August 6, 2018

Magazine Luiza S.A. (B3: MGLU3)
2nd Quarter 2018 Earnings Release (IFRS equivalent)

2Q18 HIGHLIGHTS

E-Commerce grew 66%, reaching R$1.5 billion and 33% of total sales
Physical store sales grew 34%, while same stores sales rose 27%
Total sales rose 43%, reaching R$4.6 billion
EBITDA grew 32% to R$312 million, 8.5% margin
Net profit grew 94% to R$141 million, 3.8% margin
Net cash position of R$1.3 billion in Jun/18

- **Highest quarterly growth in the last 5 years.** In 2Q18, total sales, including physical stores, traditional e-commerce (1P) and marketplace (3P) increased 43.3% to R$4.6 billion, reflecting growth of 66.1% in e-commerce (on top of 60,8% growth in 2Q17) and 34.1% in physical stores (on top of 17,0% growth in 2Q17). Magalu continued to gain market share across all channels and major product categories. By contrast, in the first five months of the year, the market for furniture and electronics fell 1.3%, according to IBGE.

- **Accelerated growth in e-commerce.** E-commerce sales grew 66.1% in 2Q18, compared to market growth of 13.2% (E-bit), reaching 33.0% of total sales. In traditional e-commerce, sales grew 54.8%, and the marketplace contributed with additional sales of R$150.0 million. This market share gain was the result of: (i) increased sales on mobile platforms, mainly through the app, which reached 16 million downloads, (ii) higher conversion rates across all channels, (iii) the maturation of multichannel projects, especially, In-Store Pick-Up and (iv) continuously improving levels of customer service which enabled us to maintain our RA1000 ranking.

- **Evolution of gross profit.** In 2Q18, gross profit increased 32.7% to R$1.1 billion. Gross margin decreased 90 bps to 30.0% reflecting: (i) a significant increase in e-commerce share and (ii) a slight gross margin reduction across the channels due to the excellent performance of the image category before and during the World Cup.

- **Significant dilution of operating expenses.** In 2Q18, operating expenses were diluted by 100 bps to 21.8% of net revenues. This dilution reflects sales growth, the continuity of the Zero Base Budget (OBZ) and Matrix Expense Management (GMD) programs implemented by the Company. On the other hand, part of the growth in expenses was due to the investments in marketing in the acquisition of new customers and increase in the level of service, including logistics and service level.

- **Strong EBITDA growth, reduction of financial expenses and evolution of net income.** In 2Q18, EBITDA increased 32.5% to R$312.4 million (8.5% margin). High sales growth, the positive contribution of e-commerce and the dilution of expenses were responsible for the EBITDA growth. In addition, financial expenses were diluted by 180 bps to 1.9% of net revenue, as a result of the significant reduction in net debt and the decline in the CDI rate. Due to these factors, the Company posted R$140.7 million of net profit (ROE of 26%)

- **Strong cash flow generation and ROIC.** Cash flow from operations, adjusted by receivables, reached R$1.0 billion during the last 12 months, due to improved results and working capital management. The change in adjusted working capital contributed R$192.0 million to operating cash generation during the last 12 months. Once again, the Company presented high growth with high ROIC and strong cash generation. In 2Q18 annualized ROIC reached 29%.

- **Reduction of net debt and optimization of the capital structure.** In the last 12 months, the Company reduced adjusted net debt by R$1.6 billion, from a net debt of R$0.3 billion in Jun/17 to a net cash position of R$1.3 billion in Jun/18. As of this date the Company reached a total cash position of R$1.9 billion, with cash and securities and credit card receivables.

R$ million (except when otherwise indicated)	2Q18	2Q17	% Chg	1H18	1H17	% Chg
Total Sales[1] (including marketplace)	4,618.8	3,224.0	43.3%	9,084.9	6,562.1	38.4%
Gross Revenue	4,487.3	3,217.2	39.5%	8,853.6	6,568.2	34.8%
Net Revenue	3,696.2	2,699.2	36.9%	7,309.4	5,506.2	32.8%
Gross Income	1,108.0	834.9	32.7%	2,151.4	1,667.4	29.0%
Gross Margin	30.0%	30.9%	-90 bps	29.4%	30.3%	-90 bps
EBITDA	312.4	235.8	32.5%	612.9	467.7	31.1%
EBITDA Margin	8.5%	8.7%	-20 bps	8.4%	8.5%	-10 bps
Net Income	140.7	72.4	94.5%	288.2	130.9	120.2%
Net Margin	3.8%	2.7%	110 bps	3.9%	2.4%	150.0 pp
Same Physical Store Sales Growth	27.1%	14.1%	-	21.4%	12.9%	-
Total Physical Store Sales Growth	34.1%	17.0%	-	27.7%	15.1%	-
E-commerce Sales Growth (1P)	54.8%	55.6%	-	54.2%	55.9%	-
Total E-commerce Sales Growth	66.1%	60.8%	-	65.4%	59.6%	-
E-commerce Share in Total Sale	33.0%	28.5%	4.6 pp	34.2%	28.6%	5.6 pp
Number of Stores - End of Period	885	814	71 stores	885	814	71 stores
Sales Area - End of Period (M2)	538,753	509,909	5.7%	538,753	509,909	5.7%

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

MESSAGE FROM THE EXECUTIVE DIRECTORS

Through a combination of hard work, planning and superior execution, the Magalu team managed to deliver another strong quarterly performance, selling more, gaining new customers and increasing our Net Promoter Score (NPS). Exceeding expectations, we achieved the highest quarterly sales growth in recent years: 43% compared to the second quarter of 2017, with a 27% increase in same store sales and 66% growth in e-commerce. Our customer focus and digital transformation strategy, have, once again, enabled us to generate market share gains across all channels and categories.

We began the second quarter of 2018 optimistic, excited for the World Cup, and with a positive expectation for resumption of the country's economic growth, driven in part by inflation and interest rates at the lowest levels in the country's history. The truckers' strike, at the end of May, however, surprised everyone and could have hurt our performance during the quarter. By acting quickly and decisively, however, we were able to overcome the challenge.

A highlight of the quarter was the start of the World Cup, and with it the launch of our "Sai Zica" ("Bad luck be gone!") marketing campaign which challenged Brazilians not to watch the World Cup on the same televisions that witnessed the country's infamous 7x1 loss to Germany in the 2014 World Cup. With the campaign, our customers were encouraged to exchange their 7x1 televisions for new ones. The campaign had such a positive impact that it was even written about in the international press. Due in part to the efforts of Lu, our virtual assistant, we were one of the most mentioned brands on Twitter and other social networks during the event. The net result was that, in the image category (televisions) we doubled our market share compared to the 2014 World Cup, and grew more than double the market in the first half of this year.

Another event that stood out during the quarter was the truck drivers' strike, at the end of May, which materially impacted the Brazilian public and various sectors of the economy. This adverse event highlighted the superiority of our business model, logistics structure (Malha Luiza) and our management team's execution capabilities. In response to the strike, we undertook a number of proactive measures including: immediately creating a crisis committee; increasing delivery times for new orders (in order to carefully manage our customers' expectations); launching a "It's worth it to wait" campaign where we offered customers who made purchases during the strike free shipping; sending out thousands of messages to customers with outstanding orders effected by the strike, and pivoting our marketing campaigns to focus on products readily available at the store level. As soon as the strike ended, Malha Luiza quickly resumed operations, resupplying stores and delivering outstanding orders. In 3 days, 98% of stores were resupplied to standard levels, and outstanding orders were delivered by Malha Luiza in less than 1 week, keeping our customers satisfied, and minimizing the impact of the strike on our results during the period.

We accelerated the pace of our customer-focused investments in the second quarter, reinforcing the new phase which we initiated earlier this year. Thinking about our customers and their long-term value, we chose to reinvest operating efficiencies to increase our active customer base and improve our level of service.

Our online platform has also contributed significantly to the acquisition of new customers, mainly through the marketplace with its wide offering of different products and categories. Our platform already has more than 2.6 million SKUs offered by more than 1,500 sellers of various categories and sizes. The marketplace reached R$150 million in sales during the quarter, representing 10% of total e-commerce sales. In the second quarter, 19% of customers who made a purchase via our e-commerce operation also purchased a Marketplace item, compared to just 7% during the same period last year. The majority of these customers connect to our platform via mobile devices, more specifically, using our app, which recently surpassed 16 million downloads.

We also accelerated the pace of store openings this quarter, including entering new metropolitan regions such as Goiânia, GO and São Luis, MA, where we were very well received. In total, there were 27 new store inaugurations, all of which contributed to the acquisition of new customers and increased the card holder base of Cartão Luiza. In addition, new stores helped elevate our sales growth 7 percentage points.

At Luizacred, we doubled the number of new cards issued in the second quarter compared to the same period last year. This is value accretive in the sense that Luiza cardholders are more loyal and have a higher purchase frequency. Although the issuance of so many new cards and the adoption of IRFS 9 augment short term costs and provisions, we are confident that they will generate sustainable growth in sales and profitability for years to come.

We also invested in further improving the level of service that we offer our customers. During the second quarter, we expanded Express Delivery (delivery to the customer's home within two business days), significantly, increasing this mode of delivery by a factor of ten. By leveraging our 11 strategically located distribution centers, we are already offering this option to customers in more than 100 cities around the country. Logbee, the logistics technology startup that we acquired in May, has been perfectly complementing Malha Luiza, contributing decisively to the advancement of Express Delivery.

During the second quarter, we also opened a new distribution center in Goiás to accelerate delivery times and support the operation of newly opened stores throughout the region. Malha Luiza has grown to more than 1,700 micro-transport companies, all connected through the Mobile Delivery app, and they are currently responsible for delivering more than 80% of the Company's sales. Improvements in logistics, coupled with low stockout (lack of product) rates in our stores and distribution centers, have provided customers a faster and higher quality delivery solution.

In addition, we have also invested in improving our post-sales exchange and cancellation policies. This quarter we were able to reduce the average time it takes to complete an exchange or cancellation by 60%.

In other news, we maintained our Reclame Aqui RA1000 rating for e-commerce (including the marketplace operation), and extended the ranking for our physical stores, proof of our commitment to offering our customers the highest level of service. We also reduced our number of formal complaints per order volume by 48%.

We should also not fail to mention the essential role played by Luizalabs in diverse projects across every aspect of our business. Recent initiatives include the launch of a dynamic pricing model for e-commerce and the pilot of a machine learning-based solution to predict demand at the store and distribution center levels.

Since May, Luizalabs is in a new facility with around 3,000 m² and a capacity for more than 300 employees. The building has dedicated areas for the product teams, as well as meeting rooms and an auditorium. It is a collaborative environment that facilitates interaction among teams and contributes to the development of new technologies for the business.

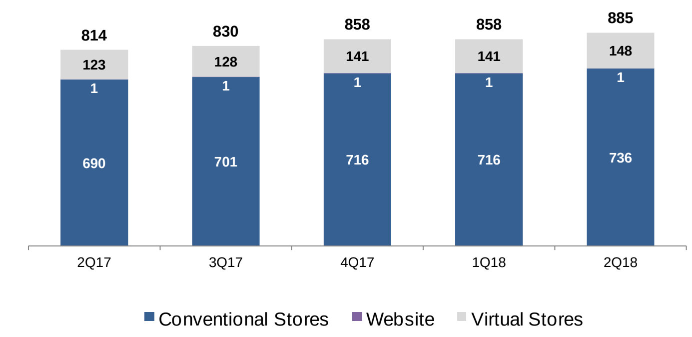
We began the second semester with a more cautious short-term outlook due to the slower than expected pace of recovery; a lack of definition of the political landscape; the end of the World Cup and rising exchange rates which have generated pressure within the industry to pass on higher costs in the form of price increases. We may face a more challenging period going forward and we definitely have a higher comparison base than we had during the first half of the year.

But even with a more conservative outlook in relation to the economic environment, we remain confident in our strategy and our capacity to execute and will continue to increase investments that will ensure our long-term growth and sustainability. We thank our customers, employees, shareholders and suppliers once again for their trust and support as we continue together on this journey.

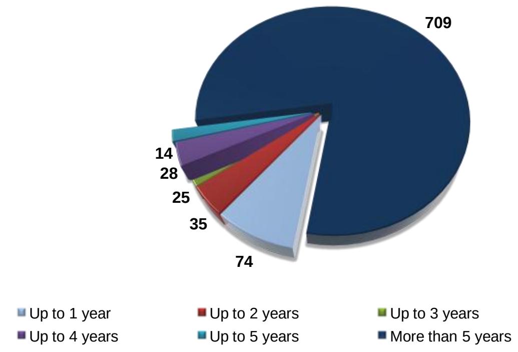
OPERATING AND FINANCIAL PERFORMANCE

Magalu ended 2Q18 with 885 stores (736 conventional, 148 virtual) and an e-commerce operation. In 2Q18, the Company inaugurated 27 stores. In the last 12 months, the Company opened 74 new stores and closed 3 stores. Twenty percent of our total number of stores are not yet mature.

Number of Stores

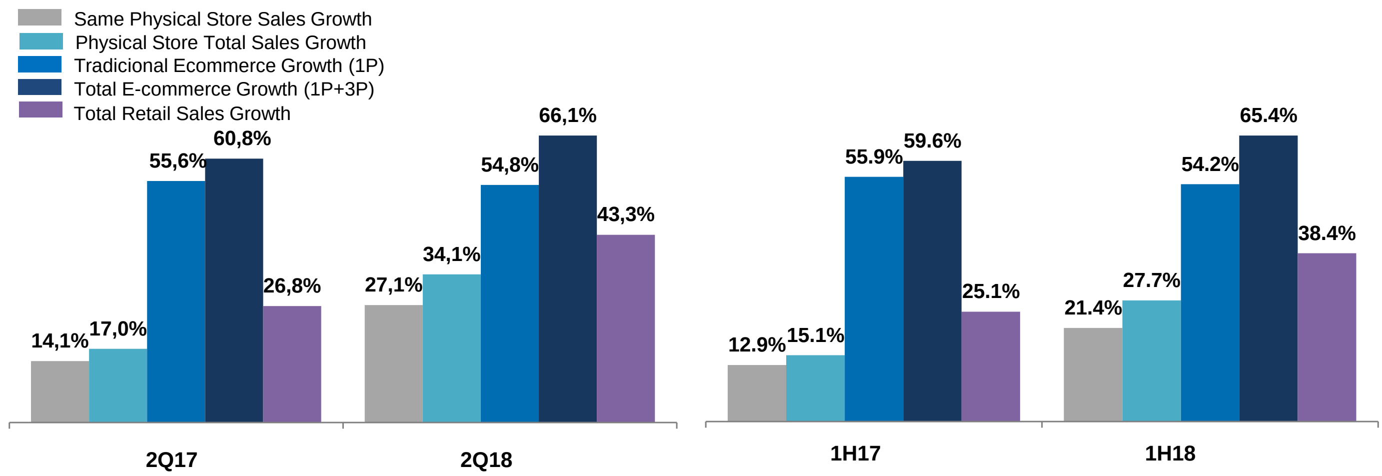


Average Age of Stores (number of stores)



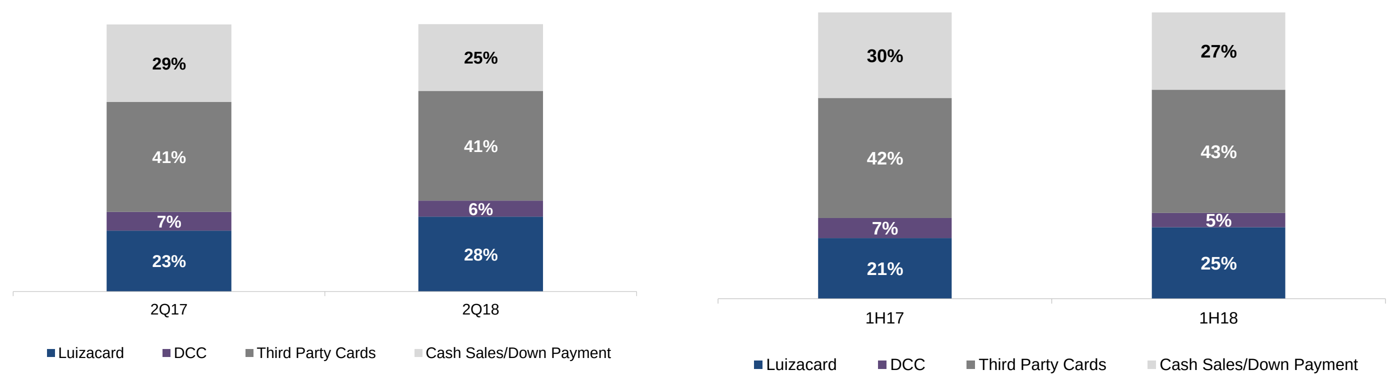
Total Retail sales were up 43.3% in 2Q18 as a result of a 34.1% increase in brick-and-mortar stores and a 66.1% increase in e-commerce. This growth reflects consistent e-commerce and bricks-and-mortar performance.

Total Sales Growth (%)



Luiza Card total sales penetration increased 500 bps to 28% in 2Q18, contributing to the Company's strategy of increasing customer loyalty. Due to a more conservative credit policy, the percentage of DCC (direct credit to consumers) sales fell from 7% to 6% YoY.

Financed Sales Mix (% of total sales)



Gross Revenues

(in R$ million)	2Q18	2Q17	% Chg	1H18	1H17	% Chg
Gross Revenue - Retail - Merchandise Sales	4,274.9	3,060.3	39.7%	8,451.9	6,259.4	35.0%
Gross Revenue - Retail - Services	197.4	142.8	38.2%	370.1	281.5	31.5%
Gross Revenue - Retail	**4,472.2**	**3,203.1**	**39.6%**	**8,822.1**	**6,541.0**	**34.9%**
Gross Revenue - Other Services	18.2	17.0	7.0%	37.3	33.1	12.7%
Inter-Company Eliminations	(3.2)	(2.9)	9.7%	(5.9)	(5.9)	0.2%
Gross Revenue - Total	**4,487.3**	**3,217.2**	**39.5%**	**8,853.6**	**6,568.2**	**34.8%**

In 2Q18, total gross revenues grew 39.5% to R$4.5 billion, due to the accelerated growth of e-commerce, excellent performance of same physical store sales and the significant contribution of new stores. Also notable was the growth in services revenue of 38.2%, which includes the sale of new insurance, digital services (Lu Conecta) and marketplace commissions. In 1H18, gross revenue grew 34.8% to R$8.9 billion.

Net Revenues

(in R$ million)	2Q18	2Q17	% Chg	1H18	1H17	% Chg
Net Revenue - Retail - Merchandise Sales	3,509.1	2,561.2	37.0%	6,954.7	5,234.1	32.9%
Net Revenue - Retail - Services	173.5	125.1	38.7%	326.3	247.2	32.0%
Net Revenue - Retail	**3,682.6**	**2,686.3**	**37.1%**	**7,281.0**	**5,481.3**	**32.8%**
Net Revenue - Other Services	16.7	15.8	6.0%	34.3	30.8	11.5%
Inter-Company Eliminations	(3.2)	(2.9)	9.7%	(5.9)	(5.9)	0.2%
Net Revenue - Total	**3,696.2**	**2,699.2**	**36.9%**	**7,309.4**	**5,506.2**	**32.8%**

In 2Q18, total net revenues rose 36.9% to R$3.7 billion, in line with total gross revenue. In 1H18, net revenue grew 32.8% to R$7.3 billion.

Gross Profit

(in R$ million)	2Q18	2Q17	% Chg	1H18	1H17	% Chg
Gross Profit - Retail - Merchandise Sales	925.7	702.0	31.9%	1,805.6	1,405.2	28.5%
Gross Profit - Retail - Services	173.5	125.1	38.7%	326.3	247.2	32.0%
Gross Profit - Retail	**1,099.3**	**827.1**	**32.9%**	**2,132.0**	**1,652.4**	**29.0%**
Gross Profit - Other Services	9.0	7.8	15.3%	19.7	15.0	31.0%
Inter-Company Eliminations	(0.3)	-	0.0%	(0.3)	-	0.0%
Gross Profit - Total	**1,108.0**	**834.9**	**32.7%**	**2,151.4**	**1,667.4**	**29.0%**
Gross Margin - Total	**30.0%**	**30.9%**	**-90 bps**	**29.4%**	**30.3%**	**-90 bps**

In 2Q18, gross profit increased by 32.7% to R$1.1 billion, equivalent to a gross margin of 30.0%. This result is attributable to: (i) a higher contribution from e-commerce over total sales and (ii) a slight gross margin reduction of the channels due to the excellent performance of the image category before and during the World Cup. In 1H18, gross profit grew 29.0% to R$2.2 billion with a 29.4% gross margin.

Operating Expenses

(in R$ million)	2Q18	% NR	2Q17	% NR	% Chg	1H18	% NR	1H17	% NR	% Chg
Selling Expenses	(661.4)	-17.9%	(489.2)	-18.1%	35.2%	(1,303.2)	-17.8%	(997.8)	-18.1%	30.6%
General and Administrative Expenses	(137.6)	-3.7%	(126.2)	-4.7%	9.0%	(270.5)	-3.7%	(246.3)	-4.5%	9.8%
General and Administrative Expenses	**(798.9)**	**-21.6%**	**(615.4)**	**-22.8%**	**29.8%**	**(1,573.8)**	**-21.5%**	**(1,244.1)**	**-22.6%**	**26.5%**
Provisions for Loan Losses	(15.1)	-0.4%	(10.2)	-0.4%	48.6%	(27.6)	-0.4%	(15.8)	-0.3%	75.0%
Other Operating Revenues, Net	8.8	0.2%	9.0	0.3%	-2.4%	29.9	0.4%	19.3	0.4%	54.5%
Total Operating Expenses	**(805.3)**	**-21.8%**	**(616.6)**	**-22.8%**	**30.6%**	**(1,571.5)**	**-21.5%**	**(1,240.5)**	**-22.5%**	**26.7%**

Selling Expenses

Selling expenses totaled R$661.4 million or 17.9% of net revenues in 2Q18 (20 bps lower YoY). Part of the nominal growth of expenses was due to the investments in marketing in the acquisition of new customers and increase of the level of service, including logistics and service. In 1H18, selling expenses totaled R$1.3 billion, equivalent to 17.8% of net revenue (-0.3 pp versus 1H17).

General and Administrative Expenses

General and administrative expenses came to R$137.6 million or 3.7% of net revenues in 2Q18 (100 bps lower YoY). This dilution reflects sales growth, continuity of Zero Base Budget (OBZ) and Matrix Expense Management (GMD) program and decreased inflation over salary readjustments. In 1H18, general and administrative expenses totaled R$270.5 million or 3.7% of net revenue (80 bps lower YoY).

Provisions for Loan Losses

Provisions for loan losses reached R$15.1 million in 2Q18 and R$ 27.6 million in 1H18.

Other Operating Revenues and Expenses, Net

(in R$ million)	2Q18	% NR	2Q17	% NR	% Chg	1H18	% NR	1H17	% NR	% Chg
Gain on Sale of Assets	(0.1)	0.0%	(0.3)	0.0%	-55.9%	(0.3)	0.0%	2.3	0.0%	-
Deferred Revenue Recorded	10.7	0.3%	11.3	0.4%	-5.6%	21.4	0.3%	21.4	0.4%	0.0%
Provision for Tax Liabilities	0.9	0.0%	(2.4)	-0.1%	-	12.5	0.2%	(3.2)	-0.1%	-
Non-recurring Expenses	(2.8)	-0.1%	(1.4)	-0.1%	103.3%	(3.8)	-0.1%	(1.9)	0.0%	94.6%
Other	0.0	0.0%	1.8	0.1%	-98.0%	0.0	0.0%	0.8	0.0%	-95.4%
Total	**8.8**	**0.2%**	**9.0**	**0.3%**	**-2.5%**	**29.9**	**0.4%**	**19.3**	**0.4%**	**54.5%**

Other net operating revenues and expenses came to R$8.8 million in 2Q18, chiefly due to a deferred revenues allocation of R$10.7 million and R$2.8 million of non-recurring expenses related to the opening of 27 new stores. In 1H18, other net operating revenues and expenses came to R$29.9 million.

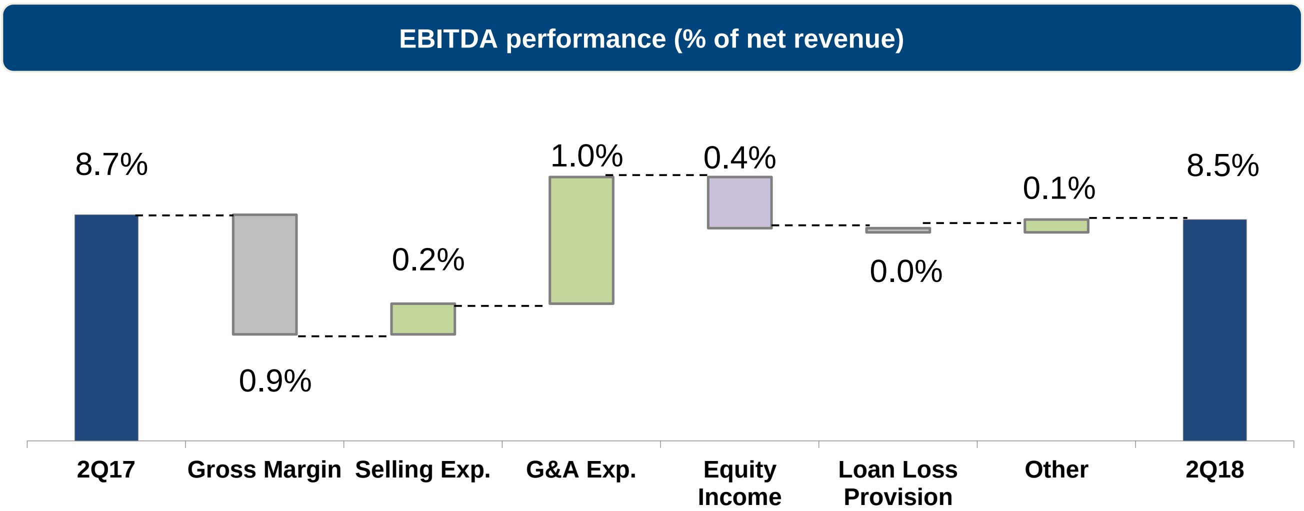
Equity Income

Equity income reached R$9.7 million or 0.3% of net revenue in 2Q18. The main factors that impacted this result were: (i) Luizacred's performance with equity income of R$8.2 million and (ii) Luizaseg's performance with equity income of R$1.5 million. In 1H18, equity income reached R$33.0 million.

It is worth noting that Luizacred's R$16.4 million result was influenced by growth in the Luiza Card cardholder base as well as an increase in the credit limit. In accordance with IFRS 9, this generated an increase in loan loss provisions this quarter, despite the fact that Luizacred had the lowest level of defaults in its history. For comparison purposes, the result of Luizacred in BRGAAP was R$39.9 million, an increase of 23.7% compared to 2Q17.

EBITDA

In 2Q18, EBITDA grew 32.5% to R$312.4 million, equivalent to a margin of 8.5%. High sales growth, a positive contribution from e-commerce, and the dilution of operating expenses contributed to the EBITDA growth. In 1H18, EBITDA grew 31.1% to R$612.9 million, equivalent to a margin of 8.4%.



Financial Results

R$ million	2Q18	% NR	2Q17	% NR	% Chg	1H18	% NR	1H17	% NR	% Chg
Financial Expenses	(112.1)	-3.0%	(136.8)	-5.1%	-18.1%	(195.6)	-2.7%	(290.7)	-5.3%	-32.7%
Interest on loans and financing	(15.2)	-0.4%	(52.7)	-2.0%	-71.2%	(32.0)	-0.4%	(120.6)	-2.2%	-73.5%
Interest on prepayment of receivables – third party card	(23.0)	-0.6%	(33.6)	-1.2%	-31.5%	(38.3)	-0.5%	(66.7)	-1.2%	-42.5%
Interest on prepayment of receivables – Luiza Card	(56.6)	-1.5%	(42.5)	-1.6%	33.3%	(100.4)	-1.4%	(84.4)	-1.5%	19.0%
Other expenses	(17.3)	-0.5%	(8.0)	-0.3%	115.2%	(24.8)	-0.3%	(19.1)	-0.3%	30.2%
Financial Revenues	39.5	1.1%	27.6	1.0%	43.4%	63.3	0.9%	51.1	0.9%	23.9%
Gains on marketable securities	2.4	0.1%	1.4	0.1%	73.6%	3.7	0.1%	6.6	0.1%	-43.4%
Other financial revenues	37.1	1.0%	26.2	1.0%	41.8%	59.5	0.8%	44.5	0.8%	33.9%
Total Financial Results	(72.6)	-2.0%	(109.2)	-4.0%	-33.6%	(132.3)	-1.8%	(239.7)	-4.4%	-44.8%
Income from securities[1]	3.4	0.1%	8.6	0.3%	-59.9%	13.0	0.2%	22.1	0.4%	-41.2%
Adjusted Net Financial Results	(69.1)	-1.9%	(100.7)	-3.7%	-31.3%	(119.3)	-1.6%	(217.6)	-4.0%	-45.2%

Note (1): yields on the exclusive fund, are treated as financial revenue in the Parent Company and as gross revenue in the Consolidated Income Statement, as per the Explanatory Notes of ITR.

In 2Q18, adjusted net financial results came to R$69.1 million, a 31.3% improvement YoY. Financial results improved 180 bps as a percentage of net revenue (from 3.7% to 1.9%). This result was positively impacted by reduced net debt and a continuous decrease in the Selic rate. In 1H18, adjusted net financial results totaled R$119.3 million, an improvement of 240 bps YoY.

Net Income

In 2Q18, net income came to R$140.7 million (net margin of 3.8%) with an annualized ROIC of 29% and a ROE of 26%. In 1H18, net income rose to R$288.2 million (net margin of 3.9%), an increase of 120.2%.

Working Capital

CONSOLIDATED (R$ million)	LTM	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17
(+) Accounts Receivables	1,003.2	1,507.0	1,410.7	1,241.3	663.2	503.8
(+) Inventories	680.1	2,110.4	1,937.3	1,969.3	1,545.5	1,430.3
(+) Related Parties	53.7	100.8	86.0	96.8	65.2	47.1
(+) Recoverable Taxes	7.7	190.4	191.9	200.7	189.0	182.7
(+) Other Assets	(20.3)	69.9	72.0	77.3	103.3	90.2
(+) Current Operating Assets	1,724.4	3,978.7	3,697.8	3,585.4	2,566.2	2,254.3
(-) Suppliers	889.0	2,749.5	2,456.9	2,919.5	2,120.1	1,860.5
(-) Payroll, Vacation and Related Charges	17.0	208.6	188.8	236.6	231.5	191.5
(-) Taxes Payable	63.9	110.4	91.7	84.5	66.1	46.4
(-) Related Parties	34.2	94.5	82.9	89.5	71.3	60.3
(-) Taxes in Installments	-	-	-	-	-	-
(-) Deferred Revenue	(3.1)	39.7	40.7	41.6	42.2	42.8
(-) Other Accounts Payable	104.0	267.2	255.2	265.8	175.7	163.2
(-) Current Operating Liabilities	1,105.1	3,469.9	3,116.2	3,637.5	2,706.9	2,364.8
(=) Working Capital	619.3	508.8	581.6	(52.1)	(140.7)	(110.5)
(-) Credit Card - Third Party Card	778.3	1,018.9	992.5	820.3	333.1	240.6
(-) Credit Card - Luiza Card	33.0	44.3	35.9	42.3	22.8	11.4
(-) Total Credit Card	811.3	1,063.3	1,028.5	862.6	355.9	252.0
(=) Working Capital Adjusted	(192.0)	(554.5)	(446.9)	(914.7)	(496.6)	(362.5)
% of Gross Revenue (LTM)	-0.5%	-3.3%	-2.9%	-6.4%	-3.7%	-2.9%
(=) Working Capital	619.3	508.8	581.6	(52.1)	(140.7)	(110.5)
(+) Balance of Discounted Receivables	(65.2)	1,648.7	1,564.4	1,528.7	1,675.5	1,713.9
(=) Working Capital Expanded	554.1	2,157.5	2,145.9	1,476.6	1,534.8	1,603.4
% of Gross Revenue (LTM)	0.3%	13.0%	14.0%	10.3%	11.5%	12.7%

In Jun/18, the adjusted working capital needs were negative R$554.1 million, a relevant improvement over the previous year, with an average purchase term better than the inventory turnover. In the last 12 months, the change in working capital contributed R$192.0 million to cash flow from operations and, as a consequence, to an adjusted net debt reduction.

Capex

CAPEX (in R$ million)	2Q18	%	2Q17	%	%Chg	1H18	%	1H17	%	%Chg
New Stores	25.2	30%	4.1	10%	517%	31.2	26%	14.7	19%	112%
Remodeling	27.1	32%	13.6	33%	99%	32.3	27%	19.3	25%	67%
Technology	18.3	22%	20.6	49%	-11%	35.2	29%	39.2	50%	-10%
Logistics	12.4	15%	2.1	5%	483%	20.4	17%	3.1	4%	570%
Other	2.0	2%	1.3	3%	57%	2.4	2%	1.7	2%	44%
Total	**85.0**	**100%**	**41.7**	**100%**	**104%**	**121.4**	**100%**	**77.9**	**100%**	**56%**

In 2Q18, investments totaled R$85.0 million, including the opening of new stores, remodeling, investments in technology and logistics in line with the Company's digital transformation strategy. During this period, the Company inaugurated 27 stores and began the process of investing in around 30 new stores scheduled to open in 3Q18.

In 1H18, investments totaled R$121.4, growing 56% YoY.

Capital Structure

CONSOLIDATED (R$ million)	LTM	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17
(-) Current Loans and Financing	464.1	(254.5)	(381.4)	(434.3)	(720.5)	(718.7)
(-) Non-current Loans and Financing	335.6	(327.4)	(437.4)	(437.2)	(886.5)	(663.0)
(=) Gross Debt	799.8	(581.9)	(818.8)	(871.5)	(1,606.9)	(1,381.6)
(+) Cash and Cash Equivalents	415.4	680.5	775.2	412.7	178.6	265.1
(+) Current Securities	(414.1)	182.8	299.3	1,259.6	1,043.7	597.0
(+) Non-current Securities	-	-	-	-	-	-
(+) Total Cash	1.2	863.3	1,074.5	1,672.3	1,222.3	862.0
(=) Net Cash	801.0	281.4	255.7	800.8	(384.6)	(519.6)
(+) Credit Card - Third Party Card	778.3	1.018.9	992.5	820.3	333.1	240.6
(+) Credit Card - Luiza Card	33.0	44.3	35.9	42.3	22.8	11.4
(+) Total Credit Card	811.3	1,063.3	1,028.5	862.6	355.9	252.0
(=) Adjusted Net Cash	1,612.3	1,344.7	1,284.2	1,663.4	(28.7)	(267.6)
Short Term Debt / Total	-8%	44%	47%	50%	45%	52%
Long Term Debt / Total	8%	56%	53%	50%	55%	48%
Adjusted EBITDA (LTM)	301.4	1,181.1	1,103.1	1,034.1	949.5	879.7
Adjusted Net Cash / Adjusted EBITDA	1.4 x	1.1 x	1.2 x	1.6 x	0.0 x	-0.3 x
Cash, Securities and Credit Cards	812.5	1,926.6	2,103.0	2,534.9	1,578.2	1,114.0

In the last 12 months, the Company improved its capital structure by R$1.6 billion, from a net debt position of R$0.3 billion, in Jun/17, to a net cash position of R$1.3 billion in Jun/18.

The Company ended 2Q18 with a total cash position of R$1.9 billion, with cash and securities worth R$0.9 billion and R$1.0 billion worth of credit card receivables.

ANNEX I
FINANCIAL STATEMENTS – CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT (R$ million)	2Q18	V.A.	2Q17	V.A.	% Chg	1H18	V.A.	1H17	V.A.	% Chg
Gross Revenue	4,487.3	121.4%	3,217.2	119.2%	39.5%	8,853.6	121.1%	6,568.2	119.3%	34.8%
Taxes and Deductions	(791.1)	-21.4%	(518.0)	-19.2%	52.7%	(1,544.1)	-21.1%	(1,062.1)	-19.3%	45.4%
Net Revenue	3,696.2	100.0%	2,699.2	100.0%	36.9%	7,309.4	100.0%	5,506.2	100.0%	32.8%
Total Costs	(2,588.2)	-70.0%	(1,864.3)	-69.1%	38.8%	(5,158.1)	-70.6%	(3,838.8)	-69.7%	34.4%
Gross Income	1,108.0	30.0%	834.9	30.9%	32.7%	2,151.4	29.4%	1,667.4	30.3%	29.0%
Selling Expenses	(661.4)	-17.9%	(489.2)	-18.1%	35.2%	(1,303.2)	-17.8%	(997.8)	-18.1%	30.6%
General and Administrative Expenses	(137.6)	-3.7%	(126.2)	-4.7%	9.0%	(270.5)	-3.7%	(246.3)	-4.5%	9.8%
Provisions for Loan Losses	(15.1)	-0.4%	(10.2)	-0.4%	48.6%	(27.6)	-0.4%	(15.8)	-0.3%	75.0%
Other Operating Revenues, Net	8.8	0.2%	9.0	0.3%	-2.4%	29.9	0.4%	19.3	0.4%	54.5%
Equity in Subsidiaries	9.7	0.3%	17.4	0.6%	-44.6%	33.0	0.5%	40.8	0.7%	-19.2%
Total Operating Expenses	(795.6)	-21.5%	(599.2)	-22.2%	32.8%	(1,538.5)	-21.0%	(1,199.7)	-21.8%	28.2%
EBITDA	312.4	8.5%	235.8	8.7%	32.5%	612.9	8.4%	467.7	8.5%	31.1%
Depreciation and Amortization	(39.1)	-1.1%	(34.9)	-1.3%	12.0%	(76.4)	-1.0%	(69.4)	-1.3%	10.1%
EBIT	273.3	7.4%	200.9	7.4%	36.1%	536.5	7.3%	398.3	7.2%	34.7%
Financial Results	(72.6)	-2.0%	(109.2)	-4.0%	-33.6%	(132.3)	-1.8%	(239.7)	-4.4%	-44.8%
Operating Income	200.7	5.4%	91.6	3.4%	119.1%	404.2	5.5%	158.6	2.9%	154.8%
Income Tax and Social Contribution	(60.0)	-1.6%	(19.3)	-0.7%	211.5%	(116.0)	-1.6%	(27.7)	-0.5%	318.4%
Net Income	140.7	3.8%	72.4	2.7%	94.5%	288.2	3.9%	130.9	2.4%	120.2%

ANNEX II
FINANCIAL STATEMENTS – CONSOLIDATED BALANCE SHEET

ASSETS (R$ million)	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17
CURRENT ASSETS					
Cash and Cash Equivalents	680.5	775.2	412.7	178.6	265.1
Securities	182.8	299.3	1,259.6	1,043.7	597.0
Accounts Receivable	1,507.0	1,410.7	1,241.3	663.2	503.8
Inventories	2,110.4	1,937.3	1,969.3	1,545.5	1,430.3
Related Parties	100.8	86.0	96.8	65.2	47.1
Taxes Recoverable	190.4	191.9	200.7	189.0	182.7
Other Assets	69.9	72.0	77.3	103.3	90.2
Total Current Assets	4,841.9	4,772.3	5,257.6	3,788.5	3,116.3
	-	-	-	-	-
NON-CURRENT ASSETS					
Accounts Receivable	7.1	3.3	4.7	3.2	4.3
Deferred Income Tax and Social Contribution	178.3	195.2	223.1	233.9	236.5
Recoverable Taxes	201.8	189.8	166.0	164.1	181.7
Judicial Deposits	342.0	333.9	310.9	301.9	297.0
Other Assets	29.4	29.2	44.4	43.0	40.8
Investments in Subsidiaries	284.5	277.2	311.3	319.0	311.8
Fixed Assets	608.1	565.7	569.0	560.4	557.4
Intangible Assets	545.5	534.7	532.4	533.0	525.9
Total Non-current Assets	2,196.8	2,128.9	2,161.9	2,158.7	2,155.5
TOTAL ASSETS	7,038.7	6,901.2	7,419.5	5,947.1	5,271.8

LIABILITIES (R$ million)	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17
CURRENT LIABILITIES					
Suppliers	2,749.5	2,456.9	2,919.5	2,120.1	1,860.5
Loans and Financing	254.5	381.4	434.3	720.5	718.7
Payroll, Vacation and Related Charges	208.6	188.8	236.6	231.5	191.5
Taxes Payable	110.4	91.7	84.5	66.1	46.4
Related Parties	94.5	82.9	89.5	71.3	60.3
Deferred Revenue	39.7	40.7	41.6	42.2	42.8
Dividends Payable	-	114.3	64.3	-	-
Other Accounts Payable	267.2	255.2	265.8	175.7	163.2
Total Current Liabilities	3,724.4	3,611.9	4,136.0	3,427.3	3,083.5
NON-CURRENT LIABILITIES					
Loans and Financing	327.4	437.4	437.2	886.5	663.0
Provision for Tax, Civil and Labor Risks	347.2	343.4	301.5	289.9	286.6
Deferred Revenue	449.3	459.0	468.8	478.9	489.0
Other Accounts Payable	1.9	1.9	1.9	2.7	2.7
Total Non-current Liabilities	1,125.7	1,241.7	1,209.5	1,658.0	1,441.3
TOTAL LIABILITIES	4,850.1	4,853.6	5,345.5	5,085.4	4,524.8
SHAREHOLDERS' EQUITY					
Capital Stock	1,719.9	1,719.9	1,719.9	606.5	606.5
Capital Reserve	47.3	39.3	37.1	30.8	22.2
Treasury Shares	(73.4)	(65.7)	(14.0)	(16.4)	(28.7)
Legal Reserve	39.9	39.9	39.9	20.5	20.5
Profit Retention Reserve	161.9	161.9	288.4	-	-
Other Comprehensive Income	4.7	4.9	2.7	3.2	1.8
Accumulated Losses	288.2	147.5	-	217.2	124.7
Total Shareholders' Equity	2,188.6	2,047.6	2,074.0	861.8	747.0
TOTAL	7,038.7	6,901.2	7,419.5	5,947.1	5,271.8

ANNEX III
FINANCIAL STATEMENTS – ADJUSTED CONSOLIDATED STATEMENT OF CASH FLOWS

ADJUSTED CASH FLOW STATEMENTS (R$ million)	2Q18	2Q17	1H18	1H17	LTM	LTM
Net Income	**140,7**	**72,4**	**288,2**	**130,9**	**546,3**	**201,8**
Effect of Income Tax and Social Contribution Net of Payment	27,1	18,5	79,2	26,3	109,0	23,9
Depreciation and Amortization	39,1	34,9	76,4	69,4	150,1	141,1
Interest Accrued on Loans	13,1	47,6	29,2	109,9	100,1	241,3
Equity Income	(9,7)	(17,4)	(33,0)	(40,8)	(78,3)	(72,9)
Dividends Received	(0,0)	10,0	15,7	26,3	48,4	43,5
Provision for Losses on Inventories and Receivables	33,0	31,8	58,6	60,2	87,0	106,2
Provision for Tax, Civil and Labor Contingencies	8,1	10,4	52,9	20,5	77,7	52,2
Gain on Sale of Fixed Assets	0,1	0,3	0,3	(2,3)	(0,3)	(2,2)
Recognition of Deferred Income	(10,7)	(11,3)	(21,4)	(21,4)	(42,8)	(41,8)
Stock Option Expenses	4,4	2,1	6,5	3,2	8,9	5,4
Adjusted Net Income	**245,4**	**199,3**	**552,6**	**382,0**	**1.006,0**	**698,4**
Trade Accounts Receivable	(92,9)	(40,5)	(135,2)	19,3	(324,4)	(79,6)
Inventories	(183,5)	4,5	(159,5)	127,8	(696,0)	(186,3)
Taxes Recoverable	(10,5)	22,9	(25,5)	71,3	(23,6)	99,7
Other Receivables	(12,5)	(23,6)	(22,5)	(29,5)	(34,1)	(8,8)
Changes in Operating Assets	**(299,5)**	**(36,8)**	**(342,7)**	**188,9**	**(1.078,1)**	**(174,9)**
Trade Accounts Payable	292,5	98,1	(170,1)	(504,4)	888,9	433,4
Other Payables	41,6	27,4	(34,8)	8,7	153,1	70,5
Change in Operating Liabilities	**334,1**	**125,6**	**(204,9)**	**(495,7)**	**1.042,0**	**503,9**
Cash Flow from Operating Activities	**280,0**	**288,0**	**5,0**	**75,3**	**969,9**	**1.027,4**
Additions of Fixed and Intangible Assets	(85,0)	(41,7)	(121,4)	(77,9)	(214,3)	(152,4)
Cash on Sale of Fixed Assets	0,0	0,0	0,0	3,2	0,0	3,2
Investment in Subsidiary	(3,2)	(1,0)	(3,2)	(1,0)	(3,2)	(1,0)
Cash Flow from Investing Activities	**(88,2)**	**(42,7)**	**(124,6)**	**(75,7)**	**(217,5)**	**(150,2)**
Loans and Financing	0,0	200,0	0,0	202,6	300,0	588,2
Repayment of Loans and Financing	(227,8)	(373,9)	(282,1)	(624,6)	(1.091,6)	(874,0)
Changes in Other Financial Assets (Hedge)	0,0	1,2	(1,4)	(12,7)	(1,2)	(37,1)
Payment of Interest on Loans and Financing	(22,2)	(71,4)	(35,4)	(142,3)	(107,1)	(233,4)
Payment of Dividends	(114,3)	(21,6)	(114,3)	(21,6)	(125,0)	(21,6)
Treasury Shares	(4,0)	0,0	(55,6)	0,0	(28,4)	0,0
Proceeds from the Secondary Equity Offering	0,0	0,0	0,0	0,0	1.144,0	0,0
Payment of expenses with the Secondary Equity Offering	0,0	0,0	0,0	0,0	(30,6)	(27,6)
Cash Flow from Financing Activities	**(368,3)**	**(265,8)**	**(488,8)**	**(598,6)**	**60,1**	**(605,6)**
Cash, Cash Equivalents and Securities at Beginning of Period	2.103,0	1.134,5	2.534,9	1.713,1	1.114,0	842,4
Cash, Cash Equivalents and Securities at end of Period	1.926,6	1.114,0	1.926,6	1.114,0	1.926,6	1.114,0
Change in Cash and Cash equivalents	**(176,4)**	**(20,5)**	**(608,3)**	**(599,1)**	**812,5**	**271,6**

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 IV
RETURN ON INVESTED CAPITAL (ROIC) AND ON EQUITY (ROE)

INVESTED CAPITAL (R$ million)	Jun-18	Mar-18	Dec-17	Sep-17	Jun-17
(=) Working Capital	508.8	581.6	(52.1)	(140.7)	(110.5)
(+) Accounts Receivable	7.1	3.3	4.7	3.2	4.3
(+) Income Tax and Social Contribution deferred	178.3	195.2	223.1	233.9	236.5
(+) Taxes Recoverable	201.8	189.8	166.0	164.1	181.7
(+) Judicial Deposits	342.0	333.9	310.9	301.9	297.0
(+) Other Assets	29.4	29.2	44.4	43.0	40.8
(+) Investment In Joint Subsidiaries	284.5	277.2	311.3	319.0	311.8
(+) Fixed Assets	608.1	565.7	569.0	560.4	557.4
(+) Intangible Assets	545.5	534.7	532.4	533.0	525.9
(+) Non Current Assets	2,196.8	2,128.9	2,161.9	2,158.7	2,155.5
(-) Provision for Contingencies	347.2	343.4	301.5	289.9	286.6
(-) Deferred Revenue	449.3	459.0	468.8	478.9	489.0
(-) Other Accounts Payable	1.9	1.9	1.9	2.7	2.7
(-) Noncurrent operating liabilities	798.4	804.4	772.3	771.6	778.3
(=) Fixed Capital	1,398.4	1,324.5	1,389.6	1,387.1	1,377.2
(=) Total Invested Capital	1,907.2	1,906.1	1,337.5	1,246.4	1,266.6
(+) Net Debt	(281.4)	(255.7)	(800.8)	384.6	519.6
(+) Dividends Payable	-	114.3	64.3	-	-
(+) Shareholders Equity	2,188.6	2,047.6	2,074.0	861.8	747.0
(=) Total Financing	1,907.2	1,906.1	1,337.5	1,246.4	1,266.6

FINANCIAL EXPENSES RECONCILIATION (R$MM)	2Q18	1Q18	4Q17	3Q17	2Q17
Financial Income	39.5	23.8	36.3	22.7	27.6
Financial Expenses	(112.1)	(83.5)	(114.9)	(115.3)	(136.8)
Net Financial Expenses	(72.6)	(59.8)	(78.6)	(92.5)	(109.2)
Interest on prepayment of receivables: Luiza Card and third party card	79.4	59.1	60.4	63.6	76.1
Adjusted Financial Expenses	6.8	(0.7)	(18.2)	(29.0)	(33.1)
Taxes on Adjusted Financial Expenses	(2.3)	0.2	6.2	9.8	11.3
Net Adjusted Financial Expenses	4.5	(0.5)	(12.0)	(19.1)	(21.9)

NOPLAT AND ROIC/ROE RECONCILIATION(R$MM)	2Q18	1Q18	4Q17	3Q17	2Q17
EBITDA	312.4	300.5	312.7	250.4	235.8
Interest on prepayment of receivables: Luiza Card and third party card	(79.4)	(59.1)	(60.4)	(63.6)	(76.1)
Adjusted EBITDA	233.0	241.4	252.3	186.8	159.7
Depreciation	(39.1)	(37.2)	(37.1)	(36.6)	(34.9)
Adjusted EBIT	193.9	204.2	215.3	150.2	124.7
Current and deferred taxes	(60.0)	(56.0)	(31.4)	(28.7)	(19.3)
Taxes on Adjusted Financial Expenses	2.3	(0.2)	(6.2)	(9.8)	(11.3)
Net Operating Income (NOPLAT)	136.2	147.9	177.7	111.6	94.2
Invested Capital	1,907.2	1,906.1	1,337.5	1,246.4	1,266.6
ROIC Annualized	29%	31%	53%	36%	30%
Net Income	140.7	147.5	165.6	92.5	72.4
Shareholders Equity	2,188.6	2,047.6	2,074.0	861.8	747.0
ROE Annualized	26%	29%	32%	43%	39%

ANNEX V
BREAKDOWN OF TOTAL SALES AND NUMBER OF STORES PER CHANNEL

Breakdown of Total Sales (R$ million)	2Q18	V.A.	2Q17	V.A.	Growth Total
Virtual Stores	216.0	4.7%	158.3	4.9%	36.4%
Conventional Stores	2,876.3	62.3%	2,146.9	66.6%	34.0%
Subtotal - Physical Stores	3,092.3	67.0%	2,305.2	71.5%	34.1%
Traditional E-commerce (1P)	1,376.5	29.8%	889.3	27.6%	54.8%
Marketplace (3P)	150.0	3.2%	29.5	0.9%	408.9%
Subtotal - Total E-commerce	1,526.5	33.0%	918.8	28.5%	66.1%
Total Sales	**4,618.8**	100.0%	**3,224.0**	100.0%	43.3%
Other revenue[1]	3.4	-	8.6	-	-59.9%
Marketplace (3P)	(150.0)	-	(29.5)	-	408.9%
Gross Revenue - Retail	**4,472.2**	-	**3,203.1**	-	39.6%

Breakdown of Total Sales (R$ million)	1H18	V.A.	1H17	V.A.	Growth Total
Virtual Stores	418.5	4.6%	313.2	4.8%	33.6%
Conventional Stores	5,562.4	61.2%	4,371.9	66.6%	27.2%
Subtotal - Physical Stores	5,981.0	65.8%	4,685.1	71.4%	27.7%
Traditional E-commerce (1P)	2,828.1	31.1%	1,833.8	27.9%	54.2%
Marketplace (3P)	275.8	3.0%	43.3	0.7%	537.5%
Subtotal - Total E-commerce	3,103.9	34.2%	1,877.0	28.6%	65.4%
Total Sales	**9,084.9**	100.0%	**6,562.1**	100.0%	38.4%
Other revenue[1]	13.0	-	22.1	-	-41.2%
Marketplace (3P)	(275.8)	-	(43.3)	-	537.5%
Gross Revenue - Retail	**8,822.1**	-	**6,541.0**	-	34.9%

Number of stores per channel – End of the period	Jun-18	Part(%)	Jun-17	Part(%)	Growth Total
Virtual Stores	148	16.7%	123	15.1%	25
Conventional Stores	736	83.2%	690	84.8%	46
Subtotal - Physical Stores	884	99.9%	813	99.9%	71
Ecommerce	1	0.1%	1	0.1%	-
Total	**885**	100.0%	**814**	100.0%	71
Total Sales Area (m²)	538,753	100%	509,909	100%	5.7%

[1] The other revenue refers to the exclusive fund.

ANNEX VI
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 2Q18, Luizacred's total card base grew 240,000 units, reaching 3.7 million cards issued (+ 14.7% *versus* Jun/17). In-store sales to Luiza Card customers, distinguished by their loyalty and higher purchase frequency, increased by 67.7% in 2Q18. Direct Credit to Consumer (DCC) revenues increased 24.1% in relation to 2Q17, from R$62 million to R$77 million in 2Q18, in line with the growth of physical stores.

Luizacred's credit portfolio, including credit card, DCC and individual loans, reached R$6.6 billion at the end of 2Q18, an increase of 38.3% over 2Q17. Luiza Card's portfolio grew 41.8% to R$6.4 billion, while the DCC portfolio decreased 20.8% to R$193 million, in line with Luizacred's strategy to focus on the Luiza Card.

LUIZACRED – Key Indicators (R$ million)	2Q18	2Q17	% Chg	1H18	1H17	% Chg
Total Card Base (thousand)	3,735	3,255	14.7%	3,735	3,255	14.7%
Luiza Card Sales – In-store	1,268	756	67.7%	2,293	1,427	60.7%
Luiza Card Sales – Outside Magazine Luiza	3,512	2,725	28.9%	6,649	5,152	29.1%
Subtotal - Luiza Card	**4,781**	**3,481**	**37.3%**	**8,942**	**6,579**	**35.9%**
DCC Sales	77	62	24.1%	118	146	-19.4%
Consumer Loans Sales	15	15	0.0%	31	32	-4.1%
Luizacred Sales - Total	**4,873**	**3,559**	**36.9%**	**9,091**	**6,758**	**34.5%**
Card Portfolio	6,397	4,511	41.8%	6,397	4,511	41.8%
DCC Portfolio	193	243	-20.8%	193	243	-20.8%
Consumer Loans Portfolio	34	35	-3.8%	34	35	-3.8%
Portfolio	**6,624**	**4,789**	**38.3%**	**6,624**	**4,789**	**38.3%**

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.

Income Statement

LUIZACRED – Income (R$ million)	2Q18	V.A.	2Q17	V.A.	% Chg	1H18	V.A.	1H17	V.A.	% Chg
Financial Intermediation Revenue	303.3	100.0%	275.8	100.0%	10.0%	574.8	100.0%	560.0	100.0%	2.6%
Cards	266.8	88.0%	226.8	82.2%	17.7%	501.3	87.2%	460.0	82.1%	9.0%
DCC	26.1	8.6%	38.3	13.9%	-32.0%	53.4	9.3%	78.7	14.1%	-32.1%
Consumer Loans	10.4	3.4%	10.7	3.9%	-2.2%	20.1	3.5%	21.3	3.8%	-5.5%
Financial Intermediation Expenses	(223.1)	-73.5%	(161.2)	-58.4%	38.4%	(384.1)	-66.8%	(318.3)	-56.8%	20.7%
Market Funding Operations	(42.5)	-14.0%	(47.3)	-17.1%	-10.1%	(81.9)	-14.2%	(100.7)	-18.0%	-18.6%
Provision for Loan Losses	(180.6)	-59.5%	(113.9)	-41.3%	58.6%	(302.2)	-52.6%	(217.7)	-38.9%	38.9%
Gross Financial Intermediation Income	80.3	26.5%	114.6	41.6%	-30.0%	190.7	33.2%	241.7	43.2%	-21.1%
Other Operating Revenues (Expenses)	(49.9)	-16.5%	(65.3)	-23.7%	-23.5%	(89.0)	-15.5%	(120.7)	-21.5%	-26.3%
Service Revenue	151.3	49.9%	114.3	41.4%	32.4%	290.7	50.6%	224.1	40.0%	29.7%
Personnel Expenses	(6.9)	-2.3%	(2.1)	-0.8%	229.1%	(9.8)	-1.7%	(2.5)	-0.4%	290.2%
Other Administrative Expenses	(157.5)	-51.9%	(145.1)	-52.6%	8.5%	(300.8)	-52.3%	(281.7)	-50.3%	6.8%
Depreciation and Amortization	(3.0)	-1.0%	(3.0)	-1.1%	-0.5%	(5.9)	-1.0%	(6.0)	-1.1%	-0.5%
Tax Expenses	(24.8)	-8.2%	(20.8)	-7.5%	19.5%	(47.9)	-8.3%	(41.3)	-7.4%	16.0%
Other Operating Revenues (Expenses)	(9.1)	-3.0%	(8.6)	-3.1%	6%	(15.2)	-2.6%	(13.4)	-2.4%	13.9%
Income Before Tax	30.3	10.0%	49.3	17.9%	-38.5%	101.7	17.7%	121.0	21.6%	-15.9%
Income Tax and Social Contribution	(13.9)	-4.6%	(22.2)	-8.0%	-37.1%	(47.5)	-8.3%	(54.5)	-9.7%	-12.8%
Net Income	16.4	5.4%	27.2	9.8%	-39.6%	54.2	9.4%	66.5	11.9%	-18.5%

Revenue from Financial Intermediation

Revenues from financial intermediation grew 10.0% in 2Q18 mainly due to the increase in sales from Luiza Card inside and outside Magalu stores.

Provision for Loan Losses

Loan loss indicators continue to improve. The portfolio of loans overdue from 15 to 90 days (NPL 15) accounted for only 3.0% of the total portfolio in Jun/18, falling 60 bps from Jun/17, due to a more conservative credit policy.

Similarly, the loan portfolio overdue by more than 90 days (NPL 90) reached only 7.1% of the total portfolio in Jun/18 versus 8.4% in Jun/17 (-130 bps), the lowest historical level.

Net provision expenses represented 2.7% of the total portfolio in 2Q18, a slight increase from the 2.4% level in 2Q17, due to the adoption of IFRS 9 in 2018. The increase in loan provisions was driven by the growth of the card base and an increase in the credit limit available to customers. It is worth noting that the portfolio's coverage ratio under IFRS regulations increased from 132% in Jun/17 to 200% in Jun/18.

PORTFOLIO - OVERDUE	Jun-18		Mar-18		Dec-17		Sep-17		Jun-17	
000 to 014 days	5,956	89,9%	5,324	89,5%	5,147	89,8%	4,476	88,7%	4,213	88,0%
015 to 030 days	56	0,8%	62	1,0%	45	0,8%	47	0,9%	56	1,2%
031 to 060 days	61	0,9%	64	1,1%	49	0,9%	51	1,0%	54	1,1%
061 to 090 days	82	1,2%	76	1,3%	65	1,1%	57	1,1%	64	1,3%
091 to 120 days	69	1,0%	55	0,9%	58	1,0%	60	1,2%	56	1,2%
121 to 150 days	74	1,1%	57	1,0%	53	0,9%	50	1,0%	57	1,2%
151 to 180 days	64	1,0%	54	0,9%	50	0,9%	54	1,1%	55	1,1%
180 to 360 days	261	3,9%	258	4,3%	263	4,6%	253	5,0%	234	4,9%
Portfolio (R$ million)	6,624	100%	5,949	100%	5,730	100%	5,048	100,0%	4,789	100,0%
Receipt expectation of loan portfolio overdue beyond 360 days	108		116		-		-		-	
Total Portfolio in IFRS 9 (R$ million)	6.732		6,065		-		-		-	
Overdue 15-90 days	199	3,0%	201	3,4%	159	2,8%	155	3,1%	174	3,6%
Overdue Above 90 days	468	7,1%	423	7,1%	423	7,4%	417	8,3%	402	8,4%
Total Overdue	667	10,1%	625	10,5%	583	10,2%	572	11,3%	576	12,0%
Provisions for loan losses on Portfolio	703		659		552		543		532	
Provisions for loan losses on available limit	232		213		-		-		-	
Total Provisions for loan losses in IFRS 9	935		872		552		543		532	
Coverage of Portfolio (%)	150%		156%		130%		130%		132%	
Coverage of Total Portfolio (%)	200%		206%		130%		130%		132%	

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 26.5% in 2Q18 (-151 bps YoY), mainly due to the adoption of IFRS 9 on loan loss provision. In 1H18, gross margin from financial intermediation totaled 33.2%, a reduction of 100 bps YoY.

Other Operating Revenues (Expenses)

Other operating expenses totaled R$49.9 million in 2Q18, a reduction of 23.5% YoY, mainly due to productivity gains and service revenue growth of 32.4%. In 1H18, other operating expenses totaled R$89 million, a reduction of 26.3% YoY.

Operating Income and Net Income

In 2Q18, Luizacred recorded operating income of R$30.3 million, equivalent to 10.0% of financial intermediation (-79 bps YoY). In 1H18, operating income reached R$101.7 million.

In 2Q18, Luizacred's net income reached R$16,4 million (ROE of 12.4%). In 1H18, net income totaled R$54.2 million (ROE of 19.3%).

In compliance with accounting practices established by the Brazilian Central Bank, considering the minimum provisions by Law 2682, Luizacred's net income totaled R$39.9 million in 2Q18, growing 23.7% versus 2Q17, with ROE of 22.9%. In 1H18, net income totaled R$84.3 million, with a ROE of 25.0%.

Shareholders' Equity

In compliance with the same practices, Luizacred posted a shareholders' equity of R$716.3 million in Jun/18. 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$537.2 million.

EARNINGS CONFERENCE CALL

Conference Call in Portuguese/English (with simultaneous translation)

August 07, 2018 (Tuesday)
11:00 am – Brasília time
10:00 am – USA time (EST)

Participants from Brazil:
Dian in #: +55 (11) 3193-1001
CODE: Magazine Luiza
Link to webcast:

Webcast Portuguese

Participants from the US or other countries:
Dian in #: +1 (646) 828 8246
CODE: Magazine Luiza
Link de webcast:

Webcast English

Replay (available for 7 days):
Dial in # from Brazil: +55 (11) 3193-1012
Identification Code: 8339893#

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About Magazine Luiza

Magazine Luiza is one of Brazil's leading retailers with over 50 million customers. The company has one of the largest geographic footprints with eleven distribution centers servicing a network of over 880 stores encompassing over 80% of Brazil's GDP. From it's 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. At the heart of the company's success is a multichannel retail platform capable of reaching customers via mobile, web and physical stores. Driving the company's digital transformation is an in-house development team, Luizalabs, which consists of over 450 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 it's e-commerce operation currently accounts for more than 1/3 of total sales. Magazine Luiza has also been a logistics pioneer. The company's integrated online and offline logistics operations enable it to leverage it's physical presence to radically reduce delivery times and costs.

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.