



**Magazine Luiza S.A. (B3: MGLU3)**  
**2nd Quarter 2019 Earnings Release (IFRS equivalent)**



## 2Q19 HIGHLIGHTS

**Marketplace grew 289%, reaching 24% of total e-commerce**  
**E-commerce grew 56%, reaching R\$2.4 billion and 41% of total sales**  
**Physical store sales grew 9%**  
**Total sales rose 24%, reaching R\$5.7 billion**  
**Pro Forma EBITDA of R\$304 million, 7.2% margin**  
**Pro Forma Net profit reached R\$108 million, 2.6% margin**  
**Net cash position of R\$0.8 billion in Jun/19**

- **Consistent market share gains.** In 2Q19, total sales (physical stores, traditional e-commerce (1P) and marketplace (3P)) increased 24.4% to R\$5.7 billion, reflecting growth of 56.2% in e-commerce (on top of 66.1% growth in 2Q18) and 8.7% in physical stores (same store sales growth of 0.3% on top of 27.1% growth in 2Q18). It is worth highlighting the performance of the 102 new stores that generated sales above our expectations, expanding total physical store sales growth by 8.4 p.p.. By contrast, in the first 6 months of the year, the market for furniture and electronics grew only 3.1%, according to IBGE.
- **Accelerated growth in e-commerce.** E-commerce sales grew 56.2% in 2Q19, reaching 41.5% of total sales, compared to market growth of 10.8% (E-bit). In traditional e-commerce (1P), sales grew 30.9%, and the marketplace contributed with additional sales of R\$582.8 million (reaching 24% of total e-commerce). Among other things, Magalu's market share gains were driven by the app performance with 12 million MAU (including Magalu Superapp, Netshoes, Zattini and Época Cosméticos), increase in the sellers base and marketplace assortment, the maturation of multichannel projects, faster delivery and the maintenance of our RA1000 ranking.
- **Evolution of gross profit, investments in level of service and new customer acquisition.** In 2Q19, pro-forma gross profit increased 11.9% to R\$1.2 billion. Pro-forma gross margin decreased 80 bps to 29.2% reflecting the significant increase in traditional e-commerce (1P) and the end of "Lei do Bem", partially offset by accelerated marketplace growth and commercial strategy. Pro-forma operating expenses pro-forma were stable in 2Q19 at 22.0% of net revenues including additional investment in the level of service and the acquisition of new customers.
- **Significant Luizacred growth.** Luizacred's total revenue grew 51.4% in 2Q19, the largest growth in the last 5 years. The Luiza Card base increased 24.2% YoY reaching 4.6 million cards. In the same period, Luiza Card revenue grew 32.7% to R\$6.3 billion. The total portfolio grew an impressive 44.1% in 2Q19 reaching R\$9.5 billion. Considering the accounting practices established by the Brazilian Central Bank, so excluding the effects of IFRS 9, Luizacred's net income was R\$35.0 million in 2Q19 (ROE of 16.2%).
- **EBITDA and net income.** In 2Q19, Pro-forma EBITDA reached R\$304.0 million (7.2% margin). High sales growth and the positive contribution of e-commerce were responsible for the EBITDA result. In line with the strategic phase of focus on the customer, additional investments in service levels and new customer acquisition influenced the EBITDA. Due to these factors, and the impact of IFRS9 on Luizacred, the Company posted R\$108.5 million of Pro-forma net income. Under the accounting practices established by the Brazilian Central Bank, Magalu's Pro-forma net income would have been R\$130.0 million in 2Q19.
- **Strong cash flow generation and ROIC.** Cash flow from operations adjusted by receivables, reached R\$0.7 billion in LTM, due to improved results and disciplined working capital management. Once again, the Company presented high growth with high ROIC and strong cash generation. In 2Q19, ROIC reached 17% and 23% LTM.
- **Net cash position and capital structure.** In the last 12 months, adjusted net cash went from R\$1.3 billion in Jun/18 to R\$0.8 billion in Jun/19. This variation is entirely related to the Netshoes acquisition concluded in Jun/19. As of this date the Company reached a total cash position of R\$2.0 billion, with cash and securities of R\$1.1 billion and credit card receivables of R\$0.9 billion.

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R\$ million (except when otherwise indicated)	2Q19	1Q18	% Chg	1H19	1H18	% Chg
Total Sales <sup>1</sup> (including marketplace)	5,747.0	4,618.8	24.4%	11,465.0	9,084.9	26.2%
Gross Revenue	5,196.2	4,487.3	15.8%	10,509.4	8,853.6	18.7%
Net Revenue	4,308.1	3,696.2	16.6%	8,637.1	7,309.4	18.2%
Gross Income	1,092.2	1,108.0	-1.4%	2,303.7	2,151.4	7.1%
Gross Margin	0.3	30.0%	-460 bps	26.7%	29.4%	-270 bps
EBITDA	379.9	312.4	21.6%	775.3	612.9	26.5%
EBITDA Margin	8.8%	8.5%	30 bps	9.0%	8.4%	60 bps
Net Income	386.6	140.7	174.7%	518.7	288.2	80.0%
Net Margin	9.0%	3.8%	520 bps	6.0%	3.9%	210 bps
Gross Revenue Pro-Forma	5,117.6	4,487.3	14.0%	10,430.9	8,853.6	17.8%
Net Revenue Pro-Forma	4,248.6	3,696.2	14.9%	8,577.6	7,309.4	17.3%
Gross Income Pro-Forma	1,239.6	1,108.0	11.9%	2,451.06	2,151.4	13.9%
Gross Margin - Pro-Forma	29.2%	30.0%	-80 bps	28.6%	29.4%	-80 bps
EBITDA Pro-Forma	304.0	315.2	-3.6%	628.7	616.7	1.9%
EBITDA Margin Pro-Forma	7.2%	8.5%	-130 bps	7.3%	8.4%	-110 bps
Net Income Pro-Forma	108.5	142.6	-23.9%	251.2	290.7	-13.6%
Net Margin Pro-Forma	2.6%	3.9%	-130 bps	2.9%	4.0%	-110 bps
Same Physical Store Sales Growth	0.3%	27.1%	-	4.1%	21.4%	-
Total Physical Store Sales Growth	8.7%	34.1%	-	12.2%	27.7%	-
E-commerce Sales Growth (1P) <sup>2</sup>	30.9%	54.8%	-	32.1%	54.2%	-
Total E-commerce Sales Growth <sup>2</sup>	56.2%	66.1%	-	53.1%	65.4%	-
E-commerce Share in Total Sale	41.5%	33.0%	8.4 pp	41.4%	34.2%	7.3 pp
Number of Stores - End of Period	987	885	102 stores	986	885	101 stores
Sales Area - End of Period (M2)	585,341	538,753	8.5%	584,572	538,753	8.5%

(1) Total Sales includes sales from physical stores, traditional e-commerce (1P) and marketplace (3P).

(2) E-commerce Sales include Netshoes sales as of June 14 (acquisition).

## IFRS 16 AND NON RECURRING EVENTS

IFRS 16 introduced a single model for the accounting of leases in the balance sheet of lessees. As a result, the Company, as lessee, recognized as assets the right to use underlying assets and their corresponding lease liabilities.

In 2Q19, the Company was successful in lawsuits regarding the unconstitutionality of the inclusion of ICMS in the PIS / Cofins tax basis.

Additionally, on June 14, Magalu concluded the acquisition of Netshoes, starting to consolidate its results as of that date.

For ease of comparability with 2Q18, 2Q19 results are also being presented in a Pro Forma view, without the effects of IFRS 16, tax credits, the acquisition of Netshoes, and other non-recurring provisions and expenses.

INCOME STATEMENT (R\$ million) PRO FORMA CONCILITAIION	2Q19	V.A.	IFRS 16	Non-recurring	2Q19 Pro Forma	V.A.
<b>Gross Revenue</b>	5,196.2	120.6%	-	78.5	5,117.6	120.5%
Taxes and Deductions	(888.1)	-20.6%	-	(19.1)	(869.0)	-20.5%
<b>Net Revenue</b>	4,308.1	100.0%	-	59.5	4,248.6	100.0%
Total Costs	(3,215.9)	-74.6%	-	(206.9)	(3,009.0)	-70.8%
<b>Gross Income</b>	1,092.2	25.4%	-	(147.4)	1,239.6	29.2%
Selling Expenses	(726.2)	-16.9%	60.8	(18.2)	(768.7)	-18.1%
General and Administrative Expenses	(154.8)	-3.6%	19.7	(10.5)	(164.1)	-3.9%
Provisions for Loan Losses	(13.2)	-0.3%	-	(0.1)	(13.1)	-0.3%
Other Operating Revenues, Net	184.4	4.3%	-	171.7	12.7	0.3%
Equity in Subsidiaries	(2.5)	-0.1%	-	-	(2.5)	-0.1%
Total Operating Expenses	(712.3)	-16.5%	80.5	142.9	(935.7)	-22.0%
<b>EBITDA</b>	379.9	8.8%	80.5	(4.6)	304.0	7.2%
Depreciation and Amortization	(96.8)	-2.2%	(54.2)	(3.4)	(39.3)	-0.9%
<b>EBIT</b>	283.1	6.6%	26.3	(7.9)	264.7	6.2%
Financial Results	256.0	5.9%	(46.4)	398.2	(95.9)	-2.3%
<b>Operating Income</b>	539.1	12.5%	(20.1)	390.3	168.9	4.0%
Income Tax and Social Contribution	(152.4)	-3.5%	6.8	(98.9)	(60.4)	-1.4%
<b>Net Income</b>	386.6	9.0%	(13.2)	291.4	108.5	2.6%

## Adjustments – Non - Recurring Events

Adjustments	Consolidated
Increased Inventory Provision	(172.0)
Tax Credits	571.1
Tax Provisions	(246.0)
Tax Expenses	(86.9)
Acquisition Expenses / Non recurring	(66.5)
Other Results /Netshoes	(4.3)
<b>EBITDA Adjustments</b>	<b>(4.6)</b>
Depreciation/ Netshoes	(3.4)
	-
Update - Tax Credits	459.9
PIS/Cofins - Tax Credits	(19.3)
Acquisition Expenses / Non recurring	(39.7)
Other Results/ Netshoes	(2.7)
<b>Financial Result Adjustments</b>	<b>398.2</b>
Income Tax and Social Contribution	(98.9)
<b>Net Income Adjustments</b>	<b>291.4</b>

## MESSAGE FROM THE EXECUTIVE DIRECTORS

During the second quarter, we continued our efforts to achieve our growth strategy.

These efforts manifested themselves in our principal initiatives—expanding the marketplace platform; adding new categories; developing a superapp and accelerating delivery to the customer—bringing us closer to attaining our ultimate objective: the digitalization of Brazilian retail.

Our active customer base reached 22.3 million people, a growth of 53%, with 128% in e-commerce, including unique customers from Netshoes, and 19% in physical stores. We reached 12 million monthly active users on the Magalu Superapp and the apps of Netshoes, Zattini and Época Cosméticos.

Marketplace growth was one of the top highlights of the quarter, growing 289% and reaching R\$583 million in sales during the quarter. The marketplace grew to 24% of total e-commerce sales, up from 18% during the first quarter of the year. We added an average of one thousand sellers per month and we ended the quarter with more than 8 thousand sellers on the platform and an assortment of 7.5 million items. During the period, around 45% of our e-commerce customers purchased an item from the marketplace. Overall e-commerce sales grew 56%, reaching 41% of total sales.

The meaningful growth in our base of sellers, assortment and marketplace sales strengthen our effort to develop and scale Magalu as a Service (MaaS).

Around 60% of our sellers use Magalu Entregas and, Malha Luiza already offers services such as collection and delivery of products to the end customer for more than 135 sellers, in our cross-docking program.

Expansion into new categories is another essential part of our exponential growth strategy. The acquisition of Netshoes, concluded in the middle of June, cemented Magalu's position as the leading company in the e-commerce of high-growth categories such as clothing, shoes and sporting goods in Brazil.

With Netshoes, we grew the assortment of products on our platform, both from our own inventory (more than 250,000 additional items) and via the marketplace (more than 1,000 sellers on the Netshoes platform). Today, the customer can find thousands of products offered by Netshoes and Zattini on Magalu's Superapp.

Aside from this, the acquisition of Netshoes strengthens our active customer base and amplifies our relevance among younger customers who already purchase non-durable goods through the Internet.

We are a multichannel platform – with totally integrated physical stores and e-commerce. Adding Netshoes to this model should provide customers with a unique purchasing experience, with all of the benefits that a multichannel operation can offer, on top of efficiency gains.

The physical stores also demonstrated excellent performance and market share gains. Sales grew 9% during the quarter, even with a tough comparison basis that included sales related to the World Cup last year. Independent of this effect, same store sales would have been up approximately 10% during the period.

To accelerate sales in the telephony category, we launched a campaign, "Smartphonize Brazil", incentivizing customers to trade-in their old cell phones for a discount on the purchase of a new device.

Overall, our sales grew 24% during the second quarter, on top of a growth of 43% during the same period last year.

Luizacred also demonstrated meaningful growth: total revenues grew more than 50% during the second quarter, the highest rate of growth in the last five years.

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2Q19 Earnings Release

The credit portfolio reached R\$9.5 billion at the end of June, 44% more than in June 2018. The Cartão Luiza base grew 24%, reaching 4.6 million at the end of the second quarter.

Between the growth of card activation and purchase frequency, Luizacred's total revenue grew 31% to R\$6.4 billion. Card use grew 23% within Magalu and 36% outside the company. The operational efficiency index improved from 46% to 40% this quarter, reaching the best level in the last years.

We continue investing in the fastest delivery in Brazilian retail, whether to the customer's home or via in-store pick up.

Express delivery – promised and delivered to the customer's home in up to 48 hours—reached 40% of total deliveries during the last month and is already available in more than 290 cities. We expanded our model and now promise and deliver in up to 24 hours in the Sao Paulo metropolitan region, Belo Horizonte and Campinas. These advances were only possible with the expansion of Logbee, which is already present in around 100 cities. In addition, delivery “ship from store” is now available in 60 cities, providing our customers with the best purchasing experience with increasingly fast delivery.

For yet another quarter, we continue to evolve our NPS score and maintain our RA1000 ranking of excellence in customer service—both in the physical stores and in e-commerce, highlighting the fact that our ranking reflects both sales of our own inventory as well as those made by marketplace sellers. It is also worth emphasizing that one of the premises of our platform is to provide marketplace customers with the same high quality shopping experience that they would have purchasing from our traditional e-commerce (1P) business. Various factors contribute to making this a reality including high standards for the approval of new sellers and the requirement that all sellers issue a registered invoice for products sold on the platform.

Luizalabs also continues to grow. Headcount at Labs passed the 1,000 employee mark with the addition of 200 highly experienced developers and project managers from Netshoes. The number of squads focused on specific missions now numbers over 100 and they are distributed across Luizalab's four offices located in Sao Paulo, Franca, Uberlandia and Sao Carlos. They are the ones who develop the technology within Magalu and permit us to be a multichannel platform with the best experience in retail.

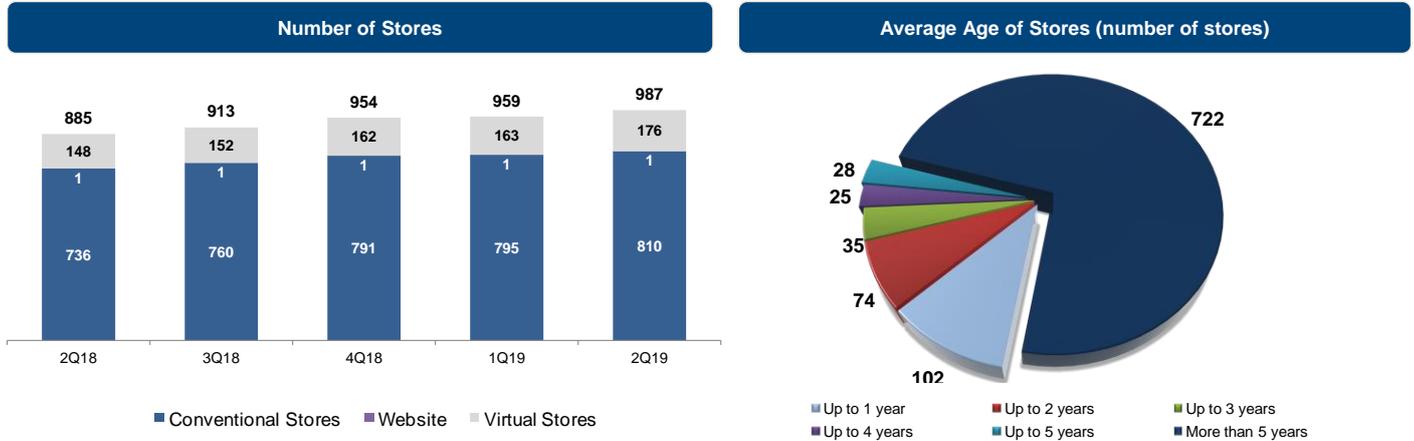
We remain confident in our business model and excited about the opportunities ahead of us. The combination of low inflation, interest rates at their lowest levels in history and the return of economic activity may help accelerate our growth even more.

We are grateful, once again, for the continued support of our customers, employees, shareholders and suppliers.

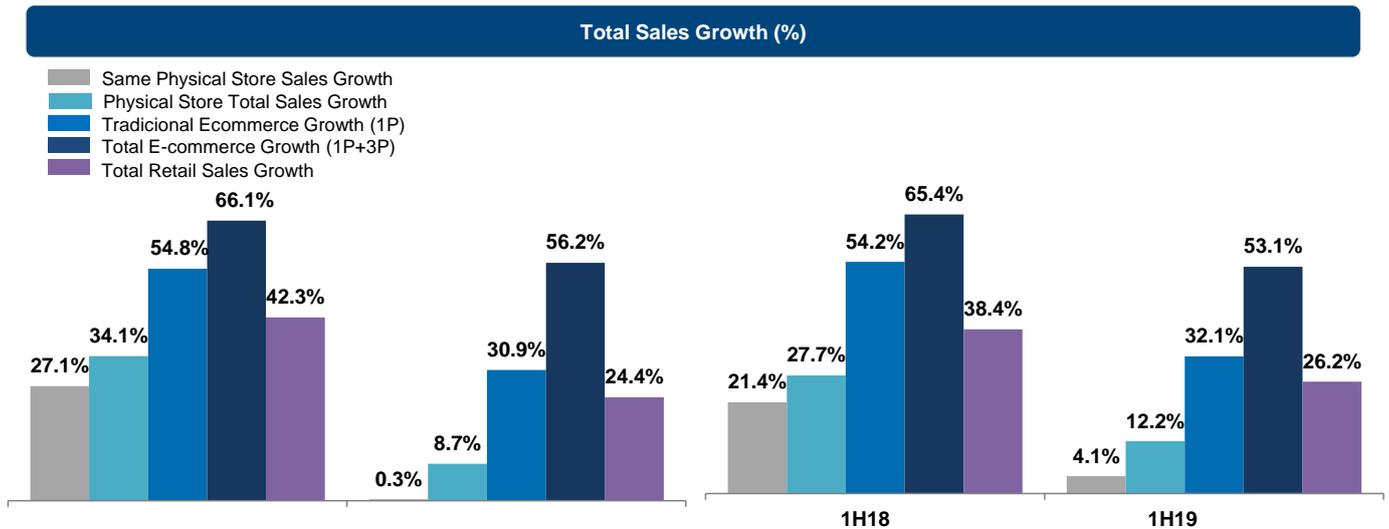
## **EXECUTIVE MANAGEMENT TEAM**

## OPERATING AND FINANCIAL PERFORMANCE

Magalu ended 2Q19 with 987 stores (810 conventional, 176 virtual and an e-commerce operation). In 2Q19, the Company inaugurated 27 stores and incorporated another one from Netshoes (Shoestock). In the last 12 months, the Company opened 102 new stores (19 in the South, 29 in the Southeast, 24 in the Midwest and 30 in the Northeast) and closed 1. Twenty seven percent of our total number of stores are not yet mature.



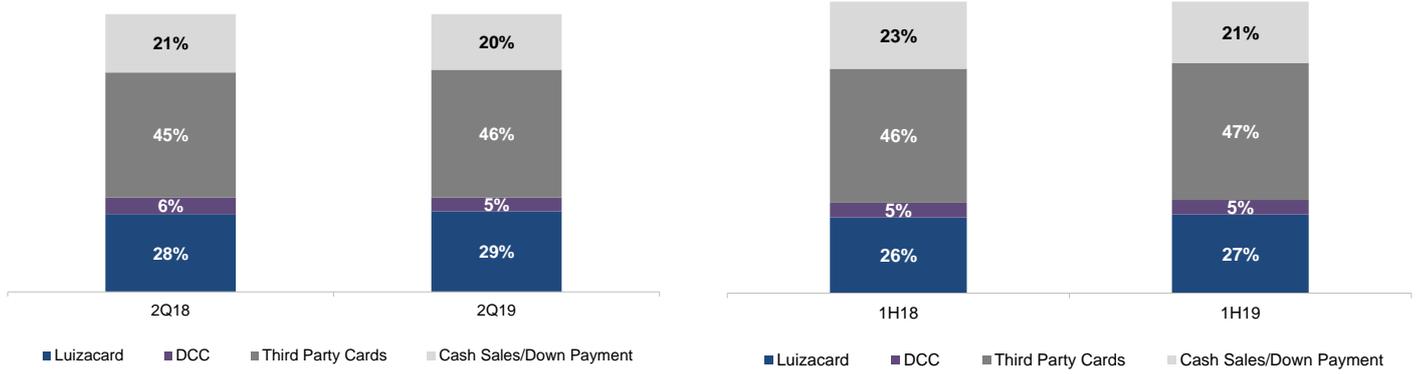
Total Retail sales were up 24.4% in 2Q19 as a result of a 8.7% increase in brick-and-mortar store sales and a 56.2% increase in e-commerce sales.



Luiza Card total sales penetration was a stable 28% in 2Q19, contributing to the Company's strategy of increasing customer loyalty. The percentage of DCC (direct credit to consumers) was 5% in 2Q19 (-10 bps YoY). In 1H19, Luiza Card's share of sales increased by 10 bps to 27%.

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2Q19 Earnings Release

Financed Sales Mix (% of total sales)



## Gross Revenues

(in R\$ million)	2Q19			1H19		
	Pro-forma	2Q18	% Chg	Pro-forma	1H18	% Chg
Gross Revenue - Retail - Merchandise Sales	4,828.4	4,274.9	12.9%	9,888.4	8,451.9	17.0%
Gross Revenue - Retail - Services	259.9	197.4	31.7%	488.8	370.1	32.0%
<b>Gross Revenue - Retail</b>	<b>5,088.3</b>	<b>4,472.2</b>	<b>13.8%</b>	<b>10,377.1</b>	<b>8,822.1</b>	<b>17.6%</b>
Gross Revenue - Other Services	34.6	18.2	90.2%	64.6	37.3	73.1%
Inter-Company Eliminations	(5.3)	(3.2)	66.1%	(10.9)	(5.9)	85.7%
<b>Gross Revenue - Total</b>	<b>5,117.6</b>	<b>4,487.3</b>	<b>14.0%</b>	<b>10,430.9</b>	<b>8,853.6</b>	<b>17.8%</b>

In 2Q19, total gross pro-forma revenues grew 14.0% to R\$5.1 billion, due to the accelerated growth of e-commerce, physical store sales and the significant contribution of new stores. Also notable was the growth in services revenue of 31.7%, specially marketplace sales that rose 289%. In 1H19, total pro-forma gross revenue grew 17.8% to R\$10.4 billion.

## Net Revenues

(in R\$ million)	2Q19				1H19		
	2Q19	Pro-forma	2Q18	% Chg	Pro-forma	1H18	% Chg
Net Revenue - Retail - Merchandise Sales	4,049.9	3,990.4	3,509.1	13.7%	8,152.9	6,954.7	16.4%
Net Revenue - Retail - Services	232.1	232.1	173.5	33.8%	436.3	326.3	33.7%
<b>Net Revenue - Retail</b>	<b>4,281.9</b>	<b>4,222.5</b>	<b>3,682.6</b>	<b>14.7%</b>	<b>8,589.1</b>	<b>7,281.0</b>	<b>17.1%</b>
Net Revenue - Other Services	31.4	31.4	16.7	87.8%	58.9	34.3	71.6%
Inter-Company Eliminations	(5.3)	(5.3)	(3.2)	66.1%	(10.9)	(5.9)	85.7%
<b>Net Revenue - Total</b>	<b>4,308.1</b>	<b>4,248.6</b>	<b>3,696.2</b>	<b>14.9%</b>	<b>8,577.6</b>	<b>7,309.4</b>	<b>17.3%</b>

In 2Q19, total pro-forma net revenues rose 14.9% to R\$4.2 billion in line with total gross revenue. In 1H19, pro-forma net revenue grew 17.3% to R\$8.6 billion.

## Gross Profit

(in R\$ million)	2Q19			1H19		
	Pro-forma	2Q18	% Chg	Pro-forma	1H18	% Chg
Gross Profit - Retail - Merchandise Sales	995.9	925.7	7.6%	1,994.9	1,805.6	10.5%
Gross Profit - Retail - Services	232.1	173.5	33.8%	436.3	326.3	33.7%
<b>Gross Profit - Retail</b>	<b>1,228.0</b>	<b>1,099.3</b>	<b>11.7%</b>	<b>2,431.2</b>	<b>2,132.0</b>	<b>14.0%</b>
Gross Profit - Other Services	13.4	9.0	47.8%	23.6	19.7	20.0%
Inter-Company Eliminations	(1.7)	(0.3)	525.3%	(3.7)	(0.3)	1246.9%
<b>Gross Profit - Total</b>	<b>1,239.6</b>	<b>1,108.0</b>	<b>11.9%</b>	<b>2,451.1</b>	<b>2,151.4</b>	<b>13.9%</b>
<b>Gross Margin - Total</b>	<b>29.2%</b>	<b>30.0%</b>	<b>-80 bps</b>	<b>28.6%</b>	<b>29.4%</b>	<b>-80 bps</b>

In 2Q19, pro-forma gross profit increased by 11.9% to R\$1.2 billion, equivalent to a gross margin of 29.2%. This margin is due to a higher contribution from traditional e-commerce (1P) and the end of “Lei do Bem”, partially offset by accelerated marketplace growth and commercial strategy. In 1H19, pro-forma gross profit increased by 13.9% to R\$2.5 billion, equivalent to a gross margin of 28.6%.

## Operating Expenses

(in R\$ million)	2Q19		2Q18			1H19		1H18		
	Pro-forma	% NR	Pro-forma	% NR	%Chg	Pro-forma	% NR	Pro-forma	% NR	%Chg
Selling Expenses	(768.7)	18.1%	(661.4)	-17.9%	16.2%	(1,518.2)	-17.7%	(1,303.2)	-17.8%	16.5%
General and Administrative Expenses	(164.1)	-3.9%	(137.6)	-3.7%	19.3%	(320.8)	-3.7%	(270.5)	-3.7%	18.6%
<b>General and Administrative Expenses</b>	<b>(932.8)</b>	<b>22.0%</b>	<b>(798.9)</b>	<b>-21.6%</b>	<b>16.8%</b>	<b>(1,839.0)</b>	<b>-21.4%</b>	<b>(1,573.8)</b>	<b>-21.5%</b>	<b>16.9%</b>
Provisions for Loan Losses	(13.1)	-0.3%	(15.1)	-0.4%	-13.5%	(25.5)	-0.3%	(27.6)	-0.4%	-7.6%
Other Operating Revenues, Net	12.7	0.3%	11.5	0.3%	9.6%	44.4	0.5%	33.6	0.5%	32.0%
<b>Total Operating Expenses</b>	<b>(933.2)</b>	<b>22.0%</b>	<b>(802.5)</b>	<b>-21.7%</b>	<b>16.3%</b>	<b>(1,820.1)</b>	<b>-21.2%</b>	<b>(1,567.7)</b>	<b>-21.4%</b>	<b>16.1%</b>

### Pro-forma Selling Expenses

In 2Q19, selling expenses totaled R\$768.7 million or 18.1% of net revenues, 20 bps higher YoY. Part of the increase in expenses was due to investments in the acquisition of new customers, specially App and Luiza Card, and investments to improve user experience, including logistics and customer service. In 1H19, selling expenses totaled R\$1.5 billion or 17.7% of net revenues (-10bps YoY).

### Pro-forma General and Administrative Expenses

General and administrative expenses came to R\$164.1 million or 3.9% of net revenues in 2Q19 (20 bps higher YoY). In 1H19, general and administrative expenses came to R\$320.8 million or 3.7% of net revenues.

### Provisions for Loan Losses

Provisions for loan losses reached R\$13.1 million in 2Q19 and R\$25.5 million in 1H19.

### Other Operating Revenues and Expenses, Net

(in R\$ million)	2Q19	% NR	2Q18	%NR	% Chg	1H19	% NR	1H18	% NR	% Chg
Gain on Sale of Assets	0.1	0.0%	(0.1)	0.0%	-	3.0	0.0%	(0.3)	0.0%	-
Deferred Revenue Recorded	12.9	0.3%	10.7	0.3%	20.2%	25.7	0.3%	21.4	0.3%	20.2%
Provision for Tax Liabilities	238.2	5.5%	0.9	0.0%	-	254.2	2.9%	12.5	0.2%	-
Non-recurring Expenses	(66.5)	-1.5%	(2.8)	-0.1%	-	(72.7)	-0.8%	(3.8)	-0.1%	-
Other	(0.3)	0.0%	0.0	0.0%	-	(0.3)	0.0%	0.0	0.0%	-
<b>Total</b>	<b>184.4</b>	<b>4.3%</b>	<b>8.8</b>	<b>0.2%</b>	<b>2004.5%</b>	<b>209.9</b>	<b>2.4%</b>	<b>29.9</b>	<b>0.4%</b>	<b>602.2%</b>
(-) Non-recurring adjustments	(171.7)		2.8			(165.5)		3.8		
<b>Total - Pro-forma</b>	<b>12.7</b>	<b>0.3%</b>	<b>11.5</b>	<b>0.3%</b>	<b>9.6%</b>	<b>44.4</b>	<b>0.5%</b>	<b>33.6</b>	<b>0.5%</b>	<b>32.0%</b>

Other pro-forma net operating revenues and expenses came to R\$12.7 million in 2Q19, chiefly due to a deferred revenues allocation of R\$12.9 million. In 1H19, other pro-forma net operating revenues and expenses came to R\$44.4 million.

## Equity Income

In 2Q19, equity income was negative by R\$2.5 million. The main factors that impacted this result were: (i) the performance of Luizacred, responsible for the negative equity of R\$4.0 million and (ii) Luizaseg, responsible for the equity of R\$1.5 million. In 1H19, equity income was negative by R\$2.4 million.

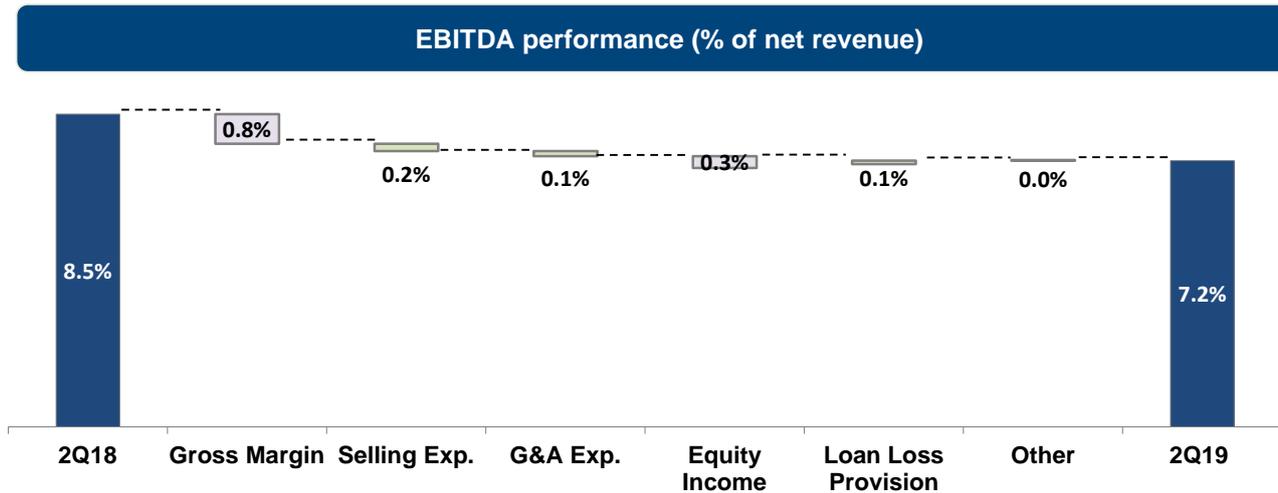
It is worth noting that Luizacred's result was influenced by the strong growth of the card base and the credit limit available to the best customers, which led to an increase in provisions this quarter, in accordance with IFRS 9.

Magalu  
2Q19 Earnings Release

For comparison purposes, the Luizacred net income using the accounting practices established by the Brazilian Central Bank was R\$35.0 million (ROE of 16.2%) and R\$70.6 million in 1H19 (ROE of 16.4%). Considering the same accounting practices, equity income would have been of R\$19.0 million in 2Q19 leading to an increase in Magalu's net income of R\$21.5 million in 2Q19 and R\$39.7 million in 1H19.

## EBITDA

In 2Q19, pro-forma EBITDA reached R\$304.0 million, equivalent to a margin of 7.2%. High sales growth, a positive contribution from e-commerce, and the dilution of operating expenses contributed to the EBITDA growth. In line with Magalu's strategic focus on customer service, additional investments were made to improve service levels and customer acquisition reducing EBITDA margin results in the quarter from 8.5% to 7.2%.



## Financial Results

R\$ million	2Q19	% NR	2Q18	% NR	% Chg	1H19	% NR	1H18	% NR	% Chg
<b>Financial Expenses</b>	(223.7)	-5.2%	(112.1)	-3.0%	99.6%	(364.8)	-4.2%	(195.6)	-2.7%	86.5%
Interest on loans and financing	(14.7)	-0.3%	(15.2)	-0.4%	-2.7%	(21.7)	-0.3%	(32.0)	-0.4%	-32.2%
Interest on prepayment of receivables – third party card	(46.6)	-1.1%	(23.0)	-0.6%	102.3%	(83.8)	-1.0%	(38.3)	-0.5%	118.7%
Interest on prepayment of receivables – Luiza Card	(75.5)	-1.8%	(56.6)	-1.5%	33.3%	(131.9)	-1.5%	(100.4)	-1.4%	31.3%
Other expenses	(40.4)	-0.9%	(17.3)	-0.5%	134.4%	(59.7)	-0.7%	(24.8)	-0.3%	140.3%
Lease	(46.4)	-1.1%	-	0.0%	0.0%	(67.7)	-0.8%	-	0.0%	0.0%
<b>Financial Revenues</b>	479.7	11.1%	39.5	1.1%	1113.8%	521.8	6.0%	63.3	0.9%	724.6%
Gains on marketable securities	2.3	0.1%	2.4	0.1%	-5.6%	3.7	0.0%	3.7	0.1%	0.2%
Other financial revenues	477.4	11.1%	37.1	1.0%	1187.6%	518.1	6.0%	59.5	0.8%	770.1%
<b>Total Financial Results</b>	256.0	5.9%	(72.6)	-2.0%	-452.8%	157.1	1.8%	(132.3)	-1.8%	-218.7%
(-) IFRS 16	(46.4)	-1.1%	-	-	-	(67.7)	-0.8%	-	-	-
(-) Monetary Update Tax Credits	459.9	10.7%	-	-	-	459.9	5.3%	-	-	-
(-) Expenses and Taxes / Non-recurring	(61.6)	-1.4%	-	-	-	(61.6)	-0.7%	-	-	-
<b>Total Financial Results - Pro Forma</b>	(95.9)	-2.3%	(72.6)	-2.0%	32.1%	(173.5)	-2.0%	(132.3)	-1.8%	31.1%

In 2Q19, pro-forma net financial results came to R\$95.9 million or 2.3% of pro-forma net revenue. In relation to net revenue, net financial expenses increased by 30 bps due to the accelerated growth of the Luiza Card in line with the loyalty strategy of focusing on the best customers. In 1H19, pro-forma net financial results totaled R\$173.5 million or 2.0% of net revenue.

Magalu  
2Q19 Earnings Release

## Net Income

In 2Q19, pro-forma net income came to R\$108.5 million (net margin of 2.6%).

Luizacred's equity income according to the accounting practices established by the Brazilian Central Bank, Magalu's pro-forma net income would have been R\$130.0 million in 2Q19 (net margin of 3.1%).

## Working Capital

CONSOLIDATED (R\$ million)	LTM	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18	Mar-18
(+) Accounts Receivables	(46.2)	1,460.8	1,761.3	2,051.6	1,657.2	1,507.0	1,410.7
(+) Inventories	445.9	2,556.3	2,484.6	2,810.2	2,106.4	2,110.4	1,937.3
(+) Related Parties	25.4	126.2	260.0	190.2	157.5	100.8	86.0
(+) Recoverable Taxes	522.3	712.7	221.9	303.7	226.7	190.4	191.9
(+) Other Assets	42.8	112.7	94.8	48.5	71.6	69.9	72.0
<b>(+) Current Operating Assets</b>	<b>990.2</b>	<b>4,968.8</b>	<b>4,822.6</b>	<b>5,404.2</b>	<b>4,219.5</b>	<b>3,978.7</b>	<b>3,697.8</b>
(-) Suppliers	646.4	3,395.9	2,973.6	4,105.2	2,653.1	2,749.5	2,456.9
(-) Payroll, Vacation and Related Charges	93.7	302.3	270.0	259.0	268.7	208.6	188.8
(-) Taxes Payable	63.8	174.2	203.3	141.0	84.9	110.4	91.7
(-) Related Parties	18.6	113.1	106.0	125.4	90.3	94.5	82.9
(-) Deferred Revenue	3.3	43.0	39.2	39.2	39.4	39.7	40.7
(-) Other Accounts Payable	421.1	688.4	446.6	406.1	315.2	267.2	255.2
<b>(-) Current Operating Liabilities</b>	<b>1,246.9</b>	<b>4,716.7</b>	<b>4,038.6</b>	<b>5,075.9</b>	<b>3,451.7</b>	<b>3,469.9</b>	<b>3,116.2</b>
<b>(=) Working Capital</b>	<b>(256.7)</b>	<b>252.1</b>	<b>784.1</b>	<b>328.3</b>	<b>767.8</b>	<b>508.8</b>	<b>581.6</b>
(-) Credit Card - Third Party Card	(201.7)	817.2	1,146.8	1,492.3	1,120.2	1,018.9	992.5
(-) Credit Card - Luiza Card	23.8	68.2	175.9	106.7	98.8	44.3	35.9
<b>(-) Total Credit Card</b>	<b>(177.9)</b>	<b>885.4</b>	<b>1,322.7</b>	<b>1,599.0</b>	<b>1,219.0</b>	<b>1,063.3</b>	<b>1,028.5</b>
<b>(=) Working Capital Adjusted</b>	<b>(78.8)</b>	<b>(633.3)</b>	<b>(538.6)</b>	<b>(1,270.7)</b>	<b>(451.1)</b>	<b>(554.5)</b>	<b>(446.9)</b>
<b>% of Gross Revenue (LTM)</b>	<b>0.3%</b>	<b>-3.1%</b>	<b>-2.7%</b>	<b>-6.7%</b>	<b>-2.6%</b>	<b>-3.3%</b>	<b>-2.9%</b>
(=) Working Capital	(256.7)	252.1	784.1	328.3	767.8	508.8	581.6
(+) Balance of Discounted Receivables	350.9	1,999.6	1,777.7	1,385.8	1,539.0	1,648.7	1,564.4
<b>(=) Working Capital Expanded</b>	<b>94.2</b>	<b>2,251.6</b>	<b>2,561.7</b>	<b>1,714.1</b>	<b>2,306.9</b>	<b>2,157.5</b>	<b>2,145.9</b>
<b>% of Gross Revenue (LTM)</b>	<b>-2.0%</b>	<b>11.0%</b>	<b>12.9%</b>	<b>9.1%</b>	<b>13.1%</b>	<b>13.0%</b>	<b>14.0%</b>

In Jun/19, the adjusted working capital needs were negative R\$633.3 million showing an evolution YoY and contributing to the Company's cash flow generation. Highlights include disciplined inventory management (72 days on average) and purchasing time (93 days on average). In the last twelve months, adjusted working capital contributed R\$78.8 million to operating cash generation and adjusted net cash.

## Capex

CAPEX (in R\$ million)	2Q19	%	2Q18	%	%Chg	1H19	%	1H18	%	%Chg
New Stores	18.2	15%	25.2	30%	-28%	27.3	13%	31.2	26%	-12%
Remodeling	21.7	17%	5.3	6%	306%	29.9	15%	9.1	8%	227%
Technology	30.8	25%	18.3	22%	68%	51.8	25%	35.2	29%	47%
Logistics	39.2	31%	12.4	15%	215%	74.6	36%	20.4	17%	265%
Other	14.6	12%	23.7	28%	-39%	21.2	10%	25.5	21%	-17%
<b>Total</b>	<b>124.4</b>	<b>100%</b>	<b>85.0</b>	<b>100%</b>	<b>46%</b>	<b>204.8</b>	<b>100%</b>	<b>121.4</b>	<b>100%</b>	<b>69%</b>

In 2Q19, investments totaled R\$124.4 million. Investments included: opening of new stores, remodeling and investments in technology and logistics. During this period, the Company inaugurated 27 new stores. Also this quarter, the Company began

Magalu  
2Q19 Earnings Release

investing in the opening of more than 50 new stores scheduled to launch in 3Q19 inaugurating stores in the states of Pará and Mato Grosso.

## Capital Structure

CONSOLIDATED (R\$ million)	LTM	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18
(-) Current Loans and Financing	211.2	(43.3)	(128.9)	(130.7)	(252.4)	(254.5)
(-) Non-current Loans and Financing	(793.0)	(1,120.4)	(321.6)	(325.2)	(325.4)	(327.4)
<b>(=) Gross Debt</b>	<b>(581.8)</b>	<b>(1,163.7)</b>	<b>(450.5)</b>	<b>(456.0)</b>	<b>(577.8)</b>	<b>(581.9)</b>
(+) Cash and Cash Equivalents	(54.7)	625.7	293.2	599.1	419.0	680.5
(+) Current Securities	258.3	441.1	217.3	409.1	253.8	182.8
(+) Non-current Securities	0.3	0.3	0.2	0.2	-	-
<b>(+) Total Cash</b>	<b>203.8</b>	<b>1,067.1</b>	<b>510.7</b>	<b>1,008.4</b>	<b>672.8</b>	<b>863.3</b>
<b>(=) Net Cash</b>	<b>(378.0)</b>	<b>(96.6)</b>	<b>60.2</b>	<b>552.4</b>	<b>95.0</b>	<b>281.4</b>
(+) Credit Card - Third Party Card	(201.7)	817.2	1,146.8	1,492.3	1,120.2	1,018.9
(+) Credit Card - Luiza Card	23.8	68.2	175.9	106.7	98.8	44.3
<b>(+) Total Credit Card</b>	<b>(177.9)</b>	<b>885.4</b>	<b>1,322.7</b>	<b>1,599.0</b>	<b>1,219.0</b>	<b>1,063.3</b>
<b>(=) Adjusted Net Cash</b>	<b>(555.9)</b>	<b>788.8</b>	<b>1,382.9</b>	<b>2,151.4</b>	<b>1,313.9</b>	<b>1,344.7</b>
Short Term Debt / Total	-40%	4%	29%	29%	44%	44%
Long Term Debt / Total	40%	96%	71%	71%	56%	56%
Adjusted EBITDA (LTM)	89.3	1,270.5	1,281.7	1,258.4	1,212.8	1,181.1
<b>Adjusted Net Cash / Adjusted EBITDA</b>	<b>-0.5 x</b>	<b>0.6 x</b>	<b>1.1 x</b>	<b>1.7 x</b>	<b>1.1 x</b>	<b>1.1 x</b>
<b>Cash, Securities and Credit Cards</b>	<b>25.9</b>	<b>1,952.5</b>	<b>1,833.4</b>	<b>2,607.4</b>	<b>1,891.7</b>	<b>1,926.6</b>

In the last 12 months, the Company reduced its capital structure by R\$559.9 million, from a pro-forma net cash position of R\$1.3 billion in Jun/18 to R\$0.8 billion in Jun/19. This variation is entirely related to the payment for the acquisition of Netshoes completed in Jun/19 and capital injection made to settle its debts.

The Company ended 2Q19 with a total cash position of R\$2.0 billion, with cash and securities worth R\$1.1 billion and R\$0.9 billion worth of credit card receivables.

**ANNEX I**  
**FINANCIAL STATEMENTS – CONSOLIDATED INCOME STATEMENT**

CONSOLIDATED INCOME STATEMENT (R\$ million)	2Q19	V.A.	2Q18	V.A.	% Chg	1H19	V.A.	1H18	V.A.	% Chg
<b>Gross Revenue</b>	5,196.2	120.6%	4,487.3	121.4%	15.8%	10,509.4	121.7%	8,853.6	121.1%	18.7%
Taxes and Deductions	(888.1)	-20.6%	(791.1)	-21.4%	12.3%	(1,872.3)	-21.7%	(1,544.1)	-21.1%	21.3%
<b>Net Revenue</b>	4,308.1	100.0%	3,696.2	100.0%	16.6%	8,637.1	100.0%	7,309.4	100.0%	18.2%
Total Costs	(3,215.9)	-74.6%	(2,588.2)	-70.0%	24.3%	(6,333.4)	-73.3%	(5,158.1)	-70.6%	22.8%
<b>Gross Income</b>	1,092.2	25.4%	1,108.0	30.0%	-1.4%	2,303.7	26.7%	2,151.4	29.4%	7.1%
Selling Expenses	(726.2)	-16.9%	(661.4)	-17.9%	9.8%	(1,419.2)	-16.4%	(1,303.2)	-17.8%	8.9%
General and Administrative Expenses	(154.8)	-3.6%	(137.6)	-3.7%	12.6%	(291.1)	-3.4%	(270.5)	-3.7%	7.6%
Provisions for Loan Losses	(13.2)	-0.3%	(15.1)	-0.4%	-12.8%	(25.6)	-0.3%	(27.6)	-0.4%	-7.2%
Other Operating Revenues, Net	184.4	4.3%	8.8	0.2%	2004.5%	209.9	2.4%	29.9	0.4%	602.2%
Equity in Subsidiaries	(2.5)	-0.1%	9.7	0.3%	-125.9%	(2.4)	0.0%	33.0	0.5%	-107.3%
Total Operating Expenses	(712.3)	-16.5%	(795.6)	-21.5%	-10.5%	(1,528.4)	-17.7%	(1,538.5)	-21.0%	-0.7%
<b>EBITDA</b>	379.9	8.8%	312.4	8.5%	21.6%	775.3	9.0%	612.9	8.4%	26.5%
Depreciation and Amortization	(96.8)	-2.2%	(39.1)	-1.1%	147.5%	(200.8)	-2.3%	(76.4)	-1.0%	163.0%
<b>EBIT</b>	283.1	6.6%	273.3	7.4%	3.6%	574.5	6.7%	536.5	7.3%	7.1%
Financial Results	256.0	5.9%	(72.6)	-2.0%	-452.8%	157.1	1.8%	(132.3)	-1.8%	-218.7%
<b>Operating Income</b>	539.1	12.5%	200.7	5.4%	168.6%	731.6	8.5%	404.2	5.5%	81.0%
Income Tax and Social Contribution	(152.4)	-3.5%	(60.0)	-1.6%	154.2%	(212.8)	-2.5%	(116.0)	-1.6%	83.5%
<b>Net Income</b>	386.6	9.0%	140.7	3.8%	174.7%	518.7	6.0%	288.2	3.9%	80.0%
<b>Calculation of EBITDA</b>										
<b>Net Income</b>	386.6	9.0%	140.7	3.8%	174.7%	518.7	6.0%	288.2	3.9%	80.0%
(+/-) Income Tax and Social Contribution	152.4	3.5%	60.0	1.6%	154.2%	212.8	2.5%	116.0	1.6%	83.5%
(+/-) Financial Results	(256.0)	-5.9%	72.6	2.0%	-452.8%	(157.1)	-1.8%	132.3	1.8%	-218.7%
(+) Depreciation and Amortization	96.8	2.2%	39.1	1.1%	147.5%	200.8	2.3%	76.4	1.0%	163.0%
<b>EBITDA</b>	379.9	8.8%	312.4	8.5%	21.6%	775.3	9.0%	612.9	8.4%	26.5%
<b>Reconciliation of EBITDA for non-recurring expenses</b>										
<b>EBITDA</b>	379.9	8.8%	312.4	8.5%	21.6%	775.3	9.0%	612.9	8.4%	26.5%
Extraordinary Costs	172.0	4.0%	-	0.0%	-	172.0	2.0%	-	0.0%	-
Extraordinary Revenues	(238.2)	-5.5%	-	0.0%	-	(238.2)	-2.8%	-	0.0%	-
Non-recurring Expenses	66.5	1.5%	2.8	0.1%	-	72.7	0.8%	3.8	0.1%	-
Adjusted Deferred Revenues	-	0.0%	-	0.0%	-	-	0.0%	-	0.0%	-
IFRS 16	(80.5)	-1.9%	-	0.0%	-	(157.4)	-1.8%	-	0.0%	-
Netshoes	4.3	0.1%	-	0.0%	-	4.3	0.0%	-	0.0%	-
<b>Adjusted EBITDA</b>	304.0	7.1%	315.2	8.5%	-3.6%	628.7	7.3%	616.7	8.4%	1.9%
<b>Net Income</b>	386.6	9.0%	140.7	3.8%	1.7	518.7	6.0%	288.2	3.9%	80.0%
Non-recurring Expenses	0.3	0.0%	2.8	0.1%	-90.4%	6.5	0.1%	3.8	0.1%	72.8%
Extraordinary Financial Results	(400.9)	-9.3%	-	0.0%	-	(400.9)	-4.6%	-	0.0%	-
Tax Over Non-recurring Expenses	98.9	2.3%	(0.9)	0.0%	-	96.8	1.1%	(1.3)	0.0%	-
Extraordinary Tax Credits	-	0.0%	-	0.0%	-	-	0.0%	-	0.0%	-
IFRS 16	13.2	-1.9%	-	0.0%	-	19.7	0.2%	-	0.0%	-
Netshoes	10.4	0.1%	-	0.0%	-	10.4	0.1%	-	0.0%	-
<b>Adjusted Net Income</b>	108.5	2.5%	142.6	3.9%	-23.9%	251.2	2.9%	290.7	4.0%	-13.6%

\* EBITDA (EBITDA - Earnings before Interest, Income Taxes including Social Contribution on Net Income, Depreciation and Amortization) is a non-GAAP measurement prepared by the Company, in accordance with CVM Instruction No. 527 of April 04 October 2012. EBITDA consists of the Company's net income, plus net financial income, income tax and social contribution, and depreciation and amortization costs and expenses.

Adjusted EBITDA consists of adjusted EBITDA for extraordinary expenses and IFRS 16 effects. In the case of the adjustment identified above, this result refers to tax credits, Netshoes acquisition other provisions and non-recurring expenses. The Company understands that the disclosure of Adjusted EBITDA is necessary to understand the actual impact value on gross cash generation, excluding extraordinary events. Adjusted EBITDA is not a performance metric adopted by IFRS. The Company's adjusted EBITDA definition may not be comparable to measures with similar securities provided by other companies.

**ANNEX II – PRO FORMA  
FINANCIAL STATEMENTS – CONSOLIDATED INCOME STATEMENT**

CONSOLIDATED INCOME STATEMENT (R\$ million)	2Q19 Pro-forma	V.A.	2Q18 Adjusted	V.A.	% Chg	1H19 Pro-forma	V.A.	1H18 Adjusted	V.A.	% Chg
<b>Gross Revenue</b>	5,117.6	120.5%	4,487.3	121.4%	14.0%	10,430.9	121.6%	8,853.6	121.1%	17.8%
Taxes and Deductions	(869.0)	-20.5%	(791.1)	-21.4%	9.9%	(1,853.2)	-21.6%	(1,544.1)	-21.1%	20.0%
<b>Net Revenue</b>	4,248.6	100.0%	3,696.2	100.0%	14.9%	8,577.6	100.0%	7,309.4	100.0%	17.3%
Total Costs	(3,009.0)	-70.8%	(2,588.2)	-70.0%	16.3%	(6,126.6)	-71.4%	(5,158.1)	-70.6%	18.8%
<b>Gross Income</b>	1,239.6	29.2%	1,108.0	30.0%	11.9%	2,451.1	28.6%	2,151.4	29.4%	13.9%
Selling Expenses	(768.7)	-18.1%	(661.4)	-17.9%	16.2%	(1,518.2)	-17.7%	(1,303.2)	-17.8%	16.5%
G&A Expenses	(164.1)	-3.9%	(137.6)	-3.7%	19.3%	(320.8)	-3.7%	(270.5)	-3.7%	18.6%
Provisions for Loan Losses	(13.1)	-0.3%	(15.1)	-0.4%	-13.5%	(25.5)	-0.3%	(27.6)	-0.4%	-7.6%
Other Operating Revenues, Net	12.7	0.3%	11.5	0.3%	10.3%	44.5	0.5%	33.6	0.5%	32.2%
Equity in Subsidiaries	(2.5)	-0.1%	9.7	0.3%	-125.9%	(2.4)	0.0%	33.0	0.5%	-107.3%
Total Operating Expenses	(935.7)	-22.0%	(792.8)	-21.5%	18.0%	(1,822.4)	-21.2%	(1,534.7)	-21.0%	18.7%
<b>EBITDA</b>	304.0	7.2%	315.2	8.5%	-3.6%	628.7	7.3%	616.7	8.4%	1.9%
Depreciation and Amortization	(39.3)	-0.9%	(39.1)	-1.1%	0.4%	(77.8)	-0.9%	(76.4)	-1.0%	1.8%
<b>EBIT</b>	264.7	6.2%	276.1	7.5%	-4.1%	550.9	6.4%	540.3	7.4%	2.0%
Financial Results	(95.9)	-2.3%	(72.6)	-2.0%	32.1%	(173.5)	-2.0%	(132.3)	-1.8%	31.1%
<b>Operating Income</b>	168.9	4.0%	203.5	5.5%	-17.0%	377.4	4.4%	408.0	5.6%	-7.5%
Income Tax and Social Contribution	(60.4)	-1.4%	(60.9)	-1.6%	-0.9%	(126.2)	-1.5%	(117.3)	-1.6%	7.6%
<b>Net Income</b>	108.5	2.6%	142.6	3.9%	-23.9%	251.2	2.9%	290.7	4.0%	-13.6%

**ANNEX III**  
**FINANCIAL STATEMENTS – CONSOLIDATED BALANCE SHEET**

LIABILITIES (R\$ million)	Jun-19	Mar-19	Dec-18	Sep-18	Jun-18
<b>CURRENT LIABILITIES</b>					
Suppliers	3,395.9	2,973.6	4,105.2	2,653.1	2,749.5
Loans and Financing	43.3	128.9	130.7	252.4	254.5
Payroll, Vacation and Related Charges	302.3	270.0	259.0	268.7	208.6
Taxes Payable	174.2	203.3	141.0	84.9	110.4
Related Parties	113.1	106.0	125.4	90.3	94.5
Lease	212.6	224.6	-	-	-
Taxes in Installments	-	-	-	-	-
Deferred Revenue	43.0	39.2	39.2	39.4	39.7
Dividends Payable	-	166.4	182.0	-	-
Other Accounts Payable	688.4	446.6	406.1	315.2	267.2
<b>Total Current Liabilities</b>	<b>4,972.6</b>	<b>4,558.6</b>	<b>5,388.6</b>	<b>3,704.1</b>	<b>3,724.4</b>
<b>NON-CURRENT LIABILITIES</b>					
Loans and Financing	1,120.4	321.6	325.2	325.4	327.4
Lease	1,621.3	1,667.2	-	-	-
Deferred Income Tax and Social Contribution	58.1	-	-	-	-
Taxes in Installments	-	-	-	-	-
Provision for Tax, Civil and Labor Risks	813.0	380.9	387.4	351.7	347.2
Deferred Revenue	384.3	378.1	391.0	439.5	449.3
Other Accounts Payable	1.9	1.8	1.7	1.7	1.9
<b>Total Non-current Liabilities</b>	<b>3,999.1</b>	<b>2,749.6</b>	<b>1,105.3</b>	<b>1,118.3</b>	<b>1,125.7</b>
<b>TOTAL LIABILITIES</b>	<b>8,971.7</b>	<b>7,308.2</b>	<b>6,493.9</b>	<b>4,822.4</b>	<b>4,850.1</b>
<b>SHAREHOLDERS' EQUITY</b>					
Capital Stock	1,719.9	1,719.9	1,719.9	1,719.9	1,719.9
Capital Reserve	268.1	54.9	52.2	47.3	47.3
Treasury Shares	(9.5)	(84.2)	(87.0)	(67.8)	(73.4)
Legal Reserve	65.6	65.6	65.6	39.9	39.9
Profit Retention Reserve	546.9	546.9	546.9	161.9	161.9
Other Comprehensive Income	1.2	(2.1)	5.3	3.3	4.7
Retained Earnings	518.7	132.1	-	407.8	288.2
<b>Total Shareholders' Equity</b>	<b>3,110.9</b>	<b>2,433.0</b>	<b>2,302.9</b>	<b>2,312.3</b>	<b>2,188.6</b>
<b>TOTAL</b>	<b>12,082.7</b>	<b>9,741.2</b>	<b>8,796.7</b>	<b>7,134.7</b>	<b>7,038.7</b>

**ANNEX IV**  
**FINANCIAL STATEMENTS – ADJUSTED CONSOLIDATED STATEMENT OF CASH FLOWS**

ADJUSTED CASH FLOW STATEMENTS (R\$ million)	2Q19	2Q18	1H19	1H18	LTM	LTM
<b>Net Income</b>	<b>386.6</b>	<b>140.7</b>	<b>518.7</b>	<b>288.2</b>	<b>827.9</b>	<b>546.3</b>
Effect of Income Tax and Social Contribution Net of Payment	128.2	27.1	159.5	79.2	169.1	109.0
Depreciation and Amortization	96.8	39.1	200.8	76.4	288.1	150.1
Interest Accrued on Loans	61.7	13.1	90.9	29.2	111.4	100.1
Equity Income	2.5	(9.7)	2.4	(33.0)	(22.4)	(78.3)
Dividends Received	2.1	(0.0)	21.2	15.7	36.9	48.4
Provision for Losses on Inventories and Receivables	204.1	33.0	245.3	58.6	317.2	87.0
Provision for Tax, Civil and Labor Contingencies	264.0	8.1	259.3	52.9	301.5	77.7
Gain on Sale of Fixed Assets	(0.1)	0.1	(3.0)	0.3	(3.2)	(0.3)
Recognition of Deferred Income	(13.1)	(10.7)	(26.0)	(21.4)	(81.5)	(42.8)
Stock Option Expenses	22.4	4.4	26.9	6.5	38.1	8.9
Other	0.0	0.0	0.0	0.0	0.0	0.0
<b>Adjusted Net Income</b>	<b>1,155.1</b>	<b>245.4</b>	<b>1,496.1</b>	<b>552.6</b>	<b>1,983.2</b>	<b>1,006.0</b>
Trade Accounts Receivable	37.7	(92.9)	(43.6)	(135.2)	(162.0)	(324.4)
Inventories	(57.6)	(183.5)	248.2	(159.5)	(475.3)	(696.0)
Taxes Recoverable	(1,108.0)	(10.5)	(1,122.5)	(25.5)	(1,182.9)	(23.6)
Other Receivables	66.8	(12.5)	(14.9)	(22.5)	(17.8)	(34.1)
<b>Changes in Operating Assets</b>	<b>(1,061.1)</b>	<b>(299.5)</b>	<b>(932.8)</b>	<b>(342.7)</b>	<b>(1,838.0)</b>	<b>(1,078.1)</b>
Trade Accounts Payable	2.6	292.5	(1,129.1)	(170.1)	226.2	888.9
Other Payables	42.8	41.6	116.0	(34.8)	297.5	153.1
<b>Change in Operating Liabilities</b>	<b>45.4</b>	<b>334.1</b>	<b>(1,013.1)</b>	<b>(204.9)</b>	<b>523.7</b>	<b>1,042.0</b>
<b>Cash Flow from Operating Activities</b>	<b>139.3</b>	<b>280.0</b>	<b>(449.8)</b>	<b>5.0</b>	<b>668.8</b>	<b>969.9</b>
Additions of Fixed and Intangible Assets	(124.4)	(85.0)	(204.8)	(121.4)	(447.7)	(214.3)
Cash on Sale of Fixed Assets	0.0	0.0	0.0	0.0	0.0	0.0
Sale of Exclusive Dealing and Exploration Right Contract	0.0	0.0	0.0	0.0	0.0	0.0
Renegotiation Payment of Exclusive Contract	0.0	0.0	0.0	0.0	0.0	0.0
Investment in Subsidiary	(385.5)	(3.2)	(400.7)	(3.2)	(397.2)	(3.2)
Capital Increase in Affiliated Company	0.0	0.0	0.0	0.0	(30.0)	0.0
<b>Cash Flow from Investing Activities</b>	<b>(509.9)</b>	<b>(88.2)</b>	<b>(605.4)</b>	<b>(124.6)</b>	<b>(875.0)</b>	<b>(217.5)</b>
Loans and Financing	800.0	0.0	800.0	0.0	800.0	300.0
Repayment of Loans and Financing	(283.4)	(227.8)	(285.6)	(282.1)	(416.1)	(1,091.6)
Changes in Other Financial Assets (Hedge)	0.0	0.0	0.0	(1.4)	0.0	(1.2)
Payment of Interest on Loans and Financing	(20.6)	(22.2)	(31.8)	(35.4)	(49.7)	(107.1)
Payment of Lease	(34.6)	0.0	(90.2)	0.0	(90.2)	0.0
Payment of Interest on Lease	(45.9)	0.0	(67.2)	0.0	(67.2)	0.0
Payment of Dividends	(182.0)	(114.3)	(182.0)	(114.3)	(182.0)	(125.0)
Treasury Shares	256.1	(4.0)	257.2	(55.6)	237.1	(28.4)
Proceeds from the Secondary Equity Offering	0.0	0.0	0.0	0.0	0.0	1,144.0
Payment of expenses with the Secondary Equity Offering	0.0	0.0	0.0	0.0	0.0	(30.6)
<b>Cash Flow from Financing Activities</b>	<b>489.7</b>	<b>(368.3)</b>	<b>400.3</b>	<b>(488.8)</b>	<b>232.0</b>	<b>60.1</b>
Cash, Cash Equivalents and Securities at Beginning of Period	1,833.4	2,103.0	2,607.4	2,534.9	1,926.6	1,114.0
Cash, Cash Equivalents and Securities at end of Period	1,952.5	1,926.6	1,952.5	1,926.6	1,952.5	1,926.6
<b>Change in Cash and Cash equivalents</b>	<b>119.1</b>	<b>(176.4)</b>	<b>(654.9)</b>	<b>(608.3)</b>	<b>25.9</b>	<b>812.5</b>

Note: The difference between the Statement of Cash Flows and the Adjusted Statement of Cash Flows derives from:  
(i) the accounting treatment of marketable securities as cash and cash equivalents.  
(ii) the accounting treatment of credit card receivables as cash and cash equivalents.

**ANNEX V**  
**RETURN ON INVESTED CAPITAL (ROIC) AND ON EQUITY (ROE)**

<b>INVESTED CAPITAL (R\$ million)</b>	<b>jun-19</b>	<b>mar-19</b>	<b>Dec-18</b>	<b>Sep-18</b>	<b>Jun-18</b>
<b>Working Capital</b>	252.1	784.1	328.3	767.8	508.8
(+) Accounts Receivable	11.3	4.4	7.6	6.4	7.1
(+) Income Tax and Social Contribution deferred	27.0	168.9	181.0	176.5	178.3
(+) Taxes Recoverable	944.6	246.8	150.6	165.5	201.8
(+) Judicial Deposits	480.1	383.9	349.2	345.7	342.0
(+) Other Assets	34.7	32.7	34.2	34.3	29.4
(+) Investment In Joint Subsidiaries	293.6	294.6	308.5	294.3	284.5
(+) Right of use	1,804.9	1,882.0			
(+) Fixed Assets	941.2	789.4	754.3	663.3	608.1
(+) Intangible Assets	1,509.5	605.1	598.8	556.4	545.5
<b>(+) Non Current Assets</b>	<b>6,046.8</b>	<b>4,407.9</b>	<b>2,384.1</b>	<b>2,242.4</b>	<b>2,196.8</b>
(-) Provision for Contingencies	813.0	380.9	387.4	351.7	347.2
(-) Lease	1,833.9	1,891.8			
(-) Deferred Revenue	384.3	378.1	391.0	439.5	449.3
(-) Income Tax and Social Contribution deferred	58.1	-	-	-	-
(-) Other Accounts Payable	1.9	1.8	1.7	1.7	1.9
<b>(-) Noncurrent operating liabilities</b>	<b>3,091.3</b>	<b>2,652.7</b>	<b>780.0</b>	<b>792.9</b>	<b>798.4</b>
<b>(=) Fixed Capital</b>	<b>2,955.5</b>	<b>1,755.2</b>	<b>1,604.1</b>	<b>1,449.5</b>	<b>1,398.4</b>
<b>(=) Total Invested Capital</b>	<b>3,207.5</b>	<b>2,539.3</b>	<b>1,932.4</b>	<b>2,217.4</b>	<b>1,907.2</b>
(+) Net Debt	96.6	(60.2)	(552.4)	(95.0)	(281.4)
(+) Dividends Payable	-	166.4	182.0	-	-
(+) Shareholders Equity	3,110.9	2,433.0	2,302.9	2,312.3	2,188.6
<b>(=) Total Financing</b>	<b>3,207.5</b>	<b>2,539.3</b>	<b>1,932.4</b>	<b>2,217.4</b>	<b>1,907.2</b>
<b>FINANCIAL EXPENSES RECONCILIATION (R\$MM)</b>	<b>1Q18</b>	<b>1Q19</b>	<b>4Q18</b>	<b>3Q18</b>	<b>2Q18</b>
Financial Income	479.7	42.2	35.8	34.9	39.5
Financial Expenses	(223.7)	(141.1)	(126.5)	(106.5)	(112.1)
<b>Net Financial Expenses</b>	<b>256.0</b>	<b>(98.9)</b>	<b>(90.7)</b>	<b>(71.7)</b>	<b>(72.6)</b>
Interest on prepayment of receivables: Luiza Card and third party card	122.1	93.6	91.5	75.1	79.7
<b>Adjusted Financial Expenses</b>	<b>378.1</b>	<b>(5.3)</b>	<b>0.8</b>	<b>3.5</b>	<b>7.1</b>
Taxes on Adjusted Financial Expenses	(128.5)	1.8	(0.3)	(1.2)	(2.4)
<b>Net Adjusted Financial Expenses</b>	<b>249.5</b>	<b>(3.5)</b>	<b>0.6</b>	<b>2.3</b>	<b>4.7</b>
<b>NOPLAT AND ROIC/ROE RECONCILIATION(R\$MM)</b>	<b>1Q18</b>	<b>1Q19</b>	<b>4Q18</b>	<b>3Q18</b>	<b>2Q18</b>
EBITDA	379.9	395.4	353.5	278.9	312.4
Interest on prepayment of receivables: Luiza Card and third party card	(122.1)	(93.6)	(91.5)	(75.1)	(79.7)
Depreciation	(96.8)	(103.9)	(41.0)	(46.3)	(39.1)
Current and deferred taxes	(152.4)	(60.4)	(32.1)	(41.3)	(60.0)
Taxes on Adjusted Financial Expenses	128.5	(1.8)	0.3	1.2	2.4
<b>Net Operating Income (NOPLAT)</b>	<b>137.1</b>	<b>135.6</b>	<b>189.1</b>	<b>117.3</b>	<b>136.1</b>
<b>Invested Capital</b>	<b>3,207.5</b>	<b>2,539.3</b>	<b>1,932.4</b>	<b>2,217.4</b>	<b>1,907.2</b>
<b>ROIC Annualized</b>	<b>17%</b>	<b>21%</b>	<b>39%</b>	<b>21%</b>	<b>29%</b>
Net Income	386.6	132.1	189.6	119.6	140.7
Shareholders Equity	3,110.9	2,433.0	2,302.9	2,312.3	2,188.6
<b>ROE Annualized</b>	<b>50%</b>	<b>22%</b>	<b>33%</b>	<b>21%</b>	<b>26%</b>

**ANNEX VI**  
**BREAKDOWN OF TOTAL SALES AND NUMBER OF STORES PER CHANNEL**

Breakdown of Total Sales (R\$ million)	2Q19	V.A.	2Q18	V.A.	Growth
					Total
Virtual Stores	256.8	4.5%	216.0	4.7%	18.9%
Conventional Stores	3,106.1	54.0%	2,876.3	62.3%	8.0%
<b>Subtotal - Physical Stores</b>	<b>3,362.9</b>	<b>58.5%</b>	<b>3,092.3</b>	<b>67.0%</b>	<b>8.7%</b>
Traditional E-commerce (1P) <sup>1</sup>	1,801.3	31.3%	1,376.5	29.8%	30.9%
Marketplace (3P) <sup>1</sup>	582.8	10.1%	150.0	3.2%	288.6%
<b>Subtotal - Total E-commerce <sup>1</sup></b>	<b>2,384.1</b>	<b>41.5%</b>	<b>1,526.5</b>	<b>33.0%</b>	<b>56.2%</b>
<b>Total Sales</b>	<b>5,747.0</b>	<b>100.0%</b>	<b>4,618.8</b>	<b>100.0%</b>	<b>24.4%</b>

Breakdown of Total Sales (R\$ million)	1H19	V.A.	1H18	V.A.	Growth
					Total
Virtual Stores	499.1	4.4%	418.5	4.6%	19.3%
Conventional Stores	6,214.3	54.2%	5,562.4	61.2%	11.7%
<b>Subtotal - Physical Stores</b>	<b>6,713.3</b>	<b>58.6%</b>	<b>5,981.0</b>	<b>65.8%</b>	<b>12.2%</b>
Traditional E-commerce (1P) <sup>1</sup>	3,736.4	32.6%	2,828.1	31.1%	32.1%
Marketplace (3P) <sup>1</sup>	1,015.2	8.9%	275.8	3.0%	268.1%
<b>Subtotal - Total E-commerce <sup>1</sup></b>	<b>4,751.6</b>	<b>41.4%</b>	<b>3,103.9</b>	<b>34.2%</b>	<b>53.1%</b>
<b>Total Sales</b>	<b>11,465.0</b>	<b>100.0%</b>	<b>9,084.9</b>	<b>100.0%</b>	<b>26.2%</b>

<sup>1</sup> E-commerce Sales include Netshoes sales as of June 14 (acquisition).

Number of stores per channel – End of the period	Jun-19	Part(%)	Jun-18	Part(%)	Growth
					Total
Virtual Stores	176	17.8%	148	16.7%	28
Conventional Stores	810	82.0%	736	83.2%	73
<b>Subtotal - Physical Stores</b>	<b>985</b>	<b>99.9%</b>	<b>884</b>	<b>99.9%</b>	<b>101</b>
Ecommerce	1	0.1%	1	0.1%	-
<b>Total</b>	<b>987</b>	<b>100.0%</b>	<b>885</b>	<b>100.0%</b>	<b>101</b>
<b>Total Sales Area (m<sup>2</sup>)</b>	<b>585,341</b>	<b>100%</b>	<b>538,753</b>	<b>100%</b>	<b>8.5%</b>

**ANNEX VII**  
**LUIZACRED**

**Operating Indicators**

Luizacred is a joint venture between Magazine Luiza and Itaú Unibanco, responsible for financing a substantial percentage of the Company's credit sales. Magalu's main roles and responsibilities include sales, employee management and customer service, while Itaú Unibanco is responsible for funding Luizacred, drafting the credit and collections policies and managing back office activities, such as accounting and treasury.

In 2Q19, Luizacred's total card base grew 225,000 units, reaching 4.6 million cards issued (+ 24.2% *versus* Jun/18). In-store sales to Luiza Card customers, distinguished by their loyalty and higher purchase frequency, increased by 23.2% in 2Q19.

Luizacred's credit portfolio, including credit card, DCC and individual loans, reached R\$9.5 billion at the end of 2Q19, an increase of 44.1% over 2Q18. Luiza Card's portfolio grew 45.7% to R\$9.3 billion, while the DCC portfolio was stable at R\$194.0 million, in line with Luizacred's strategy to focus on the Luiza Card.

<b>LUIZACRED – Key Indicators (R\$ million)</b>	<b>2Q19</b>	<b>2Q18</b>	<b>% Chg</b>	<b>1H19</b>	<b>1H18</b>	<b>% Chg</b>
Total Card Base (thousand)	4,638	3,735	24.2%	4,638	3,735	24.2%
Luiza Card Sales – In-store	1,562	1,268	23.2%	2,993	2,293	30.5%
Luiza Card Sales – Outside Magazine Luiza	4,784	3,512	36.2%	9,045	6,649	36.0%
<b>Subtotal - Luiza Card</b>	<b>6,347</b>	<b>4,781</b>	<b>32.7%</b>	<b>12,038</b>	<b>8,942</b>	<b>34.6%</b>
DCC Sales	31	77	-59.9%	76	118	-35.3%
Consumer Loans Sales	11	15	-27.7%	24	31	-24.2%
<b>Luizacred Sales - Total</b>	<b>6,389</b>	<b>4,873</b>	<b>31.1%</b>	<b>12,138</b>	<b>9,091</b>	<b>33.5%</b>
Card Portfolio	9,321	6,397	45.7%	9,321	6,397	45.7%
DCC Portfolio	194	193	0.9%	194	193	0.9%
Consumer Loans Portfolio	26	34	-21.7%	26	34	-21.7%
<b>Portfolio</b>	<b>9,542</b>	<b>6,624</b>	<b>44.1%</b>	<b>9,542</b>	<b>6,624</b>	<b>44.1%</b>

The granting of credit at Luizacred follows strict criteria established by Itaú Unibanco's Credit Modeling and Policies area which uses proprietary statistics models based on the Risk Adjusted Return on Capital (RAROC) model.

Magalu  
2Q19 Earnings Release

### Income Statement in IFRS

LUIZACRED – Income (R\$ million)	2Q19	V.A.	2Q18	V.A.	% Chg	1H19	V.A.	1H18	V.A.	% Chg
<b>Financial Intermediation Revenue</b>	459.3	100.0%	303.3	100.0%	51.4%	829.3	100.0%	574.8	100.0%	44.3%
Cards	425.9	92.7%	266.8	88.0%	59.6%	756.0	91.2%	501.3	87.2%	50.8%
DCC	25.2	5.5%	26.1	8.6%	-3.2%	56.8	6.9%	53.4	9.3%	6.3%
Consumer Loans	8.2	1.8%	10.4	3.4%	-21.5%	16.5	2.0%	20.1	3.5%	-17.7%
<b>Financial Intermediation Expenses</b>	(444.6)	-96.8%	(223.1)	-73.5%	99.3%	(781.7)	-94.3%	(384.1)	-66.8%	103.5%
Market Funding Operations	(64.2)	-14.0%	(42.5)	-14.0%	51.1%	(124.0)	-15.0%	(81.9)	-14.2%	51.4%
Provision for Loan Losses	(380.5)	-82.8%	(180.6)	-59.5%	110.7%	(657.7)	-79.3%	(302.2)	-52.6%	117.6%
<b>Gross Financial Intermediation Income</b>	14.6	3.2%	80.3	26.5%	-81.8%	47.6	5.7%	190.7	33.2%	-75.0%
<b>Other Operating Revenues (Expenses)</b>	(27.6)	-6.0%	(49.9)	-16.5%	-44.8%	(61.7)	-7.4%	(89.0)	-15.5%	-30.7%
Service Revenue	206.6	45.0%	151.3	49.9%	36.5%	397.3	47.9%	290.7	50.6%	36.7%
Personnel Expenses	(7.8)	-1.7%	(6.9)	-2.3%	12.8%	(14.7)	-1.8%	(9.8)	-1.7%	50.6%
Other Administrative Expenses	(174.7)	-38.0%	(157.5)	-51.9%	10.9%	(343.2)	-41.4%	(300.8)	-52.3%	14.1%
Depreciation and Amortization	(3.0)	-0.6%	(3.0)	-1.0%	0.3%	(5.9)	-0.7%	(5.9)	-1.0%	-0.2%
Tax Expenses	(34.0)	-7.4%	(24.8)	-8.2%	37.1%	(64.4)	-7.8%	(47.9)	-8.3%	34.4%
Other Operating Revenues (Expenses)	(14.7)	-3.2%	(9.1)	-3.0%	62%	(30.8)	-3.7%	(15.2)	-2.6%	102.7%
<b>Income Before Tax</b>	(12.9)	-2.8%	30.3	10.0%	142.6%	(14.1)	-1.7%	101.7	17.7%	113.9%
Income Tax and Social Contribution	5.0	1.1%	(13.9)	-4.6%	135.6%	5.2	0.6%	(47.5)	-8.3%	111.0%
<b>Net Income</b>	(8.0)	-1.7%	16.4	5.4%	148.5%	(8.8)	-1.1%	54.2	9.4%	116.3%

### Income Statement in compliance with accounting practices established by the Brazilian Central Bank

LUIZACRED – Income (R\$ million)	2Q19	V.A.	2Q18	V.A.	% Chg	1H19	V.A.	1H18	V.A.	% Chg
<b>Financial Intermediation Revenue</b>	459.3	100.0%	303.3	100.0%	51.4%	829.3	100.0%	574.8	100.0%	44.3%
Cards	425.9	92.7%	266.8	88.0%	59.6%	756.0	91.2%	501.3	87.2%	50.8%
DCC	25.2	5.5%	26.1	8.6%	-3.2%	56.8	6.9%	53.4	9.3%	6.3%
Consumer Loans	8.2	1.8%	10.4	3.4%	-21.5%	16.5	2.0%	20.1	3.5%	-17.7%
<b>Financial Intermediation Expenses</b>	(373.0)	-81.2%	(180.2)	-59.4%	107.0%	(649.3)	-78.3%	(329.5)	-57.3%	97.1%
Market Funding Operations	(64.2)	-14.0%	(42.5)	-14.0%	51.1%	(124.0)	-15.0%	(81.9)	-14.2%	51.4%
Provision for Loan Losses	(308.9)	-67.3%	(137.7)	-45.4%	124.2%	(525.3)	-63.3%	(247.6)	-43.1%	112.2%
<b>Gross Financial Intermediation Income</b>	86.2	18.8%	123.1	40.6%	-29.9%	180.0	21.7%	245.4	42.7%	-26.6%
<b>Other Operating Revenues (Expenses)</b>	(27.6)	-6.0%	(49.9)	-16.5%	-44.8%	(61.7)	-7.4%	(89.0)	-15.5%	-30.7%
Service Revenue	206.6	45.0%	151.3	49.9%	36.5%	397.3	47.9%	290.7	50.6%	36.7%
Personnel Expenses	(7.8)	-1.7%	(6.9)	-2.3%	12.8%	(14.7)	-1.8%	(9.8)	-1.7%	50.6%
Other Administrative Expenses	(174.7)	-38.0%	(157.5)	-51.9%	10.9%	(343.2)	-41.4%	(300.8)	-52.3%	14.1%
Depreciation and Amortization	(3.0)	-0.6%	(3.0)	-1.0%	0.3%	(5.9)	-0.7%	(5.9)	-1.0%	-0.2%
Tax Expenses	(34.0)	-7.4%	(24.8)	-8.2%	37.1%	(64.4)	-7.8%	(47.9)	-8.3%	34.4%
Other Operating Revenues (Expenses)	(14.7)	-3.2%	(9.1)	-3.0%	62%	(30.8)	-3.7%	(15.2)	-2.6%	102.7%
<b>Income Before Tax</b>	58.7	12.8%	73.2	24.1%	-19.8%	118.3	14.3%	156.4	27.2%	-24.3%
Income Tax and Social Contribution	(23.7)	-5.2%	(33.2)	-10.9%	-28.7%	(47.7)	-5.8%	(72.1)	-12.5%	-33.8%
<b>Net Income</b>	35.0	7.6%	39.9	13.2%	-12.4%	70.6	8.5%	84.3	14.7%	-16.2%

### Comparative: IFRS x Brazilian Central Bank

R\$ milhões	2Q19	V.A.	2Q18	V.A.	% Chg	1H19	V.A.	1H18	V.A.	% Chg
Provision for Loan Losses	71.6	15.6%	42.8	14.1%	-	132.4	16.0%	54.7	9.5%	-
Income Tax and Social Contribution	(28.6)	-6.2%	(19.3)	-6.4%	-	(53.0)	-6.4%	(24.6)	-4.3%	-
<b>Net Income</b>	43.0	9.4%	23.5	7.8%	-	79.5	9.6%	30.1	5.2%	-

## Revenue from Financial Intermediation

Revenues from financial intermediation grew 51.4% in 2Q19, the largest growth rate in the last five years, to R\$459.3 million mainly due to the increase in sales from Luiza Card inside and outside Magalu stores.

## Provision for Loan Losses

Loan loss indicators continue at a low level. The portfolio of loans overdue from 15 to 90 days (NPL 15) accounted for only 3.2% of the total portfolio in Jun/19, improving 30 bps YoY, maintaining the conservative credit policy.

The overdue portfolio over 90 days (NPL 90) reached 8.5% of the total portfolio in Jun/19. The variation in the portfolio overdue over 90 days (NPL 90), which went from 7.1% to 8.5%, is entirely related to the growth strategy and the increase of Luiza Card's new customer base. By comparison, in Jun/19, this indicator was 6.8% for old customers versus 10.4% for new customers.

PDD expenses accounted for 4.0% of the total portfolio in 2Q19, an increase from 2.7% in 2Q18, due to the adoption of IFRS 9, combined with the accelerated portfolio growth, from the number of credit cards and the credit limit available to the best customers. Note that the portfolio's IFRS coverage ratio was 168% in Jun / 19.

PORTFOLIO - OVERDUE	Jun-19		Mar-19		Dec-18		Sep-18		Jun-18	
000 to 014 days	8,428	88.3%	7,836	88.8%	7,568	90.0%	6,525	89.8%	5,956	89.9%
015 to 030 days	70	0.7%	81	0.9%	63	0.8%	54	0.7%	56	0.8%
031 to 060 days	91	1.0%	102	1.2%	69	0.8%	63	0.9%	61	0.9%
061 to 090 days	141	1.5%	123	1.4%	98	1.2%	85	1.2%	82	1.2%
091 to 120 days	124	1.3%	95	1.1%	96	1.1%	92	1.3%	69	1.0%
121 to 150 days	140	1.5%	96	1.1%	82	1.0%	74	1.0%	74	1.1%
151 to 180 days	107	1.1%	88	1.0%	74	0.9%	68	0.9%	64	1.0%
180 to 360 days	440	4.6%	399	4.5%	356	4.2%	303	4.2%	261	3.9%
Portfolio (R\$ million)	9,542	100%	8,820	100%	8,406	100%	7,265	100%	6,624	100%
Receipt expectation of loan portfolio overdue above 360 days	120	0.0%	114	0.0%	111	0.0%	109	0.0%	108	0.0%
Total Portfolio in IFRS 9 (R\$ million)	9,661		8,935		8,517		7,374		6,732	
Overdue 15-90 days	302	3.2%	306	3.5%	231	2.7%	203	2.8%	199	3.0%
Overdue Above 90 days	811	8.5%	678	7.7%	608	7.2%	537	7.4%	468	7.1%
Total Overdue	1,113	11.7%	984	11.2%	839	10.0%	740	10.2%	667	10.1%
Provisions for loan losses on Portfolio	1,097		985		924		782		703	
Provisions for loan losses on available limit	265		225		211		234		232	
Total Provisions for loan losses in IFRS 9	1,363		1,210		1,135		1,016		935	
Coverage of Portfolio (%)	135%		145%		152%		146%		150%	
Coverage of Total Portfolio (%)	168%		179%		187%		189%		200%	

Note: in order to facilitate comparability and analysis of NPL performance, the Company now discloses the breakdown of the portfolio by arrears criterion, while it continues disclosing the portfolio breakdown by risk level to the Central Bank.

## Financial Intermediation Gross Results

Gross margin from financial intermediation totaled 3.2% in 2Q19 (-23.3 p.p. YoY), mainly due to the adoption of IFRS 9 on loan loss provision and the accelerated growth of the credit portfolio. In 1H19, gross margin from financial intermediation totaled 5.7% (-27.4 p.p. YoY).

### **Other Operating Revenues (Expenses)**

Other operating expenses totaled R\$27.6 million in 2Q19, an improvement of 44.8% YoY, mainly due to service revenue growth of 36.5%. In 1H19, other operating expenses totaled R\$61.7 million (-30.7% YoY).

Luizacred's operating efficiency ratio went from 46% in 2Q18 to 40% in 2Q19 (-6 p.p.), the best level in the last 5 years.

### **Operating Income and Net Income**

In 2Q19, Luizacred recorded operating income of -R\$12.9 million, equivalent to -2.8% of financial intermediation (-12.8p.p. YoY). In 2Q19, Luizacred's net loss reached R\$8.0 million.

In compliance with accounting practices established by the Brazilian Central Bank, considering the minimum provisions by Law 2682, Luizacred's net income totaled R\$35.0 million in 2Q19, with ROE of 16.2% and R\$70.6 million in 1H19 (ROE of 16.4%).

The difference in provisions between companies in BRGAAP and IFRS 9 was R\$71.6 million in 2Q19, reflecting net income of R\$43.0 million.

### **Shareholders' Equity**

In compliance with the same practices, Luizacred posted a shareholders' equity of R\$879.4 million in Jun/19. As a result of adjustments required under IFRS, specifically additional provisions for expected losses, net of taxes, Luizacred's shareholders' equity for the purposes of Magazine Luiza's financial statements came to R\$567.7 million.

**EARNINGS CONFERENCE CALL**

**Conference Call in Portuguese/English (with simultaneous translation)**

**August 13, 2019 (Tuesday)**

**11:00 am – Brasília time**

**10:00 am – USA time (EST)**

**Participants from Brazil:**

Dial in #: +55 (11) 3193-1001

CODE: Magazine Luiza

Link to webcast:

[Webcast Portuguese](#)

**Participants from the US or other countries:**

Dial in #: +1 (646) 828 8246

CODE: Magazine Luiza

Link de webcast:

[Webcast English](#)

**Replay (available for 7 days):**

Dial in # from Brazil: +55 (11) 3193-1012

Identification Code: 8339893#

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**About Magazine Luiza**

Magazine Luiza, or Magalu, is a technology and logistics company focused on the retail sector. From its humble origins as a traditional retailer providing electronics and home appliances to Brazil's rising middle class, the company has since transformed into a technology powerhouse providing a wide array of products to Brazilians of all classes. Magalu has one of the largest geographic footprints with twelve distribution centers serving a network of over 980 stores encompassing over 75% of Brazil's GDP. At the heart of the company's success is an omnichannel retail platform capable of reaching customers via mobile app, web and physical stores. A large part of the company's success is attributable to its in-house development team, Luizalabs, which consists of around 1,000 engineers and product development specialists. Among other things, engineers from Luizalabs use technologies such as big data and machine learning to create logistics, fintech and inventory apps which remove friction from the retail process, improving margins, delivery times and customer experience. The company has been at the forefront of e-commerce adoption in Latin America and its profitable e-commerce operation currently accounts for over 41% of total sales. Magazine Luiza has also been a logistics pioneer. The company's integrated online and offline logistics operations enable it to leverage its physical presence to radically reduce delivery times and costs in a sustainable way. The result is the fastest, lowest cost logistics network in Brazil.

**EBITDA, Adjusted EBITDA and Adjusted Net Income**

EBITDA (earnings before interest, 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 in accordance with the accounting practices adopted in Brazil.

**Disclaimer**

The statements herein related to business prospects, future estimates of operating and financial results, and those related to Magazine Luiza's growth prospects are merely estimates and, as such, are based solely on the expectations of the Executive Board regarding the future of the Company's business. These expectations largely depend on approvals and licenses for the projects, market conditions, performance of the Brazilian economy, the sector and the international markets and are, therefore, subject to changes without prior notice. This performance report includes accounting and non-accounting data such as pro forma operating and financial results and projections based on the expectations of the Company's Management. The non-accounting data were not reviewed by the Company's independent auditors.