Magazine Luiza S.A.
4th Quarter 2012 Earnings Release

São Paulo, March 26, 2013 – Magazine Luiza S.A. (BM&FBOVESPA: MGLU3), one of the largest retail chains focused on durable goods, actively engaged in serving Brazil's low income segment, hereby announces its results for the fourth quarter of 2012 (4Q12).The Company's accounting information is based on consolidated numbers, in millions of Reais (except when indicated otherwise), according to the International Financial Reporting Standards (IFRS).

2012 HIGHLIGHTS

Magazine Luiza posted double-digit growth in total sales and same-store sales in the fourth quarter and 2012. The Company grew above the industry average, gained market share in all product categories, successfully integrated the Lojas Maia and Baú stores and engaged in a programme to reduce costs and expenses as well as boost productivity.

Magazine Luiza's consolidated gross revenue gained 19.1% to R$9.05bn in 2012, rising 15.2% in the fourth quarter, reaching R$2.61 billion. Same-store sales grew 11.9% in the fourth quarter versus the same period a year earlier and 12.5% in 2012, fuelled by the maturation of new stores, especially in the Northeast, and accelerated e-commerce growth. For the first time in the Company's history, e-commerce sales exceeded the R$1 billion mark, closing 2012 33.3% stronger at R$1.1 billion in 2012. In the fourth quarter, e-commerce sales jumped 25% to R$313.7 million. However, the economic environment and fierce competition impacted consolidated gross margin falling 2.3 percentage points in the fourth quarter against the same period a year earlier.

On top of sales growth, the year was marked by the integration of 104 stores in the South/Southeast stemming from the Baú acquisition and 150 stores in the Northeast from the Lojas Maia purchase. Both store chains were integrated respectively in February and October of 2012. All of the stores, distribution centers and accounting and management systems are now fully integrated. Despite its complexity, the integration process was extremely successful, directly involving more than 200 employees. The integration represents the end to a highly significant growth cycle for the company, consolidating its position within the Brazilian retail sector.

As part of a new cycle focused on productivity and profitability, we initiated a new programme, "More with Less", that is aimed at reducing costs and expenses in 2012. In the fourth quarter, recurring operating expenses, adjusted for non-recurring expenses, dropped 0.7 p.p. over the same period a year earlier.

Key Comments

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"Despite the slowdown in economic activity, same-store sales recorded double-digit growth in 2012. In the face of a challenging economic environment and strong competition, we had to stimulate consumption through frequent promotions and marketing campaigns at year end, given that Christmas sales were soft. Magazine Luiza's gross margin remained virtually flat in 2012, although it suffered in 4Q12, leading us to be even more rigorous regarding the Company's costs and expenses", said CEO, Marcelo Silva.

Luizacred's conservative approach adopted in 2012 also generated very positive results in the fourth quarter. Default indicators improved significantly, allowing for a quarter-on-quarter reduction in provisions for loan losses. Thanks to the improvement in operating margins, with an increased share in direct consumer credit and a reduction in co-branded credit card issuing, Luizacred posted sustainable profitability, with an 11.6% EBITDA margin in the fourth quarter, year on year.

Fourth quarter net profit was positively impacted by sales growth, a reduction in expenses and Luizacred's improved performance. The strong result, however, was offset by a decline in gross margin from the retail business.
Magazine Luiza finished on a positive note at the end of 2012, posting a fourth quarter net profit of R$9.7m and reversing a R$16.9m loss for the same period a year earlier.

For the year, the net result in 2012 was impacted, especially in the first half, by non-recurring expenses related to the integration of two store chains Lojas Maia and Baú, robust provisions for loan losses at Luizacred and the continuing maturation of new stores.

"We are reviewing our projections and adopting more conservative growth estimates for 2013 until we see an improvement in the economy and consistent growth. As part of the "More with Less" program, we are focusing on improving our financial performance by building a business based on strong governance, responsibility, internal controls, challenging and achievable goals, while reducing costs and increasing productivity," Marcelo Silva added.

Consolidated Key Indicators

R$ million (except when otherwise indicated)	4Q12	4Q11	% Chg	12M12	12M11	% Chg
Total Gross Revenue	2,614.9	2,269.2	15.2%	9,054.4	7,601.3	19.1%
Total Net Revenue	2,205.5	1,927.9	14.4%	7,665.1	6,419.4	19.4%
EBITDA	83.6	52.5	59.3%	241.8	300.6	-19.6%
EBITDA Margin	3.8%	2.7%	1.1 pp	3.2%	4.7%	-1.5 pp
Ajusted EBITDA	86.6	107.0	-19.0%	281.7	346.3	-18.7%
Ajusted EBITDA Margin	3.9%	5.5%	-1.6 pp	3.7%	5.4%	-1.7 pp
Net Income	9.7	(16.9)	-157.4%	(6.7)	11.7	-157.8%
Net Margin	0.4%	-0.9%	1.3 pp	-0.1%	0.2%	-0.3 pp
Ajusted Net Income	11.7	26.7	-56.2%	14.1	55.5	-74.6%
Ajusted Net Margin	0.5%	1.4%	-0.9 pp	0.2%	0.9%	-0.7 pp
Same Store Sales Growth	11.9%	10.1%	-	12.5%	16.5%	-
Same Physical Store Sales Growth	10.2%	7.0%	-	9.8%	13.1%	-
Internet Sales Growth	25.0%	36.8%	-	33.3%	44.4%	-
Number of Stores - End of Period	743	728	2.1%	743	728	2.1%
Sales Area - End of Period (M2)	469,061	454,045	3.3%	469,061	454,045	3.3%
Credit Card Base - Luizacred (thousand)	3,924	4,426	-11.3%	3,924	4,426	-11.3%

Performance by segment

Retail

Fourth quarter retail gross revenue rose 15.5% over the same period a year earlier, totaling R$2.4 billion. Same-store sales grew 11.9% and 10.2% in the conventional physical stores. The need to stimulate consumption through promotions and campaigns, such as Black Friday, led to a 2.9 p.p. reduction in gross margin amid fierce competition. However, recurring operating expenses from the retail segment declined 3.1 percentage points, thanks to the program to reduce costs and expenses and increase store productivity. In 2012, the Company opened 22 new stores, closed 7 and remodeled 75. This comes after16 stores were rebranded in the Salvador metropolitan region.

"We grew more than the market average and delivered double-digit same-store sales growth in the fourth quarter. However, we would have liked to have seen a stronger economy, fueling demand for our products in the last quarter," said COO Frederico Trajano.

R$ million	4Q12	% NR	4Q11	% NR	% Chg	12M12	% NR	12M11	% NR	% Chg
Gross Revenue	2,449.6	120.0%	2,123.0	119.1%	15.4%	8,428.3	119.7%	7,130.3	119.8%	18.2%
Net Revenue	2,041.0	100.0%	1,782.2	100.0%	14.5%	7,041.9	100.0%	5,950.3	100.0%	18.3%
Gross Income	569.0	27.9%	551.4	30.9%	3.2%	1,990.0	28.3%	1,786.8	30.0%	11.4%
Operating Expenses	(501.1)	-24.6%	(492.3)	-27.6%	1.8%	(1,752.1)	-24.9%	(1,487.7)	-25.0%	17.8%
EBITDA	67.9	3.3%	59.1	3.3%	14.8%	237.9	3.4%	299.2	5.0%	-20.5%
Net Income	9.7	0.5%	(16.9)	-0.9%	157.4%	(6.7)	-0.1%	11.7	0.2%	-157.8%

E-commerce and *magazinevocê*

E-commerce put in another strong performance in the fourth quarter with gross revenue growing a robust 25% to R$313.7m driven by the growth in the number of website users, the expanded product assortment and new B2B and market place partnerships, such as trips and food supplements. Magazine Luiza's e-commerce received e-bit's "Best home appliance store and most beloved store in Brazil" awards thanks to its constant focus on innovation with the launch of the new version of the website on the cell phone and a significant improvement in logistics and operations. This division's profitability proves that a multichannel approach provides clear internal synergies such as infrastructure and operating expense, ensuring sustainable e-commerce growth. Social media commerce division *magazinevocê* also grew at a fast pace, with more than 70,000 vendors online just 10 months after its launch in February 2012. Its accelerated growth highlights the Company's capacity to innovate by using social media as a new national sales tool.

"Reaching the R$1billion mark in 2012 was a milestone in Magazine Luiza's 56-year history, but this is only the beginning for e-commerce. We grew at 33.3% in 2012 and see substantial potential to continue generating positive results," explained COO Frederico Trajano. "Our next step is to create a unique and competitive differential with the multi-channel delivery, which will reduce costs and increase client services and enhance quality".

Luizacred

In the fourth quarter, robust gross margin growth thanks to conservative credit controls resulted in significant gains for Luizacred. Gross margin widened 6.5 percentage points in the fourth quarter year on year, reaching 90.6%, largely owing to the reduction in the national reference CDI borrowing rate and an increase in the share of direct consumer credit.

Credit delinquency indicators (NPLs above 90 days) improved significantly in the quarter, dropping from 10.4% in 3Q12 to 8.2% in 4Q12, allowing for a 3.4 percentage point reduction in provisions when comparing it as a percentage of net revenue quarter on quarter.

In 2012, Luizacred managed to balance the mix between direct consumer credit and co-branded credit card and to implement the project to rationalize costs and expenses and increase store productivity. As a result, Luizacred closed 4Q12 with an 11.6% EBITDA margin and a 6.0% net margin.

"Luizacred should maintain its conservative approach in 2013; however, we believe provisions will fall once delinquency indicators improve. We will continue to focus on increasing margin. Our ultimate goal is to deliver a better performance in 2013 after adopting a more conservative approach," explained CFO and IRO, Roberto Rodrigues.

R$ million	4Q12	% NR	4Q11	% NR	% Chg	12M12	% NR	12M11	% NR	% Chg
Net Revenue	175.7	100.0%	160.7	100.0%	9.4%	667.2	100.0%	528.9	100.0%	26.2%
Gross Income	159.2	90.6%	135.2	84.1%	17.7%	584.8	87.6%	431.3	81.5%	35.6%
Operating Expenses	(138.7)	-78.9%	(133.3)	-83.0%	4.0%	(564.3)	-84.6%	(385.6)	-72.9%	46.3%
EBITDA	20.5	11.6%	1.8	1.1%	-	20.4	3.1%	45.7	8.6%	-55.2%
Net Income	10.5	6.0%	(1.6)	-1.0%	-	7.4	1.1%	22.7	4.3%	-67.5%

Note: results referring to 50% of Luizacred.

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EXPECTATIONS FOR 2013

Market analysts believe the Brazilian economy will expand between 3% and 4% in 2013 with most of the growth coming in the second half of the year. The Brazilian economy is yet to show consistent signs of improvement. Magazine Luiza, therefore, has conservative sales growth projections with the aim of preserving margins in a more competitive environment. The Company plans to open between 20 and 25 new stores, after closing 14 stores in January 2013. With more than one third of its stores still in the maturation process, same-store sales are expected to post high single-digit same-store sales growth. E-commerce sales are seen growing another 20% to 30% in 2013.

The Company expects to reduce the difference in gross margin between stores in the Northeast and those based in other regions. To help maintain margin across all regions, the Company has developed a “Price Management Project” that is currently being implemented and is designed to increase pricing intelligence by channel, region and product family.

In 2013, the Company expects synergies from the integration process of Lojas Maia and Baú. In terms of the non-recurring integration expenses, they ended in October 2012 and will not repeat in 2013. The “*More with Less*” programme has established stricter control policies for 2013: (i) redefinition of budget processes for each department; (ii) establishment of a committee that is responsible for the success of the entire program; (iii) adoption of “zero base” goals for each area; and (iv) prioritizing cost reduction projects that will be implemented during the year.

In addition to the “*More with Less*” Program, other initiatives will be implemented in 2013 focusing on cutting costs and expenses: (i) payroll tax exemption and reduced electricity costs, as announced by the Federal Government; (ii) higher productivity in the back office and Luizacred personnel in the stores; (iii) lower logistics costs as part of a multi-channel delivery project – e-commerce products will be delivered directly by the Company’s eight distribution centers before year end as opposed to one today; and (iv) dilution of marketing expenses now that last year’s integration is done.

In the consumer finance segment, in February 2013, Magazine Luiza signed an amendment to Luizacred’s partnership agreement to transfer the co-branded credit card issue and management activities, as well as its respective assets and liabilities, to Itaú Unibanco. The amendment to the agreement is intended to increase operating efficiency by reducing costs and expenses from financial products and services.

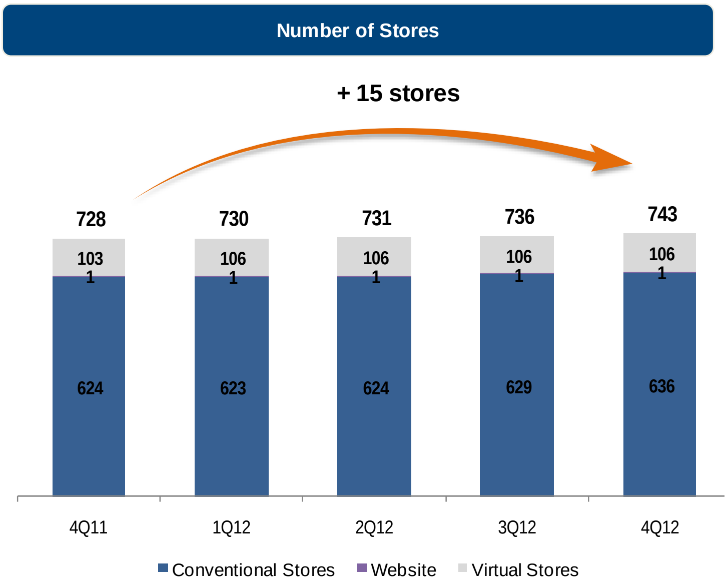
“We hope to improve our results gradually and consistently in the medium term. We expect the Northeast and Baú stores to have positive results in 2013. We will remain focused on financial prudence, exemplified by our “More with Less” project aimed at reducing costs and expenses, boosting productivity and store efficiency. We are also confident about Luizacred’s performance with the transfer of credit card processing and management to Itaú, our partner in the joint venture, and our focus on products with higher margins, such as direct consumer credit,” explained Marcelo Silva.

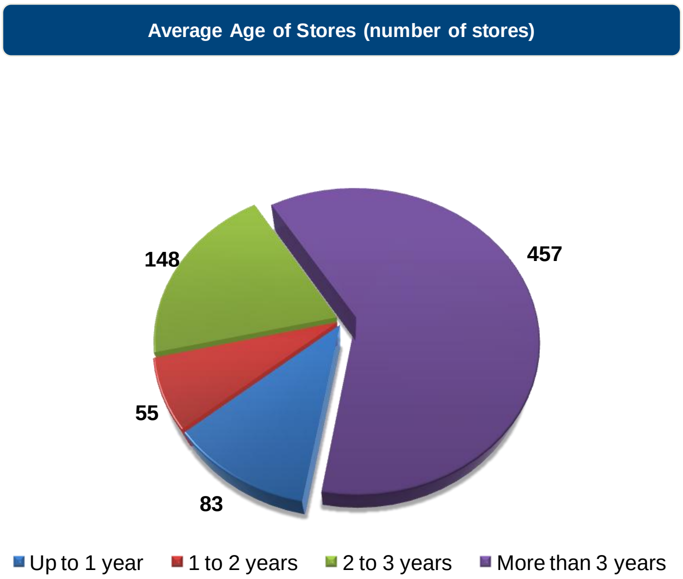
“We are tightening our internal goals in 2013, focusing on improving OPEX, CAPEX as well as medium and long-term debt. We believe that expanding EBITDA margin is an ongoing and gradual process. We are working to deliver significantly better results in 2013,” he added.

The Company’s Management is committed to obtaining better productivity and profitability indicators, always ensuring service quality and client satisfaction.

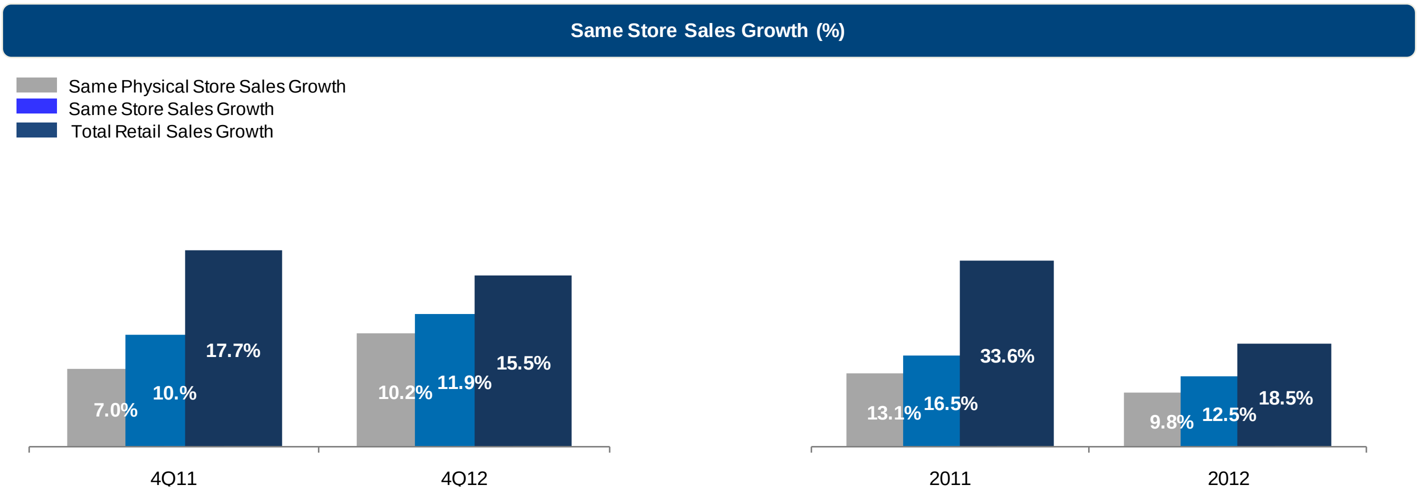
OPERATING PERFORMANCE

Magazine Luiza ended 2012 with 743 stores, 636 of which were conventional stores, 106 were virtual stores, plus the website, for a total increase of 15 stores over the same period last year. In the fourth quarter, the Company opened nine conventional stores (three in São Paulo, two in Bahia, and one each in Ceará, Pernambuco, Paraná and Santa Catarina) and it closed two stores (in Bauru, São Paulo and Campinas, São Paulo). Of Magazine Luiza’s 743 stores, 286 (38.5% of the total) are less than three years old and have not yet completely matured.



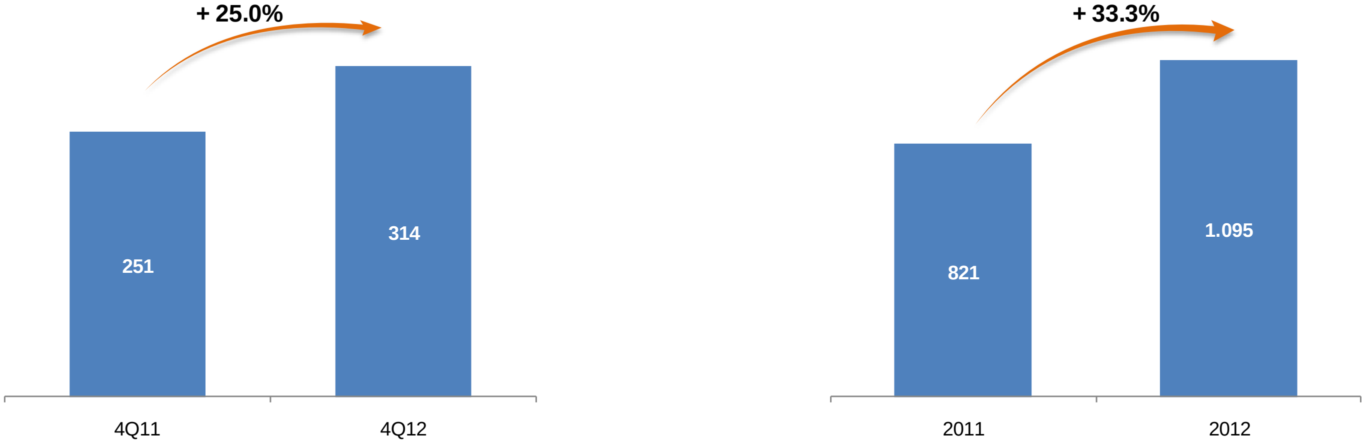


In terms of same-store sales, Magazine Luiza grew 11.9% in the fourth quarter year on year and 12.5% in 2012.



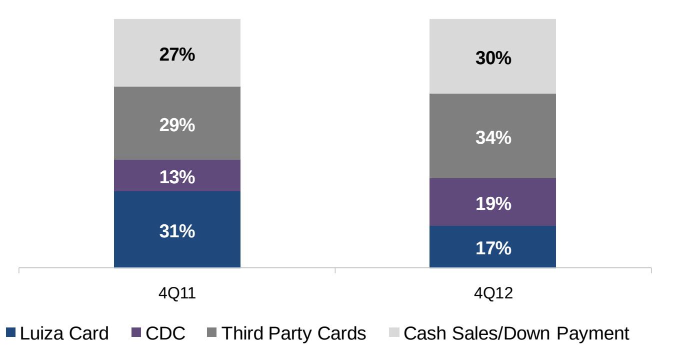
The Internet division maintained its strong pace of growth, increasing its product mix and website content (www.magazineluiza.com.br). In the fourth quarter, Internet sales climbed 25.0% to R$313.7 million, accounting for 12.8% of retail sales. In 2012, for the first time in history, sales jumped 33.3% to R$1.1 billion 33.3%.

Internet Gross Revenues (R$ million)

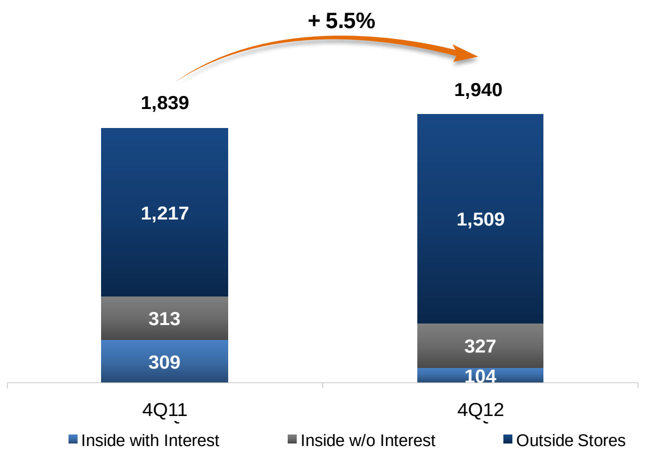


Luizacred’s credit card base decreased to 3.9 million in the fourth quarter from 4.4 million at the end of 2011. In the fourth quarter, total spending on Luiza cards accounted for 17% of total retail sales, lower year on year. The drop reflects Luizacred’s, conservative approach, which was partially offset by an increase in direct consumer credit.

Financed Sales Mix (% of total sales)



Revenues Luiza Card (R$ million)



In the fourth quarter, total spending on Luiza cards increased 5.5% to R$1.9 billion. In the same period, the use of Luiza cards outside the Company’s stores increased 24.0%, corresponding to 77.8% of total spending (compared with 66.2% year on year).

It is important to highlight that the Company is maintaining its policy of encouraging financed sales and limiting the offer of credit card interest-free sales in Luiza Cards to 15% of total sales.

CONSOLIDATED FINANCIAL PERFORMANCE

Consolidated Gross Revenue

The following table provides a breakdown of gross revenue by business segment:

(in R$ million)	4Q12	4Q11	% Chg	12M12	12M11	% Chg
Gross Revenue - Retail - Merchandise Sales	2,365.3	2,038.9	16.0%	8,114.0	6,848.1	18.5%
Gross Revenue - Retail - Services	84.3	81.5	3.4%	314.3	264.7	18.7%
Subtotal Retail	**2,449.6**	**2,120.5**	**15.5%**	**8,428.3**	**7,112.8**	**18.5%**
Gross Revenue - Consumer Finance	175.7	160.7	9.4%	667.2	528.9	26.2%
Gross Revenue - Insurance Operations	23.8	18.5	28.9%	86.3	68.8	25.6%
Gross Revenue - Consortium Management	9.2	7.8	17.7%	33.7	27.7	21.5%
Inter-Company Eliminations	(43.5)	(38.2)	13.7%	(161.1)	(136.8)	17.8%
Total Gross Revenue	**2,614.9**	**2,269.2**	**15.2%**	**9,054.4**	**7,601.3**	**19.1%**

Magazine Luiza's consolidated gross revenue increased 15.2% to R$2,61 billion in the fourth quarter, mainly driven by the following factors:

- The retail segment grew 15.5%, with sales totaling R$245billion in the fourth quarter, driven by 11.9% same-store sales growth, a strong e-commerce performance and an increase in stores. Sales in the Northeast region totaled R$349.5 million, equivalent to 14.3% of total retail sales. Same-store sales growth in the Northeast was affected on a non-recurring basis by the integration process and store remodeling, but revenue expanded faster than the rest of the Company's average, reaching 18.6% in the fourth quarter;

  The success of campaigns such as *"Golden Client Day"* and Black Friday partially offset the softer-than-expected Christmas sales. The Company therefore developed other sales campaigns to stimulate consumption, given the slower pace of economic activity and increased competition.

- Consumer finance arm Luizacred posted 9.4% revenue growth totaling R$175.7 million in the fourth quarter. Revenue growth at Luizacred presented a lower growth rate in the fourth quarter following our conservative approach to credit card approval. This was partially offset by an increase in revenue from direct consumer credit and services.

  In 2012, consolidated gross revenue increased 19.1% to R$9,05billion.

"Gross revenue grew from R$3.4 billion in 2008 to R$5.7 billion in 2010, R$7.6 billion in 2011 and R$9.05 billion in 2012. In 2013, our revenue will reach double-digit in terms of billions of Reais for the first time thanks to organic growth through the opening of 20-25 new stores and the continuation of the maturation process. We expect a third of our stores to mature in 2013 and 2014," said CEO Marcelo Silva.

"Growth, however, is just part of the story, as we will continue to build a business predicated on strong governance, internal controls, and lower costs," he added.

Note: In accordance with the specifications of CPC Technical Pronouncement 36, the accounting of earnings from exclusive funds of which Magazine Luiza holds total control over the shares has been altered from financial revenue to operating revenue from services in the retail segment the amount of R$10.5 million in 2012.

Consolidated Net Revenue

(in R$ million)	4Q12	4Q11	% Chg	12M12	12M11	% Chg
Net Revenue - Retail - Merchandise Sales	1,967.9	1,708.6	15.2%	6,768.1	5,703.0	18.7%
Net Revenue - Retail - Services	73.1	71.1	2.8%	273.8	229.7	19.2%
Subtotal Retail	**2,041.0**	**1,779.7**	**14.7%**	**7,041.9**	**5,932.7**	**18.7%**
Net Revenue - Consumer Finance	175.7	160.7	9.4%	667.2	528.9	26.2%
Net Revenue - Insurance Operations	23.8	18.5	28.9%	86.3	68.8	25.6%
Net Revenue - Consortium Management	8.4	7.2	15.9%	30.8	25.8	19.2%
Inter-Company Eliminations	(43.5)	(38.2)	13.7%	(161.1)	(136.8)	17.8%
Total Net Revenue	**2,205.5**	**1,927.9**	**14.4%**	**7,665.1**	**6,419.4**	**19.4%**

Magazine Luiza's consolidated net revenue increased by 14.4%, from R$1,927.9 million in 4Q11 to R$2,205.5 million in 4Q12.

In 2012, consolidated net revenue increased 19.4% to R$7.66billion thanks to an increase in gross revenue across all business segments.

Consolidated Gross Profit

(in R$ million)	4Q12	4Q11	% Chg	12M12	12M11	% Chg
Gross Income - Retail - Merchandise Sales	495.9	477.8	3.8%	1,716.1	1,539.6	11.5%
Gross Income - Retail - Services	73.1	71.1	2.8%	273.8	229.7	19.2%
Subtotal Retail	**569.0**	**548.9**	**3.7%**	**1,990.0**	**1,769.3**	**12.5%**
Gross Income - Consumer Finance	159.2	135.2	17.7%	584.8	431.3	35.6%
Gross Income - Insurance Operations	22.5	17.2	30.7%	80.0	63.8	25.3%
Gross Income - Consortium Management	5.2	3.8	36.6%	19.0	11.7	62.6%
Inter-Company Eliminations	(41.8)	(36.9)	13.2%	(155.2)	(131.8)	17.7%
Total Gross Income	**714.0**	**668.2**	**6.9%**	**2,518.5**	**2,144.3**	**17.5%**

(as % of Net Revenue)	4Q12	4Q11	% Chg	12M12	12M11	% Chg
Gross Margin - Retail - Merchandise Sales	25.2%	28.0%	-2.8 pp	25.4%	27.0%	-1.6 pp
Gross Margin - Retail - Services	100.0%	100.0%	0.0 pp	100.0%	100.0%	0.0 pp
Subtotal Retail	**27.9%**	**30.8%**	**-2.9 pp**	**28.3%**	**29.8%**	**-1.5 pp**
Gross Margin - Consumer Finance	90.6%	84.1%	6.5 pp	87.6%	81.5%	6.1 pp
Gross Margin - Insurance Operations	94.2%	92.9%	1.3 pp	92.6%	92.8%	-0.2 pp
Gross Margin - Consortium Management	61.4%	52.1%	9.3 pp	61.8%	45.3%	16.5 pp
Inter-Company Eliminations	96.1%	96.5%	-0.4 pp	96.3%	96.4%	-0.1 pp
Total Gross Margin	**32.4%**	**34.7%**	**-2.3 pp**	**32.9%**	**33.4%**	**-0.5 pp**

In the fourth quarter, consolidated gross profit totaled R$714.0 million, accompanied by gross margin of 32.4%, down 2.3 percentage points year on year. Below are the main factors influencing gross profit:

- Retail gross margin totaled 27.9% in the fourth quarter, 2.9 percentage points lower year on year. Gross margin from merchandise sales was heavily impacted by non-recurring promotions to help stimulate consumption on the back of a slower economy and increased competition. Other factors include a higher share in Internet sales and the integration of Northeast stores.

  Gross margin from stores in the Northeast was 26.8% in the fourth quarter, compared to 28.0% registered by other Magazine Luiza stores. This increase in gross margin in Northeast stores partially reflects the integration of the Maia stores, concluded in October 2012, which helps bring the Northeast region's gross margin closer to other regions where the Company operates.

"For 2013, we expect to improve gross margin in the Northeast and increase the Company's intelligence in the other regions with the Price Management Project, which will allow us to be more efficient in a more aggressive competitive environment," explained CFO Roberto Rodrigues.

- Luizacred gross margin enjoyed a solid quarter after increasing 6.5 percentage points to 90.6% in the fourth quarter. The marked improvement follows a reduction in the CDI rate and an increase in the share of direct consumer credit and services.

In 2012, consolidated gross profit increased 17.5% to R$2.52 billion, accompanied by a margin of 32.9%.

Operating Expenses

(in R$ million)	4Q12	% NR	4Q11	% NR	% Chg	12M12	% NR	12M11	% NR	% Chg
Selling expenses	(439.2)	-19.9%	(404.3)	-21.0%	8.6%	(1,581.0)	-20.6%	(1,343.3)	-20.9%	17.7%
General and administrative expenses	(117.6)	-5.3%	(114.6)	-5.9%	2.6%	(388.4)	-5.1%	(354.6)	-5.5%	9.5%
Provisions for loan losses	(85.8)	-3.9%	(73.2)	-3.8%	17.3%	(338.5)	-4.4%	(244.9)	-3.8%	38.2%
Other operating revenues, net	12.3	0.6%	(23.5)	-1.2%	-152.1%	31.3	0.4%	99.2	1.5%	-68.5%
Total Operating Expenses	**(630.4)**	**-28.6%**	**(615.7)**	**-31.9%**	**2.4%**	**(2,276.7)**	**-29.7%**	**(1,843.7)**	**-28.7%**	**23.5%**
(+/-) Extraordinary expenses	3.0	0.1%	54.5	2.8%	-94.5%	24.8	0.3%	45.7	0.7%	-45.7%
Total Recurring Expenses	**(627.4)**	**-28.4%**	**(561.2)**	**-29.1%**	**11.8%**	**(2,251.9)**	**-29.4%**	**(1,798.0)**	**-28.0%**	**25.2%**

Selling expenses

Consolidated selling expenses totaled R$439.2 million in the fourth quarter, equivalent to 19.9% of net revenue. Expenses are down 1.1 percentage points below the third quarter in 2012 and the fourth in 2011. The drop in costs highlights the success of the “More with Less” cost-savings and productivity programme.

In 2012, selling expenses totaled R$1.58billion, equivalent to 20.6% of net revenue, in line with 2011.

General and Administrative Expenses

General and Administrative (G&A) expenses came to R$117.6 million in the fourth quarter, corresponding to 5.3% of net revenue, or 0.6 percentage points lower than in the previous year, thanks tocost-cutting proposed in the 2012 strategic plan.

In 2012, G&A expenses totaled R$338.4 million, declining from 5.5% to 5.1% of net revenue.

Provisions for Loan Losses

Provisions for loan losses increased to R$85.8 million in the fourth quarter, representing (3.9% of consolidated net revenue). The 0.7 percentage-point reduction from the third quarter was owed to an improvement in credit delinquency indicators during the previous quarters.

“We are focused on managing profitable stores in a challenging economic environment,” said Marcelo Silva. In 2013 , the maturation of part of the 1/3 of our stores will not only help sales, but will also help to dilute operating expenses and reduce the number of stores set to reach the golden three-year maturity mark. We have always known that a store takes three years to mature. When this happens, the store becomes a fully profitable unit that contributes to the group’s total result,” he added.

In 2012, provisions for loan losses totaled R$338.5 million, increasing to 4.4% of net revenue from 3.8% in 2011. In 2012, this increase reflected the conservative approach adopted by Luizacred in maintaining substantial provisions for loan losses.

Other Operating Revenues (Expenses)

(R$ million)	4Q12	% NR	4Q11	% NR	% Chg	2012	% NR	2011	% NR	% Chg
Deferred revenue recorded	7.2	0.3%	(9.3)	-0.5%	-177.0%	44.9	0.6%	27.7	0.4%	62.5%
Expenses with chains integration	(3.0)	-0.1%	(28.0)	-1.5%	-89.3%	(25.6)	-0.3%	(39.4)	-0.6%	-34.9%
Personal credit operations	5.6	0.3%	4.1	0.2%	34.8%	17.4	0.2%	50.2	0.8%	-65.2%
Expenses with introduction of chips	-	0.0%	-	0.0%	-	(7.8)	-0.1%	-	0.0%	-
Other	2.5	0.1%	9.7	0.5%	-74.0%	2.4	0.0%	(60.8)	0.9%	-96.1%
Total	**12.3**	**0.6%**	**(23.5)**	**-1.2%**	**-152.1%**	**31.3**	**0.4%**	**99.2**	**1.5%**	**68.5%**

Net other operating revenues (expenses) went from expenses of R$23.5 million in 4Q11 to revenues of R$12.3 million in 4Q12, mainly due to the following factors:

- Recording of deferred revenue of R$7.2 million in the fourth quarter. Note that the reversal of deferred revenue of R$9.3 million in 2011's fourth quarter was mainly owed to a change in accounting methodology to the linear method in the fourth quarter of 2011;

- Non-recurring expenses with the integration of the store chains, totaling R$3.0 million in the fourth quarter, marking the end of the integration process of all of the stores acquired by the Company;

- R$9.7 million reduction in other operating revenue to R$2.5 million in the fourth quarter.

In 2012, net other operating revenue totaled R$31.3 million, representing just 0.4% of net revenue.

EBITDA

(R$ million)	4Q12	% NR	4Q11	% NR	% Chg	2012	% NR	2011	% NR	% Chg
EBITDA	**83.6**	**3.8%**	**55.0**	**2,9%**	**52,0%**	**241.8**	**3.2%**	**318.1**	**5.0%**	**-24.0%**
Extraordinary costs	-	0.0%	-	0.0%	0.0%	1.0	0.2%	-	0.0%	0.0%
Extraordinary revenue	-	0.0%	-	0.0%	0.0%	(5.0)	-0.1%	(32.6)	-0.5%	-84.6%
Extraordinary Expenses	3.0	0.1%	38.3	2.0%	-92.1%	38.6	0.5%	78.3	1.2%	-50.7%
Deferred revenue adjustment	-	0.0%	16.1	0.8%	-100.0%	(8.8)	-0.1%	-	0.0%	0.0%
Adjusted EBITDA	**86.6**	**3.9%**	**109.5**	**5.7%**	**-20.9%**	**281.7**	**3.7%**	**363.9**	**5.7%**	**-22.6%**

In the fourth quarter, earnings before interest, taxes, depreciation and amortization (consolidated EBITDA) reached R$83.6 million, accompanied by a margin of 3.8%. The consolidated result was chiefly impacted by the decline in gross retail margin and the end to the Lojas Maia integration process in October 2012. Excluding the effect of these non-recurring expenses and revenue, adjusted EBITDA totaled R$86.6 million (margin of 3.9%).

Note that EBITDA for the Northeast region was R$6.2 million in fourth quarter and does not yet reflect the benefits expected from the incorporation of the Lojas Maia.

In 2012, adjusted EBITDA stood at R$281.7 million, accompanied by an adjusted margin of 3.7%.

Financial Result

CONSOLIDATED FINANCIAL RESULTS (R$ million)	4Q12	% NR	4Q11	% NR	2012	% NR	2011	% NR
Financial Expenses	(57.3)	-2.6%	(51.9)	-2.7%	(228.0)	-3.0%	(217.4)	-3.4%
Interest on loans and financing	(26.7)	-1.2%	(28.4)	-1.5%	(114.3)	-1.5%	(136.8)	-2.1%
Interest on prepayment of receivables – third party cards	(16.0)	-0.7%	(6.7)	-0.3%	(58.5)	-0.8%	(28.3)	-0.4%
Interest on prepayment of receivables – Luiza Card	(6.2)	-0.3%	(6.7)	-0.3%	(23.6)	-0.3%	(24.6)	-0.4%
Other expenses	(8.4)	-0.4%	(10.2)	-0.5%	(31.7)	-0.4%	(27.7)	-0.4%
Financial Revenue	18.3	0.8%	11.6	0.6%	55.7	0.7%	51.7	0.8%
Gains on marketable securities	4.7	0.2%	5.4	0.3%	13.9	0.2%	32.2	0.5%
Other financial revenue	13.6	0.6%	6.2	0.3%	41.8	0.5%	19.5	0.3%
Total Financial Results	(38.9)	-1.8%	(40.2)	-2.1%	(172.3)	-2.2%	(165.7)	-2.6%

Net financial expenses totaled R$38.9 million in 4Q12, declining to 1.8% of net revenue from 2.1% during the same period a year earlier. The financial result was positively influenced by the reduction in the CDI rate and the reduction in working capital requirements for the period.

In 2012, net financial expenses totaled R$172.3 million, declining from 2.6% in 2011 to 2.2% of net revenue for the period.

Consolidated Net Income

Magazine Luiza posted an R$9.7 million profit, with a margin of 0.4%. Despite strong sales growth, the result was impacted by a decline in retail gross margin and the completion of the Lojas Maia's integration. Excluding non-recurring expenses, adjusted net income was R$11.7 million, equivalent to 0.5% of net revenue.

In 2012, Magazine Luiza posted an adjusted net income of R$14.1 million.

Working Capital

CONSOLIDATED (R$ million)	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11
Accounts receivables	2,104.5	1,963.6	1,966.5	1,884.4	1,927.8
Inventories	1,068.8	1,306.9	1,131.3	1,134.2	1,264.7
Related parties	35.5	32.6	33.6	31.5	42.6
Recoverable taxes	214.8	42.4	26.5	27.8	24.6
Other assets	48.1	108.5	109.5	87.8	59.4
Current operating assets	3,471.6	3,454.0	3,267.4	3,165.8	3,319.1
Suppliers	1,328.2	1,175.6	1,018.4	1,041.0	1,267.8
Interbank deposits	990.0	966.2	1,018.6	1,021.5	981.5
Operations with credit cards	566.7	482.9	463.2	415.6	436.1
Payroll, vacation and related charges	139.5	140.0	128.3	112.6	121.6
Taxes payable	80.2	34.5	31.7	34.1	49.3
Related parties	26.0	13.8	17.4	13.6	25.5
Taxes in installments	9.1	9.2	2.9	2.9	2.9
Technical insurance provisions	34.1	36.1	34.0	32.0	32.5
Other accounts payable	84.4	99.2	82.9	70.5	94.6
Current operating liabilities	3,258.3	2,957.6	2,797.3	2,743.6	3,011.7
Working Capital	213.4	496.5	470.0	422.2	307.3

Note (1): The balance of accounts receivable is disclosed net of prepaid credit card receivables, totalling R$791.4 million in December 2012, R$659.5 million in September 2012, R$536.8 million in June 2012, R$467.7 million in March 2012 and R$441.0 million in December 2011.
Note (2): In June 2012, a sum of R$80.0 million was excluded from the "Other Assets" account related to the New Agreement with Cardif, received in July 2012. Also, a sum of R$15.0 million was excluded from "Related Parties" under liabilities, relating to the transfer to Luizacred.

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In December 2012, net working capital stood at R$213.4 million, representing 2.4% of gross revenue in the last 12 months, down from 5.7% in the third quarter. This reduction was mainly thanks to improved inventory turnover and accounting part of recoverable taxes in the long term. In December 2012, the Company had accumulated credits of ICMS tax recoverable by substitution of R$281.2 million, of which R$152.0 million recorded in current assets and R$129.2 million recorded in noncurrent assets. These credits will be realized upon request for reimbursement and compensation for debt of the same nature with the State of origin of the credit.

On the same date, the balance of pre-paid receivables from third-party credit cards was R$791.4 million. Considering the balance of discounted receivables, working capital requirements would correspond to 11.1% of gross revenue.

CAPEX

CAPEX (R$ million)	4Q12	4Q11	2012	2011
New Stores	7.1	25.1	23.1	46.1
Remodeling	25.0	37.8	62.6	82.2
Technology	8.3	5.8	25.3	35.3
Other	11.3	28.9	63.8	46.5
Total	**51.7**	**97.6**	**174.9**	**210.2**

Investments in fixed and intangible assets fell to R$51.7 million in the fourth quarter from R$97.6 million during the same period a year earlier, and included renovation of existing stores as well as investments in technology, logistics and new stores (inaugurated and yet to be inaugurated). In the fourth quarter, we opened nine physical stores and began investing in 12 more to be opened in 2013. Other investments include logistics, which totaled R$9.5 million in the fourth quarter 2012.

Net Debt

CONSOLIDATED (R$ million)	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11
(+) Current loans and financing	317.2	223.0	225.9	122.4	129.7
(+) Non-current loans and financing	918.8	892.6	901.0	863.2	581.7
(=) Gross Debt	1,236.0	1,115.5	1,126.9	985.6	711.3
(-) Cash and cash equivalents	423.1	99.0	140.3	176.1	173.1
(-) Current securities	175.2	274.3	255.1	162.7	75.0
(-) Non-current securities	59.3	27.4	26.0	37.4	43.3
(-) Total Cash	657.6	400.7	421.4	376.3	291.3
(=) Net Debt	578.4	714.8	705.5	609.4	420.0
Short term debt/total	26%	20%	20%	12%	18%
Long term debt/total	74%	80%	80%	88%	82%
Ajusted EBITDA (LTM)	281.7	293.8	318.0	310.5	346.3
Net Debt/ Ajusted EBITDA	2.1 x	2.4 x	2.2 x	2.0 x	1.2 x

In December 2012, Magazine Luiza had loans and financing totaling R$1.24billion, and cash and financial investments of R$657.6 million, resulting in net debt of R$578.4 million, equivalent to 2.1x adjusted EBITDA of the last 12 months.

The reduction in net debt at the close of 2012, versus the close of 2011, was related to increased cash flow and reduced working capital requirements during the period.

ANNEX I
LUIZACRED

Operating Indicators

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

In December 2012, Luizacred had a total base of 3.9 million cards issued. In the last 12 months, the total card base decreased by 11.3%, partially offset by the increased share of direct consumer credit. In the fourth quarter, purchases outside Magazine Luiza stores represented 77.8% of total card billings, or 24.0% up over the same period a year earlier.

Luizacred's credit portfolio, including credit cards, direct consumer credit and personal loans, totaled R$3.7 billion at the close of 4Q12.

LUIZACRED – Key Indicators (R$ million)	4Q12	4Q11	% Chg	12M12	12M11	% Chg
Total Card Base (thousand)	3,924	4,426	-11.3%	3,924	4,426	-11.3%
Luiza Card Sales – In chain	431	622	-30.8%	1,759	2,258	-22.1%
Luiza Card Sales – Outside Brand	1,509	1,217	24.0%	5,237	3,882	34.9%
CDC Sales	402	223	80.7%	1,248	670	86.1%
Personal Loans Sales	39	51	-23.3%	182	243	-25.1%
Total Luizacred Sales	2,381	2,112	12.7%	8,426	7.053	19.5%
Card Portfolio	2,614	2,737	-4.5%	2,614	2,737	-4.5%
CDC Portfolio	946	459	106.1%	946	459	106.1%
Personal Loans Portfolio	91	139	-34.6%	91	139	-34.6%
Total Portfolio	3,650	3,334	9.5%	3,650	3,334	9.5%

Credit and Collection Policy

Credit is granted at Luizacred according to the policies and criteria established by the Credit Modeling and Policy area of Itaú Unibanco. The policies are defined based on proprietary statistics models using the Risk Adjusted Return on Capital (RAROC) model as the decision-making criterion. Continuing its conservative approach, Luizacred maintained its credit approval rate low in 4Q12.

Income Statement

LUIZACRED – Income (R$ million)	4Q12	V.A.	4T11	V.A.	% Chg	12M12	V.A.	12M11	V.A.	% Chg
Financial Intermediation Revenue	291.4	100.0%	271.5	100.0%	7.3%	1,106.4	100.0%	882.6	100.0%	25.4%
Cards	163.5	56.1%	181.4	66.8%	-9.9%	673.7	60.9%	610.6	69.2%	10.3%
CDC	105.0	36.0%	47.2	17.4%	122.4%	326.6	29.5%	202.2	22.9%	61.5%
Personal Loans	22.9	7.9%	42.9	15.8%	-46.6%	106.0	9.6%	69.8	7.9%	51.9%
Financial Intermediation Expenses	(189.5)	-65.0%	(185.3)	-68.3%	2.2%	(795.0)	-71.9%	(658.5)	-74.6%	20.7%
Market Funding Operations	(33.1)	-11.4%	(51.0)	-18.8%	-35.0%	(164.9)	-14.9%	(195.2)	-22.1%	-15.5%
Provision for Loan Losses	(156.3)	-53.6%	(134.4)	-49.5%	16.3%	(630.1)	-57.0%	(463.3)	-52.5%	36.0%
Gross Financial Intermediation Income	101.9	35.0%	86.2	31.7%	18.2%	311.4	28.1%	224.1	25.4%	38.9%
Other Operating Revenues (Expenses)	(64.3)	-22.1%	(85.3)	-31.4%	-24.6%	(283.7)	-25.6%	(143.6)	-16.3%	97.6%
Service Revenue	60.1	20.6%	49.8	18.3%	20.7%	228.0	20.6%	175.1	19.8%	30.2%
Personnel Expenses	(1.4)	-0.5%	(1.0)	-0.4%	43.3%	(6.1)	-0.6%	(6.3)	-0.7%	-3.9%
Other Administrative Expenses	(106.3)	-36.5%	(112.8)	-41.5%	-5.8%	(433.6)	-39.2%	(355.0)	-40.2%	22.1%
Depreciation and Amortization	(3.3)	-1.1%	(2.8)	-1.0%	19.1%	(13.2)	-1.2%	(10.8)	-1.2%	22.4%
Tax Expenses	(18.5)	-6.3%	(17.5)	-6.5%	5.5%	(68.4)	-6.2%	(55.1)	-6.2%	24.2%
Other Operating Revenues (Expenses)	5.1	1.7%	(1.0)	-0.4%	-590.3%	9.7	0.9%	108.6	12.3%	-91.1%
Income Before Tax	37.6	12.9%	0.9	0.3%	3984.5%	27.7	2.5%	80.6	9.1%	-65.7%
Income Tax and Social Contribution	(16.6)	-5.7%	(4.2)	-1.5%	298.7%	(12.9)	-1.2%	(35.1)	-4.0%	-63.3%
Net Income	21.1	7.2%	(3.2)	-1.2%	-750.6%	14.8	1.3%	45.5	5.2%	-67.5%

Revenue from Financial Intermediation

Gross financial revenue increased 7.3% in the fourth quarter year on year, mainly owing to the higher share of direct consumer credit of retail sales.

Provisions for Loan Losses

Luizacred's credit delinquency indicators at the close of December 2012 were significantly better than in September 2012 and December 2011. Provisions for loan losses stood at 4.3% of the total portfolio in the fourth quarter, lower than the 4.7% recorded in third, reflecting the improvement.

Luizacred's balance of provisions fell by R$4.4 million in the fourth quarter, to R$456.4 million in December 2012 from R$460.8 million in September 2012. The fourth quarter result is the equivalent to 12.5% of the total portfolio (1.0 percentage point down on September 2012). Since the portfolio balance overdue by more than 90 days decreased by R$57.2 million, from R$355.9 million in September 2012 to R$298.8 million in December 2012, the coverage ratio increased from 129% to 153%.

PORTFOLIO OVERDUE	Dec-12		Sep-12		Jun-12		Mar-12		Dec-11	
Total Portfolio (R$ million)	3,650,3	100.0%	3,408.4	100.0%	3,441.8	100.0%	3,334.1	100.0%	3,334.2	100.0%
000 to 014 days	3,229.4	88.5%	2,917.3	85.6%	2,893.3	84.1%	2,754.4	82.6%	2,773.8	83.2%
015 to 030 days	41.0	1.1%	42.2	1.2%	45.3	1.3%	52.9	1.6%	43.2	1.3%
031 to 060 days	34.3	0.9%	39.8	1.2%	43.3	1.3%	47.8	1.4%	39.5	1.2%
061 to 090 days	46.8	1.3%	53.2	1.6%	58.9	1.7%	56.8	1.7%	64.4	1.9%
091 to 120 days	35.6	1.0%	51.8	1.5%	51.0	1.5%	46.5	1.4%	53.2	1.6%
121 to 150 days	27.0	0.7%	39.6	1.2%	48.9	1.4%	44.3	1.3%	46.4	1.4%
151 to 180 days	28.1	0.8%	38.5	1.1%	46.8	1.4%	54.4	1.6%	41.9	1.3%
180 to 360 days	208.0	5.7%	226.0	6.6%	254.3	7.4%	277.1	8.3%	271.8	8.2%
Overdue from 15-90 days	122.1	3.3%	135.1	4.0%	147.5	4.3%	157.5	4.7%	147.0	4.4%
Overdue above 90 days	298.8	8.2%	355.9	10.4%	400.9	11.6%	422.2	12.7%	413.3	12.4%
Total Overdue	420.9	11.5%	491.1	14.4%	548.5	15.9%	579.7	17.4%	560.4	16.8%
Allowance for doubtful in IFRS	456.4	12.5%	460.8	13.5%	467.5	13.6%	467.5	14.0%	469.5	14.1%
Coverage (%)	153%		129%		117%		111%		114%	

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

Gross Financial Intermediation Result

As a result of the sharp direct consumer credit revenue growth and the drop in the CDI rate, gross margin from financial revenue in the fourth quarter was 35.0%, a 6.7 percentage point increase over the third quarter at 28.3% and 3.3 percentage points up on the fourth quarter in 2011, up 31.7%.

Other Operating Revenue (Expenses)

- **Service Revenue:** increased by 20.7% in the fourth quarter year on year, mainly driven by fees and commissions for the use of Luiza cards outside the stores;
- **Selling and Administrative Expenses** (personnel, administrative, amortization and taxes): equivalent to 44.4% of financial revenue, 2.1 percentage points down on the third quarter and 5.0 percentage points lower than in the fourth quarter in 2011, due to the project to reduce costs and expenses and the adjustment of the mix of different financial products;
- **Other Operating Revenue (Expenses):** net revenue of R$5.1 million, equivalent to 1.7% of financial intermediation revenue.

Operating Result

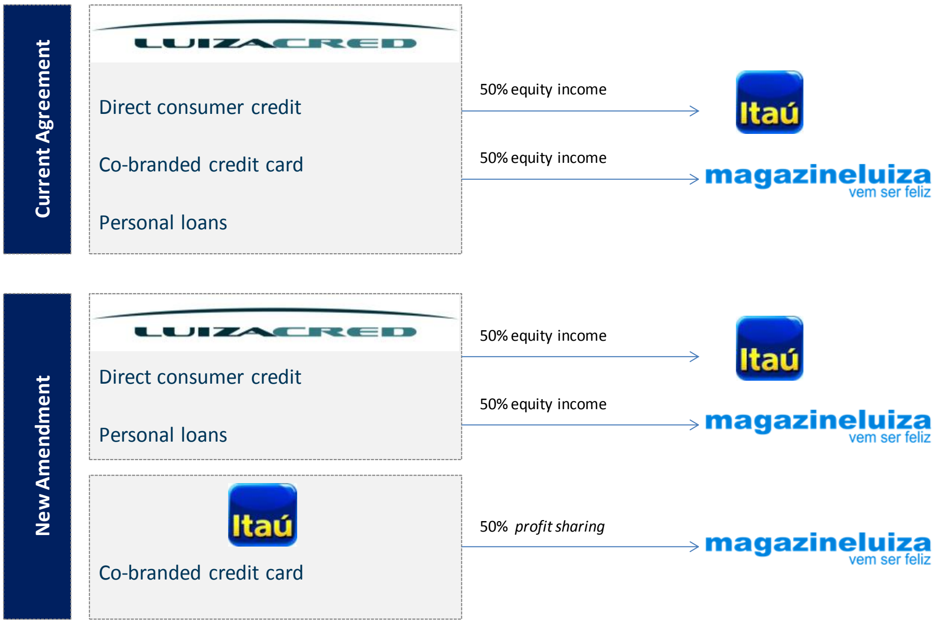
Operating income hit R$37.6 million in the fourth quarter, equivalent to 12.9% of financial revenue, an improvement over R$0.9m operating income during the same period a year earlier. It is also better than the R$10.8 million posted in the third quarter in 2012.

Shareholders' Equity

According to the accounting practices established by the Brazilian Central Bank, Luizacred's shareholders' equity in December 2012 stood at R$367.1 million. As a result of adjustments required under IFRS, Luizacred's shareholders' equity for use in the financial statements of Magazine Luiza was R$363.5 million.

Amendment to Luizacred's Partnership Agreement

In February 25, Magazine Luiza signed an amendment to Luizacred's partnership agreement to transfer the co-branded credit card issue and management activities, as well as its respective assets and liabilities, to Itaú Unibanco. Magazine Luiza and Itaú Unibanco, partners in the Luizacred joint venture since 2001, agreed that Magazine Luiza will continue receiving 50% of Luizacred's results through equity income and 50% of the co-branded credit card's results through profit sharing. Direct consumer credit and personal loans will continue to be executed by Luizacred, pursuant to the existing agreement with Itaú Unibanco. This amendment also maintains the Luizacred and Luiza card's general governance principles, as well as exclusivity rights until 2029.



Comments

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"This agreement highlights one of the several ways we are looking to improve Magazine Luiza' financial performance, focused on operating efficiency and profitability, as well as on building a business based on strong governance and internal controls," said CEO Marcelo Silva. "It is also important because it reinforces our partnership with Itaú Unibanco and maintains Luizacred's economic equilibrium, as well as maximizes synergies for both sides, stressing our confidence in the growth of our financial products and services", he added.

The amendment to the agreement is intended to increase operating efficiency by reducing costs and expenses from financial products and services.

As a result of the amendment, the excess capital allocated to Luizacred, related to Luiza card activities, will be calculated and evenly distributed between Magazine Luiza and Itaú Unibanco as of the transfer.

Magazine Luiza is confident that this new amendment, associated with the improvement in Luizacred's profitability through the balance between financial products and the control of credit delinquency indicators, will bring positive and more sustainable results in the medium and long term.

ANNEX II
FINANCIAL STATEMENTS – CONSOLIDATED RESULTS

CONSOLIDATED INCOME STATEMENT (R$ million)	4Q12	V.A.	4Q11	V.A.	% Chg	12M12	V.A.	12M11	V.A.	% Chg
Gross Revenue	2,614.9	118.6%	2,269.2	117.7%	15.2%	9,054.4	118.1%	7,601.3	118.4%	19.1%
Taxes and Deductions	(409.4)	-18.6%	(341.4)	-17.7%	19.9%	(1,389.3)	-18.1%	(1,182.0)	-18.4%	17.5%
Net Revenue	2,205.5	100.0%	1,927.9	100.0%	14.4%	7,665.1	100.0%	6,419.4	100.0%	19.4%
Total Costs	(1,491.5)	-67.6%	(1,259.7)	-65.3%	18.4%	(5,146.6)	-67.1%	(4,275.1)	-66.6%	20.4%
Gross Income	714.0	32.4%	668.2	34.7%	6.9%	2,518.5	32.9%	2,144.3	33.4%	17.5%
Selling expenses	(439.2)	-19.9%	(404.3)	-21.0%	8.6%	(1,581.0)	-20.6%	(1,343.3)	-20.9%	17.7%
General and administrative expenses	(117.6)	-5.3%	(114.6)	-5.9%	2.6%	(388.4)	-5.1%	(354.6)	-5.5%	9.5%
Provisions for loan losses	(85.8)	-3.9%	(73.2)	-3.8%	17.3%	(338.5)	-4.4%	(244.9)	-3.8%	38.2%
Other operating revenues, net	12.3	0.6%	(23.5)	-1.2%	-152.1%	31.3	0.4%	99.2	1.5%	-68.5%
Total Operating Expenses	(630.4)	-28.6%	(615.7)	-31.9%	2.4%	(2,276.7)	-29.7%	(1,843.7)	-28.7%	23.5%
EBITDA	83.6	3.8%	52.5	2.7%	59.3%	241.8	3.2%	300.6	4.7%	-19.6%
Depreciation and Amortization	(26.9)	-1.2%	(21.3)	-1.1%	26.5%	(93.5)	-1.2%	(86.9)	-1.4%	7.6%
EBIT	56.7	2.6%	31.2	1.6%	81.5%	148.3	1.9%	213.7	3.3%	-30.6%
Financial Results	(38.9)	-1.8%	(40.2)	-2.1%	-3.3%	(172.3)	-2.2%	(165.7)	-2.6%	4.0%
Operating Income	17.8	0.8%	(9.0)	-0.5%	-297.4%	(24.0)	-0.3%	47.9	0.7%	-150.1%
Income Tax and Social Contribution	(8.1)	-0.4%	(7.9)	-0.4%	2.6%	17.3	0.2%	(36.3)	-0.6%	-147.7%
Net Income	9.7	0.4%	(16.9)	-0.9%	-157.4%	(6.7)	-0.1%	11.7	0.2%	-157.8%

Reconciliation of EBITDA for extraordinary expenses

EBITDA	83.6	3.8%	52.5	2.7%	-	241.8	3.2%	300.6	4.7%	-
Extraordinary costs	-	0.0%	-	0.0%	-	15.0	0.2%	-	0.0%	-
Extraordinary revenues	-	0.0%	-	0.0%	-	(5.0)	-0.1%	(32.6)	-0.5%	-
Extraordinary expenses	3.0	0.1%	38.3	2.0%	-	38.6	0.5%	78.3	1.2%	-
Adjusted deferred revenues	-	0.0%	16.1	0.8%	-	(8.8)	-0.1%	-	0.0%	-
Adjusted EBITDA	86.6	3.9%	107.0	5.5%	-	281.7	3.7%	346.3	5.4%	-
				1.6%						
Net Income	9.7	0.4%	(16.9)	-0.9%	-	(6.7)	-0.1%	11.7	0.2%	-
Extraordinary operational results	3.0	0.1%	54.5	2.8%	-	39.9	0.5%	45.7	0.7%	-
Extraordinary financial results	-	0.0%	-	0.0%	-	10.6	0.1%	-	0.0%	-
Tax over extraordinary results	(1.0)	0.0%	(18.5)	-1.0%	-	(17.1)	-0.2%	(15.6)	-0.2%	-
Extraordinary tax credits	-	0.0%	7.6	0.4%	-	(12.5)	-0.2%	13.6	0.2%	-
Adjusted Net Income	11.7	0.5%	26.7	1.4%	-	14.1	0.2%	55.5	0.9%	-

Nota 1: Non-recurring expenses totaled R$3.0 million, related to chains integration process.

ANNEX III
2012 QUARTERLY FINANCIAL STATEMENTS – CONSOLIDATED RESULTS

CONSOLIDATED INCOME STATEMENT (R$ million)	1Q12	V.A.	2Q12	V.A.	3Q12	V.A.	4Q12	V.A.	12M12	V.A.
Gross Revenue	2,132.5	118.1%	2,124.6	117.7%	2,182.3	118.1%	2,614.9	118.6%	9,054.4	118.1%
Taxes and Deductions	(326.3)	-18.1%	(319.1)	-17.7%	(334.6)	-18.1%	(409.4)	-18.6%	(1,389.3)	-18.1%
Net Revenue	1,806.3	100.0%	1,805.6	100.0%	1,847.8	100.0%	2,205.5	100.0%	7,665.1	100.0%
Total Costs	(1,230.2)	-68.1%	(1,198.7)	-66.4%	(1,226.2)	-66.4%	(1,491.5)	-67.6%	(5,146.6)	-67.1%
Gross Income	576.1	31.9%	606.8	33.6%	621.6	33.6%	714.0	32.4%	2,518.5	32.9%
Selling expenses	(381.6)	-21.1%	(372.5)	-20.6%	(387.7)	-21.0%	(439.2)	-19.9%	(1,581.0)	-20.6%
General and administrative expenses	(93.4)	-5.2%	(86.4)	-4.8%	(91.0)	-4.9%	(117.6)	-5.3%	(388.4)	-5.1%
Provisions for loan losses	(80.2)	-4.4%	(88.4)	-4.9%	(84.1)	-4.6%	(85.8)	-3.9%	(338.5)	-4.4%
Other operating revenues, net	(10.4)	-0.6%	16.1	0.9%	13.3	0.7%	12.3	0.6%	31.3	0.4%
Total Operating Expenses	(565.6)	-31.3%	(531.3)	-29.4%	(549.5)	-29.7%	(630.4)	-28.6%	(2,276.7)	-29.7%
EBITDA	10.5	0.6%	75.6	4.2%	72.1	3.9%	83.6	3.8%	241.8	3.2%
Depreciation and Amortization	(20.7)	-1.1%	(23.0)	-1.3%	(22.9)	-1.2%	(26.9)	-1.2%	(93.5)	-1.2%
EBIT	(10.2)	-0.6%	52.6	2.9%	49.2	2.7%	56.7	2.6%	148.3	1.9%
Financial Results	(40.3)	-2.2%	(49.0)	-2.7%	(44.0)	-2.4%	(38.9)	-1.8%	(172.3)	-2.2%
Operating Income	(50.5)	-2.8%	3.6	0.2%	5.1	0.3%	17.8	0.8%	(24.0)	-0.3%
Income Tax and Social Contribution	9.8	0.5%	18.3	1.0%	(2.8)	-0.2%	(8.1)	-0.4%	17.3	0.2%
Net Income	(40.7)	-2.3%	21.9	1.2%	2.4	0.1%	9.7	0.4%	(6.7)	-0.1%

Reconciliation of EBITDA for extraordinary expenses

EBITDA	10.5	0.6%	75.6	4.2%	72.1	3.9%	83.6	3.8%	241.8	3.2%
Extraordinary costs	7.5	0.4%	7.5	0.4%	-	0.0%	-	0.0%	15.0	0.2%
Extraordinary revenues	-	0.0%	-	0.0%	(5.0)	-0.3%	-	0.0%	(5.0)	-0.1%
Extraordinary expenses	26.0	1.4%	3.3	0.2%	6.3	0.3%	3.0	0.1%	38.6	0.5%
Adjusted deferred revenues	-	0.0%	(8.8)	-0.5%	-	0.0%	-	0.0%	(8.8)	-0.1%
Adjusted EBITDA	44.0	2.4%	77.7	4.3%	73.4	4.0%	86.6	3.9%	281.7	3.7%

Net Income	(40.7)	-2.3%	21.9	1.2%	2.4	0.1%	9.7	0.4%	(6.7)	-0.1%
Extraordinary operational results	33.5	1.9%	2.1	0.1%	1.3	0.1%	3.0	0.1%	39.9	0.5%
Extraordinary financial results	-	0.0%	10.6	0.6%	-	0.0%	-	0.0%	10.6	0.1%
Tax over extraordinary results	(11.4)	-0.6%	(4.3)	-0.2%	(0.4)	0.0%	(1.0)	0.0%	(17.1)	-0.2%
Extraordinary tax credits	8.3	0.5%	(20.7)	-1.1%	-	0.0%	-	0.0%	(12.5)	-0.2%
Adjusted Net Income	(10.3)	-0.6%	9.5	0.5%	3.2	0.2%	11.7	0.5%	14.1	0.2%

ANNEX IV
FINANCIAL STATEMENTS – CONSOLIDATED BALANCE SHEET

ASSETS (R$ million)	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11
CURRENT ASSETS					
Cash and cash equivalents	423.1	99.0	140.3	176.1	173.1
Securities	175.2	274.3	255.1	162.7	75.0
Accounts receivable	2,104.5	1,963.6	1,966.5	1,884.4	1,927.8
Inventories	1,068.8	1,306.9	1,131.3	1,134.2	1,264.7
Related parties	35.5	32.6	33.6	31.5	42.6
Taxes recoverable	214.8	42.4	26.5	27.8	24.6
Other assets	48.1	108.5	189.5	87.8	59.4
Total current assets	4,070.0	3,827.4	3,742.7	3,504.6	3,567.1
NON-CURRENT ASSETS					
Securities	59.3	27.4	26.0	37.4	43.3
Accounts receivable	1.8	2.3	2.6	3.6	9.4
Deferred income tax and social contribution	201.7	205.1	206.9	191.6	178.9
Recoverable taxes	138.4	12.1	21.6	24.3	31.0
Judicial deposits	137.8	123.2	128.7	103.2	89.0
Other assets	39.9	38.5	17.3	29.2	19.8
Fixed assets	575.2	552.0	529.2	513.7	489.9
Intangible assets	440.7	441.0	443.2	447.1	448.9
Total non-current assets	1,594.8	1,401.6	1,375.4	1,350.2	1,310.2
TOTAL ASSETS	5,664.8	5,229.0	5,118.2	4,854.8	4,877.4

LIABILITIES (R$ million)	Dec-12	Sep-12	Jun-12	Mar-12	Dec-11
CURRENT LIABILITIES					
Suppliers	1,328.2	1,175.6	1,018.4	1,041.0	1,267.8
Loans and financing	317.2	223.0	225.9	122.4	129.7
Interbank deposits	990.0	966.2	1,018.6	1,021.5	981.5
Operations with credit cards	566.7	482.9	463.2	415.6	436.1
Payroll, vacation and related charges	139.5	140.0	128.3	112.6	121.6
Taxes payable	80.2	34.5	31.7	34.1	49.3
Related parties	26.0	13.8	32.4	13.6	25.5
Taxes in installments	9.1	9.2	2.9	2.9	2.9
Deferred revenue	31.6	32.5	33.4	24.1	24.1
Dividends payable	-	-	-	1.7	1.7
Technical insurance provisions	34.1	36.1	34.0	32.0	32.5
Other accounts payable	84.4	99.2	82.9	70.5	94.6
Total current liabilities	3,607.0	3,213.1	3,071.6	2,891.7	3,167.1
NON-CURRENT LIABILITIES					
Loans and financing	918.8	892.6	901.0	863.2	581.7
Taxes in installments	1.8	2.4	3.0	3.7	4.4
Provision for tax, civil and labor risks	199.2	185.5	185.7	188.1	173.4
Technical insurance provisions	27.4	17.2	20.5	20.5	17.9
Deferred revenue	294.0	300.3	319.7	288.2	294.3
Deferred income tax and social contribution	-	6.6	8.1	11.9	10.8
Other accounts payable	0.6	5.9	6.1	6.5	6.9
Total non-current liabilities	1,441.7	1,410.4	1,444.0	1,382.1	1,089.3
SHAREHOLDERS' EQUITY					
Capital stock	606.5	606.5	606.5	606.5	606.5
Capital reserve	2.8	2.1	1.4	0.7	-
Legal reserve	4.0	4.0	4.0	4.0	4.0
Profit retention reserve	2.6	9.3	9.3	10.4	10.4
Other comprehensive income	0.1	0.1	0.1	0.1	-
Accumulated losses	-	(16.5)	(18.8)	(40.7)	-
Total shareholders' equity	616.0	605.6	602.5	581.0	620.9
TOTAL	5,664.8	5,229.0	5,118.2	4,854.8	4,877.4

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ANNEX V
FINANCIAL STATEMENTS - RETAIL

RETAIL INCOME STATEMENT (R$ million)	4Q12	V.A.	4Q11	V.A.	% Chg	12M12	V.A.	12M11	V.A.	% Chg
Gross Revenue	2,449.6	120.0%	2,120.5	119.1%	15.5%	8,428.3	119.7%	7,112.8	119.9%	18.5%
Taxes and Deductions	(408.6)	-20.0%	(340.8)	-19.1%	19.9%	(1,386.4)	-19.7%	(1,180.0)	-19.9%	17.5%
Net Revenue	2,041.0	100.0%	1,779.7	100.0%	14.7%	7,041.9	100.0%	5,932.7	100.0%	18.7%
Total Costs	(1,472.0)	-72.1%	(1,230.8)	-69.2%	19.6%	(5,052.0)	-71.7%	(4,163.4)	-70.2%	21.3%
Gross Income	569.0	27.9%	548.9	30.8%	3.7%	1,990.0	28.3%	1,769.3	29.8%	12.5%
Selling expenses	(396.1)	-19.4%	(357.7)	-20.1%	10.7%	(1,404.1)	-19.9%	(1,201.7)	-20.3%	16.8%
General and administrative expenses	(108.1)	-5.3%	(107.9)	-6.1%	0.1%	(355.5)	-5.0%	(327.2)	-5.5%	8.7%
Provisions for loan losses	(7.7)	-0.4%	(6.0)	-0.3%	28.2%	(23.5)	-0.3%	(13.3)	-0.2%	76.8%
Other operating revenues, net	10.8	0.5%	(20.7)	-1.2%	-152.2%	31.0	0.4%	54.5	0.9%	-43.1%
Total Operating Expenses	(501.1)	-24.6%	(492.3)	-27.7%	1.8%	(1,752.1)	-24.9%	(1,487.7)	-25.1%	17.8%
EBITDA	67.9	3.3%	56.6	3.2%	19.9%	237.9	3.4%	281.6	4.7%	-15.5%
Depreciation and Amortization	(26.6)	-1.3%	(20.9)	-1.2%	27.0%	(92.2)	-1.3%	(85.5)	-1.4%	7.8%
EBIT	41.3	2.0%	35.7	2.0%	15.7%	145.7	2.1%	196.1	3.3%	-25.7%
Equity in Subsidiaries	13.6	0.7%	1.0	0.1%	1292.1%	20.5	0.3%	29.9	0.5%	-31.3%
Financial Results	(47.2)	-2.3%	(49.4)	-2.8%	-4.4%	(204.7)	-2.9%	(200.2)	-3.4%	2.3%
Operating Income	7.7	0.4%	(12.7)	-0.7%	-160.8%	(38.5)	-0.5%	25.8	0.4%	-249.2%
Income Tax and Social Contribution	2.0	0.1%	(4.2)	-0.2%	-	31.8	0.5%	(14.1)	-0.2%	-
Net Income	9.7	0.5%	(16.9)	-0.9%	-157.4%	(6.7)	-0.1%	11.7	0.2%	-157.8%

Reconciliation of EBITDA for extraordinary expenses

EBITDA	67.9	3.3%	56.6	3.2%	-	237.9	3.4%	281.6	4.7%	-
Extraordinary costs	-	0.0%	-	0.0%	-	15.0	0.2%	-	0.0%	-
Extraordinary revenues	-	0.0%	-	0.0%	-	(5.0)	-0.1%	(32.6)	-0.5%	-
Extraordinary expenses	3.0	0.1%	38.3	2.2%	-	38.6	0.5%	78.3	1.3%	-
Adjusted deferred revenues	-	0.0%	16.1	0.9%	-	(8.8)	-0.1%	-	0.0%	-
Adjusted EBITDA	70.9	3.5%	111.1	6.2%	-	277.7	3.9%	327.4	5.5%	-

Net Income	9.7	0.5%	(16.9)	-0.9%	-	(6.7)	-0.1%	11.7	0.2%	-
Extraordinary operational results	3.0	0.1%	54.5	3.1%	-	39.9	0.6%	45.7	0.8%	-
Extraordinary financial results	-	0.0%	-	0.0%	-	10.6	0.1%	-	0.0%	-
Tax over extraordinary results	(1.0)	-0.1%	(18.5)	-1.0%	-	(17.1)	-0.2%	(15.6)	-0.3%	-
Extraordinary tax credits	-	0.0%	7.6	0.4%	-	(12.5)	-0.2%	13.6	0.2%	-
Adjusted Net Income	11.7	0.6%	26.7	1.5%	-	14.1	0.2%	55.5	0.9%	-

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ANNEX VI
RESULTS BY SEGMENT – 4Q12

4Q12 (in R$ million)	Retail Pro-Forma	Cons.Finance 50%	Insurance 50%	Consortium 100%	Eliminations	Consolidated
Gross Revenue	2,449.6	175.7	23.8	9.2	(43.5)	2,614.9
Taxes and Deductions	(408.6)	-	-	(0.8)	-	(409.4)
Net Revenue	2,041.0	175.7	23.8	8.4	(43.5)	2,205.5
Total Costs	(1,472.0)	(16.6)	(1.4)	(3.2)	1.7	(1,491.5)
Gross Income	569.0	159.2	22.5	5.2	(41.8)	714.0
Selling expenses	(396.1)	(62.4)	(16.3)	-	35.6	(439.2)
General and administrative expenses	(108.1)	(0.7)	(3.5)	(5.3)	0.0	(117.6)
Provisions for loan losses	(7.7)	(78.2)	-	-	-	(85.8)
Other operating revenues, net	10.8	2.5	0.0	0.3	(1.4)	12.3
Total Operating Expenses	(501.1)	(138.7)	(19.8)	(5.0)	34.2	(630.4)
EBITDA	67.9	20.5	2.7	0.2	(7.6)	83.6
Depreciation and Amortization	(26.6)	(1.7)	(0.0)	(0.1)	1.4	(26.9)
EBIT	41.3	18.8	2.7	0.1	(6.2)	56.7
Equity in Subsidiaries	13.6	-	-	-	(13.6)	(0.0)
Financial Results	(47.2)	-	1.9	0.2	6.2	(38.9)
Operating Income	7.7	18.8	4.6	0.3	(13.6)	17.8
Income Tax and Social Contribution	2.0	(8.3)	(1.7)	(0.1)	-	(8.1)
Net Income	9.7	10.5	2.8	0.2	(13.6)	9.7
Gross Margin	27.9%	90.6%	94.2%	61.4%	96.1%	32.4%
EBITDA Margin	3.3%	11.6%	11.2%	2.0%	17.5%	3.8%
Net Margin	0.5%	6.0%	11.8%	2.8%	31.3%	0.4%

Reconciliation of EBITDA for extraordinary expenses

EBITDA	67.9	20.5	2.7	0.2	(7.6)	83.6
Extraordinary costs	-	-	-	-	-	-
Extraordinary revenues	-	-	-	-	-	-
Extraordinary expenses	3.0	-	-	-	-	3.0
Adjusted deferred revenues	-	-	-	-	-	-
Adjusted EBITDA	70.9	20.5	2.7	0.2	(7.6)	86.6
Adjusted EBITDA Margin	3.5%	11.6%	11.2%	2.0%	17.5%	3.9%

Net Income	9.7	10.5	2.8	0.2	(13.6)	9.7
Extraordinary operational results	3.0	-	-	-	-	3.0
Extraordinary financial results	-	-	-	-	-	-
Tax over extraordinary results	(1.0)	-	-	-	-	(1.0)
Extraordinary tax credits	-	-	-	-	-	-
Adjusted Net Income	11.7	10.5	2.8	0.2	(13.6)	11.7
Adjusted Net Income Margin	0.6%	6.0%	11.8%	2.8%	31.3%	0.5%

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ANNEX VII
RESULTS BY SEGMENT – 4Q11

4Q11 (in R$ million)	Retail Pro-Forma	Cons.Finance 50%	Insurance 50%	Consortium 100%	Eliminations	Consolidated
Gross Revenue	2,120.5	160.7	18.5	7.8	(38.2)	2,269.2
Taxes and Deductions	(340.8)	-	-	(0.6)	-	(341.4)
Net Revenue	1,779.7	160.7	18.5	7.2	(38.2)	1,927.9
Total Costs	(1,230.8)	(25.5)	(1.3)	(3.5)	1.3	(1,259.7)
Gross Income	548.9	135.2	17.2	3.8	(36.9)	668.2
Selling expenses	(357.7)	(65.1)	(11.7)	-	30.2	(404.3)
General and administrative expenses	(107.9)	(0.5)	(3.1)	(3.2)	-	(114.6)
Provisions for loan losses	(6.0)	(67.2)	-	-	-	(73.2)
Other operating revenues, net	(20.7)	(0.5)	(0.1)	0.1	(2.4)	(23.5)
Total Operating Expenses	(492.3)	(133.3)	(14.8)	(3.1)	27.8	(615.7)
EBITDA	56.6	1.8	2.4	0.7	(9.0)	52.5
Depreciation and Amortization	(20.9)	(1.4)	(1.3)	(0.1)	2.4	(21.3)
EBIT	35.7	0.5	1.1	0.6	(6.7)	31.2
Equity in Subsidiaries	1.0	-	-	-	(1.0)	(0.0)
Financial Results	(49.4)	-	2.2	0.2	6.7	(40.2)
Operating Income	(12.7)	0.5	3.3	0.9	(1.0)	(9.0)
Income Tax and Social Contribution	(4.2)	(2.1)	(1.3)	(0.3)	-	(7.9)
Net Income	(16.9)	(1.6)	2.0	0.6	(1.0)	(16.9)
Gross Margin	30.8%	84.1%	92.9%	52.1%	96.5%	34.7%
EBITDA Margin	3.2%	1.1%	12.8%	9.8%	23.7%	2.7%
Net Margin	-0.9%	-1.0%	10.9%	7.9%	2.6%	-0.9%

Reconciliation of EBITDA for extraordinary expenses

EBITDA	56.6	1.8	2.4	0.7	(9.0)	52.5
Extraordinary costs	-	-	-	-	-	-
Extraordinary revenues	-	-	-	-	-	-
Extraordinary expenses	38.3	-	-	-	-	38.3
Adjusted deferred revenues	16.1	-	-	-	-	16.1
Adjusted EBITDA	111.1	1.8	2.4	0.7	(9.0)	107.0
Adjusted EBITDA Margin	6.2%	1.1%	12.8%	9.8%	23.7%	5.5%

Net Income	(16.9)	(1.6)	2.0	0.6	(1.0)	(16.9)
Extraordinary operational results	54.5	-	-	-	-	54.5
Extraordinary financial results	-	-	-	-	-	-
Tax over extraordinary results	(18.5)	-	-	-	-	(18.5)
Extraordinary tax credits	7.6	-	-	-	-	7.6
Adjusted Net Income	26.7	(1.6)	2.0	0.6	(1.0)	26.7
Adjusted Net Income Margin	1.5%	-1.0%	10.9%	7.9%	2.6%	1.4%

ANNEX VIII
RESULTS BY SEGMENT – 2012

12M12 (in R$ million)	Retail Pro-Forma	Cons.Finance 50%	Insurance 50%	Consortium 100%	Eliminations	Consolidated
Gross Revenue	8,428.3	667.2	86.3	33.7	(161.1)	9,054.4
Taxes and Deductions	(1,386.4)	-	-	(3.0)	-	(1,389.3)
Net Revenue	7,041.9	667.2	86.3	30.8	(161.1)	7,665.1
Total Costs	(5,052.0)	(82.4)	(6.3)	(11.7)	5.9	(5,146.6)
Gross Income	1,990.0	584.8	80.0	19.0	(155.2)	2,518.5
Selling expenses	(1,404.1)	(251.0)	(57.5)	-	131.6	(1,581.0)
General and administrative expenses	(355.5)	(3.1)	(13.2)	(16.7)	-	(388.4)
Provisions for loan losses	(23.5)	(315.0)	-	-	-	(338.5)
Other operating revenues, net	31.0	4.8	0.3	0.7	(5.5)	31.3
Total Operating Expenses	(1,752.1)	(564.3)	(70.4)	(16.0)	126.1	(2,276.7)
EBITDA	237.9	20.4	9.6	3.1	(29.1)	241.8
Depreciation and Amortization	(92.2)	(6.6)	(0.0)	(0.3)	5.5	(93.5)
EBIT	145.7	13.8	9.6	2.8	(23.6)	148.3
Equity in Subsidiaries	20.5	-	-	-	(20.5)	-
Financial Results	(204.7)	-	7.9	0.9	23.6	(172.3)
Operating Income	(38.5)	13.8	17.5	3.7	(20.5)	(24.0)
Income Tax and Social Contribution	31.8	(6.4)	(6.9)	(1.2)	-	17.3
Net Income	(6.7)	7.4	10.6	2.5	(20.5)	(6.7)
Gross Margin	28.3%	87.6%	92.6%	61.8%	96.3%	32.9%
EBITDA Margin	3.4%	3.1%	11.1%	9.9%	18.1%	3.2%
Net Margin	-0.1%	1.1%	12.3%	8.1%	12.7%	-0.1%

Reconciliation of EBITDA for extraordinary expenses

EBITDA	237.9	20.4	9.6	3.1	(29.1)	241.8
Extraordinary costs	15.0	-	-	-	-	15.0
Extraordinary revenues	(5.0)	-	-	-	-	(5.0)
Extraordinary expenses	38.6	-	-	-	-	38.6
Adjusted deferred revenues	(8.8)	-	-	-	-	(8.8)
Adjusted EBITDA	277.7	20.4	9.6	3.1	(29.1)	281.7
Adjusted EBITDA Margin	3.9%	3.1%	11.1%	9.9%	18.1%	3.7%

Net Income	(6.7)	7.4	10.6	2.5	(20.5)	(6.7)
Extraordinary operational results	39.9	-	-	-	-	39.9
Extraordinary financial results	10.6	-	-	-	-	10.6
Tax over extraordinary results	(17.1)	-	-	-	-	(17.1)
Extraordinary tax credits	(12.5)	-	-	-	-	(12.5)
Adjusted Net Income	14.1	7.4	10.6	2.5	(20.5)	14.1
Adjusted Net Income Margin	0.2%	1.1%	12.3%	8.1%	12.7%	0.2%

ANNEX IX
RESULTS BY SEGMENT – 2011

12M11 (in R$ million)	Retail Pro-Forma	Cons.Finance 50%	Insurance 50%	Consortium 100%	Eliminations	Consolidated
Gross Revenue	7,112.8	528.9	68.8	27.7	(136.8)	7,601.3
Taxes and Deductions	(1,180.0)	-	-	(1.9)	-	(1,182.0)
Net Revenue	5,932.7	528.9	68.8	25.8	(136.8)	6,419.4
Total Costs	(4,163.4)	(97.6)	(4.9)	(14.1)	5.0	(4,275.1)
Gross Income	1,769.3	431.3	63.8	11.7	(131.8)	2,144.3
Selling expenses	(1,201.7)	(205.0)	(43.8)	-	107.3	(1,343.3)
General and administrative expenses	(327.2)	(3.2)	(11.3)	(13.0)	-	(354.6)
Provisions for loan losses	(13.3)	(231.7)	-	-	-	(244.9)
Other operating revenues, net	54.5	54.3	(0.2)	0.0	(9.4)	99.2
Total Operating Expenses	(1,487.7)	(385.6)	(55.3)	(13.0)	97.9	(1,843.7)
EBITDA	281.6	45.7	8.5	(1.3)	(34.0)	300.6
Depreciation and Amortization	(85.5)	(5.4)	(5.1)	(0.3)	9.4	(86.9)
EBIT	196.1	40.3	3.4	(1.6)	(24.6)	213.7
Equity in Subsidiaries	29.9	-	-	-	(29.9)	-
Financial Results	(200.2)	-	9.0	0.9	24.6	(165.7)
Operating Income	25.8	40.3	12.4	(0.7)	(29.9)	47.9
Income Tax and Social Contribution	(14.1)	(17.5)	(4.9)	0.3	-	(36.3)
Net Income	11.7	22.7	7.5	(0.4)	(29.9)	11.7
Gross Margin	29.8%	81.5%	92.8%	45.3%	96.4%	33.4%
EBITDA Margin	4.7%	8.6%	12.4%	-5.0%	24.8%	4.7%
Net Margin	0.2%	4.3%	10.9%	-1.4%	21.8%	0.2%

Reconciliation of EBITDA for extraordinary expenses

EBITDA	281.6	45.7	8.5	(1.3)	(34.0)	300.6
Extraordinary costs	-	-	-	-	-	-
Extraordinary revenues	(32.6)	-	-	-	-	(32.6)
Extraordinary expenses	78.3	-	-	-	-	78.3
Adjusted deferred revenues	-	-	-	-	-	-
Adjusted EBITDA	327.4	45.7	8.5	(1.3)	(34.0)	346.3
Adjusted EBITDA Margin	5.5%	8.6%	12.4%	-5.0%	24.8%	5.4%

Net Income	11.7	22.7	7.5	(0.4)	(29.9)	11.7
Extraordinary operational results	45.7	-	-	-	-	45.7
Extraordinary financial results	-	-	-	-	-	-
Tax over extraordinary results	(15.6)	-	-	-	-	(15.6)
Extraordinary tax credits	13.6	-	-	-	-	13.6
Adjusted Net Income	55.5	22.7	7.5	(0.4)	(29.9)	55.5
Adjusted Net Income Margin	0.9%	4.3%	10.9%	-1.4%	21.8%	0.9%

ANNEX X
BREAKDOWN OF SALES AND NUMBER OF STORES PER CHANNEL

Gross Revenue by Channel (R$ million)	12M12	V.A.	12M11	V.A.	Growth Total
Virtual Stores	385.8	4.6%	295.1	4.1%	30.8%
Website	1,094.8	13.0%	821.1	11.5%	33.3%
Subtotal – Virtual Channel	**1,480.6**	17.6%	**1,116.1**	15.7%	32.7%
Conventional Stores	6,937.2	82.4%	5,996.6	84.3%	15.7%
Total	**8,417.8**	100.0%	**7,112.8**	100.0%	18.3%

Gross Revenue by Channel (R$ million)	4Q12	V.A.	4Q11	V.A.	Growth Total
Virtual Stores	113.8	4.7%	96.7	4.6%	17.7%
Website	313.7	12.8%	250.9	11.8%	25.0%
Subtotal – Virtual Channel	**427.5**	17.5%	**347.7**	16.4%	23.0%
Conventional Stores	2,019.7	82.5%	1,772.8	83.6%	13.9%
Total	**2,447.2**	100.0%	**2,120.5**	100.0%	15.4%

Number of stores per channel – End of the period	Dec-12	Part(%)	Dec-11	Part(%)	Growth Total
Virtual Stores	106	14.3%	103	14.1%	3
Website	1	0.1%	1	0.1%	-
Subtotal – Virtual Channel	**107**	14.4%	**104**	14.3%	3
Conventional Stores	636	85.6%	624	85.7%	12
Total	**743**	100.0%	**728**	100.0%	15
Total Sales Area (m²)	**469,061**	100.0%	**454,045**	100.0%	3.3%

Note: In accordance with the specifications of CPC Technical Pronouncement 36, the accounting of earnings from exclusive funds of which Magazine Luiza holds total control over the shares has been altered from financial revenue to operating revenue from services in the retail segment the amount of R$10.5 million in 2012. The differences in the gross revenue of the retail segment in 2012 between the revenue by channel and the financial statements refer to these reclassifications.

RESULTS CONFERENCE CALL

Conference call in Portuguese/English (with simultaneous interpreting)

March 27, 2013 (Tuesday)
12:00 a.m. – Brasília time
11:00 a.m. – U.S. EST

Callers from Brasil:
Dial-in:+55 11 3728-5971
Access code: Magazine Luiza
Webcast link:
http://webcast.mzvaluemonitor.com/Home/Login/919

Callers from other countries:
Dial-in: +1 516 300-1066
Access code: Magazine Luiza
Webcast link:
http://webcast.mzvaluemonitor.com/Home/Login/922

Replay (available for 7 days):
Dial-in: +55 11 3127-4999
Portuguese version:92306271# / English version: 40720717#

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About Magazine Luiza

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

EBITDA, Adjusted EBITDA and Adjusted Net Income

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

Disclaimer

The statements herein related to business prospects, future estimates of operating and financial results, and those related to Magazine Luiza's growth prospects are merely estimates and, as such, are based solely on the expectations of the Executive Board regarding the future of the Company's business.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 and non-accounting data such as pro forma operating and financial results and projections based on the expectations of the Company's Management.The non-accounting data were not reviewed by the Company's independent auditors

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

Financial Statements

Magazine Luiza S.A.

December 31, 2012 and 2011
with Independent Auditor's Report

Magazine Luiza S.A.

Financial Statements

December 31, 2012 and 2011

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A free translation from Portuguese into English of Independent Auditor's Report on individual financial statements in accordance with accounting practices adopted in Brazil and on consolidated financial statements in accordance with IFRS and also with accounting practices adopted in Brazil

Independent auditor’s report on financial statements

To the Management and Shareholders
Magazine Luiza S.A.
Franca - SP

Introduction

We have audited the accompanying parent company and consolidated financial statements of Magazine Luiza S.A. (“Company”), identified as Company and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2012 and the statements of operations, comprehensive income, changes in 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 parent company’s financial statements in accordance with accounting practices adopted in Brazil, and the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and 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.

Independent 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.

Opinion on the parent company's financial statements

In our opinion, the abovementioned parent company financial statements present fairly, in all material respects, the financial position of Magazine Luiza S.A. as at December 31, 2012, and its financial performance and 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 abovementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of Magazine Luiza S.A. as at December 31, 2012, and the consolidated financial performance and consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil.

Emphasis of matter

As discussed in Note 2.1 to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Magazine Luiza S.A., these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries, associates and joint ventures based on equity accounting, while IFRS requires measurement based on cost or fair value. We issued an unqualified opinion on this matter.

Other matters

Statements of value added

We also have audited the parent company and consolidated statements of value added for the year ended December 31, 2012, the presentation of which is required by the Brazilian corporate legislation for listed companies, but is considered supplementary information for IFRS purposes. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Prior-year amounts

The parent company and consolidated financial statements of Magazine Luiza S.A. for the year ended December 31, 2011 and the corresponding statements of operations, comprehensive income, changes in equity and cash flows for the year then ended, presented for comparison purposes, were audited by other independent auditors, who issued an unqualified audit report thereon dated March 22, 2012.

São Paulo, March 26, 2013.

ERNST & YOUNG TERCO
Auditores Independentes S.S.
CRC-2SP015199/O-6

Luiz Carlos Nannini Accountant CRC-1SP171638/O-7	Alexandre Rubio Accountant CRC-1SP223361/O-2

Magazine Luiza S.A.

Statement of financial position
December 31, 2012 and 2011
(All amounts in thousands of Brazilian reais - R$)

		Company - BR GAAP		Consolidated - IFRS and BR GAAP	
	Note	**12/31/2012**	**12/31/2011**	**12/31/2012**	**12/31/2011**
Assets					
Current assets					
Cash and cash equivalents	3.1	**404,143**	150,980	**423,128**	173,117
Securities	3.2	**126,385**	26,876	**175,227**	74,957
Receivables	4	**486,474**	436,326	**2,104,479**	1,927,828
Inventories	5	**1,068,762**	1,092,081	**1,068,762**	1,264,657
Related parties	6	**74,342**	130,165	**35,541**	42,601
Taxes recoverable	7	**208,490**	18,749	**214,771**	24,608
Other assets	8	**37,130**	21,819	**48,062**	59,359
Total current assets		**2,405,726**	1,876,996	**4,069,970**	3,567,127
Noncurrent assets					
Securities	3.2	**-**	-	**59,255**	43,267
Receivables	4	**398**	5,858	**1,771**	9,407
Deferred income tax and social contribution	9	**147,758**	122,333	**201,730**	178,907
Taxes recoverable	7	**137,365**	15,182	**138,409**	31,042
Escrow deposits		**129,348**	53,534	**137,792**	88,969
Other assets	8	**38,943**	15,782	**39,905**	19,789
Investments in subsidiaries	10	**12,272**	72,877	**-**	-
Investments in joint ventures	11	**222,894**	161,256	**-**	-
Property and equipment	12	**573,223**	417,295	**575,185**	489,938
Intangible assets	13	**435,049**	175,716	**440,738**	448,908
Total noncurrent assets		**1,697,250**	1,039,833	**1,594,785**	1,310,227
Total assets		**4,102,976**	2,916,829	**5,664,755**	4,877,354

		Company - BR GAAP		Consolidated - IFRS and BR GAAP	
	Note	**12/31/2012**	**12/31/2011**	**12/31/2012**	**12/31/2011**
Liabilities and equity					
Current liabilities					
Trade payables	14	**1,325,992**	1,091,013	**1,328,155**	1,267,774
Loans and financing	15	**317,198**	94,979	**317,198**	129,671
Interbank deposits	16	**-**	-	**990,021**	981,478
Credit card operations	17	**-**	-	**566,664**	436,130
Payroll, vacation pay and social charges		**136,586**	109,726	**139,537**	121,596
Taxes payable		**47,401**	33,289	**80,174**	49,324
Related parties	7	**51,291**	45,737	**25,989**	25,492
Taxes paid in installments	21	**9,128**	2,854	**9,128**	2,854
Deferred revenue	18	**37,104**	19,217	**31,560**	24,092
Dividends payable		**-**	1,662	**-**	1,662
Insurance reserves	19	**-**	-	**34,140**	32,464
Other payables		**80,541**	78,715	**84,448**	94,598
Total current liabilities		**2,005,241**	1,477,192	**3,607,014**	3,167,135
Noncurrent liabilities					
Loans and financing	15	**918,766**	496,278	**918,766**	581,664
Taxes paid in installments	21	**1,783**	4,398	**1,783**	4,398
Provision for tax, civil and labor contingencies	20	**186,027**	84,176	**199,202**	173,404
Insurance reserves	19	**-**	-	**27,353**	17,853
Deferred revenue	18	**375,167**	230,490	**294,023**	294,261
Deferred income tax and social contribution	9	**-**	-	**-**	10,765
Other payables		**-**	3,350	**622**	6,929
Total noncurrent liabilities		**1,481,743**	818,692	**1,441,749**	1,089,274
Total liabilities		**3,486,984**	2,295,884	**5,048,763**	4,256,409
Equity					
Capital stock	22	**606,505**	606,505	**606,505**	606,505
Capital reserve	22	**2,820**	-	**2,820**	-
Legal reserve	22	**4,025**	4,025	**4,025**	4,025
Profit retention reserve	22	**2,561**	10,415	**2,561**	10,415
Other comprehensive income	22	**81**	-	**81**	-
Total equity		**615,992**	620,945	**615,992**	620,945
Total liabilities and equity		**4,102,976**	2,916,829	**5,664,755**	4,877,354

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

Magazine Luiza S.A.

Statement of operations
For the years ended December 31, 2012 and 2011
(All amounts in thousands of Brazilian reais - R$)

	Note	Company - BR GAAP 2012	Company - BR GAAP 2011	Consolidated - IFRS and BR GAAP 2012	Consolidated - IFRS and BR GAAP 2011 (reclassified)
Net sales	23	**6,719,425**	5,135,586	**7,665,112**	6,419,371
Costs of resales, services and fund raised for financial operations	24	**(4,810,471)**	(3,589,901)	**(5,146,597)**	(4,275,084)
Gross profit		**1,908,954**	1,545,685	**2,518,515**	2,144,287
Operating income (expenses)					
Selling	25	**(1,344,320)**	(1,038,760)	**(1,581,049)**	(1,343,327)
General and administrative	25	**(330,723)**	(264,749)	**(388,429)**	(354,629)
Doubtful accounts losses		**(21,774)**	(13,279)	**(338,519)**	(244,931)
Depreciation and amortization		**(86,442)**	(71,061)	**(93,536)**	(86,937)
Equity in the earnings (losses) of subsidiaries	9 and 10	**(7,031)**	13,119	**-**	-
Other operating income, net	25 and 26	**29,900**	18,533	**31,283**	99,197
		(1,760,390)	(1,356,197)	**(2,370,250)**	(1,930,627)
Operating income before financial expenses, net		**148,564**	189,488	**148,265**	213,660
Financial expenses, net					
Financial income	27	**57,081**	38,573	**55,695**	51,686
Financial expenses	27	**(242,318)**	(213,395)	**(227,992)**	(217,409)
		(185,237)	(174,822)	**(172,297)**	(165,723)
Operating income (loss) before income tax and social contribution		**(36,673)**	14,666	**(24,032)**	47,937
Current and deferred income tax and social contribution	9	**29,928**	(3,000)	**17,287**	(36,271)
Net income (loss) for the year		**(6,745)**	11,666	**(6,745)**	11,666
Net income (loss) attributable to:					
Owners of the company		**(6,745)**	11,666	**(6,745)**	11,666
Earnings (loss) per share					
Basic and diluted (R$ per share)		**(0.04)**	0.07	**(0.04)**	0.07

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

Magazine Luiza S.A.

Statement of changes in equity - Company and consolidated
For the years ended December 31, 2012 and 2011
(All amounts in thousands of Brazilian reais - R$)

	Note	Capital stock	Capital reserve	Legal reserve	Profit retention reserve	Retained earnings (accumulated losses)	Other comprehensive income	Total
Balances at December 31, 2010		43,000	-	3,442	994	-	-	47,436
				-	-	-		-
Capital increase, net of expenditures with issue of shares and related tax effects		563,505	-	-	-	-	-	563,505
Net income for the year		-	-	-	-	11,666	-	11,666
Allocations:		-	-	-	-	-	-	-
Legal reserve		-		583	-	(583)	-	-
Profit retention reserve		-	-	-	9,421	(9,421)	-	-
Dividend distribution		-	-	-	-	(1,662)	-	(1,662)
Balances at December 31, 2011		**606,505**	**-**	**4,025**	**10,415**	**-**	**-**	**620,945**
								-
Stock option plan	22	**-**	**2,820**	**-**	**-**	**-**	**-**	**2,820**
Loss for the year	22	**-**	**-**	**-**	**-**	**(6,745)**	**-**	**(6,745)**
Dividend distribution					**(1,109)**			**(1,109)**
Absorption of accumulated losses		**-**	**-**	**-**	**(6.745)**	**6.745**	**-**	**-**
		606,505	**2,820**	**4,025**	**2,561**	**-**	**-**	**615,911**
Other comprehensive income:								
Financial instruments adjustments		**-**	**-**	**-**	**-**	**-**	**81**	**81**
Balances at December 31, 2012		**606,505**	**2,820**	**4,025**	**2.561**	**-**	**81**	**615,992**

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

Magazine Luiza S.A.

Statement of cash flows
For the years ended December 31, 2012 and 2011
(All amounts in thousands of Brazilian reais - R$)

	Note	Company - BR GAAP		Consolidated - IFRS and BR GAAP	
		2012	2011	2012	2011
Cash flow from operating activities					
Net income (loss) for the year		**(6,745)**	11,666	**(6,745)**	11,666
Adjustments to reconcile net income for the year to cash provided by operating activities:					
Deferred income tax and social contribution expenses recognized in P&L	9	**(29,928)**	3,000	**(17,287)**	36,271
Depreciation and amortization		**86,442**	71,061	**93,536**	86,937
Interest on loans and financing		**93,445**	89,489	**97,889**	106,380
Return on boutique investment fund		**(10,884)**	(17,537)	**(10,884)**	(17,537)
Equity in the earnings (losses) of subsidiaries	10	**7,031**	(13,119)	**-**	-
Changes in impairment provision		**43,399**	19,359	**360,144**	248,511
Provision for tax, civil and labor contingencies	20	**30,624**	28,735	**47,821**	16,840
Write-off of property and equipment, net of gains from sale		**3,801**	(10,342)	**4,269**	(10,133)
Appropriation of deferred revenue	26	**(39,388)**	(26,447)	**(44,947)**	(27,665)
Stock option plan expenses		**2,820**	-	**2,820**	-
(Increase) decrease in operating assets:					
Receivables		**10,700**	(27,742)	**(507,534)**	(638,781)
Securities		**-**	-	**(105,227)**	(12,665)
Inventories		**158.936**	(326,766)	**174.270**	(418,438)
Related parties		**67,975**	(92,829)	**7,060**	(23,003)
Taxes recoverable		**(291.114)**	15,591	**(291,533)**	1,120
Other assets		**(61,724)**	(32,926)	**(57,642)**	(35,541)
Increase (decrease) in operating liabilities:					
Trade payables		**54,803**	78,086	**60,381**	132,951
Interbank deposits		**-**	-	**8,543**	124,753
Credit card operations		**-**	-	**130,534**	215,900
Insurance reserves		**-**	-	**11,176**	6,622
Payroll, vacation pay and social charges		**14,283**	(2,277)	**17,941**	5,071
Taxes recoverable		**13,764**	463	**22,978**	7,164
Related parties		**(47,178)**	(32,408)	**497**	3,826
Taxes paid in installments		**3,659**	(7,648)	**3,659**	(42,428)
Other payables		**(46,336)**	28,499	**(51,303)**	(5,063)
Cash provided by (used in) operating activities		**58,385**	(244,092)	**(49,584)**	(227,242)
Income tax and social contribution paid		**(346)**	(3,596)	**(14,493)**	(36,340)
Dividends received from subsidiaries		**10,172**	13,028	**-**	-
Net cash provided by (used in) operating activities		**68,211**	(234,660)	**(64,077)**	(263,582)

Magazine Luiza S.A.

Statement of cash flows (Continued)
For the years ended December 31, 2012 and 2011
(All amounts in thousands of Brazilian reais - R$)

		Company - BR GAAP		Consolidated - IFRS and BR GAAP	
	Note	**2012**	**2011**	**2012**	**2011**
Cash flow from investing activities					
Acquisition of property and equipment	12	**(136,638)**	(129,727)	**(150,699)**	(179,980)
Acquisition of intangible assets	13	**(19,775)**	(24,477)	**(24,182)**	(30,237)
Sale of exclusive dealing and exploration right contract	18	**50,000**	48,000	**65,000**	24,000
Investments in boutique investment fund		**(869,995)**	(1,379,687)	**-**	(1,379,687)
Redemption in boutique investment fund		**781,370**	1,370,348	**-**	1,370,348
Investment in subsidiary		**(49,465)**	(12,000)	**-**	-
Cash generated from merger of company		**5,459**	-	**-**	-
Acquisitions of subsidiaries		**-**	(106,955)	**-**	(106,955)
Gains from sale of property and equipment		**-**	15,568	**-**	32,125
Cash used in investing activities		**(239,044)**	(218,930)	**(109,881)**	(270,386)
Cash flow from financing activities					
Capital increase through public offering		**-**	552,993	**-**	552,993
New loans and financing		**745,717**	182,691	**745,717**	182,758
Payment of loans and financing		**(227,690)**	(247,714)	**(227,717)**	(273,076)
Payment of interest on loans and financing		**(91,260)**	(71,808)	**(91,260)**	(84,455)
Payment of dividends		**(2,771)**	-	**(2,771)**	-
Cash provided by financing activities		**423,996**	416,162	**423,969**	378,220
Increase (decrease) in cash and cash equivalents		**253,163**	(37,428)	**250,011**	(155,748)
Cash and cash equivalents at the beginning of the year		**150,980**	181,263	**173,117**	328,865
Cash received due to merger of subsidiary			7,145		
Cash and cash equivalents at the end of the year		**404,143**	150,980	**423,128**	173,117
Increase (decrease) in cash and cash equivalents		**253,163**	(37,428)	**250,011**	(155,748)

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

Magazine Luiza S.A.

Statement of value added
For the years ended December 31, 2012 and 2011
(All amounts in thousands of Brazilian reais - R$)

	Company - BR GAAP		Consolidated - IFRS and BR GAAP	
	2012	2011	2012	2011
Revenue				
Goods and products sold and services rendered	7,602,221	5,787,070	8,616,819	7,266,423
Allowance for doubtful accounts, net of reversals	(21,774)	(13,279)	(338,519)	(244,931)
Other operating revenues	62,112	34,276	107,816	119,602
	7,642,559	5,808,067	8,386,116	7,141,094
Inputs acquired from third parties				
Cost of products and goods sold and services rendered	(5,287,085)	(3,951,735)	(5,591,150)	(4,636,916)
Material, electricity, outsourced services and other	(597,512)	(464,413)	(819,799)	(669,210)
Impairment of assets	(17,988)	(9,193)	(17,988)	(9,193)
	(5,902,585)	(4,425,341)	(6,428,937)	(5,315,319)
Gross value added	1,739,974	1,382,726	1,957,179	1,825,775
Depreciation and amortization	(86,442)	(71,061)	(93,536)	(86,937)
Net value added generated by the entity	1,653,532	1,311,665	1,863,643	1,738,838
Value added received through transfer				
Equity in the earnings (losses) of subsidiaries	(7,031)	13,119	-	-
Financial income	57,081	37,720	55,695	50,848
		-	-	-
Total value added to distribute	1,703,582	1,362,504	1,919,338	1,789,686
Distribution of value added				
Personnel and charges:				
Direct compensation	592,354	478,747	626,501	557,942
Benefits	110,452	86,869	118,599	104,903
Government Severance Indemnity Fund for Employees (FGTS)	54,091	40,410	57,165	47,247
	756,897	606,026	802,265	710,092
Taxes, fees and contributions:				
Federal	252,034	234,882	379,928	401,635
State	249,302	156,654	286,550	267,468
Municipal	23,350	20,232	30,424	26,554
	524,686	411,768	696,902	695,657
Value distributed to providers of capital:				
Interest	211,144	187,229	196,317	189,682
Rentals	186,425	121,210	198,778	154,964
Other	31,175	24,605	31,821	27,625
	428,744	333,044	426,916	372,271
Value distributed to shareholders:				
Dividends	-	1,662	-	1,662
Retained earnings (accumulated losses)	(6,745)	10,004	(6,745)	10,004
	1,703,582	1,362,504	1,919,338	1,789,686

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, 2012, the Company and its subsidiaries owned 743 stores (728 stores in 2011) and eight distribution centers (eight distribution centers in 2011), 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;

Magazine Luiza S.A. and its subsidiaries and joint ventures are hereinafter referred to as "Group" for purposes of this report, unless otherwise stated.

<u>Merger of subsidiary F.S. Vasconcelos & Cia. Ltda. ("Lojas Maia")</u>

On April 30, 2012, the Company merged with F.S. Vasconcelos & Cia. Ltda. ("Lojas Maia"), its 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. The merger was approved by the Special Shareholders' Meeting held on the same date. See Note 10 for further details on the merger.

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 prepared in accordance with accounting practices adopted in Brazil, identified as "Company - BR GAAP."

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

The parent company financial statements present the valuation of investments in subsidiaries and joint ventures 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 parent company's financial statements.

As there is no difference between the consolidated equity and the consolidated net income or loss 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 Company's equity and net income or loss, disclosed in the parent company's financial statements prepared in accordance with accounting practices adopted in Brazil, the Company opted for presenting 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.

2. Presentation and preparation of the financial statements (Continued)

2.2. Basis of preparation (Continued)

Non-financial data included in these financial statements, such as number of stores and distribution centers, were not audited by our independent auditors.

A summary of main accounting practices applied to the financial statements for the years ended December 31, 2012 and 2011 is as follows:

2.3. Basis of consolidation and investments in subsidiaries and joint ventures

The Company fully consolidated its financial statements into 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 joint venture 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's financial statements, the financial information of subsidiaries and joint ventures is recognized under the equity method.

The result from operations of the subsidiary F.S. Vasconcelos & Cia. Ltda. ("Lojas Maia"), merged on April 30, 2012, was included, after the merger, in the Company's statement of operations, statement of cash flows and statement of value added; therefore, these statements report 12 months of the Company's results from operations and eight months of result provided by merged F.S. Vasconcelos & Cia. Ltda.'s net assets.

Whenever necessary, the subsidiaries' and joint ventures' 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 joint ventures, the elimination is in proportion to the ownership interest the Company holds.

2. Presentation and preparation of the financial statements (Continued)

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 profit or loss 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. Goodwill on acquisitions of companies is based on expected future profitability. Up to December 2008, goodwill was amortized at the term, extension and proportion of projected results, not higher than ten years. As of January 2009, goodwill was no longer amortized, but was submitted to annual impairment test considering the corresponding cash generating unit, as described in Note 2.5. Any goodwill impairment loss is immediately recognized in profit or loss for the year and is not subject to future reversal.

When a subsidiary or joint venture is sold, the goodwill is included in the calculation of the gains or losses from the sale.

If the acquirer'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 operations in the year of acquisition.

Goodwill on acquisition will be adjusted during the measurement period (within 12 months after the acquisition date), if adjustments attributable to the acquisition date are identified during such period. After the measurement period, the acquirer must revise the business combinations accounting records solely to correct errors, in compliance with Technical Pronouncement CPC 23 – Accounting Policies, Changes in Estimates and Errors.

2. Presentation and preparation of the financial statements (Continued)

2.4. Business combination (Continued)

In the parent company's 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 which exceeds the acquisition cost must be immediately recognized in profit or 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 12.

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-the-expected performance. If the recoverable amount of a cash-generating unit is lower than its carrying amount plus the goodwill attributable to such cash-generating unit, impairment losses are firstly allocated to reduce the goodwill allocated to the CGU and subsequently to the other assets of the CGU, in proportion to the carrying amount of each of its assets. Impairment losses on goodwill are directly recorded in the statement of operations 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. Presentation and preparation of the financial statements (Continued)

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 “joint ventures”).

The Group recognizes its interests in joint ventures in its consolidated financial statements under the proportionate consolidation method. The Group’s interests in assets, liabilities and income and loss of joint ventures 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, and revenues and expenses, in proportion to the Company's interest.

In the parent company’s financial statements, interests in joint ventures are recognized under the equity method.

When a Group company carries out transactions with its joint ventures, 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 title to them is transferred, also taking into account the fulfillment of the following conditions:

2. Presentation and preparation of the financial statements (Continued)

2.7. Revenue calculation (Continued)

2.7.1. Revenue recognition (Continued)

a) *Resale of products* (Continued)

- Transfer to the buyer of significant risks and rewards related to title to product;
- 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. Presentation and preparation of the financial statements (Continued)

2.7. Revenue calculation (Continued)

2.7.2. Costs of resales and services

These include costs with the acquisition of goods and services rendered, less adjustments of costs received from suppliers and recoverable ICMS-ST. 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 financial statements, it includes income from financial intermediation on funding transactions.

2.7.3. Adjustment to present value

Relevant long- and short-term assets and liabilities are adjusted to present value based on the discount rate that better reflects 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 is based on financing rates paid by the final consumer, weighed by the default risk percentage evaluated and already considered in the allowance for doubtful accounts.

The adjustment to present value relating to the purchase of goods for resale is recorded under line item “Trade payables” (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 “Receivables.” Its realization is recorded under “Revenue from resale of goods,” according to maturity.

2. Presentation and preparation of the financial statements (Continued)

2.7. Revenue calculation (Continued)

2.7.3. Adjustment to present value (Continued)

Loans

Loans in the joint venture 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 provision 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 at December 31, 2012 and 2011, and are adjusted for inflation, when applicable.

2.7.4. Advertising expenses are recognized in profit (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. The subsidiaries' and joint ventures' 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, if any, are translated into Brazilian reais at the exchange rate in effect at the reporting dates. Currency translation differences are recorded as financial income or expenses in the statement of operations.

2. Presentation and preparation of the financial statements (Continued)

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 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 recognized immediately 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.

2. Presentation and preparation of the financial statements (Continued)

2.9. Financial Instruments (Continued)

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 30.

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 them 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.

2. Presentation and preparation of the financial statements (Continued)

2.9. Financial Instruments (Continued)

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

These are 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 30. 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 exchange gains and losses on monetary assets, which are directly recognized in profit (loss). Other changes in the carrying amount of available-for-sale financial assets are recognized as "other comprehensive income (loss)." When the investment is sold or impaired, cumulative gains or losses, previously recognized under "other comprehensive income (loss)," are included in profit (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 profit (loss). Other changes are recognized in equity under "other comprehensive income (loss)."

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 receivables, and other) are measured at amortized cost using the effective interest method, less impairment losses.

2. Presentation and preparation of the financial statements (Continued)

2.9. Financial Instruments (Continued)

<u>Impairment of financial assets</u>

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 receivables, 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.

2. Presentation and preparation of the financial statements (Continued)

2.9. Financial Instruments (Continued)

Impairment of financial assets (Continued)

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.

The carrying amount of the financial asset is reduced directly 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 profit (loss).

When a financial asset classified as available for sale is considered uncollectible, the accumulated balance recognized in "other comprehensive income (loss)" (separate line item under equity) must be reclassified to profit or loss, jointly with the write-off of the amount recorded in asset accounts.

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 profit (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-for-sale equity securities originally recognized in profit (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.

2. Presentation and preparation of the financial statements (Continued)

2.9. Financial Instruments (Continued)

Derecognition of financial assets

A financial asset is only derecognized when the contractual rights on the asset cash flow are realized or when the Group transfers the financial asset and substantially all its risks and rewards to third-parties. In transactions in which these financial assets are transferred to third-parties, but without the effective transfer of respective risks and returns, the asset is not derecognized. In these cases, the derecognition will occur only upon the extinction or transfer of respective risks and returns, or when said financial asset is realized.

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.

2. Presentation and preparation of the financial statements (Continued)

2.9. Financial Instruments (Continued)

Financial liabilities at fair value through profit or loss (Continued)

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 (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 30.

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.

2. Presentation and preparation of the financial statements (Continued)

2.9. Financial Instruments (Continued)

Liabilities on contractual financial guarantees

Liabilities on contractual financial guarantees are measured and initially recognized as liability at fair value, adjusted at transaction costs directly related to the pledge of guarantee. Subsequently, the liability is measured at the higher of the best expense estimate required to settle the obligation on the reporting date or the amount recognized less amortization.

Derecognition of financial liabilities

A financial liability is written off when the obligation is revoked, cancelled, or when it expires.

When an existing financial liability is replaced for other of the same lender, with substantially different terms, or the terms of an existing liability are significantly changed, this replacement or change is addressed as write-off of the original liability and recognition of a new liability. The difference in the corresponding carrying amounts is recognized in the statement of operations.

2.10. Derivative financial instruments

The Group contracts derivative transactions, recorded in statement of financial position and statement of operations accounts, to meet its market risk management requirements, arising from mismatching between currencies and indices.

2. Presentation and preparation of the financial statements (Continued)

2.10. Derivative financial instruments (Continued)

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 provide 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 counterparty 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 30 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 profit (loss) when incurred, as they are not designated as hedging instruments.

2.11. Cash and cash equivalents

These comprise cash, banks and short-term investments. Short-term investments are highly-liquid investments, subject to an immaterial risk of change in value, redeemable with the issuer of the financial instrument. Short-term investments can be immediately converted into a known cash amount. 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. Presentation and preparation of the financial statements (Continued)

2.12. 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 the 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 reporting 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 profit (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 profit (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 equity are reclassified to income (loss) for the year at the moment these investments are realized in cash or cannot be recovered.

2. Presentation and preparation of the financial statements (Continued)

2.13. Trade receivables and allowance for doubtful accounts

These are recorded and maintained in the statement of financial position at their original amounts, adjusted:

a) To present value, when applicable, mainly represented by trade receivables from resale in installments and through credit cards, 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 receivables 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 profit (loss) as financial expenses, upon derecognition of the asset.

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

2.14. Inventories

Inventories are 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 ICMS-ST, 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. Presentation and preparation of the financial statements (Continued)

2.15. Property and equipment

These are 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 assets, 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 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 recognized directly in profit or loss for the year when incurred.

The carrying amount of an item of property 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 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.

2.16. Leases

Leased assets are initially recognized as property 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 finance 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.

2. Presentation and preparation of the financial statements (Continued)

2.16. Leases (Continued)

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.

2.17. Intangible assets

2.17.1. Intangible assets acquired separately

Intangible assets with finite 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, if there is indication of impairment.

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.

2.17.2. 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, 2008, goodwill based on expected future profitability was amortized on a straight-line basis over a period from 5 to 10 years. Beginning January 1, 2009 (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. Presentation and preparation of the financial statements (Continued)

2.17. Intangible assets (Continued)

2.17.3. Write-off of intangible assets

An intangible asset is written off upon sale or when no future economic benefits may arise from its continuing 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 operations when the asset is written off.

2.18. Impairment of tangible and intangible assets, excluding goodwill

The Group's management reviews the carrying amount of its tangible and intangible assets at the end of each year to determine if there is any indication that these assets might be impaired based on transactions or when they are sold. 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.

2. Presentation and preparation of the financial statements (Continued)

2.18. Impairment of tangible and intangible assets, excluding goodwill (Continued)

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 profit (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 profit (loss).

2.19. 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 statement of financial position when it is probable that its future economic benefits will flow to 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 non-current assets and liabilities.

2.20. Inflation adjustment of receivables and payables

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

2.21. Provisions

Provisions are 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.

2. Presentation and preparation of the financial statements (Continued)

2.21. Provisions (Continued)

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.

2.21.1. Provision for tax, civil and labor contingencies

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

2.21.2. Insurance reserves (applicable to Luizaseg)

a) *Unearned premium reserve (PPNG)*

Represents the portion of premiums to be recognized in profit (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)*

This reserve is 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.

2. Presentation and preparation of the financial statements (Continued)

2.21. Provisions (Continued)

2.21.2. Insurance reserves (applicable to Luizaseg) (Continued)

d) *Reserve for unsettled claims (PSL)*

This represents the reserve for payment of probable indemnities, whether judicial or not, determined based on the claim notices received through the reporting date.

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

This is recognized to secure the payment of losses incurred but not reported to the Group through the reporting date.

2.21.3. 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 - Provisions, Contingent Liabilities and Contingent Assets (equivalent to CPC 25) and the amount initially recognized, less accumulated amortization, recognized in accordance with IAS 18 - Revenue (equivalent to CPC 30).

2.22. Taxation

a) Current taxes

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

2. Presentation and preparation of the financial statements (Continued)

2.22. Taxation (Continued)

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 losses, 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 not 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 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.

2. Presentation and preparation of the financial statements (Continued)

2.22. Taxation (Continued)

c) Current and deferred income tax

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

2.23. 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 28.

The private pension plan is a defined contribution plan over which the Group has no legal obligation if the plan does not have sufficient assets to pay benefits to employees as a result of past services.

2.24. Statement of Value Added

The purpose of this statement is to present the wealth produced 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's financial statements and as supplemental information to the consolidated financial statements, since it is not required by the IFRS.

2. Presentation and preparation of the financial statements (Continued)

2.24. Statement of Value Added (Continued)

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 CPC 09 - Statement of Value Added. In its first part, the statement of value added presents the wealth produced 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 outsourced 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 the earnings (losses) of subsidiaries, financial income and other similar revenues). The second part of the statement of value added presents the distribution of wealth among personnel, taxes, fees and contributions, value distributed to providers of capital, and value distributed to shareholders.

2.25. 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 may 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.

2. Presentation and preparation of the financial statements (Continued)

2.25. Main accounting judgments and sources of uncertainties on estimates (Continued)

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 supports 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 and equipment balances to check whether there are indications that these assets may be impaired (value in use). If so, Management conducts a detailed test for impairment on each asset through the individual future cash flow calculation discounted at present value and, when necessary, adjusts the asset balance and its market value.

2. Presentation and preparation of the financial statements (Continued)

2.25. Main accounting judgments and sources of uncertainties on estimates (Continued)

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 default on payments of principal or interest, financial difficulties of the debtor and other objective evidence that deteriorates 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.

2. Presentation and preparation of the financial statements (Continued)

2.25. Main accounting judgments and sources of uncertainties on estimates (Continued)

g) Provision for tax, civil and labor contingencies

The Group is a party to several lawsuits and administrative proceedings, as described in Note 20. Provisions 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 evidence, the hierarchy of laws, available court precedents, most recent court decisions, and their relevance within the legal system, and the assessment made by our external legal counsel. Management believes that these provisions for tax, civil, and labor contingent liabilities are accurately presented in the financial statements.

Change in discount rate used in the adjustment to present value and appropriation of interest on discounts of receivables

Long or short-term asset and liability items, if relevant, are adjusted to present value based on the discount rate that reflects the best market valuations regarding the time value of money and the liability risks and expected assets on their original dates.

The Company's Management changed the estimates to calculate the discount rate used in the adjustment to present value, considering financing rates paid by the final consumer, weighed by the default risk percentage evaluated and already considered in the allowance for doubtful accounts. This change was due to Management's longer experience and understanding that this is the best valuation regarding the time value of money. It generated a total additional expense of R$10,948 in the estimated discount rate used in the adjustment to present value.

Additionally, the Company changed the criterion to recognize interest on discounts of credit card receivables, which is now recognized in the profit or loss for the year upon the discount, since the Company no longer has the risk of not realizing such receivables. This change generated an additional expense of R$23,357 in 2012.

2. Presentation and preparation of the financial statements (Continued)

2.25. Main accounting judgments and sources of uncertainties on estimates (Continued)

Other matters

For a better presentation, the value R$72,356, related to expenses with implementation of new credit cards and with marketing initiatives, among others, in the statement of operations for 2011 was reclassified from "Other operating revenues, net" to "Selling expenses."

2.26. Standards and interpretations of standards not yet effective

Below are the standards issued but not yet effective up to the date of issue of the financial statements and not early adopted by the Company. This list includes standards and interpretations that the Company reasonably expects to have an impact on its disclosures, financial position or performance after future adoption. The Company intends to adopt such standards when they become effective.

IFRS 7 - Disclosures - Offsetting Financial Assets and Financial Liabilities - the revision requires additional disclosure on financial assets transferred but not derecognized, so as to allow the users of the financial statements to understand the relation between assets that were not derecognized and corresponding liabilities. The revision also requires additional disclosure on the continuous involvement of the entity with derecognized assets, in order to enable users to evaluate the nature of the involvement and related risks. This standard will be effective for fiscal years beginning on or after January 1, 2013.

IFRS 9 - Financial Instruments - concludes the first part of the project to replace "IAS 39 Financial Instruments: Recognition and Measurement." IFRS 9 uses a simple approach to define if a financial asset is measured at the amortized cost or fair value, based on how an entity manages its financial instruments (its business model) and the financial assets' contractual cash flows. The standard also requires the adoption of only one impairment test method. This standard will become effective for the fiscal years beginning on or after January 1, 2013. The Company does not expect any significant effect as a result of its adoption.

2. Presentation and preparation of the financial statements (Continued)

2.26. Standards and interpretations of standards not yet effective (Continued)

IFRS 10 - Consolidated financial statements - IFRS 10 replaces SIC 12 and IAS 27 and is applied to the consolidated financial statements when an entity controls one or more entities. The standard establishes a three-element-based control: a) power over an investee; b) exposure, or rights, to variable returns on its interest in the investee; and c) capacity of using its power over the investee to affect the returns to investors. The standard will become effective for the fiscal years beginning on or after January 1, 2013, and the Company does not expect any significant effect as a result of its adoption.

IFRS 11 - Joint Arrangements - replaces SIC 13 and IAS 31 and is applied to jointly-owned entities. According to this standard, joint arrangements are classified as jointly operations or joint ventures, according to the rights and obligations of the parties to the arrangement. The joint ventures must be accounted for using the equity method, whereas the jointly-owned entities can be recorded either using the equity method or the proportional accounting method. The standard will become effective for the fiscal years beginning on or after January 1, 2013.

IFRS 12 - Disclosure of interests in other entities - addresses the disclosure of interests in other entities, whose purpose is to allow the users to know the risks, the nature and effects of these interests on the financial statements. The standard will become effective for the fiscal years beginning as of January 1, 2013, and the Company does not expect any significant effect as a result of its adoption.

IFRS 13 - Fair Value Measurement - applied when other IFRS pronouncements require or allow fair value measurements or disclosures (and measurements, such as fair value less cost of sales, based on the fair value or disclosures of said measurements). The standard will become effective for the fiscal years beginning on or after January 1, 2013, and the Company does not expect any significant effect as a result of its adoption.

2. Presentation and preparation of the financial statements (Continued)

2.26. Standards and interpretations of standards not yet effective (Continued)

IASB issued clarifications for IFRS standards and amendments. Below are the main amendments:

- IAS 1 - The revisions of IAS 1 changed the group of "Other Comprehensive Income" items, whose amendment will become effective for the fiscal years beginning on or after January 1, 2013.
- IAS 27 - Parent Company and Consolidated Financial Statements (CPC 36): As a result of the future application of IFRS 10 and 12, this standard only establishes that the subsidiaries, jointly-owned entities and affiliates must be recorded in separate lines in the financial statements. The amendment will become effective for fiscal years beginning on or after January 1, 2013, and the Company does not expect any significant effect as a result of its adoption.
- IAS 28 - Investments in Associates: As a result of the future application of IFRS 11 and 12, the name of the standard will be IAS 28 - Investments in Associates and Joint Ventures, and the standard describes the equity method used in interests in joint ventures and associates. The amendment will become effective for fiscal years beginning on or after January 1, 2013.
- IAS 32 - Offsetting Financial Assets and Financial Liabilities - this improvement explains that income taxes arising from distribution to shareholders are accounted for in compliance with IAS 12 - Income Taxes. This standard will become effective for fiscal years beginning on or after January 1, 2013.

In the Management's opinion, no other standards and interpretations issued but not yet adopted may have a significant impact on profit or loss for the year or equity disclosed by the Company.

(All amounts in thousands of Brazilian reais - R$)

3. Cash and cash equivalents and securities

3.1. Cash and cash equivalents

		Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	Rates	2012	2011	2012	2011
Cash		**16,973**	10,751	**16,977**	13,260
Banks		**86,819**	32,820	**92,694**	41,428
Financial assets at fair value through profit or loss and held for trading:					
Bank deposit certificates	From 80.0% to 105% CDI	**237,828**	106,876	**238,244**	113,025
Non-exclusive investment funds	102.0% CDI	**62,523**	533	**75,213**	5,404
Total cash and cash equivalents		**404,143**	150,980	**423,128**	173,117

3.2. Securities

Financial assets at fair value through profit or loss		Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
		2012	2011	2012	2011
Held for trading					
Non-exclusive investment funds	105% CDI	**4,333**	-	**28,592**	29,587
Boutique investment funds:					
Investment fund shares	(a)	**7,210**	-	**7,210**	-
Federal government securities	(a)	**2,898**	22,476	**2,898**	22,476
Purchase and sale commitments	(a)	**33,339**	2,803	**33,339**	2,803
Time deposits and other securities	(a)	**78,605**	1,597	**78,605**	1,597
		122,052	26,876	**122,052**	26,876
Available for sale					
Government securities – LFT/LTN/NTN	100% SELIC	**-**	-	**83,838**	61,761
Total securities		**126,385**	26,876	**234,482**	118,224
Current assets		**126,385**	26,876	**175,227**	74,957
Noncurrent assets		**-**	-	**59,255**	43,267
Total		**126,385**	26,876	**234,482**	118,224

(a) Considers the boutique fixed income investment fund. At December 31, 2012 the portfolio was mainly distributed into the four categories described in the table 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.

(All amounts in thousands of Brazilian reais - R$)

4. Trade receivables

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2012	**2011**	**2012**	**2011**
Trade receivables:				
Debit and credit cards (a)	**230,151**	262,117	**230,151**	293,739
Own installment program (b)	**81,623**	59,824	**81,623**	73,492
Additional warranty agreements (c)	**84,691**	31,434	**84,691**	31,434
Loan operations (d)	**-**	-	**1,846,248**	1,667,164
Total trade receivables	**396,465**	353,375	**2,242,713**	2,065,829
Arising from sales agreements (e)	**155,610**	128,265	**155,610**	146,738
Allowance for doubtful accounts	**(38,496)**	(24,456)	**(265,366)**	(259,221)
Adjustment to present value	**(26,707)**	(15,000)	**(26,707)**	(16,111)
Total receivables	**486,872**	442,184	**2,106,250**	1,937,235
Current	**486,474**	436,326	**2,104,479**	1,927,828
Noncurrent	**398**	5,858	**1,771**	9,407

Receivables are measured at amortized cost. The Company’s days sale outstanding is 17 days, whereas in the consolidated this number goes to 86 days.

The adjustment to present value is calculated on the reporting dates for all trade receivables. The calculation is based on the term of realization of the asset by using a discount rate based on the average rate of financial charges collected from end customers, deducted from its default risk, as stated in Note 2.7.3. This rate is taken into consideration by the Group’s Management when making market valuations 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 die basis based on agreed interest rate.

(All amounts in thousands of Brazilian reais - R$)

4. Trade receivables (Continued)

Receivables were assigned to secure borrowings in the amount of R$144,802 at December 31, 2012 (R$187,269 as of December 31, 2011), represented by credit card receivables.

a) Refer to credit and debit card receivables, which the Company receives from credit card companies at the amount, term and number of installments defined when the product is sold.

   At December 31, 2012, the Company had credits granted to financial institutions totaling R$791,361 (R$441,012 on December 31, 2011), where a discount between 105.0% and 108.0% of CDI is applied, which is recognized in profit or 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, does not recognize the receivables referring to these credits. The respective financial charges are recorded in profit or loss for the year upon derecognition.

b) Refers to receivables 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 joint venture 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**	
	2012	**2011**	**2012**	**2011**
Balance at the beginning of the year	**(24,456)**	(28,172)	**(259,221)**	(182,924)
(+) Additions	**(37,125)**	(18,710)	**(352,174)**	(250,362)
(-) Write-offs	**23,085**	22,426	**346,029**	174,065
Balance at the end of the year	**(38,496)**	(24,456)	**(265,366)**	(259,221)

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4. Trade receivables (Continued)

The aging list of trade receivables is as follows:

	Company		Consolidated	
	2012	**2011**	**2012**	**2011**
Falling due:				
Up to 30 days	**54,932**	29,895	**652,245**	509,045
Between 31 and 60 days	**34,545**	39,248	**408,242**	330,951
Between 61 and 90 days	**29,765**	48,713	**280,396**	249,269
Between 91 and 180 days	**107,162**	101,132	**374,011**	401,886
Between 181 and 360 days	**143,024**	109,075	**265,066**	281,020
Over 361 days	**6,051**	8,440	**7,529**	12,433
	375,479	336,503	**1,987,489**	1,784,604
Past-due:				
Up to 30 days	**6,091**	4,573	**28,882**	26,046
Between 31 and 60 days	**3,839**	2,882	**18,286**	18,622
Between 61 and 90 days	**3,246**	2,468	**24,473**	31,843
Between 91 and 180 days	**7,810**	6,949	**50,086**	71,431
Between 181 and 360 days	**-**	-	**133,497**	132,636
Over 361 days	**-**	-	**-**	647
	20,986	16,872	**255,224**	281,225
Total	**396,465**	353,375	**2,242,713**	2,065,829

Receivables from sales agreements, by age and maturity, net of the allowance for doubtful accounts, are broken down as follows:

	Company		Consolidated	
	2012	**2011**	**2012**	**2011**
Falling due:				
Up to 30 days	**26,458**	32,270	**26,458**	35,281
Between 31 and 60 days	**46,379**	55,221	**46,379**	63,650
Between 61 and 90 days	**57,681**	16,195	**57,681**	17,609
Between 91 and 180 days	**16,284**	15,637	**16,284**	17,276
Between 181 and 360 days	**188**	850	**188**	944
	146,990	120,173	**146,990**	134,760
Past-due:	**-**			
Up to 30 days	**1,376**	2,056	**1,376**	3,106
Between 31 and 60 days	**456**	1,145	**456**	1,926
Between 61 and 90 days	**896**	387	**896**	658
Between 91 and 180 days	**1,010**	1,429	**1,010**	2,577
Between 181 and 360 days	**2,072**	1,661	**2,072**	2,297
Over 361 days	**2,810**	1,414	**2,810**	1,414
	8,620	8,092	**8,620**	11,978
Total	**155,610**	128,265	**155,610**	146,738

(All amounts in thousands of Brazilian reais - R$)

5. Inventories

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Goods for resale	**1,079,285**	1,101,316	**1,079,285**	1,274,953
Material for consumption	**9,706**	5,171	**9,706**	7,891
Advances to suppliers	**826**	628	**826**	628
Provision for losses	**(21,055)**	(15,034)	**(21,055)**	(18,815)
Total	**1,068,762**	1,092,081	**1,068,762**	1,264,657

a) At December 31, 2012, the Company has revolving inventories assigned as guarantee in legal lawsuits pending judgment, totaling approximately R$17,163 (see Note 20, item a-i).

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

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Balance at December 31, 2011	**(15,034)**	(18,597)	**(18,815)**	(32,629)
Inventories written-off or sold	**19,385**	9,643	**19,385**	20,043
Addition through merger	**(3,781)**	-	**-**	-
Recognition of provision	**(21,625)**	(6,080)	**(21,625)**	(6,229)
Balance at December 31, 2012	**(21,055)**	(15,034)	**(21,055)**	(18,815)

The provision for inventory losses is estimated based on the history of losses on stores' and distribution centers' physical inventory. The provision 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. Also, goods transferred to technical assistance were considered in the analysis of obsolete products.

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6. Related-party transactions

a) Balances from related parties

	Company (BRGAAP)		Consolidated (IFRS and BR GAAP)	
Current assets	**2012**	**2011**	**2012**	**2011**
Commissions on services				
Joint ventures:				
Luizacred (i)	**31,520**	30,415	**15,761**	15,555
Luizaseg (ii)	**18,985**	10,788	**9,494**	5,394
	50,505	41,203	**25,255**	20,949
Subsidiaries:				
Consortium Group (“LAC”) (iii)	**717**	498	**-**	-
Reimbursement of expenses and costs with consortium draws				
Subsidiaries:				
Consortium Group (“LAC”) (iii)	**1,154**	169	**1,154**	749
Lojas Maia (iv)	**-**	24,498	**-**	-
	1,154	24,667	**1,154**	749
Dividends receivable:				
Luizacred (i)	**1,130**	2,451	**-**	-
Luizaseg (ii)	**2,573**	1,774	**-**	-
	3,703	4,225	**-**	-
Receivables from credit card sales:				
Luizacred (i)	**18,263**	39,008	**9,132**	20,903
Loans with subsidiary:				
Lojas Maia (iv)	**-**	20,564	**-**	-
Total current assets	**74,342**	130,165	**35,541**	42,601
	-		**-**	
Securities				
ML Renda Fixa Créd. Privado Fundo de Investimento (xi)	**122,052**	-	**122,052**	-
Other receivables				
Itaú Unibanco S.A. (viii)	**-**	-	**7,075**	-

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Notes to financial statements (Continued)
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6. Related-party transactions (Continued)

a) Balances from related parties (Continued)

	Company (BRGAAP)		Consolidated (IFRS and BR GAAP)	
Current liabilities	**2012**	**2011**	**2012**	**2011**
Transfers of receivables from services				
Joint ventures:				
Luizacred (i)	**23,623**	15,656	**11,794**	3,805
Luizaseg (ii)	**25,551**	16,785	**12,776**	8,391
	49,174	32,441	**24,570**	12,196
Subsidiaries:				
Consortium Group (“LAC”) (iii)	**698**	574	-	574
Rental payable and other transfers				
Controlled by the Company’s controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (v)	**1,258**	1,103	**1,258**	1,103
PJD Agropastoril Ltda. (vii)	**137**	31	**137**	31
	1,395	1,134	**1,395**	1,134
Controlled by the Company’s controlling shareholders:				
Payables relating to advertising campaigns:				
ETCO - Empresa Técnica de Comunicação Ltda. (vi)	**24**	11,588	24	11,588
Total current liabilities	**51,291**	45,737	**25,989**	25,492
Other balances with related parties				
Interbank deposits:				
Itaú Unibanco S.A. (viii)	**-**	-	990,021	981,478
Credit card operations:				
Redecard S.A. (ix)	**-**	-	292,632	174,099
Other liabilities:				
Itau Seguros S.A. (ix)	**-**	-	1,387	-

(All amounts in thousands of Brazilian reais - R$)

6. Related-party transactions (Continued)

a) Balances from related parties (Continued)

	Company (BRGAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	**2012**	2011
Income from service intermediation commissions				
Joint ventures:				
Luizacred (i)	**136,052**	127,599	**71,270**	63,800
Luizaseg (ii)	**120,659**	86,912	**60,330**	43,456
	256,711	214,511	**131,600**	107,256
Revenue from return on boutique fund:				
ML Renda Fixa Créd. Privado Fundo de Investimento (xi)	**-**	-	**10,542**	-
Subsidiaries:				
Consortium Group (“LAC”) (iii)	**5,903**	4,954	**-**	-
Reimbursement of shared expenses				
Joint ventures:				
Luizacred (i)	**36,141**	47,323	**18,071**	23,662
Subsidiaries:				
Lojas Maia (iv)	**-**	39,834	**-**	-
Financial income from loans:				
Lojas Maia (iv)	**-**	603	**-**	-
Sale of disclosure structure:				
Banco Itaúcard S.A. (ix)	-	-	-	21,454
Revenue from personal loans - Profit Sharing:				
Banco Itaúcard S.A (ix)	**-**	-	**125**	34,981
Itaú Unibanco S.A. (viii)	**-**	-	**17,319**	15,198
	-	-	**17,444**	50,179
Transactions with other Itaú Group companies:				
Granting of credits and intermediation of financial services (ix)	-	-	**16,204**	48,317
	-	-	**16,204**	48,317
Earnings from sale of property and equipment				
Controlled by the Company’s controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (v)	**-**	10,661	**-**	10,661
Total revenues	**298,755**	317,886	**193,861**	261,529

(All amounts in thousands of Brazilian reais - R$)

6. Related-party transactions (Continued)

a) Balances from related parties (Continued)

	Company (BRGAAP)		Consolidated (IFRS and BR GAAP)	
	2012	**2011**	**2012**	**2011**
Expenses with rental of commercial buildings				
Controlled by the Company's controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (v)	**(5,362)**	(4,892)	**(5,362)**	(4,892)
PJD Agropastoril Ltda. (vii)	**(417)**	(572)	**(417)**	(572)
	(5,779)	(5,464)	**(5,779)**	(5,464)
Expenses with charges on credit card prepayments:				
Luizacred (i)	**(47,181)**	(49,161)	**(23,591)**	(24,581)
Expenses with charges on interbank deposits:				
Itaú Unibanco (viii)	**-**	-	**(82,436)**	(102,261)
Financial system service expenses:				
Itaú Unibanco (viii)			**(12,673)**	-
Shared costs:				
Itaú Unibanco (viii)	**-**	-	**-**	(903)
Cardif do Brasil Vida e Previdência S.A. (x)	**-**	-	**(1,384)**	(1,326)
	-	-	**(1,384)**	(2,229)
Advertising expenses				
Controlled by the Company's controlling shareholders:				
ETCO - Empresa Técnica de Comunicação Ltda. (vi)	**(139,007)**	(94,805)	**(139,007)**	(94,805)
Total expenses	**(191,967)**	(149,430)	**(264,870)**	(229,340)

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) Receivables from sales of products financed to customers by Luizacred, received by the Company on the following day ("D+1");

6. Related-party transactions (Continued)

a) Balances from related parties (Continued)

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, refers 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. All transactions relating to Lojas Maia, wholly-owned subsidiary, are stated up to its merger on April 30, 2013 and refer 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 April 30, 2012 and compensation of 100% of CDI.

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

vi. 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.

6. Related-party transactions (Continued)

a) Balances from related parties (Continued)

vii. Transactions with PJD Agropastoril Ltda., an entity controlled by the Company's indirect controlling shareholders, refer to expenses with rental of commercial buildings for installation of stores.

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

a) Interbank deposits and the related charges appropriated to profit (loss), as mentioned in Note 17, 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 points of sale.

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

ix. Transactions with other affiliates, which are controlled by Itaú Unibanco S.A., refer to the intermediation of financial services, mainly related to sales of insurance and correspondent banks.

x. 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.

xi. Transactions with ML Renda Fixa Crédito Privado Fundo de Investimento refer to operations with the exclusive investment fund (see Note 3.2 - Securities).

Additionally, the Company has balances relating to deferred income from related-party transactions, which were maintained in a specific line item for purposes of reporting, as described in Note 18.

(All amounts in thousands of Brazilian reais - R$)

6. Related-party transactions (Continued)

b) Management compensation:

	2012	2011
Board of Directors	**319**	219
Board of Executive Officers	**10,436**	9,965

The Company does not grant post-employment 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 28. The amounts for these benefits are added to the Board's compensation. At the Board of Directors' meeting held on January 5, 2012, the Company determined the eligible beneficiaries of the Stock Option Plan approved on April 1, 2011, that are the Group's managers, employees or outsourced employees, as per Note 22. 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 joint ventures' employees are described in Note 28.

Pursuant to Brazilian Corporate Law and the Company's Bylaws, it is incumbent upon the shareholders to establish and approve Management's overall annual compensation at the Shareholders' Meeting. The maximum limit of Management global compensation was approved for the year ended December 31, 2012, totaling R$6,497, with no charges.

7. Taxes recoverable

	Controladora (BR GAAP)		Consolidado (IFRS e BR GAAP)	
	2012	2011	2012	2011
ICMS a recuperar (a)	**320.594**	20.605	**320.594**	37.212
IRPJ e CSLL a recuperar	**7.849**	2.282	**14.117**	4.994
IRRF a recuperar	**10.365**	7.123	**10.378**	7.799
Pis e Cofins a recuperar	**7.037**	3.921	**7.037**	3.921
Outros	**10**	-	**1.054**	1.724
Total	**345.855**	33.931	**353.180**	55.650
Ativo circulante	**208.490**	18.749	**214.771**	24.608
Ativo não circulante	**137.365**	15.182	**138.409**	31.042

(a) These refer to accumulated ICMS and ICMS-ST credits arising from application of several tax rates to interstate goods entry and shipment operations. Said credits will be realized through formal application for tax refund and/or offset of tax liabilities of the same nature, filed with the tax authorities of the state in which tax credits originated.

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8. Other assets

	Company (BRGAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Prepaid expenses (a)	**12,006**	4,131	**12,006**	6,085
Credits of certificates of judgment debt of the government (b)	**32,796**	8,838	**32,796**	8,838
Settlement in progress	**-**	-	**-**	20,733
Benefits from Federal VAT (IPI) (c)	**5,337**	5,493	**5,337**	5,493
Prepayments of personnel expenses	**6,593**	6,881	**6,593**	7,146
Receivables from intermediation of services	**7,998**	4,594	**14,509**	11,253
Escrow deposits	**4,950**	6,944	**4,950**	6,944
Other	**6,393**	720	**11,776**	12,656
Total	**76,073**	37,601	**87,967**	79,148
Current assets	**37,130**	21,819	**48,062**	59,359
Noncurrent assets	**38,943**	15,782	**39,905**	19,789

(a) Refer to prepaid expenses arising from agreements for future advertising campaigns, insurance contracts, taxes, among others, which will be recognized in profit or loss according to terms agreed.

(b) Refer to credits of judgment debt of Paraná and São Paulo state governments. The variation of balance is due to the return of these credits previously used, as described in Note 21.

(c) Amounts receivable from suppliers arising from IPI benefit, granted to household appliances and furniture line.

(All amounts in thousands of Brazilian reais - R$)

9. 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 (BRGAAP)		Consolidated (IFRS and BR GAAP)	
	2012	**2011**	**2012**	**2011**
Profit (loss) before income tax and social contribution	**(36,673)**	14,666	**(24,032)**	47,937
Statutory rate	**34%**	34%	**34%**	34%
Expected income tax and social contribution credits (debits) at statutory rates	**12,469**	(4,986)	**8,171**	(16,299)
Effect of deferred tax balances due to change in social contribution tax rate of financial institutions, from 9% to 15%, Luizacred and Luizaseg	**-**	-	**(1,757)**	(1,390)
Effect of tax losses not recorded as deferred tax assets of the subsidiaries Lojas Maia and New-Utd [1]	**-**	(2,009)	**(8,149)**	(13,574)
Recording of deferred taxes over temporary differences arising from Lojas Maia, after merger	**20,741**	-	**20,741**	-
Exclusion – equity in the earnings (losses) of subsidiaries	**(2,391)**	4,460	**-**	-
Nondeductible reserves - Law No. 9249/95	-	-	**-**	(3,089)
Other permanent (additions) exclusions, net	**(891)**	(465)	**(1,719)**	(1,919)
Income tax and social contribution credits (debits)	**29,928**	(3,000)	**17,287**	(36,271)
Current	**-**	-	**(16,301)**	(39,059)
Deferred	**29,928**	(3,000)	**33,588**	2,788
Total	**29,928**	(3,000)	**17,287**	(36,271)
Effective tax rate	**81.6%**	20.5%	**71.9%**	75.7%

(1) The Company's reconciliation balance refers to New-Udt's and F.S. Vasconcelos' tax loss, which cannot be used for tax purposes.

Under the prevailing tax legislation, the accounting and tax records of income tax and social contribution for the past five 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.

(All amounts in thousands of Brazilian reais - R$)

9. Income tax and social contribution (Continued)

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

	Company		**Consolidated**	
	(BR GAAP)		**(IFRS and BR GAAP)**	
	2012	**2011**	**2012**	**2011**
Deferred income tax and social contribution assets on:				
Income tax and social contribution losses	**75,337**	68,747	**75,337**	72,470
Temporary difference for adoption of RTT (2)	**-**	3,219	**-**	3,219
Allowance for doubtful accounts	**18,459**	9,512	**61,539**	51,618
Provision for inventory losses	**7,159**	5,112	**7,159**	5,112
Provision for tax, civil and labor contingencies	**49,849**	28,620	**51,899**	30,256
Provision for tax, civil and labor contingencies in business combination	**-**	-	**-**	4,345
Other provisions	**1,648**	7,123	**10,619**	11,887
	152,452	122,333	**206,553**	178,907
Deferred income tax and social contribution liabilities:				
Amortization of intangible assets in business combination	**-**	-	**-**	(10,693)
Temporary difference for adoption of RTT (2)	**(4,694)**	-	**(4,694)**	-
Other	**-**	-	**(129)**	(72)
	(4,694)	-	**(4,823)**	(10,765)
Deferred income tax and social contribution	**147,758**	122,333	**201,730**	168,142

(2) The Company adopted the Transitional Tax System (RTT), as prescribed by Law No. 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. 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 non-deductible differences, the existence of non-taxable income, non-deductible expenses, and several other variables, there is no significant correlation between the Company’s and its subsidiaries’ and joint ventures’ profit (loss) and the income tax and social contribution income or expenses. Accordingly, the growth in the realization of temporarily non-deductible differences should not be considered as an indication of the Company's and its subsidiaries' and joint ventures' future profits.

(All amounts in thousands of Brazilian reais - R$)

9. Income tax and social contribution (Continued)

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

The expectation of realization of deferred income tax and social contribution at December 31, 2012 is the following:

Year of realization	Company (BR GAAP)	Consolidated (IFRS and BR GAAP)
2013	**40,474**	**91,124**
2014	**20,947**	**17,476**
2015	**26,010**	**23,574**
2016	**31,638**	**29,246**
2017 onwards	**28,689**	**40,310**
	147,758	**201,730**

(All amounts in thousands of Brazilian reais - R$)

9. Income tax and social contribution (Continued)

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

Company	Balance as at 12/31/2010	Recognized in profit or loss	Net presentation with liabilities	Directly recognized in equity (2)	Balance as at 12/31/2011	Recognized in profit or loss	Derived from merger	Balance as at 12/31/2012
Deferred income tax and social contribution assets:								
Income tax and social contribution losses	64,053	**(6,181)**	**363**	**-**	**58,235**	**17,102**	**-**	**75,337**
Temporary difference for adoption of RTT (1)	14,213	**(10,994)**	**-**	**10,512**	**13,731**	**(13,731)**	**-**	**-**
Allowance for doubtful accounts	9,578	**(66)**	**-**	**-**	**9,512**	**8,947**	**-**	**18,459**
Provision for inventory losses	6,323	**(1,211)**	**-**	**-**	**5,112**	**2,047**	**-**	**7,159**
Provision for risks	19,817	**8,803**	**-**	**-**	**28,620**	**21,229**	**-**	**49,849**
Other provisions	474	**6,649**	**-**	**-**	**7,123**	**(5,475)**	**-**	**1,648**
	114,458	**(3,000)**	**363**	**10,512**	**122,333**	**30,119**	**-**	**152,452**
Deferred income tax and social contribution liabilities:								
Amortization of intangible assets in businesscombination	-	-	**-**	**-**	**-**	**(191)**	**(4,503)**	**(4,694)**
Other	-	-	**-**	**-**	**-**	**-**	**-**	**-**
	-	-	**-**	**-**	**-**	**(191)**	**(4,503)**	**(4,694)**
	-	-	-	-	-	**29,928**	**(4.503)**	**147,758**

(All amounts in thousands of Brazilian reais - R$)

9. Income tax and social contribution (Continued)

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

Consolidated	Balance as at 12/31/2010	Recognized in profit or loss	Net presentation with liabilities	Directly recognized in equity (2)	Balance as at 12/31/2011	Recognized in profit or loss	Derived from merger	Balance as at 12/31/2012
Deferred income tax and social contribution assets:								
Income tax and social contribution losses	65,010	**(3,415)**	**363**	**-**	**61,958**	**13,379**	**-**	**75,337**
Temporary difference for adoption of RTT (1)	14,213	**(10,994)**	**-**	**10,512**	**13,731**	**(13,731)**	**-**	**-**
Allowance for doubtful accounts	39,622	**11,996**	**-**	**-**	**51,618**	**9,921**	**-**	**61,539**
Provision for inventory losses	6,323	**(1,211)**	**-**	**-**	**5,112**	**2,047**	**-**	**7,159**
Provision for risks	19,817	**10,439**	**-**	**-**	**30,256**	**21,643**	**-**	**51,899**
Reserve for risks in business combinations	18,543	**(14,198)**	**-**	**-**	**4,345**	**(4,345)**	**-**	**-**
Other provisions	4,697	**7,190**	**-**	**-**	**11,887**	**(1,268)**	**-**	**10,619**
	168,225	**(193)**	**363**	**10,512**	**178,907**	**27,646**	**-**	**206,553**
Deferred income tax and social contribution liabilities:								
Amortization of intangible assets in business combination	(13,746)	**3,053**	**-**	**-**	**(10,693)**	**5,999**	**-**	**(4,694)**
Other	-	**(72)**	**-**	**-**	**(72)**	**(57)**	**-**	**(129)**
	(13,746)	**2,981**	**-**	**-**	**(10,765)**	**5,942**	**-**	**(4,823)**
	154,479	**2,788**	**363**	**10,512**	**168,142**	**33,588**	**-**	**201,730**

(1) The Company adopted the Transitional Tax System (RTT), as prescribed by Law No. 11941/09 which, beginning the adoption of new accounting practices, creates temporary differences on taxable bases.

(2) Amounts directly recorded in equity refer to temporary tax effects on public offering expenditures that were directly recorded in equity.

(All amounts in thousands of Brazilian reais - R$)

10. Investments in subsidiaries

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

Subsidiary	Main activity	Equity interest - % 2012 and 2011
Lojas Maia (*)	Retail sales - consumer goods	100%
LAC	Consortium manager	100%

(*) Fully merged into its controlling company on April 30, 2012.

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

	Luiza Administradora de Consórcio ("LAC")		Lojas Maia	
	2012	**2011**	**4/30/2012 Date of merger**	**2011**
Units of interest/shares held	**6,500**	6,500	**5,000**	5,000
Current assets	**15,569**	11,815	**269,761**	270,313
Noncurrent assets	**2,188**	2,170	**210,580**	190,955
Current liabilities	**3,337**	3,607	**311,663**	288,716
Noncurrent liabilities	**2,148**	607	**336,331**	340,026
Net revenue	**30,755**	25,795	**311,951**	777,998
Capital stock	**6,500**	6,500	**47,000**	17,000
Equity (net capital deficiency)	**12,272**	9,771	**(167,653)**	(167,473)
Profit (loss) for the year	**2,501**	(354)	**(30,177)**	10,246

Changes in investments (provision for losses)	2012	2011	30/04/2012	2011
Balances at the beginning of the year	**9,771**	10,125	**63,106**	96,017
Advance for future capital increase	**-**	-	**30,000**	12,000
Loss on share subscription	**-**	-	**-**	(55,157)
Net assets merged			**(62,929)**	
Equity in the earnings (losses) of subsidiaries	**2,501**	(354)	**(30,177)**	10,246
Balances at the end of the year	**12,272**	9,771	**-**	63,106

Total investments in subsidiaries	2012	2011
Consortium Group ("LAC")	**12,272**	9,771
Lojas Maia	**-**	63,106
	12,272	72,877

(All amounts in thousands of Brazilian reais - R$)

10. Investments in subsidiaries (Continued)

In 2011, equity in the earnings (losses) of 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 well as in 2012, the equity in the earnings (losses) of subsidiaries is affected by an expense of R$30,177, referring to the equity in the subsidiary Lojas Maia in the fourth-month period up to its merger into the Company on April 30, 3012, as described below:

Merger of the subsidiary F.S. Vasconcelos Ltda. – Lojas Maia

The Special Shareholders' Meeting held on April 30, 2012 approved the Protocol and Justification of Merger of F.S. Vasconcelos e Cia. Ltda. ("Lojas Maia"), Company's wholly-owned subsidiary, without increase in the Company's capital.

The net assets merged on April 30, 2012 are broken down as follows:

	4/30/2012		4/30/2012
Cash and cash equivalents	5,459	Trade payables	180,176
Receivables	77,162	Loans and financing	39,109
Inventories	157,242	Payroll, vacation pay and social charges	12,577
Related parties	13,239	Taxes payable	347
Recoverable taxes	2,866	Related parties	52,732
Other assets	13,793	Deferred revenue	10,406
Current assets	269,761	Other payables	16,316
		Current liabilities	311,663
Deferred income tax and social contribution	5,169		
Recoverable taxes	17,598	Loans and financing	85,386
Escrow deposits	38,750	Provision for contingencies	84,000
Other assets	16	Deferred revenue	154,369
Investment in joint ventures	30,532	Deferred income tax and social contribution	9,673
Property and equipment	81,825	Other payables	2,903
Intangible assets	36,690	Noncurrent liabilities	336,331
Noncurrent assets	210,580		
		Capital deficiency	(167,653)
Total assets	480,341	Total liabilities and capital deficiency	480,341

At the merger, the goodwill on the acquisition of F.S. Vasconcelos & Cia. Ltda. ("Lojas Maia"), totaling R$230,579, and the respective remaining fair values of assets acquired and liabilities assumed calculated at the moment of the business combination, previously recorded in Investments in Subsidiaries in the Company's financial statements, were reclassified to Intangible Assets (Note 13).

11. Investments in joint ventures

	Luizacred		Luizaseg	
	2012	**2011**	**2012**	**2011**
Total shares – in thousands	**978**	847	**13,883**	13,883
Interest percentage	**50% (i)**	40.55% (i)	**50%**	50%
Current assets	**3,299,478**	2,944,752	**124,647**	104,350
Noncurrent assets	**326,972**	326,468	**122.432**	91,910
Current liabilities	**3,224,852**	2,955,772	**109.885**	83,626
Noncurrent liabilities	**38.096**	12,468	**54.907**	35,838
Net revenues	**1,334,394**	1,057,740	**172,670**	137,508
Capital stock	**274,623**	226,624	**13,884**	13,884
Equity	**363,502**	302,980	**82.286**	76,796
Profit (loss) for the year	**14,782**	45,494	**21,240**	14,942

Changes in investments	**2012**	**2011**	**2012**	**2011**
Balance at the beginning of the year	**122,858**	51,802	**38,398**	37,116
Capital increase	**19,465**	-	**-**	-
Gain on relative interest	**-**	55,157	**-**	-
Addition through merger of subsidiary	**30,532**	-	**-**	-
Proposed dividends	**(1,131)**	(2,489)	**(7.949)**	(6,189)
Other comprehensive income	**-**	-	**75**	-
Equity in the earnings (losses) of subsidiaries	**10,027**	18,388	**10,619**	7,471
Balance at the end of the year	**181,751**	122,858	**41.143**	38,398

Total investments in joint ventures	**2012**	**2011**
Luizacred	**181,751**	122,858
Luizaseg	**41,143**	38,398
	222,984	161,256

(i) Direct interest was 40.55% in 2011. The Company held 9.45% of additional interest indirectly through subsidiary Lojas Maia, totaling 50% of direct and indirect interest. On April 30, 2012, after the merger of Lojas Maia, the Company acquired the direct interest of 50%. 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.

(All amounts in thousands of Brazilian reais - R$)

11. Investments in joint ventures (Continued)

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

c) Interests in the assets, liabilities, revenue and expenses of joint ventures are proportionally consolidated 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 joint venture Luizacred held on January 16, 2012, capital stock was increased by R$48,000, in cash, through the issue of 130,852 new shares, of which 65,426 are preferred shares and 65,426 are common shares. The funds were contributed as follows:

Shareholder	Preferred	Common	% capital stock
Itaucard	244,404	244,404	50.00%
Magazine Luiza	198,212	198,212	40.55%
Lojas Maia	46,192	46,192	9.45%
Total	488,808	488,808	100.00%

(All amounts in thousands of Brazilian reais - R$)

12. Property and equipment

Changes in property and equipment for the years ended December 31, 2012 and 2011 are as follows:

a) Company

	Balance on 12.31.2011	Additions	Addition due to merger of subsidiary	Depreciation	Write-offs	Transfers	Balance on 12.31.2012
Furniture and fixture	58,378	**-**	**7,331**	**(10,664)**	**(2,242)**	**26,797**	**79,600**
Machinery and equipment	29,959	**4**	**4,503**	**(2,349)**	**-**	**12,874**	**44,991**
Vehicles	22,651	**783**	**4,418**	**(3,054)**	**-**	**2,710**	**27,508**
Computers and peripherals	38,796	**-**	**13,601**	**(16,041)**	**-**	**7,016**	**43,372**
Leasehold improvements	205,008	**869**	**51,016**	**(23,977)**	**-**	**69,483**	**302,399**
Construction in progress	52,563	**85,768**	**-**	**-**	**(3)**	**(71,393)**	**66,935**
Other	9,940	**49,214**	**956**	**(3,020)**	**(1,185)**	**(47,487)**	**8,418**
	417,295	**136,638**	**81,825**	**(59,105)**	**(3,430)**	**-**	**573,223**

	Balance on 12.31.2010	Additions	Addition due to merger of subsidiary	Depreciation	Write-offs	Transfers	Balance on 12.31.2011
Buildings	4,927	-	-	(68)	(4,859)	-	-
Furniture and fixture	39,347	20,867	3,335	(7,773)	(11)	2,613	58,378
Machinery and equipment	19,425	12,003	-	(1,889)	-	420	29,959
Vehicles	20,373	6,496	-	(1,906)	(28)	(2,284)	22,651
Computers and peripherals	33,060	15,698	2,373	(12,182)	-	(153)	38,796
Leasehold improvements	207,432	27,243	138	(26,935)	(326)	(2,544)	205,008
Construction in progress	-	48,883	-	-	-	3,680	52,563
Other	6,742	5,926	37	(1,031)	(2)	(1,732)	9,940
	331,306	137,116	5,883	(51,784)	(5,226)	-	417,295

	2012			2011		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Furniture and fixture	**124,130**	**(44,530)**	**79,600**	93,772	(35,394)	58,378
Machinery and equipment	**60,109**	**(15,118)**	**44,991**	42,773	(12,814)	29,959
Vehicles	**39,505**	**(11,997)**	**27,508**	31,843	(9,192)	22,651
Computers and peripherals	**124,582**	**(81,210)**	**43,372**	114,478	(75,682)	38,796
Leasehold improvements	**474,040**	**(171,641)**	**302,399**	353,095	(148,087)	205,008
Construction in progress	**66,935**	**-**	**66,935**	52,563	-	52,563
Other	**14,726**	**(6,308)**	**8,418**	15,133	(5,193)	9,940
	904,027	**(330,804)**	**573,223**	703,657	(286,362)	417,295

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Notes to financial statements (Continued)
December 31, 2012
(All amounts in thousands of Brazilian reais - R$)

12. Property and equipment (Continued)

b) Consolidated

	Balance on 12.31.2011	Additions[1]	Depreciation	Write-offs	Transfers	Balance on 12.31.2012
Furniture and fixture	72,172	**-**	**(10,664)**	**(2,242)**	**20,334**	**79,600**
Machinery and equipment	35,915	**4**	**(2,349)**	**-**	**11,421**	**44,991**
Vehicles	26,798	**783**	**(3,054)**	**-**	**2,981**	**27,508**
Computers and peripherals	42,284	**-**	**(16,041)**	**-**	**17,129**	**43,372**
Leasehold improvements	247,898	**869**	**(23,977)**	**-**	**77,609**	**302,399**
Construction in progress	52,563	**85,768**	**-**	**(3)**	**(71,393)**	**66,935**
Other	12,308	**63,275**	**(5,749)**	**(1,373)**	**(58,081)**	**10,380**
	489,938	**150,699**	**(61,834)**	**(3,618)**	**-**	**575,185**

	Balance on 12.31.2010	Additions	Addition due to business combination	Depreciation	Write-offs	Transfers	Balance on 12.31.2011
Buildings	5,012	-	-	(68)	(4,859)	(85)	-
Furniture and fixture	45,440	29,380	3,735	(8,934)	(11)	2,562	72,172
Machinery and equipment	22,920	14,745	-	(2,257)	-	507	35,915
Vehicles	25,054	6,501	-	(2,524)	(28)	(2,205)	26,798
Computers and peripherals	33,958	19,845	2,362	(13,391)	(623)	133	42,284
Leasehold improvements	217,468	61,132	-	(27,795)	-	(2,907)	247,898
Construction in progress	-	48,883	-	-	-	3,680	52,563
Other	8,989	6,883	6	(1,834)	(51)	(1,685)	12,308
	358,841	187,369	6,103	(56,803)	(5,572)	-	489,938

	2012			2011		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Furniture and fixture	**124,130**	**(44,530)**	**79,600**	110,064	(37,892)	72,172
Machinery and equipment	**60,109**	**(15,118)**	**44,991**	49,555	(13,640)	35,915
Vehicles	**39,505**	**(11,997)**	**27,508**	36,906	(10,108)	26,798
Computers and peripherals	**124,582**	**(81,210)**	**43,372**	119,314	(77,030)	42,284
Leasehold improvements	**474,040**	**(171,641)**	**302,399**	397,040	(149,142)	247,898
Construction in progress	**66,935**	**-**	**66,935**	52,563	-	52,563
Other	**20,279**	**(9,899)**	**10,380**	17,779	(5,471)	12,308
	909,580	**(334,395)**	**575,185**	783,221	(293,283)	489,938

(1) Most investments in modernization and adequation of store facilities were financed by Caixa Econômica Federal, as detailed in Note 15.

(All amounts in thousands of Brazilian reais - R$)

12. Property and equipment (Continued)

c) Depreciation rates

As described in Note 2.15, the Group reviews the estimated useful life of property and equipment items and the corresponding net book value at the end of each year.

The annual depreciation rates are the following:

	2012	2011
Buildings	**1.67%**	1.67%
Furniture and fixture	**10%**	10%
Machinery and equipment	**5%**	5%
Light vehicles	**20%**	20%
Heavy vehicles	**14.3%**	14.3%
Computers and peripherals	**20%**	20%
Leasehold improvements	**6.7%**	6.7%

As at December 31, 2012, the Group's operational property and equipment was fully depreciated at the amount of R$81,641 (R$86,547 as at December 31, 2011). The Group does not have idle or held-for-sale property and equipment items.

d) Impairment testing

All property and equipment items whose carrying amounts are higher than their recoverable amounts 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 the 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 and equipment items were impaired.

(All amounts in thousands of Brazilian reais - R$)

13. Intangible assets

Changes in intangible assets for the years ended December 31, 2012 and 2011 are as follows:

a) Company

	Balance on 12.31.2011	Additions	Addition due to merger of subsidiary	Depreciation	Write-offs	Transfers	Balance on 12.31.2012
Goodwill on acquisition of new store chains	83,278	**-**	**230,578**	**-**	**-**	**-**	**313,856**
Goodwill	46,095	**-**	**36,013**	**(14,996)**	**-**	**2,079**	**69,191**
Software	32,837	**284**	**397**	**(12,124)**	**-**	**12,619**	**34,013**
Projects in progress	13,301	**19,491**	**-**	**-**	**(371)**	**(14,734)**	**17,687**
Other	205	**-**	**278**	**(217)**	**-**	**36**	**302**
	175,716	**19,775**	**267,266**	**(27,337)**	**(371)**	**-**	**435,049**

	Balance on 12.31.2010	Additions	Addition due to merger of subsidiary	Amortization	Transfers	Balance on 12.31.2011
Goodwill on acquisition of new store chains	25,327	57,951	-	-		83,278
Goodwill	29,551	1,301	17,416	(6,745)	4,572	46,095
Software	24,432	9,690	-	(12,502)	11,217	32,837
Projects in progress	13,129	13,483	-	-	(13,311)	13,301
Other	2,710	3	-	(30)	(2,478)	205
	95,149	82, 428	17,416	(19,277)	-	175,716

	2012			2011		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Goodwill on acquisition of new store chains	**325,451**	**(11,595)**	**313,856**	94,872	(11,594)	83,278
Goodwill	**120,882**	**(51,691)**	**69,191**	84,602	(38,507)	46,095
Software	**86,511**	**(52,498)**	**34,013**	73,210	(40,373)	32,837
Projects in progress	**17,687**	**-**	**17,687**	13,301	-	13,301
Other	**6,642**	**(6,340)**	**302**	6,495	(6,290)	205
	557,173	**(122,124)**	**435,049**	272,480	(96,764)	175,716

(All amounts in thousands of Brazilian reais - R$)

13. Intangible assets (Continued)

b) Consolidated

	Balance on 12.31.2011	Additions[1]	Amortization	Write-offs	Transfers	Balance on 12.31.2012
Goodwill on acquisition of new store chains	313,857	**-**	**-**	**-**	**-**	**313,857**
Goodwill	80,452	**-**	**(18,563)**	**-**	**7,302**	**69,191**
Partnerships	5,983	**-**	**(658)**	**-**	**11**	**5,336**
Software	32,692	**284**	**(12,124)**	**-**	**13,497**	**34,349**
Projects in progress	13,398	**19,491**	**-**	**(371)**	**(14,831)**	**17,687**
Other	2,526	**4,407**	**(356)**	**(280)**	**(5,979)**	**318**
	448,908	**24,182**	**(31,701)**	**(651)**	**-**	**440,738**

	Balance on 12.31.2010	Additions	Addition due to business combination	Amortization	Transfers	Balance on 12.31.2011
Goodwill on acquisition of new store chains	255,906	57,951	-	-	-	313,857
Goodwill	69,618	6,312	16,235	(16,285)	4,572	80,452
Partnerships	7,847	-	-	(994)	(870)	5,983
Software	23,909	10,421	-	(12,855)	11,217	32,692
Projects in progress	13,226	13,483	-	-	(13,311)	13,398
Other	4,113	21	-	-	(1,608)	2,526
	374,619	88,188	16,235	(30,134)	-	448,908

	2012			2011		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Goodwill on acquisition of new store chains	**325,451**	**(11,594)**	**313,857**	325,451	(11,594)	313,857
Goodwill	**120,882**	**(51,691)**	**69,191**	129,365	(48,913)	80,452
Partnerships	**13,506**	**(8,169)**	**5,337**	13,506	(7,523)	5,983
Software	**87,467**	**(53,118)**	**34,349**	74,587	(41,895)	32,692
Projects in progress	**17,687**	**-**	**17,687**	13,398	-	13,398
Other	**6,667**	**(6,350)**	**317**	7,961	(5,435)	2,526
	571,660	**(130,922)**	**440,738**	564,268	(115,360)	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 indefinite-lived intangibles. 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 finite useful lives, represented mainly by amounts paid on the acquisition of new points of sale (goodwill), amortized over ten years on a straight-line basis, a period that reflects contractual rights on the time of stay in the leased property, as well as software, which was amortized over the average term of the licenses obtained.

(All amounts in thousands of Brazilian reais - R$)

13. Intangible assets (Continued)

b) Consolidated (Continued)

Software refers to cost of licenses on the corporate management system and is amortized over five 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 finite-lived intangibles are recorded under “depreciation and amortization” in the statement of operations. The Group does not have intangible assets generated internally.

Impairment testing of goodwill and intangible assets

Goodwill and intangible assets were tested for impairment as of December 31, 2012 and 2011, 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.

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, to which goodwill and intangible assets were allocated, as follows:

	2012	2011
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**	57,951
Total	**313,857**	313,857

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	10.5% (1)
Average weighted growth rate for the first ten years	8.8%
Perpetuity	3.5%

(1) CAPM rate (Average Cost of Equity).

(All amounts in thousands of Brazilian reais - R$)

13. Intangible assets (Continued)

b) Consolidated (Continued)

Impairment testing of goodwill and intangible assets (Continued)

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 ten 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.

The Company did not identify impairment losses during the tests.

14. Trade payables

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2012	**2011**	**2012**	**2011**
Resale of goods - domestic	**1,323,817**	1,077,806	**1,325,980**	1,257,299
Other suppliers	**14,369**	26,690	**14,369**	26,690
Adjustment to present value	**(12,194)**	(13,483)	**(12,194)**	(16,215)
	1,325,992	1,091,013	**1,328,155**	1,267,774

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 valuations of the time value of money and specific risks relating to its assets and liabilities.

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

(All amounts in thousands of Brazilian reais - R$)

15. Loans and financing

Type	Charge	Collaterals	Final maturity	Company 2012	Company 2011	Consolidated 2012	Consolidated 2011
BNDES (a)	(i) TJLP + 2.38% p.a. (ii) IPCA + 8.91% p.a. (equal to 2011)	Bank pledge	Dec/13	**13,579**	32,297	**13,579**	32,297
Working capital (b)	107.5% to 118.8% of CDI p.a.(equal to 2011)	(b)	Mar/15	**801,494**	538,594	**801,494**	658,646
Finance leases (c)	CDI/TJLP/LIBOR (equal to 2011)	Fiduciary sale/ escrow deposits	Dec/19	**18,032**	20,366	**18,032**	20,392
Debentures – Restrict offer (d)	113% of CDI	-	Jun/14	**200,180**	-	**200,180**	-
Promissory notes (e)	105% of CDI	-	Oct/13	**202,679**	-	**202,679**	-
				1,235,964	591,257	**1,235,964**	711,335
Current liabilities				**317,198**	94,979	**317,198**	129,671
Noncurrent liabilities				**918,766**	496,278	**918,766**	581,664

(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 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 30.

(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$1,232 (equivalent to US$610 thousand) was deposited in escrow, recorded in line item "Other noncurrent assets," which will be redeemed at the final maturity of the contract. This deposit, equivalent to 15% of the total asset amount, is adjusted for inflation, whose corresponding entry is recorded in profit (loss) for the period; (ii) IT equipment and software, whose contracts expire in 2019.

15. Loans and financing (Continued)

(d) The Company conducted its first issue of nonconvertible debentures, in a single series, for public distribution with restricted placement efforts, in accordance with CVM Rule 476/09, on December 26, 2011. A total of 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 not have their par value adjusted for inflation and will bear interest corresponding to 113% of accumulated variation of daily average DI (Interbank Deposits) rates, which will be paid semiannually, the first payment of which made on June 26, 2012. In this case, the Company incurred transaction costs of R$1,722, which will be appropriated to profit (loss) during the same term. Considering the transaction 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 corresponding remuneration thereon calculated on a *pro rata temporis* basis from the date of issue to the date of effective payment.

(e) On October 4, 2012, the Company's Board of Directors approved the second issue of promissory notes, in a single series, for public distribution with restricted placement efforts. A total of 20 promissory notes were issued, with par value of R$10,000, totaling R$200,000. Promissory notes will have a 360-day term as of the date of issue. Promissory notes will not have their par value adjusted for inflation and will bear interest, calculated as of the date of issue, corresponding to 105.00% of accumulated variation of daily average DI rates. The funds raised were allocated to reinforce the Company's cash position.

Magazine Luiza S.A.

Notes to financial statements (Continued)
December 31, 2012
(All amounts in thousands of Brazilian reais - R$)

15. Loans and financing (Continued)

The Company maintains some working capital agreements with covenants. The clauses relating to financial indexes refer to:

i. Banco do Brasil: maintenance of the adjusted net debt/EBITDA ratio below 3 times. Adjusted net debt means the sum of any and all bank loans, including debentures and excluding compror and vendor, less cash and cash equivalents added to receivables from credit cards.

ii. Caixa Econômica Federal: maintenance of the adjusted net debt/EBITDA ratio below 3.5 times. Additionally, the evidence of use of funds raised through investment plan and use of funds report is required.

The Company is found in compliance with the above-mentioned covenants as at December 31, 2012.

16. Interbank deposits

		Consolidated (IFRS and BR GAAP)	
Type	**Charges**	**2012**	**2011**
Interbank deposits	103.9% of CDI	**990,021**	981,478

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

	Consolidated
Up to 90 days	989,094
From 91 to 365 days	927
	990,021

17. Credit card operations

These refer to amounts to be transferred by joint venture Luizacred to other commercial establishments from sales using Group's private label credit cards.

(All amounts in thousands of Brazilian reais - R$)

18. Deferred revenue

	Company (BR GAAP)		Consolidated (IFRS and BRGAAP)	
	2012	**2011**	**2012**	**2011**
Deferred revenue from third parties:				
Exclusive dealing agreement with Banco Itaúcard (a)	**184,000**	196,500	**184,000**	196,500
Exploration right agreement - payroll (b)	**1,531**	5,207	**1,531**	5,207
Sales agreement - Cardif (c)	**38,360**	-	**45,860**	16,802
	223,891	201,707	**231,391**	218,509
Deferred revenue from related parties:				
Exclusive dealing agreement with Luizacred (d)	**188,380**	48,000	**94,192**	99,844
Total deferred revenue	**412,271**	249,707	**325,583**	318,353
Current liabilities	**37,104**	19,217	**31,560**	24,092
Noncurrent liabilities	**375,167**	230,490	**294,023**	294,261

a) On September 27, 2009, the Company entered into an alliance agreement with financial institutions Itaú Unibanco Holding S.A. ("Itaú") and Banco Itaucard S.A., whereby the Company grants to Luizacred the exclusive right to offer, distribute, and sell financial products and services in its store chain for a 20-year period.

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

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

c) On June 21, 2012, considering the merger of subsidiary Lojas Maia, as well as the intention to renew and extend the Operating and Sales Agreement for distribution of several insurance services in Magazine Luiza's distribution chain up to December 31, 2015, the Company and Cardif do Brasil entered into an amendment to the abovementioned agreements, which allowed the inflow of R$80,000 to the Company's cash, R$30,000 of which are allocated to joint venture Luizacred, since it waived the priority in the distribution of credit card loss and theft insurance. The recognition of revenue from this agreement is recognized in profit (loss) over the term of the agreement.

d) On December 29, 2010, subsidiary Lojas Maia entered into an alliance agreement with Luizacred, a joint venture, whereby it has granted the exclusive right to offer, distribute and sell financial products and services in its store chain for a 19-year period. As a result of such alliance, Luizacred paid R$160,000 in cash to Lojas Maia (in consolidation, R$80,000 are eliminated from Luizacred's intangible assets), which are recognized in profit (loss) over the term of the agreement. Under this alliance agreement, the amount of R$ 20,000, mentioned in item "(a) ii" above was increased to R$55,000.

On December 16, 2011, the Company entered into an amendment to the alliance agreement with joint venture Luizacred, due to increase in Company's operations resulting from the acquisition of New-Utd. As a result of this amendment, Luizacred paid R$48,000 in cash to the Company, which will be allocated to profit (loss) over the remaining term of the agreement.

On February 22, 2013, the Company entered into a new amendment to the alliance agreement, aiming at transferring Luizacred's credit card issuance activities ("Luiza Card"), as well as its corresponding assets and liabilities, to Itaú or Itaú's affiliate ("Transfer"). After the transfer, Magazine Luiza will continue to receive 50% of Luiza Card's results through profit sharing, maintaining its economic interest. This Amendment also maintains its exclusive dealing rights up to 2029.

(All amounts in thousands of Brazilian reais - R$)

19. Insurance reserves

	Consolidated (IFRS and BR GAAP)	
	2012	**2011**
Unearned premium reserve (a)	**43,478**	45,061
Reserve for unsettled claims (b)	**1,026**	1,068
Reserve for incurred but not reported losses (c)	**37**	43
Other reserves (d)	**16,952**	4,145
Total	**61,493**	50,317
Current liabilities	**34,140**	32,464
Noncurrent liabilities	**27,353**	17,853
Total	**61,493**	50,317

(a) Recognized to secure insurance losses to occur 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 on the loss notices received through the reporting date.

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

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

20. Provision for tax, civil and labor contingencies

The Company and its subsidiaries and joint ventures are parties to labor, civil and tax lawsuits in progress for which they have submitted administrative or legal defense. For cases on which our legal counsel's opinion is unfavorable, the Company recognized, as of December 31, 2012, in noncurrent liabilities, a provision for tax, civil and labor contingencies, which is the Group's management best estimate of future disbursement. Changes in the provision for tax, civil and labor contingencies are as follows:

Company

	2011	Additions	Addition due to merger	Reversal	Write-offs	Inflation adjustment	2012
Tax	50,424	23,573	81,127	(1,086)	(9,671)	7,118	**151,485**
Civil	8,521	3,601	-	-	(2,024)	-	**10,098**
Labor	25,231	2,729	2,873	(5,311)	(1,078)	-	**24,444**
	84,176	29,903	84,000	(6,397)	(12,773)	7,118	**186,027**

(All amounts in thousands of Brazilian reais - R$)

20. Provision for tax, civil and labor contingencies (Continued)

Consolidated

	2011	Additions	Reversal	Write-offs	Inflation adjustment	2012
Tax	126,233	30,335	(1,571)	(3,315)	7,676	**159,358**
Civil	17,935	14,684	(819)	(16,822)	-	**14,978**
Labor	29,236	3,040	(5,524)	(1,886)	-	**24,866**
	173,404	48,059	(7,914)	(22,023)	7,676	**199,202**

As of December 31, 2012, the Company's 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 32 tax-deficiency 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$18,687 at December 31, 2012 (R$15,706 at December 31, 2011), of which approximately R$17,613 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$5,353 at December 31, 2012 (R$3,477 at December 31, 2011), with a provision for tax risks at the same amount.

(iii) The Company is challenging the increase in the Occupational Accident Risk rate (RAT). As such, it has filed a lawsuit and deposited the amounts corresponding to the increased rate in an escrow account. The amount of the escrow deposit totals R$29,652 at December 31, 2012 (R$17,532 at December 31, 2011).

(iv) The Company discusses at administrative level the FAP (Accident Prevention Factor) index which was imposed to it by MPS/CNPS Resolution 1269/06. The respective provision totals R$22,123 at December 31, 2012 (R$13,709 as at December 31, 2011).

20. Provision for tax, civil and labor contingencies (Continued)

Consolidated (Continued)

a) Tax lawsuits: (Continued)

(v) Other tax claims assessed by the Company's managementand its legal counsel as probable loss amount to R$31,227 at December 31, 2012 (R$36,193 at December 31, 2011), for which a reserve has been recognized. The tax claims are related to tax-deficiency notices allegedly due to 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) The merged subsidiary, Lojas Maia, did not acknowledge the mandatory collection of PIS/COFINS on ICMS tax base, depositing in an escrow account the amount of the related provision, totaling R$36,554 at December 31, 2012 (R$33,084 at December 31, 2011).

(vii) During the business combination process of merged 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 provision was recognized, totaling R$7,889 at December 31, 2012 (R$6,532 at December 31, 2011).

b) Civil lawsuits:

Civil contingencies of R$10,098 as at December 31, 2012 (R$8,521 at December 31, 2011) are related to claims filed by customers on possible product defects. Other non-significant balances are recorded in the Company's joint ventures.

20. Provision for tax, civil and labor contingencies (Continued)

Consolidated (Continued)

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$18,483 as at December 31, 2012 (R$21,932 at December 31, 2011) in the Company reflects the likelihood of probable loss assessed by the Company's management and its legal counsel. Other non-significant balances are recorded in the Company's other subsidiaries and joint ventures.

ii. 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$6,383 as at December 31, 2012 (R$3,299 at December 31, 2011).

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 provision was recognized for such lawsuits. The amounts attributed to the main lawsuits where the Company is the defendant are:

Tax lawsuits: there are tax lawsuits where the Company and its subsidiaries and joint ventures 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$339,161 as at December 31, 2012 (R$377,309 at December 31, 2011).

The main lawsuits classified as possible losses are described below:

PIS/COFINS - Administrative lawsuits, which are pending in the Regional Judgment Authority and CARF, relating to tax-deficiency notice issued due to possible differences in tax calculation bases, credits calculated and offset, but not ratified by Brazil's Internal Revenue Service, among others involving lower amounts. The lawsuits representing possible losses totaled R$173,393.

ICMS - Administrative and legal lawsuits, relating to tax-deficiency notices issued due to: (i) possible differences in ICMS rates; (ii) noncompliance 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%, in which the government does not accept reimbursement of a 1% difference. Among others involving lower amounts, the estimated value of these lawsuits is R$213,063.

(All amounts in thousands of Brazilian reais - R$)

20. Provision for tax, civil and labor contingencies (Continued)

Consolidated (Continued)

d) 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$371,821 as at December 31, 2012 (R$294,528 at December 31, 2011), which were not recorded since they refer to contingent assets. These credits refer primarily to the lawsuit filed to exclude ICMS from the PIS/COFINS tax base, totaling approximately R$223,149. Other credits may be obtained from lawsuits that address the increase in the PIS tax base, the exclusion of ISS from the PIS/COFINS tax base, among others.

21. Taxes payable in installments

	Company		Consolidated	
	2012	**2011**	**2012**	**2011**
ICMS – Installments - Law 17082	**6,504**	-	**6,504**	-
REFIS IV	**4,407**	6,536	**4,407**	6,536
PAES		716		716
	10,911	7,252	**10,911**	7,252
Current liabilities	**9,128**	2,854	**9,128**	2,854
Noncurrent liabilities	**1,783**	4,398	**1,783**	4,398

In the third quarter of 2012, the Company started to participate in the installment payment system of ICMS debts registered as overdue tax liability with the Paraná State Finance Office. The Company's legal counsel was litigating these debts, given that they were paid in the past with credits of certificate of judgment debt of Paraná State government. However, the offset was not accepted by the Paraná State Finance Office, due to an amendment to the state law at the time, which was the subject of litigation. With its participation, the Company also recovered the previously used credits of certificate of judgment debt of Paraná State government, duly adjusted for inflation, which were recorded in line item "Other assets."

(All amounts in thousands of Brazilian reais - R$)

21. Taxes payable in installments (Continued)

The Company was granted debt amnesty for R$5,011 by Law No. 17082/2012 out of a total debt of R$19,536. Part of the remaining debt was settled with escrow deposits, in the amount of R$8,021, and for the remainder amounting to R$6,504, credits of certificate of judgment debt of the government were offered, in accordance with regulatory law, which are under the Paraná State Office's analysis.

22. Equity

Capital stock

On May 2, 2011, the Company conducted an Initial Public Offering (IPO) of primary and secondary offering of common shares held by the Selling Shareholders. There was also the subscription of overallotment shares, defined as "Greenshoe Option" in the final offering prospectus. Overallotment shares were sold under the same conditions and prices of those originally offered, whose IPO process was concluded on June 3, 2011. The Tender Offer distributed the total of 55,398,796 shares and raised R$886,380.

Below is the Company's shareholding structure as at December 31, 2012, also all shares are common registered book-entry shares with no nominal value:

	Number of shares	Interest %
Controlling shareholders	126,688,581	67.93
Outstanding shares	59,805,886	32.07
Total	186,494,467	100.00

Under the Company's charter, capital may be increased, in accordance with article 168 of Law No. 6404/76, through issue of up to 50,000,000 new common shares.

Stock option plan

At the Board of Directors' meeting held on January 5, 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 Plan 2 and R$10.32 for Plan 1. The private instruments for granting the stock options to the beneficiaries were signed, totaling 2,250,000 stock options for R$10.32 (Plan 1) and 1,274,732 stock options for R$13.60 (Plan 2).

(All amounts in thousands of Brazilian reais - R$)

22. Equity (Continued)

Stock option plan (Continued)

Both types of plans will be effective for eight years as of their grant date. The options may be total or partially exercised, provided that the beneficiaries continuously maintain their relationship with the Company, as managers or employees from the grant date to the dates mentioned below. For Plan 1, 20% of the options can be exercised upon grant, and as of this date, additional 20% of the options can be exercised in each year the beneficiary is with the Company. For Plan 2, 20% of the options can be exercised as of March 1, 2012 and, as of this date, additional 20% can be exercised in each year the beneficiary is with the Company. These options, when exercised, will be settled upon submission of the Company's equity instruments.

Up to December 31, 2012, no stock option was exercised. The fair value of each option granted is estimated on the grant date through Black & Scholes pricing model, considering the following assumptions: (a) average life expectation of options of 5.5 years, representing the period in which the options are expected to be exercised and taking into account the average turnover of the plan's beneficiaries; (b) annualized average volatility considered for companies within the same industry of 43.5%; (c) risk-free interest rate of 10%. The weighted average fair value of the options granted as at December 31, 2012 was R$6.49.

According to CPC 10 R1 and IFRS 2, the effects of share-based payment transactions were recorded in the profit (loss) for the year, considering the fair value of stock options, resulting in an expense of R$2,820 for the year ended December 31, 2012. The table below shows the interest dilution limit percentage, which would be submitted to current shareholders, had all the options granted been exercised up to December 31:

	12/31/2012
Number of current shares	**186,494,467**
Balance of stock options in effect	**3,524,732**
Dilution limit percentage	**1.89%**

Legal reserve

Legal reserve, as provided for in Article 193 of Law No. 6404/76, refers to the allocation of 5% of profit for the year, limited to 20% of capital stock. As at December 31, 2012 and 2011, the Company's legal reserve totaled R$4,025.

(All amounts in thousands of Brazilian reais - R$)

22. Equity (Continued)

Dividends

The Company's Articles of Incorporation set forth the distribution of mandatory minimum dividend of 15% of profit adjusted according to Brazilian Corporation Law. For the year ended December 31, 2011, management recorded a provision of R$1,662 for the mandatory minimum dividend. The Annual Shareholders' Meeting held on April 30, 2012 resolved on the allocation of R$2,771 as dividend distribution, i.e., R$1,109 more than the mandatory dividend. This amount was fully settled in the second quarter of 2012.

Retained profits reserve

After legal retentions and distribution of dividends, the remaining balance of profits is transferred to the retained profits reserve, which will be allocated as resolved at the annual shareholders' meeting.

Earnings per share

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

	12/31/2012	**12/31/2011**
Profit (loss) for the periods attributable to the owners of the Company	**(6,745)**	11,666
Weighted average of outstanding shares for the period	**186,494**	174,448
Basic and diluted earnings per share (in reais)	**(0.04)**	0.07

Considering that the market average price of outstanding shares is lower than the exercise price of the stock options granted, in the period between the grant of the stock option plan and December 31, 2012, the diluting effect of earnings per share is not affected.

(All amounts in thousands of Brazilian reais - R$)

23. Net operating revenue

	Company (BR GAAP)		Consolidated (IFRS and BRGAAP)	
	2012	2011	2012	2011
Gross revenue:				
Retails – Resale of goods	**7,733,619**	5,857,772	**8,114,022**	6,848,111
Retails – Services provided	**294,204**	241,205	**166,228**	152,443
Financial operations	**-**	-	**654,148**	504,290
Insurance operations	**-**	-	**86,335**	68,754
Consortium management	**-**	-	**33,713**	27,738
	8,027,823	6,098,977	**9,054,446**	7,601,336
Taxes and returns:				
Resale of goods	**(1,269,143)**	(931,262)	**(1,345,951)**	(1,145,076)
Services provided	**(39,255)**	(32,129)	**(43,383)**	(36,889)
	(1,308,398)	(963,391)	**(1,389,334)**	(1,181,965)
Net sales	**6,719,425**	5,135,586	**7,665,112**	6,419,371

24. Cost of sales, services and funds raised for financial operations

	Company (BR GAAP)		Consolidated (IFRS and BRGAAP)	
	2012	2011	2012	2011
Costs:				
Goods resold	**(4,810,471)**	(3,589,901)	**(5,051,968)**	(4,163,438)
Services provided	**-**	-	**(12,184)**	(14,061)
Funds raised for financial operations	**-**	-	**(82,445)**	(97,585)
	(4,810,471)	(3,589,901)	**(5,146,597)**	**(4,275,084)**

25. Information on the nature of the expenses recognized in the statement of operations

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

	Company (BR GAAP)		Consolidated (IFRS and BRGAAP)	
	2012	2011	2012	2011
Personnel	**(938,112)**	(752,566)	**(979,062)**	(860,827)
Service providers	**(349,177)**	(273,453)	**(421,024)**	(388,938)
Other	**(357,854)**	(258,957)	**(538,109)**	(348,994)
Total	**(1,645,143)**	(1,284,976)	**(1,938,195)**	(1,598,759)

(All amounts in thousands of Brazilian reais - R$)

25. Information on the nature of the expenses recognized in the statement of operations (Continued)

	Company (BR GAAP) 2012	Consolidated (IFRS and BRGAAP) 2011	Company (BR GAAP) 2012	Consolidated (IFRS and BRGAAP) 2011
Classified by function as:				
Selling	**(1,344,320)**	(1,038,760)	**(1,581,049)**	(1,343,327)
General and administrative	**(330,723)**	(264,749)	**(388,429)**	(354,629)
Other operating income, net (Note 26)	**29,900**	18,533	**31,283**	99,197
	(1,645,143)	(1,284,976)	**(1,938,195)**	(1,598,759)

26. Other operating income, net

	Company (BR GAAP)		Consolidated (IFRS and BRGAAP)	
	2012	2011	2012	2011
Gain (loss) on sale of property and equipment (a)	**(833)**	10,342	**(833)**	10,133
Recognition of deferred revenue (b)	**39,388**	26,447	**44,947**	27,665
Provision for tax losses	**12,910**	(6,448)	**12,910**	42,633
Chain integration expenses (c)	**(23,009)**	(12,702)	**(25,645)**	(39,414)
Chip credit card expenses (d)	**-**	-	**(7,837)**	-
Personal loans - Luizacred (e)	**-**	-	**17,444**	50,179
Sale of brand disclosure structure (f)	**-**	-	**-**	22,500
Financial loss (g)	**-**	-	**(4,629)**	(8,160)
Other	**1,444**	894	**(5,074)**	(6,339)
Total	**29,900**	18,533	**31,283**	99,197

a) In 2011, this balance referred to sale of properties to related parties, as described in Note 6-a. The amount of this transaction in 2012 refers to sale of intangible assets, such as scrap to third parties.

b) Refers to the allocation of deferred revenue from assignment of exploration rights, as described in detail in Note 18.

c) Refer to nonrecurring expenses in the chains merger process.

d) Refers to expenses with issue of new chip credit cards for new and old customers.

e) In 2005, Luizacred entered into a partnership agreement with former Banco Fininvest S.A., succeeded by Itaú Unibanco, for the offer of payroll-deductible loan to Magazine Luiza customers, 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.

f) Refers to revenue from sale of Luizacred's disclosure structure, with a view to promoting the Itaúcard brand.

g) Refers to expenses with Luizacred's credit card operation losses.

(All amounts in thousands of Brazilian reais - R$)

27. Financial expenses, net

	Company		Consolidated	
	2012	**2011**	**2012**	**2011**
Financial income:				
Interest on extended warranty sales	**27,656**	13,248	**27,656**	13,248
Income from short-term financial investments and securities	**15,441**	20,079	**13,903**	32,198
Interest on sale of goods - Interest on delay in collection	**2,285**	1,745	**2,423**	2,149
Exchange gains	**-**	469	**-**	469
Discount obtained	**5,781**	2,360	**5,795**	2,897
Other	**5,918**	672	**5,918**	725
	57,081	38,573	**55,695**	51,686
Financial expenses:				
Interest on loans and financing	**(107,936)**	(115,267)	**(114,274)**	(136,797)
Charges on credit card advances	**(103,208)**	(71,962)	**(82,043)**	(52,885)
Provision of interest on extended warranty	**(14,284)**	(8,951)	**(14,284)**	(8,951)
Exchange loss	**(278)**	(858)	**(278)**	(858)
Other	**(16,612)**	(16,357)	**(17,113)**	(17,918)
	(242,318)	(213,395)	**(227,992)**	(217,409)
Financial expenses, net	**(185,237)**	(174,822)	**(172,297)**	(165,723)

28. 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 2012 and 2011, contributions amounted to R$648 and R$337, respectively. Participants can make voluntary contributions, deducted from payroll, with no matching contribution by the Group.

The Group offers to its employees health care benefits, dental reimbursement, life insurance, meal ticket, transportation voucher, scholarship, action plans, among others. The expense on such benefits, recorded in 2012, was R$111,461 (R$94,738 in 2011). Additionally, the Group does not offer any benefits to the key management personnel of its related parties.

29. Segment reporting

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 joint venture Luizacred, mainly engaged in the extension of credit to Company customers for acquisition of products;

Insurance - through joint venture Luizaseg, mainly engaged in the offer of extended warranties of products purchased by Company customers;

Consortium management - through subsidiary LAC, mainly engaged in the management of consortiums to Company 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.

(All amounts in thousands of Brazilian reais - R$)

29. Segment reporting (Continued)

Statement of operations

	2012						
	Retail	Financial operations	Insurance operations	Consortium management	Total	Exclusions	Consolidated balance
Gross revenue from third parties	8,280,248	643,608	86,335	33,713	9,043,904	-	9,043,904
Gross revenue from related parties	148,045	23,590	-	-	171,635	(161,093)	10,542
Revenue deductions	(1,386,376)	-	-	(2,958)	(1,389,334)	-	(1,389,334)
Net segment sales	7,041,917	667,198	86,335	30,755	7,826,205	(161,093)	7,665,112
Costs	(5,051,968)	(82,445)	(6,348)	(11,739)	(5,152,500)	5,903	(5,146,597)
Gross profit	1,989,949	584,753	79,987	19,016	2,673,705	(155,190)	2,518,515
Selling expenses	(1,404,098)	(179,772)	2,821	-	(1,581,049)	-	(1,581,049)
Selling expenses - related parties	-	(71,270)	(60,330)	-	(131,600)	131,600	-
General and administrative expenses	(355,518)	(3,051)	(13,157)	(16,703)	(388,429)	-	(388,429)
Result from allowance for doubtful accounts	(23,471)	(315,048)	-	-	(338,519)	-	(338,519)
Depreciation and amortization	(92,156)	(6,621)	(12)	(291)	(99,080)	5,544	(93,536)
Equity in earnings (losses) of subsidiaries	20,512	-	-	-	20,512	(20,512)	-
Other operating income	30,989	4,839	257	742	36,827	(5,544)	31,283
Financial expenses, net	(181,130)	-	7,918	915	(172,297)	-	(172,297)
Financial income (expenses) from related parties	(23,590)	-	-	-	(23,590)	23,590	-
Income tax and social contribution	31,768	(6,438)	(6,865)	(1,178)	17,287	-	17,287
Net income (loss) for the year	(6,745)	7,392	10,619	2,501	13,767	(20,512)	(6,745)

(All amounts in thousands of Brazilian reais - R$)

29.Segment reporting (Continued)

Statement of operations (Continued)

	2011						
	Retail	**Financial operations**	**Insurance operations**	**Consortium management**	**Total**	**Exclusions**	**Consolidated 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
Costs	(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	(1,201,711)	141,250	(366)	-	1,343,327	-	(1,343,327)
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)
Result 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 earnings (losses) of subsidiaries	29,864	-	-	-	29,864	(29,864)	-
Other operating income	54,498	54,280	(188)	8	108,598	(9,401)	99,197
Financial expenses, net	(175,611)	-	8,975	913	(165,723)	-	(165,723)
Financial income (losses) 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 year	11,666	22,747	7,471	(354)	41,530	(29,864)	11,666

(All amounts in thousands of Brazilian reais - R$)

29. Segment reporting (Continued)

Statement of financial position

	2012						
	Retail	Financial operations	Insurance operations	Consortium management	Total	Exclusions	Consolidated balance
Assets							
Cash and cash equivalents	404,143	4,244	5	14,736	423,128	-	423,128
Securities	126,385	5,024	103,073	-	234,482	-	234,482
Trade receivables	486,872	1,619,378	-	-	2,106,250	-	2,106,250
Inventories	1,068,762	-	-	-	1,068,762	-	1,068,762
Investments	235,166	-	-	-	235,166	(235,166)	-
Property and equipment and intangible assets	1,008,272	100,802	16	1,023	1,110,113	(94,190)	1,015,923
Other assets	773,376	83,777	20,448	1,998	879,599	(63,389)	816,210
	4,102,976	1,813,225	123,542	17,757	6,057,500	(392,745)	5,664,755
Liabilities							
Trade payables	1,325,992	-	1,845	318	1,328,155	-	1,328,155
Loans and financing	1,235,964	-	-	-	1,235,964	-	1,235,964
Interbank deposits	-	990,021	-	-	990,021	-	990,021
Credit card operations	-	566,664	-	-	566,664	-	566,664
Insurance reserves	-	-	61,493	-	61,493	-	61,493
Provision for civil, tax and labor contingencies	186,027	11,548	101	1,526	199,202	-	199,202
Deferred revenue	412,271	7,500	-	-	419,771	(94,188)	325,583
Other payables	326,730	55,740	18,959	3,641	405,070	(63,389)	341,681
	3,486,984	1,631,473	82,398	5,485	5,206,340	(157,577)	5,048,763

(All amounts in thousands of Brazilian reais - R$)

29. **Segment reporting** (Continued)

Statement of financial position (Continued)

	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 receivables	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 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 payables	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
Insurance reserves	-	-	50,317	-	50,317	-	50,317
Provision for civil, tax and labor contingencies	166,569	6,167	61	607	173,404	-	173,404
Deferred revenue	418,088	-	-	-	418,088	(99,735)	318,353
Other payables	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

(All amounts in thousands of Brazilian reais - R$)

30. Financial instruments

Capital risk management

The Company's funds are managed so as 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 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, represents 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 profit before income tax and social contribution, financial income and expenses, depreciation and amortization.

The Company's capital structure is broken down below:

	Company		**Consolidated**	
	12/31/2012	**12/31/2011**	**12/31/2012**	**12/31/2011**
Loans and financing	**1,235,964**	591,257	**1,235,964**	711,335
(-) Cash and cash equivalents	**(404,143)**	(150,980)	**(423,128)**	(173,117)
(-) Securities	**(126,385)**	(26,876)	**(234,482)**	(118,224)
Net debt	**705,436**	413,401	**578,354**	419,994
Equity	**615,992**	620,945	**615,992**	620,945

(All amounts in thousands of Brazilian reais - R$)

30. Financial instruments (Continued)

Categories of financial instruments

	Company (BR GAAP)		Consolidated (IFRS and BR GAAP)	
Financial assets	2012	2011	2012	2011
Loans and receivables (including cash and banks):				
Cash and banks	**103,792**	43,571	**109,671**	54,688
Escrow deposits	**129,348**	53,534	**137,792**	88,969
Trade receivables	**486,872**	442,184	**2,106,250**	1,937,235
Related parties	**71,769**	130,165	**35,541**	42,601
Held for trading:				
Cash equivalents and securities	**426,736**	134,285	**547,939**	174,892
Available for sale:				
Securities	**-**	-	**83,838**	61,761
Financial liabilities				
Amortized cost:				
Loans, financing and interbank deposit	**1,235,964**	591,527	**2,225,985**	1,692,813
Credit card operations	**-**	-	**566,664**	436,130
Trade payables	**1,325,992**	1,091,013	**1,328,155**	1,267,774
Related parties	**51,291**	45,737	**25,989**	25,492
Taxes paid in installments	**10,911**	7,252	**10,911**	7,252

In the opinion of the Company's management, the carrying amounts of the financial instruments recognized in the company and consolidated financial statements approximate their respective fair values, as the maturity dates of most balances are close to the reporting 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 reporting dates approximates their fair value.

(All amounts in thousands of Brazilian reais - R$)

30. Financial instruments (Continued)

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 whose fair value could be measured by using nonobservable significant information (Level 3) as at December 31, 2012 and 2011.

Liquidity risk management

The Company's management has ultimate responsibility for managing 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 liquidity risk through continuous monitoring of estimated and actual cash flows, combination of maturity profiles of financial assets and liabilities and 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 repayment 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 year-end. 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 payables	1,328,155	-	-	1,328,155
Loans and financing	317,198	756,622	162,144	1,235,964
Related parties	25,989	-	-	25,989
Taxes paid in installments	9,128	1,070	713	10,911

30. Financial instruments (Continued)

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 may incur losses due to non-receipt of amounts billed to their customers, whose balance amounts to R$2,242,713 as at December 31, 2012 (R$2,065,829 as at December 31, 2011). 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 receivables 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, 2012, the Group recorded past-due or uncollectible balances under "trade receivables," whose terms were renegotiated, in the amount of R$161,192 (R$89,694 as at December 31, 2011), 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, which were the subject of a sensitivity analysis performed by the Group, as described in the following item.

(All amounts in thousands of Brazilian reais - R$)

30. Financial instruments (Continued)

Considerations on risks (Continued)

Currency risk management: the Company uses derivatives, recorded in statement of financial position and statement of operations 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 interest-bearing loans in foreign currency, 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 to 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 this transaction.

The Company does not adopt hedge accounting provided for by CPC 38.
Below is the description of agreements that affected profit or loss for the year ended December 31, 2012:

Bank	Notional value	Fair value through gain (loss) on swap	Bank index		Company index	
			Index	Interest	Index	Interest
		(a)				
Bradesco	44,713	9,527	US$	4.08% p.a.	CDI	118% p.a.
Banco do Brasil	85,517	21,296	US$	4.79% p.a.	CDI	116% p.a.
	130,230	30,823				

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

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

(All amounts in thousands of Brazilian reais - R$)

30. Financial instruments (Continued)

Sensitivity analysis of financial instruments

As of December 31, 2012, 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 income from investments for the 12-month period are as follows:

	Probable rate	**Probable Scenario I**	**Scenario II (+ 25%)**	**Scenario III (- 25%)**	**Scenario IV (+ 50%)**	**Scenario V (- 50%)**
Interest to be incurred exposed to:						
CDI	6.90%	42,096	52,620	31,572	63,144	21,048
TJLP	6.00%	1,411	1,541	1,198	1,712	1,027
IPCA	5.60%	1,205	1,316	1,035	1,457	894
Total		**44,712**	**55,477**	**33,805**	**66,313**	**22,969**

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

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 five years, renewable for another 5-year period, which management analyzed and concluded to be classified as operating lease.

These contracts provide for fixed or variable rental amounts, based on the percentage of net sales, according to contractual provisions. As of December 31, 2012, the Company had 743 leased stores. For these lease agreements, including nine distribution centers, lease expenses totaled R$172,046 for the year ended December 31, 2012 (R$111,596 in 2011).

(All amounts in thousands of Brazilian reais - R$)

31. Commitments (Continued)

Operating lease - lease agreements (Continued)

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

Year	Amount
2013	180,683
2014	190,113
2015	199,060
2016	208,180
2017	217,717
Total	995,753

Finance lease agreements

	Minimum payments			
	Company		Company	
	2012	2011	2012	2011
Up to one year	**9,834**	10,555	**9,834**	10,586
Two to five years	**10,072**	15,405	**10,072**	15,405
More than five years	**250**	44	**250**	44
	20,156	26,004	**20,156**	26,035
Less: non-incurred financial result	**(2,124)**	(5,638)	**(2,124)**	(5,643)
Present value of minimum payments	**18,032**	20,366	**18,032**	20,392

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 15-c for further information.) No financial instruments were contracted to hedge against the risk of fluctuations in 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 described in Note 15-b.

(All amounts in thousands of Brazilian reais - R$)

31. Commitments (Continued)

Finance lease agreements (Continued)

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

Category of assets	2012	2011
Computers and peripherals	**9,147**	12,831
Vehicles	**9,684**	8,774
Software	**8,595**	-
Total	**27,426**	21,605

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 had been impaired.

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, 2012 and 2011, 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 (BR GAAP)		Consolidated (IFRS and BR GAAP)	
	2012	2011	2012	2011
Amounts payable on acquisition of property and equipment	**-**	7,389	**-**	7,389
Dividends paid by joint ventures and not received	**3,702**	8,647	**-**	-
Dividends declared and not paid in the year	**-**	1,662	**-**	1,662
Other comprehensive income	**81**	-	**81**	-

(All amounts in thousands of Brazilian reais - R$)

32. Statements of cash flows (Continued)

32.2. Additional information to the statements of cash flows whose disclosures are supported by CPC 03 (R2) - statements of cash flows

32.2.1. <u>Statements of cash flows of investments in joint ventures</u>

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**	
	2012	**2011**	**2012**	**2011**
Net cash provided by (used in) operating activities	**(20,472)**	(44,372)	**27**	5,957
Net cash used in investing activities	**(80)**	(25,003)	**-**	-
Net cash provided by (used in) financing activities	**20,979**	72,943	**(22)**	(5,970)
Increase (decrease) in cash and cash equivalents	**427**	3,568	**(5)**	(13)

(All amounts in thousands of Brazilian reais - R$)

32. Statements of cash flows (Continued)

32.2. Additional information to the statements of cash flows whose disclosures are supported by CPC 03 (R2) - statements of cash flows (Continued)

32.2.2. Statements of cash flows by business segment

	2012					
	Retail	**Financial operations**	**Insurance operations**	**Consortium management**	**Exclusions**	**Consolidated**
Net cash provided by (used in) operating activities	**54,040**	**(20,472)**	**27**	**3,958**	**(101,630)**	**(64,077)**
Net cash used in investing activities	**(256,597)**	**(80)**	**(22)**	**(333)**	**147,151**	**(109,881)**
Net cash provided by (used in) financing activities	**453,970**	**20,979**	**-**	**-**	**(50,980)**	**423,969**
Increase (decrease) in cash and cash equivalents	**251,413**	**427**	**5**	**3,625**	**(5,459)**	**250,011**

	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)

(All amounts in thousands of Brazilian reais - R$)

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, 2012 and 2011, insurance coverage is as follows:

	2012	2011
Civil liability	**500**	500
Sundry risks - inventories and property and equipment	**723,533**	474,770
Vehicles	**12,759**	10,207
	736,792	485,477

34. Subsequent events

34.1. Association Agreement

On February 22, 2013, an amendment to the alliance agreement between Luizacred S.A. Sociedade de Crédito, Financiamento e Investimento (“Luizacred”) and Itaú Unibanco Holding S.A. and Banco Itaucard S.A. (“Itaú”) was signed, aiming at transferring Luizacred’s (“Luiza Card”) credit card issuance activities and the corresponding assets and liabilities to Itaú or Itaú’s affiliate (“Transfer”). After the transfer, Magazine Luiza will continue to receive 50% of the results of Luiza Card through profit sharing, maintaining its economic interest. The direct consumer credit (“CDC”) and personal loans will remain in Luizacred. This Amendment also maintains Luizacred and Luiza Card’s general governance principles, as well as its exclusivity rights up to 2029.

34.2. Issue of debenture

On March 07, 2013, the Company’s Board of Directors approved the second issue of unsecured simple debentures, not convertible into Company shares, in two series (“Issue” and “Debentures”, respectively), for public distribution with restricted placement efforts. There will be issue of 200 debentures, with nominal unit value of R$1,000, totaling R$200,000. For legal purposes, debenture issue date will be March 22, 2013 in two series; namely: (a) 1st series in the amount of R$ 100,000, with term of 2 years, with unit value not subject to restatement and earning interest of 112.00% of accumulated variation of average DI rates; and 2nd series in the amount of R$ 100,000, with term of 3 years, with unit value not subject to restatement and earning interest of 114.50% of DI. The funds raised will be destined to extend the Company’s debt repayment profile.

35. Approval of the financial statements

The disclosure of the financial statements was approved and authorized by the Board of Directors on March 26, 2013.