August 17, 2020

IBOVESPA

Magazine Luiza S.A. (B3: MGLU3)
2nd Quarter 2020 Earnings Release (IFRS Equivalent)

MGLU
B3 LISTED NM

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.

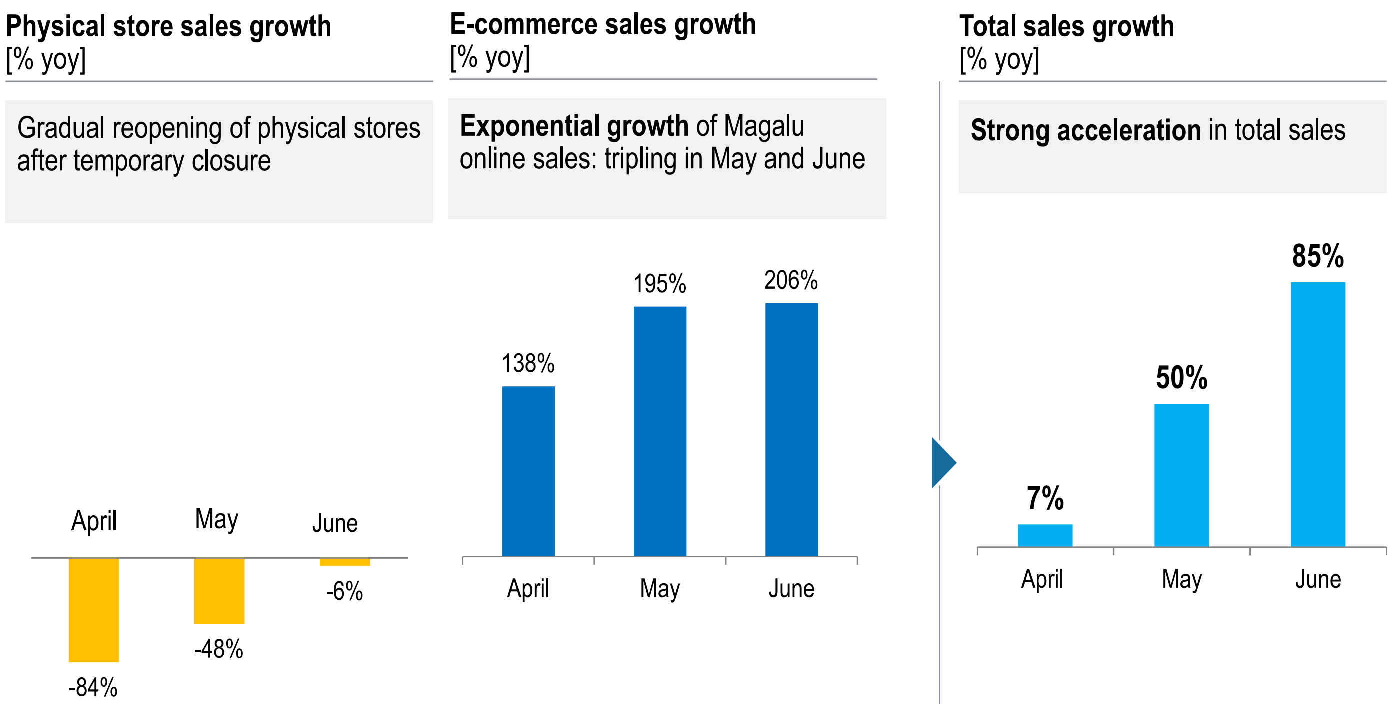
The first trophy: this quarter, we became the largest retailer in sales in the durable goods sector. Magalu reached R$ 8.6 billion[1] in total sales, an increase of 49% compared to the result for the same period in 2019. Even with the burden of having a considerable share of our physical stores closed 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.



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.

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, Época 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]

+10%	+162%	+82%
Physical Stores	E-commerce	Total Sales

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

R$ million (except when otherwise indicated)	2Q20	2Q19	% Chg	1H20	1H19	% Chg
Total Sales¹ (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.

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%

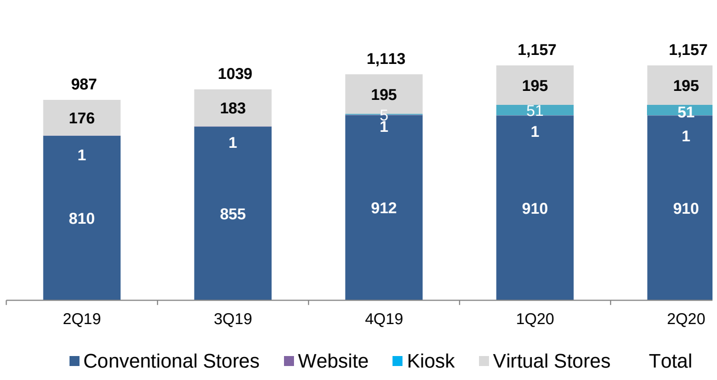
Adjustments – Non - Recurring Events

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**

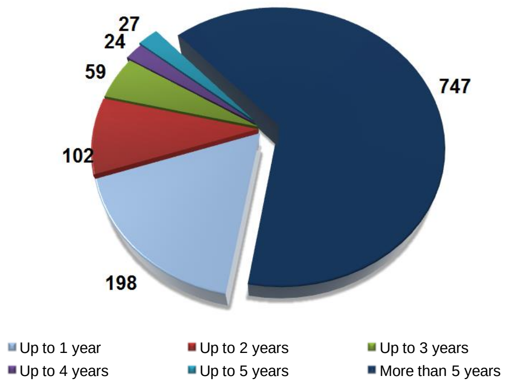
OPERATING AND FINANCIAL PERFORMANCE

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.

Number of Stores

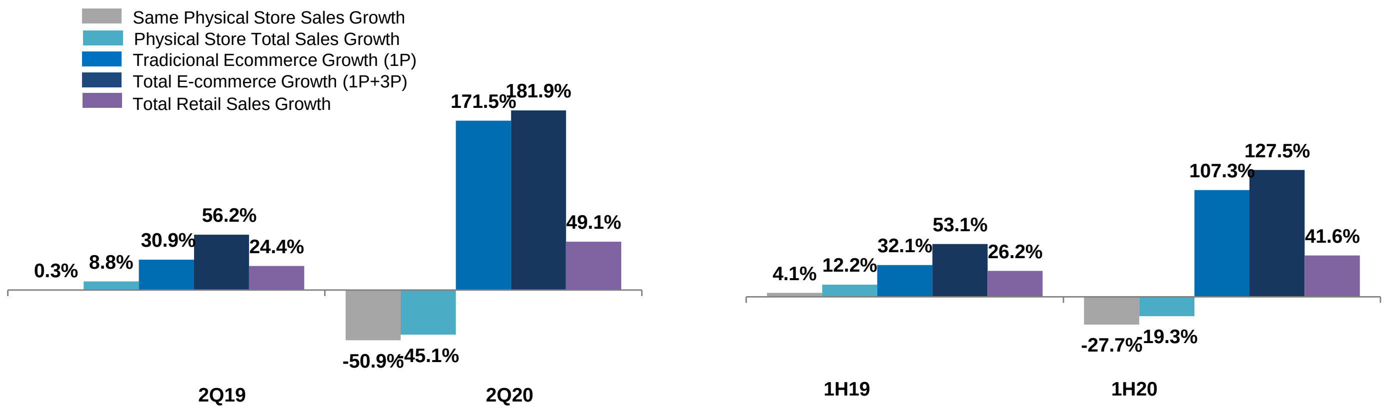


Average Age of Stores (number of stores)



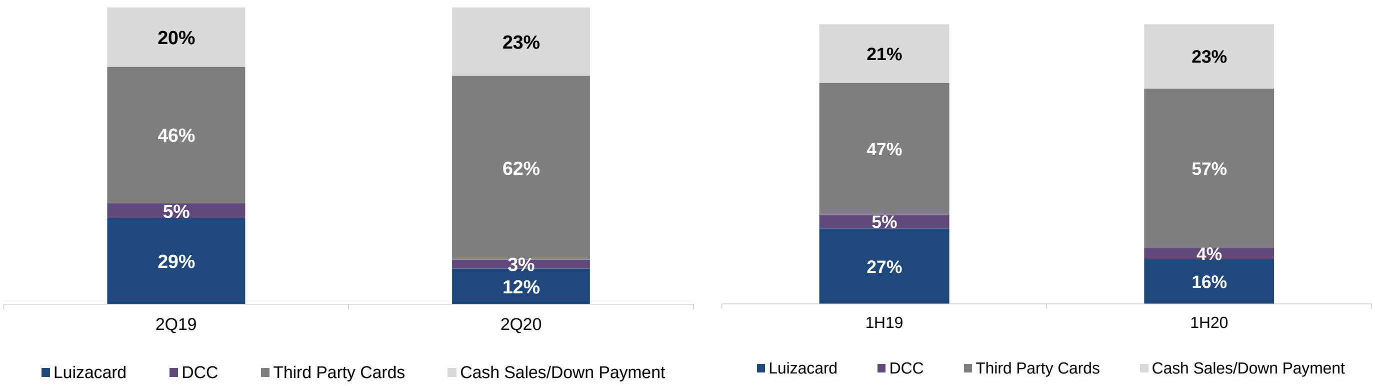
Total Retail sales were up 49.1% in 2Q20 as a result of a 181.9% increase in e-commerce sales and a 45.1% decrease in brick-and-mortar store sales. Stores were temporarily closed due to the new Coronavirus pandemic and were gradually reopened during the quarter. In 1H20, total sales grew 41.6%.

Total Sales Growth (%)



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.

Financed Sales Mix (% of total sales)



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%.

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.

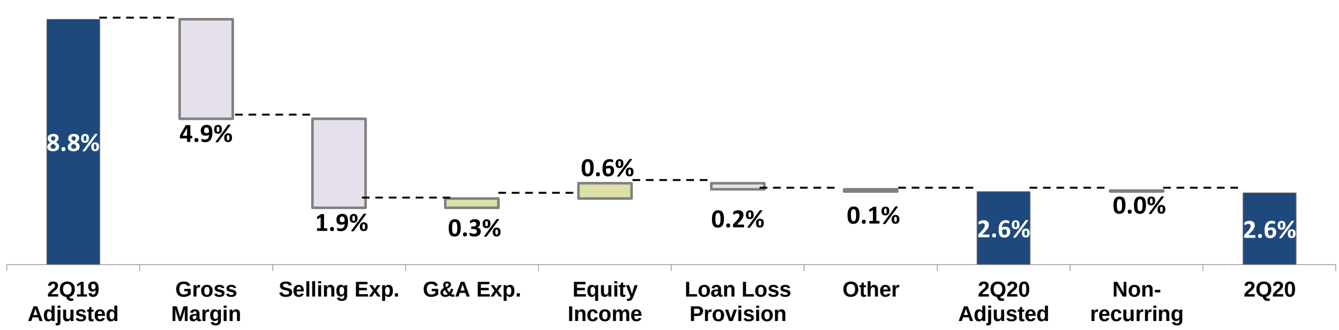
Equity Income

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 ajusted).

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.

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.

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%

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.

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 TOTAL[2] 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.

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%	-

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.

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

Participants from the US or other countries:
Dial in #: +1 412 717 9627
CODE: Magazine Luiza

Twitter:
@ri_magalu

Investor Relations

Roberto Bellissimo Rodrigues
CFO and IR Director

Simon Olson
Director IR and New Business

Vanessa Rossini
IR Manager

Kenny Damazio
IR Coordinator

Lucas Ozório
IR Analyst

Phone: +55 11 3504-2727
ri@magazineluiza.com.br

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