36,562
Financial expenses	(178,018)	-	(9)	-	(178,027)	-	(178,027)
Financial income from related parties	(22,034)	-	-	-	(22,034)	22,034	-
Income tax and social contribution	(13,768)	(22,892)	(3,975)	(499)	(41,134)	-	(41,134)
Net income (loss) for the period	68,834	35,263	6,196	935	111,228	(42,394)	68,834

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

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	2010						
	Retail	Financial operations	Insurance operations	Consortium management	Total	Exclusions	Consolidated balance
Assets							
Cash and cash equivalents	319,359	249	31	9,226	328,865	-	328,865
Securities	-	5,029	73,654	-	78,683	-	78,683
Trade accounts receivable	518,153	1,025,101	-	131	1,543,385	-	1,543,385
Inventories	849,799	-	-	-	849,799	-	849,799
Investments	(28,837)	-	-	-	(28,837)	28,837	-
Property, plant and equipment and intangible assets	724,766	87,750	5,139	941	818,596	(85,136)	733,460
Other assets	335,047	80,541	11,510	1,683	428,781	(35,193)	393,588
	2,718,287	1,198,670	90,334	11,981	4,019,272	(91,492)	3,927,780
Liabilities							
Trade accounts payable	1,131,372	-	733	184	1,132,289	-	1,132,289
Loans and financing	774,873	-	-	-	774,873	-	774,873
Interbank deposits	-	852,680	-	-	852,680	-	852,680
Credit card operations	-	220,230	-	-	220,230	-	220,230
Technical insurance reserves	-	-	43,695	-	43,695	-	43,695
Reserve for contingencies	179,165	2,524	76	255	182,020	-	182,020
Deferred income	407,154	-	-	-	407,154	(85,136)	322,018
Other accounts payable	307,710	71,433	7,165	1,424	387,732	(35,193)	352,539
	2,800,274	1,146,867	51,669	1,863	4,000,673	(120,329)	3,880,244

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29. FINANCIAL INSTRUMENTS

Capital risk management

The Company’s funds are managed in a way to ensure the continuity of the Company as a going concern and to maximize its funds to allow for investments in new stores, refurbishment and redesign of existing stores and provide return to shareholders.

The Company’s capital structure comprises financial liabilities, cash and cash equivalents, securities and shareholders' equity.

Periodically, Management reviews the capital structure and its ability to settle its liabilities, as well as monitors, on a timely basis, the average term of suppliers in relation to the average term of inventory turnover. Actions are promptly taken when the assets resulting from this ratio are higher than the liabilities.

The objectives of capital management are to safeguard the continuous return to the Company’s shareholders and benefits to other related parties, and maintain an ideal capital structure to reduce this cost and maximize its funds to allow for investments in new stores, refurbishment and redesign of existing stores.

The Company also uses the Net Debt/EBITDA ratio, which in its opinion, represent the most adequate manner to measure its indebtedness, since it reflects the net consolidated financial obligations of immediate funds available for payment, considering its operating cash generation.

Net Debt means the sum of all Loans and Financing in current and noncurrent liabilities, less cash and cash equivalents in current assets. EBITDA means net income before income tax and social contribution, financial income and expenses, depreciation and amortization.

Categories of financial instruments

	Company		Consolidated	
	(BR GAAP)		(IFRS and BR GAAP)	
Financial assets	12/31/2011	12/31/2010	31/12/2011	31/12/2010
Loans and receivables (including cash and banks):				
Cash and banks	43,571	156,435	54,688	265,994
Escrow deposits	53,534	24,175	88,969	47,214
Trade accounts receivable	442,184	424,363	1,937,235	1,543,385
Related parties	130,165	41,688	42,601	36,018
Held for trading:				
Cash equivalents and securities	134,285	24,828	174,892	93,327
Available for sale:				
Securities	-	-	61,761	48,225
Financial liabilities				
Amortized cost:				
Loans, financing and interbank deposit	591,257	633,744	1,692,813	1,631,598
Credit card operations	-	-	436,130	220,230
Trade accounts payable	1,091,013	977,173	1,267,774	1,132,289
Related parties	45,737	33,775	25,492	21,666

In the opinion of the Company's Management, the carrying amounts of the financial instruments recognized in the individual and consolidated financial statements approximate their respective fair values, as the maturity dates of most balances are close to the balance sheet date. Loans and financing are adjusted for inflation based on inflation indices and variable interest rates according to market conditions and, therefore, the debit balance recorded at the balance sheet dates approximates the fair value.

However, considering that there is no active market for these instruments, differences may arise should these amounts be settled in advance.

Fair value measurement

Consolidated assets and liabilities at fair value are summarized as follows:

Cash and cash equivalents are classified in Level 2 and the fair value is estimated based on reports from brokerage firms making use of market prices quoted for similar instruments.

The fair value of other financial instruments described above allows to approximate their carrying amounts based on the existing payment conditions. The Company has no outstanding assets or liabilities where the fair value could be measured by using non-observable significant information (Level 3) as at December 31, 2011 and 2010.

Liquidity risk management

The Company's Management has ultimate responsibility for the management of the liquidity risk and has prepared an appropriate liquidity risk management model to manage funding requirements and short, medium - and long-term liquidity management. The Group manages the liquidity risk through the continuous monitoring of estimated and actual cash flows, the combination of the maturity profiles of financial assets and liabilities and the maintenance of a close relationship with financial institutions, with regular disclosure of information to support credit decisions when external funds are necessary.

The table below details the remaining contractual maturity of the Group's financial liabilities and the contractual amortization periods. This table was prepared using the undiscounted cash flows of financial liabilities, based on the closest date when the Group should settle the related obligations. The tables include interest and principal cash flows. As interest flows are based on floating rates, the undiscounted amount was based on the interest curves at yearend. Contractual maturity is based on the most recent date when the Company should settle the related obligations.

	Less than one year	From one to three years	From three to five years	Total
Trade accounts payable	1,267,774	-	-	1,267,774
Borrowings and financing	129,671	348,562	233,102	711,335
Related parties	25,492	-	-	25,492

Considerations on risks

The Company's and its subsidiaries' businesses mainly comprise the retail sale of consumer goods, mainly home appliances, personal electronics, furniture and financial services, consumer financing for purchase of these assets and consortium-related activities, created to purchase vehicles, motorcycles, home appliances and furniture. The main market risk factors affecting the Company's business are as follows:

Credit risk: arises from the possibility that the Group and its subsidiaries may incur losses due to non-receipt of amounts billed to their customers, whose balance amounts to R$1,937,235 as at December 31, 2011 (R$1,543,385 as at December 31, 2010). This risk is assessed by the Company as low due to the normal dispersion of sales as a result of the large number of customers; however, there are no guarantees of actual receipt of the total balance of trade accounts receivable due to the nature of the Group's activities. In cases in which the concentration of billed amounts is greater, the risk is managed by means of periodic analysis of default rate and adoption of more efficient collection measures. As at December 31, 2011, the Group recorded past-due or uncollectible balances under "trade accounts receivable", whose terms were renegotiated, in the amount of R$89,694 (R$100,856 as at December 31, 2010), which are included in the Group's analysis on the need to recognize an allowance for doubtful accounts.

Market risk: arises from the slowdown of retail sales in the Brazilian economic environment. The risks involved in these transactions are managed by establishing operational and commercial policies, determining limits for derivative transactions, and constantly monitoring assumed positions.

Interest rate risk: the Group is exposed to floating interest rates tied to the "Long-term Interest Rate (TJLP)" and "Certificate of Interbank Deposit (CDI)" and Selic, relating to financial investments and loans and financing in Brazilian reais, for which it performed a sensitivity analysis.

Foreign exchange rate and price risk: the Company uses derivatives, recorded in balance sheet and income statement accounts, to meet its market risk management requirements, arising from mismatching between currencies and indices. Derivative transactions are carried out through the Finance Department, pursuant to the strategies previously approved by the Group's Board of Directors. In this scenario, the Company raised foreign currency-denominated loans bearing interest, for which it entered into swap transactions to hedge against exchange rate variation, swapping contracted interest rate and foreign currency exchange rate for CDI plus fixed rate. This is a matched transaction which consists formally of a loan agreement and a swap transaction entered into on the same date, with the same maturity and counterpart and that should be settled by its net value. Thus, Management believes that, in substance, this is a loan transaction denominated in foreign currency, subject to a certain interest rate; accordingly, the accounting treatment and related disclosures reflect the substance of the transaction.

Below is the description of agreements that affected income for the year ended December 31, 2011:

			Bank index		Company index	
Bank	Notional value	Fair value through gain (loss) of "swap" (b)	Index	Interest	Index	Interest
Bradesco	89,540	8,094	US$	4.08% p.a.	CDI	118% p.a.
Banco do Brasil	120,052	12,434	US$	4.79% p.a.	CDI	116% p.a.
	209,592	20,528				

(a) The fair value of derivatives are determined by using a methodology normally used by market players; the present value of payments are estimated by using market curves disclosed by BM&FBOVESPA.

In addition to outstanding operations, the Company settled other operations during the year ended December 31, 2011, as follows:

		Settled		Bank index		Company index	
Bank	Notional value	amount paid	Date of settlement	Index	Interest	Index	Interest
Santander	70,000	5,178	05/12/2011	US$	2.60% p.a.	CDI	107.00%
Itaú/Unibanco	50,000	5,024	08/08/2011	US$	3.51% p.a.	CDI	114.80%
Safra	50,000	3,400	08/08/2011	US$	1.27% p.a.	CDI	111.90%
Itaú/Unibanco	30,524	3,316	12/15/2011	US$	6.20% p.a.	CDI	108.30%
	200,524	16,918					

There were no transactions, in the reporting period, no longer classified as hedging transactions and no future commitments subject to cash flow hedge.

Sensitivity analysis of financial instruments

As of December 31, 2011, Management carried out a sensitivity analysis, taking into account a 25 and 50 percent increase or reduction in the expected interest rates (probable scenario), based on future exchange rates disclosed by BM&FBOVESPA and/or BACEN. The expected effects of interest expenses net of financial revenues of financial investments for the 12-month period are as follows:

	Probable rate	Current scenario	Scenario I Probable	Scenario II (+ 25%)	Scenario III (- 25%)	Scenario IV (+ 50%)	Scenario V (- 50%)
Interest to be incurred exposed to:							
SELIC	9.70%	(5,960)	(5,996)	(7,495)	(4,497)	(8,994)	(2,998)
CDI	9.70%	65,479	71,472	89,340	53,604	107,208	35,736
TJLP	6.00%	2,683	2,683	2,930	2,279	3,256	1,953
IPCA	5.20%	1,278	1,278	1,380	1,104	1,518	966
Total		63,480	69,437	86,155	52,490	102,988	35,657

The current scenario shows financial expenses and income with current interest rates. The effect in the income (loss) expected for each scenario is the difference between this scenario and the current scenario.

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

30. BUSINESS COMBINATIONS

30.1. Conclusion of business combination - Lojas Maia

The Company's Management concluded the market valuation necessary for the conclusion of business combination related to the acquisition of Lojas Maia, and there were no amendments to be made to the effects disclosed in the financial statements for December 31, 2010.

30.2. Acquired subsidiary - New-Utd

The Company signed on July 21, 2011, the acquisition date, a purchase and sale contract with BF Utilidades Domésticas Ltda., BF PAR Utilidades Domésticas Ltda., companies of Silvio Santos Group, which sets out the terms and conditions for the acquisition by the Company of the home appliances, personal electronics and furniture retail businesses explored by Baú da Felicidade store chain through 121 stores located in the states of Paraná, São Paulo and Minas Gerais.

The deal was carried out with the creation of a company, named New-Utd Utilidades Domésticas S.A., which will have as its net assets 121 Baú da Felicidade stores, the respective lease agreements, furniture, equipment and facilities of the stores, as well as the IT systems (hardware and software) and ownership of the customer base.

30.2.1. Consideration transferred

Cash	80,289
Discount on purchase price	2,711
Total agreed	83,000

The consideration transferred amounted to R$80,289, fully paid on July 29, 2011. The amount related to the discount on purchase price refers to amounts disbursed by the Company to renegotiate some lease agreements.

30.2.2. Assets acquired and liabilities assumed on the acquisition date:

	Fair value
Noncurrent assets:	
Property, plant and equipment (a)	6,103
Intangible assets (b)	16,235
Total noncurrent assets	22,338
Shareholders' equity:	
Capital	22,338
Total liabilities and shareholders' equity	22,338

The Company valued the acquiree's intangible assets at fair value on the acquisition date. Adjustments calculated using the fair value valuation were recognized with a corresponding entry to goodwill on acquisition.

30.2.3. Goodwill on acquisition

Consideration transferred	80,289
Fair value of the shareholders' equity	22,338
Goodwill on acquisition	57,951

Goodwill on the acquisition of New-Utd was generated since the business combination cost includes the amount paid for the control premium. Additionally, the consideration paid for the business combination includes amounts relating to the benefits of the expected synergies, growth of revenue, future expansion of markets and labor of New-Utd. These benefits are not recognized separately from the goodwill since they do not comply with the criteria for identifiable intangible asset recognition.

Pursuant to tax legislation, it would be only deductible the goodwill on the acquisition up to the limit of the amount paid for the investee's control. This goodwill was classified for tax purposes as R$57,951 supported by the future profitability of the investment acquired, the amortization of which began for tax purposes after the merger of the investment.

30.2.4. Impacts of acquisitions on the group's income (loss)

In the consolidated financial statements the income (loss) for the year ended December 31, 2011 includes a loss of R$32,255 and net income of R$54,654 attributable to additional businesses generated by New-Utd in the period between the acquisition date and the reference date of financial statements, which is detailed in note 8.

If such business combination would have been consummated on January 1, 2011, the estimated increase in the consolidated net revenue and consolidated net income would amount to R$310,208 and R$459, respectively, considering a longer maturing period of stores. The Company's management considers that these pro forma amounts represent an approximate measure of the Group's combined performance on an annual basis and are used as a basis of comparison in future years.

31. COMMITMENTS

Operating lease - Lease agreements

The Company has several property lease agreements with related parties (MTG Administração e Participações S.A.) and third parties, whose average terms are 5 years, renewable for an additional period of 5 years, which Management analyzed and concluded to be classified as operating lease.

These contracts provide for fixed or variable rental amounts, based on the percentage on net sales, according to contractual clauses. As of December 31, 2011, the Company had 728 leased stores. For these lease agreements, including 8 distribution centers, lease expenses totaled R$111,596 for the year ended December 31, 2011 (R$93,542 in 2010).

Future commitments arising from these contracts, over the next five years, amount to:

Year	Amount
2012	116,733
2013	122,502
2014	128,928
2015	134,995
2016	140,823
Total	643,981

Finance lease agreements

	Minimum payments			
	Company		Consolidated	
	2011	2010	2011	2010
Up to one year	10,555	8,732	10,586	9,332
Two to five years	15,405	5,127	15,405	5,127
More than five years	44	1,122	44	1,122
	26,004	14,981	26,035	15,581
Less: non-incurred financial result	(5,638)	(764)	(5,643)	(922)
Present value of minimum payments	20,366	14,217	20,392	14,659

In the year ended December 31, 2006, the Company purchased an aircraft using a finance lease maturing in 2016, subject to foreign exchange fluctuation and LIBOR. (See note 13 for further information.) No financial instruments were contracted to hedge against the risk of fluctuations of the foreign exchange rate agreed under said agreements.

The Company also entered into finance lease agreements for IT equipment and software, with maturity in 2019, as also described in note 13.

The amounts of assets, less accumulated depreciation, acquired through finance lease are shown below, in compliance with item 31 of CVM technical pronouncement 645/2009:

Category of assets	2011	2010
Computers and peripherals	12,831	11,763
Vehicles	8,774	6,321
Total	21,605	18,084

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

Special tax system

During 2011, with the purpose of continuing its expansion in the Northeastern states of Brazil, the subsidiary Lojas Maia entered into an amendment to the special tax system agreement in the state of Paraíba, in which it undertakes some future commitments as part of the agreement, to which the Company Management estimates a disbursement of approximately R$30,000 by the end of 2013, as well as a constant revenue of approximately R$300,000 and around 400 direct jobs after the conclusion of investments.

32. STATEMENTS OF CASH FLOWS

32.1. TRANSACTIONS NOT AFFECTING CASH

The Company's Management defines as "cash and cash equivalents" amounts maintained for the purpose of meeting short-term commitments and not for investment or any other purposes. Short-term investments can be immediately converted into a known cash amount and are not subject to significant changes in value. As of December 31, 2011 and 2010, this line account is broken down as described in note 3. Changes in equity not impacting the Company's cash flows are as follows:

	Company		Consolidated	
	(BR GAAP)		(IFRS and BR GAAP)	
	2011	2010	2011	2010
Balances payable to third parties on acquisition of investment	-	33,333	-	33,333
Amounts payable on acquisition of property, plant and equipment	7,389	808	7,389	808
Dividends paid by jointly-owned subsidiaries and not received	8,647	462	-	-
Distribution of advanced dividends in prior years	1,662	1,635	1,662	1,635

32.2. SUPPLEMENTAL INFORMATION IN THE STATEMENTS OF CASH FLOWS WHOSE DISCLOSURES ARE SUPPORTED BY TECHNICAL PRONOUNCEMENT CPC 03 (R2) - STATEMENTS OF CASH FLOWS

32.2.1. Statements of cash flows of investments in jointly-owned subsidiaries:

The cash flows from operating, investing and financing activities, relating to the interests in joint ventures recognized under the proportionate consolidation method, are as follows:

	Luizacred		Luizaseg	
	2011	2010	2011	2010
Net cash provided by (used in) operating activities	(44,372)	80,392	5,957	7,003
Net cash used in investing activities	(25,003)	(80,283)	-	-
Net cash provided by (used in) financing activities	72,943	(1,655)	(5,970)	(7,001)
Increase (decrease) in cash and cash equivalents	3,568	(1,546)	(13)	2

32.2.2. Cash flow supplemental information:

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

	2010					
	Retail	Financial operations	Insurance operations	Consortium management	Exclusions	Consolidated
Net cash provided by (used in) operating activities	478,631	80,392	7,003	2,021	(162,639)	405,408
Net cash used in investing activities	(178,924)	(80,283)	-	(256)	153,983	(105,480)
Net cash provided by (used in) financing activities	(163,472)	(1,655)	(7,001)	-	8,656	(163,472)
Increase (decrease) in cash and cash equivalents	136,235	(1,546)	(2)	1,765	-	136,456

33. INSURANCE

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

As of December 31, 2011 and 2010, insurance coverage is as follows:

	2011	2010
Civil liability	500	2,250
Sundry risks - inventories and property, plant and equipment	474,770	392,420
Vehicles	10,207	10,000
	485,477	404,670

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34. APPROVAL OF THE FINANCIAL STATEMENTS

The disclosure of the financial statements was approved and authorized by the Board of Directors on March 20, 2012.

35. SUBSEQUENT EVENTS

Capital increase - Luizacred

On January 16, 2012, the capital of the jointly-owned subsidiary Luizacred was increased by R$48,000, maintaining the ownership interest of its shareholders:

Shareholder	Capitalized amount	% of capital
Itaúcard	24,000	50.00%
Magazine Luiza	19,465	40.55%
Lojas Maia	4,535	9.45%
Total	48,000	100.00%

Advance for future capital increase

On December 14, 2011, the Company entered into an agreement for advance for future capital increase with its subsidiary Lojas Maia, for R$42,000, released in three installments: the first of R$12,000 on December 15, 2011, the second of R$15,000 on January 2, 2012 and R$15,000 on January 16, 2012.

Granting of stock plan

At the Board of Directors' meeting held on January 4, 2012, the Company resolved on the election of Stock Option Plan beneficiaries approved on April 1, 2011, the provisions of which set forth that the Group's managers, employees and outsourced employees are eligible to receive the stock options. Also, the exercise price of options to be granted was determined at R$13.60 for some elected officers and R$10.32 for other officer. The private instruments for granting the stock options to the beneficiaries were signed, totaling 2,250,000 stock options for R$10.32 and 1,147,259 stock options for R$13.60.

The Company Management is calculating the accounting effects to be registered in subsequent years, in accordance with technical pronouncement CPC10 R1.