2014 MANAGEMENT REPORT

MESSAGE FROM THE PRESIDENT

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THE DIGITAL CYCLE AND THE SUSTAINABILITY OF BUSINESS

Once again we chose to be bold and it paid off. Our decision to sponsor the World Cup broadcast on Globo TV, Brazil's largest media network, was extremely successful and had a positive impact on our sales and the visibility of our brand. But none of this would have worked, had we not balanced the use of new technologies with our values[1]. We employ a participatory management style (win-win), and above all, we are obsessed with high-quality communication. Our messages are carried out in transparent and direct ways, in the best 'eye-to-eye' approach.

In 2014, our sales growth outpaced that of the market, in both channels: brick and mortar and online. The growth above the market resulted in market share gains for both channels. Gross sales grew 18.7% to R$11.5 billion, driven by 17.8% same-store sales growth. Our e-commerce grew 33.7%, outpacing the 25.0% growth of the Brazilian online market (E-bit).

There has been a lot of talk about a digital cycle. We are aware of the rapid digital evolution that has impacted consumers in various sectors of the economy all over the world, similarly we are monitoring the major global trends. This rapid transformational agenda leaves us with a major challenge: how to best adapt our stores to this new reality. We have been investing in processes and technology to make the in-store experience better and easier. We have to continue this transformation rapidly, with a well-adapted and structured business model, while ensuring the sustainability of the business.

Innovation has been and will continue to be the foundation for our business. We are focused on four major themes that will underpin our strategy going forward:

- Growth of our multichannel model,
- Expansion of our digital platform,
- Digitalization and automation of the brick and mortar stores and integrate distribution centers,
- Improve profitability and sustainability of our business model.

We have once again taken the lead with the set up of a dedicated innovation center: Luizalabs, an accelerator of innovative ideas and is now in charge of the digitalization of Magazine Luiza's stores. The main projects developed by the Luizalabs team of engineers in 2014 included: (i) Clube da Lu app that promotes daily offers with attractive discounts, (ii) a mobile sales app which proves access to our inventory using smartphones and (iii) product recommendation platform: suggested offerings based on the behavior of customers in our sales channels.

But the success of our business doesn't come solely from technology and innovation. It comes mainly through people. That is one of our beliefs. Patriotism, confidence in Brazil and respect for diversity are values that are continually cultivated at Magazine Luiza. We support numerous social and cultural projects in the communities in which we operate, showing appreciation for, and supporting, local initiatives and the regional culture in particular. Good deeds are welcome and constantly encouraged through the Rede do Bem Project, which collects and promotes social initiatives developed by employees or units throughout the Company. Functioning as a multiplier of social initiatives, Rede do Bem allows any employee to send information about the volunteer projects they are participating in or register campaigns in support of the community or the environment.

We are delivering on promises after completing the integration of the acquired chains. More than ever, we are committed to the continued, profitable and sustainable growth of our business. The year 2015 will be a difficult one for Brazil and, consequently, for retail as a whole, but we're prepared to overcome this latest challenge and once again come out stronger. We're going to continue working and perfecting our digital model, without losing our human touch or forgetting our values. After all, we are a traditional retail company, with 58 years of experience and a strong digital presence. We are truly multichannel.

Luiza Helena Trajano
President of Magazine Luiza

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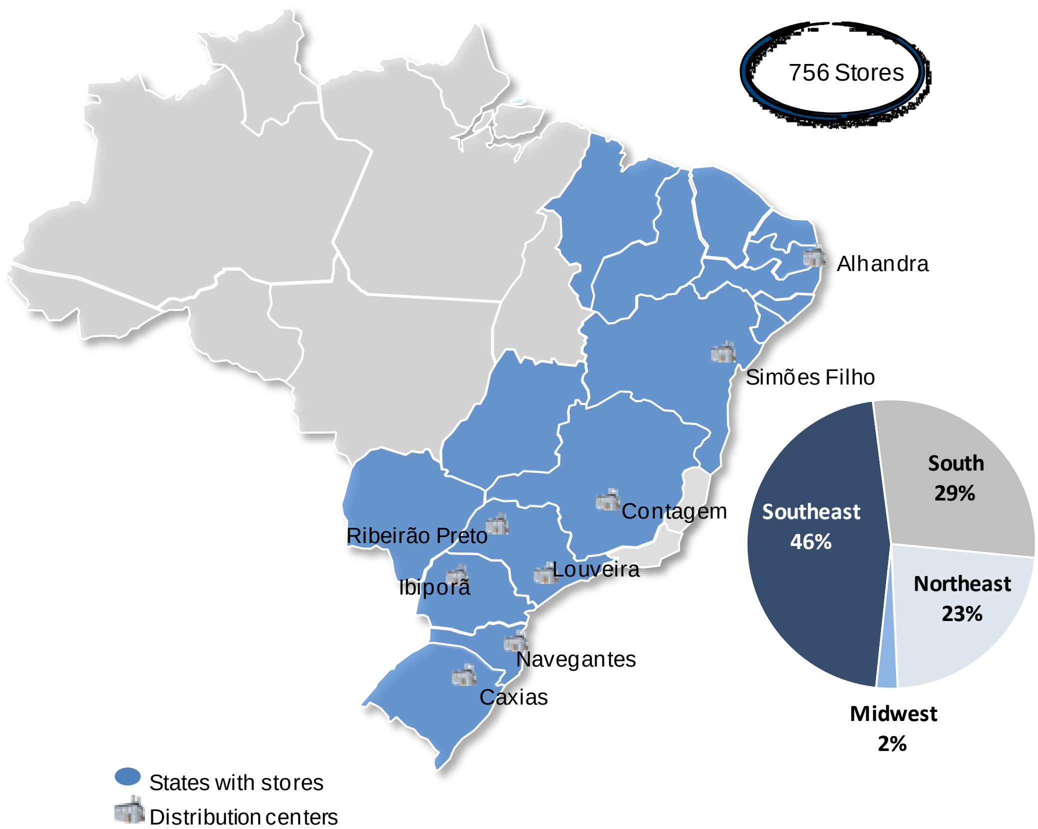
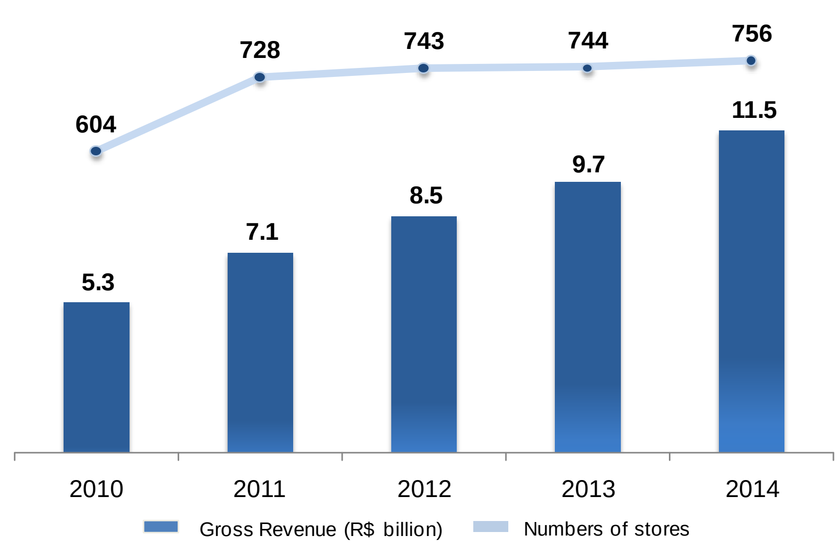
[1] Values of Magazine Luiza: i) people first, ii) ethics, integrity, honesty, transparency, justice and the common good; iii) simplified procedure and an open-door policy iv) belief: believe in people, in the company and in the country and v) innovation and daring. Our "Golden Rule": do to others as you would have them do to you.

Magazine Luiza is one of Brazil's largest retail chains focused on durable goods, with strong appeal to Brazil's mid and low income classes. On December 31, 2014, the Company operated 756 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 39 million clients.



In the last five years, the compound annual growth rate of the Company's gross revenues was 21.1%, as shown in the chart below. In this period, the Company posted double-digit growth, even in tough years on the macro front.

2010-2014 Gross Revenues CAGR: 21.1%



The Company aims to offer a differentiated buying experience through a diversified sales platform, including various channels: (i) 644 conventional stores, which have a broad product mix and diversified inventory; (ii) 111 virtual stores, where products are sold by computer terminals and the aid of sales assistants and a multimedia system with a digital product catalog, but with no need for physical inventory; (iii) one online e-commerce website (www.magazineluiza.com.br), which offers differentiated content, services and promotions and exclusive products (B2C); (iv) MagazineVocê, a new direct sales channel on Facebook that explores relationship opportunities on social media(C2C); (v) phone sales and (vi) corporate sales (B2B).

2014 HIGHLIGHTS

The table below shows a summary of the Company's main financial indicators related to the fiscal years ended on December 31, 2014 and 2013.

R$ million (except when otherwise indicated)	12M14	12M13	% Chg
Gross Revenues	11,504.7	9,692.4	18.7%
Net Revenues	9,779.4	8,088.4	20.9%
Gross Income	2,692.5	2,263.0	19.0%
Gross Margin	27.5%	28.0%	-50 bps
EBITDA	605.3	476.9	26.9%
EBITDA Margin	6.2%	5.9%	30 bps
Adjusted EBITDA[1]	605.3	411.6	47.0%
Adjusted EBITDA Margin	6.2%	5.1%	110 bps
Net Income	128.6	113.8	13.0%
Net Margin	1.3%	1.4%	-10 bps
Adjusted Net Income [2]	128.6	70.7	81.8%
Adjusted Net Margin	1.3%	0.9%	40 bps
Same Store Sales Growth	17.8%	12.9%	-
Same Physical Store Sales Growth	15.1%	10.5%	-
Internet Sales Growth	33.7%	28.2%	-
Number of Stores - End of Period	756	744	+12 stores[3]
Sales Area - End of Period (M2)	481,726	473,884	1.7%

[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. [3]The Company opened 24 new stores in 2014 and closed 12 stores.

CONSOLIDATED FINANCIAL PERFORMANCE

The table below shows the figures referring to the consolidated income statements for the years ended December 31, 2014 and 2013.

CONSOLIDATED INCOME STATEMENT (R$ million)	12M14	V.A.	12M13	V.A.	% Chg
Gross Revenues	11,504.7	117.6%	9,692.4	119.8%	18.7%
Taxes and Deductions	(1,725.3)	-17.6%	(1,604.0)	-19.8%	7.6%
Net Revenues	9,779.4	100.0%	8,088.4	100.0%	20.9%
Total Costs	(7,086.9)	-72.5%	(5,825.4)	-72.0%	21.7%
Gross Income	2,692.5	27.5%	2,263.0	28.0%	19.0%
Selling Expenses	(1,746.3)	-17.9%	(1,513.8)	-18.7%	15.4%
General and Administrative Expenses	(442.6)	-4.5%	(403.7)	-5.0%	9.6%
Provisions for Loan Losses	(22.5)	-0.2%	(21.2)	-0.3%	6.3%
Other Operating Revenues, Net	24.5	0.3%	98.2	1.2%	-75.0%
Equity in Subsidiaries	99.6	1.0%	54.5	0.7%	82.9%
Total Operating Expenses	(2,087.2)	-21.3%	(1,786.1)	-22.1%	16.9%
EBITDA	605.3	6.2%	476.9	5.9%	26.9%
Depreciation and Amortization	(114.3)	-1.2%	(102.0)	-1.3%	12.1%
EBIT	490.9	5.0%	375.0	4.6%	30.9%
Financial Results	(360.7)	-3.7%	(244.0)	-3.0%	47.9%
Operating Income	130.2	1.3%	131.0	1.6%	-0.6%
Income Tax and Social Contribution	(1.6)	0.0%	(17.2)	-0.2%	-90.5%
Net Income	128.6	1.3%	113.8	1.4%	13.0%

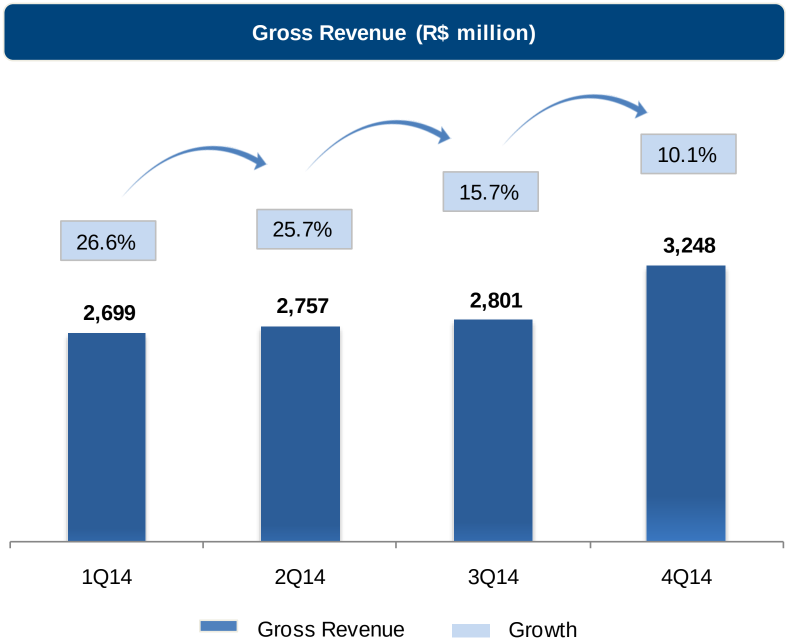
Reconciliation of EBITDA for extraordinary expenses

EBITDA	605.3	6.2%	476.9	5.9%	-
Extraordinary Revenues	-	0.0%	(126.4)	-1.6%	-
Extraordinary Expenses	-	0.0%	61.1	0.8%	-
Adjusted EBITDA	605.3	6.2%	411.6	5.1%	-

Net Income	128.6	1.3%	113.8	1.4%	-
Extraordinary Operational Results	-	0.0%	(65.3)	-0.8%	-
Tax Over Extraordinary Results	-	0.0%	22.2	0.3%	-
Adjusted Net Income	128.6	1.3%	70.7	0.9%	-

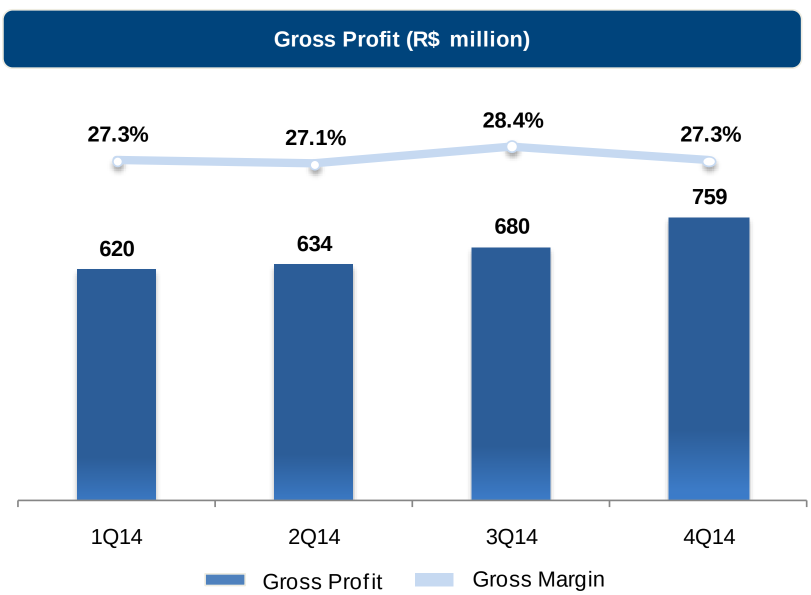
Magazine Luiza's consolidated gross revenues grew by 18.7% in 2014 over 2013, totaling R$11,504.7 million. The strong performance reflects the assertiveness of our commercial strategy, particularly with good sales performance on TV sales during the Word Cup, higher productivity and improved product mix, with a greater participation of smartphones.

The chart below summarizes the evolution in gross revenues during 2014:



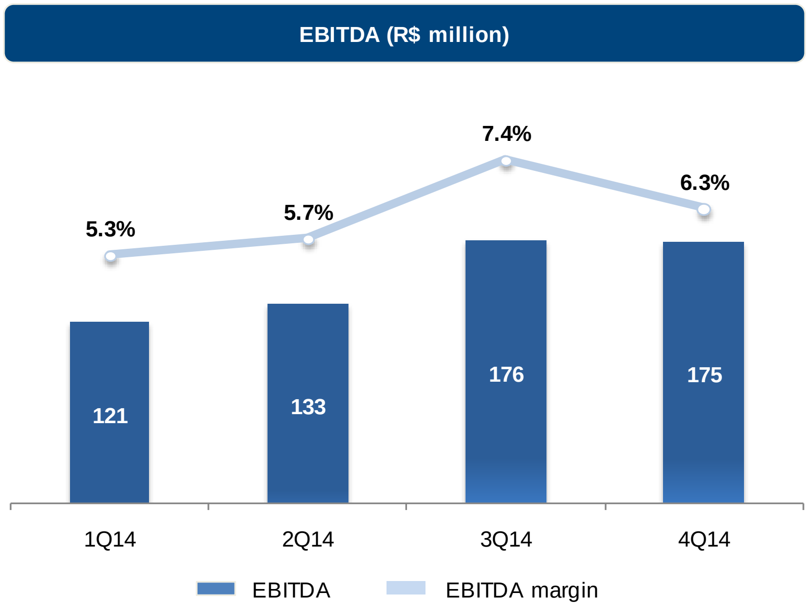
Gross profit grew by 19.0% in 2014, to R$2,692.5 million, with a gross margin of 27.5%, 50bps down YoY. The decrease in gross margin can be explained by: (i) higher share of internet sales, (ii) increase of TV sales as a percentage of our overall mix, because of Word Cup effect and (iii) promotional actions, particularly Word Cup campaign and Black Friday.

Below is the growth of gross profit throughout 2014:



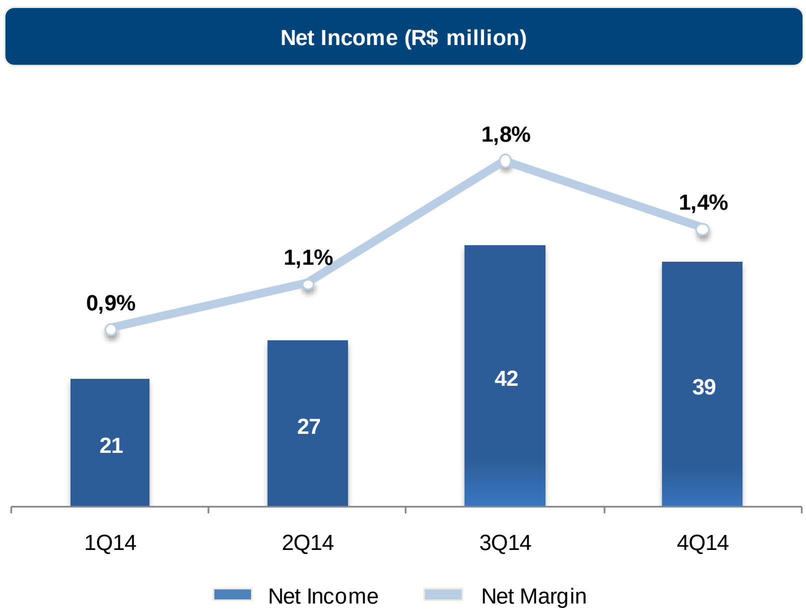
EBITDA (earnings before interest, taxes, depreciation and amortization) stood at R$605.3 million in 2014, for 6.2% margin, 110 bps up YoY. The main factors positively contributing to the increase in EBITDA were the good sales performance in all channels, higher dilution of expenses, synergies from the integration of the Baú and Maia stores and Luizacred's record performance.

The chart below shows the changes in EBITDA throughout 2014:



Net income totaled R$128.6 million in 2014, with a margin of 1.3%, and a return on average equity (ROE) was 17.9%.

Below are the changes in net income throughout 2014:



PERFORMANCE BY SEGMENT

Consolidated Performance

In 2014, the Company opened 24 new stores and as part of the process to increase productivity and better control costs and expenses, Magazine Luiza closed 12 stores. In addition, the Company remodeled 60 stores.

Consolidated gross revenue grew by 18.7% in 2014 to R$11,504.7 million. The substantial growth registered in 2014 was influenced by: i) same-store sales growth of 17.8% (15.1% for bricks-and-mortar stores) and ii) increase of 33.7% in the e-commerce segment, closing 2014 with R$1,876.1 million and accounting for 16.4% of total retail sales (versus 14.6% in 2013). Sales in the Northeast region grew by 29.9% in 2014, to R$1,844.7 million, faster than the Company's average, reaching 16.1% of total retail sales in 2014 (versus 14.7% in 2013).

In 2014, consolidated gross profit was R$2,692.5 million, 19.0% higher YoY, translating into a gross margin of 27.5%. The gross margin reflects the product mix with greater weight of TVs, increase in the gross margin of the Northeastern stores and the higher share of e-commerce sales in the sales mix.

The Company enjoyed good dilution of operating expenses in 2014 due to good sales performance and the conclusion of projects to control costs and expenses. The Company's operating expenses fell by 80 bps, from 22.1% to 21.3%.

The EBITDA totaled R$605.3 million in 2014, with a 6.2% EBITDA margin. The main factors positively contributing to the increase in EBITDA were: (i) sales performance in all channels, (ii) a dilution of expenses and (iii) Luizacred equity income.

Net income totaled R$128.6 million, or 1.3% of net revenues.

R$ million	12M14	%N.R.	12M13	%N.R.	% Chg
Gross Revenues	11,504.7	117.6%	9,692.4	119.8%	18.7%
Net Revenues	9,779.4	100.0%	8,088.4	100.0%	20.9%
Gross Income	2,692.5	27.5%	2,263.0	28.0%	19.0%
Total Operating Expenses	(2,087.2)	-21.3%	(1,786.1)	-22.1%	16.9%
EBITDA	605.3	6.2%	476.9	5.9%	26.9%
Net Income	128.6	1.3%	113.8	1.4%	13.0%
Adjusted EBITDA	605.3	6.2%	411.6	5.1%	47.0%
Adjusted Net Income	128.6	1.3%	70.7	0.9%	81.8%

Luizacred

In 2014, net revenue from the consumer finance segment (Luizacred) grew by 14.9% to R$1,638.2 million, fueled by the balanced mix between direct consumer credit (CDC) and Luiza card, and by service revenues.

Luizacred's gross profit posted an 11.1% increase to R$1,411.0 million in 2014. The gross margin reduced by 30 bps, accounting for 86.1% of revenues in 2014, reflecting the increase in CDI rate.

Provision for loan losses, net of recoveries, totaled R$543.0 million in 2014, down by a significant 970 bps, from 42.8% of net revenue in 2013 to 33.1% in 2014, reflecting the improved profile of the long-term portfolio and default rates in 2014.

Other operating expenses (selling, administrative, taxes, depreciation and amortization) totaled R$557.5 million in 2014, equivalent to 34.0% of net revenue, 100 bps lower, due to the initiatives to reduce expenses and productivity gains.

The consumer finance segment's EBITDA increased by 94.2% and reached R$310.5 million in 2014, accompanied by a margin of 19.0%. In 2014, the consumer finance segment registered its best performance since it was set up.

Luizacred's net income amounted to R$180.8 million in 2014, with a record margin of 11.0%, and annual return on average equity (ROE) of 36.1%.

R$ million	12M14	%N.R.	12M13	%N.R.	% Chg
Net Revenues	1,638.2	100.0%	1,426.2	100.0%	14.9%
Gross Income	1,411.0	86.1%	1,270.4	89.1%	11.1%
Total Operating Expenses	(1,100.5)	-67.2%	(1,110.5)	-77.9%	-0.9%
Provision for Loan Losses, Líquid	(543.0)	-33.1%	(611.1)	-42.8%	-11.1%
Other Operating Expenses	(557.5)	-34.0%	(499.5)	-35.0%	11.6%
EBITDA	310.5	19.0%	159.8	11.2%	94.2%
Net Income	180.8	11.0%	89.2	6.3%	102.7%

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, SOCIAL RESPONSIBILITY AND SOCIAL PROJECTS

Each of Magazine Luiza's employees, with their persistence, skills and engagement, makes the Company widely recognized for its strongest values: ethical principles, innovation, customer service, transparency and valuing people.

The investment in lasting relationships with employees reflects and promotes the Company's sustainable focus, through "win-win" relationships with all stakeholders, including customers, suppliers, shareholders, government and the community in general.

Social inclusion, which is the main pillar of sustainability, is practiced in the form of the benefits that go beyond those required by Law, which increases the level of education and improves health and wellbeing of employees and their families.

With the belief that everyone has the right to equal opportunities, the Company, though its Inclusion Program, ended 2014 with 1,058 people with disabilities, and ranked as the 7th best in the Best Companies for People with Disabilities Award – the only retailer among the top ten.

Employee engagement is one of the main factors behind the success of the Company. The official internal communications channels, radio with daily updates, live corporate TV with a weekly TV program and the intranet portal, provide simultaneous sharing of the identical information made available to the leaders and the workforce, so to match the alignment of our actions.

In addition to these channels, leadership meetings, ongoing training and alignment practices, such as the Rite of Communion – a weekly meeting that takes place simultaneously at all units – create solid two-way bridges between operations and strategy.

The commitment to transparency is also reflected in the publication, for the second consecutive year of the Global Report Initiative (GRI) indicators in the 2013 Annual Report, which was ranked 16th in the ABRASCA (Brazilian Association of Public Companies) Award.

In 2014, the Company consolidated and expanded its social activities in the communities where it operates, supporting approximately 150 institutions that serve more than 20,000 people in at-risk situations, particularly children and adolescents, uniting the efforts of the incentive laws, product donations and volunteer actions, which through the Rede do Bem network have engaged more than 600 employees.

All of the investments in people, internally and externally, have an impact on the sustainability of the business, in order to generate a fair return for shareholders, enable reinvestment in the modernization and expansion of the Company and allow for the ongoing development of employees.

Valuing people brings profits to the business and to our reputation, which is proven by the 17 consecutive years in which Magazine Luiza has been selected as one of the "100 Best Places to Work in Brazil" (Great Place to Work Institute survey). In 2014, it was ranked 2nd in Brazilian retail, and 5th among all business segments.

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 25, 2015, as well as with the financial statements for the years ended December 31, 2014 and 2013.

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, 2014, EY didn't provide additional services which exceeded 5% of the fees to audit the consolidated financial statements of Magazine Luiza S.A.

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 strictly 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

At this time, the Company would like to thank its shareholders, customers, employees, suppliers, service providers, lenders, and the communities with which it operates for their support and partnership during 2014, which has allowed us to surpass our goals once again.

São Paulo, February 26, 2015.
The Management team