2018 MANAGEMENT REPORT

MESSAGE FROM THE EXECUTIVE DIRECTORS

For the last few years, each of our employees has been committed to achieving a mission that few companies in the world have been able to accomplish: transforming a traditional retail company into a digital one. In 2018, thanks to everyone's hard work and determination, we wrapped up our digital transformation process and initiated an important new chapter in our over 60 year history: to think, act and work like a technology company--at all levels of the organization.

We are a technology company – a digital platform with no frontiers between the physical and virtual worlds, where the retail universe is seen as a single unit – which is what we think it is. No barriers, no walls and no fiefdoms.

Our infrastructure is, and will continue to be, a hybrid mix of physical and virtual assets integrated seamlessly via technology into a single, unified platform.

There are no analog processes today at Magazine Luiza. An army of more than 750 developers and product design experts make up our technology development group, Luizalabs, which is responsible for delivering "Made in Magalu" solutions to all of our business units. The ability to develop technology internally has allowed us to digitalize complex processes for our more than 10,000 sellers, our nearly 1,000 stores, 12 distribution centers, and all of our logistics and back office operations, resulting in increased sales, faster delivery times and higher levels of customer service.

Now it is time for us to take an even more ambitious step. It is time for Magalu to contribute to the digitalization of Brazil itself.

We will do that by extending our digitalization strategy in a radical new direction. Since our inception, we have strived to make as many things as possible available to individual Brazilians of all classes and incomes. We have done that with televisions, washing machines and smartphones and will now do so for Brazilian businesses, many of whom are still stuck in the analog world and, as a result, work less efficiently, productively and successfully.

We will continue to open new physical locations and expand our presence throughout all regions of Brazil. We will do that because our stores aren't just stores -- they are advanced shopping and distribution centers, perfectly integrated with our digital operations, while retaining their human touch. By the end of 2019, we will have a network of over 1,000 locations, giving us a strong lead .

To date, Magalu has been growing extraordinarily. Over the last three years, the company's revenue has almost doubled. Net profit grew 600%. Market share has soared by more than 5 percentage points in our main operating segments. In the same period, we also expanded our customer base, albeit at a lower rate. But as of now, we want to increase the number of interactions exponentially, similar to the elevated levels of growth commonly associated with China. This is what Magalu's more than 27,000 employees are working hard to achieve in 2019.

We currently have over 17 million active customers. This means we have penetrated only 13% of Brazil's consumer market. There is still enormous room for growth, which we will tackle by gradually expanding our offering of products and services to Brazilians through technology. Magalu currently has one of Brazil's most successful shopping apps, with 26 million downloads, and the app accounts for roughly 40% of the Company's online orders. We are not only building an app, but rather a "superapp": a digital environment where customers can go shopping, pay bills, top-up their mobile phones, hire transportation services, buy lunch, play games and connect with friends on social media. By attracting partners to the superapp environment we will increase our chances of attracting new customers, whose interactions with the company will be even more frequent and meaningful.

While these corporations are opening new stores, Magalu is opening its APIs.

We believe that we are uniquely well-positioned to achieve our mission. Time, history and the current context are all in our favor. Today, digitally native corporations like Alibaba and Amazon are investing their time, energy and financial resources into building physical networks from the ground up. They do that because they know there is no future for retailers who are unable to harmoniously combine the physical and virtual worlds.

Our strategy envisions that we will not merely be leaders in durable goods, but a plethora of other categories – from apparel and footwear to personal hygiene and household products, wines, pet food, stationary, office supplies, hardware and construction materials. A digital platform like ours offers infinite opportunities for collaboration with other companies. The sky is the limit.

This is the beauty of the model. The more companies we attract to our platform, especially through our marketplace, the more customers we will attract. The more customers we attract, the greater the power we will have to attract new business partners. Thus, a virtuous circle is formed, creating growth that is exponential rather than linear. At the end of 2018 we had over 3,300 sellers in our marketplace and more than 4.3 million items for sale.

Technology developed by Magalu is increasingly going to be made available to each of our partners so that they can become as digitally-advanced as Magazine Luiza itself. This is what we are calling *Magalu as a Service*. It is our commitment to digitalization.

Brazil is not accustomed to this type of platform model, which is a novelty even in developed economies. But there is no doubt that the future is now, and businesses will only be able to grow through a collaborative and open system that enables multiple partnerships and expands elastically at the speed of the customer’s needs and wants. The platform revolution is here to stay. At Magalu, it is already in motion.

Just like Magalu, sellers on our marketplace can rely on developers who are working hard every day to improve the user experience. Also like Magalu, they will have an efficient distribution network at their disposal, with well-trained salespeople who can sell their products to consumers in our physical stores and team members who will deliver their shipments. They can also rely on a cutting-edge digital infrastructure which uses large data sets coupled with advanced machine learning algorithms to promote their offers and generate new opportunities.

We are not talking about a distant future. We are talking about 2019.

Magalu has been preparing for quite some time to make all of this possible. In December 2018, we acquired Softbox, a technology solution provider which specializes in developing digital solutions for analog retail and consumer packed goods companies. In May 2018, we announced the acquisition of Logbee, a logistics technology startup, and, in April 2017, we acquired Integra Commerce, which focuses on integrating multiple e-commerce systems and marketplaces. In less than two years, hundreds of developers joined the company and were successfully integrated, adding a series of new competencies to further improve the Magalu experience.

We also raised our own bar in terms of customer satisfaction. We know that our growth ambitions must not come at the cost of our user experience, so we have redoubled our efforts to exceed user expectations, to surprise and delight on a daily basis.

This is how we became the only retail company to achieve the prestigious RA 1000 accreditation from the *Reclame Aqui* website. This is also how we managed to complete more than 30% of all of our deliveries in 48 hours or less. Moreover, this is how we achieved a customer satisfaction level of over 80% in our Customer Service Survey.

Is it possible to grow at a China-like pace, while simultaneously improving the user experience of our customers?

It’s a challenge. A huge one. But we have overcome other challenges before. Years ago, our belief in a retail model that could bridge the digital and physical worlds was frowned upon. More recently, we had to prove that we were capable of transforming from a traditional retail company into a digital one. Many said it would be impossible to develop wide-scale technology in Brazil, with Brazilian employees.

But through the hard work, determination and dedication of our team, we proved that it was all possible.

We want to share these achievements with our investors, suppliers, business partners, employees and, above all, each one of our customers. Without their confidence in our work and our purpose, none of this would have been possible.

After successfully closing one chapter of our history, we are looking forward to opening a new one. We are ready. And we are happy to be here.

Lastly, we would like to pay our respects to Pelegrino José Donato who, together with his wife, Luiza Trajano Donato, founded and dedicated most of his life to Magazine Luiza. Pelegrino left us in December 2018, but he will live forever on in our hearts and minds.

EXECUTIVE MANAGEMENT TEAM

HIGHLIGHTS

Sales up by 36%, with growth in all channels
E-commerce up by 60% in 2018, reaching 36% of total sales
21% EBITDA Increase to R$1,245 million (8.0% margin)
Adjusted operating cash generation of R$1.1 million in the year
Net cash position of R$2.2 billion in Dec/18

- **Consistent market share gains.** In 2018, total sales (physical stores, traditional e-commerce (1P) and marketplace (3P)) increased 36.2% to R$19.7 billion, reflecting growth of 60.1% in e-commerce (on top of 60.9% growth in 2017) and 25.8% in physical stores (on top of 17.4% growth in 2017). It is worth highlighting the performance of the 100 stores opened during the last 12 months, that generated sales above our expectations, expanding total physical store sales growth by 7 p.p.. Magalu continued to gain market share across all channels, regions and product categories. By contrast, in 2018, the market for furniture and electronics fell 1.4%, according to IBGE.

- **Accelerated growth in e-commerce.** E-commerce sales grew 60.1% in 2018, reaching 35.7% of total sales, compared to market growth of 11.5% (E-bit). In traditional e-commerce, sales grew 48.4%, and the marketplace contributed with additional sales of R$855.1 million. Magalu's market share gains were driven by: (i) increased sales on mobile platforms (the app reached 26 million downloads), (ii) higher conversion rates across all channels, (iii) the maturation of multichannel projects, especially, In-Store Pick-Up and (iv) continuously improving levels of customer service which enabled us to maintain our RA1000 ranking.

- **Evolution of gross profit.** In 2018, gross profit increased 25.8% to R$4.5 billion. Gross margin decreased 100 bps to 29.1 % reflecting the significant increase in e-commerce, from 30.4% of total sales to 35.7%.

- **Dilution of fixed expenses, growth of investments in level of service and new customer acquisition.** In 2018, operating expenses were diluted by 70 bps to 21.5% of net revenue. Of this total, additional investment in the level of service and the acquisition of new customers represented nearly 70bps of net revenues.

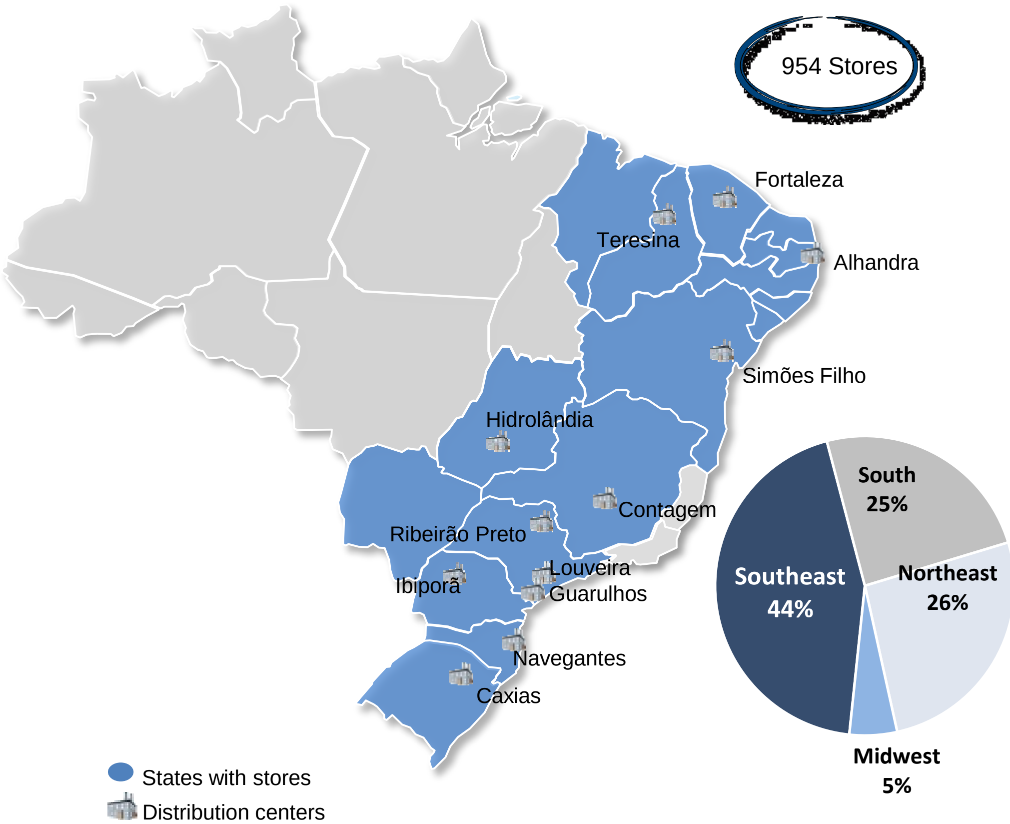
- **Significant Luizacred growth.** The Luiza Card base increased in almost 1 million in 2018, reaching 4.3 million cards. In the same period, the Luiza Card revenue grew 37.2% surpassing the mark of R$ 20 billion. In 2018, Luizacred posted a net income of R$87.6, influenced by the adoption of IFRS 9. Considering the accounting practices established by the Brazilian Central Bank, Luizacred's net income was R$161.4 million in 2018, growing 15.2%.

- **EBITDA and net income growth.** In 2018, EBITDA increased 20.8% to R$1.2 billion (8.0% margin). High sales growth, the positive contribution of e-commerce and the dilution of expenses were responsible for the EBITDA growth. Financial expenses were diluted in 120bps to 1.8% of net revenue reflecting the increase of net cash position and CDI rate decrease. Due to these factors, the Company posted R$597.4 million of net profit, an increase of 53.6% YoY (ROE of 27%).

- **Strong cash flow generation and ROIC.** Cash flow from operations, adjusted by receivables, reached R$1.1 billion during the last 12 months, due to improved results and disciplined working capital management. Once again, the Company presented high growth with high ROIC and strong cash generation. In the last twelve months, annualized ROIC reached 32%.

- **Increase of net cash position and optimization of the capital structure.** In the last 12 months, the Company increased adjusted net cash by R$488.1 million, from a net cash position of R$1.7 billion in Dec/17 to R$2.2 billion in Dec/18. As of this date the Company reached a total cash position of R$2.6 billion, with cash and securities of R$1.0 billion and credit card receivables of R$1.6 billion.

Magazine Luiza, or Magalu, is a technology and logistics company focused on retail and offers a wide range of products and services to Brazilians of all classes, through a multi-channel retail platform (app, website and physical stores). As of December 31, 2018, the Company operated 954 stores and 12 distribution centers strategically located in 16 Brazilian states. At the same date, the Company had more than 27 thousand employees.



CONSOLIDATED FINANCIAL PERFORMANCE

The table below presents the amounts related to the consolidated income statements for the fiscal years ended December 31, 2018 and December 31, 2017.

CONSOLIDATED INCOME STATEMENT (R$ million)	12M18	V.A.	12M17	V.A.	% Chg
Gross Revenue	18,896.5	121.2%	14,321.1	119.5%	31.9%
Taxes and Deductions	(3,306.1)	-21.2%	(2,336.9)	-19.5%	41.5%
Net Revenue	15,590.4	100.0%	11,984.3	100.0%	30.1%
Total Costs	(11,053.0)	-70.9%	(8,378.2)	-69.9%	31.9%
Gross Income	4,537.4	29.1%	3,606.0	30.1%	25.8%
Selling Expenses	(2,747.4)	-17.6%	(2,120.0)	-17.7%	29.6%
General and Administrative Expenses	(596.1)	-3.8%	(536.0)	-4.5%	11.2%
Provisions for Loan Losses	(59.7)	-0.4%	(41.9)	-0.3%	42.5%
Other Operating Revenues, Net	53.4	0.3%	36.5	0.3%	46.3%
Equity in Subsidiaries	57.8	0.4%	86.2	0.7%	-33.0%
Total Operating Expenses	(3,292.2)	-21.1%	(2,575.3)	-21.5%	27.8%
EBITDA	1,245.2	8.0%	1,030.8	8.6%	20.8%
Depreciation and Amortization	(163.7)	-1.0%	(143.1)	-1.2%	14.4%
EBIT	1,081.6	6.9%	887.7	7.4%	21.8%
Financial Results	(294.7)	-1.9%	(410.8)	-3.4%	-28.3%
Operating Income	786.9	5.0%	476.9	4.0%	65.0%
Income Tax and Social Contribution	(189.4)	-1.2%	(87.9)	-0.7%	115.6%
Net Income	597.4	3.8%	389.0	3.2%	53.6%
Retail Total Sales[1]	19,667.8	-	14,440.3	-	36.2%
	-	0	-	0	-
Same Physical Store Sales Growth	18.6%	-	14.3%	-	-
Total Physical Store Sales Growth	25.8%	-	17.4%	-	-
Internet Sales Growth (1P)	48.4%	-	52.7%	-	-
Total E-commerce Sales Growth	60.1%	-	60.9%	-	-
E-commerce Share in Total Sale	35.7%	-	30.4%	-	5.3 pp
Number of Stores - End of Period	954	-	858	-	96
Sales Area - End of Period (M2)	572,394	-	525,981	-	8.8%

[(1)] Total sales include physical store sales, traditional e-commerce (1P) and marketplace (3P).

In 2018, the Company opened 100 new stores and closed four, ending the year with 954 stores, 791 of which were conventional and 162 were virtual, in addition to our website. Of the total base, 25% of stores are in the process of maturation.

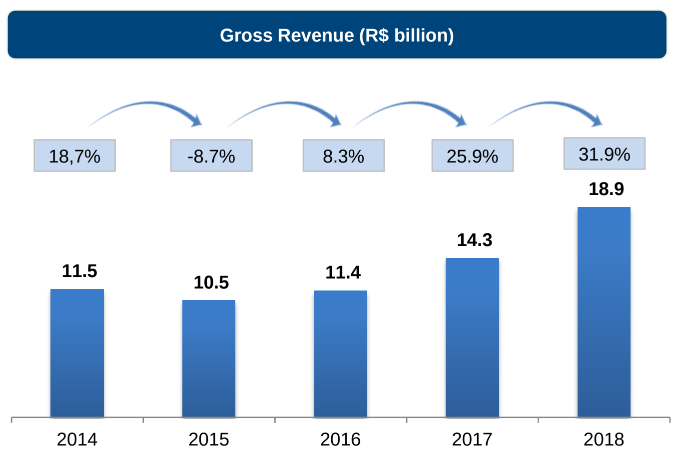
Gross revenue increased 31.9% to R$18.9 billion, due to accelerated growth in e-commerce, increase in same physical store sales plus the contribution of 100 new stores.

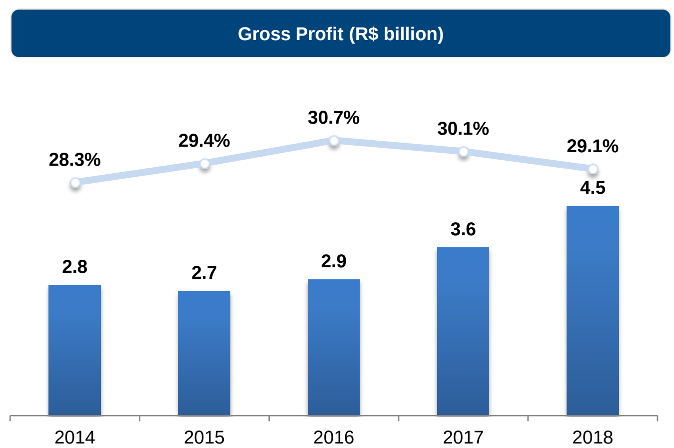
Gross profit reached R$4.5 billion with a decrease of 1.0 p.p. in gross margin to 29.1%. The gross margin drop is explained by a significant increase in the share of e-commerce.

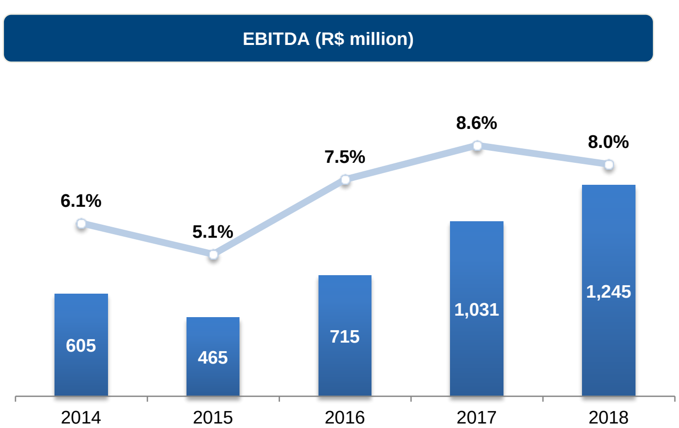
Sales expenses represented 17.6% of net sales, a decrease of 0.1 p.p. in relation to 2017. Part of the growth was due to marketing investments in the acquisition of new customers and service, including logistics and service. The share of general and administrative expenses was 3.8% of net revenue, equivalent to a reduction of 0.7 p.p. compared to 2017. As a result, operating expenses decreased by 0.7 p.p. to 21.5% of net revenue. This dilution reflects the maturity of the strict expense control procedures adopted by the Company, including the Zero Base Budget (ZBB) and the Matrix Expense Management.

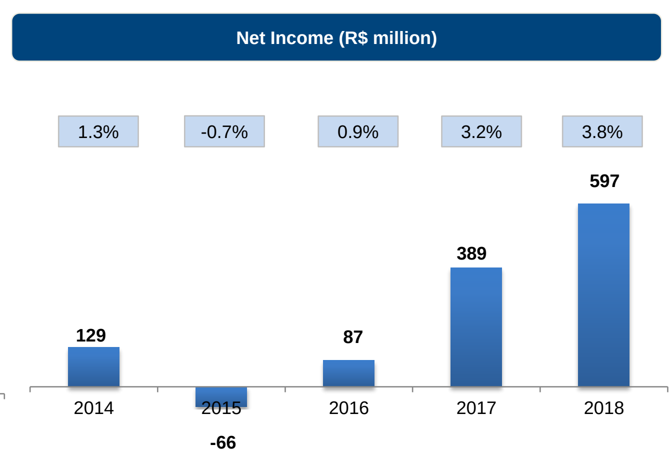
Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) reached R$1,245.2 million, equivalent to an EBITDA margin of 8.0%. The growth in sales, the dilution of operating expenses, and the positive contribution of e-commerce contributed to the significant evolution of EBITDA. In line with the new strategic phase of customer focus, additional investments focused on improvements in the level of service and acquisition of new customers reduced the EBITDA margin by approximately 0.7 p.p.

In 2018, the accumulated net income amounted to R$597.4 million, with an ROE of 27%.









MANAGEMENT STATEMENT

In compliance with the provisions under article 25 of the Brazilian Securities and Exchange Commission (CVM) Instruction 480, the Board of Executive Officers declares that it has reviewed, discussed and agreed with the opinion rendered in the Independent Auditor's Report issued by KPMG Auditores Independentes S/S on February 21, 2019, along with the Financial Statements for the fiscal year ended on December 31, 2018 and 2017.

RELATIONSHIP WITH EXTERNAL AUDITORS

Pursuant to CVM Instruction No.381/03, we inform that the Company and its subsidiaries and jointly-owned subsidiaries adopt as formal procedure to consult the independent auditors KPMG Auditores Independentes S/S (KPMG), in order to assure that the rendering of other services do not affect their Independence and the objectivity required to perform independent audit services. The Company's policy when engaging independent auditor's services assures there is no conflict of interests, loss of independence or objectivity.

In the fiscal year ended December 31, 2018, KPMG did not render other additional services to exceed 5% of the audit fees of Magazine Luiza S.A.'s consolidated financial statements.

When contracting these services, the policies adopted by the Company are based on the principles which preserve auditor's independence. These principles, pursuant to the accepted international standards, consist of: (a) auditor shall not audit his own work; (b) auditor shall not perform managerial duties at his client, and (c) auditor shall not legally represent its clients' interests.

KPMG Auditores Independentes S/S (KPMG) declared that services were rendered in strict compliance with the accounting standards referring to auditors' independence and they do not represent situation which could affect independence and the objective performance of their external audit services.

ACKNOWLEDGEMENTS

We would like to take this opportunity to thank all our clients, employees, shareholders, suppliers, partners, and the community in general for the trust and partnership throughout 2018.

São Paulo, February 21, 2019

The Management