3Q13 Conference Call

November, 01th 2013

- **3Q13 Highlights**
- Operational Performance
- Financial Performance
- 4Q13 Expectations

3Q13 Highlights

1 Operational Performance

- **Consolidated gross revenue growth: 18.9% versus 3Q12 – R$2.4 billion**
  - Same-store sales growth: 17.0% versus 3Q12 (14.0% physical stores SSS and 36.4% e-commerce in 3Q13)
  - 3Q12 high base of comparison (bricks-and-mortar stores SSS 7.4% and e-commerce 25.5%)
  - Opened 8 stores (7 physical stores and 1 virtual store) and 1 physical store closed
  - In Sept/13, Company branded 21 Lojas Maia stores to Magazine Luiza in the state of Paraíba
- **On a comparable basis, gross margin at 29.1% in 3Q13 (in line with 3Q12)**
  - Northeast gross margin expansion
  - Gross margin maintenance across other regions
  - INSS social security tax reclassification - reduction of 0.8 pp versus 3Q12 consolidated gross margin
- **Significant reduction in selling and administrative** expenses **(on a comparable basis)**
  - 1.5 pp reduction from 25.5% in 3Q12 to 24.0% in 3Q13
  - INSS social security tax reclassification (0.8 pp) - Selling and administrative expenses 23.1% in 3Q13
- **Subsidiaries' Equity: Significant improvement in Luizacred's profitability**
  - Better gross margin, delinquencies under control and operational expenses reduced
  - EBITDA margin grew to 9.6% in 3Q13 (4.2% in 3Q12) and net margin grew to 5.1% in 3Q13 (2.0% in 3Q12)

2 Profitability

- **Consolidated EBITDA totaled R$122.3 million with 6.1% EBITDA margin**
  - Recurring consolidated EBITDA increased 1.7 pp during 3Q12 (4.4%)
  - Sales growth, expense cutting and increased equity
- **Consolidated net income totaled R$25.4 million with 1.3% net margin**
  - Consolidated net income totaled R$80.8 million in 9M13 (best accumulated result in recent years)

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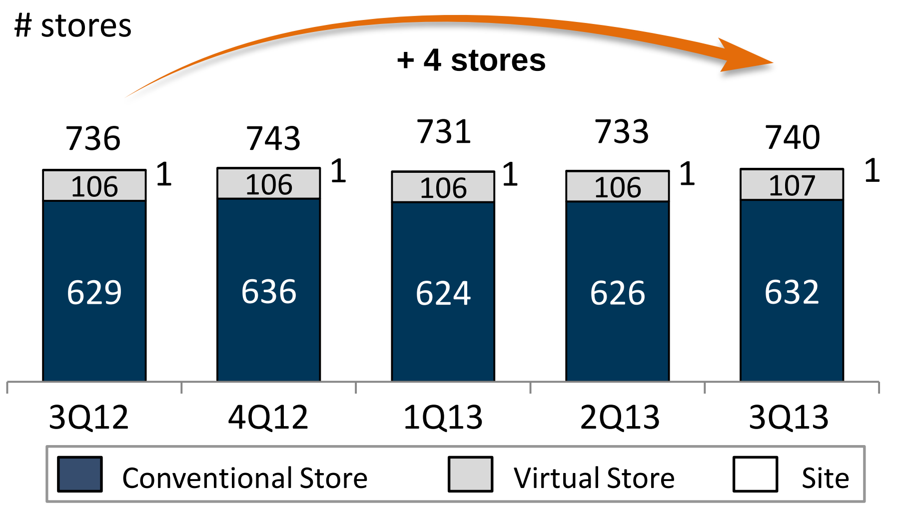
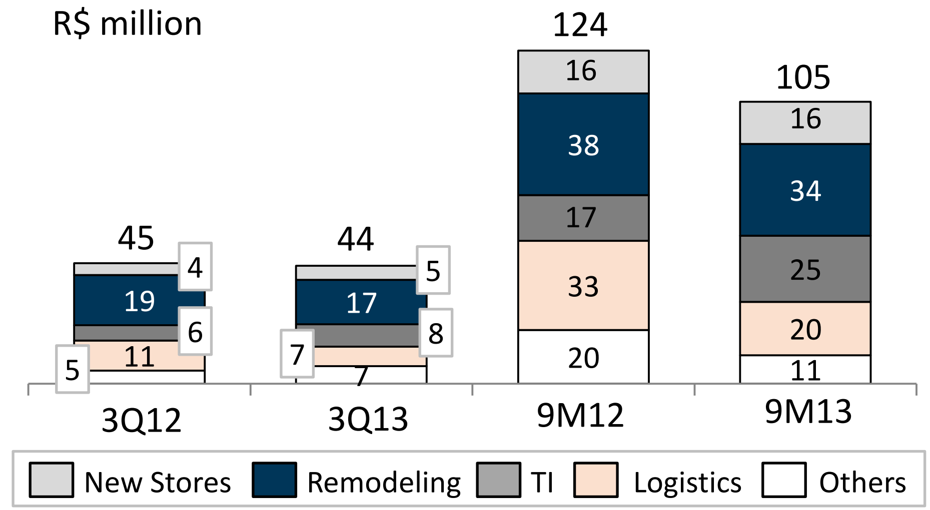
Operational Performance – Stores

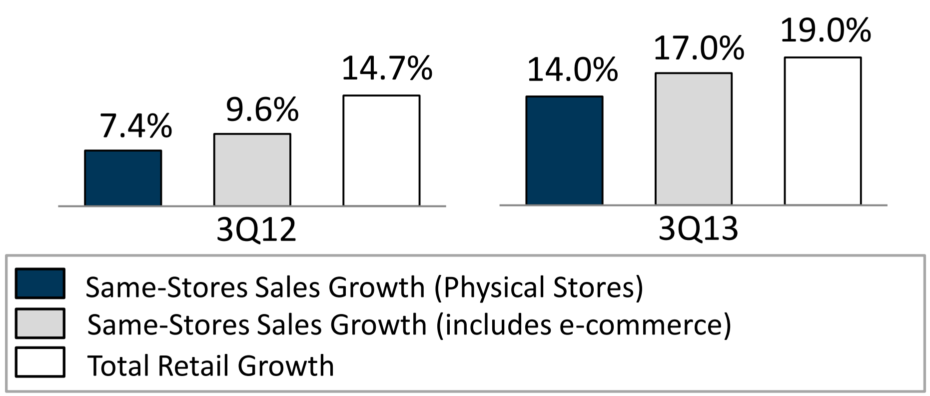
Number of Stores



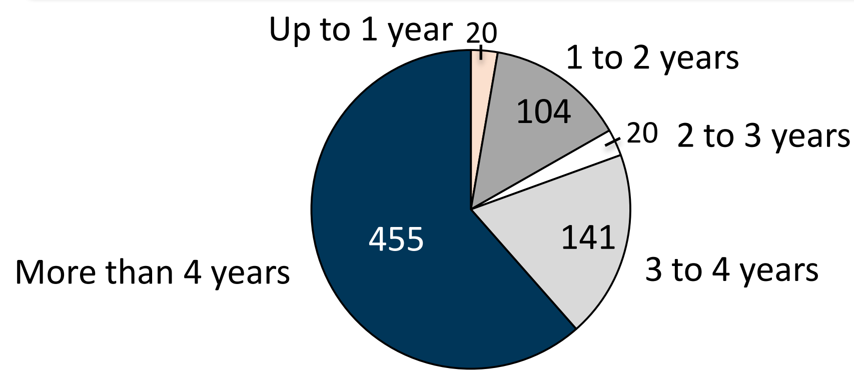
Investments



Same-Store Sales Growth



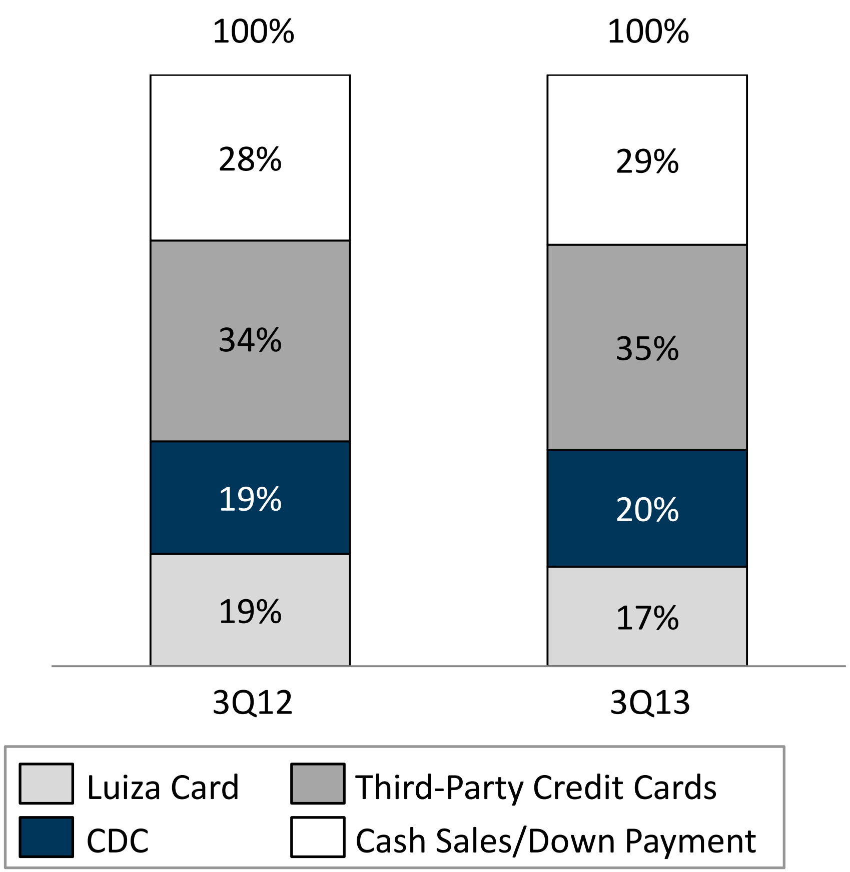
Average Age - Stores



Operational Performance – Luizacred

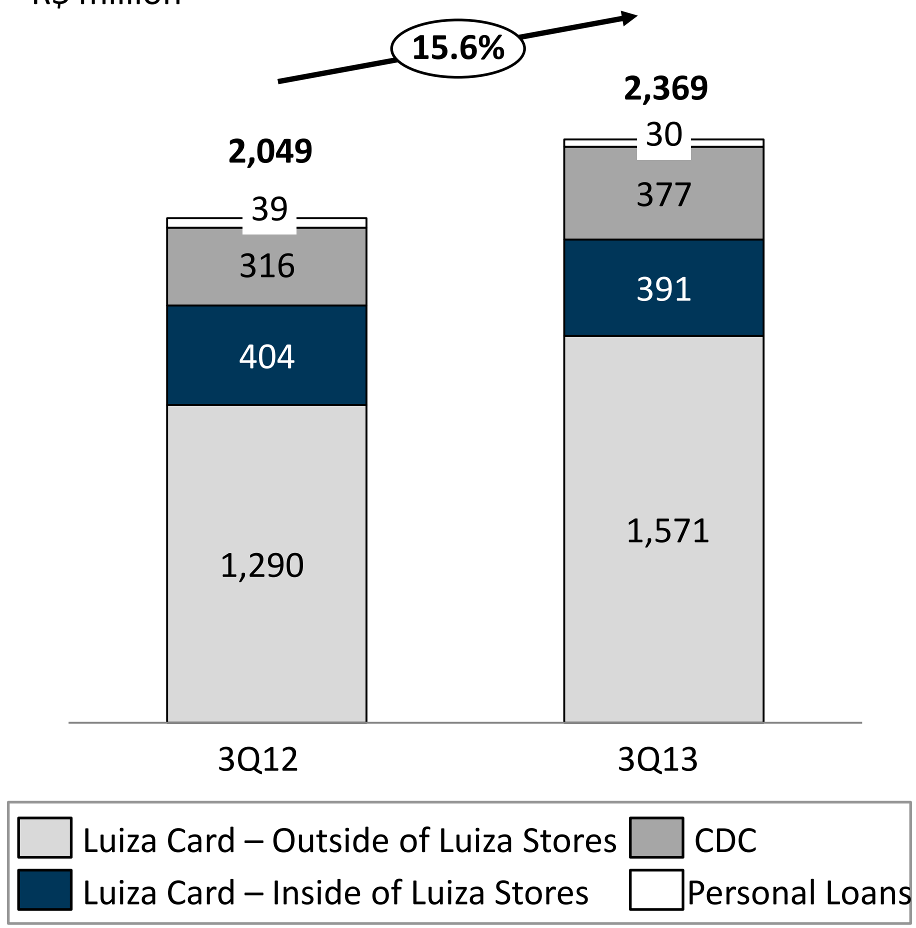
Financed Mix Sales

% of total sales



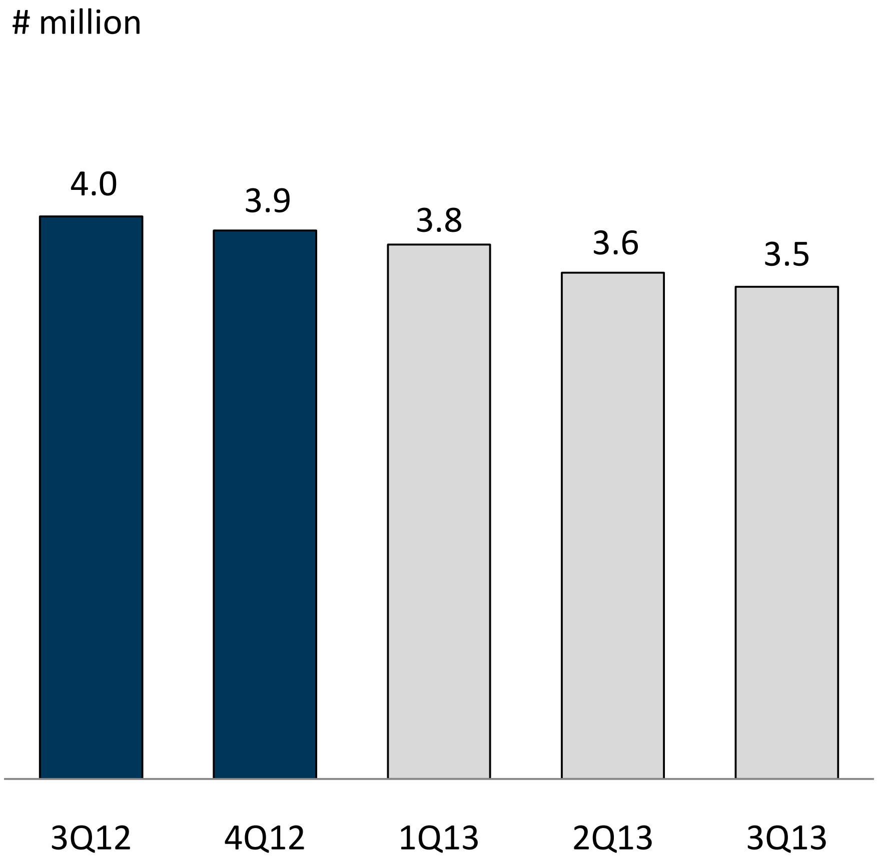
Luizacred Revenue

R$ million

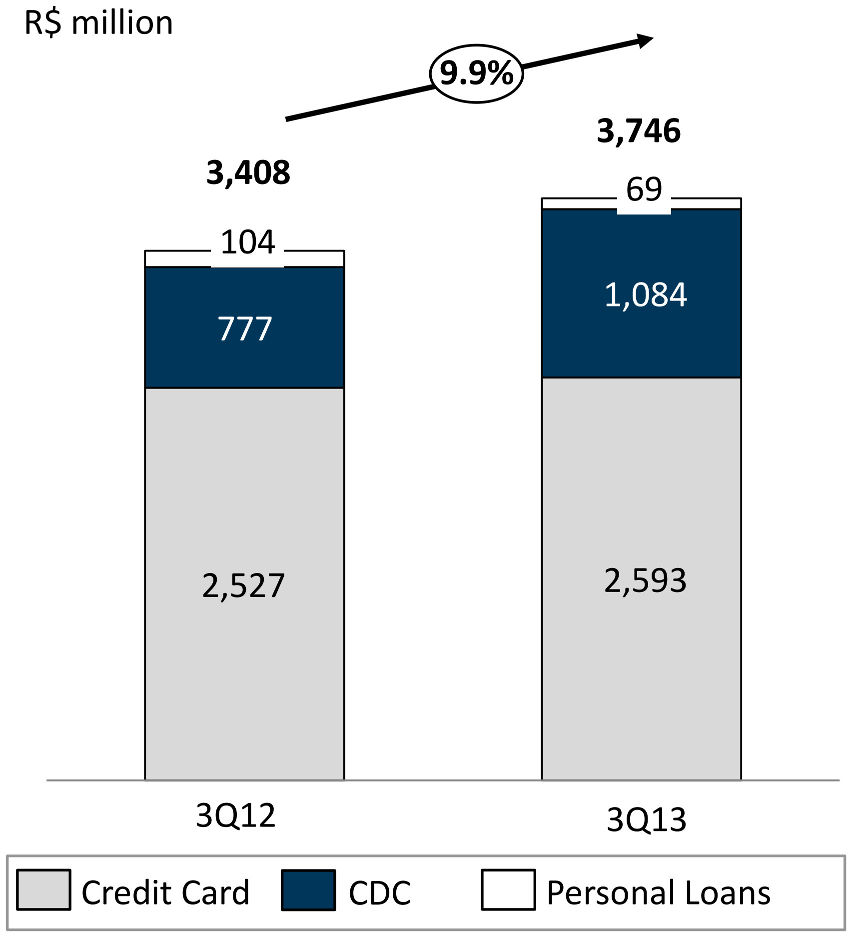


Operational Performance – Portfolio Composition

Luiza Card – Total Credit Card Base

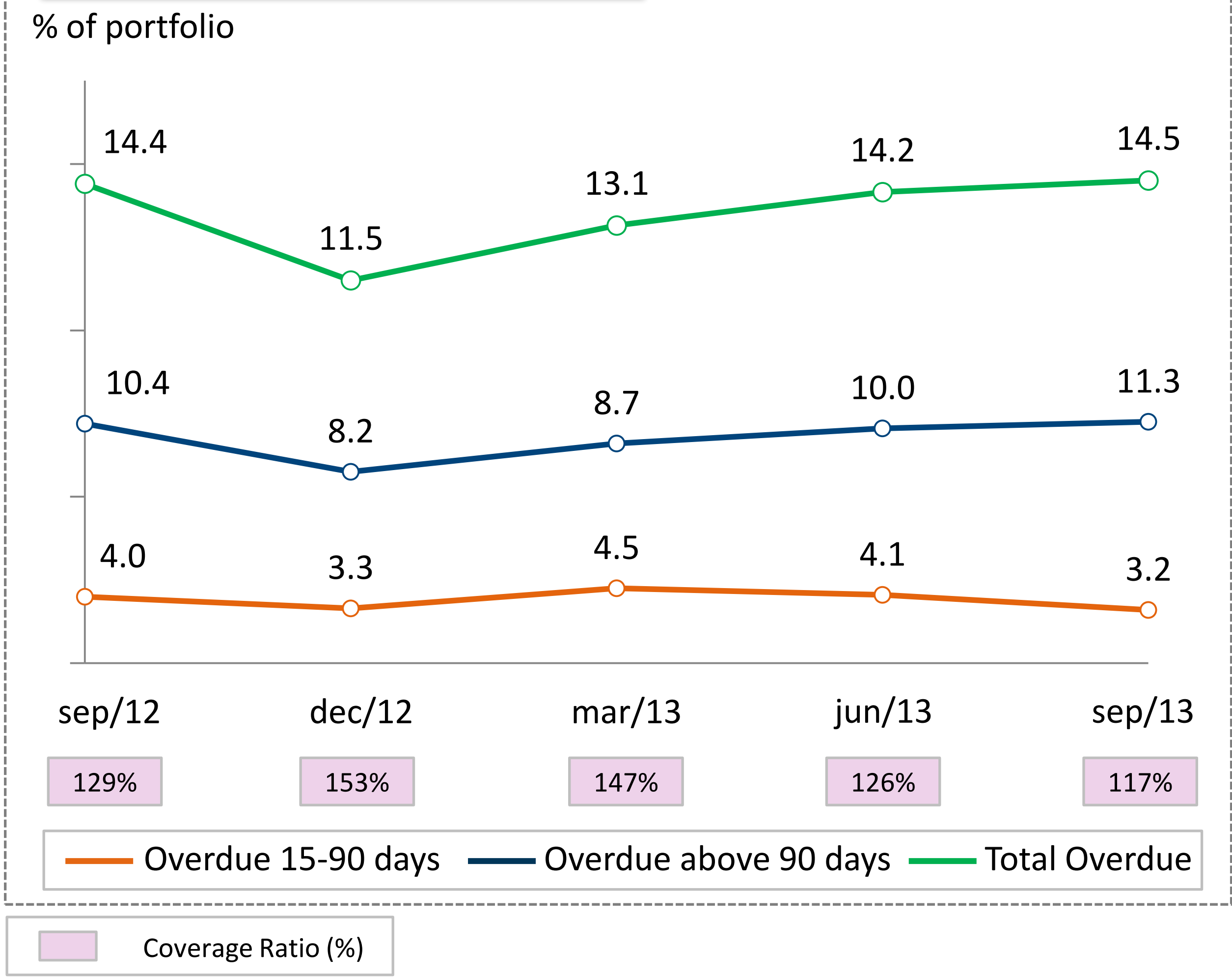


Portfolio



Luizacred Portfolio

Overdue Payments



Comments

- **0.8 improvement in short-term delays** versus 3Q12
- **NPL 90**: **0.9 pp increase** versus 3Q12
- **Total late payments stable** versus 3Q12
- **PDD** on total revenue: from 57.8% in 3Q12 to 56.2% in 3Q13
- PDD of total portfolio: **4.7% reduction** in 3Q12 to 4.6% in 3Q13
- **Conservative approach**

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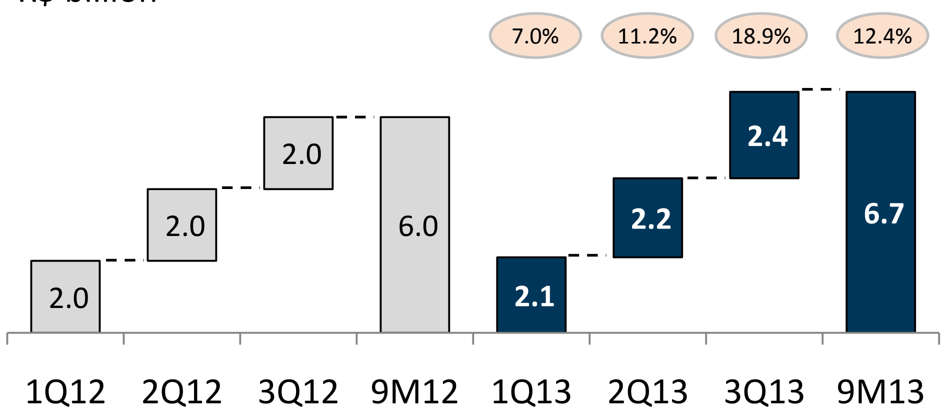
Gross Revenue and Net Revenue

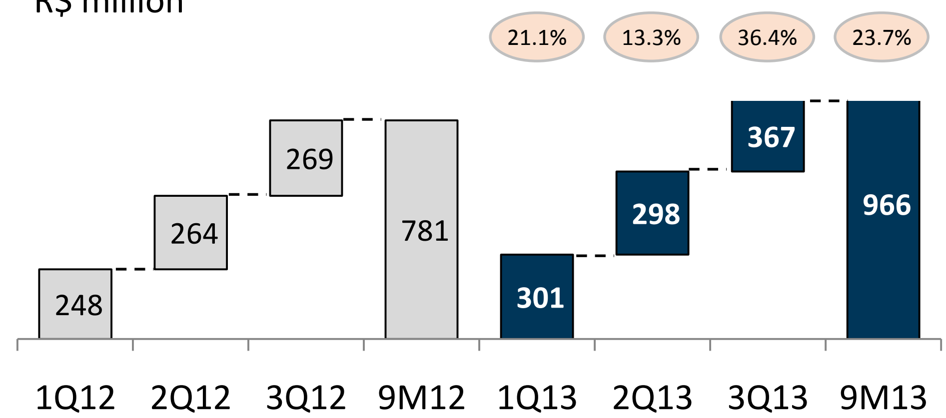
Gross Revenue - Consolidated

R$ billion



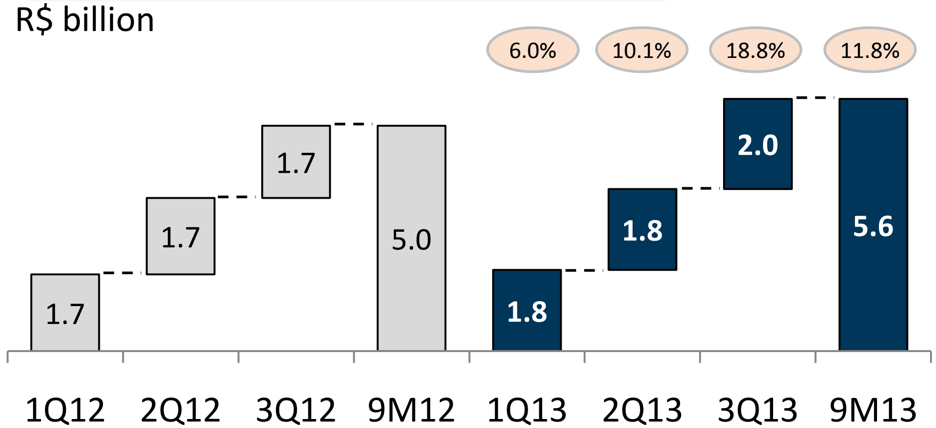
Gross Revenue - Internet

R$ million



Net Revenue - Consolidated

R$ billion



Growth over the same period of 2012

Comments

- **Consolidated gross revenue increased 18.9% in 3Q13**
  - **17.0% growth in same-store sales** (14.0% SSS growth in bricks-and-mortar stores and 36.4% in e-commerce in 3Q13)
  - **3Q12 High base of comparison** (7.4% SSS growth in bricks-and-mortar stores and 25.5 % in e-commerce in 3Q12)
- **12.4% evolution in consolidated gross revenue in 9M13 versus 9M12**

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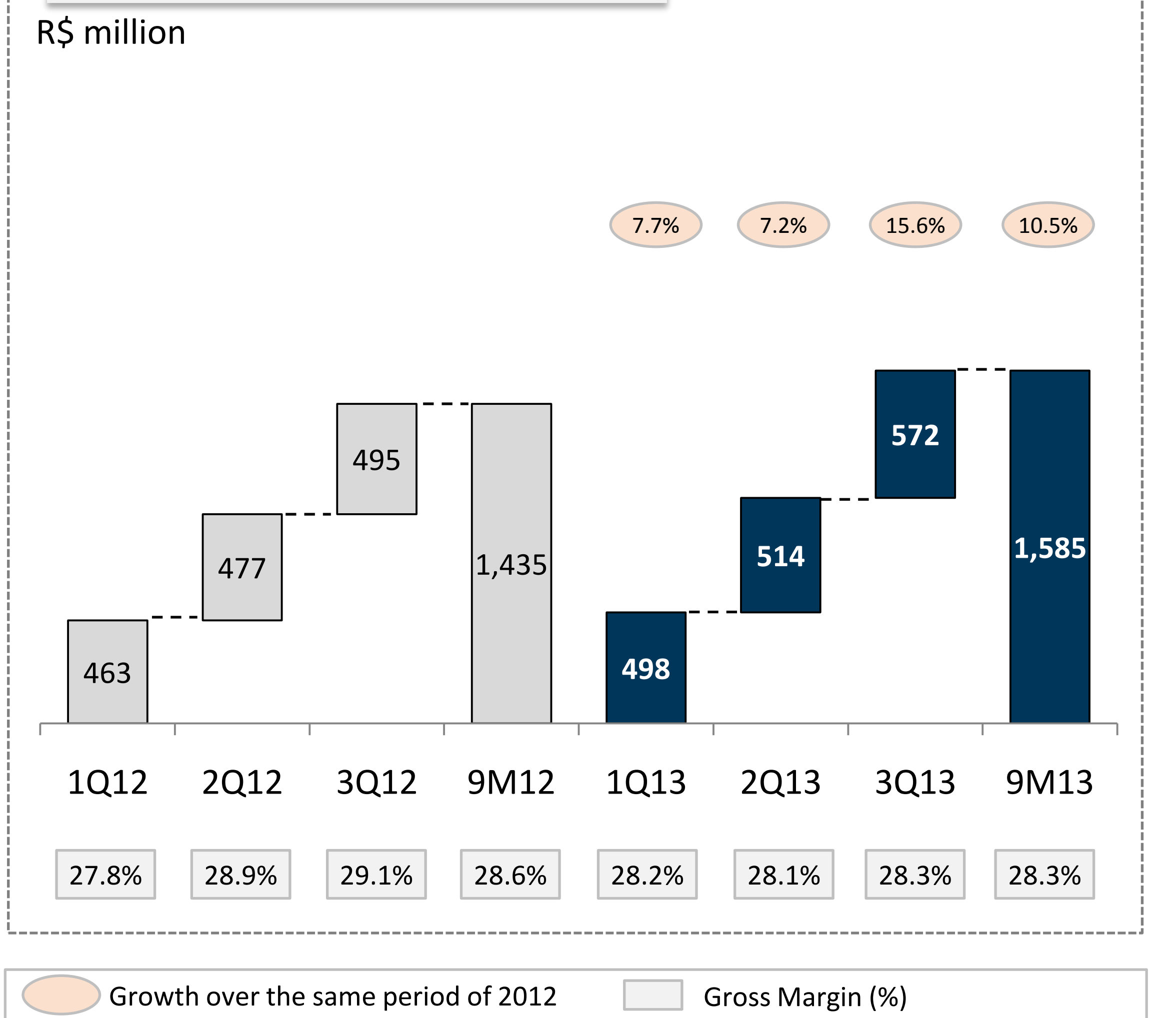
Gross Profit

Consolidated Gross Profit



Comments

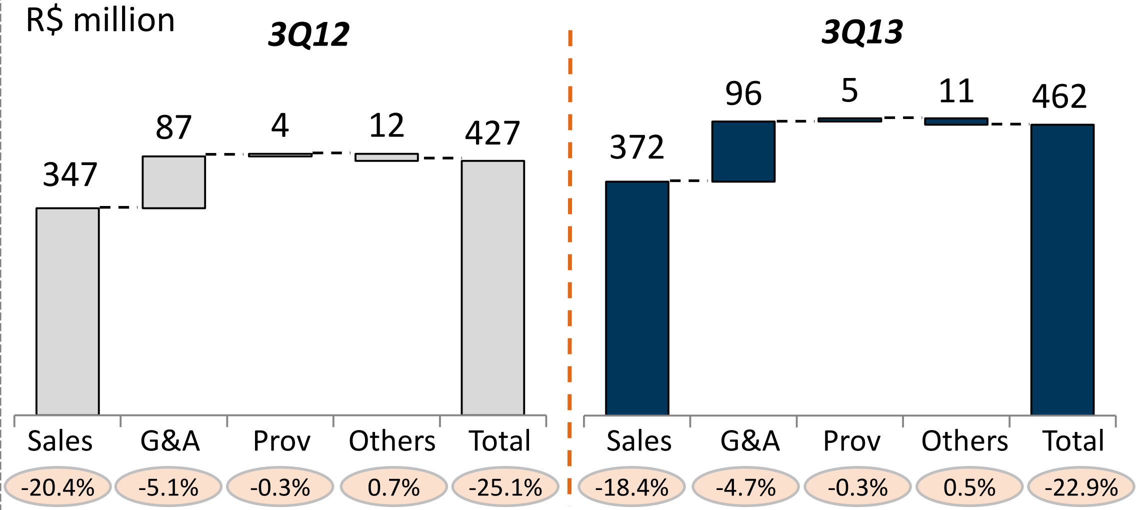
- **On a comparable basis,** gross margin at 29.1% in 3Q13 (in line with 3Q12)
  - Improvement in **Northeast stores gross margin** (complete integration of operations)
  - **Margin preservation** in other regions
  - **Higher share from internet sales**
  - **Reclassification of INSS social security tax,** 0.8 pp reduction versus 3Q12
- **On a comparable basis**, gross margin at 28.8% in 9M13 (increase 0.2% versus 9M12)
  - **Reclassification of INSS social security tax,** 0.3 pp reduction versus 9M12

Operating Expenses and Others Expenses (Revenues)

Operating Expenses

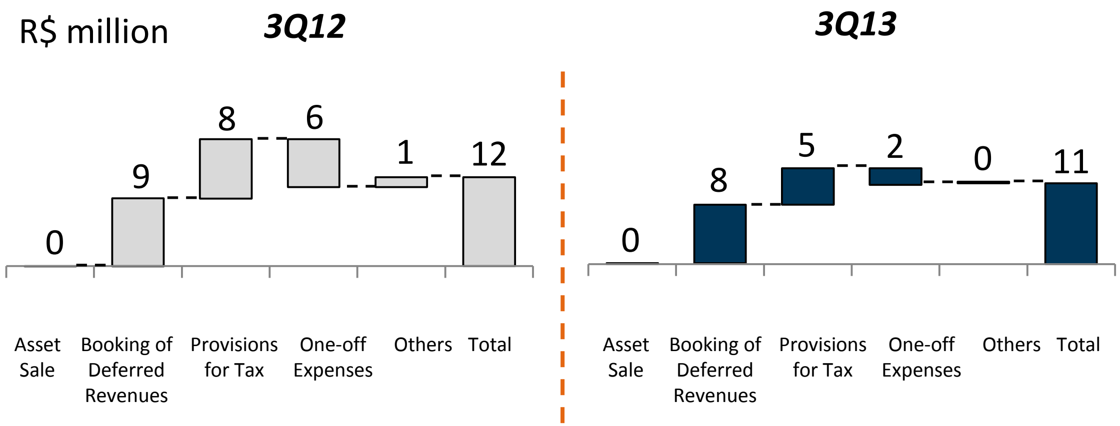
% Net Revenue

R$ million



Others Operating Expenses (Revenues)

R$ million



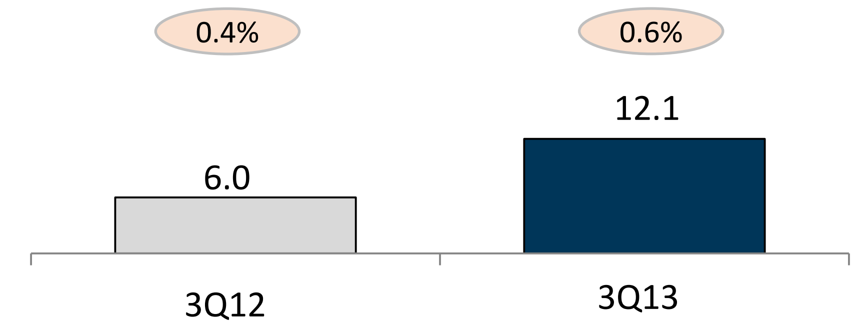
Comments

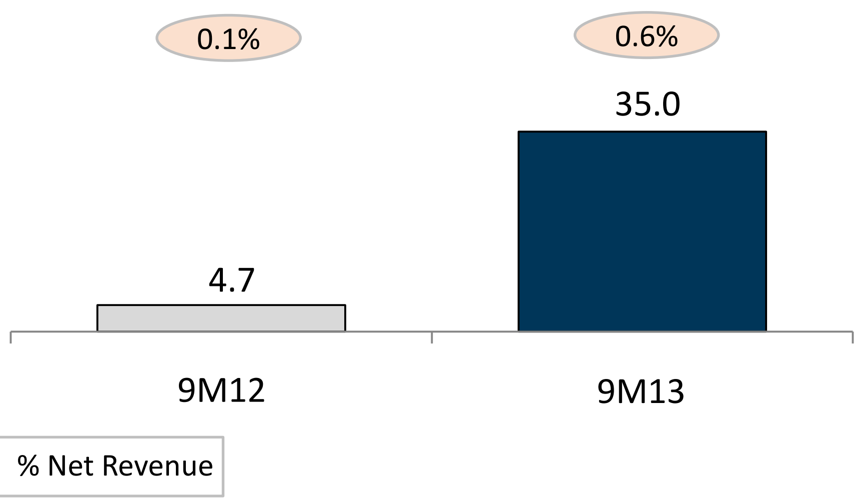
- **2.2 pp reduction versus 3Q12**
  - Selling expenses – 2.0 pp reduction versus 3Q12 (INSS reclassification effect totals 0.5 pp)
  - General and administrative expenses dropped 0.4pp versus 3Q12 (INSS reclassification effect totals 0.3 pp)
- **Other Operating Expenses (Revenues)**
  - Deferred revenue: R$7.6 million in 3Q13
  - Allowance tax losses: tax provision reversal at R$4.8 million in 3Q13 (non-recurring)
  - **Non-recurring expenses:** R$2.2 million in 3Q13.

Subsidiaries' Equity

Subsidiaries' Equity

R$ million





Comments

- **Subsidiaries' Equity**
  - Positively impacted by increased profitability at Luizacred
    - Dilution of provisions for loan losses (PLL) and operation expenses
    - EBITDA margin increased to 9.6% in 3Q13 (4.2% in 3Q12)
    - Net margin increased to 5.1% in 3Q13 (2.0% in 3Q12)

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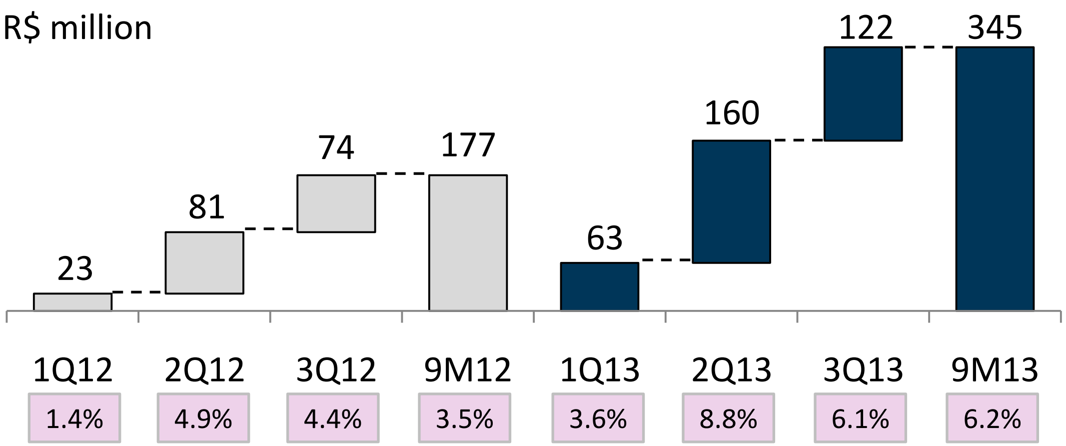
EBITDA and Adjusted EBITDA

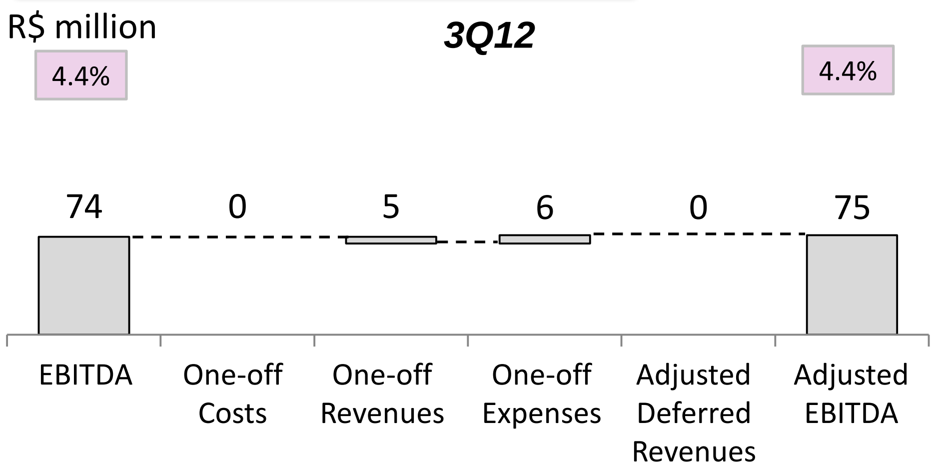
EBITDA

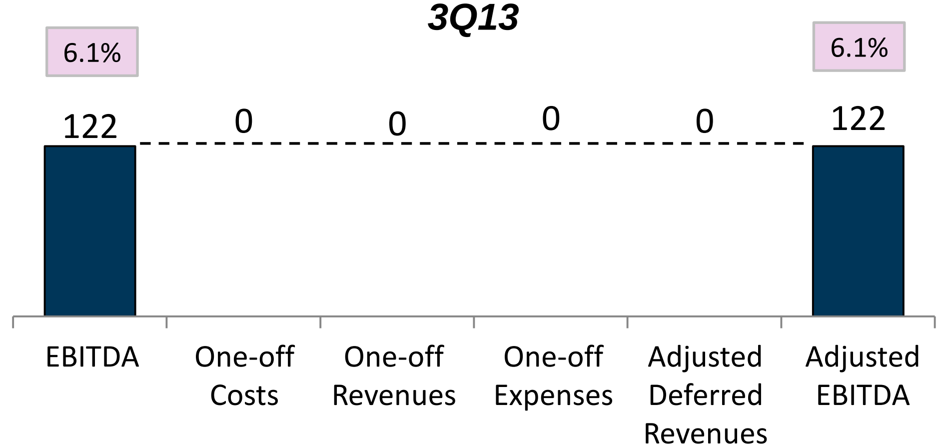


Comments

- **1.7 pp increase in EBITDA margin versus 3Q12**
- Impacts: i) sales growth, ii) expense cutting and iii) increased equity
- **Recurrent EBITDA margin**: 9M13 at 5.0%, in line with gradual improvement profitability trend expected by the Company in 2013

Adjusted EBITDA



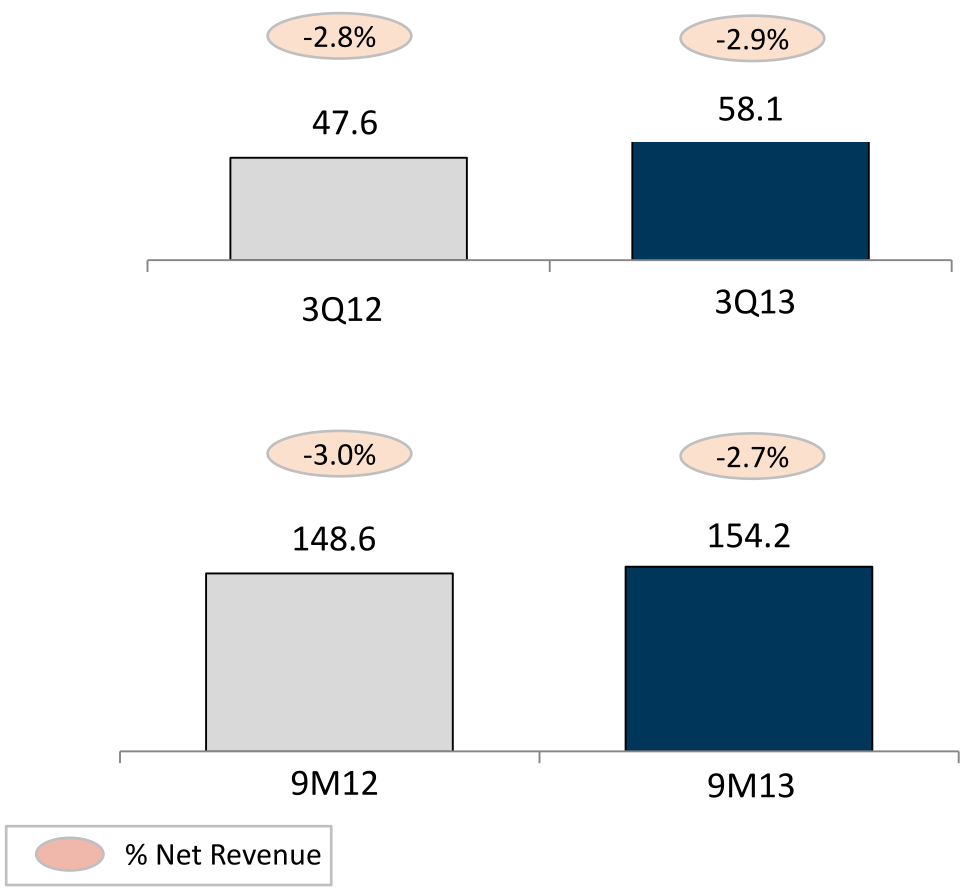


Margin EBITDA (%)

Consolidated Financial Expenses

Adjusted Financial Expenses

R$ million



Comments

- **Adjusted Financial Expenses**
  - 0.1 pp increase versus 3Q12
    - ✓ Lower working capital requirements
    - ✓ Better debt profile, making up for a higher average CDI rate during the period
    - ✓ 0.3 pp reduction versus 9M12

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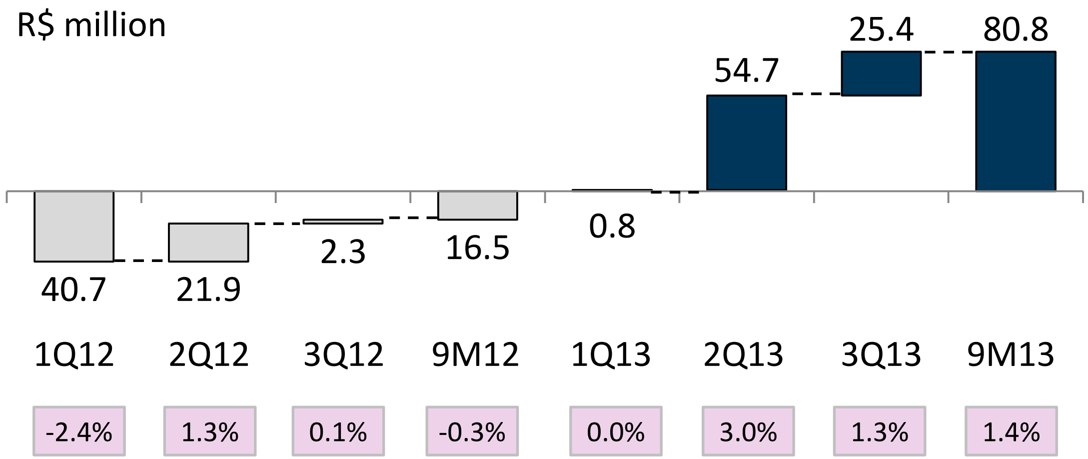
Net Income and Adjusted Net Income

Net Income

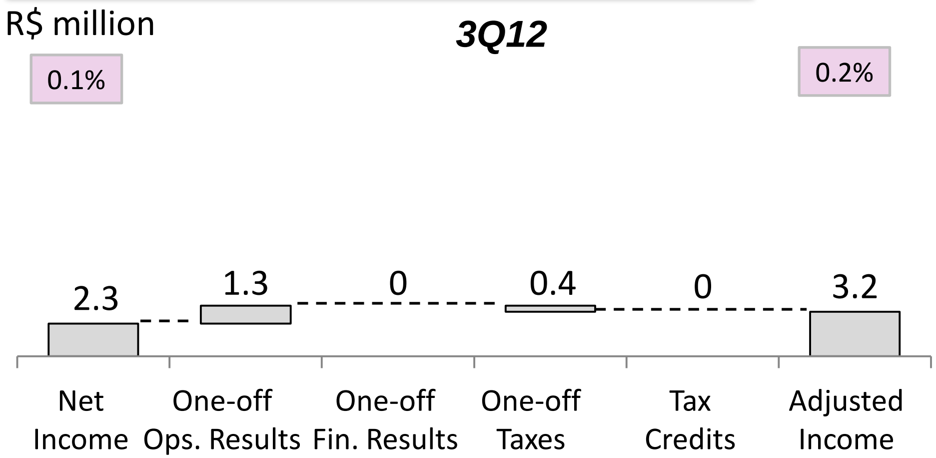


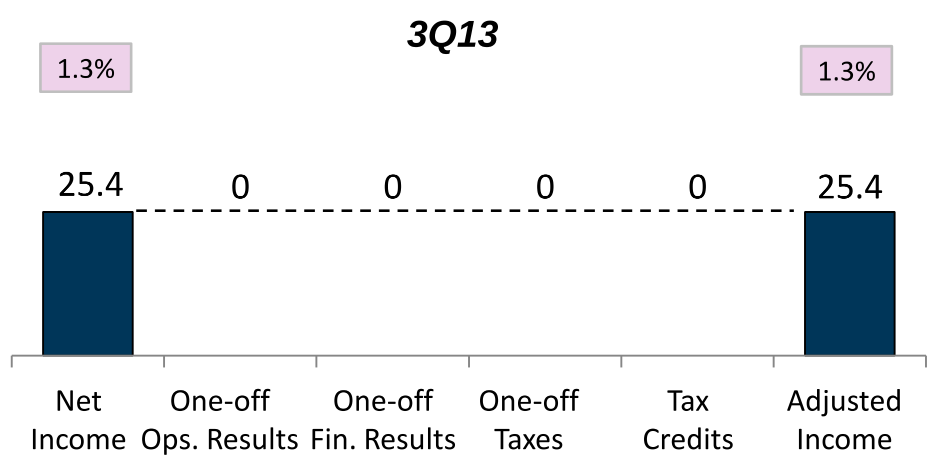
Comments

Net income

- In line with gradual improvement trend in profitability expected by Company for 2013
- R$25.4 million in 3Q13 with 1.3% margin
- R$80.8 million in 9M13 with 1.4% margin, reversing R$16.5 million loss in 9M12

Adjusted Net Income





Net Margin (%)

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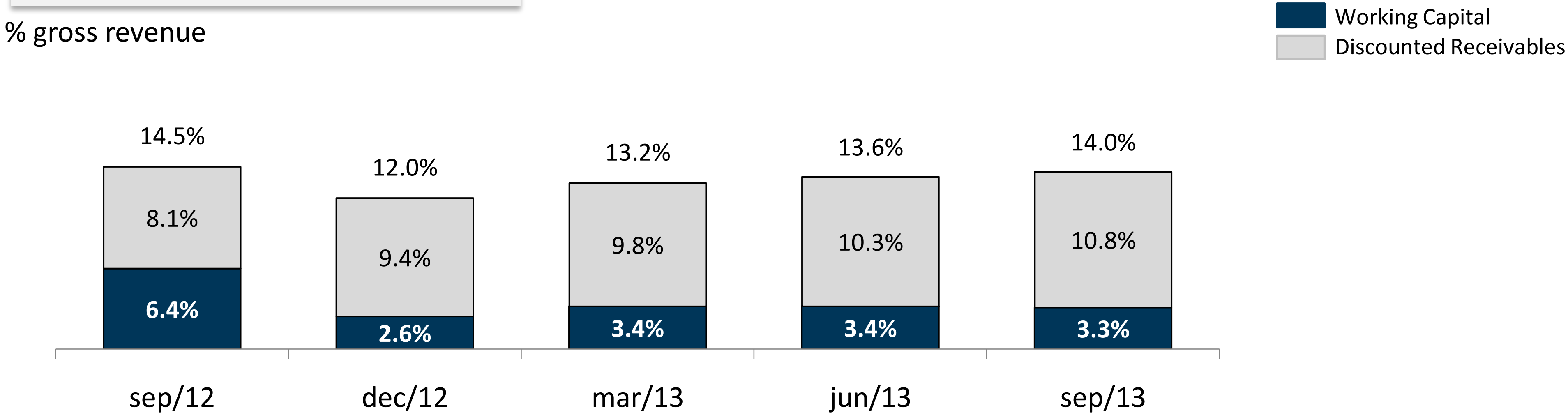
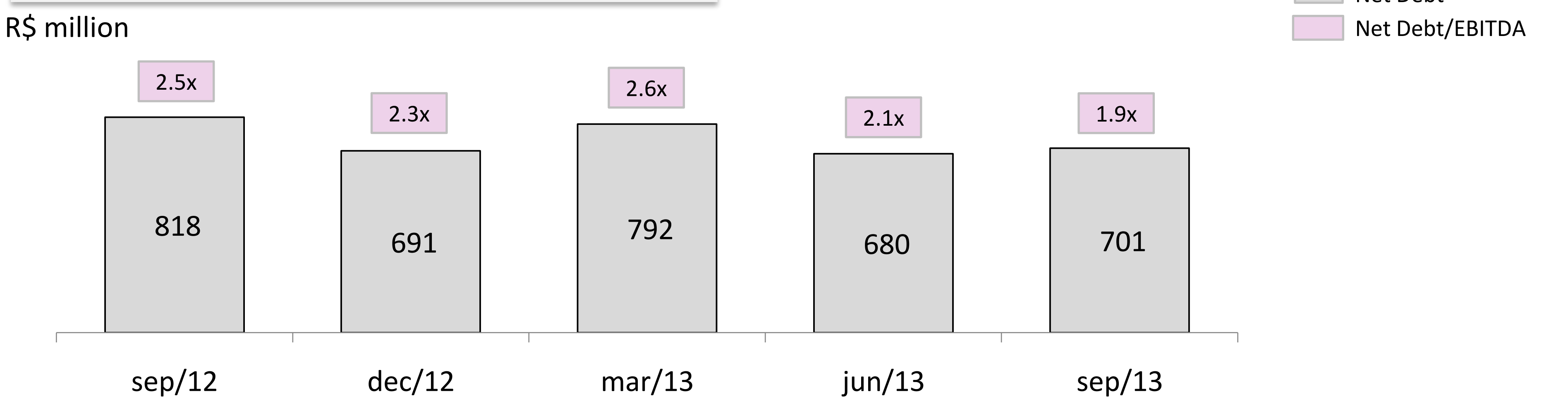
Working Capital and Net Debt

Working Capital



Net Debt



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4Q13 Expectations

1 Growth expectations

- Maintain growth expectations
  - Minha Casa Melhor (My Better Home) Program
  - World Cup
  - Initiatives focused on client satisfaction

2 Gross margin preservation

- Gross margin increase across Northeast stores
- Stable across other regions
- Pricing Project – aim to increase pricing intelligence by channel, region and product categories

3 Cost and expense cutting

- Gains from cost and expense streamlining will be more significant in the last quarter of 2013 when most new budget processes will be implemented
  - Maturation and evolution of Maia and Baú stores
  - Reduced logistics costs through multichannel delivery project
  - Stricter controls for 2013 (ZBB - Zero Base Budget)
  - Luizacred's Operational Efficiency Project

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