2013 MANAGEMENT REPORT

MESSAGE FROM THE PRESIDENT

Dear shareholders,

Growing and consolidating is part of our DNA. It was like that with more than a dozen networks acquired by Magazine Luiza in the states of Paraná, Santa Catarina and Rio Grande do Sul, where if we had opted for organic growth, we would have taken much longer to achieve the leading position we now have in these states. Today these networks' performance is in line with that of our more mature stores, such as those in the interior of São Paulo.

In the last three years, we completed two more strategic and extremely relevant acquisitions, which raised the Company to another level. We entered the Northeastern region with the acquisition of 140 stores and strengthen our presence in São Paulo and Paraná with the acquisition of the Baú stores. Consolidating these two networks was the Company's focus in recent years, respecting the cultures of each of the networks and their regions. Our 2013 result reflects the first fruits from this integration.

Everyone knows the importance of the Northeast to our economy. The acquisition of Lojas Maia allowed us to begin operating in this region that has grown above the Brazilian average. Currently, 21% of our stores are located in the Northeast, accounting for 15% of our sales. We have stores strategically distributed in nine of the region's states. We are certain that this was a wise decision, because now we also have a strong presence among middle-class consumers, our target audience, which also represents the largest portion of the population in the Northeast. I recently visited our stores in the Northeast and realized the importance for this region of the federal government's program to reduce the housing shortage - the Minha Casa Minha Vida program. Consumers in this region hardly would be approved to buy in large retailers, but now they can count with a pre-approved credit line to shop - Minha Casa Melhor. The strength of this program in the Northeast is huge. Due to the acquisitions carried out by the Company, sales are now evenly distributed through the South, Southeast, and Northeast of Brazil, with a prominent position in each of these regions.

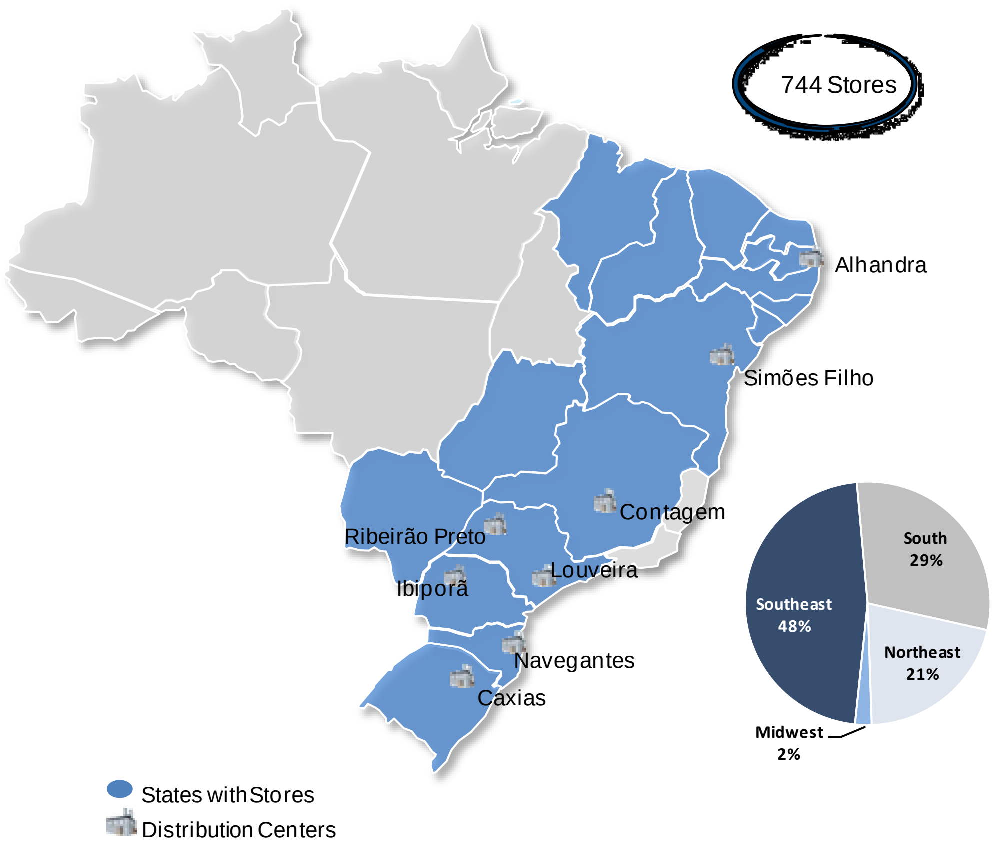
Innovation is also one of our goals. We have been pioneers in launching stores without inventories, under a virtual model (1992), our e-commerce website (2000), in partnership with financial institutions offering Luizacred financial products to consumers (2001) as well as Luizaseg insurance products (2005). In 2013, we made our first acquisition in the online world, Época Cosméticos, seeking to enhance product supply in fast growing and high consumption potential categories. We are always paying attention to consumers' new needs and trying to be ahead of the competition. The social networks led us to once again demonstrate our pioneering spirit by launching Magazine Você in 2012, which already has more than 170,000 sharers on Facebook and Orkut. We have over 1.4 million followers on Facebook and promote frequent actions in various social media vehicles with more than 86,000 followers on Twitter. In 2013, we launched a new service on our website: *Quero de Casamento* (I want it as a wedding gift), where consumers have the option to create a wedding list. It is possible to create exclusive albums telling the couple's story, receive messages from friends, share information about the party and it is a simple and fun way to interact with your guests.

We have always believed in the strength of a solid partnership between the retail segment and banks. We were pioneers again when seeking in 2001 a financial institution to develop and sell financial products and services to our customers and are very pleased with our partnership with Itaú Unibanco. In 2013, Luizacred had its best performance since its foundation, further strengthening the relationship with our financial partner. Once again, our choice proved right.

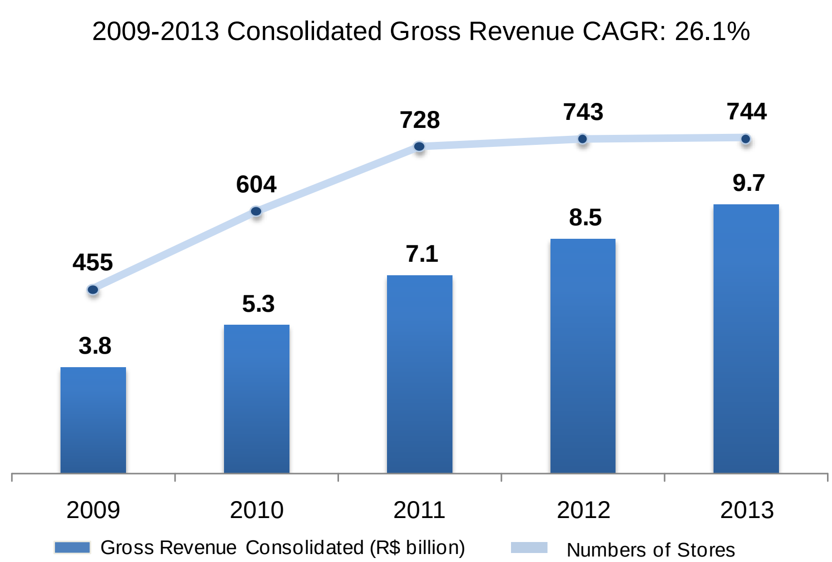
In 2014, the year of the World Cup, an event of utmost importance for our sector, we will significantly increase our media exposure. We are the only retailer sponsoring this event, which will grant us wide press coverage, reaching regions where we still do not have brick-and-mortar stores, but that we serve through the website. For this reason we are excited with the outlook for 2014. We overcame the challenge of integrating 250 stores. Our performance in 2013 proves our ability to deliver consistent and increasingly positive results. We will continue to grow and consolidate our investments, always focusing on increasing profitability for our shareholders.

Luiza Helena Trajano
President of Magazine Luiza

Magazine Luiza is one of Brazil's largest retail chains focused on durable goods, actively engaged in Brazil's low income classes. On December 31, 2013, the Company operated 744 stores and eight distribution centers strategically located in 16 Brazilian states, responsible for 75% of the country's GDP. On the same date, the Company had more than 24,000 employees and a base of 36 million clients.



In the last five years, the compound annual growth rate of the Company's consolidated gross revenue came to 26.1%, as shown in the chart below. In this period, the Company posted double-digit growth, even when the country was going through an economic crisis.



The Company struggles to offer a differentiated buying experience through a diversified sales platform, including various channels: (i) 636 conventional stores, which have a broad product mix and their own inventory; (ii) 107 online stores, in which products are sold by computer terminals and the aid of sellers and a multimedia system with a digital product catalog, but with no need for physical inventory; (iii) one electronic commerce website (www.magazineluiza.com.br), which offers differentiated content, services and promotions and products exclusive to this channel; (iv) magazine você, a new direct sales channel on Facebook and Orkut that explores relationship opportunities on social media; (v) telesales and (vi) corporate sales.

2013 HIGHLIGHTS

The table below shows a summary of the Company's main financial indicators related to the fiscal years ended on December 31, 2012 and 2013.

R$ million (except when otherwise indicated)	12M13	12M12	% Chg
Gross Revenue	9,692.4	8,456.1	14.6%
Net Revenue	8,088.4	7,066.8	14.5%
Gross Income	2,263.0	2,009.0	12.6%
Gross Margin	28.0%	28.4%	-0.5 bp
EBITDA	476.9	258.9	84.2%
EBITDA Margin	5.9%	3.7%	2.2 bp
Adjusted EBITDA[1]	411.6	298.8	37.8%
Adjusted EBITDA Margin[1]	5.1%	4.2%	0.9 b.p
Net Income	113.8	(6.7)	nm
Net Margin	1.4%	-0.1%	1.5 b.p
Adjusted Net Income[2]	70.7	14.1	402.2%
Adjusted Net Margin[2]	0.9%	0.2%	0.7 b.p
Same Store Sales Growth	12.9%	12.5%	-
Same Physical Store Sales Growth	10.5%	9.8%	-
Internet Sales Growth	28.2%	33.3%	-
Number of Stores - End of Period	744	743	0.1%
Sales Area - End of Period (M2)	473,884	469,061	1.0%

[1]Adjusted EBITDA to exclude the effect from non-recurring gains, particularly the positive impact from the sale of the distribution center in Louveira (SP), totaling R$65.3 million. [2]Adjusted net income to exclude non-recurring gains, net of taxes, totaling R$43.1 million.
nm – not meaningful

CONSOLIDATED FINANCIAL PERFORMANCE

The table below shows the figures referring to the consolidated income statements for the years ended December 31, 2013 and 2012.

CONSOLIDATED INCOME STATEMENT (R$ million)	12M13	V.A.	12M12	V.A.	% Chg
Gross Revenue	9,692.4	119.8%	8,456.1	119.7%	14.6%
Taxes and Deductions	(1,604.0)	-19.8%	(1,389.3)	-19.7%	15.4%
Net Revenue	8,088.4	100.0%	7,066.8	100.0%	14.5%
Total Costs	(5,825.4)	-72.0%	(5,057.8)	-71.6%	15.2%
Gross Income	2,263.0	28.0%	2,009.0	28.4%	12.6%
Selling expenses	(1,513.8)	-18.7%	(1,404.1)	-19.9%	7.8%
General and administrative expenses	(403.7)	-5.0%	(372.2)	-5.3%	8.5%
Provisions for loan losses	(21.2)	-0.3%	(23.5)	-0.3%	-9.6%
Other operating revenues, net	98.2	1.2%	31.7	0.4%	209.4%
Equity in Subsidiaries	54.5	0.7%	18.0	0.3%	202.4%
Total Operating Expenses	(1,786.1)	-22.1%	(1,750.0)	-24.8%	2.1%
EBITDA	476.9	5.9%	258.9	3.7%	84.2%
Depreciation and Amortization	(102.0)	-1.3%	(92.4)	-1.3%	10.3%
EBIT	375.0	4.6%	166.5	2.4%	125.2%
Financial Results	(244.0)	-3.0%	(203.8)	-2.9%	19.7%
Operating Income	131.0	1.6%	(37.3)	-0.5%	-450.9%
Income Tax and Social Contribution	(17.2)	-0.2%	30.6	0.4%	-156.2%
Net Income	113.8	1.4%	(6.7)	-0.1%	nm

Reconciliation of EBITDA for extraordinary expenses

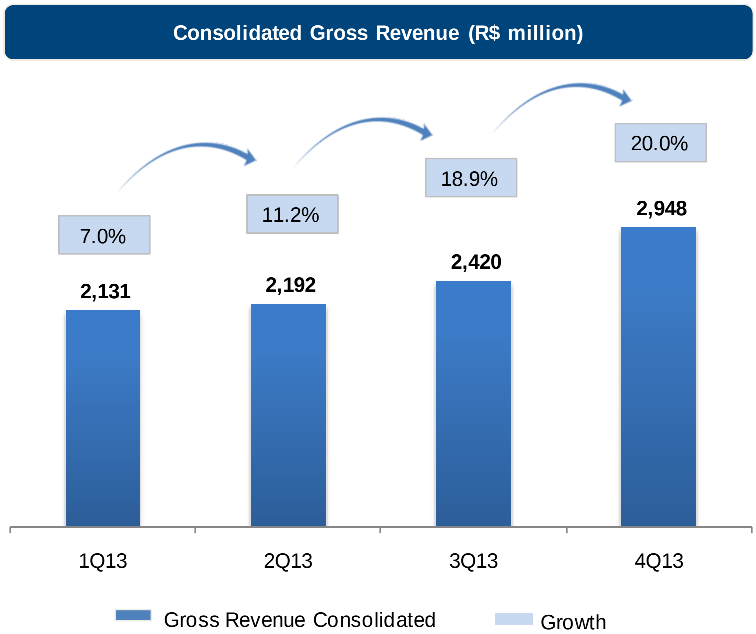
EBITDA	476.9	5.9%	258.9	3.7%	-
Extraordinary costs	-	0.0%	15.0	0.2%	-
Extraordinary revenues	(126.4)	-1.6%	(5.0)	-0.1%	-
Extraordinary expenses	61.1	0.8%	38.6	0.5%	-
Adjusted deferred revenues	-	0.0%	(8.8)	-0.1%	-
Adjusted EBITDA	411.6	5.1%	298.8	4.2%	-

Net Income	113.8	1.4%	(6.7)	-0.1%	-
Extraordinary operational results	(65.3)	-0.8%	39.9	0.6%	-
Extraordinary financial results	-	0.0%	10.6	0.1%	-
Tax over extraordinary results	22.2	0.3%	(17.1)	-0.2%	-
Extraordinary tax credits	-	0.0%	(12.5)	-0.2%	-
Adjusted Net Income	70.7	0.9%	14.1	0.2%	-

nm = not meaningful

Magazine Luiza's consolidated gross revenue grew by 14.6% in 2013 over 2012, totaling R$9,692.4 million. The substantial increase reflects the assertiveness of our commercial strategy with a good sales performance in all channels, higher productivity and an improved product mix.

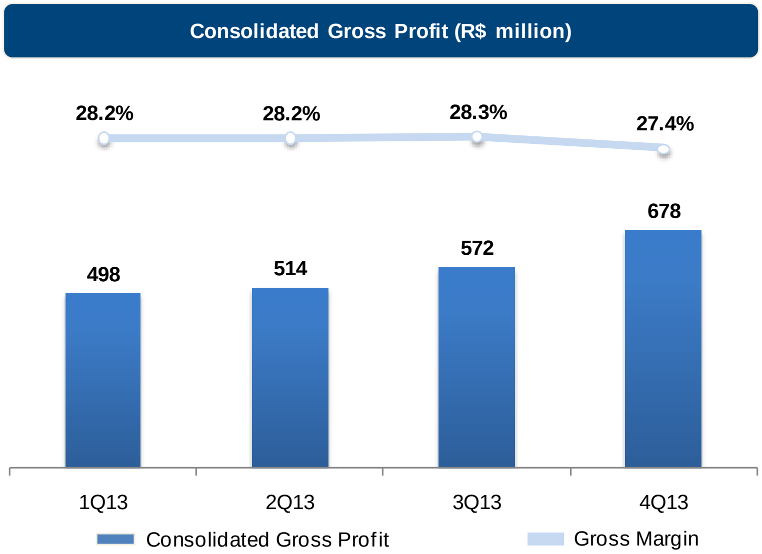
The chart below shows the changes in consolidated gross revenue throughout 2013:



Consolidated gross profit grew by 12.6% in 2013, to R$2,263.0 million, with a gross margin of 28.0%, 0.4 bp. down on 2012. However, in a comparable basis[1], gross margin came to 28.6% in 2013, up 0.2 bp year-on-year, influenced by the higher share of internet sales, but also reflecting the improved margin in the Northeast stores, given the full integration of operations, and the stable margins in the other regions.

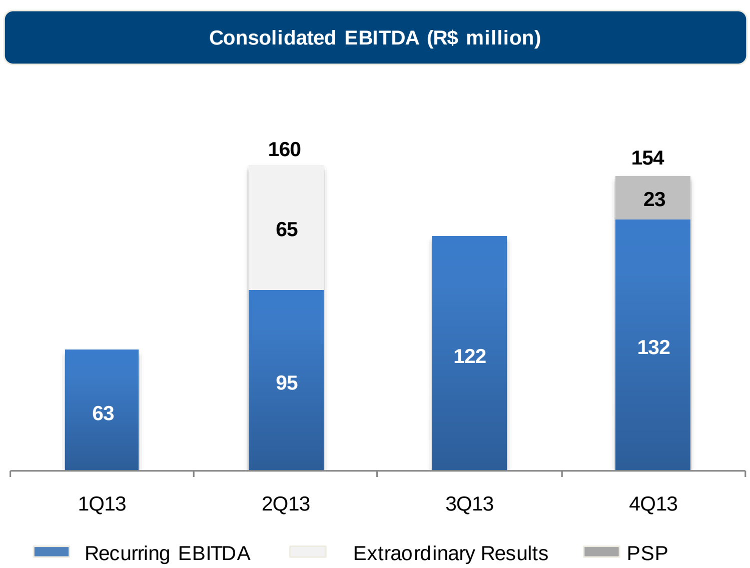
Below is the growth of consolidated gross profit throughout 2013:

[1] In 2013, gross profit reflected the reclassification of social security expenses, previously recorded as operating expenses and now recorded as sales taxes (with the program of payroll tax deduction, the social security tax is now calculated as a percentage of gross revenue instead of a percentage of payroll expenses).



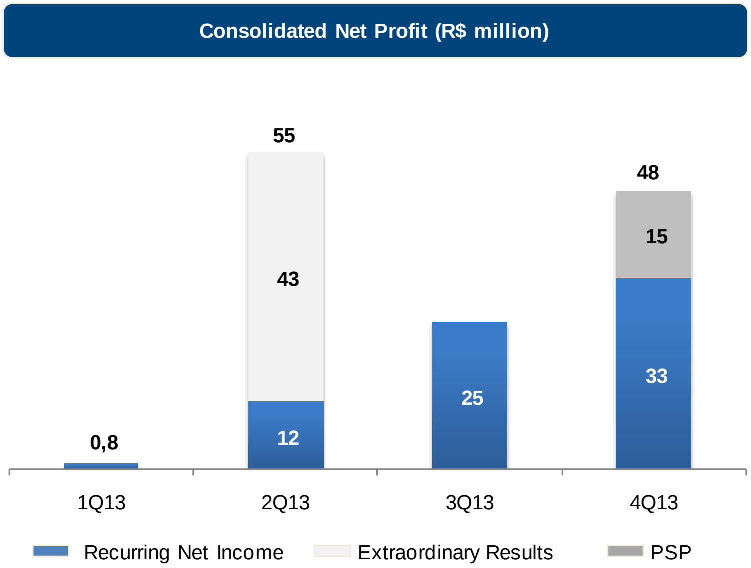
Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) stood at R$476.9 million in 2013, accompanied by a 5.9% margin. In 2013, the Company concluded the sale of its 76.7% interest in the distribution center in Louveira (SP), generating an operational gain net of other non-recurring expenses of R$65.3 million in 2Q13. Excluding the effect from this non-recurring result, consolidated EBITDA totaled R$411.6 million, with a margin of 5.1%. The main factors positively contributing to the increase in EBITDA were the good sales performance in all channels, a higher dilution of expenses, synergies from the integration of the Baú and Maia stores and Luizacred's record performance.

The chart below shows the changes in consolidated EBITDA throughout 2013:



Consolidated net income totaled R$113.8 million in 2013, with a margin of 1.4%, reversing the loss of R$6.7 million in 2012. Excluding the effect from the non-recurring results, adjusted net income amounted to R$70.7 million, equivalent to a net margin of 0.9%.

Below are the changes in consolidated net income throughout 2013:



PERFORMANCE BY SEGMENT

Consolidated Performance

In 2013, the Company opened 17 new stores and as part of the process to increase productivity and better control costs and expenses, Magazine Luiza closed 16 stores (13 of which Baú stores, which overlap to a great extent). In addition, the Company renovated 71 stores.

Consolidated gross revenue grew by 14.6% in 2013 to R$9,692.4 million. The substantial growth registered in 2013 was influenced by: i) same-store sales growth by 12.9%, 10.5% of which in the bricks-and-mortar stores. and ii) increase by 28.2% in the e-commerce segment, closing 2013 with R$1,403.3million. Sales in the Northeast region grew by 15.1% in 2013, to R$1,418.3 million, surpassing the Company's average, and accounting for 14.7% of total retail sales in 2013.

In 2013, consolidated gross profit came to R$2,263.0 million, a 12.6% increase in the period, with a margin of 28.0%. In a comparable basis, reclassifying the effect from social security expenses, gross margin came to 28.6% in 2013, up 0.2 bp year-on-year. The gross margin reflects the improvement in the product mix, our commercial assertiveness and the increase in the gross margin of the Northeast stores, factors that offset the higher share of e-commerce sales in the mix.

The Company recorded a good dilution of operating expenses in 2013. Due to the conclusion of projects to control costs and expenses and the end of the integration of the Baú and Maia stores, the Company's operating expenses fell 2.7 b.p., from 24.8% to 22.1%. Selling expenses also suffered with the effect from the accounting reclassification of social security expenses of 0.7 bp in the period.

Consequently, consolidated EBITDA, excluding non-recurring items, totaled R$411.6 million in 2013, with a 5.1% margin. Unlike in 2012, in 2013 the Company did not register non-recurring expenses related to the integration process of the Baú and Maia stores.

As a result, Magazine Luiza reversed the loss recorded in 2012 to an adjusted net income of R$70.1 million. Including the effect of non-recurring results, consolidated adjusted net income came to R$113.8 million, or 1.4% of net revenue.

R$ million	12M13	%N.R.	12M12	%N.R.	% Chg
Gross Revenue	9,692.4	119.8%	8,456.1	119.7%	14.6%
Net Revenue	8,088.4	100.0%	7,066.8	100.0%	14.5%
Gross Income	2,263.0	28.0%	2,009.0	28.4%	12.6%
Total Operating Expenses	(1,786.1)	-22.1%	(1,750.0)	-24.8%	2.1%
EBITDA	476.9	5.9%	258.9	3.7%	84.2%
Net Income	113.8	1.4%	(6.7)	-0.1%	nm
Adjusted EBITDA	411.6	5.1%	298.8	4.2%	37.8%
Adjusted Net Income	70.7	0.9%	14.1	0.2%	402.2%

nm = not meaningful

Luizacred

In 2013, net revenue from the consumer finance segment (Luizacred) grew by 9.1% to R$1,426.2 million, fueled by the balanced mix between direct consumer credit (CDC) and Luiza card, and by service revenue.

Luizacred's gross profit posted an 11.2% increase to R$1,270.4 million in 2013. The gross margin grew by 1.7 bp, accounting for 89.1% of the revenue in 2013, despite the increase in the CDI rate.

Provision for loan losses, net of recoveries, totaled R$611.0 million in 2013, down by a significant 3.3 b.p., from 46.1% of net revenue in 2012 to 42.8% in 2013, reflecting the improved profile of the long-term portfolio and default rates in 2013.

Other operating expenses (selling, administrative, taxes, depreciation and amortization) totaled R$499.6 million in 2013, equivalent to 35.0% of net revenue, 3.1 bp down, due to the initiatives to reduce expenses and productivity gains.

The consumer finance segment's EBITDA increased by four-fold and came to R$159.8 million in 2013, accompanied by a margin of 11.2%. In 2013, the consumer finance segment registered its best performance since 2011.

Luizacred's net income amounted to R$89.2 million in 2013, with a record margin of 6.3%, and return on average equity (ROE) was 22.0%.

R$ million	12M13	%N.R.	12M12	%N.R.	% Chg
Net Revenue	1,426.2	100.0%	1,307.4	100.0%	9.1%
Gross Income	1,270.4	89.1%	1,142.5	87.4%	11.2%
Total Operating Expenses	(1,110.5)	-77.9%	(1,101.6)	-84.3%	0.8%
Provision for Loan Losses, Líquid	(611.1)	-42.8%	(603.1)	-46.1%	1.3%
Other Operating Expenses	(499.5)	-35.0%	(498.5)	-38.1%	0.2%
EBITDA	159.8	11.2%	40.9	3.1%	290.8%
Net Income	89.2	6.3%	14.8	1.1%	503.2%

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 calculate 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.

HUMAN RESOURCES, RESPONSIBILITY AND SOCIAL PROJECTS

Magazine Luiza believes in Brazil and its population's potential. The Company's main responsibility is to people. Its culture is aimed at creating long-lasting relationships to raise the level of happiness of its clients and employees, helping make dreams come true and improving social welfare.

This differentiated culture is what sustains Magazine Luiza's strong development and growth to this day. Based on valuing people, this positioning helped the company become one of the largest retailers in the country over its more than five decades of operations.

Valuing people is what stimulates the Company to build a culture that welcomes diversity, in all its units, through the Inclusion Program. With a series of actions in the areas of hiring, internal and external training, accessibility, coexistence culture, engagement, awareness, development and integration, Magazine Luiza is in the pursuit of becoming a completely inclusive environment, where everyone's talent is considered an important part of the business.

Characteristics inherent to this culture, **transparency of information and the continuous alignment of all teams also ensure synergy with the Company's objectives,** allowing employees to work connected to its strategic goals and overall vision. The Company's official communication channels (a radio station with daily updates, a corporate TV station with weekly live programs, and an intranet portal) allow employees to receive the same information as their leaders and at the same time. This commitment with transparency encouraged Magazine Luiza to publish its first Sustainability Report in 2013, according to the Global Reporting Initiative (GRI model), with all the information audited by external auditors.

Another highlight is the Company's actions in the communities where it operates, supporting social, cultural and community projects through its stores. These initiatives are broadcasted on "Rede do Bem", an internal online community that disseminates and promotes volunteer work and has already received more than 250 projects, which indirectly benefitted more than 20,000 people.

To conciliate beliefs and solid principles with innovation and courageous practices, the Company reinforces its investment in human capital and uses its potential to increase the sustainability of the business, generating fair return to shareholders and facilitating reinvestment in the Company's modernization and expansion and employee training. As people are at the core of our objectives, results are attained with quality and, consequently, the processes adopted are recognized externally - as evidenced for 16 consecutive years, through the recognition of Magazine Luiza as one of the "100 best companies to work for in Brazil" (survey of the Great Place to Work Institute, between 1998 and 2014).

STATEMENT FROM EXECUTIVE OFFICERS

In compliance with the provisions in Article 25 of CVM Rule 480, the Company's Executive Officers hereby state that they have discussed, reviewed and agreed with the audit report of ERNST & YOUNG Auditores Independentes S.S, issued on February 21, 2014, as well as with the financial statements for the years ended December 31, 2013 and 2012.

RELATIONSHIP WITH INDEPENDENT AUDITORS

In compliance with CVM Rule 381/03, we hereby state that the Company, its subsidiaries and jointly-owned subsidiaries have adopted a formal procedure, whereby they consult the independent auditors ERNST & YOUNG Auditores Independentes S.S. (EY), so as to ensure that the provision of other services will not affect the independence and objectivity required to perform their duties as independent auditors. The Company's policy regarding hiring independent auditors guarantees that there is no conflict of interests, nor is there any loss of independence or objectivity.

In the fiscal year ended December 31, 2013, EY provided additional services totaling R$272,000, net of taxes, which represents approximately 18% of the fees to audit the consolidated financial statements of Magazine Luiza S.A. in the same fiscal year. These additional services refer to: i) tax advisory services; ii) assurance of the sustainability report; and iii) accounting, financial, fiscal, labor and social security due diligences.

When hiring these services, the policies adopted by the Company are based on principles that preserve the auditors' independence. In accordance with the internationally accepted standards, these principles determine that: (a) auditors must not audit their own work; (b) auditors must not exercise any managing position in their clients, and (c) auditors must not legally represent the interests of their clients.

Ernst & Young Auditores Independentes declared that the services rendered were done stricly in compliance with the accounting standards that regulate the independence of the independent auditors in audit procedures and did not create a situation that could have affected the independence and the objectivity of the external audit services.

ACKNOWLEDGMENTS

The Company wishes to thank its shareholders, customers, employees, suppliers, service providers, lenders, and the communities with which it operates for their support and partnership in this journey.

São Paulo, February 24, 2014.
The Management