3Q12 Conference Call

November, 13th 2012

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- **Highlights of 3Q12**
- Financial Performance
- Operational Performance
- Expectations for 4Q12 and for 2013

Highlights of 3Q12

Initiatives and Achievements

- **Significant sales growth over 3Q11**
  - Total sales growth of 15.2%
  - Same store sales growth of 9.6%
    - E-commerce growth of 25.5%
    - Physical stores sales growth of 7.4%
- **Sustainable growth**
  - Consolidated gross margin evolution – 33.5% over net revenues
    - Increased by 0.8pp over 3Q11
    - Maintenance over 2Q12
  - Financial discipline (limited sales with no interest)
  - Conservative credit approval rate
- **Conclusion of Lojas Maia integration process**
  - Systems integration concluded – Oct 2012
    - Gross margin will improve in the 4Q12 and in 2013, through a more efficient management of prices and inventories, and a reduction in general and administrative expenses
- **Rationalization of Costs and Expenses**
  - Rationalization of costs and expenses program – Company’s main focus in 2012
  - 0.8pp reduction on SG&A expenses of retail segment
    - 25.4% of net revenues *versus* 26.2% in 3Q11

Impacts on Financial Results

- **Investments in infrastructure and expansion**
  - Total investments: R$44.8 million
    - 5 new conventional stores were opened, while investments started on nine more stores to be opened in 4Q12
    - Stores remodeling
    - Investments in logistics and technology
- **Extraordinary expenses - integration:**
  - R$6.3 million invested – training of more than 4,000 employees and the brand change in the northeast
- **Luizacred results**
  - Overdue indicators improved – Above 90 days overdue loan portfolio merits special mention
  - Maintenance of conservative approach
    - Reduction of credit approval rate
    - Robust provisions for loan losses
- **Magazine Luiza results**
  - 3Q12 results were impacted by sales slightly below expectations, efforts towards northeast integration, and conservativeness in provisions

Inauguration – 3Q12

Campo Grande - MS

Viçosa - MG

Olinda – PE

Salvador - BA

Jaboatão dos Guararapes - PE

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- **Financial Performance**
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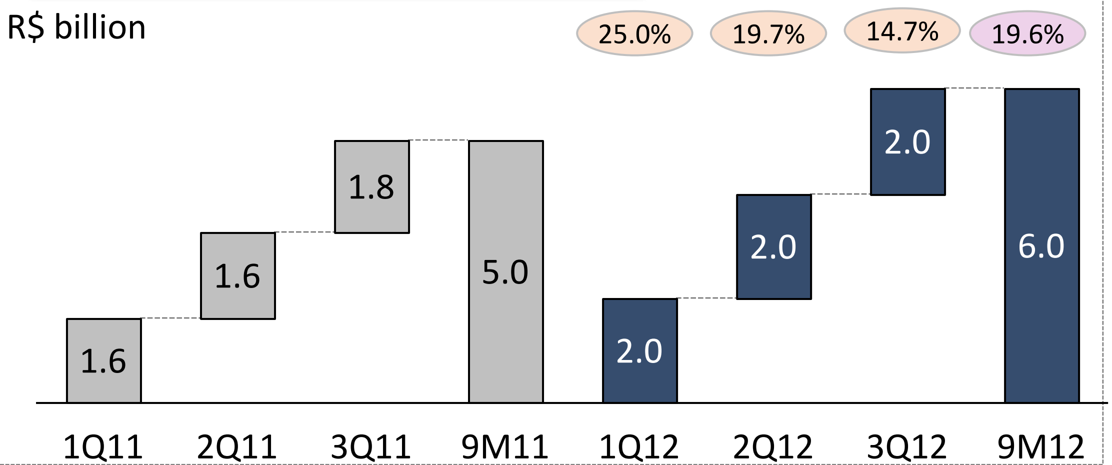
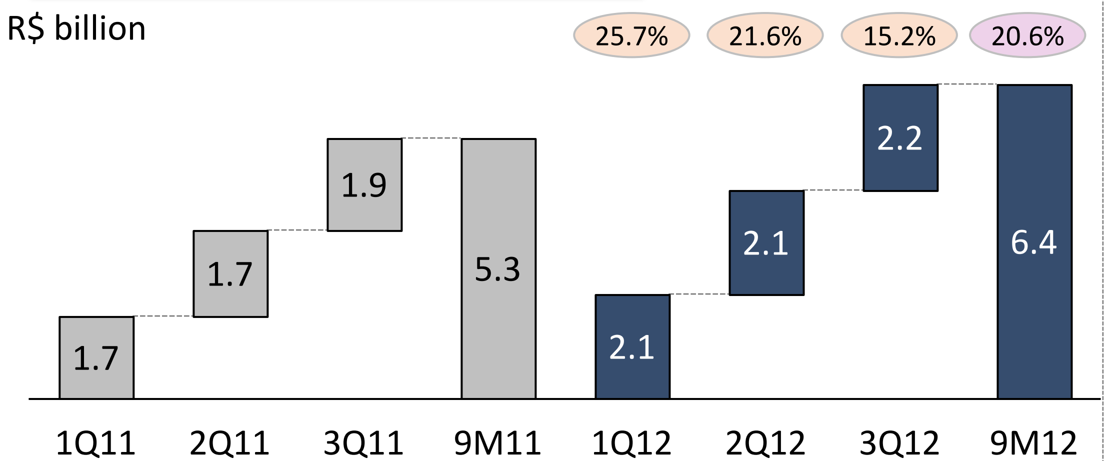
Gross Revenue

Retail



Consolidated



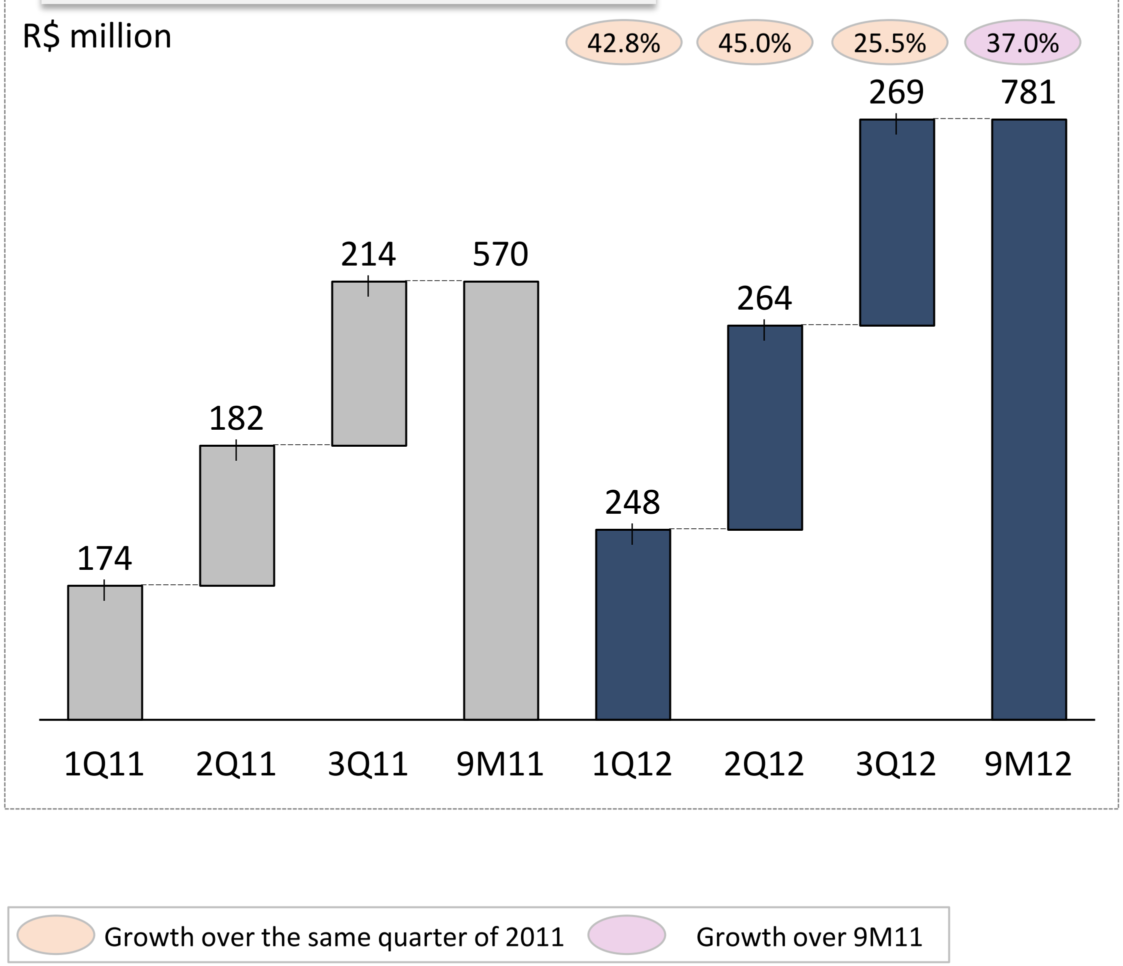
Growth over the same quarter of 2011 | Growth over 9M11

Comments

- **14.7% growth in the retail segment** over 3Q11 and **9.6% same store sales growth**, driven by:
  - E-commerce
  - Stores maturation
- Sales in the northeast region – **R$287 million (14.2% of total retail sales)** – were affected extraordinarily by the integration process, but have already returned to above the Company's average sales growth
- **15.2% growth in the consolidated gross revenues** over 3Q11:
  - 23.0% growth in revenue from the consumer finance segment, influenced by the increase in direct consumer credit and service revenues
- **Increase in store count** – from 684 in the end of 3Q11 to **736 stores in the end of 3Q12**

Gross Revenue – Internet

Internet

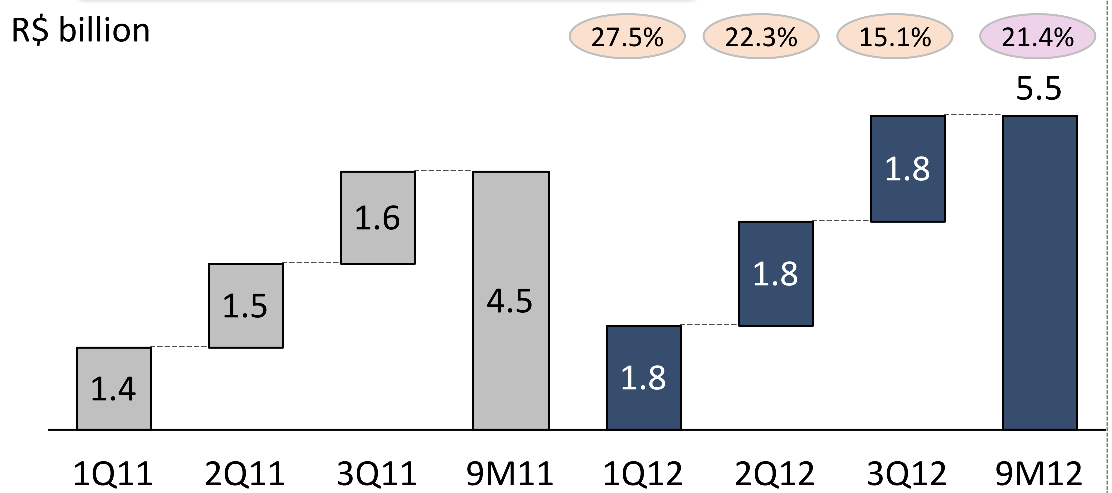


Comments

- Internet sales climbed 25.5% in 3Q12 over 3Q11 and 37.0% in 9M12 over 9M11 driven by:
  - **Increase in product mix**
  - **Innovations** in content
  - **Investments in Information Tecnology infrastructure and systems**
  - **Multi-channel approach**: infrastructure shared with other channels

Net Revenues and Gross Profit

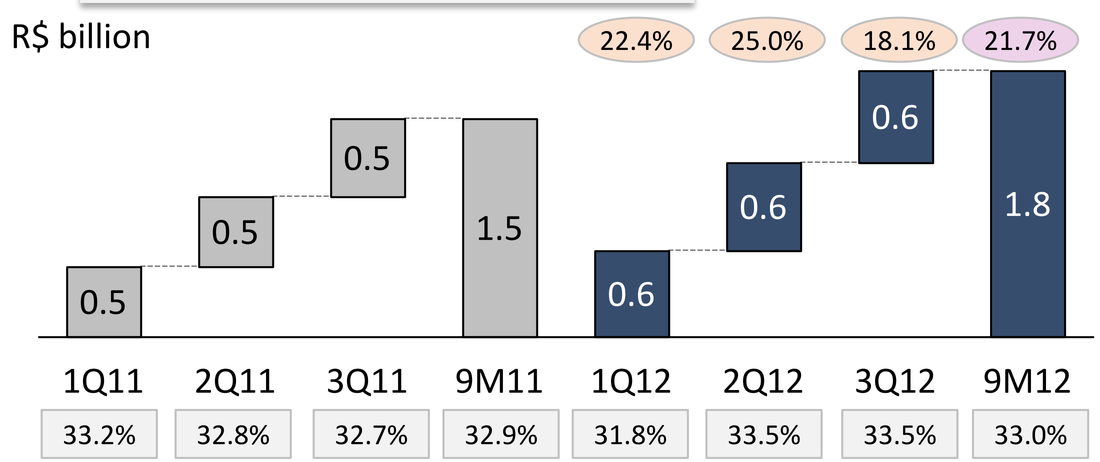
Net Revenue – Consolidated



Comments

- **15.1% growth** in **3Q12** – in line with gross revenue growth
- **21.4% growth** in **9M12** over **9M11**

Gross Profit – Consolidated



Comments

- **Improve of 0.8pp of consolidated gross margin in 3Q12** over **3Q11** and maintenance over 2Q12:
  - **Retail** Gross Margin: **28.8%** in **3Q12**
  - Gross margin from stores in the northeast: **25.3%** in 3Q12, compared to 29.4% registered by other Magazine Luiza stores – **system integration** will help to bring the region's gross **margin on par** with **other regions**

Growth over the same quarter of 2011 Growth over 9M11 Gross Margin (%)

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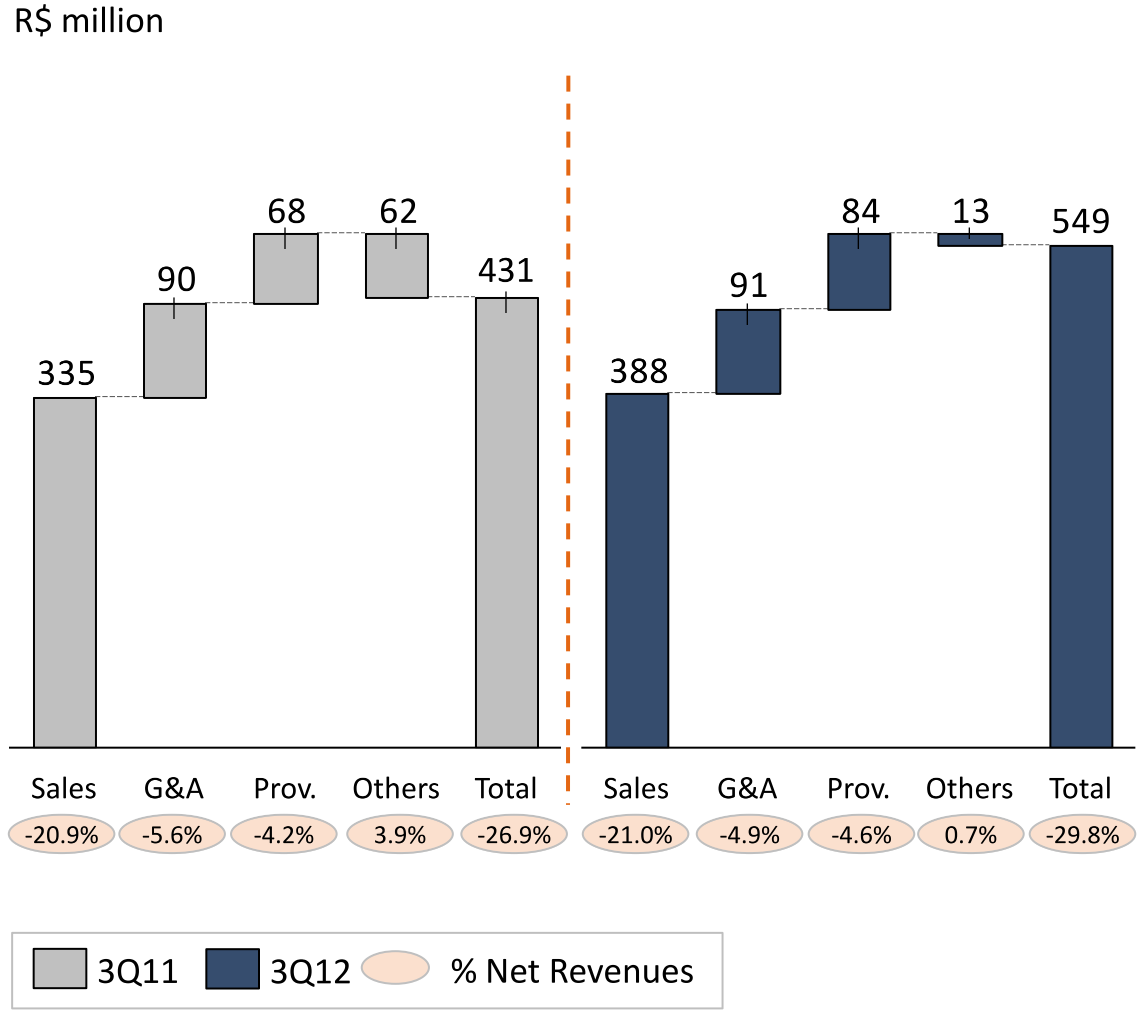
Operating Expenses – Consolidated

Operating Expenses



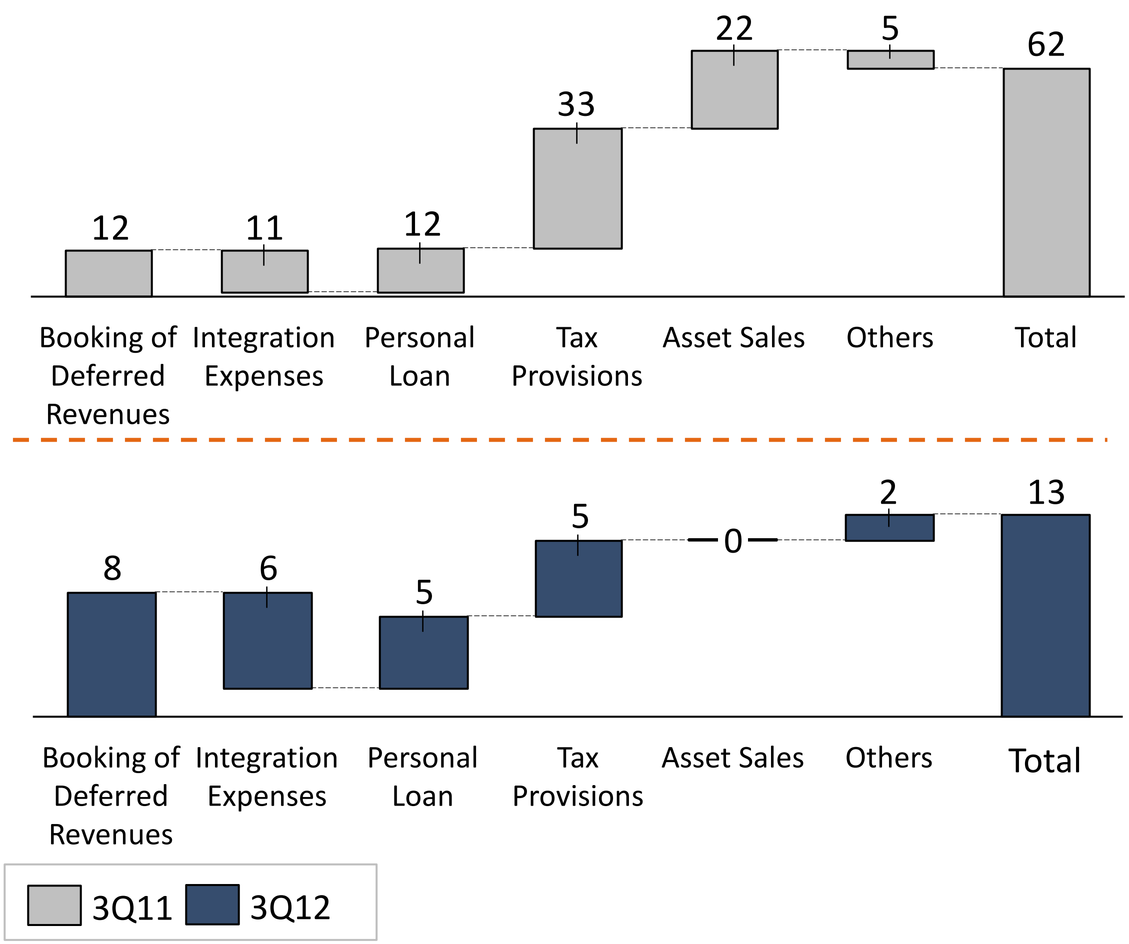
Comments

- **Selling expenses** in line with 3Q11 and slightly above 2Q12 (20.7%)
  - — Despite the rationalization of costs and expenses project, sales came slightly below expectations, preventing a greater dilution of operating expenses in the quarter
- **General and Administrative expenses:** 0.7pp lower than in the previous year, thanks to expenses rationalization proposed in 2012
- **Provisions for Loan Losses:**
  - — R$68.1 million (4.2% over net revenues) in 3Q11 to R$84.1million in 3Q12 (4.6% over net revenues)
  - — Substantial provisions (Luizacred conservative approach)
- **Other Operating Expenses (Revenues):** see next slide

Other Operating Expenses (Revenues) – Consolidated

Other Operating Expenses (Revenues)

R$ million

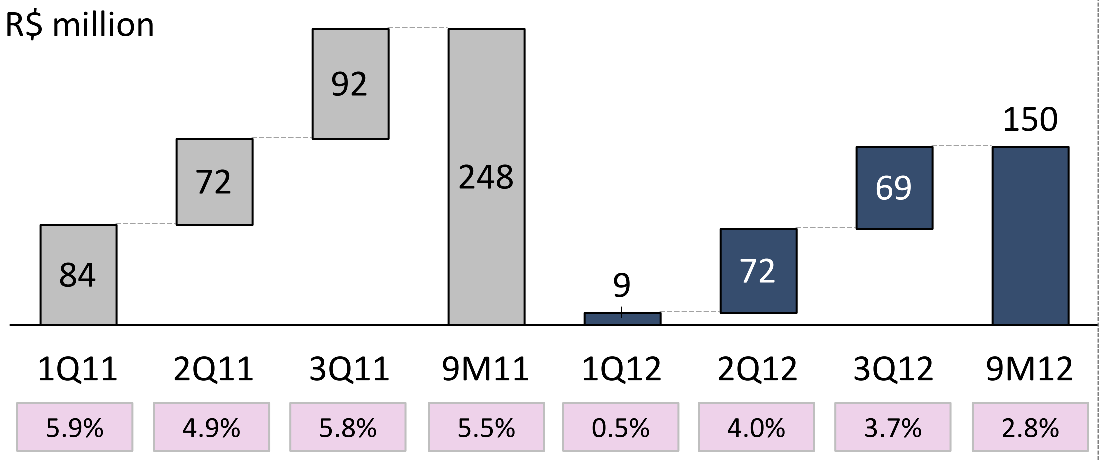


Comments

- **Other Operating Expenses (Revenues):**
  - **Deferred revenues:**
    - From R$12.4 million in 3Q11 to R$8.2 million in 3Q12 – **reduction in the booking of deferred revenues** (straight-line method)
  - **Non-recurring expenses** with the integration of store chains of R$6.3 million in 3Q12
  - **Change in the booking of personal loans**, which are now recognized under financial intermediation result, thereby reducing revenues from profit sharing from R$12.0 million to R$4.7 million
  - **Tax Provisions**: R$32.6 million of reversed tax provisions in Lojas Maia (3Q11) versus R$5.0 million of non recurring fiscal provision benefits (3Q12)
  - **Asset Sales:** revenues from Luizacred marketing selling structure

EBITDA and Adjusted EBITDA

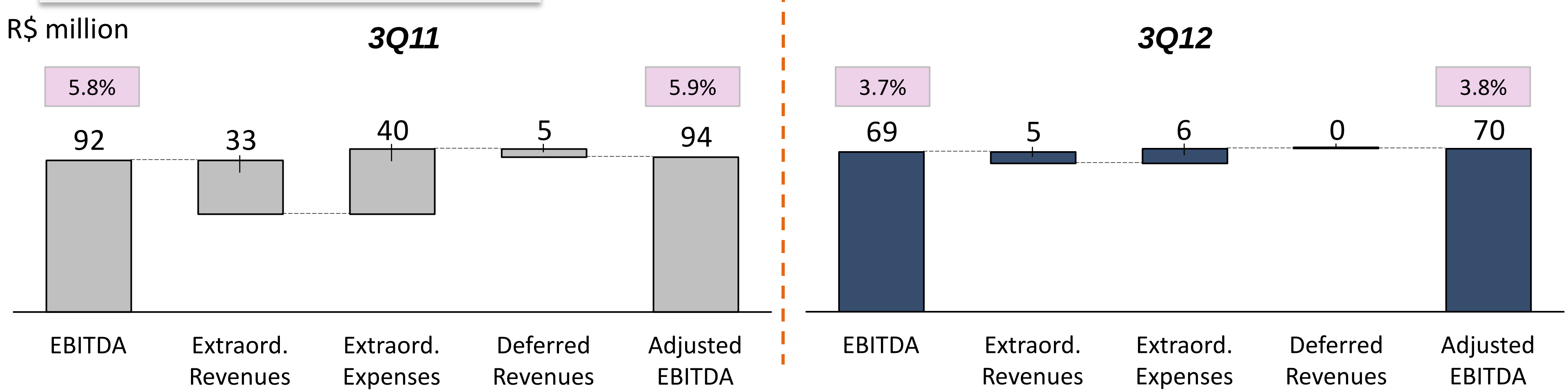
EBITDA



Comments

- EBITDA margin of 3.7% in 3Q12 impacted by:
  - **Lojas Maia integration process**
  - **Higher provisions** for loan losses
- The EBITDA of northeast region reached R$5.8 million in 3Q12 and did not yet reflected the expected benefits after the integration of Lojas Maia

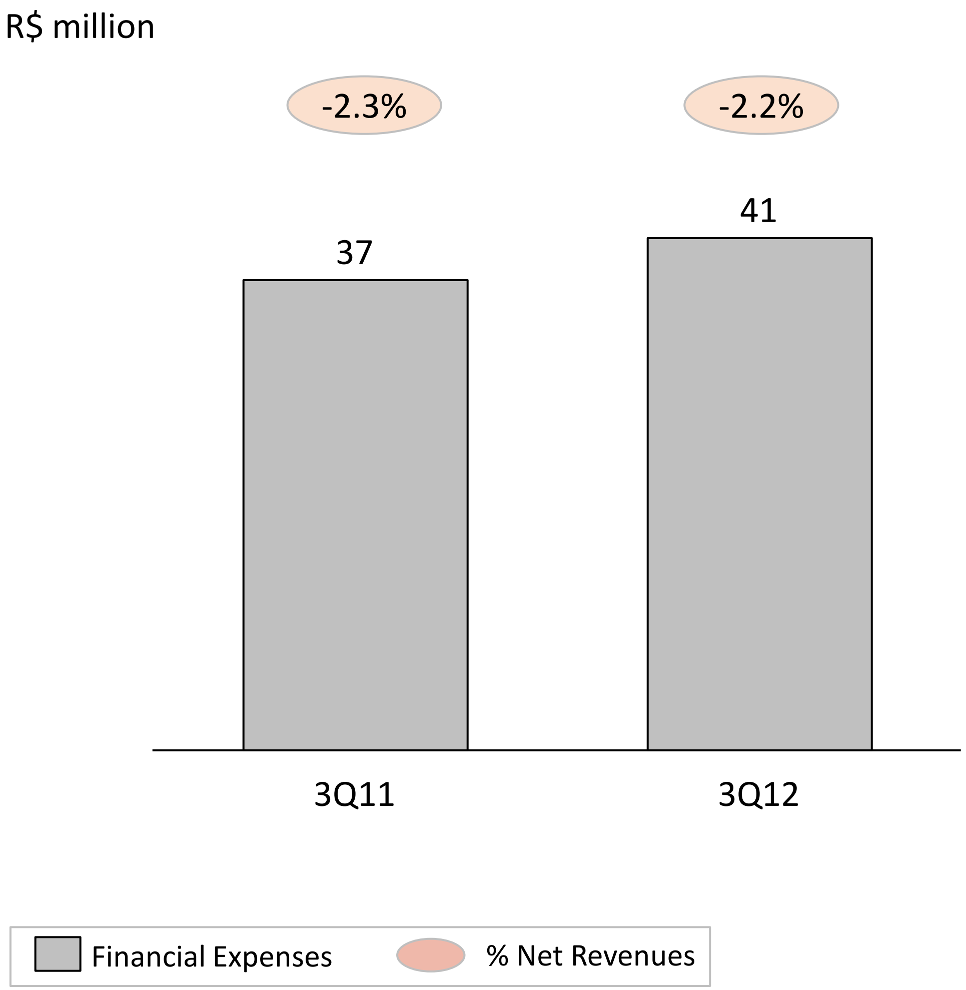
Adjusted EBITDA



Margin EBITDA (%)

Financial Expenses – Consolidated

Financial Expenses



Comments

- **Financial Results**:
  - **Decline from 2.3% of net revenues in 3Q11 to 2.2% in 3Q12**:
    - Positively impacted by the reduction in CDI rate
    - Partially offset by the increase in working capital requirements
  - **In 9M12, net financial expenses** totaled R$125.2 million, declining from **2.8% to 2.3% of net sales for the period**

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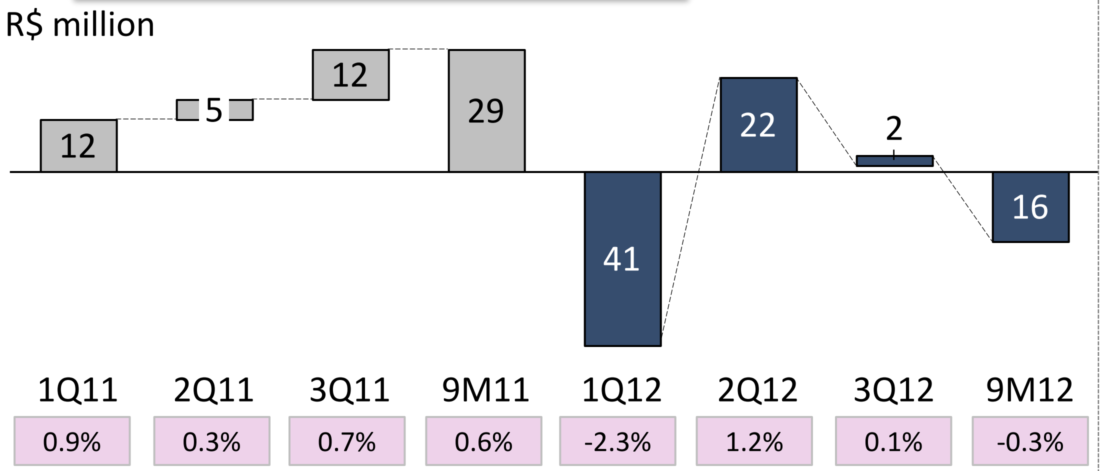
Net Income and Adjusted Net Income

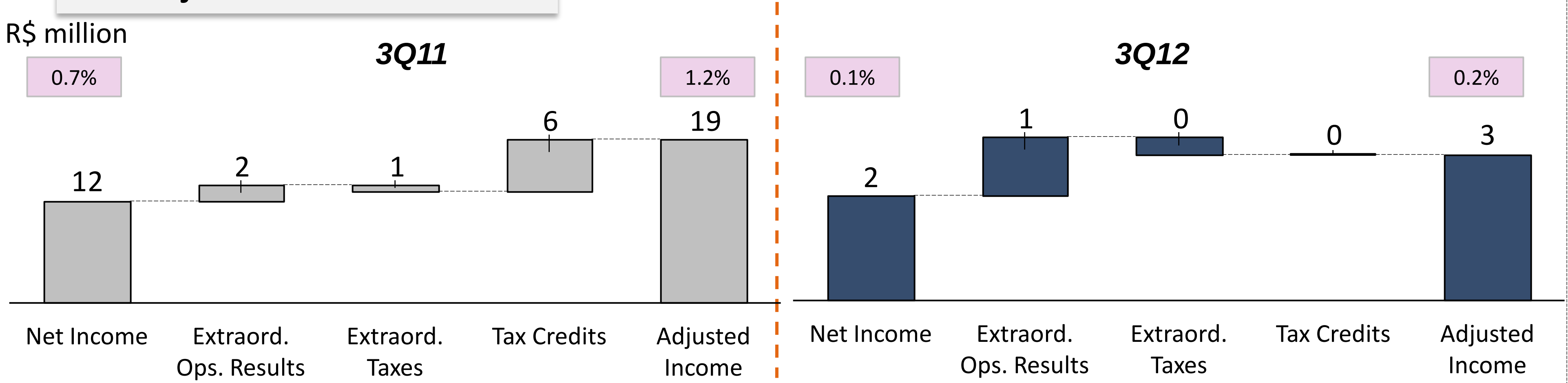
Net Income



Comments

- Net income also influenced by:
  - — Lojas Maia integration process
  - — Higher provisions for loan losses
- Excluding non-recurring revenues and expenses, adjusted net income was R$3.2 million, equivalent to 0.2% of net revenues

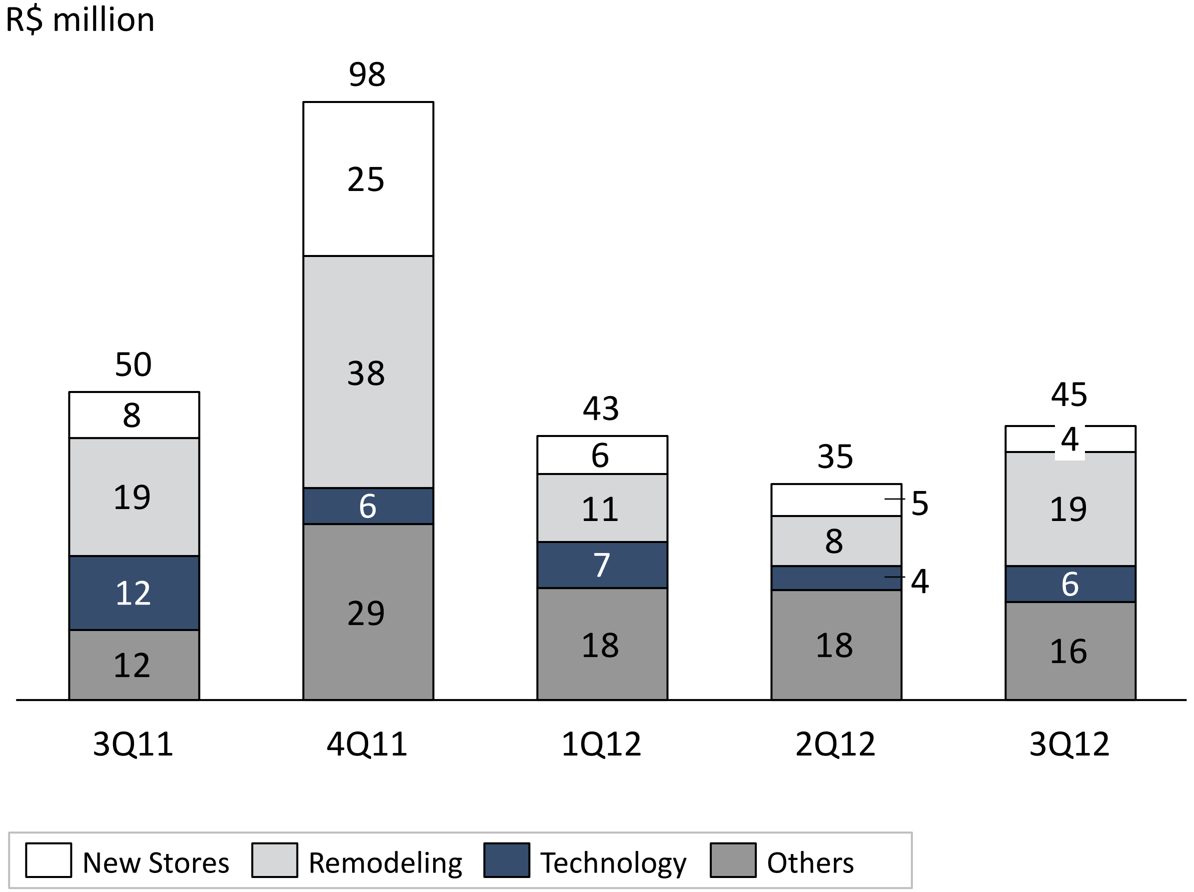
Adjusted Net Income



Net Margin (%)

Investments

Investments



Comments

- **Stores remodeling** – R$18.6 million
- **New stores:**
  - 5 new conventional stores inaugurated in 3Q12
  - Investments started on nine more stores to be opened in 4Q12
- **Others** include investments in logistics, which totaled R$11.1 million in 3Q12

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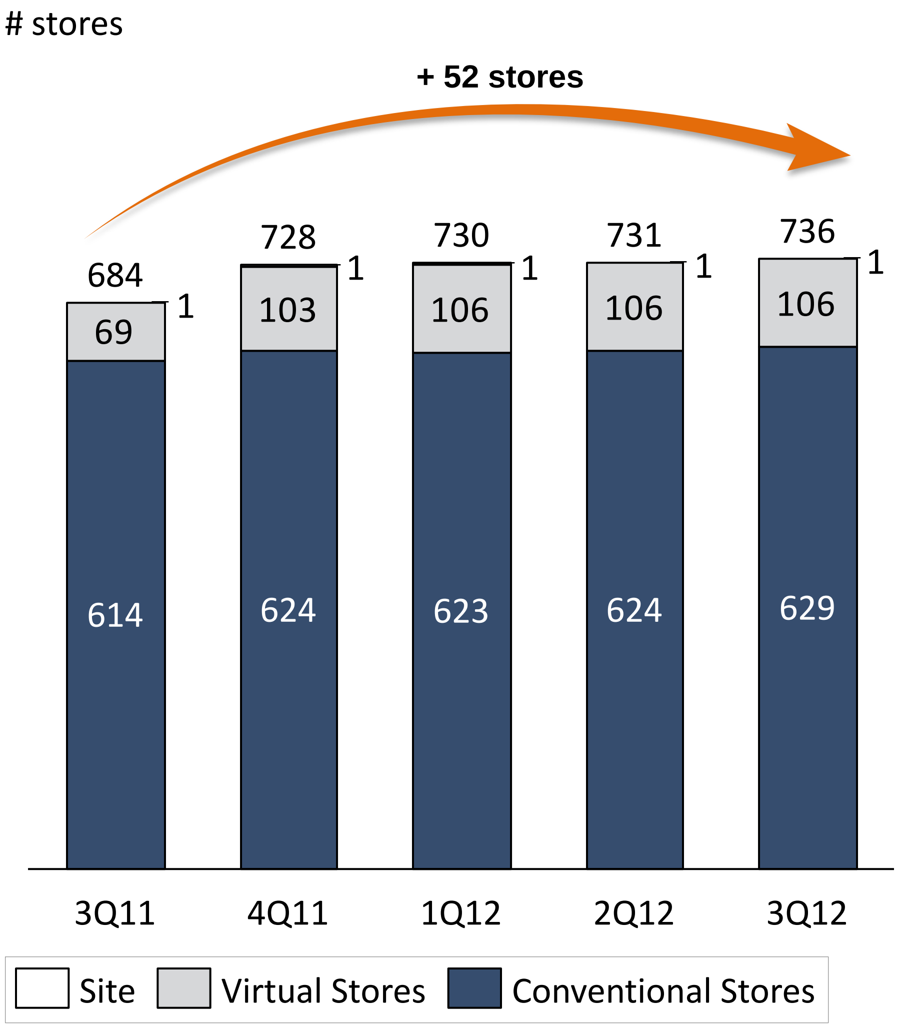
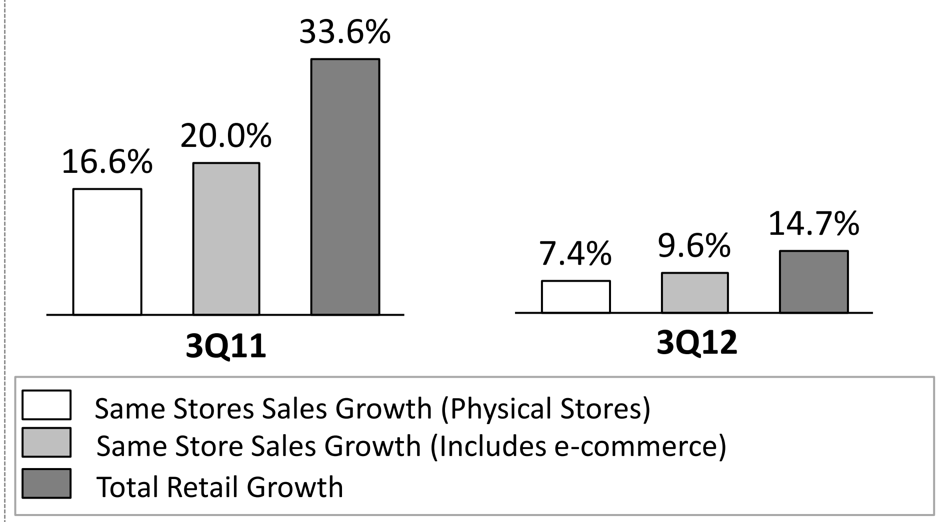
Operational Performance – Stores

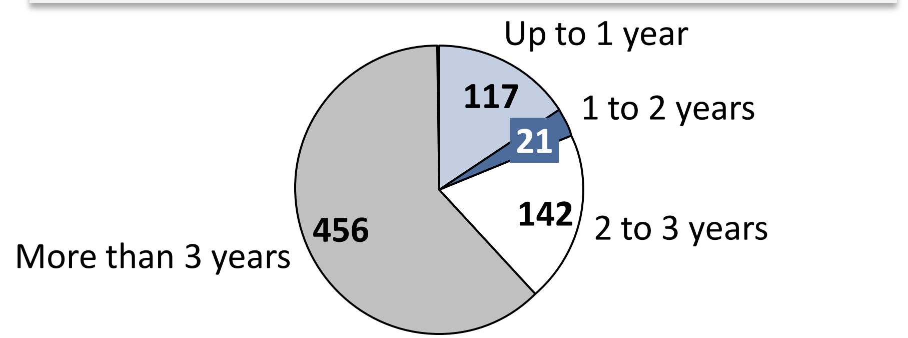
Number of Store



Same Store Sales Growth

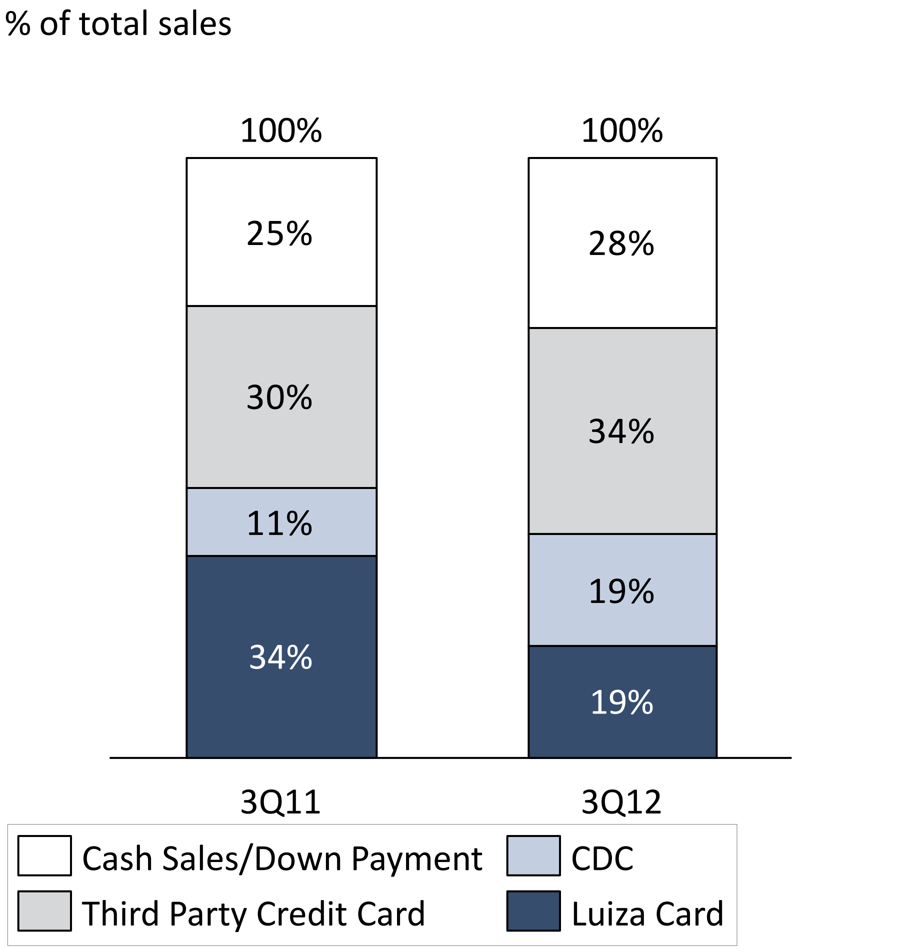


Average Age – Stores

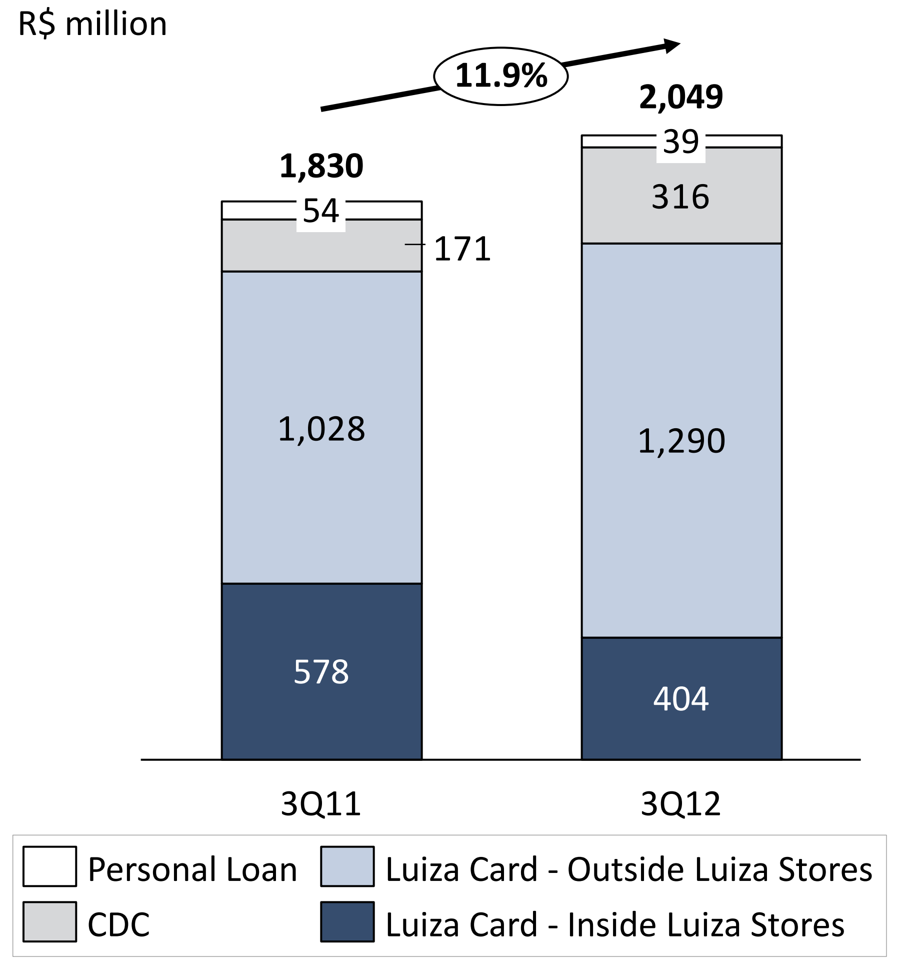


Operational Performance – Luizacred

Financed Mix Sales



Luizacred's Revenues



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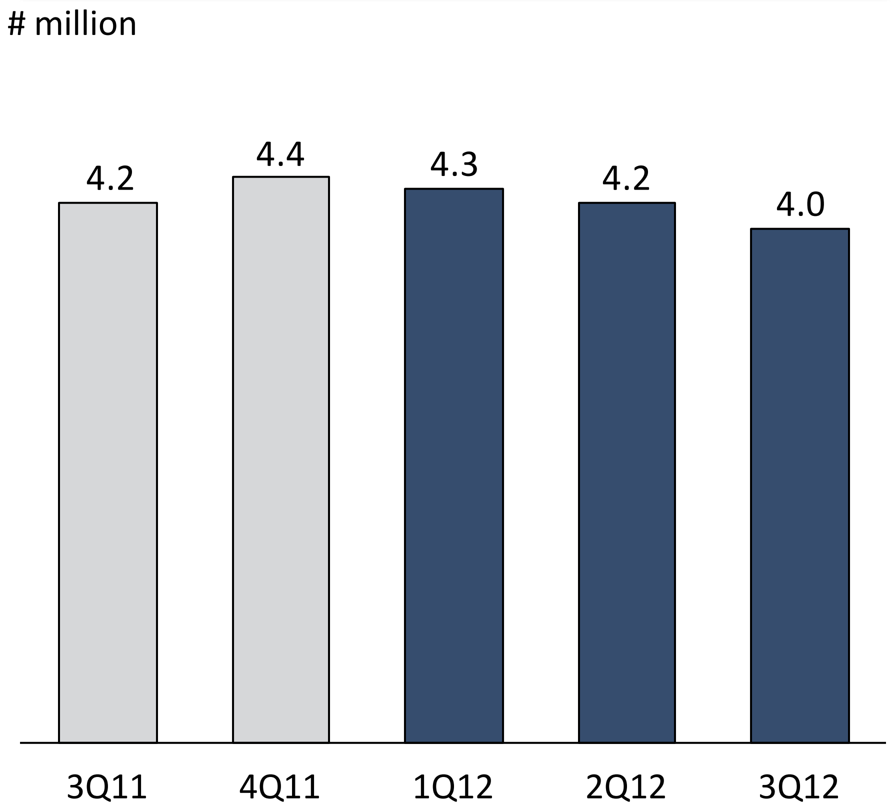
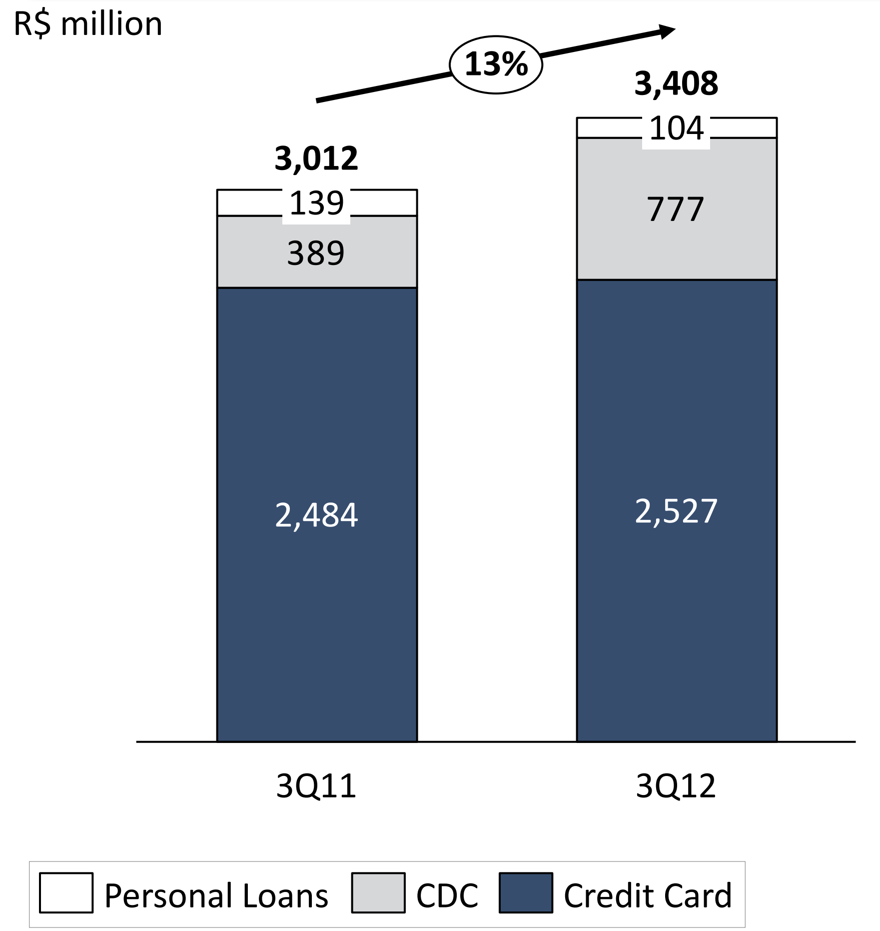
Operational Performance – Portfolio's composition

Luiza Card – Total Credit Card Base



Portfolio



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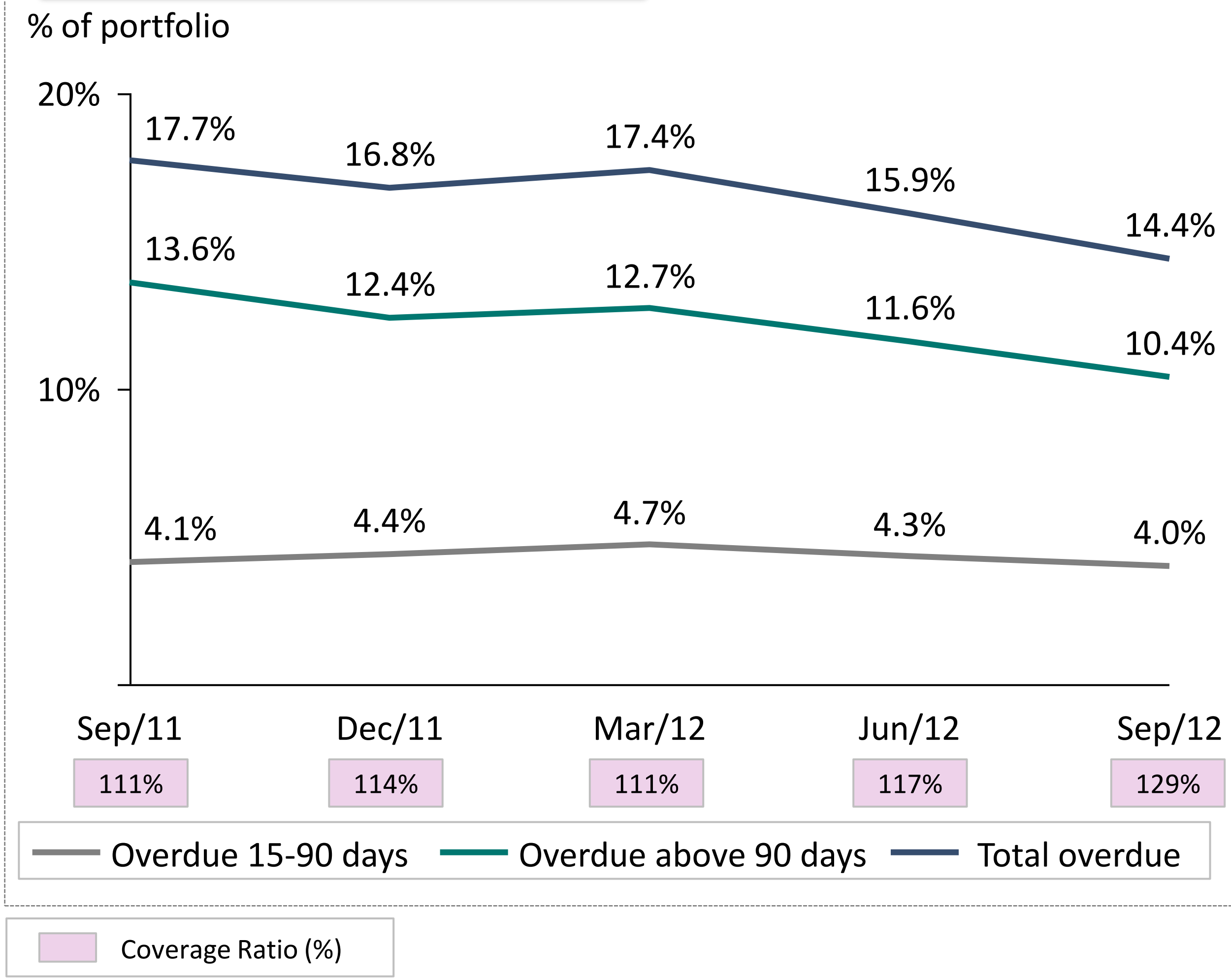
Luizacred Portfolio

Portfolio Overdue



Comments

- Differently from the market in general, the **portfolio's overdue** indicators in the end of September 2012 **improved** significantly both in relation to June 2012 and to September 2011, due to:
  - Conservative approach in the credit approval rate
  - Constant control of deliquency per store
- **Balance of provision for loan losses: reduced R$6.7 million** in 3Q12 (R$467.5 million in June 2012 to R$460.8 million in September 2012
- **Balance overdue above 90 days: reduced R$45.0 million** in 3Q12 (R$400.9 million in June 2012 to R$355.9 million in September 2012
- **Coverage ratio** increased from 117% in 2Q12 to 129% in 3Q12

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Expectations for 4Q12 and for 2013

1 Sales Growth and Synergies

- **Substantial growth:**
  - Maturation of new stores, of stores in the northeast, and internet sales
  - Better performance of Brazilian economy (4Q12)
- **Fully integrated management – 2013**
  - SG&A dilution
  - Benefits to working capital and price management – increasing gross margin at the stores in the northeast

2 Brand change – Salvador

- **Brand change** from Lojas Maia to Magazine Luiza in Salvador's metropolitan region (Bahia) in October 2012
- Significant sales increase due to:
  - New product mix
  - Store remodeling creates a modern environment

3 Investments and Expansion

- Investments in technology, logistics and store remodeling
- Organic opening of **9 stores in 4Q12, for a total of 22 new stores in 2012**
  - 12 in the northeast
  - 10 in the south/southeast

4 Results

- **4Q12 and 2013: increase in profitability in a consistent manner**
  - Growing **maturation** of new stores
  - Continuation of the **program to reduce and dilute operating expenses**
  - **Capture of synergies** from the integration of Maia e Baú stores

Brand change – Salvador's metropolitan region

18 stores reopened

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