MGLU3 NOVO MERCADO BM&FBOVESPA

Magazine Luiza S.A.
Second Quarter of 2011 Earnings Release

São Paulo, August 11, 2011 - Magazine Luiza S.A. (BM&FBOVESPA: MGLU3), one of the largest retailer network focused on durable goods, actively engaged on Brazil's popular classes, discloses its results for the Second Quarter of 2011 (2Q11) and the Six-months period ended on June 30, 2011 (1H11). The Company's accounting information is based on consolidated numbers, in million of reais (except when otherwise indicated), according to the International Financial Reporting Standard (IFRS).

HIGHLIGHTS FOR THE SECOND QUARTER OF 2011 (2Q11)

- 38.2% increase in Gross Revenue, reaching R$1,744.3 million, and Net Revenue totaling R$1,472.8 million, up 37.3%
- 14.4% growth in Same Stores Sales (23.5% excluding the image category)
- 63.9% growth in Gross Revenue from Lojas Maia reaching R$237.4 million, with 5.5% EBITDA margin
- R$71.9 million Consolidated EBITDA (+2.1%), with EBITDA margin of 4.9%
- Net Income of R$4.6 million and net margin of 0.3%
- Credit card base increased to 4.0 million cards

HIGHLIGHTS FOR THE FIRST HALF OF 2011 (1H11)

- Gross Revenue totaling R$3,440.4 million, up 44.5% and Net Revenue increased by 43.4%, adding R$2,888.9 million
- 19.7% growth of Same Stores Sales
- Lojas Maia Gross Revenue grew by 80.6%, reaching R$490,7 million
- EBITDA totaled R$155.9 million (+19.0%), with EBITDA margin of 5.4%
- Net Income of R$16.9 million, with net margin of 0.6%

KEY INDICATORS

R$ million (except when otherwise indicated)	2Q11	2Q10	% Chg	1H11	1H10	% Chg
Total Gross Revenue	1,744.3	1,262.1	38.2%	3,440.4	2,381.1	44.5%
Total Net Revenue	1,472.8	1,073.0	37.3%	2,888.9	2,014.1	43.4%
EBITDA	71.9	70.5	2.1%	155.9	131.0	19.0%
EBITDA Margin	4.9%	6.6%	-1.7 pp	5.4%	6.5%	-1.1 pp
Net Income	4.6	15.9	-71.2%	16.9	25.2	-33.1%
Net Margin	0.3%	1.5%	-1.2 pp	0.6%	1.3%	-0.7 pp
Same Stores Sales Growth	14.4%	31.1%	-	19.7%	31.9%	-
Same Physical Stores Sales Growth	11.3%	25.6%	-	16.1%	27.0%	-
Internet Sales Growth	39.9%	100.5%	-	48.3%	90.9%	-
Number of Stores - End of Period	613	456	34.4%	613	456	34.4%
Sales Area - End of Period (M2)	407,311	310,665	31.1%	407,311	310,665	31.1%
Average Area per Store - End of Period (M2)	664	681	-2.5%	664	681	-2.5%
Credit Card Base - Luizacred (thousand)	3,975	2,271	75.0%	3,975	2,271	75.0%

COMMENTS ON CONSOLIDATE PERFORMANCE

Executive Summary

In 2Q11, Magazine Luiza took another very important step in its growth path, with the Initial Public Offering (IPO). The Company has listed its shares at BM&FBovespa's Novo Mercado, and maintains its strong commitment to operating in accordance with the best Corporate Governance practices. Additionally, Magazine Luiza recorded the following achievements:

Sales Growth

During this period, Magazine Luiza posted a consolidated gross revenue of R$1.74 billion, up 38.2%, notwithstanding a strong comparison base, given the World Cup in 2Q10. The Company grew by 14.4%, based on the same stores sales (excluding the image category, other product lines grew 23.5%). In 1H11, same stores sales growth was also very significant, reaching 19.7%.

Internet Expansion

With its multichannel strategy, Magazine Luiza continues investing on the internet segment and increasing its market share. Internet sales grew by 39.9% in 2Q11. It is worth mentioning that Magazine Luiza website (www.magazineluiza.com.br) was ranked 2nd amongst the most popular websites within its category, in terms of visit share, according to Hitwise report from Serasa Experian.

Lojas Maia

Lojas Maia gross revenue grew by 63.9%, reaching R$237.4 million, with an EBITDA margin higher than 5%. In 2Q11, the Company initiated the process of stores refurbishment in the Northeastern region, starting with the state of Pernambuco. In its first operational year, Lojas Maia already reached Magazine Luiza's profitability levels (EBITDA).

Organic Growth and Acquisitions

In 2Q11, the Company organically opened 9 stores, being 4 in the Greater São Paulo area and 2 in the Northeastern region. Magazine Luiza also announced the acquisition of Lojas do Baú in Jun/11, thus reinforcing the strategy of consolidating its presence in the existing markets and the expansion of virtual stores. With this acquisition, the Company has accelerated its investment plan, having in view the market opportunities and the sector's consolidation.

Luizacred Growth

Luiza Card continues growing significantly, even with a conservative credit rate approval, in accordance with Itaú Unibanco's credit policies. The card base reached 4.0 million and credit overdue indicators in Luizacred portfolio denote a decrease in delinquency ratios in 2Q11 over 2Q10. We shall also emphasize the penetration of Luiza Card on Lojas Maia' sales, which already reached 28% in 2Q11.

Capital Structure

The IPO total value was R$886.4 million, being R$583.9 million on primary distribution, and R$302.5 million on secondary distribution. The capital increase, net of the Offering expenses, totaled R$563.5 million. In Jun/11, Magazine Luiza had a gross debt of R$857.3 million, cash and securities amounting to R$728,2 million, thus a net debt of R$129.1 million, or 0.4 times EBITDA in the past 12 months.

Results

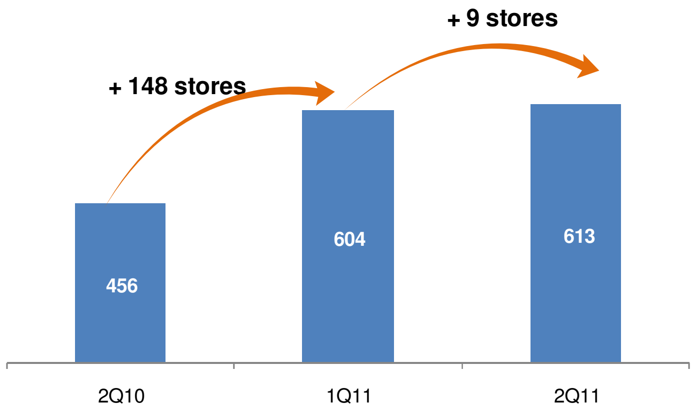
In 2Q11, retail EBITDA grew from R$62.0 million to R$69.4 million, up 12.0%. Such growth was achieved, despite stores refurbishment in the Northeastern region and the administrative expenses related to the office in São Paulo (starting in Sep/10), coupled with the strong comparison base in 2Q10. Financial expenses reflected the increase in CDI (Certificate of Interbank Deposits) and the investments in the acquisition of Lojas Maia (approximately R$250 million - it is important to note that Lojas Maia's results are above our expectations), but did not reflect all the benefits originated from the IPO, concluded in Jun/11. Nonetheless, the Company reported a net income of R$4.6 million in 2Q11 and R$16.9 million in 1H11.

Last but not least, the performance of same stores sales is still quite high, surpassing the level of 20% in Jul/11. The Company believes that both the results from the first half of the year and the perspectives for the year-end indicate a solid and sustainable path for growth and profitability.

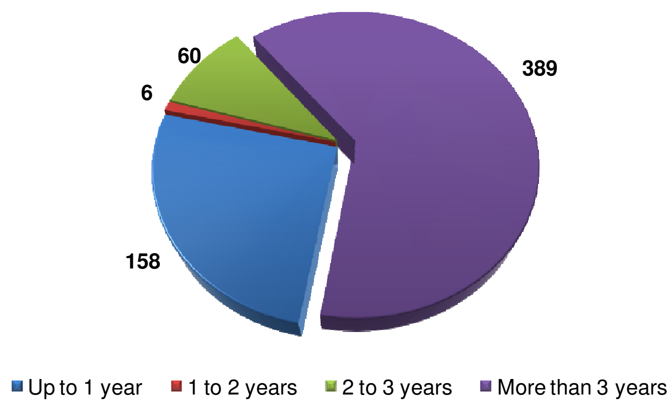
OPERATING PERFORMANCE

By the end of 2Q11, Magazine Luiza had 613 stores, being 543 conventional stores, 69 virtual stores and one website. In comparison to the same period of previous year, the number of stores increased from 456 to 613, including 136 stores of Lojas Maia, acquired in August 2010. In the last quarter, the Company opened 9 stores, being 4 in the Greater São Paulo area, 2 in the Northeastern region, 2 virtual stores in the countryside of São Paulo and 1 in Mato Grosso do Sul. We shall remember that more than 1/3 of the stores are less than 3 years-old, and have not yet reached their mature level.

Number of Stores

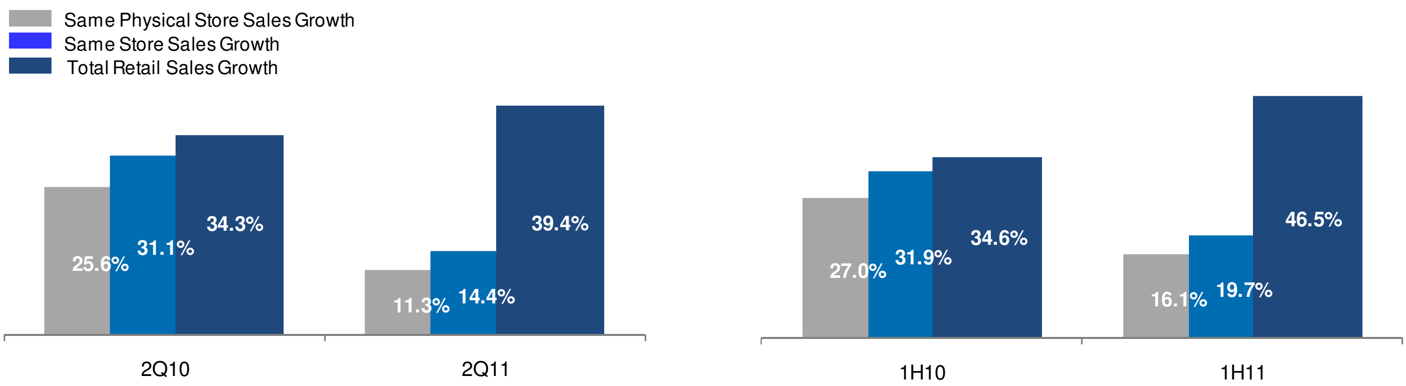


Average Age of Stores (numbers of stores)



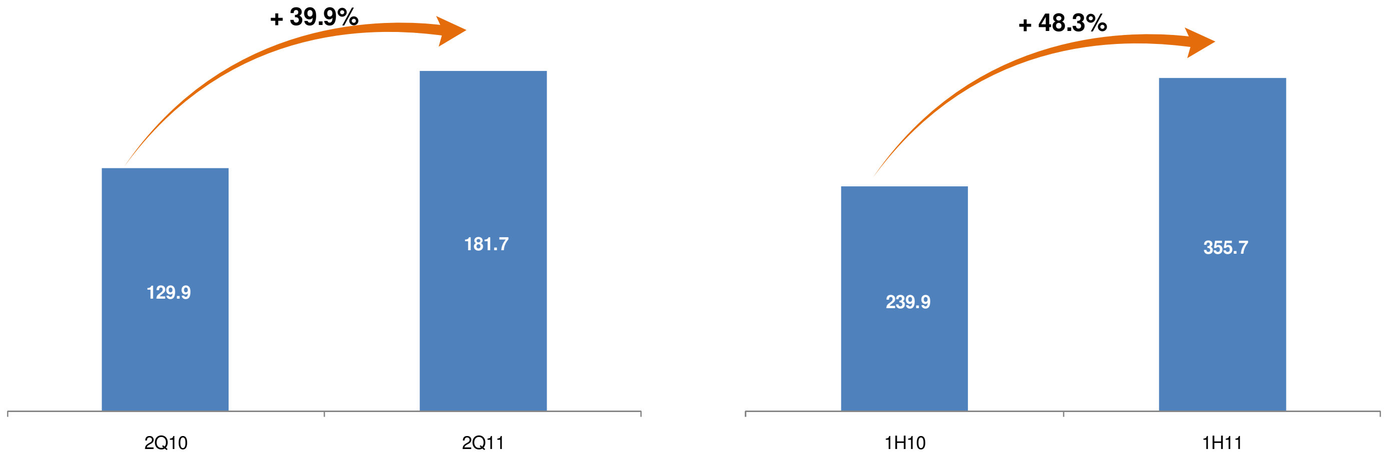
Despite a strong comparison base, given the World Cup in 2Q10, the Company was able to increase its market share and grow by 14.4% on same stores sales basis (excluding the image category, other product lines grew 23.5%). In the first half of the year, same stores sales reached 19.7%.

Same Store Sales Growth (%)



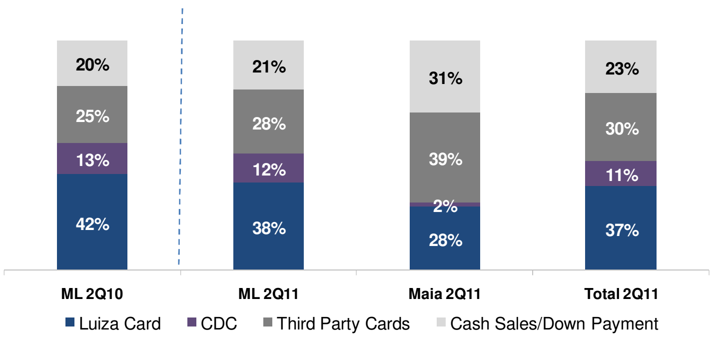
Internet continues its growth path, with highlight to the increase in the product mix and the content of our website (www.magazineluiza.com.br). In 2Q11, internet sales grew by 39.9%, reaching R$181.7 million. In 1H11, sales reached R$355.7 million, an increase of 48.3% over previous year.

Internet Gross Revenues (R$ million)

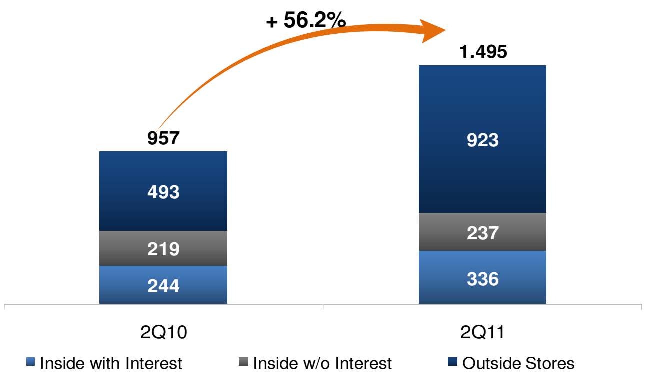


In the last 12 months, credit cards base, issued by Luizacred, grew from 2.3 million to 4.0 million. In 2Q11, sales with Luiza Card represented 38% of the total at Magazine Luiza stores. Including the CDC (Direct Consumer Credit), which represented 12% of the sales, Luizacred financed half of the sales at Magazine Luiza. At Lojas Maia, the share of Luiza Card increased from 20% in 1Q11 to 28% in 2Q11.

Financed Sales Mix (% of total sales)



Luiza Card Revenues (R$ million)



Luizacred has been making several partnerships to boost the use of Luiza Card outside our stores, by increasing its activation and potential income generation. In 2Q11, total purchases with Luiza Card grew by 56.2%, reaching R$1.5 billion. In the same period, purchases outside our stores grew by 87.1%, representing 61.7% of total expenditures (compared to 51.5% in 2Q10). It is important to note that the majority of purchases with Luiza Card are interest-bearing and that sales with no interest account for less than 15% of the Company's total sales.

FINANCIAL PERFORMANCE

Consolidated Gross Revenue

The table below demonstrates the distribution of our gross revenue among our business lines:

(in R$ million)	2Q11	2Q10	% Chg	1H11	1H10	% Chg
Gross Revenue - Retail - Merchandise Sales	1,576.6	1,131.4	39.3%	3,109.5	2,125.6	46.3%
Gross Revenue - Retail - Services	62.1	44.0	41.3%	117.4	76.3	53.8%
Subtotal Retail	**1,638.7**	**1,175.4**	**39.4%**	**3,226.9**	**2,202.0**	**46.5%**
Gross Revenue - Consumer Finance	115.9	94.9	22.1%	232.9	187.7	24.1%
Gross Revenue - Insurance Operations	16.6	13.7	20.7%	32.4	27.6	17.3%
Gross Revenue - Consortium Management	6.7	4.9	37.6%	12.7	9.4	35.0%
Inter-Company Eliminations	(33.6)	(26.8)	25.7%	(64.5)	(45.6)	41.4%
Total Gross Revenue	**1,744.3**	**1,262.1**	**38.2%**	**3,440.4**	**2,381.1**	**44.5%**

Even with a strong comparison base, due to the World Cup in 2Q10, **consolidated gross revenue in 2Q11 grew by 38.2%**, ranging from R$1,262.1 million to R$1,744.3 million (+2.8% over 1Q11). Such significant increase was reached, due to the main factors, as following:

- 39.4% growth in the retail segment, boosted by 14.4% increase in same stores sales, organic growth (22 new stores), and acquisition of Lojas Maia. Lojas Maia's gross revenue reached R$237.4 million in 2Q11 (+63.9% compared to 2Q10, before our acquisition);

- Growth in revenue from consumer finance of 22.1%, from R$94.9 million to R$115.9 million, with highlight to the expansion in revenue from services rendering related to Luiza Card, which grew by 48.6%. As a result of Itaú Unibanco's credit card platforms unification process, since Nov/10, new accounting practices were adopted at Luizacred, so that the revenues recognition became more conservative. By considering previous accounting practices, revenue from consumer finance would have been R$11.5 million higher in 2Q11 and R$17.1 million in 1H11.

- Revenue from insurance was up 20.7%, an increase from R$13.7 million to R$16.6 million, noting that the growth in extended warranties revenue has normally a gap in relation to retail, and that the insurance sales at Lojas Maia is still not carried out by Luizaseg (there is still a contract running directly with Cardif);

- The inter-company eliminations refer to the services rendered by the holding company to the associated companies (which increased from R$20.4 million in 2Q10 to R$27.5 million in 2Q11), and to revenue resulting from the prepayment of receivables with no interest in the Luiza Card (which decreased from R$6.4 million to R$6.1 million, respectively).

In 1H11, **the consolidated gross revenue grew by 44.5%,** totaling R$3,440.4 million. It is worth mentioning that in Jun/11, we launched "*Agarre o que Puder 2"* campaign, valid until Sep/11, benefiting 3Q11 sales, which have already surpassed the 20% level in Jul/11, in same stores sales.

Tax and Deductions

(in R$ million)	2Q11	2Q10	% Chg	1H11	1H10	% Chg
Deductions - Retail – Merchandise Sales	(262.8)	(183.0)	43.6%	(535.0)	(356.3)	50.1%
Deductions - Retail - Services	(8.2)	(5.7)	44.4%	(15.6)	(9.9)	56.7%
Subtotal Retail	**(271.0)**	**(188.7)**	**43.6%**	**(550.6)**	**(366.3)**	**50.3%**
Deductions - Consumer Finance	-	-	0.0%	-	-	0.0%
Deductions - Insurance Operations	-	-	0.0%	-	-	0.0%
Deductions - Consortium Management	(0.5)	(0.4)	24.9%	(0.9)	(0.7)	26.5%
Inter-Company Eliminations	-	-	0.0%	-	-	0.0%
Total Deductions	**(271.5)**	**(189.1)**	**43.6%**	**(551.5)**	**(367.0)**	**50.3%**

Taxes and deductions over sales grew by 43.6% in 2Q11 and by 50.3% in 1H11, reaching R$271.5 million in 2Q11 and R$551.5 million in 1H11. Such increase is chiefly related to the growth in retail revenues, particularly for Lojas Maia, where the tax burden on sales is higher than for Magazine Luiza (in the Southern and Southeastern regions, the tax substitution regime, booked in COGS, is more representative).

Consolidated Net Revenue

(in R$ million)	2Q11	2Q10	% Chg	1H11	1H10	% Chg
Net Revenue - Retail - Merchandise Sales	1,313.8	948.4	38.5%	2,574.4	1,769.3	45.5%
Net Revenue - Retail - Services	53.9	38.3	40.8%	101.8	66.4	53.4%
Subtotal Retail	**1,367.7**	**986.7**	**38.6%**	**2,676.3**	**1,835.7**	**45.8%**
Net Revenue - Consumer Finance	115.9	94.9	22.1%	232.9	187.7	24.1%
Net Revenue - Insurance Operations	16.6	13.7	20.7%	32.4	27.6	17.3%
Net Revenue - Consortium Management	6.3	4.5	38.7%	11.8	8.7	35.7%
Inter-Company Eliminations	(33.6)	(26.8)	25.7%	(64.5)	(45.6)	41.4%
Total Net Revenue	**1,472.8**	**1,073.0**	**37.3%**	**2,888.9**	**2,014.1**	**43.4%**

Consolidated net revenue posted an increase of 37.3%, in 2Q11, from R$1,073.0 million to R$1,472.8 million. In **1H11, it grew by 43.4%**, reaching R$2,888.9 million. Such strong growth can be assigned to the increase in gross revenue, mainly in the retail segment.

Cost of Goods Sold, Services Rendering and Funding for Financial Operations

(in R$ million)	2Q11	2Q10	% Chg	1H11	1H10	% Chg
Costs - Retail - Merchandise Sales	(964.8)	(689.3)	40.0%	(1,885.5)	(1,277.4)	47.6%
Costs - Retail - Services	-	-	0.0%	-	-	0.0%
Subtotal Retail	**(964.8)**	**(689.3)**	**40.0%**	**(1,885.5)**	**(1,277.4)**	**47.6%**
Costs - Consumer Finance	(21.7)	(13.4)	62.0%	(44.6)	(25.3)	76.7%
Costs - Insurance Operations	(1.2)	(0.7)	80.1%	(2.3)	(1.4)	62.0%
Costs - Consortium Management	(3.7)	(2.0)	83.3%	(6.3)	(4.0)	56.9%
Inter-Company Eliminations	1.3	0.8	61.2%	2.4	1.5	60.6%
Total Costs	**(990.1)**	**(704.6)**	**40.5%**	**(1,936.3)**	**(1,306.6)**	**48.2%**

In 2Q11, the total cost grew by 40.5% compared to the same period of 2010, reaching R$990.1 million, mainly as a result of the cost of goods sold and the cost of the consumer finance segment.

The cost of goods sold in 2Q11 grew by 40.0%, slightly above net revenue from merchandise growth, mainly as a result of a greater share of categories with lower margins and sales through the internet.

The cost of consumer finance increased by 62.0% in 2Q11, as a result of the 42.4% growth in the credit portfolio coupled with 28% increase of the CDI (Certificate of Interbank Deposits) in the period (CDI increased from an annualized rate of 9.3% in 2Q10 to 11.9% in 2Q11). It is worth mentioning that the change in Luizacred financial margin is linked to the change in the portfolio profile, given the accelerated growth of Luiza Card purchases outside our stores. These operations have lower financial margin in the beginning, but generate higher results in the medium-term.

Overall, the total cost increased from R$1,306.6 million in 1H10 to R$1,936.3 million in 1H11, or a 48.2% growth.

Consolidated Gross Income

(in R$ million)	2Q11	2Q10	% Chg	1H11	1H10	% Chg
Gross Income - Retail - Merchandise Sales	349.0	259.1	34.7%	689.0	491.9	40.1%
Gross Income - Retail - Services	53.9	38.3	40.8%	101.8	66.4	53.4%
Subtotal Retail	**402.9**	**297.3**	**35.5%**	**790.8**	**558.3**	**41.6%**
Gross Income - Consumer Finance	94.2	81.5	15.6%	188.2	162.4	15.9%
Gross Income - Insurance Operations	15.4	13.1	17.8%	30.1	26.2	14.9%
Gross Income - Consortium Management	2.5	2.5	2.3%	5.5	4.7	17.4%
Inter-Company Eliminations	(32.3)	(26.0)	24.6%	(62.1)	(44.1)	40.8%
Total Gross Income	**482.7**	**368.4**	**31.0%**	**952.5**	**707.5**	**34.6%**

(as % of Net Revenue)	2Q11	2Q10	% Chg	1H11	1H10	% Chg
Gross Margin - Retail - Merchandise Sales	26.6%	27.3%	-0.8 pp	26.8%	27.8%	-1.0 pp
Gross Margin - Retail - Services	100.0%	100.0%	0.0 pp	100.0%	100.0%	0.0 pp
Subtotal Retail	**29.5%**	**30.1%**	**-0.7 pp**	**29.5%**	**30.4%**	**-0.9 pp**
Gross Margin - Consumer Finance	81.3%	85.9%	-4.6 pp	80.8%	86.5%	-5.7 pp
Gross Margin - Insurance Operations	92.9%	95.2%	-2.3 pp	92.9%	94.9%	-2.0 pp
Gross Margin - Consortium Management	40.7%	55.1%	-14.5 pp	46.5%	53.7%	-7.2 pp
Inter-Company Eliminations	96.2%	97.0%	-0.8 pp	96.3%	96.7%	-0.4 pp
Total Gross Margin	**32.8%**	**34.3%**	**-1.6 pp**	**33.0%**	**35.1%**	**-2.2 pp**

In 2Q11, **total gross income posted an increase of 31.0%,** from R$368.4 million in 2Q10 to R$482.7 million. We shall emphasize that gross margin of the retail segment was 29.5% in 2Q11, in line with the 29.6% margin in 1Q11.

Margin in the consumer finance segment improved from 80.4% in 1Q11 to 81.3% in 2Q11, due to the capital increase in Luizacred, proportionally reducing interest expenses from interbank deposits. Considering the revenue recognition in accordance with previous accounting practices (R$11.5 million), gross margin from the consumer finance segment would have been of approximately 82.9%.

We shall explain that gross income in the consortium management segment were affected by non-recurring events, related to the launch of Luiza consortium in the stores in the Northeastern region.

In comparison with the first six months of 2010, **gross income in 1H11 reached R$952.5 million**, or a 34.6% growth and a gross margin of 33.0%.

SG&A Expenses (Selling, General & Administrative Expenses)

As a result of the high growth in same stores sales and the internet, Magazine Luiza could once again dilute its selling expenses. The share of those expenses decreased by 90 bps, from 20.5% of the net revenue in 2Q10 to 19.6% in 2Q11, totaling R$289.2 million.

General and administrative expenses increased from R$46.7 million in 2Q10 to R$74.9 million in 2Q11. This change can be mainly explained by the opening of the new office in São Paulo, between September and October of last year, as well as the maintenance of Lojas Maia main office and all non-recurring expenses originated from the integration process of both networks. Therefore, the share of those expenses increased from 4.4% to 5.1% of net revenue.

In 1H11, SG&A expenses were significantly diluted, totaling R$717.8 million, equivalent to 24.8% of net revenue, compared to R$518.0 million in 1H10, which represented 25.7% of net revenue.

Provision for Loan Losses

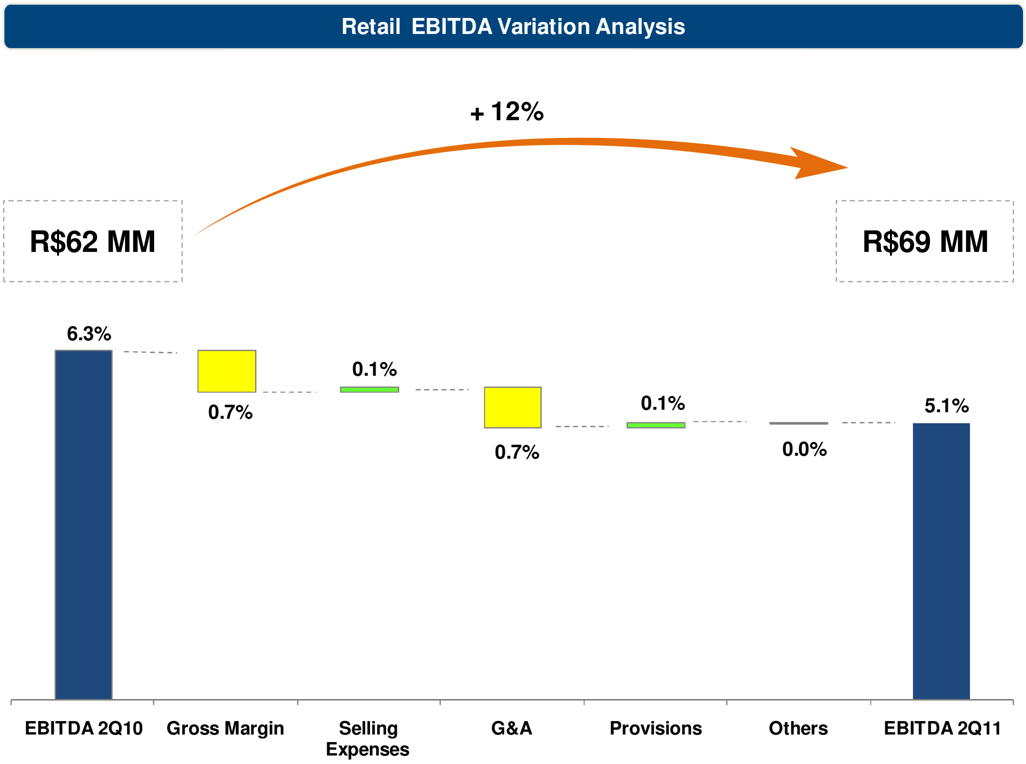
Provision for loan losses went from R$44.6 million in 2Q10 to R$52.7 million in 2Q11. Thus, the share of provisions for delinquency decreased from 4.2% to 3.6% of net revenue.

It is important to emphasize that, for conservative reasons, Luizacred reduced the credit approval rate by 13% in 1H11 compared to 1H10. The credit approval system is based on credit score statistical models developed and managed by Itaú Unibanco. Magazine Luiza has more than 2 thousand employees dedicated to the operation of Luizacred in the stores, whose remuneration is linked to credit quality leading indicators, such as First Payment Default (FPD), which are relatively flat in relation to last year. We shall also mention that Luizacred portfolio's overdue balance showed a decrease in the delinquency ratio in 2Q11 over 2Q10, as detailed in Luizacred Annex.

In 1H11, provision for loan losses increased from R$88.0 million to R$103.7 million, which represented 3.6% of net revenue.

EBITDA

In 2Q11, retail EBITDA grew from R$62.0 million to R$69.4 million, up 12.0%. Such growth was achieved, despite stores refurbishment in the Northeastern region and the administrative expenses related to the office in São Paulo (starting in Sep/10), coupled with the strong comparison base in 2Q10.



Consolidated EBITDA grew by 2.1%, from R$70.5 million to R$71.9 million in 2Q11. EBITDA margin in 2Q11 was 4.9%, compared to 6.6% in 2Q10. EBITDA margin was influenced especially by the basis of comparison and by the changes in accounting practices at Luizacred.

In 1H11, consolidated EBITDA increased by 19.0% reaching R$155.9 million, with 5.4% of the net revenue.

Financial Results

Net financial expenses decreased from 3.2% in 1Q11 to 2.9% of the net revenue in 2Q11, and yet did not reflect all the benefits originated from the IPO, concluded in Jun/11. Compared to 2Q10, net financial expenses increased from R$27.6 million to R$42.4 million in 2Q11. This change was mainly explained by the increase of 28% of the CDI (Certificate of Interbank Deposits) in the period (CDI increased from an annualized rate of 9.3% in 2Q10 to 11.9% in 2Q11) coupled with a high investment level made in the last 12 months, including Lojas Maia acquisition.

Interest on prepayment of receivables from Luiza card decreased from R$6.4 million in 2Q10 to R$6.1 million in 2Q11, representing only 0.4% of the consolidated net revenue. Other interests on prepayment refer to third-party credit cards and were up from R$1.8 million to R$6.3 million. The Company has a policy to minimize sales without interest on Luiza card, as well as to limit the share of third-party credit cards in total sales, always encouraging sales through Luizacred.

In the first half of 2011, net financial expenses went from R$55.6 million in 1H10 to R$88.0 million.

CONSOLIDATED FINANCIAL RESULTS (R$ million)	2Q11	% NR	2Q10	% NR	% Chg	1H11	% NR	1H10	% NR	% Chg
Financial Expenses	(57.7)	-3.9%	(33.9)	-3.2%	70.1%	(112.5)	-3.9%	(68.6)	-3.4%	64.1%
Interest on loans and financing	(38.2)	-2.6%	(20.9)	-1.9%	82.7%	(74.6)	-2.6%	(43.0)	-2.1%	73.5%
Interest on prepayment of receiv. – third party cards	(6.3)	-0.4%	(1.8)	-0.2%	241.5%	(14.2)	-0.5%	(3.9)	-0.2%	261.7%
Interest on prepayment of receivables – Luiza Card	(6.1)	-0.4%	(6.4)	-0.6%	-4.0%	(12.4)	-0.4%	(10.4)	-0.5%	19.0%
Other expenses	(7.1)	-0.5%	(4.8)	-0.4%	48.2%	(11.3)	-0.4%	(11.3)	-0.6%	0.6%
Financial Revenues	15.3	1.0%	6.4	0.6%	140.6%	24.5	0.8%	12.9	0.6%	89.5%
Gains on marketable securities	10.8	0.7%	1.8	0.2%	505.0%	16.3	0.6%	3.7	0.2%	341.1%
Other financial revenues	4.5	0.3%	4.6	0.4%	-1.7%	8.1	0.3%	9.2	0.5%	-11.7%
Total Financial Results	(42.4)	-2.9%	(27.6)	-2.6%	53.8%	(88.0)	-3.0%	(55.6)	-2.8%	58.2%

Net Income

In 2Q11, retail EBITDA grew from R$62.0 million to R$69.4 million, up 12.0%. Such growth was achieved, despite stores refurbishment in the Northeastern region and the administrative expenses related to the office in São Paulo (starting in Sep/10), coupled with the strong comparison base in 2Q10. Financial expenses reflected the increase in CDI (Certificate of Interbank Deposits) and the investments in the acquisition of Lojas Maia (approximately R$250 million - it is important to note that Lojas Maia's results are above our expectations), and did not reflect all the benefits originated from the IPO, concluded in Jun/11. Nonetheless, the Company reported a net income of R$4.6 million in 2Q11 and R$16.9 million in 1H11.

Last but not least, the performance of same stores sales is still quite high, surpassing the level of 20% in Jul/11. The Company believes that both the results from the first half of the year and the perspectives for the year-end indicate a solid and sustainable path for growth and profitability.

Working Capital

In Jun/11, net working capital was R$241.1 million, representing only 3.6% of gross revenue over the last 12 months. Even with the accelerated growth in sales, Magazine Luiza has managed to reduce its working capital needs. On the same date, the balance of prepaid receivables from third-parties credit card was R$318.6 million. Considering this balance of receivables, net working capital would be equivalent to only 8.3% of the gross revenue.

CONSOLIDATED (R$ million)	Jun-11	Mar-11	Dec-10	Jun-10
Accounts receivables	1,630.6	1,522.2	1,524.7	1,270.5
Inventories	876.6	741.1	849.8	523.2
Related parties	24.2	49.2	36.0	16.6
Recoverable taxes	16.8	31.2	46.5	34.4
Other assets	68.7	59.1	63.0	53.0
Current operating assets	2,616.9	2,402.9	2,520.0	1,897.7
Suppliers	923.7	756.7	1,132.3	653.0
Interbank deposits	911.4	842.4	852.7	617.9
Operations with credit cards	298.8	235.8	220.2	154.8
Payroll, vacation and related charges	113.9	96.4	116.5	75.8
Taxes payable	32.5	26.2	39.4	32.7
Related parties	12.3	15.3	21.7	3.9
Taxes in installments	8.2	41.9	43.0	37.7
Technical insurance provisions	17.7	16.5	22.9	23.7
Other accounts payable	57.3	73.4	68.8	53.4
Current operating liabilities	2,375.8	2,104.6	2,517.6	1,653.0
Working Capital	241.1	298.3	2.4	244.7

Note: The balance of accounts payable is reported net of prepaid credit card receivables in the amount of R$318.6 million in Jun/11, R$298.7 million in Mar/11, R$235.0 million in Dec/10 and R$27.6 million in Jun/10.

CAPEX

Fixed investments increased from R$16.4 million in 2Q10 to R$40.0 million in 2Q11. These investments include existing stores refurbishment, as well as investments in technology and new stores. In 2Q11, the Company opened 9 stores, being 7 conventional and 2 virtual stores.

CAPEX (in R$ million)	2Q11	1Q11	2Q10	1Q10	1H11	1H10
New Stores	7.5	6.0	1.9	2.3	13.5	4.2
Remodeling	15.1	10.0	3.6	1.5	25.1	5.0
Technology	15.4	2.3	4.7	10.8	17.7	15.5
Others	1.9	4.2	6.2	2.2	6.2	8.4
Total	40.0	22.5	16.4	16.8	62.5	33.2

Net Debt

The IPO total value was R$886.4 million (55.4 million common shares or 29.7% of total shares), being R$583.9 million on primary distribution, and R$302.5 million on secondary distribution. The capital increase, net of the Offering expenses, totaled R$563.5 million (R$553.0 million as cash and R$10.5 million as tax credit over Offering expenses). In Jun/11, Magazine Luiza had gross debt of R$857.3 million, cash and securities amounting to R$728.2 million, thus a net debt of R$129.1 million, or 0.4 times EBITDA in the past 12 months. In the quarter, net debt was reduced by R$549.3 million.

CONSOLIDATED (R$ million)	Jun-11	Mar-11	Dec-10	Jun-10
(+) Current loans and financing	332.7	350.1	108.8	99.2
(+) Non-current loans and financing	516.2	595.4	666.1	504.6
(+) Financing of Acquisition	8.4	25.4	33.6	-
(=) Gross Debt	857.3	970.9	808.5	603.8
(-) Cash and cash equivalents	48.3	125.6	328.9	60.4
(-) Current securities	655.5	145.3	46.7	42.8
(-) Non-current securities	24.4	21.7	32.0	28.7
(=) Net Debt	129.1	678.3	401.0	472.0
Short term debt/total	40%	39%	18%	16%
Long term debt/total	60%	61%	82%	84%
EBITDA[1]	344.9	343.4	319.9	319.9
Net Debt/ EBITDA[1]	0.4 x	2.0 x	1.3 x	1.5 x

[1]EBITDA of last 12 months, except June, 2010 refers to FY2010.

SUBSEQUENT EVENTS

Acquisition of “Baú” stores

Magazine Luiza concluded on July 29 the acquisition of the shares of New-Utd Utilidades Domésticas S.A., a company created by the Silvio Santos Group. New-Utd has 121 stores of the Baú da Felicidade retail chain, located in the states of Paraná, São Paulo and Minas Gerais, the respective rental contracts, furniture, equipment and store facilities, as well as the IT systems and customer base. The final value of the acquisition was of R$ 80.3 million, fully paid on July 29, 2011. The Company concluded the Baú stores transition plan, defining that it will convert 35 stores to the virtual format, 70 stores into the conventional format, 4 stores will be extended to the already existing Magazine Luiza’s stores and only 12 stores shall be divested.

ANNEX I

FINANCIAL STATEMENTS – CONSOLIDATED RESULTS

CONSOLIDATED INCOME STATEMENT (R$ million)	2Q11	V.A.	2Q10	V.A.	%Chg	1H11	V.A.	1H10	V.A.	%Chg
Gross Revenue	1,744.3	118.4%	1,262.1	117.6%	38.2%	3,440.4	119.1%	2,381.1	118.2%	44.5%
Taxes and Deductions	(271.5)	-18.4%	(189.1)	-17.6%	43.6%	(551.5)	-19.1%	(367.0)	-18.2%	50.3%
Net Revenue	1,472.8	100.0%	1,073.0	100.0%	37.3%	2,888.9	100.0%	2,014.1	100.0%	43.4%
Total Costs	(990.1)	-67.2%	(704.6)	-65.7%	40.5%	(1,936.3)	-67.0%	(1,306.6)	-64.9%	48.2%
Gross Income	482.7	32.8%	368.4	34.3%	31.0%	952.5	33.0%	707.5	35.1%	34.6%
Selling expenses	(289.2)	-19.6%	(219.9)	-20.5%	31.5%	(571.5)	-19.8%	(431.4)	-21.4%	32.5%
General and administrative expenses	(74.9)	-5.1%	(46.7)	-4.4%	60.3%	(146.3)	-5.1%	(86.6)	-4.3%	69.0%
Provisions for loan losses	(52.7)	-3.6%	(44.6)	-4.2%	18.2%	(103.7)	-3.6%	(88.0)	-4.4%	17.7%
Other operating revenues, net	6.0	0.4%	13.2	1.2%	-54.7%	24.9	0.9%	29.6	1.5%	-15.8%
Total Operating Expenses	(410.7)	-27.9%	(297.9)	-27.8%	37.9%	(796.6)	-27.6%	(576.5)	-28.6%	38.2%
EBITDA	71.9	4.9%	70.5	6.6%	2.1%	155.9	5.4%	131.0	6.5%	19.0%
Depreciation and Amortization	(21.8)	-1.5%	(16.8)	-1.6%	29.8%	(42.9)	-1.5%	(32.5)	-1.6%	32.1%
EBIT	50.1	3.4%	53.7	5.0%	-6.6%	113.0	3.9%	98.5	4.9%	14.7%
Financial Results	(42.4)	-2.9%	(27.6)	-2.6%	53.7%	(88.1)	-3.0%	(55.6)	-2.8%	58.2%
Operating Income	7.8	0.5%	26.1	2.4%	-70.2%	25.0	0.9%	42.9	2.1%	-41.7%
Income Tax and Social Contribution	(3.2)	-0.2%	(10.2)	-1.0%	-68.7%	(8.1)	-0.3%	(17.7)	-0.9%	-54.1%
Net Income	4.6	0.3%	15.9	1.5%	-71.2%	16.9	0.6%	25.2	1.3%	-33.1%

ANNEX II

FINANCIAL STATEMENTS – CONSOLIDATED BALANCE SHEET

ASSETS (R$ million)	Jun-11	Mar-11	Dec-10	Jun-10
CURRENT ASSETS				
Cash and cash equivalents	48.3	125.6	328.9	60.4
Securities	655.5	145.3	46.7	42.8
Accounts receivable	1,630.6	1,522.2	1,524.7	1,270.5
Inventories	876.6	741.1	849.8	523.2
Related parties	24.2	49.2	36.0	16.6
Taxes recoverable	16.8	31.2	46.5	34.4
Other assets	68.7	59.1	63.0	53.0
Total current assets	3,320.7	2,673.8	2,895.6	2,000.9
NON-CURRENT ASSETS				
Securities	24.4	21.7	32.0	28.7
Accounts receivable	9.3	14.1	18.7	6.0
Deferred income tax and social contribution	189.7	170.8	168.2	159.5
Recoverable taxes	32.2	11.3	10.2	-
Other assets	78.3	60.3	69.6	22.6
Fixed assets	372.6	359.9	358.8	286.0
Intangible assets	374.9	370.0	374.6	96.6
Total non-current assets	1,081.3	1,008.1	1,032.2	599.3
TOTAL ASSETS	4,402.0	3,682.0	3,927.8	2,600.3

LIABILITIES (R$ million)	Jun-11	Mar-11	Dec-10	Jun-10
CURRENT LIABILITIES				
Suppliers	923.7	756.7	1,132.3	653.0
Loans and financing	332.7	350.1	108.8	99.2
Interbank deposits	911.4	842.4	852.7	617.9
Operations with credit cards	298.8	235.8	220.2	154.8
Payroll, vacation and related charges	113.9	96.4	116.5	75.8
Taxes payable	32.5	26.2	39.4	32.7
Related parties	12.3	15.3	21.7	3.9
Taxes in installments	8.2	41.9	43.0	37.7
Deferred revenue	26.0	55.1	26.0	27.1
Dividends payable	-	-	-	-
Technical insurance provisions	17.7	16.5	22.9	23.7
Other accounts payable	65.7	98.9	102.4	53.4
Total current liabilities	2,742.9	2,535.2	2,685.9	1,779.3
NON-CURRENT LIABILITIES				
Loans and financing	516.2	595.4	666.1	504.6
Interbank deposits	0.3	1.2	4.0	-
Taxes in installments	6.1	6.2	6.3	11.1
Provision for tax, civil and labor risks	189.6	182.5	182.0	46.3
Technical insurance provisions	29.6	28.6	20.8	15.2
Deferred revenue	271.4	254.6	296.1	220.8
Deferred income tax and social contribution	12.3	13.0	13.7	-
Other accounts payable	5.8	5.5	5.4	3.7
Total non-current liabilities	1,031.3	1,087.0	1,194.4	801.8
SHAREHOLDERS' EQUITY				
Capital stock	606.5	43.0	43.0	220.0
Legal reserve	3.4	3.4	3.4	0.0
Profit retention reserve	1.0	1.0	1.0	-
Accumulated losses	16.9	12.3	-	(200.9)
Total shareholders' equity	627.8	59.7	47.4	19.2
TOTAL	4,402.0	3,682.0	3,927.8	2,600.3

ANNEX III

FINANCIAL STATEMENTS – RETAIL

RETAIL INCOME STATEMENT (R$ million)	2Q11	V.A.	2Q10	V.A.	%Chg.	1H11	V.A.	1H10	V.A.	%Chg.
Gross Revenue	1,638.7	119.8%	1,175.4	119.1%	39.4%	3,226.9	120.6%	2,202.0	120.0%	46.5%
Taxes and Deductions	(271.0)	-19.8%	(188.7)	-19.1%	43.6%	(550.6)	-20.6%	(366.3)	-20.0%	50.3%
Net Revenue	1,367.7	100.0%	986.7	100.0%	38.6%	2,676.3	100.0%	1,835.7	100.0%	45.8%
Total Costs	(964.8)	-70.5%	(689.3)	-69.9%	40.0%	(1,885.5)	-70.5%	(1,277.4)	-69.6%	47.6%
Gross Income	402.9	29.5%	297.3	30.1%	35.5%	790.8	29.5%	558.3	30.4%	41.6%
Selling expenses	(277.7)	-20.3%	(201.0)	-20.4%	38.2%	(539.6)	-20.2%	(387.2)	-21.1%	39.4%
General and administrative expenses	(67.1)	-4.9%	(41.8)	-4.2%	60.5%	(132.9)	-5.0%	(76.3)	-4.2%	74.2%
Provisions for loan losses	(2.7)	-0.2%	(2.7)	-0.3%	-1.6%	(4.6)	-0.2%	(5.5)	-0.3%	-15.4%
Other operating revenues, net	13.9	1.0%	10.1	1.0%	37.5%	37.5	1.4%	26.1	1.4%	43.7%
Total Operating Expenses	(333.5)	-24.4%	(235.4)	-23.9%	41.7%	(639.6)	-23.9%	(442.8)	-24.1%	44.4%
EBITDA	69.4	5.1%	62.0	6.3%	12.0%	151.2	5.7%	115.5	6.3%	30.9%
Depreciation and Amortization	(21.4)	-1.6%	(16.5)	-1.7%	29.6%	(42.2)	-1.6%	(31.8)	-1.7%	32.6%
EBIT	48.0	3.5%	45.5	4.6%	5.6%	109.0	4.1%	83.7	4.6%	30.3%
Equity in Subsidiaries	7.8	0.6%	9.9	1.0%	-21.3%	14.0	0.5%	17.1	0.9%	-18.1%
Financial Results	(50.9)	-3.7%	(35.6)	-3.6%	42.9%	(105.0)	-3.9%	(69.1)	-3.8%	51.9%
Operating Income	4.9	0.4%	19.8	2.0%	-75.2%	18.0	0.7%	31.7	1.7%	-43.1%
Income Tax and Social Contribution	(0.3)	0.0%	(3.9)	-0.4%	-91.9%	(1.1)	0.0%	(6.4)	-0.4%	-82.3%
Net Income	4.6	0.3%	15.9	1.6%	-71.2%	16.9	0.6%	25.2	1.4%	-33.1%

ANNEX IV

FINANCIAL STATEMENTS BY BUSINESS LINE – 2Q11

2Q11 (in R$ million)	Magazine Luiza	Lojas Maia 100%	Retail Pro-Forma	Cons. Finance 50%	Insurance 50%	Consortium 100%	Eliminations	Consolidated
Gross Revenue	1,401.3	237.4	1,638.7	115.9	16.6	6.7	(33.6)	1,744.3
Taxes and Deductions	(220.0)	(51.0)	(271.0)	-	-	(0.5)	-	(271.5)
Net Revenue	1,181.3	186.4	1,367.7	115.9	16.6	6.3	(33.6)	1,472.8
Total Costs	(832.3)	(132.5)	(964.8)	(21.7)	(1.2)	(3.7)	1.3	(990.1)
Gross Income	349.0	53.9	402.9	94.2	15.4	2.5	(32.3)	482.7
Selling expenses	(242.6)	(35.1)	(277.7)	(28.5)	(9.2)	-	26.2	(289.2)
General and administrative expenses	(55.6)	(11.4)	(67.1)	(0.8)	(4.0)	(3.0)	-	(74.9)
Provisions for loan losses	(2.7)	-	(2.7)	(50.0)	-	-	-	(52.7)
Other operating revenues, net	11.0	2.9	13.9	(5.7)	(0.0)	0.1	(2.3)	6.0
Total Operating Expenses	(289.9)	(43.6)	(333.5)	(84.9)	(13.3)	(2.9)	23.9	(410.7)
EBITDA	59.1	10.3	69.4	9.3	2.1	(0.4)	(8.5)	71.9
Depreciation and Amortization	(18.0)	(3.4)	(21.4)	(1.4)	(1.3)	(0.1)	2.3	(21.8)
EBIT	41.1	6.9	48.0	7.9	0.8	(0.5)	(6.1)	50.2
Equity in Subsidiaries	6.2	1.2	7.8	-	-	-	(7.4)	-
Financial Results	(43.4)	(7.5)	(50.9)	-	2.2	0.2	6.1	(42.4)
Operating Income	3.9	0.6	4.9	7.9	3.0	(0.2)	(7.4)	7.8
Income Tax and Social Contribution	0.7	(1.0)	(0.3)	(1.7)	(1.2)	0.0	-	(3.2)
Net Income	4.6	(0.4)	4.6	6.2	1.8	(0.2)	(7.4)	4.6
Gross Margin	29.5%	28.9%	29.5%	81.3%	92.9%	40.7%	96.2%	32.8%
EBITDA Margin	5.0%	5.5%	5.1%	8.0%	12.7%	-6.2%	25.2%	4.9%
Net Margin	0.4%	-0.2%	0.3%	5.4%	11.0%	-3.2%	22.0%	0.3%

ANNEX V

FINANCIAL STATEMENTS BY BUSINESS LINE – 2Q10

2Q10 (in R$ million)	Magazine Luiza	Retail Pro-Forma	Cons. Finance 50%	Insurance 50%	Consortium 100%	Eliminations	Consolidated
Gross Revenue	1,175.4	1,175.4	94.9	13.7	4.9	(26.8)	1,262.1
Taxes and Deductions	(188.7)	(188.7)	-	-	(0.4)	-	(189.1)
Net Revenue	986.7	986.7	94.9	13.7	4.5	(26.8)	1,073.0
Total Costs	(689.3)	(689.3)	(13.4)	(0.7)	(2.0)	0.8	(704.6)
Gross Income	297.3	297.3	81.5	13.1	2.5	(26.0)	368.4
Selling expenses	(201.0)	(201.0)	(30.1)	(8.4)	-	19.6	(219.9)
General and administrative expenses	(41.8)	(41.8)	(0.6)	(2.0)	(2.3)	-	(46.7)
Provisions for loan losses	(2.7)	(2.7)	(41.8)	-	-	-	(44.6)
Other operating revenues, net	10.1	10.1	4.1	-	0.3	(1.3)	13.2
Total Operating Expenses	(235.4)	(235.4)	(68.4)	(10.5)	(2.0)	18.3	(297.9)
EBITDA	62.0	62.0	13.1	2.6	0.5	(7.7)	70.5
Depreciation and Amortization	(16.5)	(16.5)	(0.2)	(1.3)	(0.1)	1.3	(16.8)
EBIT	45.5	45.5	12.9	1.3	0.4	(6.4)	53.7
Equity in Subsidiaries	9.9	9.9	-	-	-	(9.9)	-
Financial Results	(35.6)	(35.6)	-	1.5	0.2	6.4	(27.6)
Operating Income	19.8	19.8	12.9	2.8	0.6	(9.9)	26.1
Income Tax and Social Contribution	(3.9)	(3.9)	(5.0)	(1.2)	(0.2)	-	(10.2)
Net Income	15.9	15.9	7.9	1.6	0.4	(9.9)	15.9
Gross Margin	30.1%	30.1%	85.9%	95.2%	55.1%	97.0%	34.3%
EBITDA Margin	6.3%	6.3%	13.8%	19.0%	10.9%	28.6%	6.6%
Net Margin	1.6%	1.6%	8.3%	12.0%	8.5%	37.1%	1.5%

ANNEX VI

SALES MIX AND NUMBER OF STORES PER CHANNEL

Gross Revenue by Channel (R$ million)	1H11	V.A.(%)	1H10	V.A.(%)	Growth Total
Virtual Stores	128.7	4.0%	102.9	4.7%	25.1%
Website	355.7	11.0%	239.9	10.9%	48.3%
Subtotal – Virtual Channel	**484.5**	15.0%	**342.8**	15.6%	41.3%
Conventional Stores	2,742.4	85.0%	1,859.2	84.4%	47.5%
Magazine Luiza	2,251.7	69.8%	1,859.2	84.4%	21.1%
Lojas Maia	490.7	15.2%	-	-	-
Total	**3,226.9**	100.0%	**2,202,0**	100.0%	46.5%

Gross Revenue by Channel (R$ million)	2Q11	V.A.(%)	2Q10	V.A.(%)	Growth Total
Virtual Stores	68.1	4.2%	55.3	4.7%	23.3%
Website	181.7	11.1%	129.9	11.1%	39.9%
Subtotal – Virtual Channel	**249.9**	15.2%	**185.2**	15.8%	34.9%
Conventional Stores	1,388.8	84.8%	990.2	84.2%	40.3%
Magazine Luiza	1,151.4	70.3%	990.2	84.2%	16.3%
Lojas Maia	237.4	14.5%	-	-	-
Total	**1,638.7**	100.0%	**1.175.4**	100.0%	394%

Number of stores per channel – End of the period	Jun-11	V.A.(%)	Jun-10	V.A.(%)	Growth Total
Virtual Stores	69	11.3%	63	10.3%	6
Website	1	0.2%	1	0.2%	-
Subtotal – Virtual Channel	**70**	11.4%	**64**	10.4%	6
Conventional Stores	543	88.6%	392	63.9%	151
Magazine Luiza	405	66.1%	392	63.9%	13
Lojas Maia	138	22.5%	-	0.0%	138
Total	**613**	100.0%	**456**	74.4%	157
Total Sales Area (m²)	**407,311**	100.0%	**310,665**	100.0%	31.1%

ANNEX VII

LUIZACRED

Luizacred is a joint-venture between Magazine Luiza and Itaú Unibanco, responsible for financing the majority of our sales. Magazine Luiza's main role is the management of its employees and client service, while Itaú Unibanco is responsible for the financing of Luizacred, for the development of credit and collection policies and for back-office activities such as accounting and treasury.

In Jun/11, Luizacred had a total base of 4.0 million cards issued. In the last 12 months, the total base of active cards grew by 75.0%, contributing to the increase of Luiza card revenue, inside and outside our stores (in 2Q11, purchases outside our stores represented 61.7% of the total sales, with a growth of 87.1% over 2Q10). Luizacred's credit portfolio, including credit card and CDC (Direct Consumer Credit), added up to R$2.7 billion at the end of 2Q11.

LUIZACRED – Key Indicators (R$ million)	2Q11	2Q10	% Chg	1H11	1H10	% Chg
Total Card Base (thousand)	3.975	2.271	75,0%	3.975	2.271	75,0%
Luiza Card Sales – In chain	572	464	23,4%	1.058	814	30,0%
Luiza Card Sales – Outside Brand	923	493	87,1%	1.637	883	85,4%
CDC Sales	150	133	12,7%	277	250	10,8%
Personal Loans Sales	126	97	29,7%	251	194	29,2%
Total Luizacred Sales	1.771	1.187	49,2%	3.224	2.141	50,6%
Card Portfolio	2.292	1.526	50,2%	2.292	1.526	50,2%
CDC Portfolio	376	348	8,1%	376	348	8,1%
Total Portfolio	2.668	1.874	42,4%	2.668	1.874	42,4%

Credit and Collection Policies

Luizacred's credit approval is done by following the policies and criteria established by the Itaú Unibanco Modeling and Credit Policy area. The policies are defined based on proprietary statistic models, using as decision criteria the Risk Adjusted Return on Capital (RAROC) model. For conservative reasons, Luizacred reduced the credit approval rate by 13% in 1H11 compared to 1H10.

The assertiveness of these policies, from the credit portfolio quality standpoint, is measured by leading indicators (FPD – First Payment Default), entering public indicators, approval rate, population stability, model prediction capacity (Ks), as well as accounting and management indicators of the portfolios and collection processes. These indicators are evaluated on a monthly basis, in specific committees, at Luizacred as well as at Itaú Unibanco.

The credit approval operation at stores is done by employees dedicated exclusively to that function. The relevant data for credit analysis are collected and checked by these employees, and typed in the Itaú Unibanco credit system, with automatic decision. To ensure the correct data typing, the proposals are checked randomly. The employees have part of their remuneration linked to credit quality goals, measured by the adherence between what was typed and the information collected, subsequently from the client, as well as by leading default indicators per store.

Results

Revenue from financial intermediation grew by 17.3% in 2Q11 compared to 2Q10. In 1H11, this growth was of 20.8% over 1H10. Because of the unification process of Itaú Unibanco credit card platforms, as of Nov/10, new accounting practices were adopted at Luizacred, so that the revenues recognition became more conservative. By considering previous accounting practices, Luizacred's revenue would have been R$23.0 million higher in 2Q11 and R$34.2 million in 1H11.

The cost of financial operations increased by 65.9%, due to the credit portfolio growth of 42.4% in Jun/10 over Jun/11 coupled with the increase of 28% of the CDI in the period (CDI increased from an annualized rate of 9.3% in 2Q10 to 11.9% in 2Q11). It is worth mentioning that the change in Luizacred financial margin is linked to the change in the portfolio profile, given the accelerated growth of Luiza Card purchases outside our stores. These operations have lower financial margin in the beginning, but generate higher results in the medium-term.

Provision for Loan Losses

Luizacred portfolio's overdue balance showed a decrease in delinquency ratio in 2Q11 over 2Q10. The overdue portfolio represented 24.3% of the total portfolio on Jun/11, compared to 25.7% in Jun/10, down by 140 bps. However, for conservative reasons, Luizacred decided to make an additional provision, aligned to the additional provisions recently made by Itaú Unibanco in all its operations.

The recurring provision for loan losses was 4.3% of the portfolio, in 2Q11, compared to 4.5% in 2Q10. With the additional provision, expenses with provision for loan losses would have been R$139.9 million in 2Q11, equivalent to 5.2% of the portfolio. As a relevant information, Luizacred sold a credit portfolio to Itaú Unibanco (portfolio overdue for over 360 days), in a total amount of R$824 million, generating a gain of R$40 million in 2Q11. The value of the transaction was defined independently, by the opinion of Moore Stephens consulting firm. As a result of such transaction, expenses with provision for loan losses were R$99.9 million in 2Q11, equivalent to 3.7% of the portfolio.

Finally, with this additional provision, the balance for loan losses provision on Luizacred's balance sheet was R$372.9 million, or R$49.2 million above the minimum provision required by the Brazilian Central Bank according to Law nº 2682, which would be R$323.7 million.

PORTFOLIO (R$ million)		Jun-11		Mar-11		Dec-10		Jun-10	
Total Portfolio		2.668,3	100,0%	2.424,2	100,0%	2.359,7	100,0%	1.873,5	100,0%
000 to 014 days	A	2.020,5	75,7%	1.771,8	73,1%	1.825,4	77,4%	1.392,5	74,3%
015 to 030 days	B	119,6	4,5%	128,1	5,3%	130,8	5,5%	102,1	5,4%
031 to 060 days	C	75,4	2,8%	76,6	3,2%	87,2	3,7%	59,4	3,2%
061 to 090 days	D	65,3	2,4%	72,4	3,0%	44,5	1,9%	51,8	2,8%
091 to 120 days	E	55,3	2,1%	83,2	3,4%	36,9	1,6%	41,6	2,2%
121 to 150 days	F	51,8	1,9%	63,3	2,6%	31,8	1,3%	38,9	2,1%
151 to 180 days	G	64,6	2,4%	44,8	1,8%	29,3	1,2%	37,6	2,0%
180 to 360 days	H	215,9	8,1%	184,0	7,6%	173,7	7,4%	149,7	8,0%
Overdue up to 90 days		260,2	9,8%	277,1	11,4%	262,6	11,1%	213,2	11,4%
Overdue above 90 days		387,6	14,5%	375,3	15,5%	271,7	11,5%	267,8	14,3%
Total Overdue		647,8	24,3%	652,4	26,9%	534,3	22,6%	481,0	25,7%

Financial Statement - Luizacred

LUIZACRED – Income (R$ million)	2Q11	V.A.	2Q10	V.A.	% Chg	1H11	V.A.	1H10	V.A.	% Chg
Financial Intermediation Revenue	188,3	100,0%	160,5	100,0%	17,3%	385,6	100,0%	319,2	100,0%	20,8%
Cards	135,1	71,8%	111,9	69,7%	20,8%	282,0	73,1%	222,4	69,7%	26,8%
CDC	53,2	28,2%	48,7	30,3%	9,3%	103,6	26,9%	96,8	30,3%	7,0%
Financial Intermediation Expenses	(143,4)	-76,1%	(110,4)	-68,8%	29,8%	(287,3)	-74,5%	(215,7)	-67,6%	33,2%
Market Funding Operations	(43,4)	-23,1%	(26,8)	-16,7%	62,0%	(89,3)	-23,2%	(50,5)	-15,8%	76,7%
Provision for Loan Losses	(99,9)	-53,1%	(83,6)	-52,1%	19,5%	(198,1)	-51,4%	(165,2)	-51,7%	19,9%
Gross Financial Intermediation Income	44,9	23,9%	50,1	31,2%	-10,3%	98,3	25,5%	103,5	32,4%	-5,1%
Other Operating Revenues (Expenses)	(29,1)	-15,4%	(24,4)	-15,2%	19,4%	(67,1)	-17,4%	(58,1)	-18,2%	15,5%
Service Revenue	43,5	23,1%	29,3	18,2%	48,6%	80,1	20,8%	56,1	17,6%	42,9%
Personnel Expenses	(1,5)	-0,8%	(1,2)	-0,8%	25,4%	(4,0)	-1,0%	(2,7)	-0,8%	49,2%
Other Administrative Expenses	(44,7)	-23,8%	(49,5)	-30,9%	-9,7%	(97,9)	-25,4%	(101,2)	-31,7%	-3,3%
Depreciation and Amortization	(2,7)	-1,5%	(0,4)	-0,3%	564,1%	(5,4)	-1,4%	(1,1)	-0,3%	385,5%
Tax Expenses	(12,2)	-6,5%	(10,6)	-6,6%	15,6%	(23,8)	-6,2%	(20,3)	-6,4%	17,1%
Other Operating Revenues (Expenses)	(11,3)	-6,0%	8,1	5,1%	-239,2%	(16,2)	-4,2%	11,1	3,5%	-245,4%
Other Operating Revenues	35,0	18,6%	20,1	12,5%	73,6%	71,0	18,4%	26,8	8,4%	165,3%
Other Operating Expenses	(46,3)	-24,6%	(12,0)	-7,5%	285,7%	(87,2)	-22,6%	(15,6)	-4,9%	457,9%
Income Before Tax	15,8	8,4%	25,7	16,0%	-38,5%	31,2	8,1%	45,5	14,2%	-31,4%
Income Tax and Social Contribution	(3,4)	-1,8%	(9,9)	-6,2%	-65,4%	(9,6)	-2,5%	(17,9)	-5,6%	-46,7%
Net Income	12,4	6,6%	15,8	9,8%	-21,6%	21,6	5,6%	27,5	8,6%	-21,4%

Basel

According to the accounting practices required by the Central Bank, Luizacred's net equity in Jun/11 was R$310.6 million. Due to the balance of additional provision for loan losses, in the amount of R$49.2 million, and other adjustments required by the IFRS, Luizacred's net equity for the purposes of Magazine Luiza's financial statements was R$285.2million. In Jun/11, the Basel index for Luizacred was 13.1% versus the minimum required by the Central Bank of 11%.

CONFERENCE CALL DETAILS

Conference Call in Portuguese with simultaneous translation to English

August 12, 2011 (Friday)
11:30AM – US EST
12:30PM – Brasília Time

Calling from US or other Countries:
Phone: + 1-516-3001066
Access Code: Magazine Luiza
Webcast link: http://webcast.mz-ir.com/publico.aspx?codplataforma=3017

Calling from Brazil:
Phone: 5511-3127-4971
Access Code: Magazine Luiza
Webcast link: http://webcast.mz-ir.com/publico.aspx?codplataforma=3016

Replay (available for 7 days):
Phone: +55 11 3127-4999
Access Codes:
Portuguese version: 67228676
English version: 87950769

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About Magazine Luiza

Founded in 1957, Magazine Luiza is one of Brazil's chief durable goods retail chains with major penetration among middle class consumers. To build better relationships with its customers, Magazine Luiza innovated with the creation of Luizacred in partnership with Itaú Unibanco in 2001. In 2005, Magazine Luiza once again led the market when it became the first retailer with an insurance company, Luizaseg, a joint venture with the BNP Paribas group's Cardif. Finally, in 2010, Magazine Luiza acquired Lojas Maia, one of the largest retail chains in Brazil's fastest growing region, with stores throughout the Northeast. Also, in June 2011, Magazine Luiza acquired Baú da Felicidade stores.

EBITDA

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

Disclaimer

All statements herein related to business prospects, future estimates of operating and financial results, and Magazine Luiza's growth prospects are merely estimates and, as such, are based solely on the expectations of the executive Board regarding the company's business future. These expectations largely depend on approvals and licenses for the projects, market conditions, performance of the Brazilian economy, the sector and the international markets and are, therefore, subject to changes without prior notice. This performance report includes accounting data and non-accounting data such as pro forma operating and financial results and projections based on the expectations of the Board of Directors. The non-accounting data was not reviewed by the Company's independent auditors.