



ITR - Quarterly Information June 30, 2020

(A free translation of the original interim financial information in Portuguese)

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Independent auditors' report on quarterly information

**To the Shareholders, Board Members and Directors of
Magazine Luiza S.A.**

Franca - SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Magazine Luiza S.A. (the "Company"), included in the quarterly information form - ITR as at June 30, 2020, which comprise the balance sheets as at June 30, 2020 and the respective statements of income and other comprehensive income for the three and six-months periods then ended and the statements of changes in equity and cash flows for the six-months period then ended, including explanatory information.

Management of the Company is responsible for the preparation and fair presentation of the interim financial information in accordance with CPC 21(R1) – Interim Financial Reporting and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as the presentation of this information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of quarterly information (ITR). Our responsibility is to express a conclusion on the interim financial information based on our review.

Scope of the review

We conducted our review in accordance with Brazilian and International Review Standards (NBC TR 2410 - *Revisão de Informações Intermediárias Executada pelo Auditor da Entidade* and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters and applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on auditing standards and, consequently does not enable us to obtain assurance that we would become aware of all significant matters that would have been identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion on the interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information, included in the above mentioned quarterly information form, have not been prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, issued by IASB, applicable to the preparation of Quarterly Reviews - ITR and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Other matters – Statements of value added

The individual and consolidated interim financial information related to the statement of value added for the six-months period ended June 30, 2020, prepared under the responsibility of the Company's Management, presented as supplementary information for the purpose of IAS 34, was subject to the same review procedures performed jointly with the review of the quarterly information - ITR of the Company. To prepare our conclusion we evaluated whether these statements are reconciled with the interim financial information and accounting registers, as applicable, and whether the form and contents are in accordance with the criteria defined under Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, we are not aware of any fact that might lead us to believe that they were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information, taken as a whole.

São Paulo, August 17, 2020

KPMG Auditores Independentes
CRC SP014428/O-6
Original report in Portuguese signed by
Marcelle Mayume Komukai
Accountant CRC 1SP249703/O-5

Magazine Luiza S.A.

Balance sheets at June 30, 2020 and December 31, 2019

(Amounts expressed in thousands of reais – R\$)

	Note	Parent company		Consolidated	
		06/30/2020	12/31/2019	06/30/2020	12/31/2019
Assets					
Current assets					
Cash and cash equivalents	5	909,454	180,799	1,103,523	305,746
Securities	6	1,874,801	4,446,143	1,878,803	4,448,158
Accounts receivable	7	3,376,141	2,769,649	4,386,122	2,915,034
Inventories	8	3,842,647	3,509,334	4,198,175	3,801,763
Accounts receivable from related parties	9	1,032,759	373,995	862,980	370,036
Recoverable taxes	10	657,389	777,929	748,944	864,144
Other assets		63,771	99,166	100,219	136,280
Total current assets		11,756,962	12,157,015	13,278,766	12,841,161
Non-current assets					
Securities	6	-	-	-	214
Accounts receivable	7	10,643	14,314	10,643	16,842
Recoverable taxes	10	1,098,605	1,039,684	1,185,593	1,137,790
Deferred income tax and social contribution	11	54,647	-	73,076	12,712
Judicial deposits	22	502,988	428,042	656,509	570,142
Other assets		7,606	9,030	12,119	11,003
Investments in subsidiaries	12	1,146,035	935,573	-	-
Investments in jointly-controlled subsidiaries	13	318,636	305,091	318,636	305,091
Right-of-use from lease	14	2,296,941	2,203,827	2,362,132	2,273,786
Property, plant and equipment	15	1,014,026	992,372	1,099,506	1,076,704
Intangible assets	16	542,845	526,869	1,561,653	1,545,628
Total non-current assets		6,992,972	6,454,802	7,279,867	6,949,912
Total assets		18,749,934	18,611,817	20,558,633	19,791,073

See the accompanying notes to the interim financial information.

Magazine Luiza S.A.

Balance sheets at June 30, 2020 and December 31, 2019

(Amounts expressed in thousands of reais – R\$)

	Note	Parent company		Consolidated	
		06/30/2020	12/31/2019	06/30/2020	12/31/2019
Liabilities					
Current liabilities					
Suppliers	17	4,825,551	5,413,546	5,333,983	5,934,877
Partners and other deposits	18	-	-	639,256	-
Loans and financing	19	1,650,475	8,192	1,650,780	9,967
Salaries, vacations and social security charges		267,924	309,007	329,001	354,717
Taxes payable		145,172	307,695	206,362	352,008
Accounts payable to related parties	9	101,287	152,094	103,417	152,126
Leases	14	317,882	311,960	333,793	330,571
Deferred revenue	20	39,157	39,157	43,053	43,036
Dividends payable	23	123,566	123,566	123,566	123,566
Other accounts payable	21	666,511	537,825	806,201	701,719
Total current liabilities		8,137,525	7,203,042	9,569,412	8,002,587
Non-current liabilities					
Loans and financing	19	12,689	838,862	14,000	838,862
Leases	14	2,005,710	1,893,790	2,063,744	1,949,751
Deferred income tax and social contribution	11	-	3,725	26,366	39,043
Provision for tax, civil and labor risks	22	836,972	767,938	1,112,324	1,037,119
Deferred revenue	20	313,195	339,523	328,944	356,801
Other accounts payable	21	-	-	-	1,973
Total non-current liabilities		3,168,566	3,843,838	3,545,378	4,223,549
Total liabilities		11,306,091	11,046,880	13,114,790	12,226,136
Shareholders' equity					
Capital	23	5,952,282	5,952,282	5,952,282	5,952,282
Capital reserve		257,402	323,263	257,402	323,263
Treasury shares		(129,123)	(124,533)	(129,123)	(124,533)
Legal reserve		109,001	109,001	109,001	109,001
Profit reserve		1,301,756	1,301,756	1,301,756	1,301,756
Equity valuation adjustment		(13,741)	3,168	(13,741)	3,168
Net income (loss) for the period		(33,734)	-	(33,734)	-
Total shareholders' equity		7,443,843	7,564,937	7,443,843	7,564,937
Total liabilities and shareholders' equity		18,749,934	18,611,817	20,558,633	19,791,073

See the accompanying notes to the interim financial information.

Magazine Luiza S.A.

Statements of income Semesters and quarters ended June 30, 2020 and 2019 (Amounts expressed in thousands of reais – R\$)

	Note	Semester				Quarter			
		Parent company		Consolidated		Parent company		Consolidated	
		06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Net sales	24	9,619,797	8,448,677	10,802,994	8,637,086	4,896,001	4,179,431	5,568,245	4,308,102
Cost of resold goods and services rendered	25	(7,214,862)	(6,216,113)	(7,947,317)	(6,333,433)	(3,731,310)	(3,137,501)	(4,133,041)	(3,215,868)
Gross income		2,404,935	2,232,564	2,855,677	2,303,653	1,164,691	1,041,930	1,435,204	1,092,234
Operating revenues (expenses)									
From sales	26	(1,737,379)	(1,384,522)	(2,054,606)	(1,419,172)	(936,239)	(699,528)	(1,116,343)	(726,195)
General and administrative expenses	26	(291,286)	(254,675)	(376,621)	(291,109)	(142,893)	(131,232)	(181,996)	(154,834)
Allowance for doubtful accounts		(53,656)	(25,497)	(59,076)	(25,600)	(26,712)	(13,075)	(29,068)	(13,178)
Depreciation and amortization	14 15 16	(279,816)	(196,141)	(347,096)	(200,782)	(133,995)	(92,797)	(172,255)	(96,843)
Equity in net income of subsidiaries	12 13	(32,236)	94,659	29,898	(2,410)	27,579	97,234	27,453	(2,500)
Other operating revenues, net	26 27	81,774	141,321	81,093	209,935	(394)	115,723	8,494	184,398
		(2,312,599)	(1,624,855)	(2,726,408)	(1,729,138)	(1,212,654)	(723,675)	(1,463,715)	(809,152)
Operating income (loss) before financial income		92,336	607,709	129,269	574,515	(47,963)	318,255	(28,511)	283,082
Financial revenues		109,441	475,951	88,503	517,687	51,905	435,421	45,613	479,665
Financial expenses		(260,921)	(351,072)	(277,471)	(360,631)	(130,900)	(215,023)	(140,170)	(223,675)
Financial income (loss)	28	(151,480)	124,879	(188,968)	157,056	(78,995)	220,398	(94,557)	255,990
Operating income (loss) before income tax and social contribution		(59,144)	732,588	(59,699)	731,571	(126,958)	538,653	(123,068)	539,072
Deferred income tax and social contribution	11	25,410	(213,858)	25,965	(212,841)	62,421	(152,027)	58,531	(152,446)
Net income for the period		(33,734)	518,730	(33,734)	518,730	(64,537)	386,626	(64,537)	386,626
Income (loss) attributable to:									
Controlling shareholders		(33,734)	518,730	(33,734)	518,730	(64,537)	386,626	(64,537)	386,626
Earnings (losses) per share									
Basic (reais per share)	23	(0.021)	0.340	(0.021)	0.340	(0.040)	0.254	(0.040)	0.254
Diluted (reais per share)	23	(0.020)	0.340	(0.020)	0.340	(0.039)	0.253	(0.039)	0.253

See the accompanying notes to the interim financial information.

Magazine Luiza S.A.

Statements of comprehensive income Semesters and quarters ended June 30, 2020 and 2019

(Amounts expressed in thousands of reais – R\$)

	Semester		Quarter	
	Parent company and Consolidated		Parent company and Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Net income (loss) for the period	(33,734)	518,730	(64,537)	386,626
Items that can subsequently be reclassified to income (loss):				
Investment assessed under the equity method - interest in Other Comprehensive Income - OCI	10,768	2,875	7,292	2,498
Tax effect	(3,805)	(1,150)	(2,800)	(999)
Total	6,963	1,725	4,492	1,499
Financial assets measured at fair value - FVOCI	(36,168)	(8,856)	(36,168)	2,811
Tax effect	12,296	3,011	12,296	(956)
Total	(23,872)	(5,845)	(23,872)	1,855
Total items that can subsequently be reclassified to profit or loss	(16,909)	(4,120)	(19,380)	3,354
Total other comprehensive income for the period, net of taxes	(50,643)	514,610	(83,917)	389,980
Attributable to:				
Controlling shareholders	(50,643)	514,610	(83,917)	389,980

See the accompanying notes to the interim financial information.

Magazine Luiza S.A.
Statements of changes in shareholders' equity
Semesters ended June 30, 2020 and 2019

(Amounts expressed in thousands of reais – R\$)

Notes	Capital	Capital reserve	Treasury shares	Legal reserve	Profit reserve			Net income (loss) for the period	Equity valuation adjustment	Total
					Working capital reinforcement reserve	Additional dividends proposed	Tax incentive reserve			
Balances at December 31, 2018	1,719,886	52,175	(87,015)	65,644	395,561	-	151,290	-	5,331	2,302,872
Stock option plan	-	36,308	-	-	-	-	-	-	-	36,308
Treasury shares acquired	-	-	(26,896)	-	-	-	-	-	-	(26,896)
Treasury shares sold	-	179,609	104,443	-	-	-	-	-	-	284,052
Income for the period	-	-	-	-	-	-	-	518,730	-	518,730
	-	215,917	77,547	-	-	-	-	518,730	-	812,194
Other comprehensive income:										
Equity valuation adjustment	-	-	-	-	-	-	-	-	(4,120)	(4,120)
Balances at June 30, 2019	1,719,886	268,092	(9,468)	65,644	395,561		151,290	518,730	1,211	3,110,946
Balances at December 31, 2019	5,952,282	323,263	(124,533)	109,001	758,421	337,348	205,987	-	3,168	7,564,937
Stock option plan	23	38,393	-	-	-	-	-	-	-	38,393
Treasury shares acquired	23	-	(92,405)	-	-	-	-	-	-	(92,405)
Treasury shares sold	23	(104,254)	87,815	-	-	-	-	-	-	(16,439)
Loss for the period	23	-	-	-	-	-	-	(33,734)	-	(33,734)
	-	(65,861)	(4,590)	-	-	-	-	(33,734)	-	(104,185)
Other comprehensive income:										
Equity valuation adjustment	-	-	-	-	-	-	-	-	(16,909)	(16,909)
Balances at June 30, 2020	5,952,282	257,402	(129,123)	109,001	758,421	337,348	205,987	(33,734)	(13,741)	7,443,843

The accompanying notes are an integral part of the interim financial information.

Magazine Luiza S.A.

Statements of cash flows

Semesters ended June 30, 2020 and 2019

(Amounts expressed in thousands of reais – R\$)

Note	Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Cash flow from operating activities				
Net income (loss) for the period	(33,734)	518,730	(33,734)	518,730
Adjustments to reconcile net income (loss) for the period to the cash generated by operating activities:				
Income tax and social contribution recognized in income (loss)	11 (25,410)	213,858	(25,965)	212,841
Depreciation and amortization	14 15 16 279,816	196,141	347,096	200,782
Interest on provisioned loans, financing and leases	14 19 108,230	83,523	112,241	90,897
Yield from securities	(36,633)	(6,231)	(36,633)	(6,231)
Equity in net income of subsidiaries	12 13 32,236	(94,659)	(29,898)	2,410
Changes in provision for losses in assets	(14,976)	244,897	(22,902)	245,303
Provision for tax, civil and labor risks	22 74,732	259,307	81,740	259,308
Loss on sale of fixed assets	27 1,897	(2,962)	1,897	(2,962)
Appropriation of deferred revenue	27 (26,328)	(25,728)	(27,840)	(25,728)
Stock option plan expenses	43,208	26,909	47,281	26,909
Adjusted net income for the period	403,038	1,413,785	413,283	1,522,259
(Increase) decrease in operating assets:				
Accounts receivable	(708,294)	572,070	(1,572,199)	631,457
Securities	2,607,975	(24,530)	2,606,202	(25,754)
Inventories	(249,032)	265,931	(302,114)	248,196
Accounts receivable from related parties	(668,334)	59,081	(478,876)	56,884
Recoverable taxes	61,619	(1,001,795)	67,692	(1,122,493)
Other assets	(37,815)	(27,881)	(49,981)	(33,288)
Changes in operating assets	1,006,119	(157,124)	270,724	(244,998)
Increase (decrease) in operating liabilities:				
Suppliers	(587,995)	(1,082,697)	(601,325)	(1,129,075)
Partners and other deposits	-	-	639,256	-
Salaries, vacations and social security charges	(41,083)	10,667	(26,965)	10,967
Taxes payable	(190,606)	(2,437)	(178,673)	8,600
Accounts payable to related parties	(50,807)	(12,308)	(72,347)	(12,333)
Other accounts payable	114,100	125,455	93,108	108,452
Changes in operating liabilities	(756,391)	(961,320)	(146,946)	(1,013,389)
Income tax and social contribution	(13,841)	(52,129)	(23,353)	(53,384)
Dividends received	27,362	21,238	27,362	21,238
Cash flow generated in operating activities	666,287	264,450	541,070	231,726
Cash flow from investment activities				
Acquisition of property, plant and equipment	15 (90,499)	(144,522)	(101,536)	(145,426)
Acquisition of intangible assets	16 (56,928)	(56,275)	(73,329)	(59,327)
Capital increase in subsidiary	12 (263,000)	(243,400)	-	-
Payment for acquisition of subsidiary, net of acquired cash	-	(469,468)	(18,597)	(400,684)
Cash flow invested in investment investing activities	(410,427)	(913,665)	(193,462)	(605,437)
Cash flow from financing activities				
Loans and financing	19 800,000	800,000	800,000	800,000
Payment of loans and financing	19 (7,646)	(104,398)	(18,732)	(285,583)
Payment of interest on loans and financing	19 (424)	(30,093)	(485)	(31,847)
Lease payment	14 (139,206)	(90,242)	(146,674)	(90,242)
Payment of interest on lease	14 (92,344)	(67,155)	(96,355)	(67,155)
Payment of dividends	-	(182,000)	-	(182,000)
Disposal (acquisition) of treasury shares	(87,585)	257,156	(87,585)	257,156
Cash flow generated by financing activities	472,795	583,268	450,169	400,329
Increase (decrease) in the balance of cash and cash equivalents	728,655	(65,947)	797,777	26,618
Cash and cash equivalents at the beginning of the period	180,799	548,553	305,746	599,087
Cash and cash equivalents at the end of the period	909,454	482,606	1,103,523	625,705
Increase (decrease) in the balance of cash and cash equivalents	728,655	(65,947)	797,777	26,618

See the accompanying notes to the interim financial information.

Magazine Luiza S.A.

Statements of added value Semesters ended June 30, 2020 and 2019

(Amounts expressed in thousands of reais – R\$)

	Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Revenues				
Sale of goods, products and services	11,375,820	9,823,352	12,798,767	10,050,636
Allowance for doubtful accounts, net of reversals	(53,656)	(25,497)	(59,076)	(25,600)
Other operating revenues	78,127	296,874	91,723	370,087
	11,400,291	10,094,729	12,831,414	10,395,123
Inputs acquired from third parties				
Costs of resold goods and services rendered	(8,019,084)	(6,593,350)	(8,682,792)	(6,698,371)
Materials, energy, outsourced services and other	(1,125,514)	(919,692)	(1,388,416)	(970,925)
Loss and recovery of asset values	88,431	(202,793)	87,251	(203,096)
	(9,056,167)	(7,715,835)	(9,983,957)	(7,872,392)
Gross added value	2,344,124	2,378,894	2,847,457	2,522,731
Depreciation and amortization	(279,816)	(196,141)	(347,096)	(200,782)
Net added value produced by the Entity	2,064,308	2,182,753	2,500,361	2,321,949
Added value received as transfer				
Equity in net income of subsidiaries	(32,236)	94,659	29,898	(2,410)
Financial revenues	109,441	475,951	88,503	517,711
Total added value payable	2,141,513	2,753,363	2,618,762	2,837,250
Distribution of added value				
Personnel and charges:				
Direct remuneration	513,296	566,961	611,469	591,217
Benefits	183,630	133,999	180,655	138,790
FGTS	48,351	49,665	56,988	51,967
	745,277	750,625	849,112	781,974
Taxes, duties and contributions:				
Federal	199,804	329,907	312,527	342,849
State	878,388	746,943	1,068,651	773,230
Municipal	32,630	30,987	37,589	32,577
	1,110,822	1,107,837	1,418,767	1,148,656
Third parties' capital remuneration:				
Interest	211,829	296,166	219,099	305,968
Rentals	16,901	47,563	29,729	48,380
Other	90,418	32,442	135,789	33,542
	319,148	376,171	384,617	387,890
Remuneration of own capital:				
Retained earnings (accumulated loss)	(33,734)	518,730	(33,734)	518,730
	2,141,513	2,753,363	2,618,762	2,837,250

See the accompanying notes to the interim financial information.

Notes to the quarterly information

1. General information

Magazine Luiza S.A. (“Parent Company”) is a publicly-held corporation listed under the special segment called “Novo Mercado da B3 S.A. – Brasil, Bolsa, Balcão” under the code “MGLU3” and is primarily engaged in the retail sale of consumer goods through brick-and-mortar and virtual stores or through e-commerce. Through its jointly-controlled subsidiaries (Note 13) it offers loans, financing and insurance services to its clients. Its head office is located in the city of Franca, State of São Paulo, Brazil. Its parent and holding company is LTD Administração e Participação S.A.

Magazine Luiza S.A. and its subsidiaries are hereinafter referred to as “Company” for purposes of this report, unless otherwise stated.

As at June 30, 2020 the Company owned 1,157 stores and 21 distribution centers (1,113 stores and 17 distribution centers as at December 31, 2019) located in all regions in Brazil and worked with the e-commerce sites www.magazineluiza.com.br, www.epocacosmeticos.com.br, www.netshoes.com.br, www.zattini.com.br and www.shoestock.com.br.

On August 17, 2020 the Board of Directors authorized the issue of the interim financial information.

2. Presentation and preparation of quarterly information

2.1. Accounting policies

The interim financial statements are presented in thousands of reais (“R\$” - Brazilian currency), which is the functional and presentation currency of the Company.

The individual and consolidated quarterly information is presented in conformity with Technical Pronouncement CPC 21 (R1) - (Interim Statement) and in compliance with International Standard IAS 34, and presented in compliance with standards issued by the Securities Commission (CVM).

The practices, policies and main accounting judgments adopted in the preparation of the individual and consolidated interim financial information are consistent with those adopted and disclosed under the Notes to the financial statements for the year ended December 31, 2019, which were disclosed as at February 17, 2020 and should be read jointly.

The purpose of the Statement of Added Value is to evidence the wealth created by the Company and its Subsidiaries and its distribution during a certain period, and is presented, as required, by the standards issued by the Brazilian Securities and Exchange Commission (CVM), since it is not a statement provided for or mandatory under IFRS.

Management adopts the accounting policy of presenting interest paid as financing activities, while dividends received are presented as operating activities in the Statements of cash flows.

2.2. Impacts related to the Covid-19 pandemic

Since the beginning of 2020, the Covid-19 spread has been affecting businesses and economic activities on a global scale. In this scenario of considerable uncertainty, the Company formed an internal Contingency Committee that has been monitoring the evolution of the pandemic by making some important decisions and has chosen three priorities: the health and safety of its employees, the continuity of the operation and the maintenance of jobs. Within these three pillars to face the crisis, the Company took the following short-term measures:

- a) Temporary shutdown of all brick-and-mortar stores as of March 20, 2020, with gradual resumption as of April 22, 2020, following a strict analysis of the pandemic risk map in the locations where it operates, as well as local decrees.
- b) Cash reinforcement: despite ending the year 2019 with a strong cash position, the Company raised R\$ 800 million on April 6, 2020 through the 8th Issue of Debentures, via public distribution and with restricted placement efforts, remunerated at CDI rate + 1.5% p.a. and maturing on March 13, 2021 (see Note 19).
- c) Negotiation with suppliers and service providers: the Company started negotiations of payment terms with its main suppliers, of expense cuts with its service providers, as well as the renegotiation of property rentals. In the period, 889 rental contracts were renegotiated, generating a discount of approximately R\$ 19 million (see note 14).
- d) Containment of personnel expenses: In March, as soon as the brick-and-mortar stores were closed, the Company anticipated and paid vacations for approximately 23,000 employees, as previously provisioned. At the end of April, after carrying out a capacity planning for the next months, the Company joined the Provisional Measure (PM) No. 936/2020, reducing the working hours and salaries of some employees and suspending the contract with others, according to the provisions established by the PM itself. Moreover, the remuneration of the executive president and vice-president was reduced by 80%, while the remuneration of executive officers and members of the board of directors was reduced by 50%, and the remuneration of the remaining officers was cut by 25%.

In addition to these short-term measures, the Company, based on CVM/SNC Circular Letters No. 02 and 03/2020, analyzed the main risks and uncertainties arising from Covid-19 regarding its financial statements. We list the main analyzes performed below:

- a) Going concern risk: The Company has not identified elements that pose a going concern risk.
- b) Trade accounts receivable and provision for expected credit loss: the Company observed a decrease in the payment flow of the Direct Consumer Credit (CDC), at the beginning of the pandemic. However, according to internal analyzes, such decrease is significantly linked to the closing of its brick-and-mortar stores and the culture of its clients to pay their installments directly at store cashiers, thus representing a temporary liquidity restriction and not a significant increase in risk credit. On the base date of this interim information, the Company already recorded receipt rates similar to the pre-pandemic period. Thus, the Company did not record any significant additional provisions as of June 30, 2020. The amount recorded as provision for expected credit loss as of June 30, 2020 is R\$ 105.5 million in the Parent Company and R\$ 122.8 million in the Consolidated, and its changes are disclosed in Note 7.
- c) Risk of loss due to realization of inventories: the Company's accounting practice is to record and present its inventory at the lower value between the acquisition average cost and net realizable value. This analysis was carried out on the base date and the balance presented in Note 8.
- d) Impairment of non-financial assets: In the period ended June 30, 2020, the Company did not identify any signs of impairment.

3. New standards and interpretations not yet adopted

The amended rules and effective interpretations for the year started on January 1, 2020 did not impact this Company's interim financial information: Several other reviews of standards and interpretations are underway by the IASB, and the Company will assess them in due course.

4. Notes included in the financial statements for the year ended December 31, 2019 not presented in this quarterly information

The quarterly information is presented in accordance with technical pronouncements CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), pursuant to the provisions contained in CVM/SNC/SEP Official Circular Letter No. 003/2011, dated April 28, 2011. The preparation of this quarterly information involves judgment by the Company's Management on the materiality and changes that must be disclosed in the notes. Thus, this interim information includes selected notes and does not include all the explanatory notes presented in the financial statements for the year ended December 31, 2019. As allowed by Circular Letter No. 03/2011 of the Brazilian Securities and Exchange Commission (CVM), the following notes and their references to the financial statements for the year ended December 31, 2019 are no longer presented:

- Significant accounting policies and practices (Note 3); and
- Significant accounting judgments and sources of uncertainties about estimates (Note 4)

5. Cash and cash equivalents

	Rates	Parent company		Consolidated	
		06/30/2020	12/31/2019	06/30/2020	12/31/2019
Cash		72,068	84,112	72,232	84,215
Banks		28,567	83,506	170,137	156,403
Bank deposit certificates	70–101% CDI	808,819	13,181	831,225	24,247
Non-exclusive investment funds	92.5–100% CDI	-	-	29,929	40,881
Total		909,454	180,799	1,103,523	305,746

The credit risk and sensitivity analysis is described under Note 30.

6. Securities and other financial assets

Financial assets	Rates	Parent company		Consolidated	
		06/30/2020	12/31/2019	06/30/2020	12/31/2019
Non-exclusive investment fund	97% CDI	12,289	12,094	16,291	14,323
Exclusive investment fund:	(a)				
Federal Government Bonds and repurchase and resale agreements	Note 9	1,862,512	4,434,049	1,862,512	4,434,049
Total		1,874,801	4,446,143	1,878,803	4,448,372
Current assets		1,874,801	4,446,143	1,878,803	4,448,158
Non-current assets		-	-	-	214

- (a) It is related to exclusive fixed-income investment funds. As at June 30, 2020 and December 31, 2019, the portfolio was distributed into the types of investment described in the table above, which are linked to financial operations and securities, indexed to the monthly change in the Interbank Deposit Certificate (CDI) rate, to return the average profitability of 103% of the CDI rate to the Company.

The credit risk and sensitivity analysis is described under Note 30.

7. Accounts receivable

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Trade accounts receivable:				
Credit cards (a)	2,763,021	2,036,665	3,705,308	2,121,008
Credit cards (a)	9,492	5,634	9,492	5,634
Own credit (b)	391,154	345,655	391,154	341,513
Client services (c)	107,862	185,716	108,392	185,716
Other accounts receivable	17,186	14,718	104,650	72,559
Total trade accounts receivable	3,288,715	2,588,388	4,318,996	2,726,430
From commercial agreements (d)	228,828	301,207	249,953	327,104
Provision for expected credit loss	(105,476)	(93,248)	(122,753)	(109,274)
Adjustment to present value	(25,283)	(12,384)	(49,431)	(12,384)
Total	3,386,784	2,783,963	4,396,765	2,931,876
Current assets	3,376,141	2,769,649	4,386,122	2,915,034
Non-current assets	10,643	14,314	10,643	16,842

The average term to receive trade accounts receivable is of 46 days in the parent company and 48 days in the consolidated (37 days in the parent company and Consolidated as of December 31, 2019).

- (a) Accounts receivable from sales made through credit and debit cards, which the Company receives from acquirers in amounts, terms and quantity of installments defined at the moment the products are sold. The Consolidated includes receivables from purchasers transacted at Magalu Pagamentos, which will be transferred to partners (sellers), as described in note 18. As at June 30, 2020, the Company had credits assigned to acquirers and financial institutions amounting to R\$ 1,022,188 (R\$ 1,405,428 as at December 31, 2019) and Consolidated R\$ 1,482,750 (R\$ 1,679,790 as at December 31, 2019), over which a discount varying 104.5%–115.5% of the CDI rate is applied. The Company, through credit assignment operations of receivables from credit cards, transfers to the acquirers and to the financial institutions all of the risks of receiving from customers and, in this manner, settles its accounts receivable related to these credits. The difference between the face and the fair value of receivables is recorded in other comprehensive income and, after the effective settlement of accounts receivable, it is recorded in income (loss) for the year.
- (b) Refers to accounts receivable from sales financed by the Company and by other financial institutions.
- (c) It refers mainly to sales intermediated by the Parent Company for Luizaseg and Cardif do Brasil Seguros e Garantias S.A. The Parent Company allocates to its partners the extended warranty and other insurance, in full, in the month following the sale and receives from customers in accordance with the transaction term. Additionally, receivables for marketplace services and other services are allocated in this caption.
- (d) Refers to bonus to be received from suppliers, arising from the fulfillment of the purchase volume, as well as from agreements that define the participation of suppliers in disbursements related to advertising and marketing (joint advertising).

Changes in the provision for expected credit loss are as follows:

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Opening balance	(93,248)	(73,510)	(109,274)	(73,510)
(+) Additions	(69,305)	(99,385)	(71,396)	(105,672)
(+) Additions for acquisition of subsidiary	-	-	-	(16,786)
(-) Write-offs	57,077	79,647	57,917	86,694
Closing balance	(105,476)	(93,248)	(122,753)	(109,274)

The analysis of impacts due to the pandemic caused by the coronavirus (Covid-19) is described in Note 2.2. The credit risk analysis is presented in note 30.

The aging list of trade accounts receivable and receivables from commercial agreements is demonstrated below:

	Trade accounts receivable				From commercial agreements			
	Parent company		Consolidated		Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Amounts falling due (days):								
Up to 30	689,959	526,828	962,470	581,871	22,707	23,716	41,894	45,039
31–60	460,358	295,077	609,074	317,626	20,378	27,079	20,378	27,079
61–90	443,321	313,013	579,811	328,798	72,091	97,994	72,091	97,994
91–180	883,092	685,185	1,144,849	700,311	43,780	122,262	43,780	122,262
181–360	706,390	683,473	876,763	695,840	4	18,899	4	18,899
>361	17,522	21,195	17,522	21,198	-	-	-	-
	3,200,642	2,524,771	4,190,489	2,645,644	158,960	289,950	178,147	311,273
Overdue (in days):								
Up to 30	27,707	18,015	56,074	18,491	20,845	1,648	22,209	3,846
31–60	15,785	10,005	16,055	10,005	13,357	6,488	13,357	7,662
61–90	12,882	9,283	12,973	9,283	20,029	593	20,210	976
91–180	31,699	26,314	43,405	43,007	15,637	2,528	16,030	3,347
	88,073	63,617	128,507	80,786	69,868	11,257	71,806	15,831
Total	3,288,715	2,588,388	4,318,996	2,726,430	228,828	301,207	249,953	327,104

8. Inventories

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Goods for resale	3,903,675	3,668,831	4,262,567	3,972,334
Consumption material	20,197	17,018	26,173	25,277
Provisions for inventory losses	(81,225)	(176,515)	(90,565)	(195,848)
Total	3,842,647	3,509,334	4,198,175	3,801,763

As at June 30, 2020, the Company had inventories of goods for resale given in guarantee of legal proceedings, under execution, in the approximate amount of R\$ 22,391 (R\$ 30,810 as at December 31, 2019).

Changes in the provision for inventory losses are as follows:

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Opening balance	(176,515)	(68,939)	(195,848)	(69,793)
Formation of provision	(32,396)	(266,558)	(34,557)	(266,861)
Addition for acquisition of subsidiary	-	-	-	(60,129)
Inventories written-off or sold	127,686	158,982	139,840	200,935
Closing balance	(81,225)	(176,515)	(90,565)	(195,848)

The analysis of impacts due to the pandemic caused by the coronavirus (Covid-19) is described in Note 2.2.

9. Related parties

Company	Assets (Liabilities)				Income (loss) for the semester				Income (loss) for the quarter			
	Consolidated		Parent company		Consolidated		Parent company		Consolidated		Parent company	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Luizacred (i)												
Commissions for services rendered	9,411	15,635	9,411	15,635	94,848	93,653	94,848	93,653	37,762	46,754	37,762	46,754
CDC	-	373	-	373	-	-	-	-	-	-	-	-
Credit card	782,554	269,485	782,554	269,485	(68,074)	(131,866)	(68,074)	(131,866)	(30,122)	(75,476)	(30,122)	(75,476)
Onlending of receipts	(20,029)	(75,668)	(20,029)	(75,668)	-	-	-	-	-	-	-	-
Dividends receivable	12,952	14,274	12,952	14,274	-	-	-	-	-	-	-	-
Reimbursement of shared expenses	3,884	7,830	3,884	7,830	49,165	46,588	49,165	46,588	24,319	23,128	24,319	23,128
	788,772	231,929	788,772	231,929	75,939	8,375	75,939	8,375	31,959	(5,594)	31,959	(5,594)
Luizaseg (ii)												
Commissions for services rendered	27,057	49,712	27,057	49,712	131,968	186,607	131,968	186,607	40,400	99,023	40,400	99,023
Dividends receivable	-	5,638	-	5,638	-	-	-	-	-	-	-	-
Onlending of receipts	(47,703)	(66,420)	(47,703)	(66,420)	-	-	-	-	-	-	-	-
	(20,646)	(11,070)	(20,646)	(11,070)	131,968	186,607	131,968	186,607	40,400	99,023	40,400	99,023
Total jointly-controlled Subsidiaries	768,126	220,859	768,126	220,859	207,907	194,982	207,907	194,982	72,359	93,429	72,359	93,429
Netshoes (iii)												
Onlending of receipts	639	-	(1,409)	-	-	-	-	-	-	-	-	-
Commissions for services rendered	-	-	-	-	756	-	-	-	520	-	-	-
	639	-	(1,409)	-	756	-	-	-	520	-	-	-
Época Cosméticos (iv)												
Commissions for services rendered	167	222	-	-	660	171	-	-	476	121	-	-
Consórcio Luiza (v)												
Commissions for services rendered	439	1,078	-	-	4,543	7,177	-	-	1,475	3,553	-	-
Dividends receivable	-	2,610	-	-	-	-	-	-	-	-	-	-
Consortia Group	(574)	(1,060)	(571)	(1,060)	-	-	-	-	-	-	-	-
	(135)	2,628	(571)	(1,060)	4,543	7,177	-	-	1,475	3,553	-	-
Magalog (vi)												
Onlending of receipts	(7,405)	49	-	-	-	-	-	-	-	-	-	-
Freight expenses	-	-	-	-	(39,514)	(3,895)	-	-	(22,073)	(1,896)	-	-
	(7,405)	49	-	-	(39,514)	(3,895)	-	-	(22,073)	(1,896)	-	-
Magalu Pagamentos (vii)												
Onlending of receipts	176,659	-	-	-	(11,819)	-	-	-	(4,322)	-	-	-
	176,659	-	-	-	(11,819)	-	-	-	(4,322)	-	-	-
Total Subsidiaries	169,925	2,899	(1,980)	(1,060)	(45,374)	3,453	-	-	(23,924)	1,778	-	-
MTG Participações (viii)												
Rentals and other onlendings	(2,085)	(1,262)	(2,089)	(1,269)	(12,930)	(12,336)	(13,134)	(12,360)	(6,333)	(6,059)	(6,493)	(6,006)
PJD Agropastoril (ix)												
Rentals, freight and other onlendings	(33)	(32)	(33)	(57)	(748)	(1,221)	(751)	(1,380)	(312)	(620)	(309)	(767)
LH Participações (x)												
Rentals	(128)	(127)	(128)	(127)	(512)	(874)	(512)	(874)	(132)	(368)	(132)	(368)
ETCO – SCP (xi)												
Agencing fee	-	-	-	-	(2,731)	(2,662)	(2,731)	(2,662)	(1,185)	(1,204)	(1,185)	(1,204)
Media broadcasting expense	(4,333)	(436)	(4,333)	(436)	(88,601)	(88,189)	(88,601)	(88,189)	(40,370)	(40,356)	(40,370)	(40,356)
	(4,333)	(436)	(4,333)	(436)	(91,332)	(90,851)	(91,332)	(90,851)	(41,555)	(41,560)	(41,555)	(41,560)
Total other related parties	(6,579)	(1,857)	(6,583)	(1,889)	(105,522)	(105,282)	(105,729)	(105,465)	(48,332)	(48,607)	(48,489)	(48,701)
Total related parties	931,472	221,901	759,563	217,910	57,011	93,153	102,178	89,517	103	46,600	23,870	44,728

	Assets (Liabilities)				Income (loss) for the semester				Income (loss) for the quarter			
	Parent company		Consolidated		Parent company		Consolidated		Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Investment fund (xii)	1,862,512	4,434,049	1,862,512	4,434,049	36,428	5,890	36,428	5,890	18,098	2,637	18,098	2,637
Luiza Factoring (xiii)	(45,346)	-	(46,755)	(1,871)	-	-	-	-	-	-	-	-
InLoco Tecnologia (xiv)	(127)	-	(127)	-	(440)	-	(440)	-	(147)	-	(147)	-
	1,817,039	4,434,049	1,815,630	4,432,178	35,988	5,890	35,988	5,890	17,951	2,637	17,951	2,637

- I. Transactions with Luizacred, jointly-controlled subsidiary with Banco Itaúcard S.A., refer to the following activities:
 - (a) Receivables with private label credit cards and financial expenses with advance of such receivables;
 - (b) Balance receivable from the sale of financial products to customers by Luizacred, received by the Parent Company;
 - (c) Commissions on services rendered monthly by the Company, including attracting new customers, management and administration of consumer credit transactions, control and collection of financing granted, indication of insurance linked to financial services and products. Access to telecommunications systems and networks, in addition to storage and availability of physical space at points of sale. The amounts payable (current liabilities) refer to the receipt of customer installments by the Company's store cashiers, which are transferred to Luizacred;
- II. The amounts receivable (current assets) and revenues of Luizaseg, jointly-controlled subsidiary with NCV Participações Societárias S.A., a subsidiary of Cardif do Brasil Seguros e Previdência S.A., arise from commissions on services rendered monthly by the Company, relating to the sale of extended warranties and proposed dividends. The amounts payable (current liabilities) refer to the onlending of extended warranties sold, fully made to Luizaseg in the month following the sales. In 2018, a balance payable was registered resulting from the "clawback" of the exclusivity agreement signed in 2015 (Note 18).
- III. The amounts payable (current liabilities) of Netshoes, a wholly-owned subsidiary, refer to commissions for sales made via the Parent Company's Marketplace platform.
- IV. Transactions with Época Cosméticos, wholly-controlled subsidiary, refer to the cost of acquisition of goods for resale and also sales commissions through the Parent Company's Marketplace platform.
- V. The amounts receivable (current assets) from Consórcio Luiza, wholly-owned subsidiary, refer to proposed dividends, commissions for sales made by the Parent Company as an agent for consortium operations. The amounts payable (current liabilities) refer to unrealized onlendings to LAC relating to consortia installments received by the Parent Company through cashiers at sales outlets.
- VI. Transactions with "Magalog", a wholly-owned subsidiary, refer to freight expenses.
- VII. Transactions with Magalu Pagamentos, a wholly-owned subsidiary, refer to sub-acquisition's commissions.
- VIII. Transactions with MTG Administração, Assessoria e Participações S.A., controlled by the same controlling shareholders of the Company, refer to expenses with rental of commercial buildings for the establishment of its stores, as well as distribution centers, central office and reimbursement of expenses.
- IX. Transactions with PJD Agropastoril Ltda., a company controlled by the Company's indirect controlling shareholders, refer to expenses with rentals of commercial property to establish its stores, truck rentals for freight of goods and expenses with kitchen services.
- X. Transactions with LH Agropastoril, Administração Participações Ltda., controlled by the same controlling shareholders of the Company, refer to expenses with rental of commercial buildings.
- XI. Transactions with ETCO Sociedade em Conta de Participação, whose participating partner is a company controlled by the chairman of the Company's Board of Directors, refer to contracts for the provision of publicity and advertising services, including transfers related to broadcasting, media production and graphic creation services.
- XII. Refers to investments and redemptions and income from exclusive investment funds (ML Renda Fixa Crédito Privado FI and FI Caixa ML RF Longo Prazo - see Note 6 – Securities).
- XIII. Luiza Factoring Fomento Mercantil Ltda., a company controlled by the Company's indirect controlling parties, which operates advancing receivables from certain suppliers. With this operation, the Company settles the security initially traded with its suppliers with Luiza Factoring, which in turn, advances payment to said suppliers.
- XIV. Transactions with In Loco Tecnologia da Informação S.A., investee of the Company's indirect controlling shareholders, providing geolocation services to users of Magazine Luiza's application.

b) Management compensation

	06/30/2020		06/30/2019	
	Board of Directors	Statutory Executive Board	Board of Directors	Statutory Executive Board
Fixed and variable remuneration	1,825	14,040	2,160	16,234
Stock option plan	-	22,323	47	9,950

The Company does not have post-employment benefits, severance benefits or other long-term benefits. Short-term benefits for the statutory executive board are the same of the other employees of the Company, and certain eligible employees are beneficiaries of an incentive plan linked to shares, as mentioned in Note 23. The Company's internal policy comprises the payment of Profit Sharing to its employees. These amounts are provisioned on a monthly basis by the Company, according to estimates for meeting targets. As mentioned in note 33.c, the total management compensation was approved at the Annual General Meeting held on July 27, 2020, in which the limit of R\$ 78,251 was foreseen for the year 2020.

Reconciliation

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Accounts receivable from related parties	1,032,759	373,995	862,980	370,036
Accounts payable to related parties	(101,287)	(152,094)	(103,417)	(152,126)
	931,472	221,901	759,563	217,910

10. Recoverable taxes

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Recoverable ICMS (a)	739,163	706,857	779,761	750,068
Recoverable IRPJ and CSLL	24,958	5,017	26,644	8,764
Recoverable IRRF	8,736	5,956	13,310	6,140
Recoverable PIS and COFINS (b)	979,524	1,097,269	1,105,374	1,227,982
Other	3,613	2,514	9,448	8,980
Total	1,755,994	1,817,613	1,934,537	2,001,934
Current assets	657,389	777,929	748,944	864,144
Non-current assets	1,098,605	1,039,684	1,185,593	1,137,790

(a) Refer to accumulated credits of own ICMS and by tax substitution, arising from the adoption of diversified rates in operations of inflow and outflow of interstate goods. Such credits are realized by request for reimbursement and offset of debits of the same nature to the States of origin of the credit.

(b) In the year 2019, the Company had a favorable and unappealable final decision for lawsuits regarding the right to exclude ICMS tax from PIS and COFINS tax calculation basis, provided that these lawsuits were related to the claim of Magazine Luiza S.A. and its merged company FS Vasconcelos Ltda. Two lawsuits were filed in 2007, ensuring the right for recognition of tax credits from the limitation period in 2002 up to the period of 2014, other lawsuit was filed in 2017, ensuring the right to credit for the period once established by Law 12973/14. Also in 2019 a final and unappealable decision was handed down for subsidiary Netshoes on the same issue. The lawsuit was filed in 2014 and ensures the tax credit from 2009 to 2014.

The offset of the credits occurs as homologation via administrative procedures before the Federal Revenue Service.

11. Income tax and social contribution

a) Reconciliation of tax effect on income before income tax and social contribution

	Semester				Quarter			
	Parent company		Consolidated		Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Income (loss) before income tax and social contribution	(59,144)	732,588	(59,699)	731,569	(126,958)	538,653	(123,068)	539,070
Current nominal rate	34%	34%	34%	34%	34%	34%	34%	34%
Debit estimate for income tax and social contribution to current rates	20,109	(249,080)	20,298	(248,733)	43,166	(183,142)	41,843	(183,284)
Reconciliation to the effective rate (effects of application of tax rates):								
Exclusion – equity in net income of subsidiaries	(10,960)	32,184	10,165	(819)	9,377	33,060	9,334	(850)
Deferred Corporate income tax and social contribution on net income not formed on tax loss	-	-	(25,753)	33,800	-	-	(7,070)	33,800
Effect of government grant	16,697	8,110	21,099	8,110	10,541	3,989	13,112	3,989
Other permanent exclusions, net	(436)	(5,072)	156	(5,199)	(663)	(5,934)	1,312	(6,103)
Income tax and social contribution debit	25,410	(213,858)	25,965	(212,841)	62,421	(152,027)	58,531	(152,446)
Current	(20,665)	(57,735)	(34,780)	(59,763)	23,486	(10,374)	10,386	(11,517)
Deferred assets	46,075	(156,123)	60,745	(153,078)	38,935	(141,653)	48,145	(140,929)
Total	25,410	(213,858)	25,965	(212,841)	62,421	(152,027)	58,531	(152,446)
Effective rate	43.0%	29.2%	43.5%	29.1%	49.2%	28.2%	47.6%	28.3%

Deferred tax

b) Breakdown and changes in balances of deferred income tax and social contribution assets and liabilities

	Parent company			Consolidated					
	Balance at 12/31/2019	Income (loss)	FVOCI	Balance at 06/30/2020	Balance at 12/31/2019	Income (loss)	FVOCI	Business combination	Balance at 06/30/2020
Deferred income tax and social contribution on:									
Tax loss carryforwards and negative basis of social contribution	26,782	(1,353)	-	25,429	37,439	4,542	-	-	41,981
Provision for expected credit loss	31,704	4,158	-	35,862	31,704	4,158	-	-	35,862
Provision for inventory losses	60,015	(32,398)	-	27,617	60,318	(32,398)	-	-	27,920
Provision for adjustments to present value	4,958	2,446	-	7,404	4,958	2,446	-	-	7,404
Provision for tax, civil and labor risks	199,786	(2,022)	-	197,764	271,521	(2,022)	-	-	269,499
Temporary difference - intangible asset	(41,679)	-	-	(41,679)	(148,732)	-	-	8,952	(139,780)
Judicial deposits	(13,355)	(775)	-	(14,130)	(13,355)	(775)	-	-	(14,130)
Deferred tax credits (Note 10)	(343,673)	50,634	-	(293,039)	(343,673)	50,634	-	-	(293,039)
Other provisions	71,737	25,385	12,297	109,419	73,489	25,207	12,297	-	110,993
Deferred income tax and social contribution in assets (liabilities)	(3,725)	46,075	12,297	54,647	(26,331)	51,792	12,297	8,952	46,710

	Parent company			Consolidated			
	Balance at 12/31/2018	Income (loss)	Balance at 06/30/2019	Balance at 12/31/2018	Income (loss)	Business combination	Balance at 06/30/2019
Deferred income tax and social contribution on:							
Tax loss carryforwards and negative basis of social contribution	56,140	(26,251)	29,889	62,004	(21,309)	-	40,695
Provision for expected credit loss	24,993	3,020	28,013	24,993	3,020	-	28,013
Provision for inventory losses	23,439	61,521	84,960	23,729	61,534	-	85,263
Provision for adjustments to present value	8,906	(4,653)	4,253	8,906	(4,653)	-	4,253
Provision for tax, civil and labor risks	113,426	79,156	192,582	116,796	76,058	53,130	245,984
Temporary difference - intangible asset	(41,679)	-	(41,679)	(41,679)	-	(111,268)	(152,947)
Judicial deposits	(31,134)	18,873	(12,261)	(31,134)	18,873	-	(12,261)
Deferred tax credits (Note 10)	-	(310,069)	(310,069)	-	(310,069)	-	(310,069)
Other provisions	17,397	22,280	38,722	17,397	23,468	-	39,910
Deferred income tax and social contribution in assets (liabilities)	171,488	(156,123)	14,410	181,012	(153,078)	(58,138)	(31,159)

Breakdown of deferred income tax and of social contribution per company	Balance at 12/31/2019	Deferred Assets	Deferred Liabilities	Balance at 06/30/2020
Magazine Luiza	(3,725)	54,647	-	54,647
Netsshoes	(35,318)	-	(26,366)	(26,366)
Consórcio Luiza	585	564	-	564
Época Cosméticos	8,651	11,312	-	11,312
Magalog	378	3,452	-	3,452
Softbox	3,098	3,101	-	3,101
Total	(26,331)	73,076	(26,366)	46,710

12. Investments in subsidiaries

a. Business combination – “Estante Virtual”

On February 17, 2020, the Company, through its subsidiary Época Cosméticos, acquired the total capital and voting capital quotas of the company Estante Virtual, one of the largest book marketplaces in Brazil. Estante Virtual has over 6,000 sellers and an assortment of 20 million books. Founded in 2005, it started as a platform for the sale of used books and, in recent years, the company has also evolved into the sale of new books. The acquisition stresses the Company’s strategy of growing in new categories and increasing the frequency of purchases.

The acquisition amounted to R\$ 19,536, fully paid at the transaction’s closing date.

Assets acquired and liabilities assumed at the acquisition date:

An analysis was conducted by an independent expert within the term defined in CPC 15 – Business Combination to make the acquisition and segregate the goodwill, using the financial statements at the time of the acquisition for determination of the purchase price, which we show below:

	Balance sheet - Acquisition	Allocation	Fair value
Current assets	1,630	-	1,630
Intangible assets - Client base (a)	-	15,000	15,000
Intangible assets - Workforce (b)	-	400	400
Intangible assets - Trademark (c)	-	1,900	1,900
Other non-current assets	683	-	683
	<hr/> 2,313	<hr/> 17,300	<hr/> 19,613
Current liabilities	13,101	-	13,101
Non-current liabilities	99	-	99
	<hr/> 13,200	<hr/> -	<hr/> 13,200
Total identified assets (liabilities)	<hr/> (10,887)	<hr/> 17,300	<hr/> 6,413

Valuation techniques for the acquired assets

The valuation techniques used to measure the fair value of the significant assets acquired were as follows:

- Client portfolio: using the With or Without income method. This methodology is commonly used to assess this type of intangible asset and calculates the difference in future cash flow generation between two scenarios, one with the customer portfolio and one hypothetical scenario without this asset.
- Workforce: using the replacement cost method.
- Brand: using the Relief-from-Royalty method, which captures the economies of royalties related to owning the brand, instead of obtaining a license to use it.

Goodwill on acquisition

Consideration transferred	19,536
Fair value of shareholders' equity	<u>(6,413)</u>
Goodwill on acquisition	<u>13,123</u>

The goodwill from the acquisition totals R\$ 13,123, including the difference paid by the Company in relation to the fair value of the assets of the acquirees. This refers mainly to the abilities and technical skills of the labor force and the expected synergies from the integration of the entity with the existing business of the Company.

This recognized goodwill may have the tax treatment provided for by the applicable legislation.

b. Changes in investments in subsidiaries

Changes in investments in subsidiaries, in individual financial statements are as follows:

Position as of 06/30/2020

Subsidiaries	Interest		Assets		Liabilities		Capital	Shareholders' equity	Net revenue	Net income (loss)
	Quotas Shares	%	Current	Non-current	Current	Non-current				
Netshoes	31,056,244	100%	549,275	509,941	628,268	339,042	393,745	91,906	849,844	(93,120)
Época Cosméticos	12,855	100%	120,971	46,292	96,280	123	80,405	70,860	170,135	8,389
Magalu Pagamentos	2,000,000	100%	934,702	933	838,730	-	73,000	96,905	59,450	23,913
Integra Commerce	100	100%	388	301	18	-	4,156	671	-	(150)
Consórcio Luiza	6,500	100%	60,354	3,892	15,235	1,291	6,500	47,720	42,368	3,032
Magalog	16,726	100%	50,192	5,346	42,153	24	21,051	13,361	63,943	(5,968)
Softbox	5,431	100%	9,556	6,899	6,603	1,311	10,683	8,541	20,899	1,690
Kelex	100	100%	255	58	4	-	100	309	97	85
Certa	100	100%	122	-	41	-	100	81	-	(4)

Changes	Opening balance	AFAC	Other comprehensive income	Action plan	Business combination	Equity in net income of subsidiaries	Closing balance
Netshoes	768,904	133,000	5,206	4,073	(17,376)	(75,744)	818,063
Época Cosméticos	58,025	46,000	-	-	-	8,389	112,414
Magalu Pagamentos	1,992	71,000	-	-	-	23,913	96,905
Integra Commerce	2,841	-	-	-	-	(150)	2,691
Consórcio Luiza	44,372	-	316	-	-	3,032	47,720
Magalog	14,039	13,000	-	-	-	(5,968)	21,071
Softbox	43,921	-	-	-	605	1,085	45,611
Kelex	1,009	-	-	-	-	85	1,094
Certa	470	-	-	-	-	(4)	466
Total	935,573	263,000	5,522	4,073	(16,771)	(45,362)	1,146,035

Position as of 12/31/2019

Subsidiaries	Interest		Assets		Liabilities		Capital	Shareholders' equity	Net revenue	Net income (loss)
	Quotas Shares	%	Current	Non-current	Current	Non-current				
Netshoes	31,056,244	100%	530,943	520,277	693,202	121,656	260,745	236,362	1,080,034	46,758
Época Cosméticos	12,855	100%	68,735	11,791	64,055	-	34,405	16,471	198,138	(4,852)
Magalu Pagamentos	2,000,000	100%	2,800	-	808	-	2,000	1,992	74	(8)
Integra Commerce	100	100%	389	451	19	-	4,156	821	111	(320)
Consórcio Luiza	6,500	100%	56,474	4,874	14,336	2,640	6,500	44,372	84,756	10,440
Magalog	16,726	100%	28,936	869	23,476	-	8,051	6,329	23,250	(734)
Softbox	5,431	100%	8,076	5,849	7,599	-	8,500	6,326	34,477	(2,226)
Kelex	100	100%	227	-	3	-	100	224	162	35
Certa	100	100%	117	-	32	-	100	85	-	(7)

Changes	Opening balance	AFAC	Acquisition of subsidiaries	Other comprehensive income	Action plan	Dividends	Business combination	Equity in net income of subsidiaries	Closing balance
Netshoes	-	260,500	453,247	902	7,497	-	-	46,758	768,904
Época Cosméticos	57,077	5,800	-	-	-	-	-	(4,852)	58,025
Magalu Pagamentos	-	2,000	-	-	-	-	-	(8)	1,992
Integra Commerce	2,861	300	-	-	-	-	-	(320)	2,841
Consórcio Luiza	36,542	-	-	-	-	(2,610)	-	10,440	44,372
Magalog	8,373	6,400	-	-	-	-	-	(734)	14,039
Softbox	42,110	-	-	-	-	-	4,037	(2,226)	43,921
Kelex	974	-	-	-	-	-	-	35	1,009
Certa	477	-	-	-	-	-	-	(7)	470
Total	148,414	275,000	453,247	902	7,497	(2,610)	4,037	49,086	935,573

c. Reconciliation of book value

Position as of 06/30/2020

Subsidiaries	Shareholders' equity	Goodwill generated on acquisition	Surplus ¹	Balance at 06/30/2020
Netshoes	91,906	486,724	239,433	818,063
Época Cosméticos	70,861	36,826	4,727	112,414
Magalu Pagamentos	96,905	-	-	96,905
Integra Commerce	671	-	2,020	2,691
Consórcio Luiza	47,720	-	-	47,720
Magalog	13,361	3,756	3,954	21,071
Softbox	8,541	23,078	13,992	45,611
Kelex	309	785	-	1,094
Certa	81	385	-	466
Total	330,355	551,554	264,126	1,146,035

¹ Refers to the difference in the fair value of assets and liabilities allocated to the acquisition price.

Position as of 12/31/2019

Subsidiaries	Shareholders' equity	Goodwill generated on acquisition	Surplus ¹	Balance at 06/30/2020
Netshoes	30,586	486,724	251,600	768,904
Época Cosméticos	16,471	36,826	4,727	58,025
Magalu Pagamentos	1,992	-	-	1,992
Integra Commerce	821	-	2,020	2,841
Consórcio Luiza	44,372	-	-	44,372
Magalog	6,329	3,756	3,954	14,039
Softbox	6,326	23,078	14,517	43,921
Kelex	224	785	-	1,009
Certa	85	385	-	470
Total	107,206	551,554	276,818	935,573

¹ Refers to the difference in the fair value of assets and liabilities allocated to the acquisition price.

13. Investments in jointly-controlled subsidiaries

Position as of 06/30/2020

Jointly-controlled subsidiaries	Interest		Assets		Liabilities		Capital	Shareholders' equity	Net revenue	Net income
	Quotas Shares	%	Current	Non-current	Current	Non-current				
Luizacred	31,056,244	50%	8,776,041	1,380,826	9,446,338	85,037	400,000	625,492	1,256,273	34,550
Luizaseg	12,855	50%	244,218	392,125	258,465	143,706	133,883	234,172	240,584	25,876

Changes	Opening balance	Dividends	Other comprehensive income	Unrealized income	Equity in net income of subsidiaries	Closing balance
Luizacred	295,471	-	-	-	17,275	312,746
Luizaseg	9,620	(17,792)	1,439	(315)	12,938	5,890
Total	305,091	(17,792)	1,439	(315)	30,213	318,636

Position as of 12/31/2019

Jointly-controlled subsidiaries	Interest		Assets		Liabilities		Capital	Shareholders' equity	Net revenue	Net income
	Quotas Shares	%	Current	Non-current	Current	Non-current				
Luizacred	1,054	50%	9,686,106	1,499,986	10,445,936	149,214	400,000	590,942	2,568,222	40,326
Luizaseg	133,883	50%	231,400	450,102	305,904	134,598	133,884	241,000	564,582	47,476

Changes	Opening balance	Dividends	Other comprehensive income	Unrealized income	Equity in net income of subsidiaries	Closing balance
Luizacred	288,260	(12,952)	-	-	20,163	295,471
Luizaseg	20,202	(19,807)	2,781	(17,294)	23,738	9,620
Total	308,462	(32,759)	2,781	(17,294)	43,901	305,091

Total investments in jointly-controlled subsidiaries

	06/30/2020	12/31/2019
Luizacred (a)	312,746	295,471
Luizaseg (b)	117,086	120,500
Luizaseg - Unrealized income (c)	(111,196)	(110,880)
Total	318,636	305,091

(a) 50% interest in the voting capital, representing the contractually agreed sharing of the equity control of the business, requiring the unanimous consent of the parties on relevant financial and operational decisions and activities. Luizacred is jointly-controlled with Banco Itaúcard S.A. and is engaged in offering, distributing and selling financial products and services to clients in the Parent Company's store network.

(b) 50% interest in the voting capital, representing the contractually agreed sharing of the equity control of the business, requiring the unanimous consent of the parties on relevant guarantees and operational decisions and activities. Luizaseg is jointly controlled by NCVF Participações Societárias S.A., subsidiary of Cardif do Brasil Seguros e Previdência S.A., and is engaged in the development, sale and administration of extended warranties for any type of product sold in Brazil through the Parent Company's chain of stores.

(c) Unrealized profits from transactions for intermediation of extended warranty insurance for the jointly-controlled subsidiary Luizaseg

14. Leases

The Company acts as a lessee in agreements mainly related to real estate (brick-and-mortar stores, distribution centers and administrative units). Since 2019, the Company recognizes these agreements in accordance with CPC 06 (R2)/IFRS 16, and in the balance sheet as the right-of-use and lease liability.

Changes in the right-of-use, during the period ended June 30, 2020 were as follows:

	Parent company	Consolidated
Right-of-use as of December 31, 2019:	2,203,827	2,273,786
Addition/remeasurement	290,803	296,721
Write-offs	(19,572)	(19,572)
Depreciation	(178,117)	(188,803)
Right-of-use as of June 30, 2020:	2,296,941	2,362,132
Breakdown:		
Cost value	2,814,907	2,911,688
Accumulated depreciation	(517,966)	(549,556)
Right-of-use as of June 30, 2020:	2,296,941	2,362,132

	Parent company	Consolidated
Right-of-use as of December 31, 2018:		
First-time adoption - IFRS 16	1,947,468	1,947,468
Addition/remeasurement	(97,030)	(97,030)
Additions due to business combination	-	74,062
Depreciation	(118,532)	(119,621)
Right-of-use as of June 30, 2019:	1,731,906	1,804,879
Breakdown:		
Cost value	1,850,438	1,924,500
Accumulated depreciation	(118,532)	(119,621)
Right-of-use as of June 30, 2019:	1,731,906	1,804,879

Changes in the lease liability during the period ended June 30, 2020 were as follows:

	Parent company	Consolidated
Lease as of December 31, 2019:	2,205,750	2,280,322
Initial adoption	-	-
Remeasurement/addition	284,914	291,755
Addition due to business combination	-	-
Payment of principal	(139,206)	(146,674)
Interest payment	(92,344)	(96,355)
Accrued interest	84,050	88,061
Write-off	(19,572)	(19,572)
Lease as of June 30, 2020:	2,323,592	2,397,537
Current	317,882	333,793
Non-current	2,005,710	2,063,744

	Parent company	Consolidated
Lease as of December 31, 2018:		
Initial adoption	1,947,468	1,947,468
Remeasurement/addition	(97,030)	(97,030)
Addition due to business combination	-	73,225
Payment of principal	(90,242)	(90,242)
Interest payment	(67,155)	(67,155)
Accrued interest	67,155	67,155
Lease as of June 30, 2019:	1,760,196	1,833,421
Current	196,036	212,625
Non-current	1,564,160	1,621,264

At the end of this period, CPC 06 (R2) technical pronouncement – Leases underwent a review to provide for a practical expedient related to discounts obtained by lessees in lease agreements, related to Covid-19. This practical expedient provides for that the lessee could choose not to assess whether a benefit granted due to the pandemic would be recognized as an amendment of the lease agreement. Thus, the Company adopted the practical expedient to all the benefits negotiated with real estate lessors due to discounts obtained in 889 lease agreements.

15. Property, plant and equipment

Changes in property, plant and equipment during the quarters ended June 30, 2020 and 2019 were as follows:

	Parent company	Consolidated
Net property, plant and equipment as of December 31, 2019:	992,372	1,076,704
Additions	84,610	95,647
Addition due to business combination	-	244
Write-offs	(2,100)	(2,740)
Depreciation	(60,856)	(70,349)
Property, plant and equipment (net) at June 30, 2020	1,014,026	1,099,506
Breakdown:		
Cost value	1,836,265	2,003,468
Accumulated depreciation	(822,239)	(903,962)
Property, plant and equipment (net) at June 30, 2020	1,014,026	1,099,506

	Parent company	Consolidated
Net property, plant and equipment as of December 31, 2018:	749,463	754,253
Additions	144,522	145,426
Addition due to business combination	-	90,405
Write-offs	(1,107)	(1,178)
Depreciation	(46,719)	(47,756)
Property, plant and equipment (net) at June 30, 2019	846,159	941,150
Breakdown:		
Cost value	1,622,951	1,780,708
Accumulated depreciation	(776,792)	(839,558)
Property, plant and equipment (net) at June 30, 2019	846,159	941,150

In the period ended June 30, 2020, the Company did not identify any signs of impairment.

16. Intangible assets

Changes in intangible assets during the quarters ended June 30, 2020 and 2019 were as follows:

	Parent company	Consolidated
Net intangible assets as of December 31, 2019:	526,869	1,545,628
Additions	56,928	73,329
Addition due to business combination - Note 12a	-	30,822
Write-offs	(109)	(182)
Amortization	(40,843)	(87,944)
Net intangible assets at June 30, 2020	542,845	1,561,653
Breakdown:		
Cost value	751,426	1,971,611
Accumulated amortization	(208,581)	(409,958)
Net intangible assets at June 30, 2020	542,845	1,561,653

	Parent company	Consolidated
Net intangible assets as of December 31, 2018:	501,539	598,822
Additions	56,275	59,327
Addition due to business combination	-	884,771
Amortization	(30,890)	(33,405)
Net intangible assets at June 30, 2019	526,924	1,509,515
Breakdown:		
Cost value	935,492	2,040,878
Accumulated amortization	(408,568)	(531,363)
Net intangible assets at June 30, 2019	526,924	1,509,515

17. Suppliers

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Goods for resale	4,789,918	5,372,599	5,271,604	5,867,239
Other suppliers	54,271	67,258	88,463	99,698
Adjustment to present value	(18,638)	(26,311)	(26,084)	(32,060)
Total	4,825,551	5,413,546	5,333,983	5,934,877

The Company maintains agreements with partner banks to structure, with its main suppliers, transactions to advance their receivables. In this operation, the suppliers transfer the right to receiving the notes to the Bank in exchange for anticipated receipt of the security. The Bank, in turn, starts to be the creditor of the operation, and the Company settles the security on the same date originally agreed-to with its supplier and receives, subsequently, a commission from the Bank for this intermediation and confirmation of the securities payable. This commission is registered as financial revenue.

Above-mentioned transaction carried out by the Company does not change terms, prices and conditions previously established with suppliers and, therefore, the Company classified it under "Suppliers" caption.

As at June 30, 2020 the balance payable negotiated by suppliers, and with the acceptance of Magazine Luiza, totaled R\$ 1,491,609 (R\$ 1,389,804 as at December 31, 2019).

Accounts payable to suppliers are initially recorded at their present value with a corresponding contra entry to the "Inventories" account. The reversal of adjustment to present value is recorded under "Cost of resold goods and services rendered" for the benefit of the term.

18. Partners and other deposits

As of June 30, 2020, the Company has a balance of R\$ 639,256 related to amounts to be transferred to marketplace's partners, related to purchases made by clients on the Magazine Luiza's digital platform, of products sold by partner storeowners (sellers) and traded by Magalu Pagamentos.

19. Loans and financing

Description	Charge	Guarantee	Final maturity	Parent company		Consolidated	
				06/30/2020	12/31/2019	06/30/2020	12/31/2019
Promissory notes - 4th issue (a)	104.0% CDI	Clean	Jun 2021	837,091	822,542	837,091	822,542
Debentures - restricted offer - 8th issue (b)	100% CDI + 1.5%	Clean Bank	Mar 2021	807,445	-	807,445	-
Innovation financing - FINEP (c)	4% p.a.	guarantee Bank	Dec 2022	18,511	22,215	18,511	22,215
Expansion financing - BNB (d)	7% p.a.	guarantee	Dec 2022	-	2,203	-	2,203
Other	113.5% of CDI	Clean	Mar 2020	117	94	1,733	1,869
Total				1,663,164	847,054	1,664,780	848,829
Current liabilities				1,650,475	8,192	1,650,780	9,967
Non-current liabilities				12,689	838,862	14,000	838,862

- a) As at June 16, 2019, the Company held its fourth issuance of 160 commercial promissory notes in a single series, with nominal par value of R\$ 5,000 for public distribution with restricted distribution efforts, in accordance with CVM Instruction no. 476/2009. The amounts raised have been used to improve the cash flow in the course and ordinary management of the Company's business.
- b) The Company raised R\$ 800 million on April 6, 2020 through the 8th Issue of Debentures, via public distribution and with restricted placement efforts, remunerated at CDI rate + 1.5% p.a. and maturing on March 13, 2021.
- c) Refers to a financing agreement with the Financing Agency for Studies and Projects (FINEP), with the purpose of investing in research and development projects for technological innovations.
- d) The Company entered into a financing agreement with Banco do Nordeste do Brasil (BNB), with the purpose of modernizing and renovating stores in the northeastern region, as well as building a new Distribution Center in the municipality of Candeias (Bahia).

Reconciliation of cash flows from operating and financing activities

	Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Opening balance	847,054	454,087	848,829	455,967
Funding	800,000	800,000	800,000	800,000
Addition due to acquisition	-	-	-	201,856
Payment of principal	(7,646)	(104,398)	(7,744)	(285,583)
Interest payment	(424)	(30,093)	(485)	(31,847)
Accrued interest	24,180	16,368	24,180	23,274
Closing balance	1,663,164	1,135,964	1,664,780	1,163,667

Maturity schedule

The payment schedule for the portion of loans and financing is as follows:

Year of maturity	Parent company	Consolidated
2020	3,844	5,460
2021	1,651,928	1,651,928
2022	7,392	7,392
Total	1,663,164	1,664,780

Covenants

The Company has restrictive clauses (covenants) for the 8th issue of debentures and 4th issue of Promissory Notes, being the maintenance of the “adjusted net debt/adjusted EBITDA” not superior to 3.0 times. The adjusted net debt is understood as the sum of all loans and financing, including debentures, excluding cash and cash equivalents, interest earning bank deposits, securities, credit card receivables not anticipated. Adjusted EBITDA is calculated in accordance with CVM Instruction No. 527, dated October 4, 2012, excluding extraordinary operating events (revenue/expenses). Until the date of issuance of this interim information, the Company was in compliance with covenants.

20. Deferred revenue

	Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Deferred revenue from third parties:				
Exclusivity agreement with Cardif (a)	96,079	104,814	96,079	104,814
Exclusivity agreement with Banco Itaúcard S.A. (b)	90,250	96,500	90,250	96,500
Other Contracts	-	-	19,645	21,157
	186,329	201,314	205,974	222,471
Deferred revenue from related parties:				
Exclusivity agreement with Luizacred (b)	105,223	110,766	105,223	110,766
Exclusivity agreement with Luizaseg (a)	60,800	66,600	60,800	66,600
	166,023	177,366	166,023	177,366
Total deferred revenues	352,352	378,680	371,997	399,837
Current liabilities	39,157	39,157	43,053	43,036
Non-current liabilities	313,195	339,523	328,944	356,801

(a) As of December 14, 2015, a new Strategic Alliance Agreement was established with Cardif group companies and with Luizaseg, aiming at extending the rights and obligations provided for in the agreements between the parties overdue as of December 31, 2015 for the additional period 10 years, and effective from January 1, 2016 to December 31, 2025. This agreement provided for the inflow of R\$ 330,000 in the Company’s cash. Of this amount, R\$ 42,000 were allocated to the jointly-controlled subsidiary Luizacred, since it had exclusive rights over credit card insurance. The recognition of the Company’s revenue resulting from this agreement is appropriated to income (loss) during the term of the agreement, part of which is conditioned to the achievement of certain targets.

(b) On September 27, 2009, the Company entered into a partnership agreement with Itaú Unibanco Holding S.A. (“Itaú”) and Banco Itaúcard S.A., under which the Company grants to Luizacred the exclusive right to offer, distribute, and sell financial products and services in its store chain for a 20-year period. In consideration for the aforementioned alliance, Itaú group companies paid in cash R\$ 250,000, of which: (i) R\$ 230,000 related to the completion of the negotiation itself, without the right of recourse, and (ii) R\$ 20,000 subject to the achievement of profitability targets in Luizacred. Said targets were fully achieved by the end of 2014.

On December 29, 2010, the parties signed the first addendum to the partnership agreement with Luizacred, extending the exclusive right to offer, distribute and sell financial products and services at the chain of stores then acquired in the Northeast of Brazil (Lojas Maia) for a 19-year period. As consideration, Luizacred paid R\$ 160,000 to the Company, which is recognized in profit (loss) over the term of the agreement. As part of this association agreement, the amount of R\$ 20,000, mentioned in the paragraph above, was increased to R\$ 55,000.

On December 16, 2011, the Company entered into the second amendment to the association agreement with Luizacred, due to the acquisition of New-Utd (“Lojas do Bau”). As consideration, Luizacred paid R\$ 48,000 to the Company, which was allocated to profit (loss) over the remaining term of the agreement.

21. Other accounts payable

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Sales pending delivery	383,659	242,085	387,779	252,638
Amounts subject to onlending to partners	64,394	123,419	64,619	123,419
Specialized services	-	31,679	20,693	47,496
Expenses payable	193,324	110,320	299,872	234,851
Amounts payable to former shareholders	12,725	10,581	12,725	10,581
Other	12,409	19,741	20,513	34,707
Total	666,511	537,825	806,201	703,692
Current liabilities	666,511	537,825	806,201	701,719
Non-current liabilities	-	-	-	1,973

22. Provision for tax, civil and labor risks

For ongoing labor, civil and tax lawsuits, in which the opinion of legal advisors is unfavorable, the Company recorded a provision representing the best estimate made by Management on the future disbursement. Changes in provision for tax, civil and labor risks are as follows:

Parent company

	Tax	Civil	Labor	Total
Balances at December 31, 2019	713,547	16,272	38,119	767,938
Additions	98,030	3,955	3,000	104,985
Reversal	(39,401)	-	-	(39,401)
Payments	(2,387)	(1,416)	(1,650)	(5,453)
Restatements	8,903	-	-	8,903
Balances at June 30, 2020	778,692	18,811	39,469	836,972

Consolidated

	Tax	Civil	Labor	Total
Balances at December 31, 2019	977,900	19,130	40,089	1,037,119
Additions	104,547	4,459	3,540	112,546
Addition for acquisition of subsidiary	-	29	66	95
Reversal	(40,342)	-	-	(40,342)
Payments	(2,387)	(2,259)	(1,739)	(6,385)
Restatements	9,291	-	-	9,291
Balances at June 30, 2020	1,049,009	21,359	41,956	1,112,324

As at June 30, 2020, the nature of the main lawsuits of the Company, classified by Management as of probable loss, based on the opinion of its legal advisors, as well as legal obligations which amounts are deposited in court, which the amounts were included in the provision for contingencies, are as follows:

a) Tax proceedings

The Company is discussing several tax lawsuits classified as a probable loss in the administrative and judicial spheres. Therefore, a provision was recorded for them. These proceedings involve federal taxes, totaling as at June 30, 2020 the amount of R\$ 223,931 (R\$ 225,360 as at December 31, 2019), state taxes, in the amount of R\$ 145,498 as at June 30, 2020 (R\$ 179,870 as at December 31, 2019), and municipal taxes totaling R\$ 26 (R\$ 26 as at December 31, 2019).

The Company also has provision for other legal discussions to which escrow deposits are made, as well as other provisions related to business combinations of the acquired businesses, which involve federal taxes, totaling R\$ 454,978 as at June 30, 2020 (R\$ 457,618 as at December 31, 2019), state taxes totaling R\$ 224,214 as at June 30, 2020 (R\$ 114,664 as at December 31, 2019) and municipal taxes, totaling R\$ 362 as at June 30, 2020 (R\$ 362 as at December 31, 2019).

b) Civil proceedings

The provision for consolidated civil contingencies in the amount of R\$ 21,359 as at June 30, 2020 (R\$ 19,130 as at December 31, 2019) is related to claims filed by customers on possible product defects.

c) Labor proceedings

In the labor level, the Company is party to several lawsuits mainly involving overtime incurred.

The amount provisioned of R\$ 41,956 as at June 30, 2020 (R\$ 40,089 as at December 31, 2019), Consolidated, reflecting the risk of probable loss assessed by the Company's Management jointly with its legal advisors.

In order to address the tax, civil and labor contingencies, the Company has a balance in judicial deposits of R\$ 656,509 as at June 30, 2020 (R\$ 570,142 as at December 31, 2019).

d) Contingent liabilities - possible loss

The Company is a party to other claims that were assessed by Management, based on the opinion of its legal advisors, as of possible loss; therefore, no provision has been recognized for said processes. The amounts related to claims involving federal taxes, as at June 30, 2020 reach a total of R\$ 1,782,734 (R\$ 1,791,196 as at December 31, 2019), in Parent Company and R\$ 1,955,230 (R\$ 1,887,776 as at December 31, 2019) in Consolidated, and in relation to state taxes these amounts, as at June 30, 2020 reach a total of R\$ 608,586 (R\$ 425,727 as at December 31, 2019) in Parent Company and R\$ 609,646 (R\$ 485,723 as at December 31, 2019) in consolidated and as to municipal taxes these amount to on June 30, 2020, a total of R\$ 2,605 (R\$ 2,446 as at December 31, 2019) in Parent Company and R\$ 2,605 (R\$ 2,458 as at December 31, 2019) in Consolidated.

Among the main tax lawsuits classified as a possible loss, we highlight the following: (i) Administrative Process in which the Company discusses with the tax authorities the nature/concept of the bonuses/reimbursements of its suppliers for the purpose of PIS/COFINS taxation, as well as the characterization of some expenses related to its core activity as inputs for the purpose of PIS/COFINS credits; (ii) Legal process and tax assessment notice in which the Company discusses the violation of various legal principles of Law 13241/2015, which extinguished the exemption of PIS and COFINS contribution over revenues from the sale of eligible products to the Basic Production Process. According

to the analysis of the Company's internal and external legal advisors the chances of loss are possible or maybe remote; (iii) Process in which the Company discusses with the state tax authorities supposed ICMS credit or divergences; (iv) Administrative Process in which the Company discusses with the state tax authorities assessments for ICMS tax credits appropriated on the purchase of goods from suppliers subsequently declared as inapt; (v) Sundry tax assessments in which the Company discusses the collection of ICMS credits appropriated on the acquisition of goods from some of its suppliers, once these were granted tax benefits by other States of the Federation. Moreover, the Company monitors the evolution of all discussions each quarter so that, if there is a change in the scenario, risk assessments and possible losses will also be reassessed.

Lawsuit risks are constantly assessed and reviewed by Management. Furthermore, the Company also disputes civil and labor administrative proceedings with the estimated risk of loss classified as possible, whose amounts involved are immaterial for disclosure.

e) Lawsuits where the Company is the plaintiff

The Company is the plaintiff in other tax lawsuits of several natures; that is, filed with the various tax authorities to recover taxes paid and/or unduly collected by such entities. A final decision was handed down for active proceedings of the Company involving the issue of exclusion of ICMS from PIS/COFINS calculation basis, in favor to the Company in 2019, as shown in Note 12.

23. Shareholders' equity

a) Capital

As of June 30, 2020, the Company's shareholding structure is as follows (all nominative, book-entry common shares, with no par value):

	Number of shares	Interest %
Controlling shareholders	949,274,199	58.43
Outstanding shares	671,526,180	41.33
Treasury shares	3,931,333	0.24
Total	1,624,731,712	100.00

The shares held by controlling shareholders who are members of the Board of Directors and/or of the executive board are included in the caption Controlling shareholders.

According to article 7 of the Bylaws, the Company may increase its capital, pursuant to article 168, Law 6404/76, by means of the issue of up to 400,000,000 new common shares.

b) Capital reserve

As at June 30, 2020, the Company has the amount of R\$ 257,402 (R\$ 323,263 as at December 31, 2019) registered under Capital Reserve.

Share purchase option plan

1st Grant of Stock option plan

For this Stock Option Plan ("Plan"), the Company's executives, employees or service providers became eligible to receive stock options. In the first grant of the Plan, on January 5, 2012, 10,197,856 options were granted at the strike price of R\$ 1.70 (already considering the effect of split of shares). The Plan was in effect for an eight-year period counted from the grant date, being closed on January 5, 2020.

2nd Grant of Stock option plan

The second grant of the Stock Option Plan was approved on October 25, 2013. In this opportunity, 9,707,808 options were granted and the strike price was established at R\$ 1.18. Said plan will have a maximum exercise period of 12 years, counted from the execution date, provided that the beneficiary continues linked to the Company and has complied with the grace periods of the plan.

The fair value of each option granted was estimated on the grant date by using the Black & Scholes option pricing model, considering the following assumptions:

Assumption	1st granting	2nd granting
Expected average life of options (a)	5.5 years	5.5 years
Average annual volatility	43.5%	37.9%
Risk-free interest rate	10%	6%
Weighted average of fair value of granted options (b)	R\$0.83	R\$0.76

(a) It represents the period in which the options are believed to be exercised and considers the average turnover of the plan's beneficiaries.

(b) The amounts consider the effect of the split of shares

The table below shows the changes in number of stock options and the weighted average of their strike price (MPPE):

	Quantity	MPPE ¹
Outstanding at January 1, 2019	3,031,808	R\$1.33
exercised during the period ²	(1,423,088)	R\$1.50
In circulation on December 31, 2019	1,608,720	R\$1.18
exercised during the period ²	(1,290,396)	R\$1.18
Outstanding at June 30, 2020	318,324	R\$1.18

¹Weighted Average of the Stock Option Strike Price: calculated based on the contractual terms, not considering the inflation adjustment to the strike price.

²The weighted average price of stock options at exercise date was R\$ 39.05 in 2020 (R\$ 25.39 in 2019).

Share-based incentive plan

The Company has a long-term incentive plan based on shares, approved by the Special General Meeting of April 20, 2017. The purpose of the plan is to grant incentives linked to common shares issued by the Company through programs to be implemented by our Board of Directors, and the managers, employees or service providers of the Company or its subsidiaries and joint ventures are eligible to participate.

The plan's key objectives are: (a) increase the Company's capacity to attract and retain talents; (b) reinforcing the culture of sustainable performance and the pursuit of development of our managers, employees and service providers, aligning the interests of our shareholders with those of the eligible persons; and (c) stimulating the Company's expansion and the achievement and exceeding of our business goals and the attainment of our corporate objectives, aligned with the interests of our shareholders, through the long-term commitment of the beneficiaries.

The following table shows the total shares granted in each program instituted by the Company's Board of Directors:

Type of program	Grant date	Number of shares granted	Fair value ¹	Maximum grace period
1st Matching share	June 28, 2017	4,411,584	R\$3.88	4 years and 10 months
2nd Matching share	April 05, 2018	2,338,344	R\$12.30	5 years
3rd Matching share	April 04, 2019	555,336	R\$20.20	5 years
1st Restricted share	April 05, 2018	535,744	R\$12.30	3 years
2nd Restricted share	April 04, 2019	513,552	R\$20.20	3 years
3rd Restricted share ²	June 05, 2019	364,632	R\$23.90	3 years
1st Performance share	February 20, 2019	10,755,152	R\$20.31	5 years
4th Matching share	April 15, 2020	403,338	R\$43.85	5 years
4th Restricted share	April 15, 2020	974,430	R\$43.85	3 years
		20,852,112	R\$17.34	

¹Refers to the weighted average of the fair value calculated in each program.

² Plan granted to employees of the subsidiary Netshoes.

In addition to the plans shown above, the Company granted 2,229,047 shares in the Softbox group acquisition process, part linked to the acquisition price to the former owners of the acquiree who continue to act as employees and part to the other employees. The fair value measured at grant date was R\$ 22.73 and the maximum grace period is 5 years.

c) Treasury shares

	Quantity	Amount
January 1, 2019	13,018,184	87,015
Acquired in the year	4,265,444	142,773
Disposed in the year	(13,154,472)	(105,255)
December 31, 2019	4,129,156	124,533
Acquired in the period	2,500,000	92,405
Disposed in the period	(2,697,823)	(87,815)
June 30, 2020	3,931,333	129,123

The decrease in treasury share balance is equal to the weighted average of the cost incurred to acquire the shares. Any exceeding cash received for the disposal on decrease of treasury shares is recoded as capital reserve.

The stock options exercised for the period were paid using the Company's treasury shares.

d) Profit reserves

In 2019, the Board of Directors approved the distribution of Interest on Own Capital in the amount of R\$ 170,000, in addition to the proposal for the distribution of dividends in the amount of R\$ 290,914; the proposed distribution totaled R\$ 460,914, equivalent to 50% of net income, of which R\$ 123,566 refers to minimum mandatory dividends.

Due to the worsening of the pandemic crisis caused by the coronavirus (Covid-19), the Board of Directors decided to cancel the additional dividend proposal in the amount of R\$ 290,914 on March 22, 2020, allocating said amount to the working capital reinforcement reserve, and maintaining the distribution of interest on own capital in the amount of R\$ 170,000, of which R\$ 123,566 refer to mandatory minimum dividends. At the same meeting, the Board of Directors decided to postpone the Annual General Meeting from April 9, 2020 to July 27, 2020, pursuant to CVM Resolution No. 489/2020.

As mentioned in note 33c, at the Annual General Meeting held on July 27, 2020, the payment of dividends in the amount of R\$ 152,640 was approved, in addition to the amount of R\$ 170,000 declared as interest on own capital, totaling a distribution of R\$ 322,640, which is equivalent to 35% of the net income for the year 2019, to be paid as of August 19, 2020.

e) Equity valuation adjustments

In the period ended June 30, 2020 the Company recorded in "Equity valuation adjustments" the amount of R\$ (13,741), (R\$ 3,168 in 2019), related to adjustments to fair value of financial assets.

f) Earnings per share

The basic and diluted earnings per share calculations are disclosed below:

	Basic income		Diluted earnings	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
In thousands				
Total common shares	1,624,731,712	1,524,731,712	1,624,731,712	1,524,731,712
Effect of treasury shares	(3,931,333)	(1,161,240)	(3,931,333)	(1,161,240)
Effect of stock plans to be exercised (a)	-	-	19,673,702	2,239,600
Weighted average of outstanding common shares	1,620,800,379	1,523,570,472	1,640,474,081	1,525,810,072
Income (loss) for the period on:	(33,526)	518,730	(33,526)	518,730
Earnings per share: (in reais - R\$)	(0.021)	0.340	(0.020)	0.340
Income (loss) for the quarter ended:	(64,329)	386,626	(64,329)	386,626
Earnings per share: (in reais - R\$)	(0.040)	0.254	(0.039)	0.253

(a) Considers the effect of exercisable shares in accordance with the stock-option plan disclosed above.

24. Net sales

	Semester				Quarter			
	Parent company		Consolidated		Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Gross revenue:								
Retail - resale of goods	11,312,035	9,794,078	12,563,128	9,966,910	5,776,976	4,777,614	6,430,263	4,906,936
Retail - rendering of services	504,549	482,903	576,559	477,847	207,561	257,284	260,139	248,971
Other services	-	-	163,158	64,618	-	-	126,158	40,255
	11,816,584	10,276,981	13,302,845	10,509,375	5,984,537	5,034,898	6,816,560	5,196,162
Taxes and returns:								
Retail - resale of goods	(2,155,754)	(1,775,839)	(2,429,308)	(1,814,035)	(1,074,767)	(827,688)	(1,212,408)	(857,078)
Retail - rendering of services	(41,033)	(52,465)	(47,973)	(52,487)	(13,769)	(27,779)	(20,508)	(27,788)
Other services	-	-	(22,570)	(5,767)	-	-	(15,399)	(3,194)
	(2,196,787)	(1,828,304)	(2,499,851)	(1,872,289)	(1,088,536)	(855,467)	(1,248,315)	(888,060)
Net sales	9,619,797	8,448,677	10,802,994	8,637,086	4,896,001	4,179,431	5,568,245	4,308,102

25. Cost of resold goods and services rendered

	Semester				Quarter			
	Parent company		Consolidated		Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Costs:								
Resold goods	(7,214,862)	(6,216,113)	(7,847,895)	(6,305,368)	(3,731,310)	(3,137,501)	(4,074,558)	(3,201,352)
Rendering of services	-	-	(99,422)	(28,065)	-	-	(58,483)	(14,516)
Total	(7,214,862)	(6,216,113)	(7,947,317)	(6,333,433)	(3,731,310)	(3,137,501)	(4,133,041)	(3,215,868)

26. Information on the nature of expenses and other operating revenues

The Company presented the statement of income using a classification of operating expenses based on their function. The information on the nature of these expenses recognized in the income statement is as follows:

	Semester				Quarter			
	Parent company		Consolidated		Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Personnel expenses	(900,893)	(888,354)	(1,006,829)	(912,452)	(431,590)	(482,983)	(483,103)	(498,923)
Expenses from services rendered	(783,233)	(457,458)	(920,125)	(487,715)	(449,613)	(209,856)	(522,141)	(232,021)
Other	(262,765)	(152,064)	(423,180)	(100,179)	(198,323)	(22,198)	(284,601)	34,313
Total	(1,946,891)	(1,497,876)	(2,350,134)	(1,500,346)	(1,079,526)	(715,037)	(1,289,845)	(696,631)

Classified by function such as:

	Semester				Quarter			
	Parent company		Consolidated		Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Sales expenses	(1,737,379)	(1,384,522)	(2,054,606)	(1,419,172)	(936,239)	(699,528)	(1,116,343)	(726,195)
Administrative and general expenses	(291,286)	(254,675)	(376,621)	(291,109)	(142,893)	(131,232)	(181,996)	(154,834)
Other operating revenues, net	81,774	141,321	81,093	209,935	(394)	115,723	8,494	184,398
Total	(1,946,891)	(1,497,876)	(2,350,134)	(1,500,346)	(1,079,526)	(715,037)	(1,289,845)	(696,631)

Freight expenses related to the transportation of goods from DCs to brick-and-mortar stores and delivery of products resold to consumers are classified as selling expenses.

27. Other operating revenues, net

	Semester				Quarter			
	Parent company		Consolidated		Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Appropriation of deferred revenue	26,328	25,728	27,693	25,728	13,164	12,864	13,801	12,864
Reversal of provision for tax risks	32,202	(230,000)	33,847	(230,000)	3,223	(246,000)	2,981	(246,000)
Extempore tax credits	53,248	498,042	56,294	571,135	(60)	498,042	11,972	571,135
Other revenues	111,778	293,770	117,835	366,863	16,327	264,906	28,755	337,999
Gain (loss) on sale of fixed assets	(1,897)	2,962	(1,888)	2,962	(1,835)	116	(1,826)	116
Experts' fees	(9,231)	(111,140)	(15,467)	(115,245)	(5,045)	(111,140)	(7,696)	(115,245)
Pre-operating expenses	(3,940)	(7,941)	(3,940)	(7,941)	(2,040)	(1,729)	(2,040)	(1,729)
Aspects related to Covid-19 and others (a)	(14,936)	(36,330)	(15,446)	(36,704)	(7,801)	(36,430)	(8,698)	(36,743)
Other expenses	(30,004)	(152,449)	(36,741)	(156,928)	(16,721)	(149,183)	(20,260)	(153,601)
Total	81,774	141,321	81,093	209,935	(394)	115,723	8,494	184,398

(a) Refers to expenditures incurred due to Covid-19, such as supplies for cleaning the Distribution Centers and administrative units, among others.

28. Financial income (loss)

	Semester				Quarter			
	Parent company		Consolidated		Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Financial revenues:								
Interest on sales of extended warranty	15,338	27,819	15,338	27,819	4,455	12,969	4,455	12,969
Yield from interest earning bank deposits and securities	43,823	7,955	8,248	3,749	23,899	3,953	6,366	2,306
Interest from the sale of goods – interest in arrears in receipts	4,991	3,427	4,994	3,427	2,694	1,816	2,662	1,766
Inflation adjustments	28,731	429,159	34,933	475,101	11,643	409,263	15,114	455,205
Other	16,558	7,591	24,990	7,591	9,214	7,420	17,016	7,419
	109,441	475,951	88,503	517,687	51,905	435,421	45,613	479,665
Financial expenses:								
Interest on loans and financing	(25,476)	(15,577)	(25,540)	(21,705)	(14,736)	(8,656)	(14,792)	(14,743)
Interest from lease	(82,519)	(67,155)	(86,530)	(67,679)	(41,392)	(45,896)	(43,330)	(46,420)
Charges on credit card advance	(103,833)	(213,434)	(114,299)	(215,699)	(44,080)	(120,545)	(53,945)	(122,065)
Provision for loss from interest on extended guarantee	(15,649)	(16,607)	(15,649)	(16,607)	(7,699)	(7,625)	(7,699)	(7,625)
Financial income tax	(5,619)	(22,521)	(6,307)	(22,521)	(2,619)	(20,449)	(3,193)	(20,449)
Other	(27,825)	(15,778)	(29,146)	(16,420)	(20,374)	(11,852)	(17,211)	(12,373)
	(260,921)	(351,072)	(277,471)	(360,631)	(130,900)	(215,023)	(140,170)	(223,675)
Net financial income (loss)	(151,480)	124,879	(188,968)	157,056	(78,995)	220,398	(94,557)	255,990

29. Information per business segment

To manage its business taking into consideration its financial and operating activities, the Company classified its business into Retail, Financial Operations, Insurance Operations and Consortia Management. These divisions are considered as the primary segments for information disclosure. The main characteristics of these divisions are as follows:

Retail - mainly resale of goods and services in the Company's stores and electronic commerce (traditional e-commerce and marketplace). In the context of the marketplace, information related to Magalu Pagamentos is added to this segment;

Financial operations - through the jointly-controlled subsidiary Luizacred, mainly engaged in granting of credit to the Company's customers for acquisition of products;

Insurance operations - through the jointly-controlled subsidiary Luizaseg, mainly engaged in the offer of extended warranties of products purchased by the Company's customers;

Other services – sum of services rendered in consortium management through its subsidiary LAC, mainly engaged in the management of consortia to the Company's customers for the purchase of products; product delivery management services - through the subsidiary Magalog and software development services through the subsidiaries of the Softbox Group.

The Company's sales are fully made in the national territory and, considering retail operations, there is no concentration of clients, nor of products and services offered.

Statements of income as of 06/30/2020.

	Retail (a)	Financial operations	Insurance operations	Other services	Elimination (b)	Consolidated
Gross revenue	13,202,764	640,089	120,292	146,250	(806,550)	13,302,845
Deductions from revenue	(2,480,908)	-	-	(18,943)	-	(2,499,851)
Net revenue of segment	10,721,856	640,089	120,292	127,307	(806,550)	10,802,994
Costs	(7,847,895)	(45,058)	(15,303)	(103,871)	64,810	(7,947,317)
Gross income	2,873,961	595,031	104,989	23,436	(741,740)	2,855,677
Sales expenses	(2,091,679)	(229,603)	(73,983)	(4,647)	345,306	(2,054,606)
Administrative and general expenses	(356,703)	(5,173)	(14,016)	(19,918)	19,189	(376,621)
Income (loss) from allowance for doubtful accounts	(58,231)	(316,258)	-	(845)	316,258	(59,076)
Depreciation and amortization	(345,098)	(2,997)	(2,637)	(1,172)	4,808	(347,096)
Equity in net income of subsidiaries	28,733	-	-	-	1,165	29,898
Other operating revenues	80,137	(11,817)	10	(630)	13,393	81,093
Financial revenues	87,848	-	6,769	655	(6,769)	88,503
Financial expenses	(277,199)	-	(19)	(272)	19	(277,471)
Income tax and social contribution	24,497	(11,908)	(8,490)	2,228	19,638	25,965
Net income (loss) for the period	(33,734)	17,275	12,623	(1,165)	(28,733)	(33,734)

Reconciliation of equity in net income of subsidiaries

Equity in net income of subsidiaries – Other services (Note 12)	(1,165)
Equity in net income of subsidiaries - Luizacred (Note 13)	17,275
Equity in net income of subsidiaries - Luizaseg (Note 13)	12,623
(=) Equity in net income of subsidiaries of the retail segment	28,733
(-) Elimination effect – Other services	1,165
(=) Consolidated equity in net income of subsidiaries	29,898

Statements of income as of 06/30/2019

	Retail (a)	Financial operations	Insurance operations	Other services	Elimination (b)	Consolidate d
Gross revenue	10,455,665	613,315	127,698	64,618	(751,921)	10,509,375
Deductions from revenue	(1,866,522)	-	-	(5,767)	-	(1,872,289)
Net revenue of segment	8,589,143	613,315	127,698	58,851	(751,921)	8,637,086
Costs	(6,305,368)	(61,994)	(13,046)	(35,242)	82,217	(6,333,433)
Gross income						
Sales expenses	(1,420,619)	(203,770)	(100,265)	(2,282)	307,764	(1,419,172)
Administrative and general expenses	(272,499)	(7,344)	(9,793)	(18,610)	17,137	(291,109)
Income (loss) from allowance for doubtful accounts	(25,600)	(328,862)	-	-	328,862	(25,600)
Depreciation and amortization	(200,329)	(2,965)	(2,512)	(453)	5,477	(200,782)
Equity in net income of subsidiaries	(186)	-	-	-	(2,224)	(2,410)
Other operating revenues	210,237	(15,423)	(2,336)	(304)	17,761	209,935
Financial revenues	516,147	-	9,111	1,540	(9,111)	517,687
Financial expenses	(360,393)	-	(24)	(238)	24	(360,631)
Income tax and social contribution	(211,803)	2,624	(6,824)	(1,038)	4,200	(212,841)
Net revenue for the period	518,730	(4,419)	2,009	2,224	186	518,730

Reconciliation of equity in net income of subsidiaries

Equity in net income of subsidiaries - Other services	2,224
Equity in net income of subsidiaries – Luizacred	(4,419)
Equity in net income of subsidiaries – Luizaseg	2,009
(=) Equity in net income of subsidiaries of the retail segment	(186)
(-) Elimination effect – Other services	(2,224)
(=) Consolidated equity in net income of subsidiaries	(2,410)

- a) The retail segment is represented by consolidated amounts contemplating the results of Magazine Luiza S.A., Época Cosméticos, Integra Commerce and Netshoes. In the retail segment, the caption Equity in net income of subsidiaries includes the net results of financial operations, insurance and other services, since this amount is included in the profit or loss for the segment used by the main manager of the operations.
- b) Eliminations are represented mainly by the effects of the segments of financial operations and insurance operations, which are presented in a proportional manner above, nevertheless are included only in one line of equity in investments in the consolidated financial statements of the Company.
- c) The transfers of net revenue between the operating segments are lower than 10% of the combined net revenue of all segments and are not regularly reviewed by the Company's main operating manager.

Balance sheet on 06/30/2020

	Retail (*)	Financial operations	Insurance operations	Other services
Assets				
Cash and cash equivalents	1,048,906	21,737	273	54,617
Securities and other financial assets	1,874,801	9,772	261,581	4,002
Accounts receivable	4,355,144	4,724,532	-	41,621
Inventories	4,198,175	-	-	-
Investments	434,599	-	-	-
Property, plant and equipment, intangible assets and right-of-use	4,964,782	55,739	30,536	6,847
Other	3,615,721	266,654	25,782	29,587
	20,492,128	5,078,434	318,172	136,674
Liabilities				
Suppliers	5,315,438	-	1,055	18,545
Onlendings and other deposits	639,256	-	-	-
Loans and financing and other financial liabilities	1,663,164	-	-	1,616
Leases	2,397,537	-	-	-
Interbank deposits	-	2,110,150	-	-
Credit card operations	-	2,160,056	-	-
Technical Reserves - Insurance	-	-	288,061	-
Provision for tax, civil and labor risks.	1,102,354	30,440	1,726	1,315
Deferred revenue	371,997	12,079	-	-
Other	1,558,539	452,963	21,439	45,186
	13,048,285	4,765,688	312,281	66,662
Shareholders' equity	7,443,843	312,746	5,891	70,012

Reconciliation of investment

Subsidiaries (Note 12)

Consórcio Luiza	47,720
Magalog	21,071
Softbox Group	47,171
Magalu Pagamentos	96,905
	212,867

Jointly-controlled subsidiaries (Note 13)

Luizacred	312,746
Luizaseg	5,890
	318,636

Total investments

	531,503
(-) Effect of elimination	(212,867)
(=) Income (loss) from consolidated investment	318,636

Balance sheet on 12/31/2019

	Retail (*)	Financial operations	Insurance operations	Other services
Assets				
Cash and cash equivalents	248,988	15,327	103	56,758
Securities and other financial assets	4,446,143	37,975	270,552	2,229
Accounts receivable	2,906,243	5,174,703	-	25,633
Inventories	3,801,763	-	-	-
Investments	410,894	-	-	-
Property, plant and equipment, intangible assets and right-of-use	4,838,386	58,718	33,148	5,244
Other	3,084,414	306,323	36,948	18,358
	<u>19,736,831</u>	<u>5,593,046</u>	<u>340,751</u>	<u>108,222</u>
Liabilities				
Suppliers	5,911,232	-	1,185	23,645
Loans and financing and other financial liabilities	847,054	-	-	1,775
Leases	2,280,322	-	-	-
Interbank deposits	-	2,677,682	-	-
Credit card operations	-	2,341,973	-	-
Technical Reserves - Insurance	-	-	285,283	-
Provision for tax, civil and labor risks.	1,027,341	61,621	1,312	667
Deferred revenue	399,837	12,986	-	-
Other	1,706,108	203,313	43,351	22,807
	<u>12,171,894</u>	<u>5,297,575</u>	<u>331,131</u>	<u>48,894</u>
Shareholders' equity	<u>7,564,937</u>	<u>295,471</u>	<u>9,620</u>	<u>59,328</u>
Reconciliation of investment				
Subsidiaries (Note 12)				
Consórcio Luiza	44,372			
Magalog	14,039			
Softbox Group	45,400			
Magalu Pagamentos	1,992			
	<u>105,803</u>			
Jointly-controlled subsidiaries (Note 13)				
Luizacred	295,471			
Luizaseg	9,620			
	<u>305,091</u>			
Total investments	<u>410,894</u>			
(-) Effect of elimination	<u>(105,803)</u>			
(=) Income (loss) from consolidated investment	<u>305,091</u>			

(*) Consolidated balances contemplating the results of Magazine Luiza S.A, Netshoes, Época Cosméticos and Integra Commerce.

30. Financial instruments

Accounting policy

(i) Initial classification and subsequent measurement

In the initial recognition, a financial asset is classified as measured: at amortized cost; at fair value through other comprehensive income (FVTOCI) at Fair Value (FVTPL). A financial asset is measured at amortized cost if it meets both conditions below and is not designated as measured at FVTPL:

- it is held within a business model whose purpose is to maintain financial assets to receive contractual cash flows; and
- its contractual terms generate, on specific dates, cash flows only related to the payment of principal and interest on outstanding principal value.

A debt instrument is measured at FVTOCI if it meets both conditions below and is not designated as measured at FVTPL:

- it is maintained within a business model whose purpose is achieved by both the receipt of contractual cash flows and the sale of financial assets; and
- its contractual terms generate, on specific dates, cash flows which are only payments of principal and interest on principal outstanding value.

All financial assets not classified as measured at amortized cost as described above or at FVTOCI, are classified as FVTPL. A financial asset (unless it is a trade accounts receivable without a material financing component that is initially measured at the transaction price) is initially measured at fair value, plus, for an item not measured at FVTPL, transaction costs which are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

- Financial assets measured at FVTPL: These financial assets are subsequently measured at fair value through profit or loss (FVTPL). Net income, plus interest, is recognized in income (loss).
- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is impaired. Interest revenue, possible foreign exchange gains and impairment losses are recognized in the income (loss). Any gain or loss on derecognition is recognized in income (loss).
- Financial assets measured at FVTOCI: These financial assets are subsequently measured at FVTOCI. In derecognition, the retained earnings in OCI are reclassified to the income (loss).

Financial liabilities are classified as measured as amortized cost or at FVTPL. A financial liability is classified as measured at fair value through profit or loss if it is classified as held for trading, if it is a derivative or assigned as such in initial recognition. Financial liabilities measured at FVTPL are measured at fair value and net income (loss), plus interest, is recognized in income (loss). Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense, foreign exchange gains and losses are recognized in income (loss). Any gain or loss on derecognition is also recognized in income (loss).

(ii) Derecognition and offset

The Company derecognizes a financial asset when the contractual rights to the cash flow of the asset expire, or when the Company transfers the rights to the reception of contractual cash flows over a financial asset in a transaction in which essentially all the risks and benefits of ownership of the financial asset are transferred.

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expired. In the derecognition of a financial liability, the difference between the extinct book value and the consideration paid (including assets transferred that do not pass through the cash or assumed liabilities) is recognized in income (loss).

Financial assets or liabilities are offset and the net value reported in the balance sheet only when the Company currently has legally enforceable right to set off and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(iii) Impairment of financial assets

The Company opted to measure provisions for losses on accounts receivable and contractual assets at an amount equal to the credit loss expected for the entire life. When determining if the credit risk of a financial asset has significantly increased since the initial recognition and when estimating expected credit losses, the Company considers reasonable and tolerable information that is relevant and available without excessive cost or effort. This includes quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment, and considering forward-looking information. The Company considers a financial asset as non-performing when: - it is very unlikely that the creditor will fully pay its credit obligations, without having to resort to actions like the realization of guarantee (if any); or - financial asset is overdue for more than 180 days.

Measurement of expected credit losses

Expected credit losses are estimates weighted by the probability of credit losses. Credit losses are measured at present value based on all cash insufficiencies (that is, the difference between the cash flows owed to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Financial assets with credit recovery problems

At each reporting date, the Company assesses whether the financial assets accounted for at amortized cost and measured at FVTOCI are experiencing recovery problems. A financial asset has "credit recovery problems" when one or more events with a negative impact on the estimated future cash flows of the financial asset occur.

Presentation of impairment

Provision for losses for financial assets measured at amortized cost are deducted from the gross book value of the assets. For financial assets measured at FVTOCI, the provision for losses is recognized in OCI.

Impairment losses related to trade accounts receivable and other receivables are presented separately in the statement of income and OCI.

Categories of financial instruments

Categories of financial instruments	Rating	Parent company				Consolidated			
		06/30/2020		12/31/2019		06/30/2020		12/31/2019	
		Book	Fair value	Book	Fair value	Book	Fair value	Book	Fair value
Cash and banks	Amortized cost	100,635	100,635	167,618	167,618	242,369	242,369	240,618	240,618
Accounts receivable - Credit and debit cards	FVTOCI	2,772,513	2,772,513	2,042,299	2,042,299	3,714,800	3,714,800	2,126,642	2,126,642
Accounts receivable - Other trade accounts receivable and commercial agreements	Amortized cost	614,271	614,271	741,664	741,664	681,965	681,965	805,234	805,234
Accounts receivable from related parties	Amortized cost	250,205	250,205	104,510	104,510	80,426	80,426	100,551	100,551
Accounts receivable from related parties – Credit cards	FVTPL	-	-	-	-	-	-	-	-
Accounts receivable from related parties – Credit cards	FVTOCI	782,554	782,554	269,485	269,485	782,554	782,554	269,485	269,485
Cash equivalents	FVTPL	505,061	505,061	7,914	7,914	505,061	505,061	7,914	7,914
Cash equivalents	Amortized cost	303,758	303,758	5,267	5,267	326,164	326,164	16,333	16,333
Securities	Amortized cost	12,289	12,289	12,094	12,094	16,291	16,291	14,323	14,323
Securities	FVTPL	1,862,512	1,862,512	4,434,049	4,434,049	1,862,512	1,862,512	4,434,049	4,434,049
Total financial assets		7,203,798	7,203,798	7,784,900	7,784,900	8,212,142	8,212,142	8,015,149	8,015,149

Categories of financial instruments	Rating	Parent company				Consolidated			
		06/30/2020		12/31/2019		06/30/2020		12/31/2019	
		Book	Fair value	Book	Fair value	Book	Fair value	Book	Fair value
Suppliers	Amortized cost	4,825,551	4,825,551	5,413,546	5,413,546	5,333,983	5,333,983	5,934,877	5,934,877
Onlendings and other deposits	Amortized cost	-	-	-	-	639,256	639,256	-	-
Loans and financing (i)	Amortized cost	1,663,164	1,663,164	847,054	847,054	1,664,780	1,664,780	848,829	848,829
Lease (i)	Amortized cost	2,323,592	2,323,592	2,205,750	2,205,750	2,397,537	2,397,537	2,280,322	2,280,322
Accounts payable to related parties	Amortized cost	101,287	101,287	152,094	152,094	103,417	103,417	152,126	152,126
Other accounts payable - ex-quotaholders	Amortized cost	12,725	12,725	10,581	10,581	12,725	12,725	10,581	10,581
Total financial liabilities		8,926,319	8,926,319	8,629,025	8,629,025	10,151,698	10,151,698	9,226,735	9,226,735

(i) Measured based on tier 2 of fair value.

Fair value measurement

All assets and liabilities for which the fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy described below based on the lowest level information that is significant to the measurement of the fair value as a whole:

Level 1 - market prices quoted (not adjusted) in active markets for identical assets and liabilities;

Level 2 - Valuation techniques for which the lowest and most significant level of information for measuring fair value is directly or indirectly observable. The Company uses the discounted cash flow technique for its measurements;

Level 3 - valuation techniques for which the lowest and most significant level of information for measuring fair value is not available.

The measurement of assets and liabilities of the Company is demonstrated below:

Categories of financial instruments - Assets	Rating	Parent company		Consolidated		Level
		06/30/2020	12/31/2019	06/30/2020	12/31/2019	
Accounts receivable - Credit and debit cards	FVTOCI	2,772,513	2,042,299	3,714,800	2,126,642	Level 2
Accounts receivable from related parties – Credit cards	FVTPL	-	-	-	-	Level 2
Accounts receivable from related parties – Credit cards	FVTOCI	782,554	269,485	782,554	269,485	
Cash equivalents	FVTPL	505,061	7,914	505,061	7,914	Level 2
Securities	FVTPL	1,862,512	4,434,049	1,862,512	4,434,049	Level 2
Total financial assets		5,922,640	6,753,747	6,864,927	6,838,090	

Valuation techniques and significant non-observable inputs:

Specific evaluation techniques used to measure the financial instruments pursuant to Level 2 rules include:

- Quoted market prices or quotes from financial institutions or brokerage firms for similar instruments.
- Fair value of accounts receivable from credit cards is determined based on assumptions usually used for the sale of similar assets, considering the discounted cash flows at a rate of acquiring companies.
- Other techniques, such as analysis of discounted cash flows, are used to determine the fair value of the remaining financial instruments.

Capital risk management

The Company's objectives in managing its capital are to safeguard its going concern to offer return to shareholders and benefits to the other stakeholders besides maintaining an optimal capital structure to reduce this cost and maximize funds to invest in the opening and modernization of stores, new technologies, process improvements and advanced management methods.

The Company's capital structure comprises financial liabilities, cash and cash equivalents and securities. Periodically, Management reviews the capital structure and its capacity to settle its

liabilities, as well as timely monitors the average term of suppliers in relation to the average term of inventory turnover, taking the necessary actions when the relationship between these balances shows significant imbalances.

Management of liquidity risk

The ultimate responsibility for the liquidity risk management rests with the Company's Financial Executive Board, which prepares an appropriate model of liquidity risk management for managing the needs of funding and liquidity management in short, medium and long-terms. Company manages the liquidity risk through the continuous monitoring of expected and actual cash flows, combining the maturity profiles of financial assets and liabilities, and maintaining a close relationship with financial institutions, with frequent disclosure of information to support credit decisions when external funds are required.

The following table shows in detail the remaining contractual maturity of financial liabilities of the Company and the contractual amortization terms. The table was prepared in accordance with financial liabilities undiscounted cash flows.

Contractual maturity is based on the most recent date when the Company should settle the related obligations:

	Book balance	<1 year	1-3 years	>3 years	Total
Suppliers	5,333,983	5,333,983	-	-	5,333,983
Leases	2,397,537	464,232	870,737	2,071,410	3,406,379
Loans and financing	1,664,780	837,161	869,577	-	1,706,738
Related parties	103,417	103,417	-	-	103,417
Other accounts payable - ex-quotaholders/partners	12,725	4,522	8,867	-	13,389

Other financial risk considerations

The Company's businesses comprise particularly the retail trade of consumer goods and insurance, financial and other services, as described in note 29, segment information. The main market risk factors that affect the businesses are summarily:

Credit risk: the credit risk arises from the possibility that the Company may incur losses due to non-receipt of amounts billed to their customers, the consolidated balance of which amounts to R\$ 4,507,473 as at June 30, 2020 (R\$ 2,726,430 as at December 31, 2019). A large portion of the Company's sales is made using the credit card as the payment method, which is substantially securitized with the credit card companies. For other accounts receivable the Company evaluates also the risk as being low, due to the widespread sales, as a result of the large number of customers; however, there are no guarantees of actual receipt of the total balance of accounts receivable due to the nature of the Company's activities. However, the risk is managed through periodical analyses of default levels (with consistent criteria to support IFRS 9 requirements), as well as by adopting more effective collection ways. As at June 30, 2020, the Company recorded past-due or uncollectible balances, which terms were renegotiated, in the amount of R\$ 34,275 (R\$ 14,841 as at December 31, 2019), which are included in the analysis on the need to form a provision for expected credit loss. More information on accounts receivable is disclosed in Note 7.

The policy of the Company for investments in debt securities (interest earning bank deposits) is to invest in securities that have ratings attributed by the main credit risk agencies, of at least Sovereign Credit Ratings (on a global scale). As at June 30, 2020, almost the total amount of investments held

by the Company had such rating levels, reaching the amount of R\$ 2,683,620 (R\$ 4,459,324 as at December 31, 2019) Company and R\$ 2,739,957 (R\$ 4,513,500 as at December 31, 2019) in the Consolidated.

Market risk: arises from the slowdown of retail sales in the Brazilian economic environment. The management of the risks involved in these operations is performed by establishing operational and trading policies, determining limits for transactions with derivatives and constant monitoring of assumed positions. The main related risks are changes in the interest and foreign exchange rates.

Foreign exchange risk: on the date of this quarterly information, the Company did not have directly traded significant foreign exchange transactions. However, many products that the Company sells, especially technology items, are manufactured locally, but have several imported components, so that their costs may vary with the exchange-rate change. Therefore, the management of “indirect” exchange rate risk is closely linked to commercial, price and product margin management, being carried out together with its suppliers, who try not to transfer major fluctuations to end clients.

Interest rate risk: the Company is exposed to floating interest rates tied to the “Interbank Deposit Certificate (CDI)”, relating to financial investments and loans and financing in Brazilian Reais, for which it performed a sensitivity analysis, as described below.

As at June 30, 2020, Management carried out a sensitivity analysis, considering a probable scenario and scenarios of 25% and 50% decreases in the expected interest rates. The probable scenario and decrease in interest rates were measured using the future interest rates disclosed by BM&F BOVESPA and/or BACEN, considering a CDI base rate of 3.65% p.a. The expected effects of revenues from interest earning bank deposits, net of financial expenses from loans and financing for the next three months are as follows:

	Parent company	Consolidated
	06/30/2020	06/30/2020
Bank deposit certificates (Note 5)	808,819	831,225
Non-exclusive investment funds (Note 5)	-	29,929
Cash equivalents	808,819	861,154
Securities (Note 6)	1,874,801	1,878,803
Total cash equivalents and securities	2,683,620	2,739,957
Loans and financing (Note 19)	(1,663,164)	(1,664,780)
Net exposure	1,020,456	1,075,177
Financial revenue from interest - exposure to CDI	2.15%	2.15%
Impact on financial income (loss), net of taxes:		
Scenario I - Probable	4,618	4,865
Scenario II - Decrease of 25%	3,463	3,649
Scenario III - Decrease of 50%	2,309	2,433

31. Statements of cash flows

Changes in shareholders' equity that do not affect the cash flows of the Company are as follows:

	Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Changes in fair values of biological assets	(21,026)	(5,846)	(21,026)	(5,846)
Stock option plan - Netshoes	4,073	-	4,073	-
Offset of recoverable taxes	(301,948)	-	(301,948)	-
Additions IFRS 16 - Right-of-use and lease	265,340	-	271,260	-
Amounts payable to former shareholders	-	15,582	-	15,582

32. Insurance coverage

The Company maintains insurance contracts with coverage determined in accordance with the orientation of specialists, considering the nature and the degree of risk, in amounts considered sufficient to cover possible losses on its assets and/or responsibilities.

Insurance coverage, in amounts, is as follows:

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Civil liability and D&O	100,000	100,000	341,305	230,425
Sundry risks - Inventories and property, plant and equipment	4,055,294	3,674,701	4,578,394	4,139,459
Vehicles	23,891	22,872	23,891	35,706
Total	4,179,185	3,797,573	4,943,590	4,405,590

33. Subsequent events

a) Hubsales

On July 30, 2020, the Company announced to the market the acquisition of R.A. Marques Assessoria Comércio Digital EIRELI and RRG Log Armazéns e Vendas On Line EIRELI ("Hubsales"), which allows industries from different segments with little or no familiarity with the digital solution to offer their products directly to the final consumer through marketplace platforms, a segment known as Factory to Consumers ("F2C").

The acquisition of Hubsales accelerates the entry of new industries into the Company's marketplace platform, which represents another important step in the digitalization strategy of Brazilian retail.

b) Canaltech and Inloco Media Platform

As of August 6, 2020, the Company communicated to the market the acquisitions of (i) Unilogic Media Group Ltda. and Canal Geek Internet Ltda. ("Canaltech"); as well as (ii) of the "Inloco Media" platform, the business unit of the company Inloco Tecnologia da Informação S.A. The transactions mark the Company's debut at the online advertising segment, combining the generation of content and audience with the platform for marketing digital media. Through MagaluAds, it will be possible to expand the dissemination of millions of products available on the Company's platform, in addition to monetizing its strong audience.

c) Annual General Meeting

At the Annual General Meeting held on July 27, 2020, the payment of dividends in the amount of R\$ 152,640 was approved, in addition to the amount of R\$ 170,000 declared as interest on own capital, totaling a distribution of R\$ 322,640, which is equivalent to 35% of the net income for the year 2019, to be paid as of August 19, 2020.

2Q20 HIGHLIGHTS

Total sales rose 49% in 2Q20, growing 85% in Jun/20

E-commerce grew 182%, reaching R\$6.7 billion and 78% of total sales

Marketplace grew 214%, reaching 27% of total e-commerce

Cash from operations reached R\$2.2 billion in 2Q20

Net cash rose to R\$5.8 billion in Jun/20

- **Higher growth than before the pandemic.** In 2Q20, total sales, including physical stores, traditional e-commerce (1P) and marketplace (3P) grew 49.1% to R\$8.6 billion. This reflects a 181.9% increase in total e-commerce sales. Despite the fact that an average of 64% of stores were closed during the quarter, physical store sales fell only 45.1%. In Jun/20, with 64% of stores reopened, total sales growth was 85%. This historic growth enabled the Company to surpass its competitors during the quarter to become the sector sales leader for the first time in its 63 year history.
- **E-commerce grew approximately three times the market rate.** Boosted by pandemic inspired consumption habits, formal e-commerce in Brazil grew 70.4% in 2Q20, according to E-bit. Even with such a high market growth rate, Magalu distinguished itself, growing 2.6x times the market rate to assume the formal e-commerce lead. During this period, the Company's e-commerce sales advanced an expressive 181.9%, representing 78.5% of total sales. In traditional e-commerce (1P), sales increased by 171.5% and the marketplace grew 214.2%, contributing an additional R\$1.8 billion in sales. These marketshare gains were driven in large part by the excellent performance of the app, which has already reached the important milestone of 30 million monthly active users. Other contributing factors include an increase in the number of marketplace sellers; faster delivery speeds, and the growth of non-traditional categories, such as apparel (Netshoes), cosmetics (Época Cosméticos) and groceries.
- **Gross margin reflecting the greater participation of e-commerce.** With the temporary closure of stores and the increase in e-commerce as a percentage of total sales from 41.5% (2Q19) to 78.5% (2Q20) the adjusted gross margin decreased from 29.3% (2Q19) to 25.8% (2Q20). With the progressive reopening of stores in Jun/20, gross margin rose to 28.0%.
- **Expenses reached the smallest percentage in history.** Due to the Company's commitment to avoid layoffs and permanent store closures during the crisis, the percentage of adjusted operating expenses in relation to net revenue rose from 20.5% in 2Q19 to 23.6% in 2Q20. In order to offset the rise, the Company reduced the salaries of executives and board members, implemented provisional measure 936, which allowed for the suspension of employment contracts and the reduction of working hours and wages, and renegotiated rental and service provision contracts. As a result, in Jun/20, with a large number of stores reopened, the expansion of ship-from-store and the return of Retira Loja, the percentage of expenses in relation to net revenue fell to 20.2%, one of the lowest levels in the Company's history.
- **EBITDA and net profit evolved significantly over the course of the quarter.** In 2Q20, the adjusted EBITDA margin fell from 8.8% in 2Q19 to 2.6% in 2Q20. During the same period, the adjusted net result went from a profit of R\$85.2 million to a loss of R\$62.2 million. However, it is worth tracking the evolution of these results over the course of the quarter. In April, the results were greatly impacted by store closures. In May, with the growth of e-commerce and the gradual reopening of stores, the results were already approaching breakeven, and in June, the trends accelerated and the Company earned a net profit of R\$93 million.
- **Highest quarterly cash generation in history.** Cash flow from operations, adjusted for receivables, was one of the highlights of the quarter, reaching R\$2.2 billion in 2Q20 and R\$2.0 billion in the last 12 months. The variation in working capital contributed significantly to this cash generation. With sales growth, inventory turnover also improved during the quarter, reaching less than 60 days in Jun/20, one of the best rates in recent years. At the same time, the Company increased the average purchase period and expanded Magalu Payments, which also contributed to working capital.
- **Net cash position and solid capital structure.** In LTM, the Company's adjusted net cash position increased by R\$5.0 billion, from R\$0.8 billion in Jun/19 to R\$5.8 billion in Jun/20. This was driven by cash generated from operations, investments and acquisitions, as well as the Nov/19 follow-on offering. The Company ended 2Q20 with a total cash position of R\$7.5 billion, including cash and financial instruments of R\$3.0 billion and available credit card receivables of R\$4.5 billion.

MESSAGE FROM THE EXECUTIVE DIRECTORS

They say that in the world of retail, every day is a struggle for survival. Be that as it may, no period in Magalu's more than 60-year history can be compared to the second quarter of 2020. The crisis brought on by the Covid-19 pandemic was sudden, deep and widespread. A scenario of chaos. It is in the midst of this environment that Magalu made history. Just as the Gulf War was a turning point for CNN, just as the Arab Spring was decisive for Twitter, the pandemic, with all its tragedy, revealed that Magalu was the company best prepared to face the challenging times that followed. We had the model for the moment. And the digital mindset and infrastructure necessary for an almost instant, "V" shaped recovery. In a matter of days, with all of our physical stores closed, Magalu began to sell more than in so-called "normal" quarters. It was epic. And it was the victory of a strong and committed team and a business model that has been honed over the past few years.

We finished the Covid-19 quarter with stronger ties to our customers, investors and society. And we emerged larger, too. To use a soccer metaphor, Magalu won the triple crown.

The first trophy: this quarter, we became the largest retailer in sales in the durable goods sector. Magalu reached R\$ 8.6 billion¹ in total sales, an increase of 49% compared to the result for the same period in 2019. Even with the burden of having a considerable share of our physical stores closed during the last three months, the company never grew at this speed. And the pace is accelerating as stores reopen, proof that the name of the game is multichannel.

The second trophy: Magalu won first place in formal e-commerce in Brazil. Our e-commerce operation almost tripled in size compared to the same period last year. We achieved this milestone without sacrificing our business ethics, which require us to demand that all marketplace sellers adhere to the legislation and issue sales invoices proving that taxes were paid. Driven in large part by marketplace growth, between April and June of 2020, Magalu's e-commerce operation sold more than the sum of both online and physical stores together in the second quarter of 2019. The growth was 182%, the highest in the Company's history. Our marketplace business, with its 32,000 sellers, advanced an impressive 214%.

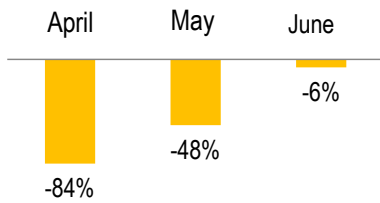
Our third trophy: during the quarter, Netshoes became the largest seller of sporting goods in Brazil - even without a physical store operation.

The results of this historic second quarter should not be viewed as a still image, a fixed moment in time, but as a film, an image in motion. April was the month of the initial shock, during which it was necessary to analyze scenarios, adapt routes and take extreme, but necessary, measures, such as the closing of more than 1,100 physical stores. In May, the stores were gradually reopened, bringing monthly results closer to breakeven. In June, with an average of 64% of stores reopened and e-commerce thriving, total sales grew 85%. The e-commerce operation advanced 206% and net income reached R\$ 93 million.

¹ The value of processed sales in the marketplace (GMV) from April 1 to June 30, 2020 in the amount of R \$ 1,831.1 million, which are added up as total total sales in this report, was subject to Independent Limited Assurance by our external auditors and is available on our website. The other components of the quarter's total sales are within the scope of the review of the quarterly information by our independent auditors.

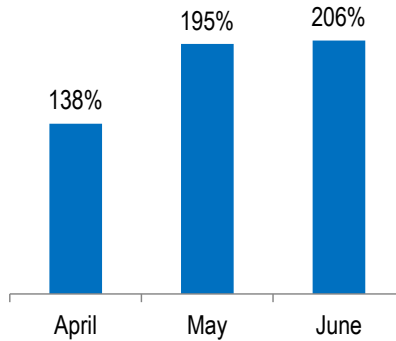
Physical store sales growth
[% yoy]

Gradual reopening of physical stores after temporary closure



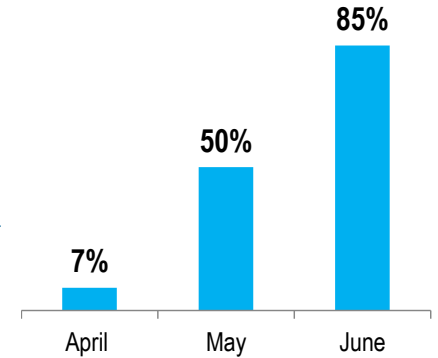
E-commerce sales growth
[% yoy]

Exponential growth of Magalu online sales: tripling in May and June



Total sales growth
[% yoy]

Strong acceleration in total sales



Monthly results – 2nd quarter
in R\$ million, except %

	April	May	June	2Q20
Total Sales	1,883	3,022	3,661	8,567
Growth YoY	7%	50%	85%	49%
Gross Margin	22.9%	24.6%	28.0%	25.8%
EBITDA Margin	-10.0%	3.2%	7.8%	2.6%
Net Income	(148)	(9)	93	(64)
Net Margin	-13.1%	-0.5%	3.7%	-1.2%

It is worth highlighting that the gain in scale and market share--which remains at an accelerated pace--was not achieved by burning cash. Instead, between April and June, the company generated operating cash of R\$ 2.2 billion - the highest ever recorded in a quarter. Such cash generation from operations is often indicative of sustainable growth.

Reinforced Pillars

These achievements - celebrated with enthusiasm by our team of more than 35,000 employees - are the result of the strengthening of each of our strategic pillars. Through strict adherence to the strategic pillars, Magalu is gradually becoming the everything store of Brazil. A place - real or virtual - where customers from all over Brazil can buy laundry detergent or the latest smartphone, manage their digital accounts or access information and services via Maga+, our Mobile Virtual Network Operator (MVNO).

Focusing on the strategic pillar of new categories, Magalu placed a special emphasis on groceries, which are essential to the survival of people stuck in isolation. During the second quarter, more than 3 million grocery items were sold. In the year of the #temnomagalu (#TheyHaveItAtMagalu) campaign, grocery became the leading category in the Company's e-commerce operation in terms of the quantity of items sold. Our first-party or 1P operation--items sold from our own inventory--grew and the Company started to buy directly from suppliers such as Unilever, Ambev, Procter & Gamble, Coca-Cola Femsa and Heineken. As a result, the number of available brands has doubled compared to the first three months of this year.

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Sporting goods and fashion, under the capable leadership of Netshoes, were another highlight. Netshoes became the category leader at a time when the client needed to transfer physical activity from the gym to the home. And it reached the end of the quarter with a net profit for the first time in its history, proving the benefits of Magalu's ecosystem approach. A similar phenomenon occurred within the category of beauty and personal care. Between April and June, Époça Cosméticos grew 167%, made a profit and surpassed the 1 million active customer mark.

The performance of Magalu's marketplace was another highlight of the quarter. The marketplace experienced unprecedented growth—above any other in the market—and added more than 6,000 new sellers who gained access to more than 27 million active customers through our digital channels. Among the new sellers joining our platform are the Magalu Partners, small, analog retailers with annual sales of up to R\$ 81,000, which make up the vast majority of companies in Brazil. These small retailers, heretofore 100% analog and, therefore, limited by physical and temporal boundaries are now online and "open" seven days a week, 24 hours a day, to consumers across Brazil.

The expansion of our product offerings and changes in consumption habits catalyzed logistics improvements needed to guarantee the fastest delivery speeds at the lowest costs. With stores partially closed, Magalu accelerated its ship-from-store strategy. Thanks to the contribution of this new modality, approximately 35% of total deliveries are now delivered within 24 hours - an especially important convenience during the pandemic. Delivery speeds should improve further with the return of in-store pick-up in the third quarter. To accelerate deliveries, especially for grocery items, 700 of our more than 1,100 physical stores were converted into dark stores for this category. We also began stocking e-commerce bestsellers in our physical stores so that they could be quickly collected by Logbee and transported for last-mile delivery. Malha Luiza also grew and now includes over 4,000 micro-transport delivery companies and Logbee drivers.

As of April, physical stores began to reopen. During the second quarter, an average of only 36% of our stores were operational. These stores showed a surprising 25% sales growth, when considering the criteria of same store sales and same day sales. The Mobile Remote Sales app, a remote version of the application normally used by salespeople in-store, was adapted to enable salespeople to serve customers through social networks, boosting physical store sales. The reopening of physical stores did not cannibalize e-commerce sales and physical stores continue to be extremely important for the company's profitability.

The sophistication of our Superapp continues to grow as new features are added and integrated. At the beginning of the year, MagaluPay - the company's digital account - became available. In July, an aggressive, but value-accretive, cashback campaign was launched, in which customers can receive cash back by purchasing at Magalu and activating their digital accounts. Unlike some companies, our digital account is fully integrated into our Superapp. Account activations are made quickly, simply and intuitively all within the same app. Since the launch of cashback, thousands of customers have received cash back on their purchases, helping MagaluPay reach the important milestone of 1 million account activations within a few weeks.

The pandemic also helped accelerate the roll-out of the Magalu-as-a-Service (MaaS) pillar. It was through MaaS initiative Partner Magalu that thousands of sellers and small entrepreneurs were able to start the process of digitalization. For many, MaaS provided a critical life line at a time when operating analogically, via physical stores, was impossible. Through another initiative, Magalu Payments, marketplace sellers were able to seamlessly factor their receivables. Since its launch, the service has processed over R\$ 3 billion in financial transactions (TPV). And 85% of marketplace sellers currently participate in Magalu's umbrella contract with Correios, Magalu Entregas. The number of marketplace sellers using Magalu's logistic services has also grown and currently approximately 800 marketplace sellers are cross docking via Magalu.

The MaaS pillar has also been strengthened by several recent acquisitions. At the end of July, Magalu announced its entry into the Factory to Consumer (F2C) segment with the purchase of Hubsales. Thus, in addition to digitizing retail, Magalu will also help digitalize the Brazilian manufacturing sector. Days later, Magalu announced the acquisition of Canaltech and the Inloco Media platform. The operations mark the company's entry into the online advertising segment, combining content generation and audience (Canaltech) with the platform for selling digital media (InLoco). Through our new initiative, MagaluAds, thousands of Magalu partners - marketplace sellers and suppliers - will be able to promote their brands and products reaching consumers the moment that purchase decisions are being made. It will soon be possible to promote the millions of products available on the Magalu platform and accelerate the monetization of the Company's digital audience of approximately 80 million unique visitors

per month (number under overlap analysis). With the continued expansion of MaaS, Magalu moves closer to realizing its objective of becoming the operating system for retail in Brazil.

Optimism and renewed commitment

The third quarter began with a spectacular July. Total sales grew 82%. E-commerce, even considering netshoes as part of comparison base, increased 162%. And Magalu returned - albeit partially - to the multichannel configuration that led it to market leadership: a virtuous symbiosis of online and offline. Even with an average of only 73% of stores open, physical store sales grew 10% during the month when compared to Jul/19. The evolution of results, month after month, leaves us optimistic for what lies ahead. We believe that 2020 will be, in all senses, an exceptional year for the company. Following the same trend as in recent years, we will reinvest part of the gains obtained with the new level of sales in initiatives to generate more value for our customers. We plan to hire more than two thousand new employees to reinforce our customer service and logistics teams. In addition, we will continue to invest in the expansion of new categories, the growth of the SuperApp and the roll-out of Magalu Pay.

July Sales Growth [% yoy]



In a period plagued by so many uncertainties, difficulties and fears, we are extremely proud of what we have been able to accomplish. In this era of ESG, perhaps no growth indicator or statistic moves us as much as the fact that Magalu, despite the crisis and because of the crisis, was able to rise to the occasion and truly fulfill its role as a corporate citizen during these extraordinary times.

For the last three months, as so many businesses closed their doors, Magalu helped keep families afloat by creating an initiative which enabled individuals to earn income from the digital sale of items from Magalu's and marketplace sellers' inventories. Approximately 350,000 individuals availed themselves of the opportunity and registered on the company's platform.

Like our business model, our social commitment is also multichannel. In the midst of the panic at the start of the crisis, we made a vocal public commitment not to fire any of our employees. At the same time, we supported our small suppliers, paying them on time and in full. Combating domestic violence has historically been one of our priorities. In view of the evidence of increased aggression during the quarantine, we relaunched the report button installed in our superapp - a shortcut for victims of domestic violence to quickly inform the authorities.

Since April, the controlling families and Magalu have also announced the donation of R\$ 50 million to help victims of the pandemic. These funds are being invested in the purchase of equipment for hospitals, in the financing of NGOs and in the purchase of basic food supplies.

On the environmental front, Magalu signed an agreement so that, as of the end of this year, 214 of our physical stores will begin operating exclusively with solar energy. By the beginning of 2021, another 300 stores, located in more than 10 Brazilian states, will also participate.

The trauma of the pandemic has only reinforced our conviction that the only way forward is the digitalization of Brazil. The future came faster and more painfully than we imagined. But it is here and we need to embrace it. Magalu is a company that has been trusted by Brazilians for 63 years. Over the course of the Covid-19 pandemic, we became one of the most admired brands in the country. This is the human warmth for which Brazilians are famous. Human warmth is an essential part of Magalu's culture and it is what makes us reciprocate everything that we receive.

Once again, we thank our customers, employees, sellers, partners and suppliers for their continued trust and support.

EXECUTIVE MANAGEMENT TEAM

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R\$ million (except when otherwise indicated)	2Q20	2Q19	% Chg	1H20	1H19	% Chg
Total Sales ¹ (including marketplace)	8,566.5	5,747.0	49.1%	16,229.0	11,465.0	41.6%
Gross Revenue	6,816.6	5,196.2	31.2%	13,302.8	10,509.4	26.6%
Net Revenue	5,568.2	4,308.1	29.3%	10,803.0	8,637.1	25.1%
Gross Income	1,435.2	1,092.2	31.4%	2,855.7	2,303.7	24.0%
Gross Margin	0.3	25.4%	40 bps	0.3	26.7%	-30 bps
EBITDA	143.7	379.9	-62.2%	476.4	775.3	-38.6%
EBITDA Margin	2.6%	8.8%	-620 bps	4.4%	9.0%	-460 bps
Net Income	(64.5)	386.6	-116.7%	(33.7)	518.7	-106.5%
Net Margin	-1.2%	9.0%	-1020 bps	-0.3%	6.0%	-630 bps
Adjusted - Gross Income	1,435.2	1,264.2	13.5%	2,855.7	2,475.7	15.4%
Adjusted - Gross Margin	25.8%	29.3%	-350 bps	26.4%	28.7%	-230 bps
Adjusted - EBITDA	147.2	380.5	-61.3%	421.1	766.1	-45.0%
Adjusted - EBITDA Margin	2.6%	8.8%	-620 bps	3.9%	8.9%	-500 bps
Adjusted - Net Income	(62.2)	85.2	-173.1%	(70.2)	210.8	-133.3%
Adjusted - Net Margin	-1.1%	2.0%	-310 bps	-0.7%	2.4%	-310 bps
Same Physical Store Sales Growth	-50.9%	0.3%	-	-27.7%	4.1%	-
Total Physical Store Sales Growth	-45.1%	8.8%	-	-19.3%	12.2%	-
Internet Sales Growth (1P)	171.5%	30.9%	-	107.3%	32.1%	-
Total E-commerce Sales Growth	181.9%	56.2%	-	127.5%	53.1%	-
E-commerce Share in Total Sale	78.5%	41.5%	37.0 pp	66.6%	41.4%	25.2 pp
Number of Stores - End of Period	1,157	987	170 stores	1,157	987	170 stores
Sales Area - End of Period (M2)	647,171	585,341	10.6%	647,171	585,341	10.6%

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

(2) E-commerce Sales include Netshoes sales.

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NON-RECURRING EVENTS

For ease of comparison with 2Q19, 2Q20 results are also being presented in an adjusted view, without the effects of non-recurring provisions and expenses.

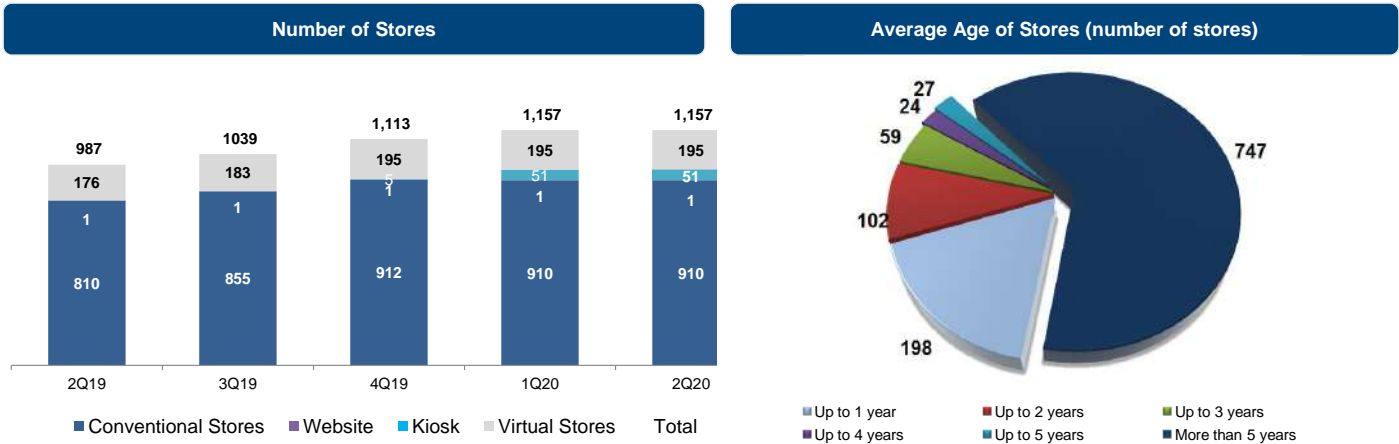
CONCILIATION ADJUSTED INCOME STATEMENT (R\$ million)	2Q20 Adjusted	V.A.	Non-recurring	2Q20	V.A.
Gross Revenue	6,816.6	122.4%	-	6,816.6	122.4%
Taxes and Deductions	(1,248.3)	-22.4%	-	(1,248.3)	-22.4%
Net Revenue	5,568.2	100.0%	-	5,568.2	100.0%
Total Costs	(4,133.0)	-74.2%	-	(4,133.0)	-74.2%
Gross Income	1,435.2	25.8%	-	1,435.2	25.8%
Selling Expenses	(1,116.3)	-20.0%	-	(1,116.3)	-20.0%
General and Administrative Expenses	(182.0)	-3.3%	-	(182.0)	-3.3%
Provisions for Loan Losses	(29.1)	-0.5%	-	(29.1)	-0.5%
Other Operating Revenues, Net	12.0	0.2%	(3.5)	8.5	0.2%
Equity in Subsidiaries	27.5	0.5%	-	27.5	0.5%
Total Operating Expenses	(1,288.0)	-23.1%	(3.5)	(1,291.5)	-23.2%
EBITDA	147.2	2.6%	(3.5)	143.7	2.6%
Depreciation and Amortization	(172.3)	-3.1%	-	(172.3)	-3.1%
EBIT	(25.0)	-0.4%	(3.5)	(28.5)	-0.5%
Financial Results	(94.6)	-1.7%	-	(94.6)	-1.7%
Operating Income	(119.6)	-2.1%	(3.5)	(123.1)	-2.2%
Income Tax and Social Contribution	57.3	1.0%	1.2	58.5	1.1%
Net Income	(62.2)	-1.1%	(2.3)	(64.5)	-1.2%

Adjustments – Non - Recurring Events

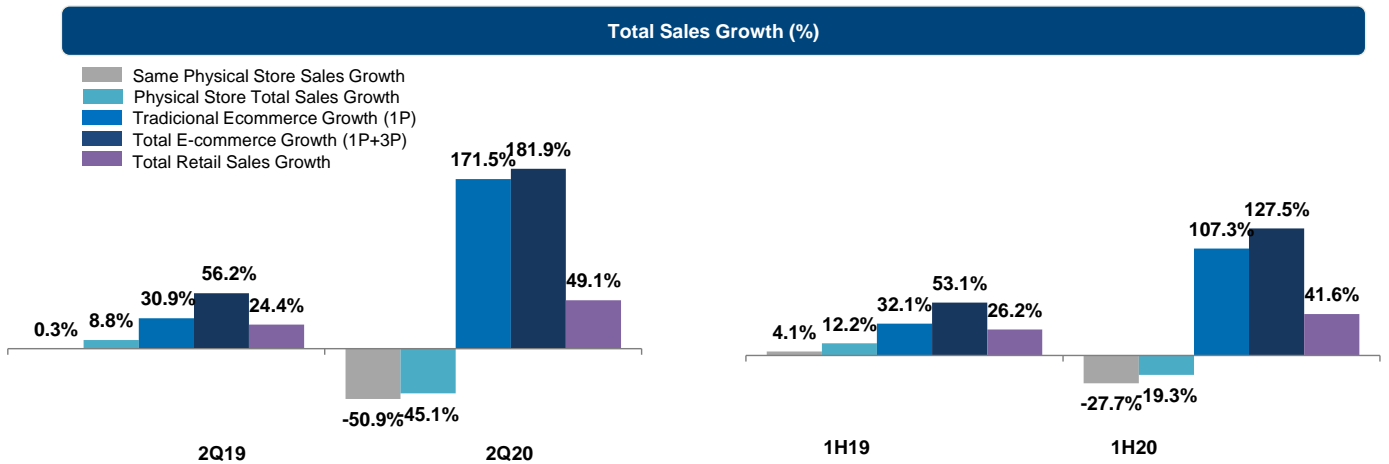
Adjustments	2Q20	1H20
Tax Credits	12.0	56.3
Tax Provisions	3.0	33.8
Expert Fees	(7.7)	(15.5)
Pre-operating Store Expenses	(2.0)	(3.9)
Other Non-recurring Expenses	(8.7)	(15.4)
EBITDA Adjustments	(3.5)	55.3
Income Tax and Social Contribution	1.2	(18.8)
Net Income Adjustments	(2.3)	36.5

OPERATING AND FINANCIAL PERFORMANCE

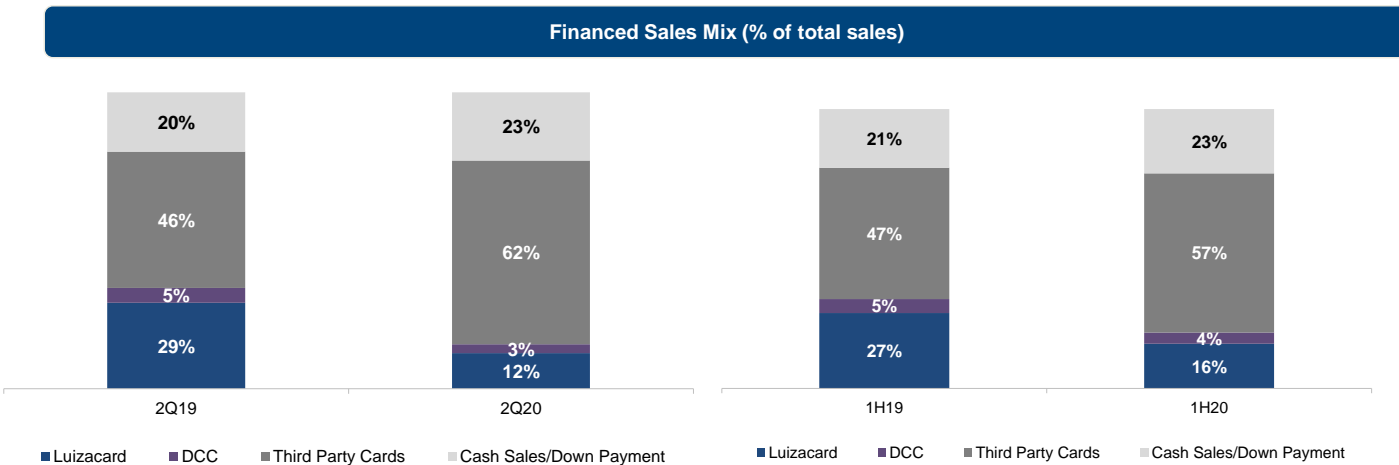
Magalu ended 2Q20 with 1,157 stores (910 conventional and 195 virtual), 51 kiosks (Lojas Marisa partnership) and an e-commerce operation). In the last 12 months, the Company opened 172 new stores (19 in the South, 64 in the Southeast, 26 in the Midwest, 14 in the Northeast and 49 in the North). Thirty-five percent of our total number of stores are not yet mature.



Total Retail sales were up 49.1% in 2Q20 as a result of a 181.9% increase in e-commerce sales and a 45.1% decrease in brick-and-mortar store sales. Stores were temporarily closed due to the new Coronavirus pandemic and were gradually reopened during the quarter. In 1H20, total sales grew 41.6%.



Luiza Card's share of sales decreased from 29% to 12% in 2Q20, due to the temporary closure of stores and an increase in the share of e-commerce in total sales.



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Gross Revenues

(in R\$ million)	2Q20	2Q19	% Chg	1H20	1H19	% Chg
Gross Revenue - Retail - Merchandise Sales	6,428.9	4,906.9	31.0%	12,562.8	9,966.9	26.0%
Gross Revenue - Retail - Services	324.6	259.9	24.9%	639.9	488.8	30.9%
Gross Revenue - Retail	6,753.5	5,166.8	30.7%	13,202.8	10,455.7	26.3%
Gross Revenue - Other Services	80.6	34.6	132.7%	146.3	64.6	126.3%
Inter-Company Eliminations	(17.5)	(5.3)	231.4%	(46.2)	(10.9)	323.3%
Gross Revenue - Total	6,816.6	5,196.2	31.2%	13,302.8	10,509.4	26.6%

In 2Q20, total gross revenue grew 31.2% to R\$6.8 billion. The accelerated growth of e-commerce, including Netshoes, and the gradual reopening of physical stores during the quarter contributed to the evolution of gross revenue. The strong growth was achieved despite the fact that, on average, only 36% of stores were open during the period. Despite the temporary closure of physical stores, service revenue increased 24.9% in 2Q20, driven primarily by the growth of the Marketplace and Magalu Payments. In 1H20, gross revenue grew 26.6% to R\$13.3 billion.

Net Revenues

(in R\$ million)	2Q20	2Q19	% Chg	1H20	1H19	% Chg
Net Revenue - Retail - Merchandise Sales	5,222.8	4,049.9	29.0%	10,139.7	8,152.9	24.4%
Net Revenue - Retail - Services	294.2	232.1	26.7%	582.2	436.3	33.5%
Net Revenue - Retail	5,516.9	4,281.9	28.8%	10,721.9	8,589.1	24.8%
Net Revenue - Other Services	68.8	31.4	118.9%	127.3	58.9	116.3%
Inter-Company Eliminations	(17.5)	(5.3)	231.4%	(46.2)	(10.9)	323.3%
Net Revenue - Total	5,568.2	4,308.1	29.3%	10,803.0	8,637.1	25.1%

In 2Q20, total net revenue rose 29.3% to R\$5.6 billion in line with total gross revenue. In 1H20, net revenues rose 25.1% to R\$10.8 billion.

Gross Profit

(in R\$ million)	2Q20	Adjusted 2Q19	% Chg	1H20	Adjusted 1H19	% Chg
Gross Profit - Retail - Merchandise Sales	1,148.2	1,020.5	12.5%	2,291.8	2,019.5	13.5%
Gross Profit - Retail - Services	294.2	232.1	26.7%	582.2	436.3	33.5%
Gross Profit - Retail	1,442.4	1,252.6	15.2%	2,874.0	2,455.8	17.0%
Gross Profit - Other Services	9.0	13.4	-33.0%	23.4	23.6	-0.7%
Inter-Company Eliminations	(16.1)	(1.7)	831.6%	(41.7)	(3.7)	1018.2%
Gross Profit - Total	1,435.2	1,264.2	13.5%	2,855.7	2,475.7	15.4%
Gross Margin - Total	25.8%	29.3%	-350 bps	26.4%	28.7%	-230 bps

In 2Q20, adjusted gross profit increased by 13.5% to R\$1.4 billion, equivalent to a gross margin of 25.8%. This was due to the growth of traditional, 1P e-commerce as a percentage of total sales. In 1H20, gross profit rose 15.4% to R\$2.9 billion, equivalent to a gross margin of 26.4%.

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Operating Expenses

(in R\$ million)	Adjusted 2Q20	% NR	Adjusted 2Q19	% NR	% Chg	Adjusted 1H20	% NR	Adjusted 1H19	% NR	% Chg
Selling Expenses	(1,116.3)	-20.0%	(726.2)	-16.9%	53.7%	(2,054.6)	-19.0%	(1,419.2)	-16.4%	44.8%
General and Administrative Expenses	(182.0)	-3.3%	(154.8)	-3.6%	17.5%	(376.6)	-3.5%	(291.1)	-3.4%	29.4%
General and Administrative Expenses	(1,298.3)	-23.3%	(881.0)	-20.5%	47.4%	(2,431.2)	-22.5%	(1,710.3)	-19.8%	42.2%
Provisions for Loan Losses	(29.1)	-0.5%	(13.2)	-0.3%	120.6%	(59.1)	-0.5%	(25.6)	-0.3%	130.8%
Other Operating Revenues, Net	12.0	0.2%	13.0	0.3%	-7.7%	25.8	0.2%	28.7	0.3%	-10.1%
Total Operating Expenses	(1,315.4)	-23.6%	(881.2)	-20.5%	49.3%	(2,464.5)	-22.8%	(1,707.2)	-19.8%	44.4%

Selling Expenses

In 2Q20, selling expenses totaled R\$1.1 billion, equivalent to 20.0% of net revenue, 3.1 p.p. higher than in 2Q19. This increase reflects the Company's commitment to avoid layoffs and permanent store closures during the crisis. To mitigate this effect, the Company reduced the salaries of executives and board members, implemented provisional measure 936, which allowed the suspension of employment contracts and the reduction of working hours and wages, and renegotiated rental and service provision contracts. In 1H20, selling expenses totaled R\$ 2.1 billion, equivalent to 19.0% of net revenue (+2.6 p.p. versus 1H19).

General and Administrative Expenses

General and administrative expenses totaled R\$182.0 million or 3.3% of net revenues, a reduction of 30 bps in relation to 2Q19. This was driven in large part by the strong sales growth and various cost containment strategies implemented by the Company. In 1H20, general and administrative expenses totaled R\$376.6 million or 3.5% of net revenues.

Provisions for Loan Losses

Provisions for loan losses reached R\$29.1 million in 2Q20 and R\$59.1 in 1H20.

Other Operating Revenues and Expenses, Net

(in R\$ million)	Adjusted 2Q20	% NR	Adjusted 2Q19	% NR	% Chg	Adjusted 1H20	% NR	Adjusted 1H19	% NR	% Chg
Gain on Sale of Assets	(1.8)	0.0%	0.1	0.0%	-	(1.9)	0.0%	3.0	0.0%	-
Deferred Revenue Recorded	13.8	0.2%	12.9	0.3%	7.3%	27.7	0.3%	25.7	0.3%	7.6%
Subtotal - Adjusted	12.0	0.2%	13.0	0.3%	-7.7%	25.8	0.2%	28.7	0.3%	-10.1%
Tax Credits	12.0	0.2%	571.1	13.3%	-97.9%	56.3	0.5%	571.1	6.6%	-90.1%
Tax Provisions	3.0	0.1%	(246.0)	-5.7%	-	33.8	0.3%	(230.0)	-2.7%	-
Expert Fees	(7.7)	-0.1%	(115.2)	-2.7%	-93.3%	(15.5)	-0.1%	(115.2)	-1.3%	-86.6%
Pre-operating Store Expenses	(2.0)	0.0%	(1.7)	0.0%	18.0%	(3.9)	0.0%	(7.9)	-0.1%	-50.4%
Retention Contracts and Others	(8.7)	-0.2%	(36.7)	-0.9%	-76.3%	(15.4)	-0.1%	(36.7)	-0.4%	-57.9%
Subtotal - Non Recurring	(3.5)	-0.1%	171.4	4.0%	-102.0%	55.3	0.5%	181.2	2.1%	-69%
Total	8.5	0.2%	184.4	4.3%	-95.4%	81.1	0.8%	209.9	2.4%	-61.4%

Other adjusted net operating revenues and expenses came to R\$12.0 million in 2Q20. This was largely due to an allocation of R\$13.8 million in deferred revenues. In 1H20 adjusted net operating revenues and expenses came to R\$25.8 million.

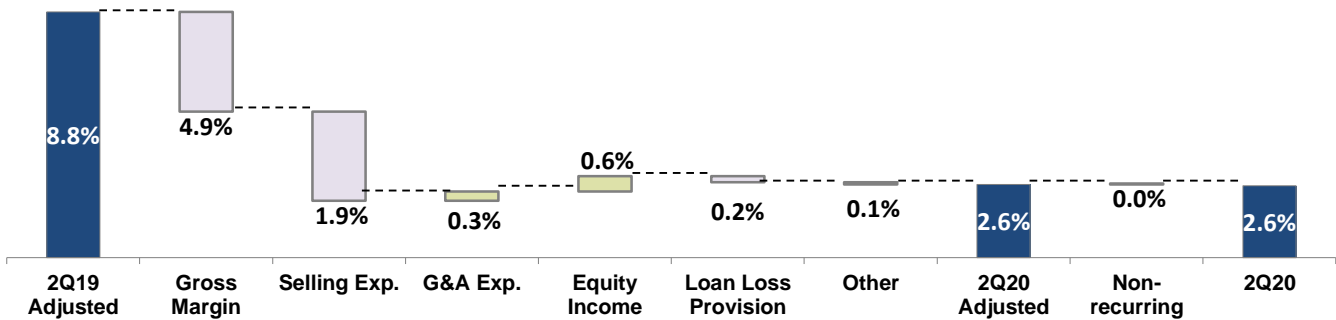
Equity Income

2Q20 equity income was R\$27.5 million. This was composed of: (i) R\$ 12.5 million generated by the performance of Luizacred, and (ii) R\$15.0 million generated by Luizaseg. In 1H20, equity income was R\$29.9 million.

EBITDA

In 2Q20, adjusted EBITDA reached R\$147.2 million. High e-commerce sales growth, including the marketplace, contributed to the EBITDA growth. However, the lost sales due to the temporary closure of stores influenced the adjusted EBITDA margin, which went from 8.8% in 2Q19 to 2.6% in 2Q20. In 1H20, adjusted EBITDA reached R\$421.1 million, a margin of 3.9%.

EBITDA performance (% of net revenue)



Financial Results

R\$ million	2Q20	% NR	2Q19	% NR	% Chg	1H20	% NR	1H19	% NR	% Chg
Financial Expenses	(96.8)	-1.7%	(177.3)	-4.1%	-45.4%	(190.9)	-1.8%	(293.0)	-3.4%	-34.8%
Interest on loans and financing	(14.8)	-0.3%	(14.7)	-0.3%	0.3%	(25.5)	-0.2%	(21.7)	-0.3%	17.7%
Interest on prepayment of receivables – third party card	(23.8)	-0.4%	(46.6)	-1.1%	-48.9%	(46.2)	-0.4%	(83.8)	-1.0%	-44.9%
Interest on prepayment of receivables – Luiza Card	(30.1)	-0.5%	(75.5)	-1.8%	-60.1%	(68.1)	-0.6%	(131.9)	-1.5%	-48.4%
Other expenses	(28.1)	-0.5%	(40.4)	-0.9%	-30.5%	(51.1)	-0.5%	(55.5)	-0.6%	-8.0%
Financial Revenues	45.6	0.8%	479.7	11.1%	-90.5%	88.5	0.8%	517.7	6.0%	-82.9%
Gains on marketable securities	6.4	0.1%	2.3	0.1%	176.1%	8.2	0.1%	3.7	0.0%	120.0%
Other financial revenues	39.2	0.7%	477.4	11.1%	-91.8%	80.3	0.7%	513.9	6.0%	-84.4%
Subtotal: Net Financial Results	(51.2)	-0.9%	302.4	7.0%	-116.9%	(102.4)	-0.9%	224.7	2.6%	-145.6%
Interest on lease	(43.3)	-0.8%	(46.4)	-1.1%	-6.7%	(86.5)	-0.8%	(67.7)	-	-
Total Net Financial Results	(94.6)	-1.7%	256.0	5.9%	-136.9%	(189.0)	-1.7%	157.1	1.8%	-220.3%
(-) Update - Tax Credits	-	-	459.9	10.7%	0.0%	-	-	459.9	5.3%	0.0%
(-) Taxes and Expenses / Non recurring	-	-	(58.9)	-1.4%	0.0%	-	-	(58.9)	-0.7%	0.0%
Total Financial Results - Adjusted	(94.6)	-1.7%	(144.9)	-3.4%	-34.8%	(189.0)	-1.7%	(243.9)	-2.8%	-22.5%

In 2Q20, net financial results came to R\$94.6 million or 1.7% of net revenue. In relation to net revenue, net financial expenses improved by 170 bps compared to adjusted 2Q19 due to lower interest rates and a better capital structure. Setting aside the interest on lease effects, the adjusted net financial result was R\$51.2 million, or 0.9% of net revenue. In 1H20, net financial results came to R\$189.0 million or 1.7% of net revenue (-1.1 p.p. YoY versus 1H19 adjusted).

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Net Income

2Q20 adjusted net income was a loss of R\$62.2 million, due primarily to the temporary closure of physical stores during the quarter. It is worth examining the evolution of this result over the course of the quarter. In April, the number was greatly impacted by store closures. In May, with the increase in e-commerce and the gradual reopening of physical stores, the result was already close to breakeven. In June, these trends accelerated and the Company earned a net profit of R\$93 million.

Working Capital - Adjusted

CONSOLIDATED (R\$ million)	LTM	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19
(+) Accounts Receivables	37.2	680.8	781.3	794.0	733.0	643.6
(+) Inventories	1,641.8	4,198.2	4,075.5	3,801.8	2,885.7	2,556.3
(+) Related Parties	22.4	80.4	77.1	100.6	81.8	58.1
(+) Recoverable Taxes	36.2	748.9	877.4	864.1	745.7	712.7
(+) Other Assets	(12.5)	100.2	143.5	136.3	145.1	112.7
(+) Current Operating Assets	1,725.2	5,808.6	5,954.8	5,696.8	4,591.3	4,083.4
(-) Suppliers	1,938.1	5,334.0	4,132.7	5,934.9	3,802.8	3,395.9
(-) Onlendings and other deposits	639.3	639.3	235.9	-	-	-
(-) Payroll, Vacation and Related Charges	26.7	329.0	263.3	354.7	349.8	302.3
(-) Taxes Payable	32.2	206.4	176.9	352.0	208.8	174.2
(-) Related Parties	(9.6)	103.4	52.8	152.1	125.6	113.1
(-) Taxes in Installments	-	-	-	-	-	-
(-) Deferred Revenue	0.0	43.1	43.0	43.0	43.0	43.0
(-) Other Accounts Payable	117.8	806.2	547.0	701.7	688.2	688.4
(-) Current Operating Liabilities	2,744.5	7,461.3	5,451.6	7,538.5	5,218.3	4,716.7
(=) Working Capital Adjusted	(1,019.4)	(1,652.7)	503.2	(1,841.7)	(627.0)	(633.3)
% of Gross Revenue (LTM)	-3.0%	-6.1%	2.0%	-7.6%	-2.8%	-3.1%

In Jun 20, the adjusted working capital need was negative by R\$1,652.7 million, contributing significantly to the strong cash generation during the quarter. Average inventory turnover increased from 72 days in 2Q19 to 91 days in 2Q20, influenced by the temporary closure of physical stores. During the same period, the average payment term increased from 93 days to 113 days.

It is worth noting that, with increased sales growth, inventory turnover improved substantially during the quarter, reaching less than 60 days in Jun/20 – the lowest level in recent years. In addition, the growth of the marketplace and Magalu Payments contributed to cash generation. In the last 12 months, the variation in adjusted working capital contributed R \$ 1.0 billion to the generation of operating cash.

Capex

CAPEX (in R\$ million)	2Q20	%	2Q19	%	%Chg	1H20	%	1H19	%	%Chg
New Stores	11.9	17%	18.2	15%	-35%	47.8	27%	27.3	13%	75%
Remodeling	3.2	5%	21.7	17%	-85%	8.6	5%	29.9	15%	-71%
Technology	42.7	61%	30.8	25%	39%	78.5	45%	51.8	25%	52%
Logistics	9.7	14%	39.2	31%	-75%	25.7	15%	74.6	36%	-66%
Other	2.0	3%	14.6	12%	-86%	14.2	8%	21.2	10%	-33%
Total	69.5	100%	124.4	100%	-44%	174.9	100%	204.8	100%	-15%

2Q20 investments totaled R\$69.5 million. Investments included the opening of new stores, investments in technology and logistics. Due to the Covid-19 pandemic, the new stores scheduled for 2Q20, such as those to be opened in Brasília and some of the kiosks in partnership with Lojas Marisa, were postponed until 3Q20.

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Capital Structure

CONSOLIDATED (R\$ million)	LTM	jun-20	mar-20	dez-19	set-19	jun-19
(-) Current Loans and Financing	(1,607.5)	(1,650.8)	(6.5)	(10.0)	(313.4)	(43.3)
(-) Non-current Loans and Financing	1,106.4	(14.0)	(847.4)	(838.9)	(832.7)	(1,120.4)
(=) Gross Debt	(501.1)	(1,664.8)	(853.8)	(848.8)	(1,146.1)	(1,163.7)
(+) Cash and Cash Equivalents	477.8	1,103.5	388.9	305.7	221.8	625.7
(+) Current Securities	1,437.7	1,878.8	2,231.3	4,448.2	238.7	441.1
(+) Non-current Securities	(0.3)	-	-	0.2	0.3	0.3
(+) Total Cash	1,915.3	2,982.3	2,620.2	4,754.1	460.8	1,067.1
(=) Net Cash	1,414.1	1,317.5	1,766.3	3,905.3	(685.3)	(96.6)
(+) Credit Card - Third Party Card	2,888.1	3,705.3	1,365.7	2,121.0	1,142.0	817.2
(+) Credit Card - Luiza Card	714.4	782.6	649.2	269.5	157.4	68.2
(+) Total Credit Card	3,602.5	4,487.9	2,014.9	2,390.5	1,299.4	885.4
(=) Adjusted Net Cash	5,016.6	5,805.4	3,781.2	6,295.8	614.1	788.8
Short Term Debt / Total	95%	99%	1%	1%	27%	4%
Long Term Debt / Total	-95%	1%	99%	99%	73%	96%
Adjusted EBITDA (LTM)	(80.5)	1,314.7	1,548.0	1,659.7	1,511.8	1,395.2
Adjusted Net Cash / Adjusted EBITDA	3.9 x	4.4 x	2.4 x	3.8 x	0.4 x	0.6 x
Cash, Securities and Credit Cards	5,517.7	7,470.2	4,635.1	7,144.6	1,760.2	1,952.5
(=) Net Debt	565.3	1,317.5	1,766.3	3,905.3	(685.3)	(96.6)
Net Debt/ EBITDA	1.1 x	1.0 x	1.1 x	2.4 x	-0.5 x	-0.1 x

During the last 12 months, the Company improved its adjusted net cash position by R\$5.0 billion, from an adjusted net cash position of R\$0.8 billion in Jun/19 to R\$5.8 billion in Jun/20. This improvement was due to cash generation from operations, investments and acquisitions, and the proceeds of the Nov/19 follow-on offering.

The Company ended 2Q20 with a total cash position of R\$7.5 billion, with cash and securities worth R\$3.0 billion and R\$5.4 billion worth of credit card receivables.

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ANNEX I
FINANCIAL STATEMENTS – CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT (R\$ million)	2Q20	V.A.	2Q20	V.A.	% Chg	1H20	V.A.	1H19	V.A.	% Chg
Gross Revenue	6,816.6	122.4%	5,196.2	120.6%	31.2%	13,302.8	123.1%	10,509.4	121.7%	26.6%
Taxes and Deductions	(1,248.3)	-22.4%	(888.1)	-20.6%	40.6%	(2,499.9)	-23.1%	(1,872.3)	-21.7%	33.5%
Net Revenue	5,568.2	100.0%	4,308.1	100.0%	29.3%	10,803.0	100.0%	8,637.1	100.0%	25.1%
Total Costs	(4,133.0)	-74.2%	(3,215.9)	-74.6%	28.5%	(7,947.3)	-73.6%	(6,333.4)	-73.3%	25.5%
Gross Income	1,435.2	25.8%	1,092.2	25.4%	31.4%	2,855.7	26.4%	2,303.7	26.7%	24.0%
Selling Expenses	(1,116.3)	-20.0%	(726.2)	-16.9%	53.7%	(2,054.6)	-19.0%	(1,419.2)	-16.4%	44.8%
General and Administrative Expenses	(182.0)	-3.3%	(154.8)	-3.6%	17.5%	(376.6)	-3.5%	(291.1)	-3.4%	29.4%
Provisions for Loan Losses	(29.1)	-0.5%	(13.2)	-0.3%	120.6%	(59.1)	-0.5%	(25.6)	-0.3%	130.8%
Other Operating Revenues, Net	8.5	0.2%	184.4	4.3%	-95.4%	81.1	0.8%	209.9	2.4%	-61.4%
Equity in Subsidiaries	27.5	0.5%	(2.5)	-0.1%	-	29.9	0.3%	(2.4)	0.0%	-
Total Operating Expenses	(1,291.5)	-23.2%	(712.3)	-16.5%	81.3%	(2,379.3)	-22.0%	(1,528.4)	-17.7%	55.7%
EBITDA	143.7	2.6%	379.9	8.8%	-62.2%	476.4	4.4%	775.3	9.0%	-38.6%
Depreciation and Amortization	(172.3)	-3.1%	(96.8)	-2.2%	77.9%	(347.1)	-3.2%	(200.8)	-2.3%	72.9%
EBIT	(28.5)	-0.5%	283.1	6.6%	-110.1%	129.3	1.2%	574.5	6.7%	-77.5%
Financial Results	(94.6)	-1.7%	256.0	5.9%	-136.9%	(189.0)	-1.7%	157.1	1.8%	-220.3%
Operating Income	(123.1)	-2.2%	539.1	12.5%	-122.8%	(59.7)	-0.6%	731.6	8.5%	-108.2%
Income Tax and Social Contribution	58.5	1.1%	(152.4)	-3.5%	-138.4%	26.0	0.2%	(212.8)	-2.5%	-112.2%
Net Income	(64.5)	-1.2%	386.6	9.0%	-116.7%	(33.7)	-0.3%	518.7	6.0%	-106.5%
Calculation of EBITDA										
Net Income	(64.5)	-1.2%	386.6	9.0%	-116.7%	(33.7)	-0.3%	518.7	6.0%	-106.5%
(+/-) Income Tax and Social Contribution	(58.5)	-1.1%	152.4	3.5%	-138.4%	(26.0)	-0.2%	212.8	2.5%	-112.2%
(+/-) Financial Results	94.6	1.7%	(256.0)	-5.9%	-136.9%	189.0	1.7%	(157.1)	-1.8%	-220.3%
(+) Depreciation and Amortization	172.3	3.1%	96.8	2.2%	77.9%	347.1	3.2%	200.8	2.3%	72.9%
EBITDA	143.7	2.6%	379.9	8.8%	-62.2%	476.4	4.4%	775.3	9.0%	-38.6%
Reconciliation of EBITDA for non-recurring expenses										
EBITDA	143.7	2.6%	379.9	8.8%	-62.2%	476.4	4.4%	775.3	9.0%	-38.6%
Non-recurring Result	3.5	0.1%	0.6	0.0%	496.2%	(55.3)	-0.5%	(9.2)	-0.1%	498.2%
Adjusted EBITDA	147.2	2.6%	380.5	8.8%	-61.3%	421.1	3.9%	766.1	8.9%	-45.0%
Reconciliation of Adjusted EBITDA for non-recurring expenses										
Net Income	(64.5)	-1.2%	386.6	9.0%	-116.7%	(33.7)	-0.3%	518.7	6.0%	-106.5%
Non-recurring Result	2.3	0.0%	(301.5)	-7.0%	-100.8%	(36.5)	-0.3%	(307.9)	-3.6%	-88.2%
Adjusted Net Income	(62.2)	-1.1%	85.2	2.0%	-173.1%	(70.2)	-0.7%	210.8	2.4%	-133.3%

* 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, the Netshoes acquisition and other provisions and non-recurring expenses. The Company understands that the disclosure of Adjusted EBITDA is necessary to understand the actual impact on 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 similar measures provided by other companies.

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**ANNEX II – ADJUSTED
FINANCIAL STATEMENTS – CONSOLIDATED INCOME STATEMENT**

CONSOLIDATED INCOME STATEMENT (R\$ million)	2Q20 Adjusted	V.A.	2Q19 Adjusted	V.A.	% Chg	1H20 Adjusted	V.A.	1H19 Adjusted	V.A.	% Chg
Gross Revenue	6,816.6	122.4%	5,196.2	120.6%	31.2%	13,302.8	123.1%	10,509.4	121.7%	26.6%
Taxes and Deductions	(1,248.3)	-22.4%	(888.1)	-20.6%	40.6%	(2,499.9)	-23.1%	(1,872.3)	-21.7%	33.5%
Net Revenue	5,568.2	100.0%	4,308.1	100.0%	29.3%	10,803.0	100.0%	8,637.1	100.0%	25.1%
Total Costs	(4,133.0)	-74.2%	(3,043.9)	-70.7%	35.8%	(7,947.3)	-73.6%	(6,161.4)	-71.3%	29.0%
Gross Income	1,435.2	25.8%	1,264.2	29.3%	13.5%	2,855.7	26.4%	2,475.7	28.7%	15.4%
Selling Expenses	(1,116.3)	-20.0%	(726.2)	-16.9%	53.7%	(2,054.6)	-19.0%	(1,419.2)	-16.4%	44.8%
General and Administrative Expenses	(182.0)	-3.3%	(154.8)	-3.6%	17.5%	(376.6)	-3.5%	(291.1)	-3.4%	29.4%
Provisions for Loan Losses	(29.1)	-0.5%	(13.2)	-0.3%	120.6%	(59.1)	-0.5%	(25.6)	-0.3%	130.8%
Other Operating Revenues, Net	12.0	0.2%	13.0	0.3%	-7.7%	25.8	0.2%	28.7	0.3%	-10.1%
Equity in Subsidiaries	27.5	0.5%	(2.5)	-0.1%	-	29.9	0.3%	(2.4)	0.0%	-
Total Operating Expenses	(1,288.0)	-23.1%	(883.7)	-20.5%	45.7%	(2,434.6)	-22.5%	(1,709.6)	-19.8%	42.4%
EBITDA	147.2	2.6%	380.5	8.8%	-61.3%	421.1	3.9%	766.1	8.9%	-45.0%
Depreciation and Amortization	(172.3)	-3.1%	(96.8)	-2.2%	77.9%	(347.1)	-3.2%	(200.8)	-2.3%	72.9%
EBIT	(25.0)	-0.4%	283.7	6.6%	-108.8%	74.0	0.7%	565.3	6.5%	-86.9%
Financial Results	(94.6)	-1.7%	(144.9)	-3.4%	-34.8%	(189.0)	-1.7%	(243.9)	-2.8%	-22.5%
Operating Income	(119.6)	-2.1%	138.7	3.2%	-186.2%	(115.0)	-1.1%	321.4	3.7%	-135.8%
Income Tax and Social Contribution	57.3	1.0%	(53.6)	-1.2%	-207.1%	44.8	0.4%	(110.6)	-1.3%	-140.5%
Net Income	(62.2)	-1.1%	85.2	2.0%	-173.1%	(70.2)	-0.7%	210.8	2.4%	-133.3%

ANNEX III
FINANCIAL STATEMENTS – CONSOLIDATED BALANCE SHEET

ASSETS (R\$ million)	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19
CURRENT ASSETS					
Cash and Cash Equivalents	1,103.5	388.9	305.7	221.8	625.7
Securities	1,878.8	2,231.3	4,448.2	238.7	441.1
Accounts Receivable - Credit Card	3,705.3	1,365.7	2,121.0	1,142.0	817.2
Accounts Receivable - Others	680.8	781.3	794.0	733.0	643.6
Inventories	4,198.2	4,075.5	3,801.8	2,885.7	2,556.3
Related Parties - Credit Card	782.6	649.2	269.5	157.4	68.2
Related Parties - Others	80.4	77.1	100.6	81.8	58.1
Taxes Recoverable	748.9	877.4	864.1	745.7	712.7
Other Assets	100.2	143.5	136.3	145.1	112.7
Total Current Assets	13,278.8	10,589.9	12,841.2	6,351.2	6,035.6
NON-CURRENT ASSETS					
Securities	-	-	0.2	0.3	0.3
Accounts Receivable	10.6	14.2	16.8	11.7	11.3
Recoverable Taxes	1,185.6	1,217.5	1,137.8	1,275.5	944.6
Deferred Income Tax and Social Contribution	73.1	18.9	12.7	14.2	27.0
Judicial Deposits	656.5	599.4	570.1	518.2	480.1
Other Assets	12.1	11.3	11.0	36.4	34.7
Investments in Subsidiaries	318.6	288.0	305.1	305.0	293.6
Right of use	2,362.1	2,292.4	2,273.8	2,168.2	1,804.9
Fixed Assets	1,099.5	1,103.2	1,076.7	1,016.1	941.2
Intangible Assets	1,561.7	1,575.5	1,545.6	1,556.0	1,509.5
Total Non-current Assets	7,279.9	7,120.2	6,949.9	6,901.6	6,047.0
TOTAL ASSETS	20,558.6	17,710.1	19,791.1	13,252.8	12,082.7
LIABILITIES (R\$ million)	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19
CURRENT LIABILITIES					
Suppliers	5,334.0	4,132.7	5,934.9	3,802.8	3,395.9
Onlendings and other deposits	639.3	235.9	-	-	-
Loans and Financing	1,650.8	6.5	10.0	313.4	43.3
Payroll, Vacation and Related Charges	329.0	263.3	354.7	349.8	302.3
Taxes Payable	206.4	176.9	352.0	208.8	174.2
Related Parties	103.4	52.8	152.1	125.6	113.1
Lease	333.8	330.6	330.6	213.1	212.6
Taxes in Installments	-	-	-	-	-
Deferred Revenue	43.1	43.0	43.0	43.0	43.0
Dividends Payable	123.6	123.6	123.6	112.0	-
Other Accounts Payable	806.2	547.0	701.7	688.2	688.4
Total Current Liabilities	9,569.4	5,912.2	8,002.6	5,856.8	4,972.6
NON-CURRENT LIABILITIES					
Loans and Financing	14.0	847.4	838.9	832.7	1,120.4
Lease	2,063.7	1,981.2	1,949.8	1,991.2	1,621.3
Deferred Income Tax and Social Contribution	26.4	32.6	39.0	65.3	58.1
Taxes in Installments	-	-	-	-	-
Provision for Tax, Civil and Labor Risks	1,112.3	1,065.7	1,037.1	941.0	813.0
Deferred Revenue	328.9	342.9	356.8	370.5	384.3
Other Accounts Payable	-	-	2.0	1.8	1.9
Total Non-current Liabilities	3,545.4	4,269.8	4,223.5	4,202.4	3,999.1
TOTAL LIABILITIES	13,114.8	10,182.0	12,226.1	10,059.2	8,971.7
SHAREHOLDERS' EQUITY					
Capital Stock	5,952.3	5,952.3	5,952.3	1,719.9	1,719.9
Capital Reserve	257.4	304.5	323.3	296.3	268.1
Treasury Shares	(129.1)	(175.9)	(124.5)	(80.4)	(9.5)
Legal Reserve	109.0	109.0	109.0	65.6	65.6
Profit Retention Reserve	1,301.8	1,301.8	1,301.8	434.9	546.9
Other Comprehensive Income	(13.7)	5.6	3.2	3.4	1.2
Retained Earnings	(33.7)	30.8	-	753.8	518.7
Total Shareholders' Equity	7,443.8	7,528.1	7,564.9	3,193.6	3,110.9
TOTAL	20,558.6	17,710.1	19,791.1	13,252.8	12,082.7

ANNEX IV
FINANCIAL STATEMENTS – ADJUSTED CONSOLIDATED STATEMENT OF CASH FLOWS

ADJUSTED CASH FLOW STATEMENTS (R\$ million)	2Q20	2Q19	1H20	1H19	1H20	1H21
Net Income	(64.5)	386.6	(33.7)	518.7	369.4	827.9
Effect of Income Tax and Social Contribution Net of Payment	(80.1)	128.2	(49.3)	159.5	35.4	169.1
Depreciation and Amortization	172.3	96.8	347.1	200.8	633.3	288.1
Interest Accrued on Loans	58.8	61.7	112.2	90.9	225.1	111.4
Equity Income	(27.5)	2.5	(29.9)	2.4	(58.9)	(22.4)
Dividends Received	2.6	2.1	27.4	21.2	27.4	36.9
Provision for Losses on Inventories and Receivables	56.2	204.1	(22.9)	245.3	63.7	317.2
Provision for Tax, Civil and Labor Contingencies	48.2	264.0	81.7	259.3	274.6	301.5
Gain on Sale of Fixed Assets	1.8	(0.1)	1.9	(3.0)	(0.1)	(3.2)
Recognition of Deferred Income	(13.9)	(13.1)	(27.8)	(26.0)	(55.1)	(81.5)
Stock Option Expenses	25.0	22.4	47.3	26.9	104.7	38.1
Other	-	-	-	-	-	-
Adjusted Net Income	178.8	1,155.1	453.9	1,496.1	1,619.4	1,983.2
Trade Accounts Receivable	32.7	37.7	12.1	(43.6)	(201.1)	(162.0)
Inventories	(143.7)	(57.6)	(302.1)	248.2	(1,577.0)	(475.3)
Taxes Recoverable	160.4	(1,108.0)	67.7	(1,122.5)	(276.9)	(1,182.9)
Other Receivables	2.4	66.8	(15.8)	(14.9)	(133.6)	(17.8)
Changes in Operating Assets	51.8	(1,061.1)	(238.1)	(932.8)	(2,188.5)	(1,838.0)
Trade Accounts Payable	1,201.3	2.6	(601.3)	(1,129.1)	1,937.7	226.2
Other Payables	786.2	42.8	454.4	116.0	651.2	297.5
Change in Operating Liabilities	1,987.5	45.4	(146.9)	(1,013.1)	2,588.9	523.7
Cash Flow from Operating Activities	2,218.1	139.3	68.9	(449.8)	2,019.7	668.8
Additions of Fixed and Intangible Assets	(69.5)	(124.4)	(174.9)	(204.8)	(491.6)	(447.7)
Cash on Sale of Fixed Assets	-	-	-	-	-	-
Sale of Exclusive Dealing and Exploration Right Contract	-	-	-	-	-	-
Renegotiation Payment of Exclusive Contract	-	-	-	-	-	-
Investment in Subsidiary	11.3	(385.5)	(18.6)	(400.7)	(25.0)	(397.2)
Capital Increase in Affiliated Company	-	-	-	-	-	(30.0)
Cash Flow from Investing Activities	(58.2)	(509.9)	(193.5)	(605.4)	(516.6)	(875.0)
Loans and Financing	800.0	800.0	800.0	800.0	798.9	800.0
Repayment of Loans and Financing	(14.6)	(283.4)	(18.7)	(285.6)	(340.2)	(416.1)
Changes in Other Financial Assets (Hedge)	-	-	-	-	-	-
Payment of Interest on Loans and Financing	(0.2)	(20.6)	(0.5)	(31.8)	(21.0)	(49.7)
Payment of Lease	(65.9)	(34.6)	(146.7)	(90.2)	(270.7)	(90.2)
Payment of Interest on Lease	(48.9)	(45.9)	(96.4)	(67.2)	(181.6)	(67.2)
Payment of Dividends	-	(182.0)	-	(182.0)	-	(182.0)
Treasury Shares	4.8	256.1	(87.6)	257.2	(203.3)	237.1
Proceeds from the Secondary Equity Offering	-	-	-	-	4,300.0	-
Payment of expenses with the Secondary Equity Offering	-	-	-	-	(67.6)	-
Cash Flow from Financing Activities	675.2	489.7	450.2	400.3	4,014.6	232.0
Cash, Cash Equivalents and Securities at Beginning of Period	4,635.1	1,833.4	7,144.6	2,607.4	1,952.5	1,926.6
Cash, Cash Equivalents and Securities at end of Period	7,470.2	1,952.5	7,470.2	1,952.5	7,470.2	1,952.5
Change in Cash and Cash equivalents	2,835.1	119.1	325.6	(654.9)	5,517.7	25.9

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)

INVESTED CAPITAL (R\$ million)	Jun-20	Mar-20	Dec-19	Sep-19	Jun-19
Working Capital	2,501.4	2,187.5	218.2	459.3	39.4
(+) Accounts Receivable	10.6	14.2	16.8	11.7	11.3
(+) Income Tax and Social Contribution deferred	73.1	18.9	12.7	14.2	27.0
(+) Taxes Recoverable	1,185.6	1,217.5	1,137.8	1,275.5	944.6
(+) Judicial Deposits	656.5	599.4	570.1	518.2	480.1
(+) Other Assets	12.1	11.3	11.0	36.4	34.7
(+) Investment In Joint Subsidiaries	318.6	288.0	305.1	305.0	293.6
(+) Right of use	2,362.1	2,292.4	2,273.8	2,168.2	1,804.9
(+) Fixed Assets	1,099.5	1,103.2	1,076.7	1,016.1	941.2
(+) Intangible Assets	1,561.7	1,575.5	1,545.6	1,556.0	1,509.5
(+) Non Current Assets	7,279.9	7,120.2	6,949.7	6,901.3	6,046.8
(-) Provision for Contingencies	1,112.3	1,065.7	1,037.1	941.0	813.0
(-) Lease	2,063.7	1,981.2	1,949.8	1,991.2	1,621.3
(-) Deferred Revenue	328.9	342.9	356.8	370.5	384.3
(-) Income Tax and Social Contribution deferred	26.4	32.6	39.0	65.3	58.1
(-) Other Accounts Payable	-	-	2.0	1.8	1.9
(-) Noncurrent operating liabilities	3,531.4	3,422.4	3,384.7	3,369.7	2,878.7
(=) Fixed Capital	3,748.5	3,697.8	3,565.0	3,531.6	3,168.1
(=) Total Invested Capital	6,249.9	5,885.3	3,783.2	3,990.9	3,207.5
(+) Net Debt	(1,317.5)	(1,766.3)	(3,905.3)	685.3	96.6
(+) Dividends Payable	123.6	123.6	123.6	112.0	-
(+) Shareholders Equity	7,443.8	7,528.1	7,564.9	3,193.6	3,110.9
(=) Total Financing	6,249.9	5,885.3	3,783.2	3,990.9	3,207.5
	-	-	-	-	-
FINANCIAL EXPENSES RECONCILIATION (R\$MM)	1Q19	1Q20	4Q19	3Q19	2Q19
Financial Income	45.6	42.9	22.9	96.2	479.7
Financial Expenses	(140.2)	(137.3)	(210.9)	(135.7)	(223.7)
Net Financial Expenses	(94.6)	(94.4)	(188.0)	(39.5)	256.0
Interest on prepayment of receivables: Luiza Card and third party card	53.9	60.4	93.0	93.6	122.1
Adjusted Financial Expenses	(40.6)	(34.1)	(95.0)	54.1	378.1
Taxes on Adjusted Financial Expenses	13.8	11.6	32.3	(18.4)	(128.5)
Net Adjusted Financial Expenses	(26.8)	(22.5)	(62.7)	35.7	249.5
	-	-	-	-	-
NOPLAT AND ROIC/ROE RECONCILIATION(R\$MM)	1Q19	1Q20	4Q19	3Q19	2Q19
EBITDA	143.7	332.6	499.1	501.2	379.9
Interest on prepayment of receivables: Luiza Card and third party card	(53.9)	(60.4)	(93.0)	(93.6)	(122.1)
Depreciation	(172.3)	(174.8)	(122.3)	(163.9)	(96.8)
Current and deferred taxes	58.5	(32.6)	(20.8)	(62.7)	(152.4)
Taxes on Adjusted Financial Expenses	(13.8)	(11.6)	(32.3)	18.4	128.5
Net Operating Income (NOPLAT)	(37.7)	53.3	230.7	199.4	137.1
Invested Capital	6,249.9	5,885.3	3,783.2	3,990.9	3,207.5
ROIC Annualized	-2%	4%	24%	20%	17%
Net Income	(64.5)	30.8	168.0	235.1	386.6
Shareholders Equity	7,443.8	7,528.1	7,564.9	3,193.6	3,110.9
ROE Annualized	-3%	2%	9%	29%	50%

ANNEX VI
BREAKDOWN OF TOTAL² SALES AND NUMBER OF STORES PER CHANNEL

Breakdown of Total Sales (R\$ million)	2Q20	V.A.	2Q19	V.A.	Growth
					Total
Virtual Stores	182.0	2.1%	256.8	4.5%	-29.1%
Conventional Stores	1,662.8	19.4%	3,106.1	54.0%	-46.5%
Subtotal - Physical Stores	1,844.8	21.5%	3,362.9	58.5%	-45.1%
Traditional E-commerce (1P)	4,890.6	57.1%	1,801.3	31.3%	171.5%
Marketplace (3P)	1,831.1	21.4%	582.8	10.1%	214.2%
Subtotal - Total E-commerce	6,721.7	78.5%	2,384.1	41.5%	181.9%
Total Sales	8,566.5	100.0%	5,747.0	100.0%	49.1%
Other Revenue ¹	18.1	-	2.6	-	586.6%
Marketplace (3P)	(1,831.1)	-	(582.8)	-	214.2%
Gross Revenue - Retail	6,753.5	-	5,166.8	-	30.7%

Breakdown of Total Sales (R\$ million)	1H20	V.A.	1H19	V.A.	Growth
					Total
Virtual Stores	451.8	2.8%	499.1	4.4%	-9.5%
Conventional Stores	4,968.9	30.6%	6,214.3	54.2%	-20.0%
Subtotal - Physical Stores	5,420.8	33.4%	6,713.3	58.6%	-19.3%
Traditional E-commerce (1P)	7,745.6	47.7%	3,736.4	32.6%	107.3%
Marketplace (3P)	3,062.6	18.9%	1,015.2	8.9%	201.7%
Subtotal - Total E-commerce	10,808.2	66.6%	4,751.6	41.4%	127.5%
Total Sales	16,229.0	100.0%	11,465.0	100.0%	41.6%
Other Revenue	36.4	-	5.9	-	517.5%
Marketplace (3P)	(3,062.6)	-	(1,015.2)	-	201.7%
Gross Revenue - Retail	13,202.8	-	10,455.7	-	26.3%

¹ Total Sales include gross revenue from physical stores and e-commerce plus marketplace sales

Number of stores per channel – End of the period	jun-20	Part(%)	jun-19	Part(%)	Growth
					Total
Virtual Stores	195	16.9%	176	17.8%	19
Conventional Stores	910	78.7%	810	82.1%	100
Kiosk	51	4.4%	-	0.0%	51
Subtotal - Physical Stores	1,156	99.9%	986	99.9%	170
Ecommerce	1	0.1%	1	0.1%	-
Total	1,157	100.0%	987	100.0%	170
Total Sales Area (m²)	647,171	100%	585,341	100%	10.6%

² The value of processed sales in the marketplace (GMV) from April 1 to June 30, 2020 in the amount of R \$ 1,831.1 million, which are added up as total total sales in this report, was subject to Independent Limited Assurance by our external auditors and is available on our website. The other components of the quarter's total sales are within the scope of the review of the quarterly information by our independent auditors.

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 Jun/20, Luizacred's total card base reached 5.0 million cards issued (+7.8% versus Jun/19). In-store sales to Luiza Card customers, distinguished by their loyalty and higher purchase frequency, decreased by 43.7% in 2Q20 due to the temporary store closures beginning in late March caused by the spread of the Covid-19 pandemic in Brazil and gradually reopened during the quarter.

Luizacred's credit portfolio, including credit card, DCC and individual loans, reached R\$10.6 billion at the end of 2Q20, an increase of 11.6% over 2Q19. Luiza Card's portfolio grew 13.6% to R\$10.6 billion, while the DCC portfolio was R\$50 million, in line with Luizacred's strategy to focus on the Luiza Card.

LUIZACRED – Key Indicators (R\$ million)	2Q20	2Q19	% Chg	1H20	1H19	% Chg
Total Card Base (thousand)	4,998	4,638	7.8%	4,998	4,638	7.8%
Luiza Card Sales – In-store	880	1,562	-43.7%	2,424	2,993	-19.0%
Luiza Card Sales – Outside Magazine Luiza	4,994	4,784	4.4%	10,462	9,045	15.7%
Subtotal - Luiza Card	5,873	6,347	-7.5%	12,886	12,038	7.0%
DCC Sales	0	31	-100.0%	3	76	-96.6%
Consumer Loans Sales	1	11	-90.1%	7	24	-70.7%
Luizacred Sales - Total	5,874	6,389	-8.0%	12,895	12,138	6.2%
Card Portfolio	10,586	9,321	13.6%	10,586	9,321	13.6%
DCC Portfolio	50	194	-74.0%	50	194	-74.0%
Consumer Loans Portfolio	9	26	-64.3%	9	26	-64.3%
Portfolio	10,646	9,542	11.6%	10,646	9,542	11.6%

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
2Q20 Earnings Release

Income Statement in IFRS

LUIZACRED – Income (R\$ million)	2Q20	V.A.	2Q19	V.A.	% Chg	1H20	V.A.	1H19	V.A.	% Chg
Financial Intermediation Revenue	387.3	100.0%	408.7	100.0%	-5.2%	784.9	100.0%	774.4	100.0%	1.4%
Cards	379.2	97.9%	375.3	91.8%	1.0%	762.8	97.2%	701.0	90.5%	8.8%
DCC	5.0	1.3%	25.2	6.2%	-80.3%	14.5	1.8%	56.8	7.3%	-74.5%
Consumer Loans	3.1	0.8%	8.2	2.0%	-61.9%	7.6	1.0%	16.5	2.1%	-53.8%
Financial Intermediation Expenses	(312.9)	-80.8%	(394.1)	-96.4%	-20.6%	(668.9)	-85.2%	(726.8)	-93.9%	-8.0%
Market Funding Operations	(38.2)	-9.9%	(64.2)	-15.7%	-40.6%	(90.1)	-11.5%	(124.0)	-16.0%	-27.3%
Provision for Loan Losses	(274.8)	-70.9%	(329.9)	-80.7%	-16.7%	(578.8)	-73.7%	(602.8)	-77.8%	-4.0%
Gross Financial Intermediation Income	74.4	19.2%	14.6	3.6%	407.7%	116.0	14.8%	47.6	6.1%	143.7%
Other Operating Revenues (Expenses)	(32.5)	-8.4%	(27.6)	-6.7%	17.8%	(57.6)	-7.3%	(61.7)	-8.0%	-6.6%
Service Revenue	211.4	54.6%	206.6	50.5%	2.3%	441.5	56.3%	397.3	51.3%	11.1%
Personnel Expenses	(4.9)	-1.3%	(7.8)	-1.9%	-36.9%	(10.3)	-1.3%	(14.7)	-1.9%	-29.6%
Other Administrative Expenses	(190.4)	-49.2%	(174.7)	-42.7%	9.0%	(389.4)	-49.6%	(343.2)	-44.3%	13.5%
Depreciation and Amortization	(3.0)	-0.8%	(3.0)	-0.7%	0.7%	(6.0)	-0.8%	(5.9)	-0.8%	1.1%
Tax Expenses	(34.5)	-8.9%	(34.0)	-8.3%	1.3%	(69.8)	-8.9%	(64.4)	-8.3%	8.5%
Other Operating Revenues (Expenses)	(11.0)	-2.8%	(14.7)	-3.6%	-25%	(23.6)	-3.0%	(30.8)	-4.0%	-23.4%
Income Before Tax	41.9	10.8%	(12.9)	-3.2%	-424.2%	58.4	7.4%	(14.1)	-1.8%	-514.2%
Income Tax and Social Contribution	(16.9)	-4.4%	5.0	1.2%	-440.7%	(23.8)	-3.0%	5.2	0.7%	-553.8%
Net Income	25.0	6.4%	(8.0)	-1.9%	-414.0%	34.6	4.4%	(8.8)	-1.1%	-490.7%

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

LUIZACRED – Income (R\$ million)	2Q20	V.A.	2Q19	V.A.	% Chg	1H20	V.A.	1H19	V.A.	% Chg
Financial Intermediation Revenue	387.3	100.0%	408.7	100.0%	-5.2%	784.9	100.0%	774.4	100.0%	1.4%
Cards	379.2	97.9%	375.3	91.8%	1.0%	762.8	97.2%	701.0	90.5%	8.8%
DCC	5.0	1.3%	25.2	6.2%	-80.3%	14.5	1.8%	56.8	7.3%	-74.5%
Consumer Loans	3.1	0.8%	8.2	2.0%	-61.9%	7.6	1.0%	16.5	2.1%	-53.8%
Financial Intermediation Expenses	(351.0)	-90.6%	(322.5)	-78.9%	8.8%	(677.9)	-86.4%	(594.3)	-76.7%	14.1%
Market Funding Operations	(38.2)	-9.9%	(64.2)	-15.7%	-40.6%	(90.1)	-11.5%	(124.0)	-16.0%	-27.3%
Provision for Loan Losses	(312.9)	-80.8%	(258.3)	-63.2%	21.1%	(587.8)	-74.9%	(470.3)	-60.7%	25.0%
Gross Financial Intermediation Income	36.3	9.4%	86.2	21.1%	-57.9%	107.0	13.6%	180.0	23.3%	-40.6%
Other Operating Revenues (Expenses)	(32.5)	-8.4%	(27.6)	-6.7%	17.8%	(57.6)	-7.3%	(61.7)	-8.0%	-6.6%
Service Revenue	211.4	54.6%	206.6	50.5%	2.3%	441.5	56.3%	397.3	51.3%	11.1%
Personnel Expenses	(4.9)	-1.3%	(7.8)	-1.9%	-36.9%	(10.3)	-1.3%	(14.7)	-1.9%	-29.6%
Other Administrative Expenses	(190.4)	-49.2%	(174.7)	-42.7%	9.0%	(389.4)	-49.6%	(343.2)	-44.3%	13.5%
Depreciation and Amortization	(3.0)	-0.8%	(3.0)	-0.7%	0.7%	(6.0)	-0.8%	(5.9)	-0.8%	1.1%
Tax Expenses	(34.5)	-8.9%	(34.0)	-8.3%	1.3%	(69.8)	-8.9%	(64.4)	-8.3%	8.5%
Other Operating Revenues (Expenses)	(11.0)	-2.8%	(14.7)	-3.6%	-25%	(23.6)	-3.0%	(30.8)	-4.0%	-23.4%
Income Before Tax	3.8	1.0%	58.7	14.4%	-93.5%	49.4	6.3%	118.3	15.3%	-58.3%
Income Tax and Social Contribution	(1.7)	-0.4%	(23.7)	-5.8%	-92.9%	(20.2)	-2.6%	(47.7)	-6.2%	-57.6%
Net Income	2.1	0.5%	35.0	8.6%	-93.9%	29.1	3.7%	70.6	9.1%	-58.7%

Comparative: IFRS x Brazilian Central Bank

R\$ milhões	2Q20	V.A.	2Q19	V.A.	% Chg	1H20	V.A.	1H19	V.A.	% Chg
Provision for Loan Losses	(38.1)	-9.8%	71.6	17.5%	-	(9.0)	-1.1%	132.4	17.1%	-
Income Tax and Social Contribution	15.2	3.9%	(28.6)	-7.0%	-	3.6	0.5%	(53.0)	-6.8%	-
Net Income	(22.8)	-5.9%	43.0	10.5%	-	(5.4)	-0.7%	79.5	10.3%	-

Magalu
2Q20 Earnings Release

Revenue from Financial Intermediation

In 2Q20, financial intermediation revenues reached R\$387.3 million, 5.2% lower than in 2Q19. This was primarily driven by the drop in Luiza Card billing within Magalu, due to the temporary closure of physical stores, and the lower revenue growth outside Magalu, due to the reduced volume of customer spending caused by social isolation.

Provision for Loan Losses

Loans overdue from 15 days to 90 days (NPL 15) represented only 2.7% of the total portfolio in Jun/20, improving 0.5 p.p. compared to Jun / 19 and 0.6 p.p. compared to Mar/20, due to a conservative credit policy and major collection efforts by stores and the Company's collection department.

The percentage of the portfolio overdue for more than 90 days (NPL 90) was 9.7% in Jun/20, an increase of only 1.2 p.p. compared to Jun/19. This was due in large part to the temporary store closures which hindered customers' ability to make payments.

With the gradual reopening of stores over the course of 2Q20, the receipt of payments increased substantially, reaching pre-pandemic levels and minimizing the impact on default indicators and provisions. This generated a notable improvement in the short-term overdue portfolio.

Provisions for loan losses represented 2.6% of the total portfolio in 2Q20, a reduction from 3.5% in 2Q19. It is worth noting that the lower short-term delinquency rates in the quarter also led to a reduction in IFRS provisions during the period.

The portfolio's coverage ratio was 161% in Jun/20 compared to 168% in Jun/19.

PORTFOLIO - OVERDUE	Jun-20		Mar-20		Dec-19		Sep-19		Jun-19	
000 to 014 days	9,318	87.5%	10,229	88.6%	10,322	89.4%	9,151	88.5%	8,428	88.3%
015 to 030 days	48	0.4%	112	1.0%	67	0.6%	65	0.6%	70	0.7%
031 to 060 days	62	0.6%	115	1.0%	81	0.7%	88	0.9%	91	1.0%
061 to 090 days	183	1.7%	151	1.3%	128	1.1%	122	1.2%	141	1.5%
091 to 120 days	182	1.7%	122	1.1%	123	1.1%	133	1.3%	124	1.3%
121 to 150 days	151	1.4%	117	1.0%	116	1.0%	118	1.1%	140	1.5%
151 to 180 days	129	1.2%	113	1.0%	110	1.0%	122	1.2%	107	1.1%
180 to 360 days	573	5.4%	592	5.1%	602	5.2%	536	5.2%	440	4.6%
Portfolio (R\$ million)	10,646	100%	11,551	100%	11,549	100%	10,336	100%	9,542	100%
Receipt expectation of loan portfolio overdue above 360 days	160		147		133		126		120	
Total Portfolio in IFRS 9 (R\$ million)	10,806		11,697		11,682		10,462		9,661	
Overdue 15-90 days	292	2.7%	378	3.3%	275	2.4%	275	2.7%	302	3.2%
Overdue Above 90 days	1,036	9.7%	944	8.2%	951	8.2%	910	8.8%	811	8.5%
Total Overdue	1,328	12.5%	1,322	11.4%	1,227	10.6%	1,185	11.5%	1,113	11.7%
Provisions for loan losses on Portfolio	1,361		1,362		1,335		1,260		1,097	
Provisions for loan losses on available limit	302		293		280		279		265	
Total Provisions for loan losses in IFRS 9	1,662		1,655		1,614		1,539		1,363	
Coverage of Portfolio (%)	131%		144%		140%		138%		135%	
Coverage of Total Portfolio (%)	161%		175%		170%		169%		168%	

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 19.2% in 2Q20 (15.6 p.p. YoY), mainly influenced by a reduction in the short-term overdue portfolio and, consequently, a lower volume of IFRS provisions.

Other Operating Revenues (Expenses)

Other operating expenses totaled R\$32.5 million in 2Q20, an increase of 17.8% YoY, due to the decelerating growth in service revenue caused by the Covid-19 pandemic.

Luizacred's operating efficiency ratio was stable at 40% in 2Q19 even with the decrease in revenue caused by the pandemic.

Operating Income and Net Income

In 2Q20, Luizacred recorded operating income of R\$41.9 million, equivalent to 10.8% of financial intermediation (+14p.p. YoY). In 2Q20, Luizacred's net profit reached R\$25.0 million with a Return On Equity (ROE) of 16.3%.

In compliance with accounting practices established by the Brazilian Central Bank, considering the minimum provisions of Law 2682, Luizacred's net income totaled R\$2.1 million in 2Q20.

Shareholders' Equity

In compliance with the same practices, Luizacred posted shareholders' equity of R\$921.2 million in Jun/20. 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\$625.5 million.

Magalu
2Q20 Earnings Release

EARNINGS VIDEO CONFERENCE

Video Conference in Portuguese/English (with simultaneous translation)

Tuesday, Aug 18th, 2020

11:00 – Brasilia time

10:00 – New York time (EST)

[Video Conference in English](#)

HD Web Phone:

[Access HD Magalu](#)

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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 twenty one distribution centers serving a network of over 1.150 stores in 18 states. 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 over 1,300 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 has a profitable 1P e-commerce business and a thriving 3P marketplace. 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.