

Magazine Luiza S.A.

**Interim financial information for
the quarter ended March 31, 2017**



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Independent Auditors' Review Report

To the Shareholders, Counselors and Directors of
Magazine Luiza S.A.
Franca - SP

Introduction

We have reviewed the accompanying individual and consolidated balance sheets of Magazine Luiza S.A. (the "Company", included in the quarterly information form – ITR as at March 31, 2017, the individual and consolidated statements of income and other comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Scope of the review

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

Conclusion on the interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information do not present fairly, in all material respects, the financial position of the Company as at March 31, 2017 and its financial performance and its cash flows for the three-month period then ended in accordance with CPC 21(R1) and IAS 34, issued by the IASB applicable to the preparation of Quarterly Reviews – ITR and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

**Other matters – Interim statements of value added**

The individual and consolidated interim financial information related to the statement of value added for the three-month period ended March 31, 2017, prepared under the responsibility of the Company's management, presented as supplementary information for the purpose of IAS 34, was subject to the same review procedures performed jointly with the review of the quarterly information – ITR of the Company. To prepare our conclusion we evaluated whether these statements are reconciled with the interim financial information and accounting registers, as applicable, and whether the form and contents are in accordance with the criteria defined under Technical Pronouncement CPC 09 – Statement of Value Added. Based on our review, we are not aware of any fact that might lead us to believe that they were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information, taken as a whole.

Other matters – Corresponding values

The audit of the individual and consolidated balance sheet, as at December 31, 2016, was conducted under the responsibility of other independent auditors who issued an unqualified audit report dated February 17, 2017. The review of the individual and consolidated interim financial information, statements of income, comprehensive income, changes in equity and cash flows for the three-month period ended March 31, 2016, prepared originally before the adjustment to the individual statement of cash flows described under Note 2.2., were conducted under the responsibility of independent auditors who issued an unqualified review report dated May 4, 2016. As part of our review of the interim financial statements for the quarter ended March 31, 2017, we reviewed the adjustments in the corresponding amounts of the individual statements of cash flows for the quarter ended March 31, 2016 and we are not aware of any fact that could lead us to believe that such adjustments were not made, in all relevant respects, in an appropriate manner. We were not engaged to audit, review or apply any procedures on the information related to the balance sheet as at December 31, 2016 or to interim financial information related to the quarter ended March 31, 2016 and, accordingly, we do not express any opinion or any form of assurance over these, taken as a whole.

The amounts reported in the individual and consolidated statement of value added for the three-month period ended March 31, 2016, were subject to the same review procedures by those independent auditors and based on their review, those auditors issued a report informing that nothing had come to their attention that caused them to believe that the accompanying statement of value added had not been prepared, in all material respects, in accordance with the individual and consolidated interim financial information taken as a whole.

São Paulo, May 4, 2017

KPMG Auditores Independentes
CRC 2SP014428/O-6
Marcelo Pereira Gonçalves
Accountant CRC 1SP220026/O-3

Magazine Luiza S.A.
Interim Financial Information - ITR
March 31, 2017

Magazine Luiza S.A.

Balance sheet as at March 31, 2017 and December 31, 2016

(In thousands of Brazilian reais - R\$)

		Parent Company		Consolidated	
ASSETS	Notes	3/31/2017	12/31/2016	3/31/2017	12/31/2016
CURRENT					
Cash and cash equivalents	5	222,777	562,728	255,085	599,141
Securities and other financial assets	6 and 27	521,375	818,984	521,375	818,984
Accounts receivable	7	576,925	575,334	578,848	581,001
Inventory	8	1,445,475	1,587,299	1,454,088	1,596,743
Receivables from related parties	9	57,746	66,296	56,840	64,021
Recoverable taxes	10	193,727	210,657	195,472	212,151
Other assets		65,014	47,013	66,075	47,802
Total current assets		3,083,039	3,868,311	3,127,783	3,919,843
NONCURRENT					
Securities and other financial assets	6 and 27	-	171	-	171
Accounts receivable	7	3,054	3,570	3,054	3,570
Recoverable taxes	10	191,804	223,604	191,804	223,604
Deferred income tax and social contribution	11	236,448	241,089	237,989	242,010
Escrow deposits	19	292,743	292,187	292,745	292,189
Other assets		37,649	49,671	40,169	52,273
Equity-accounted investees	12	68,197	67,022	-	-
Investments in joint ventures	13	391,454	380,386	391,454	380,386
Property and equipment	14	556,983	559,320	557,974	560,067
Intangible assets	15	473,673	469,724	516,916	513,049
Total noncurrent assets		2,252,005	2,286,744	2,232,105	2,267,319
TOTAL ASSETS		5,335,044	6,155,055	5,359,888	6,187,162

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

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Balance sheet as at March 31, 2017 and December 31, 2016

(In thousands of Brazilian reais - R\$)

		<u>Parent Company</u>		<u>Consolidated</u>	
	Notes	3/31/2017	12/31/2016	3/31/2017	12/31/2016
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT					
Suppliers	16	1,755,411	2,353,473	1,762,378	2,364,959
Loans, financing and other financial liabilities	17	688,176	837,878	688,280	838,016
Payroll, vacation pay and related charges		185,262	184,789	188,144	188,390
Taxes payable		35,175	38,613	36,551	40,132
Accounts payable to related parties	9	56,242	72,923	56,277	72,955
Deferred income	18	40,318	40,318	40,318	40,318
Dividends payable		12,335	12,335	12,335	12,335
Other accounts payable		126,088	111,615	128,779	115,321
Total current liabilities		2,899,007	3,651,944	2,913,062	3,672,426
NONCURRENT					
Loans, financing and other financial liabilities	17	889,890	1,010,760	889,890	1,010,760
Provision for tax, civil and labor risks	19	278,136	275,054	286,454	284,126
Deferred income	18	499,075	509,155	499,075	509,155
Other accounts payable		-	-	2,471	2,553
Total noncurrent liabilities		1,667,101	1,794,969	1,677,890	1,806,594
TOTAL LIABILITIES		4,566,108	5,446,913	4,590,952	5,479,020
SHAREHOLDERS' EQUITY					
Capital	20	606,505	606,505	606,505	606,505
Capital reserve		20,146	19,030	20,146	19,030
Treasury shares		(28,729)	(28,729)	(28,729)	(28,729)
Legal reserve		20,471	20,471	20,471	20,471
Retained earnings		89,663	89,663	89,663	89,663
Equity valuation adjustment		2,317	1,202	2,317	1,202
Net income		58,563	-	58,563	-
Total shareholders' equity		768,936	708,142	768,936	708,142
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,335,044	6,155,055	5,359,888	6,187,162

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

Magazine Luiza S.A.

Statement of income

Quarters ended March 31, 2017 and 2016

(In thousands of Brazilian reais - R\$)

		Parent Company		Consolidated	
	Notes	3/31/2017	3/31/2016	3/31/2017	3/31/2016
NET REVENUE FROM SALES	21	2,768,159	2,232,440	2,806,925	2,263,474
COST OF GOODS RESOLD AND SERVICES RENDERED	22	(1,961,053)	(1,571,042)	(1,974,478)	(1,579,910)
GROSS PROFIT		807,106	661,398	832,447	683,564
OPERATING INCOME (EXPENSES)					
Selling expenses	23	(504,011)	(424,308)	(508,587)	(426,777)
General and administrative	23	(113,137)	(103,319)	(120,119)	(111,063)
Loss from allowance for doubtful accounts		(5,592)	(7,715)	(5,598)	(7,715)
Depreciation and amortization	14 and 15	(34,259)	(30,742)	(34,435)	(30,895)
Share of profit of equity-accounted investees	12 and 13	24,554	17,408	23,379	14,685
Other operating income (expenses), net	23 and 24	9,479	(9,559)	10,365	(8,579)
		(622,966)	(558,235)	(634,995)	(570,344)
OPERATING INCOME BEFORE FINANCIAL INCOME		184,140	103,163	197,452	113,220
Financial income		36,105	37,524	23,523	28,613
Financial expenses		(153,390)	(142,171)	(153,938)	(142,544)
NET FINANCIAL LOSS	25	(117,285)	(104,647)	(130,415)	(113,931)
OPERATING INCOME (LOSS) BEFORE INCOME TAX					
AND SOCIAL CONTRIBUTION		66,855	(1,484)	67,037	(711)
Current and deferred income tax and social contribution	11	(8,292)	6,738	(8,474)	5,965
NET INCOME FOR THE PERIOD		58,563	5,254	58,563	5,254
Allocated to:					
Controlling shareholders		58,563	5,254	58,563	5,254
EARNINGS PER SHARE					
Basic (Reais per share)	20	2.753	0.239	2.753	0.239
Diluted (Reais per share)	20	2.748	0.239	2.748	0.239

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

Magazine Luiza S.A.

Statement of comprehensive income

Quarters ended March 31, 2017 and 2016

(In thousands of Brazilian reais - R\$)

	Parent Company and Consolidated	
	3/31/2017	3/31/2016
Net income	58,563	5,254
Other comprehensive income arising from prior years to be reclassified to profit or loss in subsequent period:		
Available-for-sale financial assets		
Net change in fair value	2,186	(2,959)
Tax effects	(984)	1,331
Total adjustments not included in net income	1,202	(1,628)
Other comprehensive income to be reclassified to profit or loss in subsequent period:		
Available-for-sale financial assets		
Net change in fair value	2,027	3,394
Tax effects	(912)	(1,527)
Total adjustments not included in net income	1,115	1,867
Other comprehensive income, net of taxes	1,115	1,867
Total comprehensive income for the period, net of taxes	59,678	7,121
Allocated to:		
Controlling shareholders:	59,678	7,121

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

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Statement of changes in shareholders' equity

Quarters ended March 31, 2017 and 2016

(In thousands of Brazilian reais - R\$)

	Notes	Capital	Capital reserve	Treasury shares	Legal reserve	Profit reserve	Net income	Equity adjustment	Total
Balance as at January 1, 2016		606,505	14,567	(9,574)	16,143	36,199	-	(1,628)	662,212
Share purchase option plan		-	1,116	-	-	-	-	-	1,116
Treasury shares		-	-	(6,864)	-	-	-	-	(6,864)
Net income for the period		-	-	-	-	-	5,254	-	5,254
		606,505	15,683	(16,438)	16,143	36,199	5,254	(1,628)	661,718
Other comprehensive income									
Equity valuation adjustment		-	-	-	-	-	-	1,867	1,867
Balance as at March 31, 2016		606,505	15,683	(16,438)	16,143	36,199	5,254	239	663,585
Balance as at January 1, 2017		606,505	19,030	(28,729)	20,471	89,663	-	1,202	708,142
Share purchase option plan		-	1,116	-	-	-	-	-	1,116
Net income for the period		-	-	-	-	-	58,563	-	58,563
		606,505	20,146	(28,729)	20,471	89,663	58,563	1,202	767,821
Other comprehensive income									
Equity valuation adjustment	13	-	-	-	-	-	-	1,115	1,115
Balance as at March 31, 2017		606,505	20,146	(28,729)	20,471	89,663	58,563	2,317	768,936

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

Magazine Luiza S.A.

Statement of cash flows

Quarters ended March 31, 2017 and 2016

(In thousands of Brazilian reais - R\$)

		Parent Company		Consolidated	
	Notes	3/31/2017	3/31/2016 Restated	3/31/2017	3/31/2016
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income for the period		58,563	5,254	58,563	5,254
Adjustments to reconcile net income to cash generated by (applied to) operating activities:					
Income tax and social contribution recognized in net income	11	8,292	(6,738)	8,474	(5,965)
Depreciation and amortization	14 and 15	34,259	30,742	34,435	30,895
Interest on provisioned loans and financing		62,216	61,158	62,223	61,164
Earnings from securities		(13,808)	(9,893)	(13,808)	(9,893)
Share of profit of equity-accounted investees	12 and 13	(24,554)	(17,408)	(23,379)	(14,685)
Provision for impairment of receivables and inventories		28,274	31,806	28,340	31,806
Provision for tax, civil and labor risks	19	10,786	15,880	10,070	14,817
(Gain)/loss on disposal of property and equipment	24	(2,614)	180	(2,614)	180
Recognition of deferred income	24	(10,080)	(9,907)	(10,080)	(9,907)
Expenses with share purchase option plan		1,116	1,116	1,116	1,116
		152,450	102,190	153,340	104,782
(Increase) decrease in operating assets					
Accounts receivable		(10,067)	33,617	(6,329)	34,223
Securities and other financial assets		297,709	198,467	297,709	198,467
Inventory		122,542	51,052	123,313	54,101
Accounts receivable from related parties		4,273	12,449	4,351	11,215
Recoverable taxes		48,730	26,668	48,479	26,547
Other assets		(7,073)	(30,523)	(7,263)	(30,661)
Variation in operating assets		456,114	291,730	460,260	293,892
Increase (decrease) in operating liabilities					
Suppliers		(598,062)	(496,221)	(602,581)	(500,024)
Payroll, vacation pay and related charges		473	(11,565)	(246)	(12,239)
Taxes payable		(7,089)	(1,028)	(7,379)	(1,351)
Accounts payable to related parties		(16,681)	(6,140)	(16,678)	(6,457)
Other accounts payable		6,769	(6,926)	5,634	(5,308)
Variation in operating liabilities		(614,590)	(521,880)	(621,250)	(525,379)
Income tax and social contribution paid		-	-	(655)	(573)
Dividends received		17,703	36,594	16,256	36,594
Cash flow generated by (used in) operating activities		11,677	(91,366)	7,951	(90,684)

Magazine Luiza S.A.

Statement of cash flows

Quarters ended March 31, 2017 and 2016

(In thousands of Brazilian reais - R\$)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	14	(19,782)	(12,450)	(20,091)	(12,459)
Purchase of intangible assets	15	(16,089)	(9,954)	(16,118)	(10,379)
Sale of property and equipment		3,152	-	3,152	-
Payment for renegotiation of exclusivity agreements		-	(11,182)	-	(11,182)
Capital increase in subsidiary and jointly-held subsidiary		-	(1,000)	-	-
Cash used in investing activities		(32,719)	(34,586)	(33,057)	(34,020)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from loans and financing		2,617	88,601	2,617	88,601
Payment of loans and financing		(250,654)	(110,813)	(250,692)	(110,846)
Payment of interest over loans and financing		(70,872)	(52,378)	(70,875)	(52,387)
Treasury shares, acquired		-	(6,864)	-	(6,864)
Cash flow used in financing activities		(318,909)	(81,454)	(318,950)	(81,496)

DECREASE IN CASH AND CASH EQUIVALENTS

		(339,951)	(207,406)	(344,056)	(206,200)
Cash and cash equivalents at the beginning of the period		562,728	590,400	599,141	617,465
Cash and cash equivalents at the end of the period		222,777	382,994	255,085	411,265
DECREASE IN CASH AND CASH EQUIVALENTS		(339,951)	(207,406)	(344,056)	(206,200)

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

Magazine Luiza S.A.

Statement of value added

Quarters ended March 31, 2017 and 2016

(In thousands of Brazilian reais - R\$)

	Parent Company		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Revenue				
Goods, products and services sold	3,167,111	2,571,971	3,209,371	2,605,589
Allowance for doubtful accounts, net of reversals	(5,592)	(7,715)	(5,598)	(7,715)
Other operating income	10,042	9,509	10,929	10,490
	3,171,561	2,573,765	3,214,702	2,608,364
INPUTS ACQUIRED FROM THIRD PARTIES				
Costs of goods resold and services rendered	(2,108,743)	(1,706,293)	(2,122,136)	(1,715,181)
Material, energy, outsourced services and other	(268,582)	(216,664)	(275,793)	(222,168)
Loss of asset values	(19,282)	(19,711)	(19,342)	(19,711)
	(2,396,607)	(1,942,668)	(2,417,271)	(1,957,060)
GROSS VALUE ADDED	774,954	631,097	797,431	651,304
DEPRECIATION AND AMORTIZATION	(34,259)	(30,742)	(34,435)	(30,895)
NET VALUE ADDED PRODUCED BY THE ENTITY	740,695	600,355	762,996	620,409
VALUE ADDED RECEIVED IN TRANSFER				
Equity in investments	24,554	17,408	23,379	14,685
Financial income	36,105	37,524	23,523	28,613
TOTAL VALUE ADDED FOR DISTRIBUTION	801,354	655,287	809,898	663,707

Magazine Luiza S.A.

Statement of value added

Quarters ended March 31, 2017 and 2016

(In thousands of Brazilian reais - R\$)

DISTRIBUTION OF VALUE ADDED

Personnel and charges:

Direct compensation	182,314	170,778	185,328	174,030
Benefits	33,945	30,045	34,335	30,366
Government Severance Indemnity Fund for Employees (FGTS)	18,753	22,154	19,002	22,499
	235,012	222,977	238,665	226,895

Taxes:

Federal	71,398	47,723	72,933	50,041
State	191,490	151,856	193,742	153,198
Municipal	10,543	9,246	10,996	9,627
	273,431	208,825	277,671	212,866

Remuneration of third party capital:

Interest	142,445	131,590	142,872	131,893
Rent	82,718	77,675	82,864	77,799
Other	9,185	8,966	9,263	9,000
	234,348	218,231	234,999	218,692

Remuneration of own capital:

Retained earnings	58,563	5,254	58,563	5,254
	801,354	655,287	809,898	663,707

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

Notes to the interim financial information

(In thousands of Brazilian reais)

1 General information

Magazine Luiza S.A. (“Company” or “Parent Company”) is primarily engaged in the retail sale of consumer goods (mainly home appliances, personal electronics and furniture), through physical and virtual stores or through e-commerce. Its headquarters is in the city of Franca, state of São Paulo, Brazil and its parent and holding company is LTD Administração e Participação S.A.

As at March 31, 2017, the Company and its subsidiaries owned 804 stores (800 stores as at December 31, 2016) and 9 distribution centers (9 distribution centers as at December 31, 2016), located in the South, Southeast, Mid-west and Northeast regions of Brazil.

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

On May 3, 2017, the Board of Directors authorized the issue of the interim financial information (ITR).

2 Presentation and preparation of the interim financial information

2.1 Accounting policies

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

The individual and consolidated quarterly financial information is prepared in accordance with technical pronouncement CPC 21 (R1) (interim financial reporting) and in accordance with the international standard IAS 34, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

The practices, policies and main accounting judgments adopted in the preparation of the individual and consolidated interim financial information are consistent with those adopted and disclosed under Notes 3, 4, 6, 8, 9, 12, 15, 16, 20, 22, 23 and 29 of the financial statements for the year ended December 31, 2016, which were disclosed on February 20, 2017 and should be read jointly.

The Statement of Value Added (“DVA”) aims at evidencing the wealth created by the Company and its distribution during certain period and is presented as part of its parent company financial statements pursuant to the standards issued by the Brazilian Securities and Exchange Commission (CVM), since it is neither an estimated statement nor mandatory under the IFRS.

Management adopts the accounting policy that presents interest paid as financing activities and dividends received as operating activities in the statements of cash flows.

2.2 Restatement of corresponding values

The corresponding values of the individual statements of cash flows, for the period ended March 31, 2016, presented herein for the purpose of comparison, are being restated in compliance with CPC 23 – Accounting policies, changes in accounting estimates and errors (IAS 8) and CPC 21 (R1) – Interim Financial Reporting (IAS 34), due to the reclassification of the operation for application and redemption of exclusive investment funds, classified as financial instruments held for trading, originally reported as cash flows from investing activities, and restated to be presented as cash flows from operating activities in the individual statement of cash flows of the Company, in the amount of R\$ 198,467.

There was no further impact to other interim financial information of the Company.

3 New standards, amendments and interpretations

The early adoption of standards, despite being encouraged by the IASB, is not permitted in Brazil by the Accounting Pronouncements Committee (CPC). The following new standards and interpretations were issued by IASB but are not yet effective for the year 2017:

-IFRS 9, "Financial instruments", issued in November 2009. IFRS introduces new requirements for classifying and measuring financial assets within three principal classification categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. It also addresses a new model of expected loss of credit, in substitution to the present model of losses incurred. IFRS 9 softens the requirement of hedge effectiveness. The standard is effective as of January 1, 2018. The Company is evaluating the impact from the application and does not expect any material alterations to its equity positions and results from the adoption of this standard. The Company intends to use the exemption which permits companies to not present comparative information from prior periods from alterations in the classification and measurement of financial assets (including expected loss of credit). The differences in the carrying amounts of financial assets and liabilities resulting from the adoption of IFRS 9, should be recognized under accumulated income and reserves on January 1, 2018;

-IFRS 15, "Revenue from contracts with customers", issued in May 2014. This standard has the purpose of establishing the principles that the Company must apply to report information corresponding to the nature, quantity, time and estimated revenue and cash flows from a contract with a customer. The standard is effective as of January 1, 2018. The Company is evaluating the impact from the application and does not expect significant impacts to its equity positions and results due to the application of this standard. Eventual impacts, despite not being expected, should be treated prospectively in the transition approach;

-IFRS 16, "Leases", issued in January 2016. This standard has as its objective to unify the lease accounting model, requiring the lessees to recognize as asset or liability all lease contracts, unless these contracts have a lease term of less than twelve months or immaterial value. The standard is effective as of January 1, 2019. The Company is evaluating the impact from the application of this standard and does not expect relevant changes in net income.

4 Notes included in the financial statements for the year ended December 31, 2016 not presented in the interim financial information

The interim information is presented in accordance with technical pronouncements CPC 21 (R1) and IAS 34 - *Interim Financial Reporting*, issued by the *International Accounting Standards Board (IASB)* observing the provisions contained under Official-Circular/CVM/SNC/SEP 003/2011 of April 28, 2011. The preparation of the interim financial information involved judgment by the Company's management in relation to the relevance and alterations that should be disclosed in the Notes to the interim financial information. In this manner, the interim information includes selected notes and does not contemplate all of the notes presented in the financial statements for the year ended December 31, 2016. As permitted by Official Circular 03/2011, issued by the Brazilian Securities and Exchange Commission (CVM), the following notes and references to the financial statements as at December 31, 2016 are not presented:

- Leasing commitments (Note 29);

5 Cash and cash equivalents

	Rates	Parent Company		Consolidated	
		3/31/2017	12/31/2016	3/31/2017	12/31/2016
Cash		36,706	36,063	36,716	36,069
Bankbalances		17,120	37,933	17,195	41,039
Bank deposit certificates	70% to 105% CDI	168,070	488,084	178,943	499,493
Non-exclusive investment funds	102% CDI	881	648	22,231	22,540
Total cash and cash equivalents		222,777	562,728	255,085	599,141

6 Securities and other financial assets

		Parent Company and Consolidated	
		3/31/2017	12/31/2016
Financial assets	Rates		
Securities			
Non-exclusive investment funds	98% CDI	10,366	10,069
Exclusive investment funds	(a)		
Debentures		766	773
Federal government securities and repo operations		505,017	789,366
Time deposits and other securities		5,200	5,041
	Note 9.a	510,983	795,180
Total securities		521,349	805,249
Other financial assets measured at fair value through profit or loss			
Swap receivables – Fair value hedge	(b)	26	13,906
Total securities and other financial assets		521,375	819,155
Current		521,375	818,984
Noncurrent		-	171

- (a) Considers the exclusive fixed income investment funds. As at March 31, 2017 and December 31, 2016, the portfolio was distributed into the types of investment described in the table above, which are linked to financial operations and securities, indexed to the monthly variation of CDI rate, to return the average profitability of 103% of the CDI to the Company.
- (b) Fair value hedge accounting, as detailed under Note 27

7 Accounts receivable

	Parent Company		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Trade receivables:				
Credit cards (a)	341,596	272,502	342,390	276,206
Debit cards (a)	4,458	11,474	4,458	11,474
Installment plan (b)	116,725	118,171	116,758	118,226
Additional warranty agreements and other insurance (c)	60,078	60,155	60,078	60,155
Total trade receivables	522,857	462,302	523,684	466,061
Receivables from commercial agreements (d)	113,294	170,010	114,396	171,984
Allowance for doubtful accounts	(29,852)	(29,535)	(29,852)	(29,535)
Adjustment to present value	(26,320)	(23,873)	(26,326)	(23,939)
Total accounts receivable	579,979	578,904	581,902	584,571
Current	576,925	575,334	578,848	581,001
Noncurrent	3,054	3,570	3,054	3,570

The average term to receive trade receivables is 14 days as at March 31, 2017 and December 31, 2016, Parent Company and Consolidated. Receivables were assigned to secure borrowings in the amount of R\$ 90,464 as at March 31, 2017 (R\$ 109,445 as at December 31, 2016), represented by credit card receivables.

- (a) Refers to credit and debit card receivables, which the Company receives from credit card operators in amounts, term and number of installments defined at the moment the product is sold. As at March 31, 2017 the Company had credits granted to financial institutions in the amount of R\$ 1,601,013 (R\$ 1,587,544 as at December 31, 2016) and Consolidated R\$ 1,612,289 (R\$ 1,587,544 as at December 31, 2016), where a discount between 105.0% and 109.0% of the CDI is applied, which is recognized in profit or loss under "financial expenses". The Company, through card sale transactions, transfers to the credit card operators and financial institutions all risks of receiving from customers and, therefore, settles receivables related to these credits, and the respective financial charges are registered under profit or loss at the time of settlement.
- (b) Refers to receivables from sales financed by the Company and by other financial institutions
- (c) These sales are intermediated by the Company on behalf of Luizaseg and Cardif. The Company allocates to its partners the extended warranty amount, in full, in the month following the sale and receives from customers in accordance with the transaction term.
- (d) Refers to bonuses on production to be received from suppliers, arising from the fulfillment of the purchase volume, as well as from agreements that define the participation of suppliers in disbursements related to advertising and marketing (joint advertising).

Changes in allowance for doubtful accounts:

	Parent Company		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Balance at the beginning of the period/year	(29,535)	(46,640)	(29,535)	(46,640)
(+) Additions	(8,992)	(43,200)	(8,998)	(43,287)
(-) Write-off	8,675	60,305	8,681	60,392
Balance at the end of the period/year	<u>(29,852)</u>	<u>(29,535)</u>	<u>(29,852)</u>	<u>(29,535)</u>

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

	Trade receivables				Commercial agreements			
	Parent Company		Consolidated		Parent Company		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Amounts due:								
Within 30 days	62,818	76,846	63,645	77,492	40,420	56,032	41,522	58,006
From 31 to 60 days	38,310	45,242	38,310	45,407	44,404	88,776	44,404	88,776
From 61 to 90 days	30,730	26,308	30,730	27,117	22,777	11,740	22,777	11,740
From 91 to 180 days	98,507	51,629	98,507	52,910	1,428	9,173	1,428	9,173
From 181 to 360 days	264,194	233,649	264,194	234,507	-	3	-	3
Over 361 days	7,416	7,424	7,416	7,424	-	-	-	-
	<u>501,975</u>	<u>441,098</u>	<u>502,802</u>	<u>444,857</u>	<u>109,029</u>	<u>165,724</u>	<u>110,131</u>	<u>167,698</u>
Amounts past due:								
For up to 30 days	6,291	5,979	6,291	5,979	2,826	3,138	2,826	3,138
For 31 to 60 days	4,456	4,814	4,456	4,814	873	509	873	509
For 61 to 90 days	2,937	2,650	2,937	2,650	222	29	222	29
For 91 to 180 days	7,198	7,761	7,198	7,761	344	610	344	610
	<u>20,882</u>	<u>21,204</u>	<u>20,882</u>	<u>21,204</u>	<u>4,265</u>	<u>4,286</u>	<u>4,265</u>	<u>4,286</u>
Total	<u>522,857</u>	<u>462,302</u>	<u>523,684</u>	<u>466,061</u>	<u>113,294</u>	<u>170,010</u>	<u>114,396</u>	<u>171,984</u>

The risk analysis is presented under Note 27.

8 Inventory

	Parent Company		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Resale goods	1,491,137	1,616,710	1,500,443	1,626,787
Consumption material	11,544	11,483	11,544	11,483
Provision for loss	<u>(57,206)</u>	<u>(40,894)</u>	<u>(57,899)</u>	<u>(41,527)</u>
Total	<u>1,445,475</u>	<u>1,587,299</u>	<u>1,454,088</u>	<u>1,596,743</u>

As at March 31, 2017, the Company has revolving inventories assigned as guarantee in legal lawsuits in progress, totaling approximately R\$2,353 (R\$2,353 as at December 31, 2016).

Changes in the provision for loss and adjustment to net realizable value are as follows:

	Parent Company		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Balance at the beginning of the period/year	(40,894)	(30,391)	(41,527)	(30,391)
Provision	(19,282)	(55,289)	(19,342)	(55,922)
Inventory written off or sold	<u>2,970</u>	<u>44,786</u>	<u>2,970</u>	<u>44,786</u>
Balance at the end of the period/ year	<u>(57,206)</u>	<u>(40,894)</u>	<u>(57,899)</u>	<u>(41,527)</u>

9 Related parties

a. Balance from related parties

	Parent Company		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Current assets				
Commissions for services rendered				
Jointly-held subsidiaries:				
Luizacred (i)	12,055	10,843	12,055	10,843
Luizaseg (ii)	27,244	28,722	27,244	28,722
	<u>39,299</u>	<u>39,565</u>	<u>39,299</u>	<u>39,565</u>
Subsidiaries:				
Luiza Administradora de Consórcios ("LAC") (iii)	889	828	-	-
Campos Floridos Comércio de Cosméticos Ltda (viii)	17	-	-	-
	<u>906</u>	<u>828</u>	<u>-</u>	<u>-</u>
Expenses with consortium draws				
Grupo de Consórcios ("LAC") (iii)	181	146	181	146
Dividends receivable:				
Luizaseg (ii)	-	2,830	-	2,830
Luiza Administradora de Consórcios ("LAC") (iii)	-	1,447	-	-
	<u>-</u>	<u>4,277</u>	<u>-</u>	<u>2,830</u>
Balance receivable from credit card sales and receivables through CDC:				
Luizacred - CDC (i)	1,707	2,834	1,707	2,834
Luizacred - Credit cards (i)	15,653	18,646	15,653	18,646
	<u>17,360</u>	<u>21,480</u>	<u>17,360</u>	<u>21,480</u>
Total	<u>57,746</u>	<u>66,296</u>	<u>56,840</u>	<u>64,021</u>
Securities (Note 6)				
Investment funds (vii)	510,983	795,180	510,983	795,180
	Parent Company		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Current liabilities				
Transfer of receivables from services and accounts payable:				
Jointly-held subsidiaries:				
Luizacred (i)	17,050	27,853	17,050	27,853
Luizaseg (ii)	35,781	38,605	35,781	38,605
	<u>52,831</u>	<u>66,458</u>	<u>52,831</u>	<u>66,458</u>
Grupo de Consórcios ("LAC") (iii)	422	1,087	422	1,087
Rent payable and other transfers				
Controlled by controlling shareholders of the Company:				
MTG Administração, Assessoria e Participações S.A. (iv)	1,871	1,979	1,874	1,981
PJD Agropastoril Ltda. (vi)	44	43	76	73
	<u>1,915</u>	<u>2,022</u>	<u>1,950</u>	<u>2,054</u>
Payables relating to advertising campaigns:				
ETCO - Sociedade em Conta de Participação (v)	1,074	3,356	1,074	3,356
	<u>1,074</u>	<u>3,356</u>	<u>1,074</u>	<u>3,356</u>
Total	<u>56,242</u>	<u>72,923</u>	<u>56,277</u>	<u>72,955</u>

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	<u>Parent Company</u>		<u>Consolidated</u>	
Profit or loss	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Income from service intermediation commission				
Jointly-held subsidiaries				
Luizacred (i)	31,297	31,570	31,297	31,570
Luizaseg (ii)	60,581	61,235	60,581	61,235
	91,878	92,805	91,878	92,805
Subsidiaries:				
Luiza Administradora de Consórcio ("LAC") (iii)	2,961	2,178	-	-
Campos Floridos Comércio de Cosméticos Ltda. (viii)	17	-	-	-
	2,978	2,178	-	-
Revenue from return on exclusive fund				
Investment funds (vii)	13,511	9,683	13,511	9,683
Reimbursement of shared expenses				
Jointly-held subsidiaries:				
Luizacred (i)	14,724	13,167	14,724	13,167
Total revenue	123,091	117,833	120,113	115,655

	<u>Parent Company</u>		<u>Consolidated</u>	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Costs related to the acquisition of goods				
Campos Floridos Comércio de Cosméticos Ltda. (viii)	-	(2,649)	-	-
Total costs	-	(2,649)	-	-

	<u>Parent Company</u>		<u>Consolidated</u>	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Commercial building rental expenses				
Controlled by controlling shareholders of the Company:				
MTG Administração, Assessoria e Participações S.A. (iv)	(5,612)	(5,142)	(5,652)	(5,142)
PJD Agropastoril Ltda. (vi)	(129)	(120)	(222)	(126)
	(5,741)	(5,262)	(5,874)	(5,268)
Freight charges				
PJD Agropastoril Ltda. (vi)	(391)	(606)	(391)	(692)
Expenses with charges from credit card anticipation:				
Luizacred (i)	(41,855)	(30,888)	(41,855)	(30,888)
Advertising campaign expenses				
Controlled by controlling shareholders of the Company:				
ETCO - Sociedade em Conta de Participação (v)	(44,351)	(40,177)	(44,351)	(40,177)
Total expenses	(92,338)	(76,933)	(92,471)	(77,025)

- (i) Transactions with Luizacred, a subsidiary jointly controlled with Banco Itaúcard S.A., refer to the following activities:
- (a) (a) Financial expenses on the advance of receivables from such cards;
- (b) Receivables from sales of products financed to customers by Luizacred, received by the Company on the following day ("D+1");

- (c) Commissions on the services provided monthly by the Company, which include the attraction of customers, management and administration of consumer credit transactions, control and collection of financing granted, referral of insurance linked to financial services and products, access to telecommunication systems and network, in addition to storage and availability of physical space in the points-of-sale. The amounts payable (current liabilities) refer to the receipt of customers' installments by the Company's store cashiers, which are transferred to Luizacred on D+1;
- (d) Balance receivable referring to Luizacred's dividend proposal.
- (ii) The amounts receivable (current assets) and revenues of Luizaseg, subsidiary jointly controlled with NCVP Participações Societárias S.A., a subsidiary of Cardif do Brasil Seguros e Previdência S.A., arise from commissions on services monthly provided by the Company, relating to the sale of extended warranties and proposed dividends. The amounts payable (current liabilities) refer to the transfers of extended warranties sold to Luizaseg, in full, in the month following the sale.
- (iii) The amounts receivable (current assets) of LAC, wholly-owned subsidiary, refers to proposed dividends, commissions and sales made by the Company as the agent of consortium transactions. The amounts payable (current liabilities) refer to the transfers to be made to LAC relating to the installments of consortiums received by the Company through the cashiers of its points-of-sale.
- (iv) Transactions with MTG Administração, Assessoria e Participações S.A. ("MTG"), controlled by the Company's controlling shareholders, refer to expenses with rental of office buildings for the installation of its stores, distribution centers and head office.
- (v) Transactions with ETCO, a special partnership which has as partner an entity controlled by the Vice Chairman of the Company's Board of Directors, refer to advertising and marketing service contracts, also including transfers relating to placement, media production and graphic design services.
- (vi) Transactions with PJD Agropastoril Ltda., an entity controlled by the Company's indirect controlling shareholders, refer to expenses with rental of commercial buildings for installation of stores and truck rental for freight of goods.
- (vii) Refers to investments and redemptions, and income from exclusive investment funds (ML Renda Fixa Crédito Privado FI and FI Caixa ML RF Longo Prazo - see Note 6 - Securities).
- (viii) Transactions with Campos Floridos Comércio de Cosméticos Ltda., a wholly-owned subsidiary, refer to the following activities.
 - (a) Sale of products for resale by the Parent Company;
 - (b) Commission expenses with Marketplace from the sales made on the platform of the site of the Parent Company.

b. Management compensation

	3/31/2017		3/31/2016	
	Board of Directors	Board of Executive Officers	Board of Directors	Board of Executive Officers
Fixed and variable compensation	677	997	427	2,067
Share option plan	521	98	613	216

The Company does not grant post-employment benefits, severance benefits, or other long-term benefits. Short-term benefits to the Board of Executive Officers are the same as those extended to other employees of the Company. It is an internal public policy of the Company to pay Profit Sharing to its employees. These amounts are provisioned on a monthly basis by the Company, according to estimates for meeting targets. The Company's Board of Directors approved on April 20, 2017, the management's overall compensation for the year ended at December 31, 2017, where a maximum limit for management's overall compensation was estimated at R\$19,447.

10 Recoverable taxes

	Parent Company		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
ICMS Recoverable VAT (a)	367,543	406,068	367,543	406,068
Recoverable income tax and social contribution	5,160	1,160	5,302	1,380
Recoverable withholding income tax	7,635	21,388	7,888	21,405
PIS – Social Integration Program and COFINS – Social Security Financing recoverable	3,713	4,163	5,063	5,420
Other	1,480	1,482	1,480	1,482
	<u>385,531</u>	<u>434,261</u>	<u>387,276</u>	<u>435,755</u>
Current assets	193,727	210,657	195,472	212,151
Noncurrent assets	191,804	223,604	191,804	223,604

- (a) These refer to ICMS accumulated credits and credits arising from the tax substitution regime deriving from the application of different rates in the inflow and outflow of interstate goods. Referred credits will be realized by refund request and offset of debts of same nature with the States of origin of credit.

11 Income tax and social contribution

a. Reconciliation of the tax effect on income before income tax and social contribution

	Parent Company		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Income (loss) before income tax and social contribution	66,855	(1,484)	67,037	(711)
Statutory rate	34%	34%	34%	34%
Expected income tax and social contribution credit (debit) at statutory rates	<u>(22,731)</u>	<u>505</u>	<u>(22,793)</u>	<u>242</u>
Reconciliation to effective rate (effect of applying tax rates):				
Effect of government tax incentive	6,608	-	6,608	-
Exclusion – Share of profit of equity-accounted investees	8,348	5,919	7,949	4,993
Other permanent exclusions, net	<u>(517)</u>	<u>314</u>	<u>(238)</u>	<u>730</u>
Debit from income tax and social contribution	<u>(8,292)</u>	<u>6,738</u>	<u>(8,474)</u>	<u>5,965</u>
Current	(3,651)	-	(4,453)	(824)
Deferred	<u>(4,641)</u>	<u>6,738</u>	<u>(4,021)</u>	<u>6,789</u>
Total	<u>(8,292)</u>	<u>6,738</u>	<u>(8,474)</u>	<u>5,965</u>
Effective rate	<u>12.4%</u>	<u>454.0%</u>	<u>12.6%</u>	<u>839.0%</u>

b. Breakdown of deferred income tax and social contribution assets and liabilities

	<u>Parent Company</u>		<u>Consolidated</u>	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Deferred income tax and social contribution assets				
Tax loss and negative social contribution tax base	145,881	147,479	146,977	147,907
Allowance for doubtful accounts	10,150	10,042	10,150	10,042
Provision for inventory loss	19,450	13,904	19,686	14,120
Provision for adjustment to present value	6,500	5,890	6,502	5,913
Provision for tax, civil and labor risks	94,566	93,518	94,773	93,722
Exchange variations	5,674	14,895	5,674	14,895
Other provisions	4,932	4,553	4,932	4,603
	287,153	290,281	288,694	291,202
Deferred income tax and social contribution liability				
Amortization of intangible assets	(41,456)	(40,788)	(41,456)	(40,788)
Update of escrow deposits	(6,753)	(6,203)	(6,753)	(6,203)
Other	(2,496)	(2,201)	(2,496)	(2,201)
	(50,705)	(49,192)	(50,705)	(49,192)
Deferred income tax and social contribution	236,448	241,089	237,989	242,010

12 Investments in subsidiaries

Changes in ownership interest in subsidiaries, stated in the Company's interim financial information, are as follows:

	<u>Época</u>		<u>LAC</u>	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Equity interest held - in thousands of shares	12,855	12,855	6,500	6,500
Current assets	12,344	19,235	33,306	34,572
Noncurrent assets	7,577	6,803	3,893	3,967
Current liabilities	6,650	11,469	8,311	11,288
Noncurrent liabilities	7,708	8,473	3,081	3,152
Capital	12,255	12,255	6,500	6,500
Shareholders' equity	5,563	6,096	25,807	24,099
Net revenue	13,265	60,177	14,968	53,530
Net income for the period/year	(533)	4,469	1,708	6,095
Changes in investments				
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Balance at the beginning of the period	42,923	37,454	24,099	19,451
Advance for future capital increase	-	1,000	-	-
Proposed dividends	-	-	-	(1,447)
Equity in investments	(533)	4,469	1,708	6,095
Balance at the end of the period	42,390	42,923	25,807	24,099
Total investments in subsidiaries			3/31/2017	12/31/2016
Época Cosméticos			5,563	6,096
Época Cosméticos - goodwill			36,827	36,827
Grupo de consórcio ("LAC")			25,807	24,099

13 Investments in joint ventures

68,197 67,022

	<u>Luizacred (a)</u>		<u>Luizaseg (b)</u>	
	<u>3/31/2017</u>	<u>12/31/2016</u>	<u>3/31/2017</u>	<u>12/31/2016</u>
Total shares – in thousands	978	978	133,883	133,883
Direct equity interest percentage	50%	50%	50%	50%
Current assets	4,104,446	4,006,492	151,208	142,886
Noncurrent assets	441,754	441,504	319,054	320,370
Current liabilities	3,835,526	3,769,476	189,648	177,788
Noncurrent liabilities	130,106	127,566	78,275	75,650
Capital	274,624	274,624	133,884	133,884
Net equity	580,568	550,954	202,339	209,818
Net revenue	422,018	1,669,580	89,484	364,902
Net income for the period/year	39,366	101,572	7,392	23,832
Changes in investments	<u>Luizacred (a)</u>		<u>Luizaseg (b)</u>	
	<u>3/31/2017</u>	<u>12/31/2016</u>	<u>3/31/2017</u>	<u>12/31/2016</u>
Balance at the beginning of the period	275,477	281,630	104,909	102,395
Proposed dividends	(4,876)	(56,939)	(8,550)	(12,232)
Other comprehensive income	-	-	1,115	2,830
Equity in investments	19,683	50,786	3,696	11,916
Balance at the end of the period	<u>290,284</u>	<u>275,477</u>	<u>101,170</u>	<u>104,909</u>

Total investments in jointly-held subsidiaries

	<u>3/31/2017</u>	<u>12/31/2016</u>
Luizacred	290,284	275,477
Luizaseg	<u>101,170</u>	<u>104,909</u>
Total investments in jointly-held subsidiaries	<u>391,454</u>	<u>380,386</u>

- (a) Interest of 50% of voting capital representing the contractually agreed sharing, the control of business, requiring the unanimous consent of the parties about significant decisions, financial and operating activities. Luizacred is jointly controlled by Banco Itaúcard S.A., the purpose of which is the supply, distribution and trade of financial products and services to customers at the Company's stores chain
- (b) 50% interest in the voting capital representing the contractually agreed sharing, the control of business, requiring the unanimous consent of the parties about significant decisions, guarantees and operating activities. Luizaseg is jointly controlled by NCVP Participações Societárias S.A., subsidiary of Cardif do Brasil Seguros e Previdência S.A., the purpose of which is the development, sale and administration of extended warranties for any type of product sold in Brazil through the Company's stores chain.

14 Property and equipment

Changes in property and equipment during the quarter ended March 31, 2017 were as follows:

	Parent Company	Consolidated
Net property and equipment as at December 31, 2016	559,320	560,067
Additions	19,782	20,091
Depreciation	<u>(22,119)</u>	<u>(22,184)</u>
Net property and equipment as at March 31, 2017	<u>556,983</u>	<u>557,974</u>

Breakdown of property and equipment as at March 31, 2017:

Cost value of property and equipment	1,136,347	1,139,152
Accumulated depreciation	<u>(579,364)</u>	<u>(581,178)</u>
Net property and equipment as at March 31, 2017	<u>556,983</u>	<u>557,974</u>

	Parent Company	Consolidated
Net property and equipment as at December 31, 2015	577,811	578,571
Addition	12,450	12,459
Write-off	(370)	(371)
Depreciation	<u>(21,017)</u>	<u>(21,077)</u>
Net property and equipment as at March 31, 2016	<u>568,874</u>	<u>569,582</u>

Breakdown of property and equipment as at March 31, 2016:

Cost value of property and equipment	1,085,426	1,087,691
Accumulated depreciation	<u>(516,552)</u>	<u>(518,109)</u>
Net property and equipment as at March 31, 2016	<u>568,874</u>	<u>569,582</u>

In the reporting period, we did not identify any event indicating the need for performing calculations to assess any impairment of the property and equipment.

15 Intangible assets

Changes in intangible assets for the quarter ended March 31, 2017 and 2016 were as follows:

	Parent Company	Consolidated
Net intangible assets as at December 31, 2016	469,724	513,049
Addition	16,089	16,118
Amortization	<u>(12,140)</u>	<u>(12,251)</u>
Net intangible assets as at March 31, 2017	<u>473,673</u>	<u>516,916</u>

Breakdown of intangible assets as at March 31, 2017

Cost value of intangible assets	755,073	800,004
Accumulated amortization	<u>(281,400)</u>	<u>(283,088)</u>
Net intangible assets as at March 31, 2017	<u>473,673</u>	<u>516,916</u>

	Parent Company	Consolidated
Net intangible assets as at December 31, 2015	463,726	506,720
Addition	9,954	10,379
Write-off	(3)	(3)
Amortization	(9,725)	(9,818)
Net intangible assets as at March 31, 2016	463,952	507,278
Breakdown of intangible assets as at March 31, 2015		
Cost value of intangible assets	703,647	748,225
Accumulated amortization	(239,695)	(240,947)
Net intangible assets as at March 31, 2016	463,952	507,278

In the reporting period, we did not identify any event indicating the need of making calculations to assess any impairment of intangible assets.

16 Suppliers

	Parent Company		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Goods for resale – internal market	1,770,435	2,375,873	1,774,939	2,383,961
Other suppliers	16,926	21,764	19,485	25,380
Adjustment to present value	(31,950)	(44,164)	(32,046)	(44,382)
Total suppliers	1,755,411	2,353,473	1,762,378	2,364,959

The Company has agreements signed with partner banks to structure with its main suppliers the operation of anticipation of receivables. In this operation, the suppliers transfer the right to receiving the notes to the Bank in exchange for anticipated receipt of the notes. The Bank, in turn, becomes the creditor of the operation, and the Company settles the note on the same date originally agreed-to with its supplier and receives, subsequently, a commission from the Bank for this intermediation and confirmation of the notes payable. This commission is registered as financial income.

The above operation performed by the Company does not alter the terms, prices and conditions previously established with the suppliers and, therefore, the Company classifies it under Suppliers.

As at March 31, 2017 the balance payable negotiated by suppliers, and with the acceptance of Magazine Luiza, totaled R\$ 245,562 (R\$ 505,114 as at December 31, 2016).

Accounts payable to suppliers are initially recorded at present value with the counterentry in “Inventory”. The reversal of the adjustment to present value is registered under “Cost of resold goods and services rendered” for the benefit of the term.

17 Loans, financing and other financial liabilities

Modality	Charges	Guarantees	Final maturity	Parent Company		Consolidated	
				3/31/2017	12/31/2016	3/31/2017	12/31/2016
Working capital in foreign currency (a)	1.43% p.a. to 6.41% p.a. +Exch var 110.7% to 125.32%	N/A	Mar/18	136,548	333,503	136,548	333,503
Working capital in local currency	of CDI	Aval guarantee	Dec/19	347,362	362,558	347,466	362,696
Financial leases (b)	2.5% p.a. at CDI + 2.88%	Statutory lien	Dec/19	17,254	17,676	17,254	17,676
Debentures – restricted offer (e)	112.0% to 125.9% of CDI	Credit card receivables	Mar/20	1,021,986	1,069,633	1,021,986	1,069,633
Innovation financing - FINEP (c)	4% p.a.	Bank guarantee	Dec/22	42,578	44,429	42,578	44,429
Expansion financing - BNB (d)	7% p.a.	Bank guarantee	Dec/22	4,221	4,404	4,221	4,404
				1,569,949	1,832,203	1,570,053	1,832,341
Other financial liabilities							
Swap payable – fair value hedge (a)				8,117	16,435	8,117	16,435
Total loans, financing and other financial liabilities				1,578,066	1,848,638	1,578,170	1,848,776
Current liabilities				688,176	837,878	688,280	838,016
Noncurrent liabilities				889,890	1,010,760	889,890	1,010,760

- (a) A portion of the funds was contracted in foreign currency, over which fixed interest and exchange rate change are levied. In order to hedge its transactions against exchange rate change risks, the Company entered into swap transactions. Due to the increased number of funding with these characteristics, this year the Company started the hedge accounting of said operations. Further details are disclosed in Note 27.
- (b) The Company entered into a credit facility agreement with Study and Projects Financing Agency - FINEP, with the purpose of investing in technological innovation research and development projects.
- (c) The Company signed a financing contract with Banco do Nordeste do Brasil - BNB, with the purpose of modernizing, refurbishing the stores in the northeastern region and build a new Distribution Center in the municipality of Candeias (BA), in the amount of R\$ 68,103. As at March 31, 2017 the first installment was released in the amount of R\$ 4,383.
- (d) The Company issued the following debentures not convertible into shares:

Issue	Guarantee	Principal R\$	Date of Issue	Maturity	Outstanding securities	Financial charges	Parent Company and Consolidated	
							3/31/2017	12/31/2016
1 st issue-single series	Clean	200,000	12/26/2011	06/16/2017	200	113.0% of CDI	154,591	149,383
3 rd issue-single series	Clean	200,000	10/21/2013	07/21/2018	20,000	125.9% of CDI	51,289	55,439
4 th issue-single series	Clean	400,000	05/30/2014	05/30/2019	40,000	112.0% of CDI	416,385	402,451
5 th issue-single series	(i)	350,000	03/17/2015	03/17/2020	35,000	113.2% of DI	299,793	362,492
6 th issue-single series	Clean	100,000	06/20/2016	06/20/2018	10,000	125.2% of DI	99,928	99,868
							1,021,986	1,069,633

- (i) The 5th issue of nonconvertible debentures has a credit card receivables guarantee, where, until the maturity date of debentures, should account for 30% of the issue's outstanding balance. See Note 7.

Amortization schedule

The amortization schedule for the payment of loans and financing is demonstrated below:

Year of maturity	Parent Company			Consolidated		
	Debt including hedge accounting"	Debt including hedge accounting	Debt excluding hedge accounting"	Debt including hedge accounting"	Debt including hedge accounting	Debt excluding hedge accounting"
2017	558,295	8,091	566,386	558,399	8,091	566,490
2018	668,538	-	668,538	668,538	-	668,538
2019	269,496	-	269,496	269,496	-	269,496
2020	57,805	-	57,805	57,805	-	57,805
2021	7,908	-	7,908	7,908	-	7,908
2022 onward	7,907	-	7,907	7,907	-	7,907
Total	<u>1,569,949</u>	<u>8,091</u>	<u>1,578,040</u>	<u>1,570,053</u>	<u>8,091</u>	<u>1,578,144</u>

The Company maintains some loan agreements with covenants. The clauses relating to financial indexes refer to:

- (i) Caixa Econômica Federal: maintenance of adjusted debt equity/adjusted EBITDA ratio below 3.0
- (ii) 3rd, 5th and 6th Issue of Debentures: maintenance of the adjusted debt equity/adjusted EBITDA ratio below 3.0.

The adjusted net debt is understood as the sum of all loans and borrowings, including debentures, excluding cash and cash equivalents, financial investments, marketable securities, credit card receivables not anticipated. The adjusted EBITDA is calculated in accordance with CVM Rule No. 527 of October 4, 2012, excluding non-recurring operational events (revenue/expenses).

As at March 31, 2017 and December 31, 2016 the Company is in compliance with the restrictive clauses (covenants) described above.

18 Deferred income

	Parent Company and Consolidated	
	3/31/2017	12/31/2016
Deferred income with third parties:		
Exclusivity agreement with Cardif (a)	163,978	166,121
Exclusivity agreement with Banco Itaúcard S.A. (b)	130,875	134,000
Other contracts	2,033	2,323
	<u>296,886</u>	<u>302,444</u>
Deferred income with related parties:		
Exclusivity agreement with Luizacred (b)	141,257	144,029
Exclusivity agreement with Luizaseg (a)	101,250	103,000
	<u>242,507</u>	<u>247,029</u>
Total deferred income	<u>539,393</u>	<u>549,473</u>
Current liabilities	40,318	40,318
Noncurrent liabilities	499,075	509,155

- (a) On December 14, 2015, Luizaseg entered into a new Strategic Partnership Agreement with the Cardif group's companies, aiming to extend the rights and obligations set forth in the agreements between the parties that expired on December 31, 2015, for an additional 10-year period, effective from January 1, 2016 to December 31, 2025. This agreement enabled a cash inflow of R\$330,000 into the Company. Of this amount, R\$42,000 were allocated to the jointly-owned subsidiary Luizacred, since it had exclusive rights over credit card insurance. The Company's revenue recognition deriving from this agreement will be recognized in profit (loss) over the term of the agreement, part of which is subject to the achievement of certain targets.
- (b) On September 27, 2009, the Company entered into a partnership agreement with Itaú Unibanco Holding S.A. ("Itaú") and Banco Itaucard S.A., under which the Company grants to Luizacred the exclusive right to offer, distribute, and sell financial products and services in its store chain for a 20-year period. In consideration for the aforementioned alliance, Itaú group companies paid in cash R\$ 250,000, of which: (i) R\$ 230,000 relating to the completion of the negotiation, without right of recourse; and (ii) R\$ 20,000 subject to the achievement of profitability targets in Luizacred. Said targets had been fully achieved at the end of 2014.

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

On December 16, 2011, the Company entered into a second amendment to the partnership agreement with Luizacred, due to acquisition of New-Utd ("Lojas do Baú"). As consideration, Luizacred paid R\$48,000 to the Company, which will be allocated to profit (loss) over the remaining term of the agreement.

19 Provision for tax, civil and labor risks

For labor, civil and tax claims in progress, on which the opinion of the legal advisors is unfavorable, the Company recognized a provision, which is the Group's management best estimate of future disbursement. Changes in the provision for tax, civil and labor contingencies are as follows:

Parent Company

	Tax	Civil	Labor	Total
Balance as at December 31, 2016	220,056	17,105	37,893	275,054
Addition	3,922	2,322	2,916	9,160
Reversal	-	(1,994)	-	(1,994)
Payment	(3,548)	(852)	(3,304)	(7,704)
Adjustments	3,620	-	-	3,620
Balance as at March 31, 2017	224,050	16,581	37,505	278,136

Consolidated

	Tax	Civil	Labor	Total
Balance as at December 31, 2016	227,601	17,397	39,128	284,126
Addition	3,922	2,383	2,936	9,241
Reversal	(533)	(2,026)	(232)	(2,791)
Payment	(3,548)	(880)	(3,314)	(7,742)
Adjustments	3,620	-	-	3,620
Balance as at March 31, 2017	231,062	16,874	38,518	286,454

As at March 31, 2017, the Company's main lawsuits classified by Management as probable loss based on the opinion of its legal advisors, as well as legal obligations which amounts are deposited in court, for which the amounts were included in the provision for contingencies, are as follows:

a. Tax claims

The Company is party to several administrative and legal tax proceedings which management has deemed to be probable losses, therefore provisions have been accrued. They involve federal taxes, as at March 31, 2017 totaling R\$ 11,879 (R\$14,669 as at December 31, 2016), state taxes, as at March 31, 2017 totaling R\$32,245 (R\$30,273 as at December 31, 2016), and municipal taxes totaling R\$60 (R\$60 as at December 31, 2016).

The Company also has accrued provisions for other legal discussions to which escrow deposits are made, as well as other provisions related to business combinations, which involve federal taxes, totaling R\$ 179,866 as at March 31, 2017 (R\$175,054 at December 31, 2016) and state taxes, totaling R\$ 7,012 as at March 31, 2017 (R\$ 7,545 as at December 31, 2016). No provision of this type was recorded for municipal taxes in this period.

b. Civil claims

Consolidated civil contingencies of R\$ 16,874 as at March 31, 2017 (\$17,397 as at December 31, 2016) are related to claims filed by customers on possible product defects.

c. Labor claims

At the labor courts, the Company is a party to various labor claims, mostly in relation to overtime.

The amount accrued, R\$ 38,518 as at March 31, 2017 (R\$ 39,128 as at December 31, 2016), consolidated, reflects the risk of probable loss assessed by the Company's Management jointly with its legal advisors.

In August 2015, the Superior Labor Court (TST) issued a decision changing its position on the inflation adjustment index of labor claims. As a result, labor liabilities related to claims in progress since June 30, 2009 were no longer adjusted by the Reference Rate (TR), but by the Special Extended Consumer Price Index (IPCA-E). However, this decision was suspended by the Federal Supreme Court (STF) in October 2015. The Company's Management, supported by the opinion of its legal advisors that the obligation to settle said liabilities adjusted by the IPCA-E is not final and, therefore, classifies as a contingent liability with a risk of possible loss, decided not to record the impact of the adjustment by the IPCA-E, estimated at R\$ 2,975, and maintain the TR as the adjustment index of labor liabilities. The Company will monitor any developments on this issue in order to reassess its conclusion at the end of each reporting period.

In order to address the tax, civil and labor contingencies, the Company has a balance in escrow deposits of R\$ 292,745 as at March 31, 2017 (R\$292,189 at December 31, 2016).

d. Contingent liabilities – possible loss

The Company is a party to other claims that were assessed by Management, based on the opinion of its legal advisors, as possible losses and, therefore, no provision was recognized for such claims. The amounts related to claims involving federal taxes totaled R\$ 701,297 as at

March 31, 2017 (R\$ 603,615 as at December 31, 2016), in relation to state taxes these amounts totaled R\$ 204,954 as at March 31, 2017 (R\$186,278 as at December 31, 2016) and as to municipal taxes these amounts totaled R\$ 1,178 as at March 31, 2017 (R\$ 821 at December 31, 2016).

Among the main claims of a tax nature, classified as of possible loss, we highlight: (i) Administrative Process in which the Company discusses with the tax authorities the nature/concept of the bonuses/reimbursements of its suppliers for the purpose of PIS/COFINS taxation, as well as the characterization of some expenses related to its core activity as inputs for the purpose of PIS/COFINS credits; (ii) Legal process in which the Company discusses the violation of various legal principles of Law 13241/2015, which extinguished the exemption of PIS and COFINS contribution over income from the sale of eligible products to the Basic Production Process. According to the analysis of the Company's internal and external legal advisors the chances of loss are possible maybe remote; (iii) Administrative Process in which the Company discusses with the state tax authorities supposed ICMS credit for lack of the original invoice; (iv) Administrative Process in which the Company discusses with the state tax authorities assessments for ICMS tax credits appropriated on the purchase of goods from suppliers subsequently declared as inapt; (v) Administrative Process in which the Company discusses with the tax authorities the increase in the RAT rate; (vi) Sundry tax assessments in which the Company discusses the collection of ICMS credits appropriated on the acquisition of goods from some of its suppliers, once these were granted tax benefits by other States of the Federation. The Company accompanies the evolution of all the discussions at each quarter and when there are alterations to the scenario, the risk evaluations and eventual loss are also re-evaluated.

The risks of claims are continuously assessed and reviewed by Management. Additionally, the Company also challenges civil and labor administrative claims, with chances of possible loss, with immaterial amounts for disclosure.

Due to uncertainties regarding the outflow of resources for said provisions, Management believes it is not possible to reliably plan a settlement schedule.

e. Processes in favor of the Company

The Company is a plaintiff in other tax claims of various natures, in other words, filled lawsuits against various taxing entities in order to recover taxes paid and/or collected unduly by such entities. Among the main lawsuits, there is the legal discussion on the exclusion of ICMS from the calculation base of the PIS and COFINS contribution, which for the Company reaches the amount of R\$ 374,763 (R\$ 368,776 as at December 31, 2016) of taxes already paid. On March 15, 2017 the Supreme Federal Court concluded judgment, in the systematic of general repercussion, declaring unconstitutional the inclusion of ICMS in the calculation base of these contributions. Thus the Company is evaluating with its legal advisors the verification and monetary adjustment of the credits covered by its lawsuits and the respective accounting registers.

20 Shareholders' equity

a. Capital

As at March 31, 2017 the ownership structure of the Company is presented as follows, where all the shares are common, nominative, registered and without par value:

	Number of shares	% equity interest
Controlling shareholders	15,953,070	73.78
Outstanding shares	5,320,863	24.60
Treasury shares	350,000	1.62
Total	<u>21,623,933</u>	<u>100.00</u>

Shares held by controlling shareholders who are members of the Board of Directors and/or Board of Executive Officers are included under controlling shareholders.

According to Article 7 of the Bylaws, the Company may increase its capital stock, pursuant to Article 168 of Law 6.404/76, by means of the issue of up to six million, two hundred and fifty thousand (6,250,000) new common shares.

b. Capital reserve

As at March 31, 2017 the Company has the amount of R\$ 20,146 (R\$ 19,030 as at December 31, 2016) registered under Capital Reserve.

c. Legal reserve

As at March 31, 2017 the Company has the amount of R\$ 20,471 (R\$ 20,471 as at December 31, 2016) registered under Legal Reserve.

d. Profit reserve

As at March 31, 2017 the Company has the amount of R\$ 89,663 (R\$ 89,663 as at December 3, 2016) registered under Profit Reserve. The tax incentive reserve is presented under this heading.

e. Equity valuation adjustment

As at March 31, 2017 the Company has the amount of R\$ 2,317 (R\$ 1,202 as at December 31, 2016) registered under Equity valuation adjustment.

f. Earnings per share

The calculations of earnings per basic and diluted shares are disclosed below:

	Basic earnings		Diluted earnings	
	3/3/2017	3/3/2016	3/3/2017	3/3/2016
In thousands				
Total common shares	21,624	22,249	21,624	22,249
Effect of treasury shares	(350)	(273)	(350)	(273)
Effect of share option to be exercised (a)	-	-	34	-
Weighted average of common shares in circulation	<u>21,274</u>	<u>21,976</u>	<u>21,308</u>	<u>21,976</u>
Net income in thousands	58,563	5,254	58,563	5,254
Earnings per share: (in Brazilian reais)	2.753	0.239	2.748	0.239

(a) For the quarter ended March 31, 2016 there was no dilutive effect on earnings per share.

21 Net sales revenue

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2017</u>	<u>3/31/2016</u>
Gross revenue:				
Retail – resale of goods	3,183,273	2,583,695	3,199,164	2,596,419
Retail – services rendered	125,193	106,122	135,726	113,627
Consortium management	<u>-</u>	<u>-</u>	<u>16,108</u>	<u>13,566</u>
	3,308,466	2,689,817	3,350,998	2,723,612
Taxes and returns:				
Resale of goods	(523,689)	(443,331)	(526,315)	(444,950)
Services rendered	(16,618)	(14,046)	(16,618)	(14,046)
Consortium management	<u>-</u>	<u>-</u>	<u>(1,140)</u>	<u>(1,142)</u>
	(540,307)	(457,377)	(544,073)	(460,138)
Net sales revenue	<u>2,768,159</u>	<u>2,232,440</u>	<u>2,806,925</u>	<u>2,263,474</u>

22 Cost of goods resold and services rendered

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2017</u>	<u>3/31/2016</u>
Costs:				
Goods resold	(1,961,053)	(1,571,042)	(1,966,688)	(1,575,203)
Services rendered	<u>-</u>	<u>-</u>	<u>(7,790)</u>	<u>(4,707)</u>
	<u>(1,961,053)</u>	<u>(1,571,042)</u>	<u>(1,974,478)</u>	<u>(1,579,910)</u>

23 Information on the nature of expenses and other operating income

The Group's statement of income is presented based on the classification of the expenses according to their functions. Information on the nature of expenses recognized in the statement of income is as follows:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2017</u>	<u>3/31/2016</u>
Personnel expenses	(285,237)	(272,226)	(286,304)	(273,519)
Expenses with outsourced services	(159,917)	(122,838)	(164,096)	(125,458)
Other	<u>(162,515)</u>	<u>(142,122)</u>	<u>(167,941)</u>	<u>(147,442)</u>
	<u>(607,669)</u>	<u>(537,186)</u>	<u>(618,341)</u>	<u>(546,419)</u>
Classified by function as:				
Sales expenses	(504,011)	(424,308)	(508,587)	(426,777)
General and administrative expenses	(113,137)	(103,319)	(120,119)	(111,063)
Other operating income, net (Note 24)	<u>9,479</u>	<u>(9,559)</u>	<u>10,365</u>	<u>(8,579)</u>
	<u>(607,669)</u>	<u>(537,186)</u>	<u>(618,341)</u>	<u>(546,419)</u>

Freight expenses related to the transportation of goods from distribution centers (DCs) to physical stores and the delivery of products resold to customers are classified as selling expenses.

24 Other operating income (expenses), net

	<u>Parent Company</u>		<u>Consolidated</u>	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Gain (loss) from the sale of property and equipment	2,614	(180)	2,614	(180)
Recognition of deferred income (a)	10,080	9,907	10,080	9,907
Provision for tax loss	(1,258)	(931)	(772)	48
Non-recurring expenses (b)	(556)	(19,001)	(556)	(19,001)
Other	(1,401)	646	(1,001)	647
Total	<u>9,479</u>	<u>(9,559)</u>	<u>10,365</u>	<u>(8,579)</u>

- (a) Refers to the allocation of deferred revenue from the assignment of exclusivity rights, as described in Note 18.
- (b) Refers to pre-operating expenses of stores. In 2016 refers substantially to expenses with restructuring and adjustment of administrative personnel.

25 Financial income (expenses)

	<u>Parent Company</u>		<u>Consolidated</u>	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Financial income:				
Interest on sales with extended guarantees	10,528	8,785	10,528	8,785
Income from financial investments and securities	17,777	13,779	5,195	4,868
Interest on sale of goods – interest in arrears from receivables	884	1,266	884	1,266
Discounts obtained and monetary adjustments	6,493	13,368	6,493	13,368
Other	423	326	423	326
	<u>36,105</u>	<u>37,524</u>	<u>23,523</u>	<u>28,613</u>
Financial expenses:				
Interest on loans and financing	(67,957)	(66,403)	(67,964)	(66,408)
Charges on credit card advances	(74,488)	(65,187)	(74,908)	(65,485)
Provision for loss on interest over extended guarantees	(3,400)	(4,820)	(3,400)	(4,820)
Other	(7,545)	(5,761)	(7,666)	(5,831)
	<u>(153,390)</u>	<u>(142,171)</u>	<u>(153,938)</u>	<u>(142,544)</u>
Net financial income	<u>(117,285)</u>	<u>(104,647)</u>	<u>(130,415)</u>	<u>(113,931)</u>

26 Segment reporting

To manage its business taking into consideration financial and operating activities, the Company classified its business into Retail, Credit, Insurance and Consortium management operations. These classifications are considered as the primary segments for disclosure of information. The characteristics of these divisions are described below:

- Retail - mainly resale of goods and provision of services in the Company's stores and e-commerce;
- Financial operations - through the joint venture Luizaseg, mainly engaged in granting of credit to the Company's customers for acquisition of products;
- Insurance operations - through the jointly-held subsidiary Luizaseg, mainly engaged in the offer of extended warranties of products purchased by the Company's customers;

- Consortium management - through the subsidiary LAC, mainly engaged in the management of consortia to the Company's customers for purchase of products.

The Company's sales are fully made in the Brazilian territory and, considering retail operations, there is no concentration of customers, or of products and services offered by the Group.

Statement of income

	3/31/2017					
	Retail (a)	Financial operations	Insurance operations	Consortium management	Eliminations (b)	Consolidated
Gross revenue	3,337,851	211,009	44,742	16,108	(258,712)	3,350,998
Deductions from revenue	(542,933)	-	-	(1,140)	-	(544,073)
Net revenue of the segment	2,794,918	211,009	44,742	14,968	(258,712)	2,806,925
Costs	(1,969,649)	(26,698)	(6,278)	(7,790)	35,937	(1,974,478)
Gross profit	825,269	184,311	38,464	7,178	(222,775)	832,447
Sales expenses	(508,587)	(78,521)	(30,119)	-	108,640	(508,587)
General and administrative expenses	(114,351)	(204)	(5,166)	(5,768)	5,370	(120,119)
Allowance for doubtful accounts	(5,598)	(65,854)	-	-	65,854	(5,598)
Depreciation and amortization	(34,339)	(1,494)	(1,161)	(96)	2,655	(34,435)
Equity in investments	25,087	-	-	-	(1,708)	23,379
Other operating income	9,970	(2,401)	(535)	395	2,936	10,365
Financial income	(131,263)	-	5,064	848	(5,064)	(130,415)
Income tax and social contribution	(7,625)	(16,154)	(2,851)	(849)	19,005	(8,474)
Net income for the period	58,563	19,683	3,696	1,708	(25,087)	58,563
Equity accounting reconciliation						
Equity in investment LAC (Note 12)	1,708					
Equity in investment Luizacred (Note 13)	19,683					
Equity in investment Luizaseg (Note 13)	3,696					
(=) Equity in investments for the retail segment	25,087					
(-) Elimination effect LAC	(1,708)					
(=) Consolidated equity in investments	23,379					

- (a) The retail segment is represented by consolidated amounts contemplating the results of Magazine Luiza S.A. and Época Cosméticos. In the retail segment, the equity in investments line contemplates the net income from financial operations, insurance and consortium management, once this amount is contained in the profit or loss amounts of the segment used by the main management of the operations.
- (b) Eliminations are represented mainly by the effects of the segments of financial operations and insurance operations, which are presented in a proportional manner above, nevertheless are included only in one line of equity in investments in the consolidated financial statements of the Company.

3/31/2016

	Retail (a)	Financial operations	Insurance operations	Consortium management	Eliminations (b)	Consolidated
Gross revenue	2,712,224	204,497	48,224	13,566	(254,899)	2,723,612
Deductions from revenue	<u>(458,996)</u>	<u>-</u>	<u>-</u>	<u>(1,142)</u>	<u>-</u>	<u>(460,138)</u>
Net revenue of the segment	<u>2,253,228</u>	<u>204,497</u>	<u>48,224</u>	<u>12,424</u>	<u>(254,899)</u>	<u>2,263,474</u>
Costs	<u>(1,577,381)</u>	<u>(30,382)</u>	<u>(8,686)</u>	<u>(4,707)</u>	<u>41,246</u>	<u>(1,579,910)</u>
Gross profit	675,847	174,115	39,538	7,717	(213,653)	683,564
Sales expenses	(426,777)	(72,711)	(33,465)	-	106,176	(426,777)
General and administrative expenses	(105,116)	(505)	(6,104)	(5,947)	6,609	(111,063)
Allowance for doubtful accounts	(7,715)	(78,393)	-	-	78,393	(7,715)
Depreciation and amortization	(30,810)	(1,518)	(1,288)	(85)	2,806	(30,895)
Equity in investments	16,282	-	-	-	(1,597)	14,685
Other operating income	(8,581)	3,315	16	1	(3,330)	(8,579)
Financial income	(114,632)	-	4,542	701	(4,542)	(113,931)
Income tax and social contribution	<u>6,756</u>	<u>(11,226)</u>	<u>(1,631)</u>	<u>(791)</u>	<u>12,857</u>	<u>5,965</u>
Net income for the period	5,254	13,077	1,608	1,596	(16,281)	5,254
Equity accounting reconciliation						
Equity in investment LAC	1,596					
Equity in investment Luizacred	13,077					
Equity in investment Luizaseg	<u>1,608</u>					
(=) Equity in investments for the retail segment	16,281					
(-) Elimination effect LAC	<u>(1,596)</u>					
(=)Consolidated equity in investments	<u>14,685</u>					

- (a) The retail segment is represented by consolidated amounts contemplating the results of Magazine Luiza S.A. and Época Cosméticos. In the retail segment, the equity in investments line contemplates the net income from financial operations, insurance and consortium management, once this amount is contained in the profit or loss amounts of the segment used by the main management of the operations.
- (b) Eliminations are represented mainly by the effects of the segments of financial operations and insurance operations, which are presented in a proportional manner above, nevertheless are included only in one line of equity in investments in the consolidated financial statements of the Company

Balance sheets

	3/31/2017			
	Retail(*)	Financial operations	Insurance operations	Consortium management
Assets				
Cash and cash equivalents	223,063	2,460	224	32,022
Securities and other financial assets	521,375	6,430	158,673	-
Accounts receivable	581,902	2,063,314	-	-
Inventory	1,454,088	-	-	-
Investments	417,261	-	-	-
Property and Equipment and intangible assets	1,073,724	74,450	48,939	1,166
Other	1,077,989	126,446	27,295	4,011
	<u>5,349,402</u>	<u>2,273,100</u>	<u>235,131</u>	<u>37,199</u>
Liabilities				
Suppliers	1,760,455	-	3,078	1,923
Loans, financing and other financial liabilities	1,578,170	-	-	-
Interbank deposits	-	958,949	-	-
Credit card operations	-	922,633	-	-
Insurance reserves	-	-	111,085	-
Provision for tax, civil and labor risks	285,844	45,078	786	610
Deferred income	539,393	19,861	-	-
Other	416,604	36,295	19,012	8,859
	<u>4,580,466</u>	<u>1,982,816</u>	<u>133,961</u>	<u>11,392</u>
Shareholders' equity	<u>768,936</u>	<u>290,284</u>	<u>101,170</u>	<u>25,807</u>
Investment reconciliation				
Investments in subsidiaries				
Investment LAC (Note 12)	25,807			
Investments in jointly-held subsidiaries				
Investment Luizacred (Note 13)	290,284			
Investment Luizaseg (Note 13)	101,170			
	<u>391,454</u>			
Total investments	<u>417,261</u>			
(-) Elimination effect LAC	(25,807)			
(=) Total consolidated investments	<u>391,454</u>			

(*) Consolidated balances including results of Magazine Luiza S.A and Época Cosméticos.

	12/31/2016			
	Retail(*)	Financial operations	Insurance operations	Consortium management
Assets				
Cash and cash equivalent	565,327	2,999	107	33,814
Securities and other financial assets	819,155	6,020	162,017	-
Accounts receivable	584,571	2,001,796	-	-
Inventory of goods for resale	1,596,743	-	-	-
Investments	404,485	-	-	-
Property and equipment and intangible assets	1,072,005	75,944	50,101	1,111
Other	1,132,712	137,239	19,403	3,614
	<u>6,174,998</u>	<u>2,223,998</u>	<u>231,628</u>	<u>38,539</u>
Liabilities				
Suppliers	2,363,164	-	1,361	1,795
Loans and financing	1,848,776	-	-	-
Interbank deposits	-	900,241	-	-
Credit card operations	-	948,340	-	-
Insurance reserves	-	-	105,036	-
Provision for contingencies	283,527	43,549	709	599
Deferred income	549,473	20,122	-	-
Other	421,917	36,269	19,613	12,046
	<u>5,466,857</u>	<u>1,948,521</u>	<u>126,719</u>	<u>14,440</u>
Shareholders' equity	<u>708,141</u>	<u>275,477</u>	<u>104,909</u>	<u>24,099</u>
Investment reconciliation				
Investments in subsidiaries				
Investment LAC (Note 12)	24,099			
Investments in jointly-held subsidiaries				
Investment Luizacred (Note 13)	275,477			
Investment Luizaseg (Note 13)	104,909			
	<u>380,386</u>			
Total investments	<u>404,485</u>			
(-) Elimination effect LAC	(24,099)			
(=) Total consolidated investments	<u><u>380,386</u></u>			

(*) Consolidated balances including results of Magazine Luiza S.A and Época Cosméticos.

27 Financial instruments

Capital risk management

The objectives of the Company through capital management are to safeguard the going concern capacity to offer continuous return to the Company's shareholders and benefits to other related parties, and to maintain an ideal capital structure to reduce this cost and maximize its funds allowing for the opening and remodeling of stores, new technologies, process improvement and advanced management methods.

The Company's capital structure comprises financial liabilities, cash and cash equivalents, securities and equity. Periodically, Management reviews the capital structure and its ability to settle its liabilities, as well as monitors, on a timely basis, the average term of suppliers in relation to the average term of inventory turnover, taking prompt actions these balance ratios pose significant imbalance.

The Company uses the non-GAAP performance measure adjusted net debt/adjusted EBITDA, as they believe such measure is a relevant metric for monitoring the Company's level of indebtedness, since it reflects the net consolidated funds available from the Company's operating cash flow for payment of its financial obligations. The Company defines adjusted EBITDA as profit before income tax and social contribution, finance income and expenses, depreciation and amortization and non-recurring operating events. Adjusted EBITDA is not a defined performance measure under IFRS. The Company's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

The Company's capital structure is broken down as follows:

	Parent Company		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Loans, financing and other financial liabilities	1,578,066	1,848,638	1,578,170	1,848,776
(-) Cash and cash equivalents	(222,777)	(562,728)	(255,085)	(599,141)
Securities and other financial assets	(521,375)	(819,155)	(521,375)	(819,155)
(-) Third-party credit cards	(341,596)	(272,502)	(342,390)	(276,206)
(-) Related party credit cards	(15,653)	(18,646)	(15,653)	(18,646)
Adjusted net debt	476,665	175,607	443,667	135,628
Shareholders' equity	768,936	708,142	768,936	708,142

Category of financial instruments

	Parent Company		Consolidated	
	3/31/2017	12/31/2016	3/31/2017	12/31/2016
Financial assets				
Loans and receivables				
Cash and banks	53,826	73,996	53,911	77,108
Escrow deposits	292,743	292,187	292,745	292,189
Accounts receivable	579,979	578,904	581,902	584,571
Related parties	57,746	66,296	56,840	64,021
At fair value through profit or loss				
Held for trading – Cash equivalents and securities	690,300	1,293,981	722,523	1,327,282
Initial recognition other financial assets	26	13,906	26	13,906
Financial liabilities				
Amortized cost				
Suppliers	1,755,411	2,353,473	1,762,378	2,364,959
Loans and financing	1,433,401	1,498,700	1,433,505	1,498,838
Related parties	56,242	72,923	56,277	72,955
At fair value through profit or loss				
Held for trading – Loans and financing	136,548	333,503	136,548	333,503
Initial recognition – other financial liabilities	8,117	16,435	8,117	16,435

Fair value measurement

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

- Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest and significant level of information to measure the fair value directly or indirectly observable. The Company uses the discounted cash flow technique for measurement.
- Level 3 - Valuation techniques for which the lowest and significant level of information to measure the fair value is unobservable.

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

	<u>Parent Company</u>		<u>Consolidated</u>		<u>Fair value measurement</u>
	3/31/2017	31/12/2016	3/31/2017	31/12/2016	Level
Financial assets					
At fair value through profit or loss:					
Cash equivalents and securities	690,300	1,293,981	722,523	1,327,282	Level 1
Other financial assets	26	13,906	26	13,906	Level 2
Financial liabilities					
At fair value through profit or loss:					
Loans and financing	136,548	333,503	136,548	333,503	Level 2
Other financial liabilities	8,117	16,435	8,117	16,435	Level 2

Valuation techniques and significant unobservable inputs.

Detailed below are the valuation techniques used in the measurement of Level 2 fair value, as well as significant unobservable inputs used.

Loans and financing: This category includes loans and financing linked to the CDI. The fair value was determined based on the present value of future cash flows, discounted at the average future CDI rate, plus the credit risk, corresponding to all the loans with maturities between 2017 and 2022, calculated on the reporting date of the financial statements.

Loans at fair value: This category included loans and financing assigned from its initial contracting at fair value satisfying the classification criteria defined by CPC 38 – Financial Instruments: Recognition and Measurement.

The fair value of these liabilities is based on estimated future cash flows based on conditions and maturities of each contract and using the exchange coupon plus a spread which is obtained in quotation with financial institutions to reflect the credit risk of the Company in the contracted period.

Liquidity risk management

The Company's Management has the ultimate responsibility for the management of the liquidity risk and prepares an appropriate liquidity risk management model to manage funding requirements and short, medium and long-term liquidity management. The Group manages the liquidity risk through the continuous monitoring of estimated and actual cash flows, the combination of the maturity profiles of financial assets and liabilities and the maintenance of a close relationship with financial institutions, with regular disclosure of information to support credit decisions when external funds are necessary.

The table below details the remaining contractual maturity of the Group's financial liabilities and the contractual amortization terms. This table was prepared using the undiscounted cash flows of financial liabilities.

Contractual maturity is based on the most recent date on which the Group should settle the related obligations:

	<u>3/31/2017</u>			
	Under one year	One to three years	Over three years	Total
Suppliers	1,762,378	-	-	1,762,378
Loans, financing and other liabilities	688,280	868,149	21,741	1,578,170
Related parties	56,277	-	-	56,277

Considerations on risks

The Group's business mainly comprise the retail sale of consumer goods, mainly home appliances, electronics, furniture and financial services, consumer financing for purchase of these assets and consortium-related activities, created to purchase vehicles, motorcycles, home appliances and real properties. The main market risk factors affecting the Company's business are as follows:

- *Credit risk:* the risk arises from the possibility that the Group may incur losses due to non-receipt of amounts billed to their customers, the consolidated balance of which amounts to R\$523,684 as at March 31, 2017 (R\$466,061 as at December 31, 2016). A large part of the sales of the Company are made using the credit card as a form of payment, which is substantially securitized with the credit card administrators. For other receivables the Company evaluates also the risk as being low, due to the widespread sales, as a result of the large number of customers; however, there are no guarantees of actual receipt of the total balance of trade receivables due to the nature of the Group's activities. Even so, the risk is managed by means of periodic analysis of default rate and the adoption of more efficient collection measures. As at March 31, 2017, the Group recorded past-due or uncollectible balances under "trade receivables," which terms were renegotiated, in the amount of R\$4,311 (R\$ 4,672 as at December 31, 2016), which are included in the Group's analysis on the need to recognize an allowance for doubtful accounts. Further information on accounts receivable is disclosed under Note 7.

- The policy of the Company for investments in debt securities (financial investments) is to invest in securities that have ratings attributed by the main credit risk agencies, of at least AAA. As at March 31, 2017, approximately 98% (ninety eight percent) of investments held by the Company have such rating level. It is also important to observe that the great majority of these securities are securities with sovereign risk (Brazilian public securities).
- *Market risk:* arises from the slowdown of retail sales in the Brazilian economic environment. The risks involved in these transactions are managed by establishing operational and commercial policies, determining limits for derivative transactions, and constantly monitoring assumed positions. The main related risks are variations in the interest and foreign exchange rates.
- *Interest rate risk:* the Group is exposed to floating interest rates tied to the “Interbank Deposit Certificate (CDI)”, relating to financial investments and loans and financing in Brazilian reais, for which it performed a sensitivity analysis, as described in the below.

At March 31, 2017, Management carried out a sensitivity analysis, considering a probable scenario and scenarios of 25% and 50% increases in the expected interest rates. The probable scenario was measured using the future interest rates disclosed by BM&FBOVESPA and/or BACEN. The expected effects of interest expenses net of financial income from financial investments for the next three months are as follows:

	Parent Company	Consolidated
	3/31/2017	3/31/2017
Bank deposit certificates (Note 5)	168,070	178,943
Non-exclusive investment funds (Note 5)	881	22,231
Cash equivalents	168,951	201,174
Securities and other financial assets (Note 6)	521,375	521,375
	690,326	722,549
Total cash equivalents, securities and other financial assets	690,326	722,549
Loans, financing and other financial liabilities (Note 18)	(1,578,066)	(1,578,170)
Net financial instruments	(887,740)	(855,621)
Interest to incur exposed to the CDI	10.50%	10.50%
Impact on financial income, net of taxes		
Scenario I Probable	(26,512)	(25,747)
Scenario II Above 25%	(33,140)	(32,184)
Scenario III Above 50%	(39,769)	(38,620)

- *Foreign exchange rate risk management:* the Company uses derivatives to meet its market risk management requirements, arising from mismatching between currencies and indexes. Derivative transactions are carried out through the Finance Department, pursuant to the strategies previously approved by the Company’s Board of Directors. Upon initial recognition of hedge, the Company formally classifies and reports the hedge ratio to which the Company intends to apply the hedge accounting, as well as the objective and the Management’s risk management strategy to materialize the hedge. Documentation includes the identification of the hedge instrument, the hedged item or transaction, the nature of the hedged risk, the nature of

risks excluded from the hedge ratio, the prospective statement of effective hedge ratio and how the Company will assess the hedge instrument's efficacy for the purposes of offsetting the exposure to changes in the fair value of the hedged item or cash flows related to the hedged risk.

In this scenario, the Company raised foreign currency-denominated loans bearing interest, for which it entered into swap transactions to hedge against exchange rate variation, swapping contracted interest rate and foreign currency exchange rate for CDI plus fixed rate. For the purposes of hedge accounting, these instruments are classified as fair value hedge and initially are recognized at fair value on the date the derivative agreement is contracted, and subsequently revalued also at fair value. Any gains or losses resulting from changes in fair value, both of the hedging derivatives (*swap*) and the hedge purpose (loans) during the year are recorded directly in the statement of income, as financial income (expense).

Below, a description of agreements that affected profit or loss as at March 31, 2017:

Fair value hedge

Hedge instrument	Swaps			Average Indexes
	Financial position	MTM adjustment	Fair value(a)	
Assets (long leg)	135,415	1,133	136,548	US\$+3.24%
Liabilities (short leg)	144,643	(4)	144,639	115.31% CDI
Total	(9,228)	1,137	(8,091)	
Hedge purpose	Working capital in USD			Average indexer
	Financial position	MTM adjustment	Fair value(a)	
Liabilities	135,415	1,133	136,548	US\$+3.24%
Reconciliation				
Other financial assets (Note 6)				26
Other financial liabilities (Note 17)				(8,117)
(=) Fair value of the derivative financial instrument				(8,091)

As discussed above, the Group's management understands that there is no market risk arising from foreign exchange fluctuations since all significant financial liabilities recorded in foreign currency are pegged to swap transactions, so that the accounting and financial treatment of these loans is denominated in domestic currency. Accordingly, changes in swap derivative financial instruments and loans and borrowings are offset.

In the periods presented there were no operations that were not qualified as equity protection operations, and there are no future commitments object of equity protection of cash flows.

28 Statements of cash flows

Changes to equity that do not affect the cash flows of the Company are as follows:

	Parent Company		Consolidated	
	3/31/2017	3/31/2016	3/31/2017	3/31/2016
Net change in fair value of available for sale financial instruments.	1,115	1,867	1,115	1,867

29 Insurance

The Company has insurance contracts with coverage determined following the advice of experts, taking into account the nature and degree of risk, in amounts considered sufficient to cover any losses on its assets and/or obligations.

The insurance coverage, in values as at March 31, 2017 and December 31, 2016 are as follows:

	3/31/2017	12/31/2016
Civil responsibility and D&O	42,000	42,000
Sundry risks – inventory and property and equipment	2,027,829	2,014,174
Vehicles	17,285	17,285
	<u>2,087,114</u>	<u>2,073,459</u>

30 Subsequent events

30.1 Investments in subsidiaries

On April 3, 2017 the contract for the acquisition of the technology startup Donatelo Desenvolvimento de Software e Market Digital Ltda. was executed. Donatelo Desenvolvimento de Software e Market Digital Ltda is a limited liability company with its head office located at the city of Itajubá, State of Minas Gerais, also known as “Integra Commerce”. The Company is in the process of assessing the business combination, as per CPC 15 and IFRS 3 and the financial effects on its financial statements could not be measured until the date of this report.

30.2 Payment of dividends

On April 20, 2017 the Ordinary General Assembly (AGO) approved the payment of dividends in the amount of R\$ 21,641 to the shareholders of the Company. The date of the payment shall be May 5, 2017.

30.3 Approval of the incentive plan related to shares

On April 20, 2017 the Company approved in an Extraordinary General Assembly (AGE) the concession of an incentive plan linked to shares for collaborators eligible by the Board of Directors of the Company, which may implement a type of incentive judged necessary, including the implementation of share matching incentives, with the free granting of shares to the beneficiaries acquiring the shares. The granting of benefits to each beneficiary will be through a contract of adhesion between the Company and the respective beneficiary, where the

terms and conditions of each incentive shall be established, as provisioned in the respective program.

30.4 Approval for the issue of commercial papers

On April 4, 2017 the Board of Directors approved the 3rd issue of commercial papers for public distribution with restricted distribution efforts, in the total amount of R\$ 200,000. The total value of the issue was divided into: R\$ 100,000 for first series commercial papers, with maturity of up to 365 days, incurring in interest remuneration corresponding to the accumulated variation of 109% of the average daily rates of Interbank Deposits; and R\$ 100,000 for second series commercial papers, with maturity of up to 730 days incurring in interest remuneration corresponding to the accumulated variation of 112% of the Interbank Deposit Rate.