MANAGEMENT REPORT

MESSAGE FROM THE PRESIDENT

Dear Shareholders,

The year 2012 brought a major achievement for Magazine Luiza: the conclusion of a very important growth cycle for the consolidation of the Company in the Brazilian retail segment. We grew by 19.1% in relation to 2011, achieving consolidated gross revenue of R$9.1 billion. Same-store sales grew by 12.5%, fueled by the maturation of the new stores, especially those in the Northeast, and the accelerated growth of e-commerce. We grew above the industry average and gained market share in every product category, even in face of a challenging economic environment and fierce competition.

For the first time in the Company's history, e-commerce sales have exceeded the R$1 billion mark, closing 2012 at R$1.1 billion, a 33.3% upturn year on year, sustained by the growth in the number of website users, the expanded product assortment and the 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/mobile and a significant improvement in logistics and operations.

We believe our multichannel approach to be one of our competitive advantages. Providing excellent services to our customers, whether in bricks-and-mortar stores, on our website or through magazinevocê, is part of our mission. The profitability of all our channels proves that a multichannel approach generates infrastructure and operating expense synergies, ensuring the Company's sustainable growth. In addition to the solid sales performance of our traditional channels, magazinevocê is also growing at a fast pace, with more than 70,000 disseminators 10 months after its launch in February 2012, underlining the Company's innovative capacity to use the social media as a new national sales tool.

The integration of the Maia and Baú stores was extremely successful, despite its complexity, requiring the direct involvement of more than 200 employees. We integrated 104 stores in the South and Southeast (Baú stores) and 150 stores in the Northeast (Maia stores) in February and October 2012, respectively. Today, all 743 stores, distribution centers and accounting and management systems are fully integrated.

Throughout 2012 we engaged in a program to rationalize costs and expenses, which was the first step of a cycle focused on productivity and profitability. This program allowed for significant cost savings across all the Company's departments, but we still have a long path to follow in 2013, with opportunities both in the Northeast and in the other regions where we operate.

The conservative approach adopted in 2012 by Luizacred began to yield positive results in the last quarter of the year. Default indicators improved significantly, we managed to balance the mix between direct consumer credit and the 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.

We began 2013 with two missions: to adopt a strategic people management model and to increase the Company's profitability. Our employees are Magazine Luiza's major asset; in order to ensure excellence in customer service we first need to care for our staff. Throughout 2013, our focus will be on training, retention, qualification and maintenance of the "Luiza way of being" in all our stores, offices and DCs.

We will strengthen our productivity- and profitability-oriented cycle, which we began in 2012 with the cost and expense rationalization program ("*Mais com Menos*" program). The Company plans to open between 20 and 25 new stores, after closing 14 stores in January 2012. Our goal is preserving our margins in a more competitive environment. The Company expects to reduce the difference in the gross margin between stores in the Northeast and those in the other regions where it operates. In order to ensure the maintenance of margins 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.

We will obtain the synergies expected from the acquisitions of the Maia and Baú stores and will have no more non-recurring integration expenses in 2012. The "*Mais com Menos*" program has established stricter control policies for 2013, from redefining budget processes for each department to adopting "zero base" targets for each area and prioritizing cost reduction projects to be implemented throughout the year.

In addition to the "*Mais com Menos*" 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) the higher productivity of support teams and Luizacred in the stores; (iii) lower logistics costs with the multi-channel delivery project – e-commerce products will be delivered directly by the Company's eight distribution centers; and (iv) dilution of marketing expenses.

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. We are confident that this amendment will increase operating efficiency by reducing costs and expenses from financial products and services. The agreement also strengthens our partnership with Itaú Unibanco, maintains the economic balance within Luizacred and maximizes synergies for both parties, underscoring our confidence in the growth of our financial products and services.

For the first time, Magazine Luiza will publish its Sustainability Report following the Global Report Initiative (GRI) model, describing its good Corporate Governance practices and reporting the 13 indicators of the Social, Environmental and Financial dimensions. This report demonstrates the Company's transparency also in regard to social and environmental aspects, given that social responsibility has been a part of the Company's culture since the opening of its first store in Franca, in São Paulo state. This commitment is present in the Company's relations with customers, employees, shareholders, the environment, suppliers and society. The Sustainability Report will be published in the first week of April 2013, along with Magazine Luiza's first Annual Report, on the Company's new Investor Relations website.

We are optimistic about the year 2013 and believe that the consolidation and integration of stores will enable the success of a new sustainable growth cycle, with improved productivity and profitability levels in the medium and long terms.

Luiza Helena Trajano
President of Magazine Luiza

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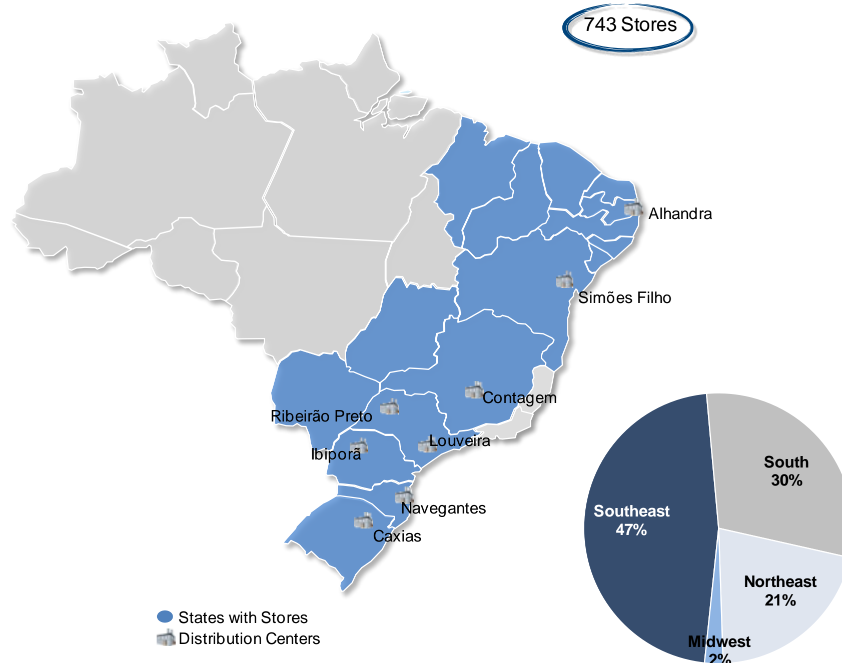
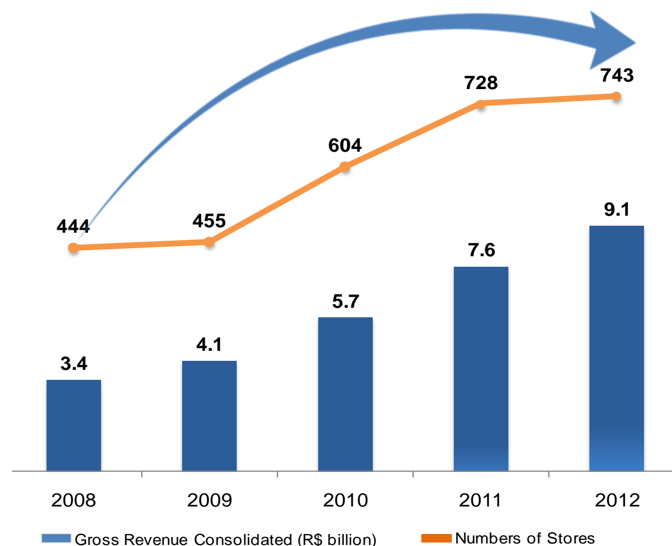
COMPANY OVERVIEW

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, 2012, the Company operated 743 stores and eight distribution centers strategically located in 16 Brazilian states, whose economies account for 75% of Brazil's GDP. On that same date, the Company had more than 24,000 employees and a customer base of around 30 million customers.



Over the last four years, the consolidated gross revenue CAGR was 27.6%, as shown in the graph below. During this period the Company recorded double-digit growth in every year, even at times of economic slowdown.



The Company seeks to provide its customers with a unique shopping experience through a diversified sales platform, composed of the following channels: (i) 636 conventional stores, with a bricks-and-mortar showroom and their own stock; (ii) 106 virtual stores, in which products are sold by means of computer terminals with the help of salespeople and multimedia systems, without the need to stock merchandise; (iii) one website (www.magazineluiza.com.br), which offers content, unique services and

exclusive products; (iv) magazinevocê, a new web-based direct sales channel fueled by social networks; (v) telesales; and (vi) corporate sales.

2012 HIGHLIGHTS

Below are the Company's Financial Statements for the years ended December 31, 2012 and 2011.

R$ million (except when otherwise indicated)	12M12	12M11	% Chg
Total Gross Revenue	9,054.4	7,601.3	19.1%
Total Net Revenue	7,665.1	6,419.4	19.4%
EBITDA	241.8	300.6	-19.6%
EBITDA Margin	3.2%	4.7%	-1.5 pp
Ajusted EBITDA	281.7	346.3	-18.7%
Ajusted EBITDA Margin	3.7%	5.4%	-1.7 pp
Net Income	(6.7)	11.7	-157.8%
Net Margin	-0.1%	0.2%	-0.3 pp
Ajusted Net Income	14.1	55.5	-74.6%
Ajusted Net Margin	0.2%	0.9%	-0.7 pp
Same Store Sales Growth	12.5%	16.5%	-
Same Physical Store Sales Growth	9.8%	13.1%	-
Internet Sales Growth	33.3%	44.4%	-
Number of Stores - End of Period	743	728	2.1%
Sales Area - End of Period (M2)	469,061	454,045	3.3%
Credit Card Base - Luizacred (thousand)	3,924	4,426	-11.3%

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CONSOLIDATED FINANCIAL PERFORMANCE

The table below shows the figures referring to the consolidated income statements for the years ended December 31, 2012 and 2011.

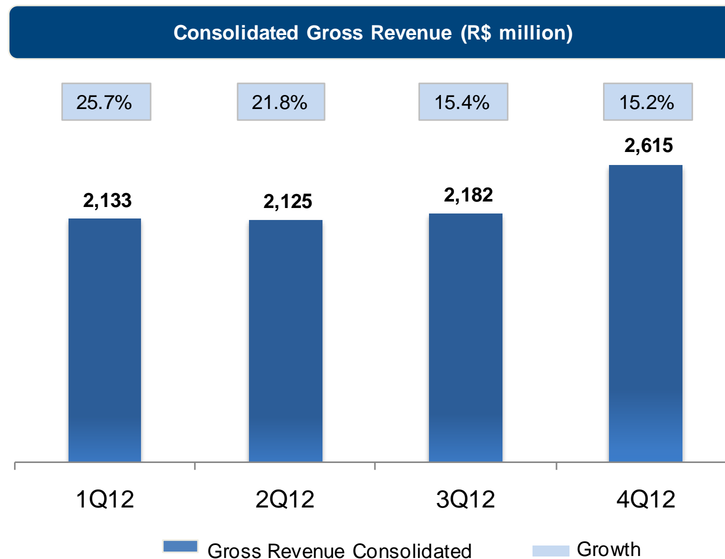
CONSOLIDATED INCOME STATEMENT (R$ million)	12M12	V.A.	12M11	V.A.	% Chg
Gross Revenue	9,054.4	118.1%	7,601.3	118.4%	19.1%
Taxes and Deductions	(1,389.3)	-18.1%	(1,182.0)	-18.4%	17.5%
Net Revenue	7,665.1	100.0%	6,419.4	100.0%	19.4%
Total Costs	(5,146.6)	-67.1%	(4,275.1)	-66.6%	20.4%
Gross Income	2,518.5	32.9%	2,144.3	33.4%	17.5%
Selling expenses	(1,581.0)	-20.6%	(1,343.3)	-20.9%	17.7%
General and administrative expenses	(388.4)	-5.1%	(354.6)	-5.5%	9.5%
Provisions for loan losses	(338.5)	-4.4%	(244.9)	-3.8%	38.2%
Other operating revenues, net	31.3	0.4%	99.2	1.5%	-68.5%
Total Operating Expenses	(2,276.7)	-29.7%	(1,843.7)	-28.7%	23.5%
EBITDA	241.8	3.2%	300.6	4.7%	-19.6%
Depreciation and Amortization	(93.5)	-1.2%	(86.9)	-1.4%	7.6%
EBIT	148.3	1.9%	213.7	3.3%	-30.6%
Financial Results	(172.3)	-2.2%	(165.7)	-2.6%	4.0%
Operating Income	(24.0)	-0.3%	47.9	0.7%	-150.1%
Income Tax and Social Contribution	17.3	0.2%	(36.3)	-0.6%	-147.7%
Net Income	(6.7)	-0.1%	11.7	0.2%	-157.8%

	12M12	V.A.	12M11	V.A.	% Chg
EBITDA	241.8	3.2%	300.6	4.7%	-
Extraordinary costs	15.0	0.2%	-	0.0%	-
Extraordinary revenues	(5.0)	-0.1%	(32.6)	-0.5%	-
Extraordinary expenses	38.6	0.5%	78.3	1.2%	-
Adjusted deferred revenues	(8.8)	-0.1%	-	0.0%	-
Adjusted EBITDA	281.7	3.7%	346.3	5.4%	-

	12M12	V.A.	12M11	V.A.	% Chg
Net Income	(6.7)	-0.1%	11.7	0.2%	-
Extraordinary operational results	39.9	0.5%	45.7	0.7%	-
Extraordinary financial results	10.6	0.1%	-	0.0%	-
Tax over extraordinary results	(17.1)	-0.2%	(15.6)	-0.2%	-
Extraordinary tax credits	(12.5)	-0.2%	13.6	0.2%	-
Adjusted Net Income	14.1	0.2%	55.5	0.9%	-

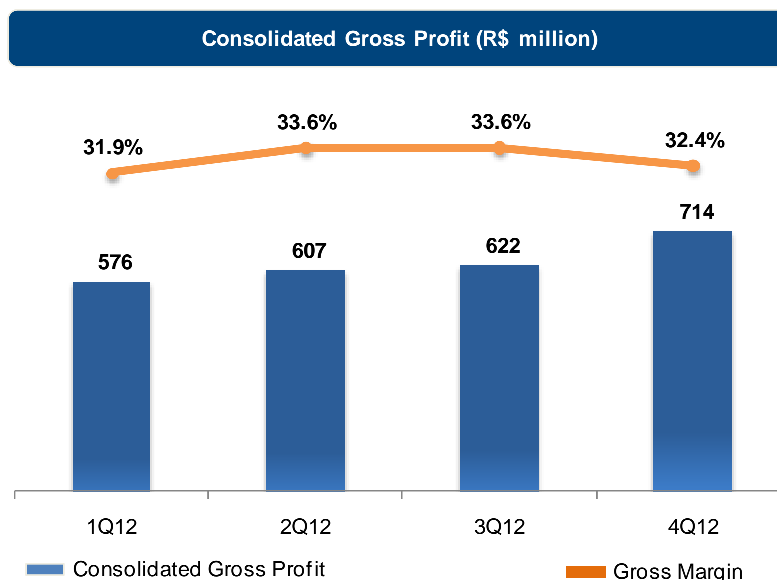
Magazine Luiza's consolidated gross revenue grew by 19.1% in 2012, from R$7,601.3 million to R$9,054.4 million. This substantial increase was chiefly due to: i) the expansion of the retail segment, driven by the growth in same-stores sales, which in turn was fueled by the maturation of new stores, especially those in the Northeast, the accelerated e-commerce growth and the larger number of Company stores; and ii) the upturn in revenue from the consumer finance segment, mainly influenced by the increase in revenue from direct consumer credit and services.

The graph below shows the changes in consolidated gross revenue throughout 2012:



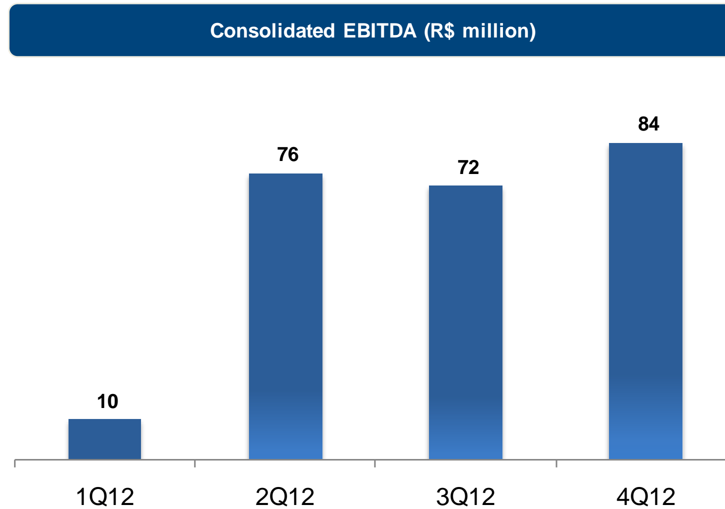
Consolidated gross profit grew by 17.5% in 2012, from R$2,144.3 million to R$2,518.5 million, with a gross margin of 32.9%, 0.5 p.p. down on 2011, mainly as a result of the impact of 4Q12 on the retail segment.

Below is the growth of consolidated gross profit throughout 2012:



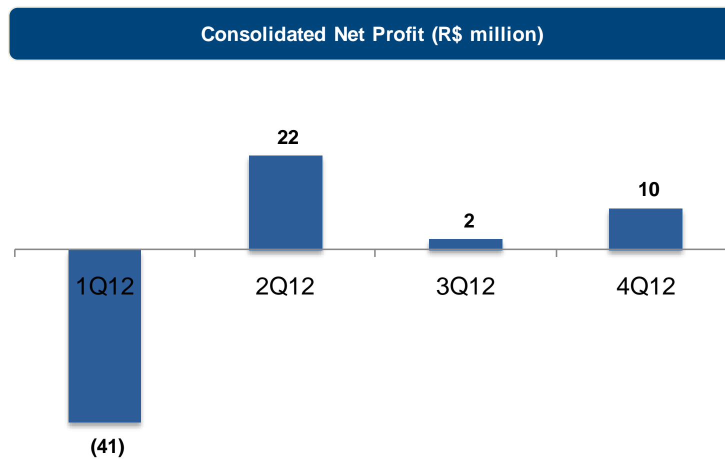
Consolidated EBITDA stood at R$241.8 million in 2012, with a 3.2% margin. In 2012, the consolidated result was impacted positively by the increase in sales and the expense rationalization, and negatively by the process of integrating the Baú and Maia stores, the increase in provisions for loan losses at Luizacred and the ongoing maturation of the new stores.

The graph below shows the changes in consolidated EBITDA throughout 2012:



The Company's 2012 net result was a R$6.7 million loss, with a negative 0.1% margin, also impacted by the integration of the Baú and Maia stores, the increase in provisions for loan losses and the ongoing maturation of new stores.

Below are the changes in consolidated net income throughout 2012:



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PERFORMANCE BY SEGMENT

Retail

In 2012, the Company opened 22 new stores, closed 7 and remodeled 75, 16 of which related to the change of brand in the Salvador metropolitan region.

The retail segment's gross revenue grew by 18.5% in 2012 to R$8,428.3 million. The substantial growth achieved in the year was driven by the increase in the number of stores and, mainly, by the 12.5% upturn in same-store sales, broken down as follows: i) bricks-and-mortar stores grew by 9.8% in same-store terms; and ii) e-commerce sales increased by 33.3% and for the first time in the Company's history, e-commerce sales have exceeded R$1 billion, closing 2012 at R$1,094.8. Sales in the Northeast region grew by 24.3% in 2012 (posting a 13.1% upturn in same-store terms) to R$1,233.5 million, accounting for 14.6% of total retail sales in 2012.

In 2012, the retail segment's gross profit came to R$1,990.0 million, a 12.5% increase in the period, with a margin of 28.3%. The 1.6 p.p. decline in the gross margin was influenced by the larger share of internet sales, the integration of stores in the Northeast and the need to do sales promotions to encourage consumption in 4Q12, given the fierce competition scenario.

The Company recorded operating expenses in line with 2011. Despite the decrease in operating costs, a result of the rationalization of costs and expenses, the integration of the Baú and Maia stores, as well as the lower-than-expected sales, prevented a greater dilution of operating expenses. Consequently, the retail segment's consolidated EBITDA totaled R$237.9 million in 2012, with a 3.4% margin. The year's result was mainly impacted by the integration of the Baú and Maia stores, as well as the gross margin decline in the last quarter.

The retail segment's net result was a R$6.7 million loss in 2012, with a negative margin of 0.1%, also impacted by the integration of the Baú and Maia stores and the last quarter's gross margin decline. Disregarding the effect of non-recurring revenues and expenses, the retail segment's adjusted net income came to R$14.1 million, or 0.2% of net revenue.

R$ million	12M12	% NR	12M11	% NR	% Chg
Gross Revenue	8,428.3	119.7%	7,112.8	119.9%	18.5%
Net Revenue	7,041.9	100.0%	5,932.7	100.0%	18.7%
Gross Income	1,990.0	28.3%	1,769.3	29.8%	12.5%
Operating Expenses	(1,752.1)	-24.9%	(1,487.7)	-25.0%	17.8%
EBITDA	237.9	3.4%	281.6	4.7%	-15.5%
Net Income	(6.7)	-0.1%	11.7	0.2%	157.8%
Ajusted EBITDA	277.7	3.9%	327.4	5.5%	-15.2%
Ajusted Net Income	14.1	0.2%	55.5	0.9%	-74.6%

Luizacred

In 2012, net revenue from the consumer finance segment (Luizacred) grew by 26.2% to R$667.2 million, fueled by the balanced mix between direct consumer credit (CDC) and the co-branded credit card, and by service revenue.

Luizacred's gross profit posted a 35.6% increase to R$584.8 million in 2012. Luizacred's gross margin grew by 6.1 p.p., or 87.6% of the net revenue earned in 2012, chiefly due to the fall in the CDI rate and the increased share of direct consumer credit.

Operating expenses (selling, administrative and tax expenses, amortizations and provision for loan losses) came to R$564.3 million in 2012, or 84.6% of net revenue. The increase in Luizacred's operating expenses is mainly due to the increase in provisions for loan losses, as a result of the conservative approach adopted by Itaú Unibanco, and the expenses associated with the co-branded card. Despite having increased in 2012, provisions for loan losses already recorded a decline in 4Q12, driven by the improvement in default indicators. The other operating expenses also decreased in 4Q12, reflecting the efforts invested in reducing costs and expenses and the more balanced mix between the different financial products.

The consumer finance segment's consolidated EBITDA stood at R$20.4 million in 2012, with a 3.1% margin. In 2012, the result delivered by the consumer finance segment was mainly impacted by the increase in provisions for loan losses.

The net result achieved by the consumer finance segment in 2012 was a R$7.4 million income, with a 1.1% margin, mainly impacted by the increase in provisions for loan losses.

R$ million	12M12	% NR	12M11	% NR	% Chg
Net Revenue	667.2	100.0%	528.9	100.0%	26.2%
Gross Income	584.8	87.6%	431.3	81.5%	35.6%
Operating Expenses	(564.3)	-84.6%	(385.6)	-72.9%	46.3%
EBITDA	20.4	3.1%	45.7	8.6%	-55.2%
Net Income	7.4	1.1%	22.7	4.3%	-67.5%

Note: results referring to 50% of Luizacred.

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

Aiming to formalize its commitment to good management practices, the Company will publish its first Sustainability Report according to the Global Reporting Initiative (GRI model), referring to the activities it conducted in 2012, with all the information audited by external auditors.
This report demonstrates the Company's transparency also in regard to social and environmental aspects, given that social responsibility has been a part of the Company's culture since the opening of its first store in Franca, in São Paulo state. This commitment is evidenced by the Company's relations with customers, employees, shareholders, the environment, suppliers and society.

In 2012, for the 15th consecutive year, Magazine Luiza was considered one of the best companies to work for in Brazil, according to the survey conducted by the Great Place To Work Institute.
The Company's recognition as one of the best companies to work for in Brazil is a reflection of a set of practices that aim at valuing people, whether through unique benefits that promote dignity and improve the health and instruction level of its employees and their families, whether by encouraging self-development and offering a well-defined career plan. Transparent information and the frequent and continuous alignment of all teams ensure that they are always in synch with the Company's purposes. The Company's official communication channels (a radio station with daily updates, a corporate TV station with weekly live programs, and an intranet portal that receives 1.5 million visits per month) have obtained a 90% approval rate from employees, who receive the same information as their leaders and at the same time.

The Company adopts a clear policy regarding the importance of diversity which is translated into specific programs, such as promoting the inclusion of people with physical disabilities, hiring young apprentices and trainees, and providing special opportunities for women who want to build a career in the Company. All the Company's units are engaged in the community where they operate and support several social, cultural and community projects. In addition to this permanent support, solidarity is also one of Magazine Luiza's strongest values. Therefore, it constantly supports different initiatives, such as cultural, sports and social events, which contribute to the integration and appreciation of regional cultures. Managers are given specific resources to support community events and take an active role in campaigns and rallies in support of health and assistance to the underprivileged. These initiatives are broadcast on the "*Rede do Bem*", an internal online community that disseminates and promotes volunteer work.

The Company has been a member of the Ethos Social Responsibility Institute for a few years and also gives support to Hospital do Câncer by organizing campaigns among employees, who participate voluntarily by purchasing raffle tickets and T-shirts, the proceeds of which are used to help the hospital's maintenance.

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 opinions provided in the report of ERNST & YOUNG TERCO Auditores Independentes S.S, issued on March 26, 2013, as well as with the financial statements for the years ended December 31, 2012 and 2011.

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 TERCO Auditores Independentes S.S. (ERNST & YOUNG), 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. The fees paid to independent auditors, which refer solely to their audit of the financial statements, totaled R$986.6 thousand in 2012.

ACKNOWLEDGMENTS

The Company wishes to thank its shareholders, customers, employees, suppliers, service providers, lenders, and the communities with which it operates.

São Paulo, March 26, 2013.
The Management