February 22, 2018

Magazine Luiza S.A. (B3: MGLU3)
4th Quarter 2017 Earnings Release (IFRS equivalent)

4Q17 HIGHLIGHTS

E-Commerce grew 60%, reaching 32% of total sales
Physical store sales grew 20% in total (15% same store)
Total sales rose 31%, reaching R$4.4 billion (R$14.4 billion in 2017)
EBITDA grew 38% to R$313 million, 8.6% margin (R$1.0 billion in 2017)
Net profit grew 260% to R$166 million, 4.6% margin (R$389 million in 2017)
Cash flow from operations of R$1.0 billion over the last 12 months
Net cash position of R$1.7 billion in Dec/17

- **Highest quarterly growth in the last 5 years.** In 4Q17, total sales, including physical stores, traditional e-commerce (1P) and marketplace (3P) increased 30.6% to R$4.4 billion, reflecting growth of 60.0% in e-commerce and 20.1% in physical stores. Magalu again gained market share across all channels and major product categories. In 2017, according to IBGE data (PMC), nominal sales of furniture and electronics grew 7.7%, compared to the Company's growth of 27.9%.

- **Accelerated growth in e-commerce.** E-commerce sales grew 60.0% in 4Q17, compared to market growth of 6.1%, (E-bit), reaching 32.3% of total sales. In traditional e-commerce, sales grew 47.0%, and the marketplace contributed with additional sales of R$120.1 million. This market share gain was the result of: (i) increased sales on mobile platforms, mainly through the app, which reached 10 million downloads, (ii) higher conversion rates across all channels, (iii) implementation of multichannel projects, especially, In-Store Pick-Up and (iv) sustaining the high level of customer service that enabled us to maintain our RA1000 seal of excellence in service.

- **Evolution of gross profit.** In 4Q17, gross profit increased 25.6% to R$1.06 billion. Gross margin decreased 40 bps to 29.2% in 4Q17, reflecting: (i) a significant increase in e-commerce share and (ii) preservation of gross margin across all channels, the result of intelligent purchasing decisions, better inventory management and greater price rationality in the online and offline markets.

- **Significant dilution of operating expenses.** In 4Q17, operating expenses were diluted by 100 bps to 21.2% of net revenue. Expenses grew only 21.9% versus net revenue growth of 27.6%, resulting in significant operating leverage. This dilution reflects the growth of e-commerce, the continuity of the Zero Base Budget (OBZ) and Matrix Expense Management (GMD) programs implemented by the Company, as well as efficiency gains driven by digital transformation projects, such as the Mobile Sales application and In-Store Pick-Up.

- **Strong EBITDA growth, reduction of financial expenses and evolution of net income.** In 4Q17, EBITDA increased 37.8% to R$312.7 million (+60 bps to 8.6% margin). High sales growth, the positive contribution of e-commerce and the dilution of expenses yielded the highest EBITDA margin for a 4th quarter in the Company's history. In addition, financial expenses were diluted by 290 bps to 1.6% 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 the highest quarterly profit in its 60 year history, rising 259,5% from R$46.1 million to R$165.6 million (ROE of 32%).

- **Strong cash flow generation.** Cash flow from operations, adjusted by receivables, rose from R$778.9 million in 2016 to R$1.0 billion in 2017, due to improved results and working capital management. In the last 12 months, the change in working capital contributed R$299.5 million to operating cash generation.

- **Reduction of net debt and optimization of the capital structure.** In the last 12 months, the Company reduced adjusted net debt by R$1.8 billion, from a net debt of R$135.6 million in Dec/16 to a net cash position of R$1.7 billion in Dec/17 taking into account the funds from the Secondary Offering, received in Oct/17, in the amount of R$1.1 billion. It was the first time the Company reported a net cash position since it´s IPO.

MGLU3: R$ 81.42 per share
Total Shares: 190,591,464
Market Cap: R$ 15.5 billion

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R$ million (except when otherwise indicated)	4Q17	4Q16	% Chg	12M17	12M16	% Chg
Gross Revenue	4,322.6	3,392.7	27.4%	14,321.1	11,371.6	25.9%
Net Revenue	3,621.8	2,839.3	27.6%	11,984.3	9,508.7	26.0%
Gross Income	1,055.9	840.7	25.6%	3,606.0	2,922.6	23.4%
Gross Margin	29.2%	29.6%	-40 bps	30.1%	30.7%	-60 bps
EBITDA	312.7	226.9	37.8%	1,030.8	714.6	44.3%
EBITDA Margin	8.6%	8.0%	60 bps	8.6%	7.5%	110 bps
Net Income	165.6	46.1	259.5%	389.0	86.6	349.4%
Net Margin	4.6%	1.6%	300 bps	3.2%	0.9%	230.0 pp
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Total Sales[1]	4,404.9	3,371.7	30.6%	14,440.3	11,290.2	27.9%
Same Physical Store Sales Growth	15.0%	5.7%	-	14.3%	0.4%	-
Total Physical Store Sales Growth	20.1%	6.8%	-	17.4%	2.4%	-
Internet Sales Growth (1P)	47.0%	41.5%	-	52.7%	32.0%	-
Total E-commerce Sales Growth	60.0%	42.0%	-	60.9%	32.3%	-
E-commerce Share in Total Sale	32.3%	26.4%	5.9 pp	30.4%	24.2%	6.2 pp
Number of Stores - End of Period	858	800	58 stores	858	800	58 stores
Sales Area - End of Period (M2)	525,981	501,319	4.9%	525,981	501,319	4.9%

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

MESSAGE FROM THE EXECUTIVE OFFICERS

2017 was an exceptional year for us. We completed six decades of existence celebrating our principal characteristics: the constant search for innovation and the capacity for reinvention. Our motto for the year was, “The only thing that never changes is that we are always changing.” In the context of a digital revolution which has overwhelmed those companies unequipped to change, these characteristics have been essential to our success.

By investing in innovation and our digital platforms, we have been able to improve our financial results quarter after quarter. In spite of the persistent political and economic uncertainties , we have been able to expand market share, boost profits, drastically reduce leverage and become even more digital. Our e-commerce platform now accounts for approximately one-third of total sales, maintaining a level of profitability that is the exception in Brazil.

Innovations are ultimately measured by the concrete benefits that they bring to users. We do not believe in technology as window dressing or to complete checklists. We aren’t interested in technology used only for slides — designed solely to impress people — or to create factoids to be used in press releases. We use technology as a means and not as an end.

We will be relevant every time that we help our clients to better spend their money, and above all, their time — the most valuable asset that we have. We will be relevant every time that we transform a complex process into one that is simple. One that is slow, into one that is fast. We will make the difficult easy. “Simplicity is the ultimate sophistication,” wrote Leonardo da Vinci, the Renaissance genius who changed how we see the world by uniting art and science. The search for the simple will bring us, as a business model, closer to the ultimate sophistication.

We have an organizational culture that conspires in our favor. We are genuinely simple — as we were when our founders opened the doors of Store Number One in Franca, in the countryside of São Paulo. We decide things rapidly. We do things rapidly. We move on rapidly when something does not work. We take risks. We try to combine rationality and intuition. We are not afraid of failing because we know that we are capable of getting up and trying again — this time, correctly. We are a company that experiments and, because of this we never stop learning. We are not afraid of the future — whatever form it may take. And we try to resist the urge to be guided by the competition — whatever it is named.

This way of being, combined with execution ability and discipline, have transformed us into a technology company dedicated to uniting, in the most efficient and scalable form, production and consumption — the essence of retail.

Every day, more than 450 engineers and product development specialists work at LuizaLabs, our development and innovation center, seeking to maximize fluidity and eliminate any possible friction from the retail process. They (and we should note that an ever-increasing percentage of our engineers are women) already represent around 30% of the company’s administrative payroll. They are professionals that understand the business and are in direct contact with our other departments, seeking solutions to concrete problems.

Organized in small teams dedicated to specific missions, the LuizaLabs staff created solutions such as Mobile Sales, present in all of our 858 stores, which reduced the average sale time from 40 minutes to 4 minutes. Or Mobile Delivery – which enables the 1,500 microtransport companies that work for us to track deliveries. Or Mobile Inventory, which reduced inventory-checking time from 90 minutes to 10. Or Digital DCC, which reduced credit approval time. Not to mention Magazine Você, our direct sales system through social networks, with more than 200,000 online agents that use this platform to supplement their income.

All these digital solutions reduce friction, making relations between the physical and the digital worlds more fluid. They are all proprietary technology, developed by us in accordance with our business strategy and values. Truly Brazilian technology.

In a historic period for Magalu, it is likely that this has been our main achievement: to prove, amidst skepticism and preconceptions, that a 60 year old company founded in the countryside of Brazil can be a protagonist of the Digital Era.

This achievement extrapolates Magazine Luiza. This is the evidence that the constraint—which many want to impose upon us—is wrong: the ability to develop technology is not a monopoly of Silicon Valley or the region of Seattle. And it is not written in stone that only a handful of corporations will win the battle for the hearts and minds of global consumers.

Tom Jobim wisely said that Brazil is not for beginners. We have, at the same time, one of the largest consumer markets and one of the most complex tax systems in the world, perversely tied to a poor distribution infrastructure. Business models, processes, and systems adopted by the most successful multinational corporations have great difficulty adapting to such an inhospitable business environment. No one knows how to overcome these challenges better than Brazilian professionals.

By believing in our ability to play today's retail game, we have taken important steps in the last fiscal year. In April, we announced the acquisition of Integra Commerce, a startup based in the State of Minas Gerais specialized in the integration and management of sellers and marketplaces. The acquisition of Integra and the integration of its team with LuizaLabs' professionals were both crucial to the growth of our marketplace. Created in 2016, the Magalu marketplace currently has more than 750 sellers, offering 1.5 million items. Through the marketplace, we have expanded the company's product offering by 40 times and taken advantage of the long tail in a way that only the Internet allows.

We accomplished this growth all while implementing the market's most selective approval process for new sellers. We rejected more than 30% of seller applications. We only accept sellers who have the same service level required in our own operations. Magalu's marketplace exists to offer—from purchase to post-sale—the same experience we offered before the platform was open to third parties. Ultimately, everything sold in our marketplace is also our responsibility. We don't pass the buck. We chose to manage this reality in a unique way, dealing with all events entered on Reclame Aqui, a website that scores customer satisfaction and that is a benchmark in Brazil. We were the only retail company to keep the consumer-feedback-derived RA1000 seal of highest-quality customer service.

The creation of, and investment in, the marketplace platform was not just a business decision. They were manifestations of Magazine Luiza's purpose: to deliver the opportunities and benefits of digitalization to as many Brazilians as possible. And that involves all companies—especially the small ones. We are talking about inclusion, a word that defined our company long before it became a fad. We want to provide the sellers integrated in the marketplace with all the features developed by LuizaLabs, acting as a powerful link to digitalization for those businesses.

Marketplace sellers will soon be able to use our distribution centers' services. Their products will also be sold by Magazine Luiza sellers within our stores and by our Magazine Você promoters. The products offered by sellers within the e-commerce platform will also be picked up by buyers in any of our physical stores and distributed nationwide.

That is what multichannel e-commerce is all about.

As we have been adopting it—without pause—for the last twenty years, we are now ready to transform our physical stores into shoppable distribution centers—advanced hubs of distribution and expertise. This change has already begun and should intensify over the coming months.

Given Brazil's size and logistical problems, having 858 alternative distribution centers (in addition to the traditional DCs) is a considerable competitive advantage. Already, more than 20% of Magalu's total e-commerce sales are delivered via in-store pickup. Most of them within 48 hours.

It is an irony of fate that physical stores, whose very viability was strongly questioned in the recent past, are proving the keys to combining growth and profitability of the digital operations. The world's largest e-commerce retailers are now directing investments into opening physical stores or acquiring traditional retailers.

By turning our stores into shoppable distribution centers, we are one step ahead in this movement. Our investments in our physical stores include increasing storage area, the installation of new storage equipment, the implementation of new technologies for local inventory management, the introduction of tools to improve sales processes, and the launch of digital services, such as LuConecta, released in 2017, which offers installation and technological assistance to consumers for products sold.

With that, Magazine Luiza stores are much more than points of sale. They are customer service centers, offering information, delivery services for our own and third-party goods, and the sale of products and services. All with a human touch.

Such a sound history of innovation and digitalization—always focused on the customer—is reflected in the results achieved by the company and has been well received by investors who show a growing faith in our business model.

In September, we performed a successful follow-on transaction which injected R$1.1 billion into the Company and Magalu's shares are now included in the Ibovespa Index, the index of the most traded shares of B3, the Brazilian Stock Exchange. The follow-on transaction, added to the R$1.0 billion in operating cash generated during the year, helped the company end 2017 with a net cash position of R$1.7 billion. With those funds in place, we have built the financial foundation upon which to thrive in what we believe to be a new cycle of the Brazilian economy.

In recent years, in the midst of the worst recession our country has ever faced, we successfully attained good results despite the wind blowing against the retail market. In defiance of this adversity, Magazine Luiza's performance was consistently improving. We increased our sales by 28%, our EBITDA by 44%, and our net profit by 350% year-over-year. In 2018, as growth, employment rates, and income gradually increase, while interest rates drop to levels never seen before, retail can now sail with the wind at its back.

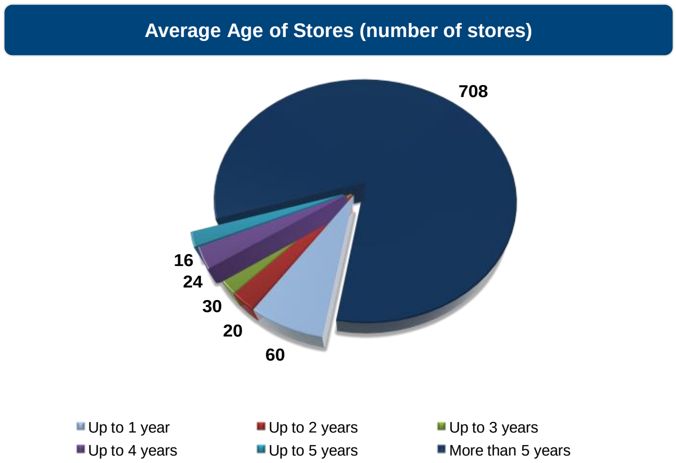
We, therefore, have ample reason to be optimistic. We arrive at this moment of optimism with a World Cup on the horizon, with the lowest bank indebtedness levels in our history, and having available funds to speed up our digital transformation. Still, there is much to be done. And there always will be. Constant change is the new normal. We are prepared, confident, and excited about embracing this change.

We thank our shareholders, suppliers, and business partners for trusting us. We also appreciate the passionate dedication of our employees, who make Magalu the best company to work for in Brazil's retail market. And, of course, thanks to our customers, the ultimate reason for our striving.

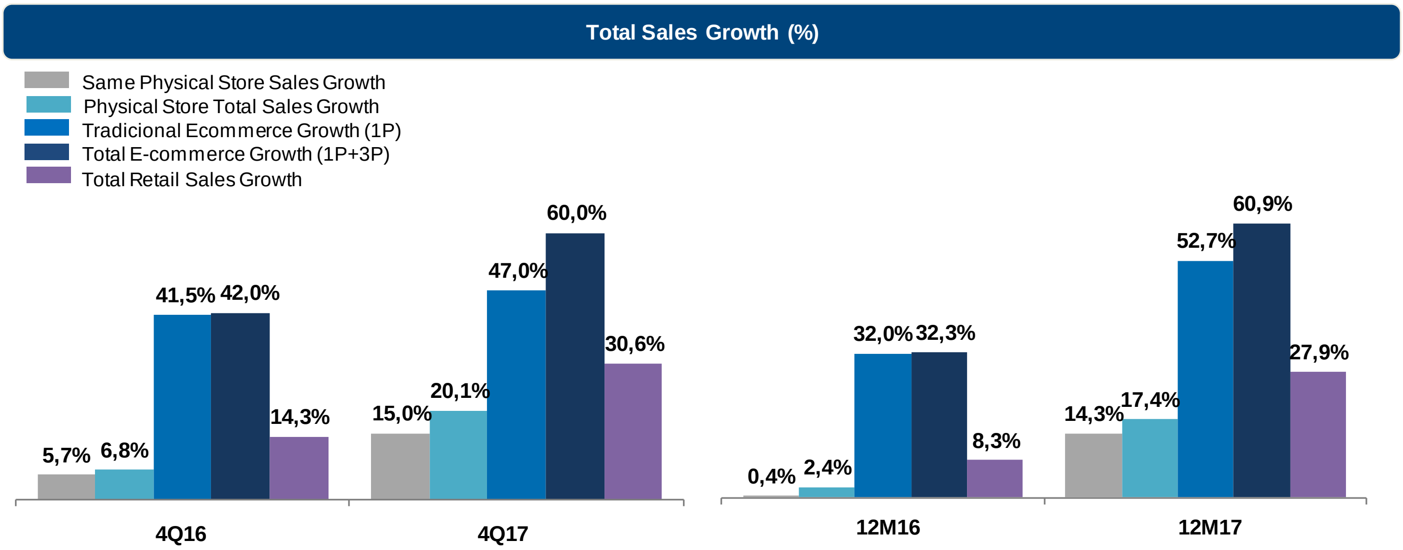
EXECUTIVE MANAGEMENT TEAM

OPERATING AND FINANCIAL PERFORMANCE

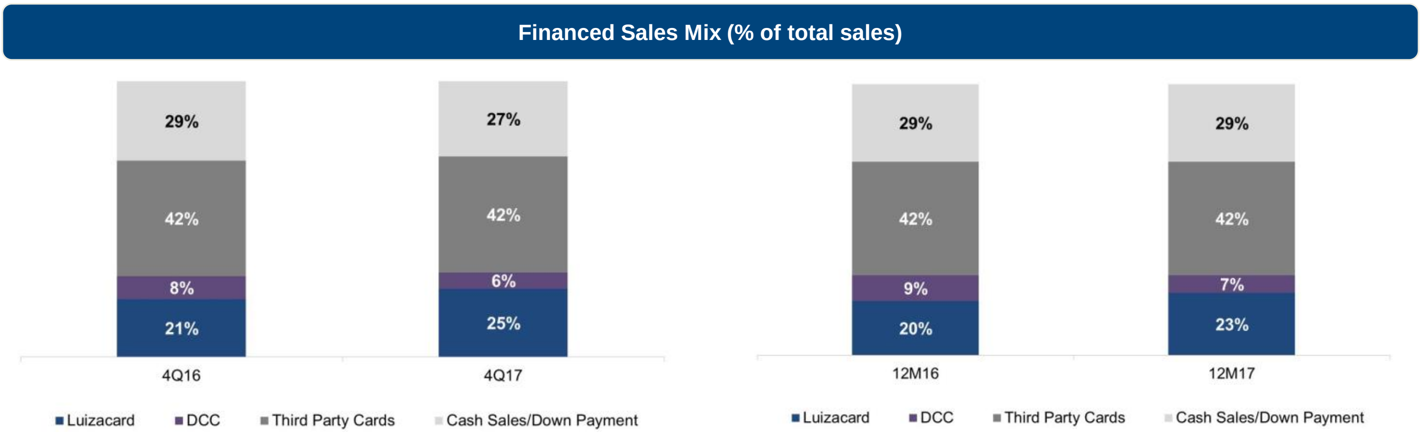
Magalu ended 4Q17 with 858 stores, 716 of which were conventional stores, 141 virtual stores and an e-commerce operation. In 4Q17, the Company inaugurated 28 stores (15 conventional and 13 virtual). In the last 12 months, the Company opened 60 new stores and closed 2. Out of our total number of stores, 17% are not yet mature.



Total Retail sales were up 30.6% in 4Q17 as a result of a 20.1% increase in brick-and-mortar stores and a 60.0% increase in e-commerce. This growth reflects consistent e-commerce and bricks-and-mortar performance. In 2017, total retail sales growth was 27.9% (+17.4% in bricks and mortar and +60.9% in e-commerce).



Luiza Card total sales penetration increased 4 p.p. to 25% in 4Q17, 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 8% to 6% YoY.



Gross Revenues

(in R$ million)	4Q17	4Q16	% Chg	12M17	12M16	% Chg
Gross Revenue - Retail - Merchandise Sales	4,106.0	3,237.1	26.8%	13,621.6	10,828.8	25.8%
Gross Revenue - Retail - Services	200.4	142.6	40.5%	641.0	494.8	29.6%
Gross Revenue - Retail	**4,306.4**	**3,379.7**	**27.4%**	**14,262.6**	**11,323.5**	**26.0%**
Gross Revenue - Consortium Management	19.3	15.9	22.0%	70.6	58.1	21.7%
Inter-Company Eliminations	(3.1)	(2.8)	11.7%	(12.2)	(10.0)	22.0%
Gross Revenue - Total	**4,322.6**	**3,392.7**	**27.4%**	**14,321.1**	**11,371.6**	**25.9%**

In 4Q17, total gross revenues grew 27.4% to R$4.3 billion, due to the accelerated growth of e-commerce, increased same physical store sales and the contribution of 60 new stores. Also notable was the 40.5% growth in services revenue, which includes the sale of new insurance, digital services (Lu Conecta) and marketplace commissions. In 2017, gross revenues rose 25.9% to R$14.3 billion.

Net Revenues

(in R$ million)	4Q17	4Q16	% Chg	12M17	12M16	% Chg
Net Revenue - Retail - Merchandise Sales	3,428.5	2,702.2	26.9%	11,365.1	9,031.3	25.8%
Net Revenue - Retail - Services	178.7	125.1	42.8%	566.0	433.8	30.5%
Net Revenue - Retail	**3,607.2**	**2,827.4**	**27.6%**	**11,931.1**	**9,465.2**	**26.1%**
Net Revenue - Consortium Management	17.8	14.7	20.9%	65.4	53.5	22.1%
Inter-Company Eliminations	(3.1)	(2.8)	11.7%	(12.2)	(10.0)	22.0%
Net Revenue - Total	**3,621.8**	**2,839.3**	**27.6%**	**11,984.3**	**9,508.7**	**26.0%**

In 4Q17, total net revenues rose 27.6% to R$3.6 billion, in line with total gross revenue. In 12M17, net revenues were up 26.0% to R$12.0 billion.

Gross Profit

(in R$ million)	4Q17	4Q16	% Chg	12M17	12M16	% Chg
Gross Profit - Retail - Merchandise Sales	867.5	708.2	22.5%	3,006.7	2,459.0	22.3%
Gross Profit - Retail - Services	178.7	125.1	42.8%	566.0	433.8	30.5%
Gross Profit - Retail	**1,046.2**	**833.4**	**25.5%**	**3,572.7**	**2,892.9**	**23.5%**
Gross Profit - Consortium Management	9.7	7.3	32.7%	33.4	29.7	12.4%
Gross Profit - Total	**1,055.9**	**840.7**	**25.6%**	**3,606.0**	**2,922.6**	**23.4%**
Gross Margin - Total	**29.2%**	**29.6%**	**-40 bps**	**30.1%**	**30.7%**	**-60 bps**

In 4Q17, gross profit increased by 25.6% to R$1.6 billion, equivalent to a gross margin of 29.2%. This result is attributable to: (i) a higher contribution from e-commerce over total sales and (ii) flat gross margins across all channels. In 2017, gross profit was up 23.4% to R$3.6 billion (gross margin of 30.1%).

Operating Expenses

(in R$ million)	4Q17	% NR	4Q16	% NR	% Chg	12M17	% NR	12M16	% NR	% Chg
Selling Expenses	(602.9)	-16.6%	(497.2)	-17.5%	21.2%	(2,120.0)	-17.7%	(1,776.3)	-18.7%	19.3%
General and Administrative Expenses	(157.4)	-4.3%	(133.9)	-4.7%	17.6%	(536.0)	-4.5%	(481.9)	-5.1%	11.2%
General and Administrative Expenses	**(760.3)**	**-21.0%**	**(631.1)**	**-22.2%**	**20.5%**	**(2,656.0)**	**-22.2%**	**(2,258.2)**	**-23.7%**	**17.6%**
Provisions for Loan Losses	(14.6)	-0.4%	(6.7)	-0.2%	117.1%	(41.9)	-0.3%	(26.1)	-0.3%	60.8%
Other Operating Revenues, Net	7.2	0.2%	8.3	0.3%	-13.5%	36.5	0.3%	13.5	0.1%	170.2%
Total Operating Expenses	**(767.7)**	**-21.2%**	**(629.5)**	**-22.2%**	**21.9%**	**(2,661.4)**	**-22.2%**	**(2,270.8)**	**-23.9%**	**17.2%**

Selling Expenses

Selling expenses totaled R$602.9 million or 16.6% of net revenues in 4Q17 (90 bps lower YoY), due to the rigorous control of expenses, productivity gains, reduced marketing and logistics expenses, renegotiation of lease contracts and a significant reduction in inflation during the period. In 2017, selling expenses totaled R$2.1 billion equivalent to 17.7% of net revenue (100 bps lower *versus* 12M16).

General and Administrative Expenses

General and administrative expenses came to R$157.4 million or 4.3% of net revenues in 4Q17 (40 bps lower YoY), due to the optimization of administrative processes and a reduction in salary adjustments due to the decrease in inflation. In 2017, G&A expenses totaled R$536.0 million, equivalent to 4.5% of net revenue (60 bps lower versus 2016).

Provisions for Loan Losses

Provisions for loan losses reached R$14.6 million in 4Q17 and R$41.9 million in 12M17.

Other Operating Revenues and Expenses, Net

(in R$ million)	4Q17	% NR	4Q16	% NR	% Chg	12M17	% NR	12M16	% NR	% Chg
Gain on Sale of Assets	(0.1)	0.0%	(0.1)	0.0%	4.8%	2.9	0.0%	(0.5)	0.0%	- 704.0%
Deferred Revenue Recorded	10.7	0.3%	10.1	0.4%	6.2%	42.8	0.4%	40.6	0.4%	5.3%
Provision for Tax Liabilities	(1.9)	-0.1%	0.5	0.0%	-450%	(6.1)	-0.1%	(1.0)	0.0%	484.5%
Non-recurring Expenses	(1.2)	0.0%	(2.4)	-0.1%	-50.4%	(3.3)	0.0%	(27.2)	-0.3%	-87.7%
Other	(0.3)	0.0%	0.3	0.0%	-210.7%	0.2	0.0%	1.5	0.0%	-85.9%
Total	**7.2**	**0.2%**	**8.3**	**0.3%**	**-13.5%**	**36.5**	**0.3%**	**13.5**	**0.1%**	**170.2%**

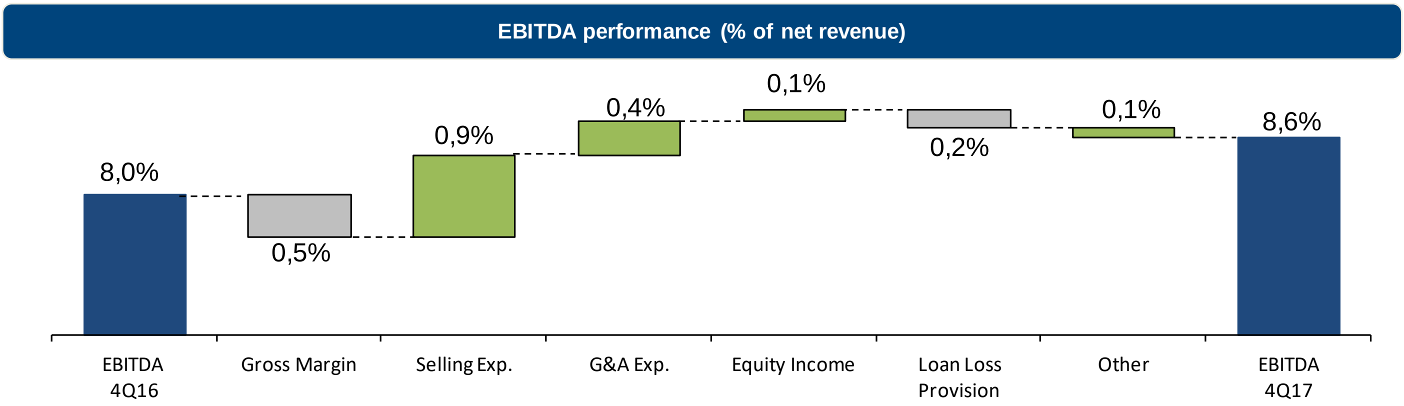
Other net operating revenues and expenses came to R$7.2 million in 4Q17, chiefly due to a deferred revenues allocation of R$10.7 million. In 12M17, other net operating revenues and expenses reached R$36.5 million.

Equity Income

Equity income grew 55.8% to R$24.5 million or 0.7% of net revenue in 4Q17. The main factors that impacted this result were: (i) Luizacred's performance with equity income of R$19.0 million (+50.0% over 4Q16) and (ii) Luizaseg's performance with equity income of R$5.5 million (+84% over 4Q16). In 12M17, equity income reached R$86.2 million, 37.4% growth YoY (R$68.8 million from Luizacred, growth of 35.4%, and R$17.4 million from Luizaseg, growth of 45.9%).

EBITDA

In 4Q17, EBITDA grew 37.8% to R$312.7 million, equivalent to a margin of 8.6% (+60 bps versus 4Q16). The high sales growth, the positive contribution from e-commerce, the dilution of operating expenses, as well as the performance of Luizacred and Luizaseg contributed to the achievement of the highest 4th quarter EBITDA margin since the IPO in 2011. In 2017, EBITDA grew 44.3% reaching R$1.0 billion or 8.6% margin (+110 bps YoY).



Financial Results

R$ million	4Q17	% NR	4Q16	% NR	% Chg	12M17	% NR	12M16	% NR	% Chg
Financial Expenses	(114.9)	-3.2%	(167.2)	-5.9%	-31.3%	(520.9)	-4.3%	(620.5)	-6.5%	-16.0%
Interest on loans and financing	(35.1)	-1.0%	(69.4)	-2.4%	-49.4%	(198.9)	-1.7%	(272.8)	-2.9%	-27.1%
Interest on prepayment of receivables – third party card	(15.8)	-0.4%	(38.3)	-1.3%	-58.8%	(105.0)	-0.9%	(156.4)	-1.6%	-32.9%
Interest on prepayment of receivables – Luiza Card	(44.6)	-1.2%	(49.0)	-1.7%	-9.0%	(170.0)	-1.4%	(153.2)	-1.6%	10.9%
Other expenses	(19.4)	-0.5%	(10.4)	-0.4%	86.1%	(47.1)	-0.4%	(38.1)	-0.4%	23.7%
Financial Revenues	36.3	1.0%	29.0	1.0%	25.2%	110.1	0.9%	116.7	1.2%	-5.6%
Gains on marketable securities	5.2	0.1%	3.3	0.1%	59.4%	12.9	0.1%	13.4	0.1%	-3.5%
Other financial revenues	31.1	0.9%	25.7	0.9%	20.9%	97.2	0.8%	103.3	1.1%	-5.9%
Total Financial Results	(78.6)	-2.2%	(138.2)	-4.9%	-43.1%	(410.8)	-3.4%	(503.8)	-5.3%	-18.5%
Income from securities[1]	21.5	0.6%	11.2	0.4%	92.7%	52.3	0.4%	37.6	0.4%	39.1%
Adjusted Net Financial Results	(57.1)	-1.6%	(127.0)	-4.5%	-55.1%	(358.6)	-3.0%	(466.3)	-4.9%	-23.1%

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

In 4Q17, adjusted net financial results came to R$57.1 million, a 55.1% improvement YoY. Financial results improved 290 bps as a percentage of net revenue (from 4.5% to 1.6%). This result was positively impacted by reduced net debt and a decrease in the Selic rate. In 12M17, adjusted net financial results totaled R$358.6 million (+190 bps better versus 12M16).

Net Income

In 4Q17, net income came to R$165.6 million (net margin of 4.6%) with an annualized ROIC of 53% and a ROE of 32%. In 2017, net income reached R$389.0 million (net margin of 3.2%), the best result since the IPO.

Working Capital

CONSOLIDATED (R$ million)	LTM	Dec-17	Sep-17	Jun-17	Mar-17	Dec-16
(+) Accounts Receivables	660.3	1,241.3	663.2	503.8	578.8	581.0
(+) Inventories	372.6	1,969.3	1,545.5	1,430.3	1,454.1	1,596.7
(+) Related Parties	32.7	96.8	65.2	47.1	56.8	64.0
(+) Recoverable Taxes	(11.5)	200.7	189.0	182.7	195.5	212.2
(+) Other Assets	29.5	77.3	103.3	90.2	66.1	47.8
(+) Current Operating Assets	1,083.6	3,585.4	2,566.2	2,254.3	2,351.3	2,501.7
	-					
(-) Suppliers	554.6	2,919.5	2,120.1	1,860.5	1,762.4	2,365.0
(-) Payroll, Vacation and Related Charges	48.2	236.6	231.5	191.5	188.1	188.4
(-) Taxes Payable	44.3	84.5	66.1	46.4	36.6	40.1
(-) Related Parties	16.6	89.5	71.3	60.3	56.3	73.0
(-) Taxes in Installments	-	-	-	-	-	-
(-) Deferred Revenue	1.2	41.6	42.2	42.8	40.3	40.3
(-) Other Accounts Payable	150.5	265.8	175.7	163.2	128.8	115.3
(-) Current Operating Liabilities	815.4	3,637.5	2,706.9	2,364.8	2,212.4	2,822.1
	-					
(=) Working Capital	268.2	(52.1)	(140.7)	(110.5)	138.9	(320.4)
	-					
(-) Credit Card - Third Party Card	544.1	820.3	333.1	240.6	342.4	276.2
(-) Credit Card - Luiza Card	23.7	42.3	22.8	11.4	15.7	18.6
(-) Total Credit Card	567.8	862.6	355.9	252.0	358.0	294.9
(=) Working Capital Adjusted	(299.5)	(914.7)	(496.6)	(362.5)	(219.2)	(615.2)
% of Gross Revenue (LTM)	-1.0%	-6.4%	-3.7%	-2.9%	-1.8%	-5.4%
	-					
(=) Working Capital	268.2	(52.1)	(140.7)	(110.5)	138.9	(320.4)
(+) Balance of Discounted Receivables	- 58.8	1,528.7	1,675.5	1,713.9	1,612.3	1,587.5
(=) Working Capital Expanded	209.4	1,476.6	1,534.8	1,603.4	1,751.2	1,267.2
% of Gross Revenue (LTM)	-0.8%	10.3%	11.5%	12.7%	14.6%	11.1%

In Dec/17, the adjusted working capital needs were negative at R$914.7 million, a relevant improvement over the previous year, driven in part by improved inventory turnover (from 72 days in 4Q16 to 69 days in 4Q17). In the LTM, the change in working capital contributed R$299.5 million to cash flow from operations and also reduced adjusted net debt.

Capex

CAPEX (in R$ million)	4Q17	%	4Q16	%	12M17	%	12M16	%
New Stores	13.8	31%	8.0	17%	39.0	23%	10.7	9%
Remodeling	8.9	20%	17.3	38%	39.8	23%	43.4	35%
Technology	19.9	44%	17.1	37%	76.6	45%	54.1	44%
Logistics	2.2	5%	3.6	8%	12.3	7%	15.1	12%
Other	0.5	1%	0.0	0%	3.1	2%	1.0	1%
Total	**45.3**	**100%**	**46.1**	**100%**	**170.8**	**100%**	**124.3**	**100%**

In 4Q17, investments totaled R$45.3 million, including the opening of stores, remodeling, investment in technology and logistics. During this period, 49% of total capex was allocated to technology and logistics projects to support the Company's digital transformation strategy. In 12M17, capex totaled R$170.8 million, 37.4% growth YoY.

Capital Structure

CONSOLIDATED (R$ million)	LTM	Dec-17	Sep-17	Jun-17	Mar-17	Dec-16
(-) Current Loans and Financing	403.7	(434.3)	(720.5)	(718.7)	(688.3)	(838.0)
(-) Non-current Loans and Financing	573.6	(437.2)	(886.5)	(663.0)	(889.9)	(1,010.8)
(=) Gross Debt	977.3	(871.5)	(1,606.9)	(1,381.6)	(1,578.2)	(1,848.8)
(+) Cash and Cash Equivalents	(186.4)	412.7	178.6	265.1	255.1	599.1
(+) Current Securities	440.6	1,259.6	1,043.7	597.0	521.4	819.0
(+) Non-current Securities	(0.2)	-	-	-	-	0.2
(+) Total Cash	254.0	1,672.3	1,222.3	862.0	776.5	1,418.3
(=) Net Cash	1,231.2	800.8	(384.6)	(519.6)	(801.7)	(430.5)
(+) Credit Card - Third Party Card	544.1	820.3	333.1	240.6	342.4	276.2
(+) Credit Card - Luiza Card	23.7	42.3	22.8	11.4	15.7	18.6
(+) Total Credit Card	567.8	862.6	355.9	252.0	358.0	294.9
(=) Adjusted Net Cash	1,799.0	1,663.4	(28.7)	(267.6)	(443.7)	(135.6)
Short Term Debt / Total	5%	50%	45%	52%	44%	45%
Long Term Debt / Total	-5%	50%	55%	48%	56%	55%
Adjusted EBITDA (LTM)	292.4	1,034.1	949.5	879.7	811.0	741.7
Adjusted Net Cash / Adjusted EBITDA	1.8 x	1.6 x	0.0 x	-0.3 x	-0.5 x	-0.2 x
Cash, Securities and Credit Cards	821.7	2,534.9	1,578.2	1,114.0	1,134.5	1,713.1

In the LTM, the Company improved its capital structure by R$1.8 billion, from a net debt position of R$135.6 million in Dec/16 to a net cash position of R$1.7 billion in Dec/17 (taking into consideration the Secondary Offering of Shares held in Oct/17 in the amount of R$1.14 billion).

The Company ended 2017 with a total cash position of R$2.5 billion, considering cash and securities of R$1.7 billion and R$0.9 billion in credit card receivables.

ANNEX I
FINANCIAL STATEMENTS – CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT (R$ million)	4Q17	V.A.	4Q16	V.A.	% Chg	12M17	V.A.	12M16	V.A.	% Chg
Gross Revenue	4,322.6	119.3%	3,392.7	119.5%	27.4%	14,321.1	119.5%	11,371.6	119.6%	25.9%
Taxes and Deductions	(700.8)	-19.3%	(553.4)	-19.5%	26.6%	(2,336.9)	-19.5%	(1,862.9)	-19.6%	25.4%
Net Revenue	3,621.8	100.0%	2,839.3	100.0%	27.6%	11,984.3	100.0%	9,508.7	100.0%	26.0%
Total Costs	(2,565.9)	-70.8%	(1,998.6)	-70.4%	28.4%	(8,378.2)	-69.9%	(6,586.1)	-69.3%	27.2%
Gross Income	1,055.9	29.2%	840.7	29.6%	25.6%	3,606.0	30.1%	2,922.6	30.7%	23.4%
Selling Expenses	(602.9)	-16.6%	(497.2)	-17.5%	21.2%	(2,120.0)	-17.7%	(1,776.3)	-18.7%	19.3%
General and Administrative Expenses	(157.4)	-4.3%	(133.9)	-4.7%	17.6%	(536.0)	-4.5%	(481.9)	-5.1%	11.2%
Provisions for Loan Losses	(14.6)	-0.4%	(6.7)	-0.2%	117.1%	(41.9)	-0.3%	(26.1)	-0.3%	60.8%
Other Operating Revenues, Net	7.2	0.2%	8.3	0.3%	-13.5%	36.5	0.3%	13.5	0.1%	170.2%
Equity in Subsidiaries	24.5	0.7%	15.8	0.6%	55.8%	86.2	0.7%	62.7	0.7%	37.4%
Total Operating Expenses	(743.2)	-20.5%	(613.8)	-21.6%	21.1%	(2,575.3)	-21.5%	(2,208.1)	-23.2%	16.6%
EBITDA	312.7	8.6%	226.9	8.0%	37.8%	1,030.8	8.6%	714.6	7.5%	44.3%
Depreciation and Amortization	(37.1)	-1.0%	(40.0)	-1.4%	-7.4%	(143.1)	-1.2%	(133.6)	-1.4%	7.1%
EBIT	275.6	7.6%	186.9	6.6%	47.5%	887.7	7.4%	580.9	6.1%	52.8%
Financial Results	(78.6)	-2.2%	(138.2)	-4.9%	-43.1%	(410.8)	-3.4%	(503.8)	-5.3%	-18.5%
Operating Income	197.0	5.4%	48.7	1.7%	304.9%	476.9	4.0%	77.1	0.8%	518.5%
Income Tax and Social Contribution	(31.4)	-0.9%	(2.6)	-0.1%	1109.3%	(87.9)	-0.7%	9.5	0.1%	-
Net Income	165.6	4.6%	46.1	1.6%	259.5%	389.0	3.2%	86.6	0.9%	349.4%

ANNEX II
FINANCIAL STATEMENTS – CONSOLIDATED BALANCE SHEET

ASSETS (R$ million)	Dec-17	Sep-17	Jun-17	Mar-17	Dec-16
CURRENT ASSETS					
Cash and Cash Equivalents	412.7	178.6	265.1	255.1	599.1
Securities	1,259.6	1,043.7	597.0	521.4	819.0
Accounts Receivable	1,241.3	663.2	503.8	578.8	581.0
Inventories	1,969.3	1,545.5	1,430.3	1,454.1	1,596.7
Related Parties	96.8	65.2	47.1	56.8	64.0
Taxes Recoverable	200.7	189.0	182.7	195.5	212.2
Other Assets	77.3	103.3	90.2	66.1	47.8
Total Current Assets	5,257.6	3,788.5	3,116.3	3,127.8	3,919.8
	-	-	-	-	-
NON-CURRENT ASSETS					
Securities	-	-	-	-	0.2
Accounts Receivable	4.7	3.2	4.3	3.1	3.6
Deferred Income Tax and Social Contribution	223.1	233.9	236.5	238.0	242.0
Recoverable Taxes	166.0	164.1	181.7	191.8	223.6
Judicial Deposits	310.9	301.9	297.0	292.7	292.2
Other Assets	44.4	43.0	40.8	40.2	52.3
Investments in Subsidiaries	311.3	319.0	311.8	304.9	293.8
Fixed Assets	569.0	560.4	557.4	558.0	560.1
Intangible Assets	532.4	533.0	525.9	516.9	513.0
Total Non-current Assets	2,161.9	2,158.7	2,155.5	2,145.5	2,180.8
TOTAL ASSETS	7,419.5	5,947.1	5,271.8	5,273.3	6,100.6

LIABILITIES (R$ million)	Dec-17	Sep-17	Jun-17	Mar-17	Dec-16
CURRENT LIABILITIES					
Suppliers	2,919.5	2,120.1	1,860.5	1,762.4	2,365.0
Loans and Financing	434.3	720.5	718.7	688.3	838.0
Payroll, Vacation and Related Charges	236.6	231.5	191.5	188.1	188.4
Taxes Payable	84.5	66.1	46.4	36.6	40.1
Related Parties	89.5	71.3	60.3	56.3	73.0
Taxes in Installments	-	-	-	-	-
Deferred Revenue	41.6	42.2	42.8	40.3	40.3
Dividends Payable	64.3	-	-	12.3	12.3
Other Accounts Payable	265.8	175.7	163.2	128.8	115.3
Total Current Liabilities	4,136.0	3,427.3	3,083.5	2,913.1	3,672.4
NON-CURRENT LIABILITIES					
Loans and Financing	437.2	886.5	663.0	889.9	1,010.8
Provision for Tax, Civil and Labor Risks	301.5	289.9	286.6	286.5	284.1
Deferred Revenue	468.8	478.9	489.0	499.1	509.2
Other Accounts Payable	1.9	2.7	2.7	2.5	2.6
Total Non-current Liabilities	1,209.5	1,658.0	1,441.3	1,677.9	1,806.6
TOTAL LIABILITIES	5,345.5	5,085.4	4,524.8	4,591.0	5,479.0
SHAREHOLDERS’ EQUITY					
Capital Stock	1,719.9	606.5	606.5	606.5	606.5
Capital Reserve	37.1	30.8	22.2	20.1	19.0
Treasury Shares	(14.0)	(16.4)	(28.7)	(28.7)	(28.7)
Legal Reserve	39.9	20.5	20.5	20.5	20.5
Profit Retention Reserve	288.4	-	-	3.1	3.1
Other Comprehensive Income	2.7	3.2	1.8	2.3	1.2
Accumulated Losses	-	217.2	124.7	58.6	-
Total Shareholders’ Equity	2,074.0	861.8	747.0	682.4	621.6
TOTAL	7,419.5	5,947.1	5,271.8	5,273.3	6,100.6

ANNEX III
FINANCIAL STATEMENTS – ADJUSTED CONSOLIDATED STATEMENT OF CASH FLOWS

ADJUSTED CASH FLOW STATEMENTS (R$ million)	4Q17	4Q16	12M17	12M16
Net Income	**165.6**	**46.1**	**389.0**	**86.6**
Effect of Income Tax and Social Contribution Net of Payment	17.7	2.0	56.1	(12.2)
Depreciation and Amortization	37.1	40.0	143.1	133.6
Interest Accrued on Loans	31.6	64.4	180.8	254.5
Equity Income	(24.5)	(15.8)	(86.2)	(62.7)
Dividends Received	17.7	6.0	58.9	70.9
Provision for Losses on Inventories and Receivables	0.9	27.6	88.6	99.2
Provision for Tax, Civil and Labor Contingencies	17.3	19.4	45.3	59.1
Gain on Sale of Fixed Assets	0.1	0.1	(2.9)	0.5
Recognition of Deferred Income	(10.7)	(10.1)	(42.8)	(40.6)
Stock Option Expenses	1.3	1.1	5.6	4.5
Adjusted Net Income	**254.0**	**180.8**	**835.4**	**593.3**
Adjusted Trade Accounts Receivable (w/ Third Part Credit Card)	(109.6)	(81.6)	(169.9)	(72.6)
Inventories	(407.6)	(266.5)	(408.7)	(299.6)
Taxes Recoverable	(9.5)	25.2	73.2	76.1
Adjusted Other Receivables (w/ Luiza Card)	13.7	31.6	(41.1)	(40.3)
Changes in Operating Assets	**(513.0)**	**(291.3)**	**(546.5)**	**(336.4)**
Trade Accounts Payable	799.4	836.5	554.6	470.8
Other Payables	118.5	23.0	196.6	51.1
Change in Operating Liabilities	**917.9**	**859.5**	**751.2**	**521.9**
Cash Flow from Operating Activities	**658.9**	**749.0**	**1,040.2**	**778.9**
Additions of Fixed and Intangible Assets	(45.3)	(46.1)	(170.8)	(124.3)
Cash on Sale of Fixed Assets	0.0	0.0	3.2	0.0
Renegotiation Payment of Exclusive Contract	0.0	0.0	0.0	(11.2)
Investment in Subsidiary	0.0	0.0	(1.0)	0.0
Cash Flow from Investing Activities	**(45.3)**	**(46.1)**	**(168.7)**	**(135.5)**
Loans and Financing	0.0	324.9	502.6	578.5
Repayment of Loans and Financing	(727.0)	(240.9)	(1,434.1)	(477.3)
Changes in Other Financial Assets (Hedge)	1.1	(16.5)	(12.5)	(114.1)
Payment of Interest on Loans and Financing	(41.1)	(37.3)	(214.0)	(216.2)
Payment of Dividends	(10.7)	0.0	(32.4)	0.0
Treasury Shares	7.5	(23.8)	27.2	(35.6)
Proceeds from the Secondary Equity Offering	1,144.0	0.0	1,144.0	0.0
Payment of expenses with the Secondary Equity Offering	(30.6)	0.0	(30.6)	0.0
Cash Flow from Financing Activities	**343.1**	**6.4**	**(49.8)**	**(264.6)**
Cash, Cash Equivalents, Securities and Receivables at Beginning of Period	1,578.2	1,003.9	1,713.1	1,334.4
Cash, Cash Equivalents, Securities and Receivables at end of Period	2,534.9	1,713.1	2,534.9	1,713.1
Change in Cash and Cash equivalents	**956.7**	**709.3**	**821.7**	**378.7**
- Cash and Cash Equivalents at end of Period	412.7	599.1	412.7	599.1
- Securities at end of Period	1,259.6	819.2	1,259.6	819.2
- Receivables at end of Period	862.6	294.9	862.6	294.9
Cash, Cash Equivalents, Securities and Receivables at end of Period	**2,534.9**	**1,713.1**	**2,534.9**	**1,713.1**

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)	Dec-17	Sep-17	Jun-17	Mar-17	Dec-16
(=) Working Capital	(52.1)	(140.7)	(110.5)	138.9	(320.4)
(+) Accounts Receivable	4.7	3.2	4.3	3.1	3.6
(+) Income Tax and Social Contribution deferred	223.1	233.9	236.5	238.0	242.0
(+) Taxes Recoverable	166.0	164.1	181.7	191.8	223.6
(+) Judicial Deposits	310.9	301.9	297.0	292.7	292.2
(+) Other Assets	44.4	43.0	40.8	40.2	52.3
(+) Investment In Joint Subsidiaries	311.3	319.0	311.8	304.9	293.8
(+) Fixed Assets	569.0	560.4	557.4	558.0	560.1
(+) Intangible Assets	532.4	533.0	525.9	516.9	513.0
(+) Non Current Assets	2,161.9	2,158.7	2,155.5	2,145.5	2,180.6
(-) Provision for Contingencies	301.5	289.9	286.6	286.5	284.1
(-) Deferred Revenue	468.8	478.9	489.0	499.1	509.2
(-) Other Accounts Payable	1.9	2.7	2.7	2.5	2.6
(-) Noncurrent operating liabilities	772.3	771.6	778.3	788.0	795.8
(=) Fixed Capital	1,389.6	1,387.1	1,377.2	1,357.5	1,384.8
(=) Total Invested Capital	1,337.5	1,246.4	1,266.6	1,496.4	1,064.4
(+) Net Debt	(800.8)	384.6	519.6	801.7	430.5
(+) Dividends Payable	64.3	-	-	12.3	12.3
(+) Shareholders Equity	2,074.0	861.8	747.0	682.4	621.6
(=) Total Financing	1,337.5	1,246.4	1,266.6	1,496.4	1,064.4

FINANCIAL EXPENSES RECONCILIATION (R$MM)	4Q17	3Q17	2Q17	1Q17	4Q16
Financial Income	36.3	22.7	27.6	23.5	29.0
Financial Expenses	(114.9)	(115.3)	(136.8)	(153.9)	(167.2)
Net Financial Expenses	(78.6)	(92.5)	(109.2)	(130.4)	(138.2)
Interest on prepayment of receivables: Luiza Card and third party card	60.4	63.6	76.1	74.9	87.3
Adjusted Financial Expenses	(18.2)	(29.0)	(33.1)	(55.5)	(50.9)
Taxes on Adjusted Financial Expenses	6.2	9.8	11.3	18.9	17.3
Net Adjusted Financial Expenses	(12.0)	(19.1)	(21.9)	(36.6)	(33.6)

NOPLAT AND ROIC/ROE RECONCILIATION(R$MM)	4Q17	3Q17	2Q17	1Q17	4Q16
EBITDA	312.7	250.4	235.8	231.9	226.9
Interest on prepayment of receivables: Luiza Card and third party card	(60.4)	(63.6)	(76.1)	(74.9)	(87.3)
Adjusted EBITDA	252.3	186.8	159.7	157.0	139.6
Depreciation	(37.1)	(36.6)	(34.9)	(34.4)	(40.0)
Adjusted EBIT	215.3	150.2	124.7	122.5	99.6
Current and deferred taxes	(31.4)	(28.7)	(19.3)	(8.5)	(2.6)
Taxes on Adjusted Financial Expenses	(6.2)	(9.8)	(11.3)	(18.9)	(17.3)
Net Operating Income (NOPLAT)	177.7	111.6	94.2	95.2	79.7
Invested Capital	1,337.5	1,246.4	1,266.6	1,496.4	1,064.4
ROIC Annualized	53%	36%	30%	25%	30%
Net Income	165.6	92.5	72.4	58.6	46.1
Shareholders Equity	2,074.0	861.8	747.0	682.4	621.6
ROE Annualized	32%	43%	39%	34%	30%

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

Breakdown of Total Sales (R$ million)	4Q17	V.A.	4Q16	V.A.	Growth Total
Virtual Stores	212.2	4.8%	165.6	4.9%	28.2%
Conventional Stores	2,769.5	62.9%	2,316.4	68.7%	19.6%
Subtotal - Physical Stores	2,981.7	67.7%	2,482.0	73.6%	20.1%
Traditional E-commerce (1P)	1,303.1	29.6%	886.5	26.3%	47.0%
Marketplace (3P)	120.1	2.7%	3.2	0.1%	3680.0%
Subtotal - Total E-commerce	1,423.1	32.3%	889.6	26.4%	60.0%
Total Sales	**4,404.9**	100.0%	**3,371.7**	100.0%	30.6%
Other revenue[1]	21.5	-	11.2	-	92.7%
Marketplace (3P)	(120.1)	-	(3.2)	-	3680.0%
Gross Revenue - Retail	**4,306.4**	-	**3,379.7**	-	27.4%

Breakdown of Total Sales (R$ million)	12M17	V.A.	12M16	V.A.	Growth Total
Virtual Stores	683.9	4.7%	535.7	4.7%	27.7%
Conventional Stores	9,368.5	64.9%	8,027.4	71.1%	16.7%
Subtotal - Physical Stores	10,052.4	69.6%	8,563.1	75.8%	17.4%
Traditional E-commerce (1P)	4,157.8	28.8%	2,722.8	24.1%	52.7%
Marketplace (3P)	230.0	1.6%	4.3	0.0%	5202.1%
Subtotal - Total E-commerce	4,387.8	30.4%	2,727.1	24.2%	60.9%
Total Sales	**14,440.3**	100.0%	**11,290.2**	100.0%	27.9%
Other revenue[1]	52.3	-	37.7	-	38.8%
Marketplace (3P)	(230.0)	-	(4.3)	-	5202.1%
Gross Revenue - Retail	**14,262.5**	-	**11,323.5**	-	26.0%

Number of stores per channel – End of the period	Dec-17	Part(%)	Dec-16	Part(%)	Growth Total
Virtual Stores	141	16,4%	120	15,0%	21
Conventional Stores	716	83,4%	679	84,9%	37
Subtotal - Physical Stores	857	99,9%	799	99,9%	58
E-commerce	1	0,1%	1	0,1%	-
Total	**858**	100,0%	**800**	100,0%	58
Total Sales Area (m²)	525.981	100%	501.319	100%	4,9%

[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 Dec/17, Luizacred's total card base reached 3.4 million cards issued (+ 4.2% vs. Dec/16). In-store sales to Luiza Card customers, known for their loyalty and higher purchase frequency, grew 52.2% in 4Q17 and 48.3% in the year. Due to a conservative credit policy, DCC revenues shrank from R$93 million in 4Q16 to R$54 million in 4Q17.

Luizacred's credit portfolio, including credit card, DDC and individual loans, reached R$5.7 billion at the end of 4Q17, an increase of 26.6% over 4Q16. Luiza Card's portfolio grew 31.0% to R$5.5 billion, while the DCC portfolio decreased 32.0% to R$198 million, following Luizacred's strategy to focus on the Luiza Card.

LUIZACRED – Key Indicators (R$ million)	4Q17	4Q16	% Chg	12M17	12M16	% Chg
Total Card Base (thousand)	3,387	3,251	4.2%	3,387	3,251	4.2%
Luiza Card Sales – In-store	1,108	728	52.2%	3,374	2,275	48.3%
Luiza Card Sales – Outside Magazine Luiza	3,339	2,672	25.0%	11,389	9,254	23.1%
Subtotal - Luiza Card	**4,447**	**3,400**	**30.8%**	**14,763**	**11,529**	**28.1%**
CDC Sales	54	93	-41.8%	252	346	-27.2%
Personal Loans Sales	14	16	-8.9%	61	73	-16.6%
Luizacred Sales - Total	**4,516**	**3,509**	**28.7%**	**15,076**	**11,949**	**26.2%**
Card Portfolio	5,500	4,198	31.0%	5,500	4,198	31.0%
CDC Portfolio	198	292	-32.0%	198	292	-32.0%
Individual Loans Portfolio	31	37	-15.0%	31	37	-15.0%
Portfolio - Total	**5,730**	**4,527**	**26.6%**	**5,730**	**4,527**	**26.6%**

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

LUIZACRED – Income (R$ million)	4Q17	V.A.	4Q16	V.A.	% Chg	12M17	V.A.	12M16	V.A.	% Chg
Financial Intermediation Revenue	262.6	100.0%	290.6	100.0%	-9.6%	1,085.8	100.0%	1,179.9	100.0%	-8.0%
Cards	222.0	84.5%	237.0	81.6%	-6.3%	899.9	82.9%	928.5	78.7%	-3.1%
CDC	31.0	11.8%	42.1	14.5%	-26.4%	145.0	13.3%	203.6	17.3%	-28.8%
Individual Loans	9.6	3.7%	11.5	4.0%	-16.3%	40.9	3.8%	47.9	4.1%	-14.5%
Financial Intermediation Expenses	(144.5)	-55.0%	(165.5)	-56.9%	-12.6%	(610.5)	-56.2%	(733.6)	-62.2%	-16.8%
Market Funding Operations	(38.8)	-14.8%	(55.8)	-19.2%	-30.5%	(183.6)	-16.9%	(234.3)	-19.9%	-21.6%
Provision for Loan Losses	(105.8)	-40.3%	(109.6)	-37.7%	-3.5%	(426.9)	-39.3%	(499.3)	-42.3%	-14.5%
Gross Financial Intermediation Income	118.1	45.0%	125.1	43.1%	-5.6%	475.3	43.8%	446.4	37.8%	6.5%
Other Operating Revenues (Expenses)	(84.7)	-32.3%	(77.0)	-26.5%	10.1%	(259.2)	-23.9%	(258.0)	-21.9%	0.5%
Service Revenue	136.4	51.9%	103.1	35.5%	32.2%	482.9	44.5%	382.6	32.4%	26.2%
Personnel Expenses	(1.6)	-0.6%	1.8	0.6%	-	(5.0)	-0.5%	(6.1)	-0.5%	-18.6%
Other Administrative Expenses	(186.0)	-70.8%	(138.7)	-47.7%	34.1%	(614.1)	-56.6%	(527.3)	-44.7%	16.4%
Depreciation and Amortization	(3.0)	-1.1%	(3.0)	-1.0%	-0.4%	(11.9)	-1.1%	(12.1)	-1.0%	-1.0%
Tax Expenses	(24.9)	-9.5%	(20.2)	-7.0%	23.3%	(87.1)	-8.0%	(79.2)	-6.7%	10.0%
Other Operating Revenues (Expenses)	(5.6)	-2.1%	(20.0)	-6.9%	-72%	(24.0)	-2.2%	(15.9)	-1.3%	51.5%
Income Before Tax	33.4	12.7%	48.2	16.6%	-30.8%	216.1	19.9%	188.4	16.0%	14.7%
Income Tax and Social Contribution	4.6	1.8%	(22.8)	-7.8%	-120.4%	(78.6)	-7.2%	(86.8)	-7.4%	-9.5%
Net Income	38.0	14.5%	25.4	8.7%	49.6%	137.5	12.7%	101.6	8.6%	35.4%

Revenue from Financial Intermediation

Revenues from financial intermediation fell 9.6% in 4Q17 mainly due to the decrease in interest rates on refinancing and the reduction in the DCC portfolio.

Provision for Loan Losses

The indicators continue to improve. The portfolio of loans overdue from 15 to 90 days (NPL 15) accounted for 2.8% of the total portfolio in Dec/17, falling 40 bps from Dec/16, due to a more conservative credit policy.

In the same way, the loan portfolio overdue by more than 90 days (NPL 90) reached 7.4% of the total portfolio in Dec/17 versus 9.5% in Sep/16 (-210 bps), the lowest level in the last 5 years.

Provisions for loan loss expenses net of recovery accounted for 1.8% of the total portfolio in 4Q17 versus 2.4% in 4Q16. We highlight that the portfolio coverage ratio increased to 130% in Dec/17 from 128% in Dec/16.

PORTFOLIO - OVERDUE	Dec-17		Sep-17		Jun-17		Mar-17		Dec-16	
Total Portfolio (R$ million)	5,730	100%	5,048	100.0%	4,789	100.0%	4,543	100.0%	4,527	100.0%
000 to 014 days	5,147	89.8%	4,476	88.7%	4,213	88.0%	3,975	87.5%	3,950	87.3%
015 to 030 days	45	0.8%	47	0.9%	56	1.2%	55	1.2%	41	0.9%
031 to 060 days	49	0.9%	51	1.0%	54	1.1%	51	1.1%	50	1.1%
061 to 090 days	65	1.1%	57	1.1%	64	1.3%	62	1.4%	56	1.2%
091 to 120 days	58	1.0%	60	1.2%	56	1.2%	49	1.1%	54	1.2%
121 to 150 days	53	0.9%	50	1.0%	57	1.2%	55	1.2%	48	1.1%
151 to 180 days	50	0.9%	54	1.1%	55	1.1%	48	1.1%	47	1.0%
180 to 360 days	263	4.6%	253	5.0%	234	4.9%	249	5.5%	280	6.2%
Overdue 15-90 days	159	2.8%	155	3.1%	174	3.6%	168	3.7%	147	3.2%
Overdue Above 90 days	423	7.4%	417	8.3%	402	8.4%	400	8.8%	429	9.5%
Total Overdue	583	10.2%	572	11.3%	576	12.0%	568	12.5%	576	12.7%
Provisions for loan losses in IFRS	552	9.6%	543	10.8%	532	11.1%	528	11.6%	549	12.1%
Coverage (%)	130%		130%		132%		132%		128%	

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 45.0% in 4Q17 (1.9 p.p YoY), mainly due to lower funding costs and lower provisions in view of the reduction on overdue indicators. In 12M17, gross margin from financial intermediation was 43.8% (+6.0 p.p YoY).

Other Operating Revenues (Expenses)

Other operating expenses totaled R$84.7 million in 4Q17, growing 10.1% YoY, mainly due to the increase in sales of Luiza Card and the increase in the loan portfolio. In 12M17, operating expenses increased by only 0.5% YoY due to productivity gains and service revenue growth of 26.2%.

Operating Income and Net Income

In 4Q17, Luizacred recorded operating income of R$33.4 million, equivalent to 12.7% of financial intermediation. In 2017, operating income was R$216.1 million, 19.9% of financial intermediation revenue (+3,9 p.p. YoY).

In 4Q17, Luizacred's net income was up 49.6% to R$38.0 million (ROE of 23%). In 12M17, net income reached R$137.5 million (35.4% higher), 12.7% of financial intermediation revenue (+410 bps YoY).

Shareholders' Equity

In compliance with the accounting practices established by the Brazilian Central Bank, considering the minimum provisions required by Law 2682, Luizacred posted net income of R$34.2 million in 4Q17 and R$140.2 million in 12M17, with a shareholders' equity of R$632.1 million in Dec/17. As a result of adjustments required under IFRS, specifically additional provisions for expected losses, net of taxes, Luizacred's shareholders' equity for effects of Magazine Luiza's financial statements came to R$587.1 million.

EARNINGS CONFERENCE CALL

Conference Call in Portuguese/English (with simultaneous translation)

February 23, 2018 (Friday)
11:00 am – Brasília time
9:00 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
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Link de webcast:

Webcast English

Replay (available for 7 days):
Dial in # from Brazil: +55 (11) 3193-1012
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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 ten distribution centers servicing a network of over 850 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 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.

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