#abraceonovo

magazineluiza

Integrated Reporting 2015

Summary

#abraceonovo

1 Messages from Management

#abraceonovo

Luiza Helena Trajano
Chairman of the Magazine Luiza Board

1

Messages from **Management** GRI: G4-1

President's message

Cycles and Challenges

Since its foundation, the customer has always been and will continue to be at the core of all the actions of Magazine Luiza. We are innovators and trend setters; we are constantly revisiting our business model to better serve our customers. Over its 58 years of existence, Magazine Luiza has experienced several economic and political crises and consolidated its growth through the acquisition of a dozen chains in various regions of Brazil and the implementation of innovative differential competitive advantages in managing our business, our customers and our operations. The year of 2015 presented one of the lowest consumer confidence figures and it was a very challenging year in the macro-economic front. Regardless, the Company strived to generate demand, and instead of pulling back, Magazine Luiza featured an intense period of consolidation of its processes into its new cycle: **the Digital Transformation.**

The cycles are part of the Company. In 1991, when I became president of Magazine Luiza, I introduced a new cycle, which lasted until 2001. From 2002 until 2014, it was the sustainable growth cycle. In 2015, the Company initiated a new cycle, which should last for the next 5 years. This new cycle included: (i) the launch of a new version of the shopping application for the e-commerce of Magazine Luiza via mobile, (ii) the implementation of Mobile Sales and (iii) the launch of Mobile stockist in stores and (iv) Assembler Mobile for deliveries of products.

In the current cycle, aiming to become a digital company, the Company is promoting a deep revolution in physical stores - reducing to 45 minutes from 5 minutes the time to complete a sale. Digitization also expedites the sales transactions via the e-commerce site, but we can´t leave aside the issue of logistics and supply of products, which in our case adopts a multi-channel delivery. We are the company that believes in multi-channel as one of the strategic pillars, the result of investments in integration processes carried out in recent years.

The areas of Logistics, Information Technology and Innovation (Luizalabs) have undergone major changes that resulted in deliveries relevant to the optimization process, productivity gains and cost savings. During 2015, 30 new stores were opened across the country, and 62 were covered by Invigorate project that remodels the stores at a lower cost than a complete overhaul .

Social inclusion is also one of Magazine Luiza cultural pillars. Through a well structured and recognized program, which encourages hiring people with disabilities, the adaptation of facilities and training of employees, the Company had over a thousand disabled people working at the Company in 2015 .

All these engagement initiatives, training and inclusion makes Magazine Luiza's one of the best companies to work for in Brazil, according to the ranking of the Great Place to Work Institute (GPTW). In addition to being among the 25 best in the country for 19 consecutive years, according to GPTW, the company was ranked as the 6th best in 2015 among organizations of all companies in different economic sectors.

Through volunteer service, the program (Rede do Bem) has benefited more than 34,000 people in 55 cities, with the involvement of about 3,300 employees of Magazine Luiza, who also held product donations to 62 social institutions in 25 cities in Brazil. Cultural projects, sports and social events in several communities received support and sponsorship, via the use of tax incentive laws. In all, 30 projects that directly benefited 28,800 people in several cities were contemplated.

Succession process. It is during crises that emerge the largest innovations and opportunities for companies that are well positioned in their markets. However, we see as a great opportunity for Magazine Luiza its transformation into a digital business with physical locations and warmth. This process is being led by Frederico Trajano, he took over the post of president of Magazine Luiza in January of 2016. Frederico has been part of the Company's Executive team for 15 years, and in his last role, as Executive Director of Operations, he was responsible for: physical stores, e-commerce, marketing, logistics and technology. In the Presidency, he succeeds Marcelo Silva, that for the last seven years was the superintendent of Magazine Luiza and in January took a Vice-Presidency of the Company's Board. The Board is currently chaired by me. I am a member of the second generation of shareholders and a leading business leader in our country. However, i will keep my institutional role, which involves the direct relationship with customers and employees (customer service department and after sales department reports to me) and the safeguarding of the values and corporate culture of Magazine Luiza.

In Brazil, the Company has become a reference in the management of intellectual capital for the digital path as a strategic definition, with a well-defined purpose: **to provide access to many people what is currently privilege of a few.** To reach this purpose, from the design, projects are defined in view of the C/D class audience. By digitalizing the physical point, customers will experience quickly and more efficient stores, without losing sight of the warmth and more excellence in service and after-sales, which are also part of our pillars and which we will never give up.

Luiza Helena Trajano
Chairman of the Magazine Luiza Board

Executive Management Team of Magazine Luiza in 2015

Message from the Executive Board

New cycle of digital transformation. The Company's main strategy for the next five years is the digital transformation. Our goal is to transform Magazine Luiza, from a traditional retail business with a strong digital platform to a digital company with physical stores and warmth. The five pillars of this cycle are:

1. Digital inclusion - Bring the access to many, which is currently privilege of a few, through connected products. Invite and teach consumers to learn how to become more connected. Store sales act as agents of change, providing guidance to customers better utilize their smart technology products. The low penetration of these technology products in our market provides an opportunity to become a reference in some of those categories. Another important driver for digital inclusion is that the population is becoming increasingly connected (currently 50% of Brazilians already have access to social networks).

2. Digitalization of physical stores - By revolutionizing the shopping experience at our stores is the best way to perpetuate the importance of physical contact, therefore reducing friction in the sales process is critical. With the implementation of Mobile Sales projects, Mobile Assembler and Mobile Stockist, Magazine Luiza expects to gain in productivity and the store team in autonomy and increased sales volume, while the customer saves time and has a more enjoyable experience in the buying process.

The main projects of our digitalization strategy implemented in 2015 were:

a. Mobile Sales: In 2015, 180 stores were certified and trained to complete sales using smartphones. In 2016, we hope to implement this system in all of our conventional stores, providing a faster and more friendly shopping experience to our customers. We are also making available in stores free wireless internet (wi-fi), contributing to increase the digital inclusion of our customers.

b. Mobile Assembler: The assembly services also went through this digitalization process. With the project, furniture and other categories that required assembly routes were faster. The tool also eliminated administrative activities in the assembly stations, which can focus increasingly on customer service excellence.

c. Mobile Stockist: Another project that aims to increase productivity and efficiency gains is the Mobile Stockist. The project aims primarily to improve the customer's buying journey, reducing the waiting time in the stores to retrieve the purchased product.

3. Multi-channel - In 2015, we increased the assortment and improved even more our multi-channel distribution. This means making it available to the physical stores the sale of all of the assortment available in e-commerce. It is worth to highlight that more than half of the company's online sales are already been distributed by the nearest distribution center (Multi-channel Delivery). During the year of 2015 we consolidated the distribution network, strengthening our multi-channel delivery strategy, where the same vehicles could share for delivery of products purchased at our physical stores and/or purchases in our e-commerce website. This optimization has brought a reduction of additional freight costs for the Company. We will continue investing in the development of our multi-channel strategy in order to use our 786 stores to offer more convenience to customers and reduce the speed of shipments and delivery costs.

4. Transform the site into a digital platform - This transformation takes into account the sale of products from other retailers, distributors or even direct sales channels industries in our soon to be launched marketplace model. The marketplace strategy has the potential to increase the mix of products sold by tenfold (10x) over the next few years. The implementation of the new marketplace platform, scheduled for the first half of 2016, will have as its first partner Época Cosméticos - wholly owned subsidiary of Magazine Luiza - and the second largest online player in the cosmetics online segment in Brazil.

5. Digital Culture - The Company's culture has always valued agility, innovation and people first. Each time, more and more, we are encouraging our employees to become more digital and use social networks and applications to communicate with our customers and at our stores. Luizalabs is an example. Created in 2014, Luizalabs aims to bring innovation to the sales channels. Among the products developed by Luizalabs are: (i) the new application for Magazine Luiza customers with mobile access (smartphones, tablets), (ii) the Mobile Sales, Mobile Assembler and Mobile stockist, (iii) the adoption of the Big data (product recommendation database), (iv) Multi-channel delivery and (v) the sale of the site's products in physical stores. In Luizalabs, worked at the end of 2015, 75 software engineers in the cities of São Paulo and Franca. The profile of Luizalabs developers was established in accordance with the principles of collaboration, productivity and integrated vision.

> **"In 2015, 180 stores were certified and trained to complete sales using smartphones"**

In addition to launching the new cycle of the digital transformation, the Company obtained a consistent gain in market share in 2015. Based on the monthly survey of trade published by the IBGE (PMC) and analyzing the performance of the furniture and appliances sectors, we gained market share. In 2015, according to GFK consulting, we gained market share in key product categories. In 2016, we will continue working to increase our market share in a sustainable way.

Focus on reducing operating expenses. We started in the second half of 2015 a process of mapping opportunities to reduce costs in corporate offices and distribution centers, as well as a review of the budget process, using zero-based methodology (OBZ). In addition, we decided to redirect our marketing spending (in 2014, we were sponsors of the broadcast of the Soccer World Cup and in 2015 on Globo TV, we sponsored the state and national soccer championships.

These sponsorships were not renewed in 2016, favoring more regional and targeted marketing. We are renegotiating some 300 leases, reviewing contracts with more than 900 delivery companies and reevaluating all fixed expenses, such as data transmission, telephone, electricity, security and cleaning. Additionally, we achieved a win as it related to employees' trade unions, whereby a ceiling for the collective bargaining agreement was applied to the São Paulo state employees and not the actual increase proposed by the trade unions.

All the Company's actions are aimed to lead the new trends of this increasingly digital world. We remain confident in our ability to grow, gain market share and improve our operational efficiency. We continue to invest in strategic projects that are part of our digital transformation strategy, which should improve our business model and increase our profitability.

We thank all our customers, employees, shareholders, suppliers, partners and the wider community for their trust and partnership throughout the year of 2015.

The Executive Management Team

2

Profile

#abraceonovo

2 Profile

The Company was born from a dream to create employment opportunities for its family

The dream of our first two salespeople - Luiza and her husband Pelegrino Donato - was to set up a retail chain that would create jobs for the entire family in Franca, interior of São Paulo. and therefore they founded Magazine Luiza S.A.

In order to choose a new name for the store acquired by them on November 16, 1957, the founders launched a contest on a local radio station, inviting customers to participate with suggestions. And as Luiza was a very popular salesperson in the city, listeners chose her name to honor the new chain. Innovation and transparent communication always guided the principles of the Company.

After 58 years, 786 stores are spread across 16 Brazilian states, selling furniture, appliances, electronics, toys, gifts, computer and telephone equipment. With over 44 million registered customers and approximately 20,000 employees, the chain ranks among the largest retailers in Brazil. In addition to the sale of durable consumer goods via its stores and website, the Company also operates via joint-ventures in the credit (Luizacred) and insurance (Luizaseg) sectors, as well as its own consortium.

Over the past 25 years, from 1991 to 2015, the company was run by the niece of the couple, Luiza Helena Trajano, who revolutionized the Brazilian retail sector with innovative practices for business, people management, relationships with customers and suppliers. Luiza Helena was also responsible for the professionalization of the executive management team and the implementation of corporate governance practices that enabled the company to go public in 2011.

From 2016, after seven years of preparation for a transition led by managing director Marcelo Silva, the third generation of the family took over the company's leadership, with the rise of Frederico Trajano to the position of CEO, with the goal of making the company reach 100 years.

Sectoral development

Magazine Luiza actively participates in discussion forums and search for sectoral improvements in the areas where it operates. In 2015, it participated in the following organizations:

- Institutional Development Committee Brasileiro Institute of Investor Relations (IBRI)
- Fleet Committee and Shipping Green
- Brazilian Institute of Corporate Hospitality (IBHE)
- Institute for Retail Development (IDV)
- Brazilian Institute of Supply Chain (Inbrasc)

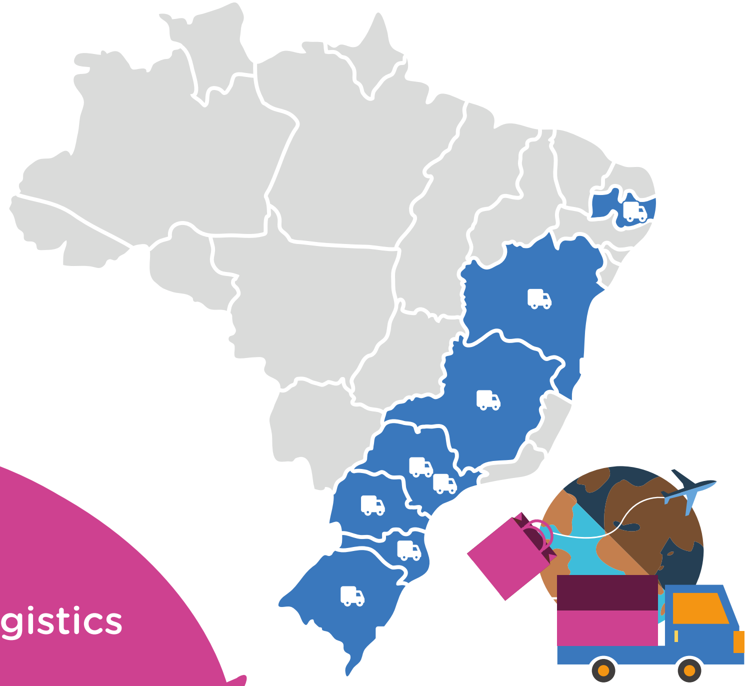
External commitments

Commitment and Attitude Compact: initiative of the National Policy for Women to combat violence against women.

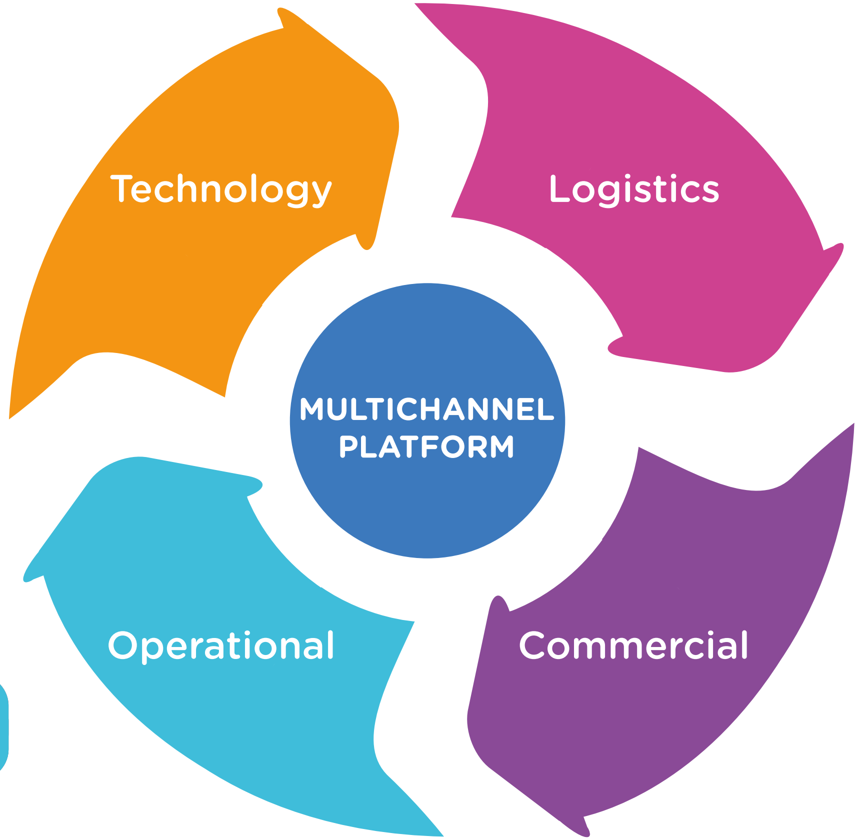
Commitment to increase the number of women in senior positions: the Group's initiative Business Leaders (LIDE) and LIDE Woman.

G4-3 to **G4-9, G4-15, G4-16**

Sell online and
pick-up at the store



9 CDs
(Multichannel delivery)
pre-established routes



Sell in Store
online items

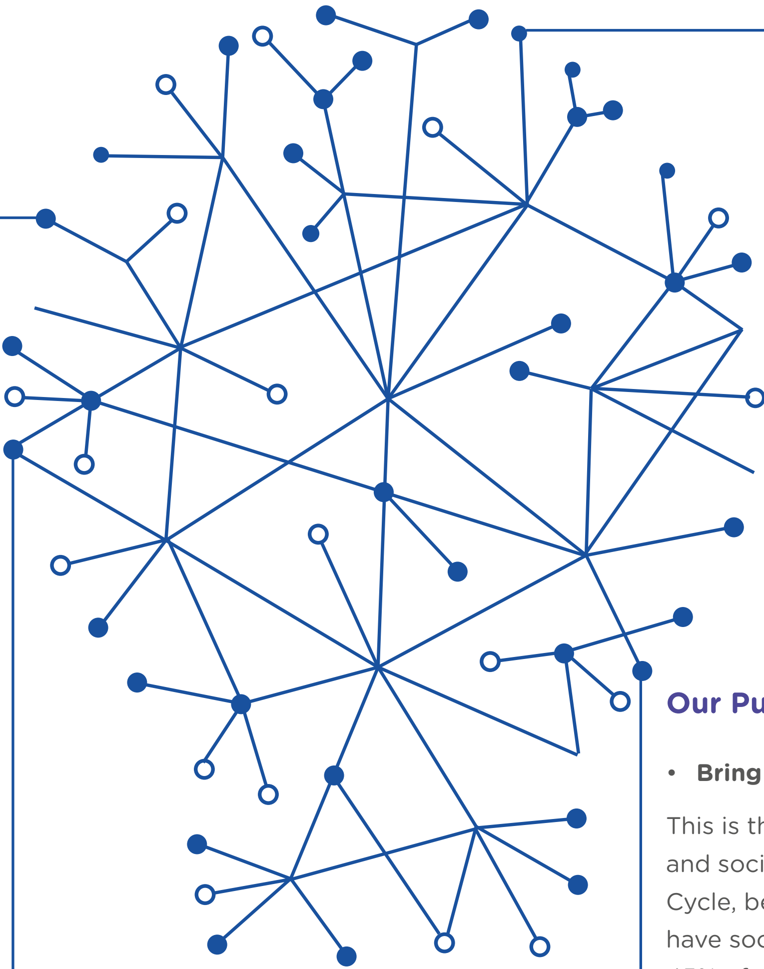
Online sale and
exchange in the store

Our
Principles

G4-56

Mission

To become a competitive, innovative and bold company that always seeks the common good.



Vision

To be the most innovative group of national retail, offering several product lines and services for the Brazilian family. Be present where, when and how the customer wants to buy, whether in physical stores, virtual or online. Always please the customer with the best retail team, differentiated service and competitive prices.

Values and principles

- **Respect, Development and Recognition -** We put people first, because they are the strength and vitality of our organization;
- **Ethics -** Our actions and relationships are based on truth, integrity, honesty, transparency, justice and the common good;
- **Simplicity and Freedom of Expression -** Seek simplicity in our relations and processes, we respect the views of all and we are open to listen to them, regardless of their position in the Company;
- **Innovation and Courage -** cultivate entrepreneurship in the pursuit to make a difference, with innovative and bold initiatives;
- **Golden Rule -** Do unto others what you would have others do unto you.

Our Purpose

- **Bring access to many what is the privilege of a few**

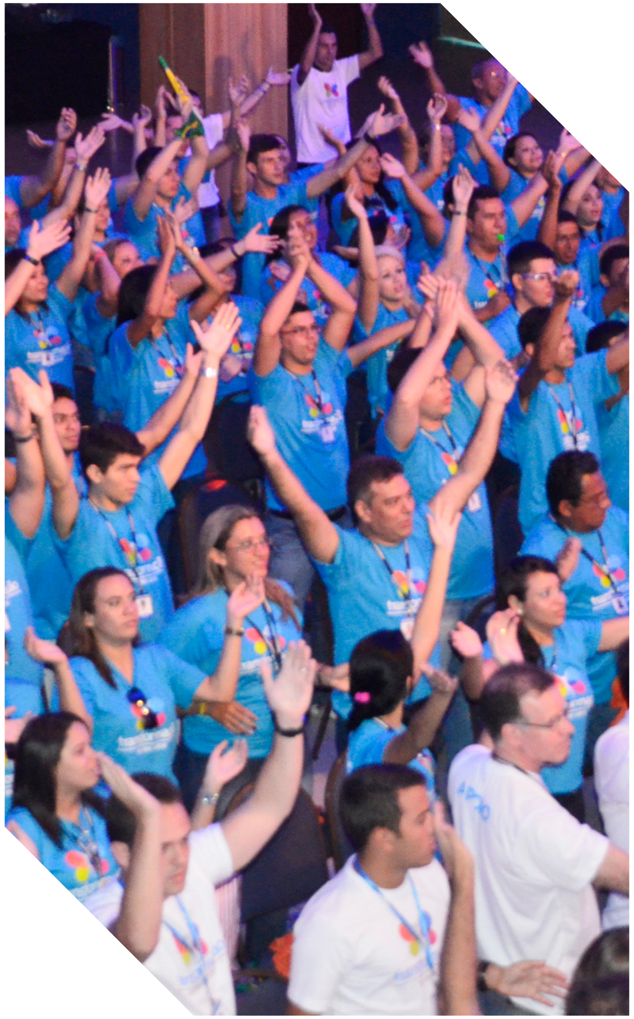
This is the purpose defined by the Company for business and social responsibility during the Digital Transformation Cycle, believing that the best way for the Company to have social impact is to promote digital inclusion. Today, 45% of the population with smartphone uses only two applications, and only 10% of people who purchase a SmartTV use the available features, such as surfing the internet. Make a bridge between the Brazilian and the digital world is a part of the Company's mission, also teaching the use of this world in moderation.

Awards and

Recognitions

For the last nineteen years Magazine Luiza has consistently featured as one of the “Best Companies to Work For” in the ranking of the Great Place to Work Institute (GPTW). In 2003 it was elected as the “Best Company”. Already in 2010, it was considered the best in “Communication with its employees” and in 2011, joined the list of the top 20 in the edition for Latin America, the third best Brazilian Company to work for. In the Brazilian edition of 2012, it was considered the best in “Listen to your employees category”, and it has been voted one of the ten best places to work in Brazil. In 2015, it was voted the 6th best company to work for in the category Large (in over thousand employees category) and also the 8th best company to work for in Latin America, by GPTW Latam. All of these recognitions reflect its innovative attitudes and, above all, its strategy to put people first.

In 2014, in the study Best Global Brands by Interbrand, the Company was elected as one of the 25 most valuable brands in Brazil. In the same year, the magazine ‘Carta Capital` chose a leader from the most admired companies, and Luiza Helena Trajano was the only woman among the most admired leaders of the country. She was elected for the third time, the “Most reliable executive of Brazil”, according to the Research Magazine Trustworthy Brands Selections made by Ibope - Luiza Helena - won in the category “Business Personality”.



Magazine Luiza is also among the world's 250 largest retail networks, according to the "Global Powers of Retailing 2015" report, Deloitte auditing and consulting firm, held in conjunction with Stores Media. Only two companies 100 % with domestic capital control were featured in the list published in 2015 which was made public at the largest retail trade fair -National Retail Federation (NRF) - in New York (USA). The Company also features in the ranking of the 50 retail chains with fastest growth in the last five years globally, Magazine Luiza ranked 13th, with an average growth in sales of 27.5 % from 2008 to 201, and it is in 66th place in the list of "1000 Largest Companies in Brazil", by in the Isto É magazine ranking. Magazine Luiza also featured in the list of "most admired companies in Brazil", a survey done by Carta Capital.

In another ranking by Torabit (digital monitoring platform for brands and sites) where it measures the engagement with consumers the Company received the highest marks among major Brazilian e-commerce companies. In 2015, the effort for excellence in Magazine Luiza's customer service was also recognized by the site 'Reclame aqui': As per the reviews by consumers, the website awarded the Company with RA1000 quality seal for the excellent levels of service provided to its customers that shopped online. This distinction raises the level of trust in the brand, increases the visibility of the quality of its customer services and influences future buying decisions. Magazine Luiza also received the Oscar Call 2015 by Consumidor Moderno magazine for providing the Best Retail Service in Brazil.

Our e-commerce operation earned for 12 consecutive times the Diamond Trophy of Excellence Award in Electronic Commerce - B2C operations. Moreover, the website of Magazine Luiza was elected " Website of the Year" for the best shopping portal in Brazil in 2015. The site received the highest score in an open ballot, organized by experts in the area. The page - www.magazineluiza.com.br - was also considered the third favorite by the general public.

Luiza Consortium was a finalist with two cases of innovation, "Share Award" of the Association of Administrators Consortium (ABAC). The Consortium also received the RA1000 quality seal by customer service website 'Reclame Aqui`, which ranks companies with the best customer service nationwide. As far as the GPTW rank, Consortium Luiza received the award as the 3rd best company to work for in Brazil (National Medium category). And in the cities of Ribeirão Preto and Araraquara interior region of São Paulo, it featured in #1 place according to the same research survey.

"Magazine Luiza is among "The best places to work" for 19 years"

Timeline

1957 The Pelegrino couple José Donato and Luiza Trajano Donato opens a small gift shop in Franca (SP).

1976 With the acquisition of Mercantil Stores, Magazine Luiza opened the first stores in cities in the interior of São Paulo state

1983 Begins expansion into cities of Minas Gerais (Triângulo Mineiro)

Cycle: New Cycle

1991 Luiza Helena Trajano, niece of the founder Luiza Trajano Donato, is nominated president

1992 Virtual stores are opened in a new concept.

1994 New marketing and commercial campaigns are developed "Liquidação Fantástica" (Mega sale) and "Só Amanhã" (Until Tomorrow)

1996 The chain opens stores in the states of Paraná and Mato Grosso do Sul

2000 The e-commerce website is launched www.magazineluiza.com.br

2001 Magazine Luiza and Itau sign a 50/50 JV agreement to set up Luizacred, the consumer credit financing arm . We buy Wanel chain of Sorocaba (SP state)

2002 **Cycle: Sustainable growth cycle is launched by new president**

2003 Acquisition of Leader chain, in the region of Campinas (SP). Magazine Luiza receives the award of best company to work for in Brazil - the first retailer in the world to receive this title by Great Work Institute

2004 Arno chain is acquired in Rio Grande do Sul

2005 Luizaseg is set up in a 50/50 partnership with Cardif Company BNP Paribas Group. Acquisition of Base, Kilar and Madol chains, in the states of Santa Catarina, Paraná and Rio Grande do Sul. Implementation of Luiza TV, Radio Luiza and Luiza Capital Private equity group becomes a shareholder of Magazine Luiza with a 12% stake.

2008 46 stores are opened simultaneously on the same day in the city of São Paulo, and more than 1 million new customers are signed in

2010 Arrival in the Northeast, with the acquisition of 'Lojas Maia` chain, with 136 stores

2011 Initial Public Offering (IPO), when the company is taking public and lists its MGLU3 shares on the BM&FBovespa. The company acquires the chain "Baú da Felicidade" to strengthen its positioning in the Southeast

2012 Company launches Chip Luiza, which offers free access to social networks, aimed at low-income customers

2014 The nine distribution centers are integrated and now offer faster delivery and lower freight costs. The company sponsors the World Soccer Cup in Brazil, on Globo television. Luizalabs is created

2015 Launch of the new version of Magazine Luiza App for mobile. Implementation of Mobile Sales in 180 stores. Cycle of new digital transformation begins

Cycle: Digital Transformation

Cycles

The cycles are part of the history of nearly 50 years of the Company. In 1991, when Luiza Helena Trajano assumed as new president of the Company, she implemented the so-called **New cycle**, which lasted until 2001. From 2002 the cycle was the **Sustainable Growth** cycle which ended 2014. In 2015, the Company started a new cycle, which should last until 2020 known as - the **Digital Transformation cycle** - which started with the phase called **Embrace the new**, that included the launch of a new version of Magazine Luiza mobile app, the implementation of Mobile Sales in stores and Mobile Assembler (read more in “Our Customers,” on page 40).

In the current cycle, it is increasingly further away from the ultimate goal the Company analog aspect. We now aim to become a digital company, which requires us to promote an ample revolution in our stores - allowing for a reduction from 45 minutes to about 5 minutes the time required to complete a sale. The digitalization process also streamlines online sales and logistics operations in the process called Multichannel delivery. We are the only company in the sector that has this multichannel strategy in the warehouse, distribution and transport - the result of investments in integration processes carried out over the years. Logistics has become even more efficient with full synergy of service delivery from both e-commerce and physical stores, through our multichannel strategy.

Industry Review

Recession impacted retail in 2015

Magazine Luiza ranks among the top 250 players in the world ranking for retailers - an extremely competitive and representative sector for Brazil's economy. The company influences and is influenced by consumer behavior, technological changes and domestic and international financial crises. According to IDV data (Institute for Retail Development in Brazil), the retail sector is the largest employer in the country, right behind the Federal Government . It is estimated by the Household Budget Survey (POF - IBGE) that the consumption of durable goods represents 42% of the total consumption of the Brazilian population.

In 2015, with a few exceptions, such as the pharmaceutical industry, all retail sector, from higher value-added goods to basic needs, were severely impacted by the recession. IBGE data points to a drop of 11% in retail sales in 2015, with a greater contraction for household appliances.

Higher unemployment rates coupled with low consumer and business confidence led to an increase in consumer default ratess, which also negatively impacted on the approvals for new credit by financial institutions and retailers. Credit has been one of the main driver of retail sales in recent years.

GFK, one of the most popular consultant companies that monitors the performance of retail sales on a global basis, the decrease in consumption together with higher interest rates explain the poor sales performance of retailers in 2015, despite a relatively friendly retail environment. However, e-commerce retailers experienced lower sales performance in 2015, but they also faced stepped-up competition and lower margins.

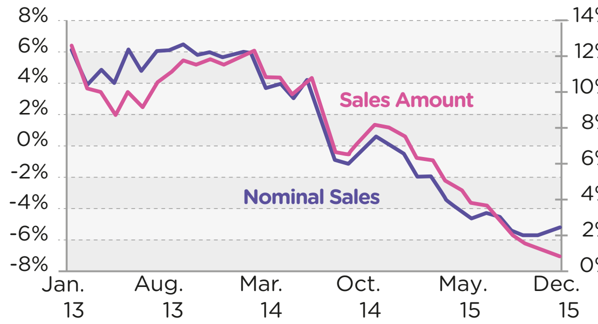
The economic downturn, lower consumer confidence and the 2014 World Soccer Cup "hangover" effect imposes many challenges for retailers in 2016. On the other hand, greater number of connected consumers - it is estimated that over 100 million people use Facebook and/or Whatsapp messaging application - which corresponds to 50 % of the population, brings new possibilities for the retailers to redirect the supply of goods and services.

The solution that Magazine Luiza chose to adopt as a result of this scenario was not to just focus on numbers, but to focus instead in its passion to serve customers. In its digital transformation cycle, the store itself goes through a series of innovations, so to make it more fun, educational, sensorial closer to the customer and as a result provide a superior shopping experience.

"With R $ 10.5 billion in 2015 revenue , the network is in 5th place between the larger 120 sector companies , according IBEVAR 2015 ranking (Brazilian Institute of executives)"

Retail Sales - IBGE

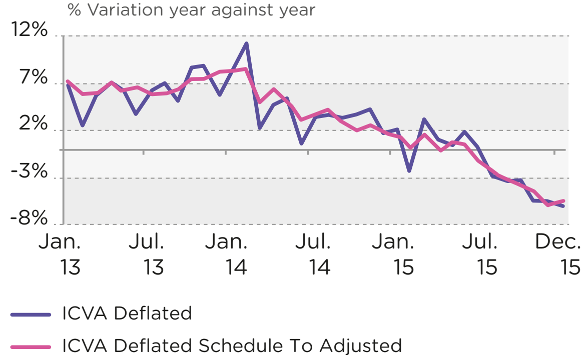
% Variation year against year



Source: Credit Suisse and Cielo

Index Cielo Retail Expanded

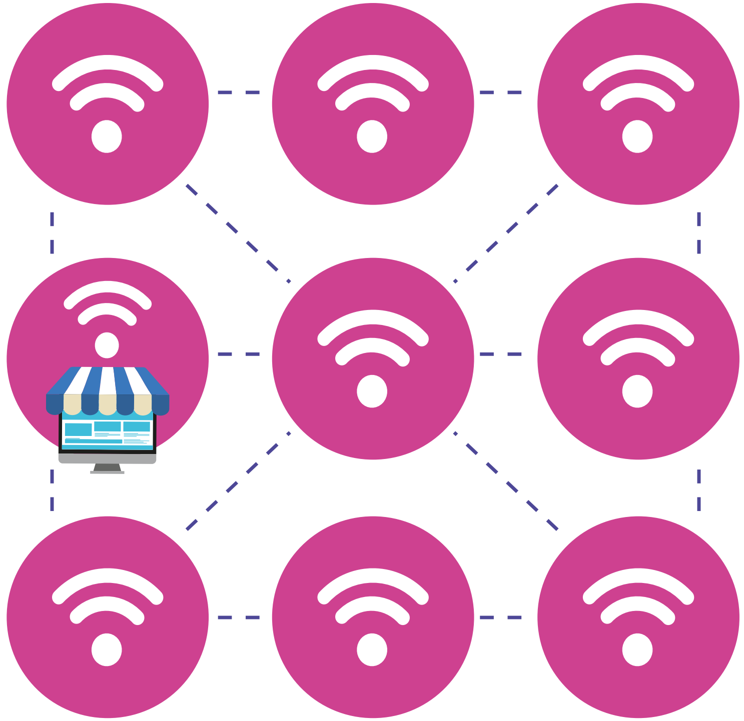
% Variation year against year



Our Business
Model

From:
Traditional Retailer with a digital participation

To:
Digital Company with warmth and physical points of sale



Magazine Luiza is undergoing a transformation in its business model. The Company wants to transform from a traditional retailer with a relevant digital participation and become a truly digital company with warmth and physical points of sale. This strategy has been named the **Digital Transformation Cycle**.

The five pillars of the new business model were presented by the newly appointed CEO - Frederico Trajano - at the annual meeting with analysts and investors (ML Day 2015), held on December 2015, 10th. They are:

1. Digital inclusion
To bring access to many what is currently privilege of a few, through connected products. Invite and teach consumers to embrace the digital world. Salespeople act as agents of this transformation, providing guidance to customers better use their products.

2. Digitalization of stores
To improve the shopping experience for customers with the implementation of Mobile Sales app. Salespeople could become sort of a "personal shopper" for customers. The customer saves time and attention, the company gains in productivity and the store team gets more autonomy and better sales performance.

3. Multi-channel
To integrate the business model across channels. All corporate and institutional communication follows the same guidelines of multichannel, one tax ID, integrated distribution centers and all Company communications.

4. Transforming the website into a digital platform
In addition to continue to sell its own products, the Company's website will sell inventory of other companies - marketplace model - so that our sales mix will increase the number of SKUs significantly, improving the assortment staring in 2016. Customers can choose to retrieve the product in the store instead of waiting for the delivery through the distribution center. Another option that will become available in 2016 will be to deliver the product using the store inventory instead of DC's inventory.

5. Digital culture
The Company's culture incorporates agility, innovation, integration of teams - especially IT - business units, less bureaucracy and the dissemination of digital culture among employees, encouraging the use of social networks and applications to communicate with customers and with their teams.

magazineluiza

movimento
#abraceonovo

GRI: G4-34

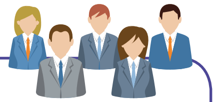
Corporate Governance

Since 2011, the Company's shares are listed in the 'Novo Mercado`, segment of the BM&FBovespa adds that companies with the highest level of corporate governance, with the ticker MGLU3. The structure of decision-making is based on the values of transparency and fairness. The controllers have 72% of the shares of Magazine Luiza, and 28% is free float.

Governance Structure

MGLU3 NOVO MERCADO BM&FBOVESPA

The company's corporate governance policy is being reviewed. At the end of 2015, changes were announced in the Company's corporate structure, in line with the strategic changes underway. Luiza Helena Trajano, who presided over the company in the last 24 years, became on January 1, 2016, the Chairwoman of the Board and Marcelo Silva, the Company's CEO for the past seven years, took over the vice - Presidency of the board. Frederico Trajano, executive director of Operations (COO), became chief executive officer (CEO). Two new committees were created in addition to the existing two, as follows: (i) Auditing, Compliance and Risks ; (Ii) Financial and Consumer Credit; (iii) People and Organizational Culture; and (iv) Business strategy, multi-channel retailing and digitalization. Each committee is composed of three independent directors and four internal directors.



General Shareholders Meeting

Responsible to elect the executive management team and the Fiscal Counsil, as well as the members of each team.

Finance and Consumer Credit Committee

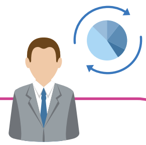
Responsible for developing financial policies, monitor quarterly results of the retail business and its JVs, review the annual budget (capex and funding).

Board of Directors

Responsible for overseeing and promoting the basic objectives of the Company, as well as support on making of strategic decisions for the future of Magazine Luiza. It has four committees that will help to carry out day to day activities.

People and Organizational Culture Committee

Responsible to elaborate: (i) the guidelines of value, (ii) ethical and legal standards, (iii) the behavior code of conduct and (iv) organizational structure all the way up to senior management.



Commitee of Auditing, Risks and Complaince

Responsible to evaluate on the hiring of external auditors, to review auditing reports (both internal and external), define best practices, procedures, processes as it relates to compliance work and its KPIs.

Business Strategy and Digital Transformation Committee

Responsible to define the aspirations and business model, evaluate risks and returns for investors, entry and exit of business segments, macro-strategy of overall business and sustainability.

Executive Board
2015

Executive Board

2016

Chief Executive Officer (CEO)
Frederico Trajano

Executive Operations Officer (COO)
Fabrício Garcia

Executive Human Resources Director
Patricia Pugas

Executive Chief Financial Officer
Roberto Belissimo

Executive Director and Controller
Maria Isabel Bonfim

Executive Director of *E-commerce*
Eduardo Galanternick

Executive Director of Infrastructure, Logistics and IT Officer
Decio Sonohara

Executive Commercial Officer
Luiz Fernando Rego

Group structure G4-4

Conventional stores

Present in 16 States with 786 conventional stores which represent about 75% of our gross revenue. Most of these stores are located on street shopping areas, with an average sales area of 750m^2, physical inventory and window display. Magazine Luiza is sophisticating the sales service using smartphones to speed up sales. Store managers are being trained to know how to better market the weekly promotions, also on social media and attract customers to the stores through that channel. At the end of 2015 we had 180 stores equipped with smartphones to service customers (mobile sales).

E-commerce

Our e-commerce website (www.magazineluiza.com.br) offers over 50,000 products and was responsible for approximately 20% of total gross revenue for the group in 2015. Purchases made via our website are delivered in all municipalities across the country. Our logistics was restructured so to integrate our nine distribution centers into a multichannel delivery system which in turn will allow us to better service our online customers, who could soon enjoy services such as buy online and retrieve the product at one of our stores. Logistics has become faster in delivering the products as well as replenishment store inventory.

Virtual stores

A pioneering initiative of Magazine Luiza more than 20 years ago. With 114 virtual stores spread across four states, which boost higher profitability than the conventional stores. This store model has on average 150m², operates multimedia terminals as it has no physical inventory or windows display, with the exception of digital cameras and mobile phones. The virtual stores are present in cities which are far from major shopping centers. In 2015, their sales accounted for 5% of the consolidated sales of the Company.

Luizacred

Luizacred is one of the largest consumer credit companies in Brazil and operates at store of Magazine Luiza on the credit analysis of the customer, the last step of the process to complete a sale. This Company is the result of a joint venture (50/50) with Itaú Unibanco since 2001. It is an important tool in the retention of our customers, to contribute to our sales performance and the Company's overall profitability, since the result from the JV is recorded in the Luizacred as equity income and therefore is reflected in our consolidated Ebitda.

In 2015, consumer credit financing received an important financial backing as it teamed up with Losango in a new financing option for the DCC (direct credit to consumer). Losango has 40 million people registered in its credit database. It was launched in October 2015 and it can only grant credit after Luizacred declines to approve the customer. In its short period of operation, Losango is already contributing with 3% to 5% of the stores sales.

Losango

Since October 2015, the new service provider of Magazine Luiza is operating in all stores. It operates primarily in the DCC (direct credit to consumer), but only if the credit is not approved by Luizacred. In a short time it already accounts for 5% of the Company's sales.

Luizaseg

Founded in 2005, Luizaseg is the result of a 50/50 partnership with Cardif, a subsidiary of French financial group BNP Paribas. It is currently one of the leaders in the extended warranty insurance market in Brazil. Luizaseg offers in addition to extended warranty, other insurance-related products, such as unemployment insurance, loss and theft, safe purchase and several other products. On December 14, 2015 Magazine Luiza and Cardiff entered into a new agreement for an additional period of ten years - from January 1, 2016 until December 31, 2025.

Consortium Luiza

The Consortium Luiza offers since 1992 access to financing for the acquisition of goods and services to make dreams com true. Some of the products which are elegible to the quotas of the consortium includes: household appliances, cars, travel, real estate and many others products and services offering attractive terms and financing options. Consorcio Luiza is becoming one of the largest consortium companies in the country, having delivered more than 240,000 itens in the last twenty years of operations. At year end 2015 it had 65,000 active clients.

3 Strategy

#abraceonovo

3 Strategy

To become a digital company with physical stores and human warmth

The Company has a clearly defined strategy that has been put into practice - the digital transformation. The Company has 58 years of history with a tradition in innovation and long term strategies. From 2016, onwards and considering the launch of to the marketplace platform, the Company will increase significantly the overall assortment, reaching segments that were unable to reach previously to our customer base. With regards to culture, Magazine Luiza starts 2016 with a robust corporate governance policy, which will positively contribute to our digital transformation process and multichannel strategy. It is a culture that allows us to act with integrity.

The digital transformation cycle is the main strategy of the company going forward. In November we launched the strategy to all senior managers of the Company. Store managers were trained to learn how to use social media websites, such as Facebook and Instagram, so to use different tools to spend their marketing budget. The release of the new version of the mobile app in October 2015 combined with the good performance of our e-commerce sales resulted in an outperformance for the Company when compared to the rest of the market in 2015, which in turn led to market share gains in both the traditional stores and online.

The digital transformation cycle places the Company in a good position relative to its competitors, since the macro economic forecast for the sector going into 2016 is very similar to the 2015 scenario. The company continues to enhance its online sales channel adding new delivery and feature options, such as: (i)buy online and pick up at the closest store, (ii)offer smartphones to all salespeople at all of our stores, (iii) launch of our marketplace strategy, (iv) increase in the number of downloads for our mobile e-commerce app. For this, we will continue investing in training managers, which includes encouraging the activation of marketing campaigns via social networks. The company will continue to work on store productivity, credit and logistics automation, reduction of G&A expenses in order to have a more lean corporate structure, so that we can become a digital company with physical stores and human warmth.

Social networks

In line with the "Embrace the new" phase, and to maintain the health of the business in a year of low consumer confidence, the company opened several fronts to expand sales and reduce costs/expenses by investing in new strategies that brought market share gains and increase in gross margin. One example of such initiatives is the "Magalocal", whereby salespeople and store managers use social media ads on Facebook or Instagram to attract consumers, including the make of videos and messages on social media networks. In this case store managers receive training, including the administration of their own fanpages, and guidance on the measurement of results, so that the dissemination strategy within the stores are aligned with the rest of the Company. As a result, store teams gain more autonomy in decision making, and customers receive more information about the local offerings.

Besides "Magalocal" initiatives, the online initiative known as MagazineVocê, which is also available on Facebook, leverages social networking to engage individual sellers to set up their own stores. Each product sold through this channel yields a commission, which is paid automatically at a registered bank account (www.magazinevoce.com.br). The MagazineVocê already has over 100,000 publishers.

Wi-fi in stores

In order for our customers to use their own and be able to test electronics at our stores, the Company was the first retailer to offer free wi-fi access at our stores. After all, among the products that sell better at our stores are not only appliances, but also consumer electronics. Within the electronics category, smartphones accounted for 26% of our consolidated sales in 2015. And if we include other technology products, the participation of this category would represent roughly half of our consolidated sales - which makes this category the most relevant for the Company, followed by white goods which offers a lower margin.

Marketplace

Following the full implementation of the marketplace strategy, Magazine Luiza should be able to increase the product offering available at our website from the current 50,000 products to as high as 1 million items going forward. In addition, the Company will also sell to other stores, offering small and medium retailers access to our traffic which is one of the biggest shopping online sites in Brazil, without running inventory or delivery risks . At the same time, the company will be able to expand its sales mix to include other items rather than appliances, electronics and furniture. As a consequence, Magazine will start 2016 leaner and more productive. The main driver for this year is to continue to gain market share without compromising the profitability, while at the same time maintaining a good corporate climate and our "win-win" strategy (for more details on our relationship with employees, please turn to page 47).

GRI: G4-15

Risks and Opportunities

The Company's risks are related to the durable goods retail sector, which are closely linked to the overall performance of the Brazilian economy and level of consumer confidence, as a result of the high average ticket and credit need at the time of purchase. A sharp economic slowdown, coupled with a decrease in the consumer confidence index, explains the lower propensity to buy durable goods. The company works hard to minimize the effects of the economic crisis in our performance and also to keep employees motivated and continue to focus on the implementation of our digital transformation strategy.

We believe that it is on crisis situations that the greatest innovations and opportunities emerge, in our case the greatest opportunity that we have identified during the crisis is to focus on the implementation of our digital transformation strategy, considering that most consumers have developed a habit to research online prior to going to a store directly. Each time more and more Brazilians are using social media sites and becoming more connected. All of our actions are concentrated on making the Company well prepared to absorb the new trend and capture more of this tech new world than its competitors.

During its nearly six decades of existence, Magazine Luiza has gone through economic and political crisis and it managed to consolidate its growth both organically or through strategic acquisitions of chains across the country. It also implemented innovative techniques to manage the business, its people and overall execution. In 2015, the Company invested in improving its stores, with 62 stores remodelings, 10 stores acquired from Ponto Frio chain were also converted to Magazine Luiza's banner and 30 new stores were opened.

New financing conditions are offered so to allow customers to divide in installments their purchases, to make sure it can fit in their budgets and so that they are able to afford higher average ticket products.

The credit policy is part of our business strategy. Luizacred, besides the fact that it is an important contribution to our overall profitability, simplifies customer access to credit. And since October 2015, Losango began operating in DCC mode (diect consumer credit) in all of our stores.

All processes and practices were reviewed and adjusted: contracts, freight, logistics, productivity and transaction time reduced. The adoption of ZBB (zero base budgeting) was used to review the entire budget and adapt the Company to the challenging economic environment of the country.

GRI: G4-56, G4-SO3 and G4-SO5, G4-SO7

Losango

In 2015, our consumer credit financing received an important reinforcement with a new consumer credit partnership with Losango, owned by HSBC bank in Brazil. Losango is the largest consumer credit bank in Brazil with 40 million consumers registered in its database. The partnership is a commission based agreement with no credit risk for Magazine Luiza and has been in place since the end of October at all of our stores. Losango can only offer at this time, direct consumer credit, but only if Luizacred denies the credit to that consumer. In its little history with Magazine Luiza, Losango's credit to our customers already reached a participation in our payment mix between 3~5% per month.

Innovation and integration support

The year 2015 had one of the lowest consumer confidence indexes, and the company tried to generate demand, even with adjustments in retail taxes. Instead of pulling back, Magazine Luiza starred an intense period of consolidation of its processes in the Digital Transformation cycle. The areas of Logistics, Information Technology and Innovation (Luizalabs) have all undergone major changes that resulted in important achievements as it relates to process optimization, productivity gains and cost savings initiatives.

Logistics

The integration of our distribution networks that services both stores and e-commerce has reduced by 25% the delivery period and by 20% the cost of delivery of e-commerce goods in 2015, compared to when the distribution networks were not integrated in 2012. Another advantage of this synergy was the increase in service control level, enabling us to better monitor step by step of the delivery of the product into the customer's home.

In order to streamline the storage and shipment processes, the DCs (distribution centers) of Alhandra (PB) and Itajai (SC) had implemented the WMS (Warehouse Management System), a system developed to automate warehouses. The WMS extended the storage space by 10%, giving more agility in customer service requests - the delivery of e-commerce products, which took previously 5 to 7 days,decreased to 3-4 days. The new system also allowed for better inventory control (listings of goods available in inventory for sale) to more accurately and quickly, both routinely (cycle counting) and periodic (annual or semi-annual inventory).

The distribution center of Ribeirão Preto (SP) has been upgraded and its capacity increased by 35% from the adoption of storage in narrower aisles and the use of articulated forklifts. And this DC should receive the WMS system in 2016 with estimated productivity gains of about 15%.

We opened a new DC in Guarulhos (SP) also in 2015, with a capacity of 35,000m² of storage. The DC already serves 29 stores in the metropolitan area of São Paulo, in addition to e-commerce customers. During the first half of 2016, this DC will increase its coverage distribution distance to absorb 40 more stores in the area, releasing the Louveira (SP) DC to focus more on e-commerce sales.

IT

In 2015, the IT department has adopted the Lean philosophy (in Portuguese, "mentalidade enxuta"), which seeks to do more with less, making work more efficient and eliminating waste. Improvements have been implemented at all stages of the process, seeking solutions that are faster and leaner.

One of the key support projects in 2015 was the development of a strategy that will enable the migration of the IT systems currently hosted in physical data centers for cloud environments (cloud). The creation of the cloud environment known as Luiza Cloud was part of this strategy. In terms of advantages of the new Cloud system we highlight: (i) more flexible systems in terms of development, (ii) faster conclusions (ii) optimized costs, which will all contribute to improve the operational efficiency of the Company.

In order to implement the Lean system and the cloud architecture, the IT team has gone through several stages of preparation, training and changes in the way they work. The team has been strengthened with professionals already used to work more quickly and easily, with a focus on the client, making the environment conducive to changes. The team participated in workshops with Luizalabs team and other companies.

Luizalabs

Luizalabs was established in 2014 with a goal to bring innovation to the sales channels received in 2015 investments from Finep (Financing arm of the Brazilian development bank to grant funds for innovation projects). Among the products developed by Luizalabs are: (i) the new Magazine Luiza application for mobile, (ii) Mobile Sales app, (iii) the adoption of Big Data which improved customer service processes through a product recommendation system, (iv) sale of products in our e-commerce site at our stores and (v) the development and launch of Magalus Benefits Club.

In Luizalabs worked 75 software engineers in the cities of São Paulo and Franca at the end of 2015. The profile of Luizalabs developers was established in accordance with the principles of collaboration, productivity and integrated vision, and the teams now have variable compensation according to the completion of projects.

All drivers of Luizalabs were to make the Magazine Luiza a digital company, but with human warmth. As a result, the team adopted collaborative working methods, eliminating silos, incorporating the intellectual knowledge of the development of technologies as an internal technology competence.

In Brazil, the Company has become a reference in the management of intellectual capital for the digital path with a strategic definition, with a well-defined purpose, which is to provide access to many what is the privilege of a few. To reach this purpose, from its conception, projects are defined considering the middle class of Brazil as the main target. Through the digitization of our stores, customers will have the opportunity to experience with products and technologies inside our stores, that they would not have access elsewhere - it is not enough to sell the item, but rather we need to help customers to use the technology products they purchase, in the best way.

4

Results

#abraceonovo

4 Results

Consolidated Financial Performance

The table below displays the figures for the consolidated income statements for period ended December 31, 2015 and 2014.

CONSOLIDATED (in R$ Million)	2015	AV	2014	AV	Var. (%)
Gross Revenues	10,498.3	116.9%	11,504.7	117.6%	-8.7%
Taxes and Cancellations	(1,520.1)	-16.9%	(1,725.3)	-17.6%	-11.9%
Net Revenues	8,978.3	100.0%	9,779.4	100.0%	-8.2%
Cost of Goods Sold	(6,399.6)	-71.3%	(7,086.9)	-72.5%	-9.7%
Gross Profit	2,578.6	28.7%	2,692.5	27.5%	-4.2%
Selling Expenses	(1,720.8)	-19.2%	(1,746.3)	-17.9%	-1.5%
General and Administrative Expenses	(458.5)	-5.1%	(442.6)	-4.5%	3.6%
Losses on Deliquent Accounts	(30.5)	-0.3%	(22.5)	-0.2%	35.1%
Other Operating Revenues	20.2	0.2%	24.5	0.3%	-17.5%
Equity Income	75.6	0.8%	99.6	1.0%	-24.1%
Total Operating Expenses	(2,113.9)	-23.5%	(2,087.2)	-21.3%	1.3%
EBITDA	464.7	5.2%	605.3	6.2%	-23.2%
Depreciation and Amortization	(125.8)	-1.4%	(114.3)	-1.2%	10.0%
EBIT	338.9	3.8%	490.9	5.0%	-31.0%
Financial Results	(486.1)	-5.4%	(360.7)	-3.7%	34.7%
Operational Income/(Loss)	(147.1)	-1.6%	130.2	1.3%	-213.0%
IR/CS	81.5	0.9%	(1.6)	0.0%	NM
Net Income (Loss)	(65.6)	-0.7%	128.6	1.3%	-151.0%

NM = Not Meaningful.

In 2015, gross revenues decreased by 8.7 % compared to 2014, reaching R$ 10,498.3 million. In 2015, same-store sales fell 10.9%, as a result of a 15.0% drop in SSS at physical stores, which were partially mitigated by the growth of e-commerce of 9.8%.

Below we present the evolution of gross revenues over the past five years:

In the year of 2015, gross margin was 1.2 percentage points higher than in 2014 and reached 28.7%. The improvement in gross margin can be explained by:(i) mix effect, (ii) charging for freight and assembly from April onwards, and (iii) increase in the share of services.

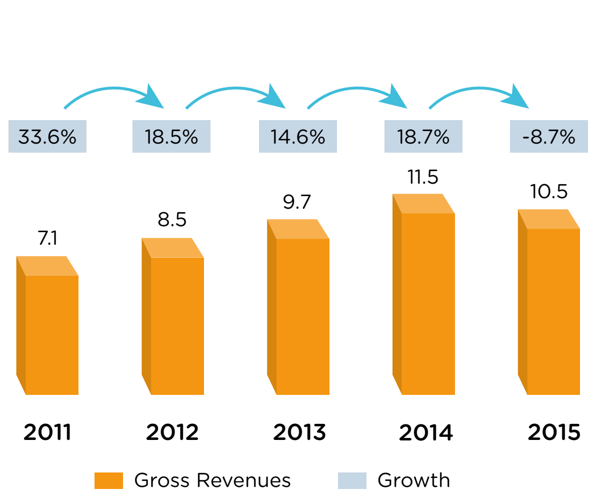
Below we present the evolution of gross profit for the last 5 years:

Earnings before interest, taxes depreciation and amortization (EBITDA) reached R$464.7 million EBITDA equivalent to a margin of 5.2%, 100 basis points lower when compared with the previous year. Despite the improvement in gross margin, sales performance prevented a better dilution of expenses and consequently an improvement in EBITDA margin.

Below we present the evolution of EBITDA in the last 5 years:

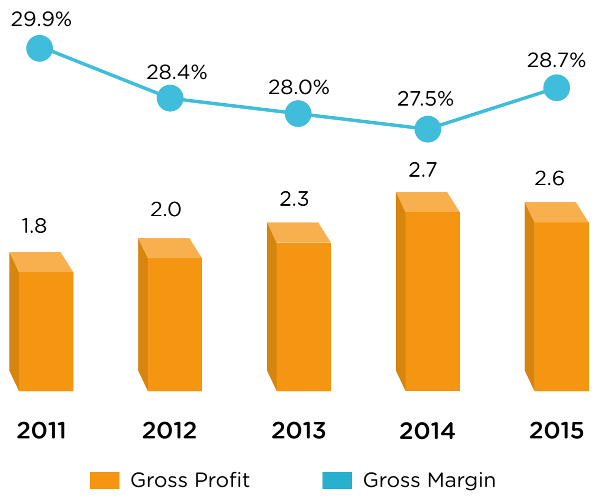
Evolution of Gross Revenues

R$ billion



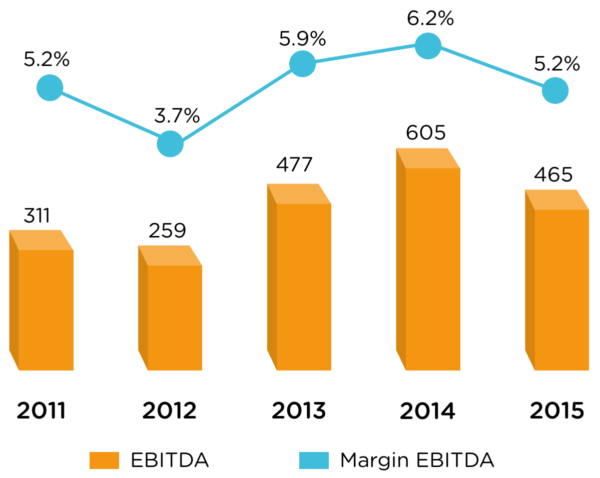
Evolution of Gross Profit

R$ billion



Evolution of EBITDA

R$ million



Performance by Segment

Consolidated Performance

In 2015, the Company opened 30 new stores and did not close any stores, ending the year with 786 stores, including 671 in the standard format, 114 in the virtual format and one website. Of the total basis of stores, 24% of stores are still in the maturation process. In addition, the Company remodeled 62 stores.

In 2015, gross revenues decreased by 8.7% to R$10,498.3 million. Same store sales fell by 10.9% (15.0% contraction in SSS at physical stores, mitigated by the growth of SSS in e-commerce of 9.8%). The reduction of consolidated gross sales can be explained by: (i) a strong comparison basis (SSS of 18.7% in 2014) and (ii) a more challenging macroeconomic scenario with a sharp drop in consumer confidence. Note that e-commerce sales reached R$2,059.5 million, equivalent to 19.6% of total sales in 2015 versus 16.3% in 2014.

Consolidated gross profit reached R$2,578.6 million, an increase in gross margin of 1.2 percentage points to 28.7%. The improvement in gross margin is explained by (i) mix effect, (ii) collection of freight and assembly fees and (iii) increase in the share of services.

Selling expenses represented 19.2% of net sales, 1.3 percentage points higher when compared to 2014. While the share of general and administrative expenses were 5.1% of net revenue, representing an increase of 0.6 p.p. compared to 2014. Provisions for losses on doubtful accounts totaled R$ 30.5 million in 2015. Therefore, operating expenses increased by 2.2 pp, from 21.3% to 23.5% of net revenues.

Earnings before interest, taxes, depreciation and amortization (EBITDA) totaled R$ 464.7 million, equivalent to an EBITDA margin of 5.2%, 1.0 p.p lower compared to the previous year. Despite the improvement in gross margin, lower sales performance prevented a better dilution of expenses and consequently EBITDA margin expansion.

In 2015, net loss was R$ 65.6 million, reflecting the sales performance, lower dilution of operating expenses and increase in the average interest rates (CDI) in the period.

(in R$ millions)	2015	% Net Sales	2014	% Net Sales	(%) Change
Gross Income	10,498.3	116.9%	11,504.7	117.6%	-8.7%
Net Income	8,978.3	100.0%	9,779.4	100.0%	-8.2%
Gross profit	2,578.6	28.7%	2,692.5	27.5%	-4.2%
Operational expenses	(2,113.9)	-23.5%	(2,087.2)	-21.3%	1.3%
EBITDA	464.7	5.2%	605.3	6.2%	-23.2%
Net profit	(65.6)	-0.7%	128.6	1.3%	-151.0%

Luizacred

In 2015, net sales financing segment consumer (Luizacred) increased by 5.0 % to R$ 1,720.5 million, reflecting the increase of Luiza Card and service revenues.

Gross profit at Luizacred increased by 2.8% to R$ 1,451.1 million in 2015. Gross margin Luizacred decreased by 1.8 percentage points, equivalent to 84.3 % of net revenue in the year 2015, mainly due to the increase of CDI in the period.

Provisions for doubtful accounts, net of recoveries, totaled R$630.1 million in 2015 and increased by 3.5 percentage points, from 33.1% of net revenue in 2014 to 36.6% in 2015, reflecting more challenging macroeconomic environment throughout 2015.

Other operating expenses (selling, administrative, tax, depreciation and amortization) totaled R$648.0 million in 2015, equivalent to 37.7% of net revenues, an increase of 3.6 percentage points, based on the growth of reflection cards and credit and collection portfolio.

Earnings before interest, taxes depreciation and amortization (EBITDA) financing segment consumption fell by 44.3% and reached R$ 173.0 million in 2015 (margin of 10.1 %). In the year of 2015, the result of the financing sector consumption was impacted by the increase in CDI in the period and the higher level of provisions.

In 2015, Luizacred net income was R$ 123.3 million, with a margin of 7.2%.

(in R$ millions)	2015	% Net Sales	2014	% Net Sales	(%) Change
Net Income	1,720.5	100.0%	1,638.2	100.0%	5.0%
Gross Profit	1,451.1	84.3%	1,411.0	86.1%	2.8%
Operational Expenses	(1,278.1)	-74.3%	(1,100.5)	-67.2%	16.1%
- Provision for Loan Losses, Net	(630.1)	-36.6%	(543.0)	-33.1%	16.0%
- Other Operating Expenses	(648.0)	-37.7%	(557.5)	-34.0%	16.2%
EBITDA	173.0	10.1%	310.5	19.0%	-44.3%
Net Profit	123.3	7.2%	180.8	11.0%	-31.8%

EBITDA, Adjusted EBITDA and Adjusted Net Income
EBITDA (earnings before interest, income tax and social contribution, financial income and expenses, depreciation and amortization) is not a measure of financial performance under accounting practices adopted in Brazil. Because it doesn't take into account several other expenses, EBITDA has its limitations that affect its use as a profitability or liquidity indicator. EBITDA should not be considered as an alternative to net income or operating cash flow. In addition, EBITDA does not have standardized meaning and our definition may not be comparable to the definition adopted by other companies. Extraordinary results considered in the adjusted EBITDA calculation and adjusted net income also should not be considered as an alternative to EBITDA and net income, in accordance with accounting practices adopted in Brazil.

Statement of Added Value[1]

	2014	2015	Δ%
Income	10,969,885	10,090,367	-8.0%
Inputs acquired from third parties	(8,694,969)	(8,048,033)	-7.4%
Gross value added	2,274,916	2,042,334	-10.2%
Depreciation and amortization	(114,332)	(125,801)	10.0%
Net added value	2,160,584	1,916,533	-11.3%
Added value received in transfer	196,089	205,902	5.0%
Total added value to distribute	**2,356,673**	**2,122,435**	**-9.9%**

[1] Consolidated data, as per Consolidated Financial Statements presented by the company.

Distribution of Added Value

EC1

	2014	2015	Δ%
Personnel and taxes	1,017,297	930,791	-8.5%
Employee salaries, benefits and charges	488,076	355,883	-27.1%
Third party capital remuneration	722,744	901,366	24.7%
Equity remuneration	128,556	(65,605)	-151.0%
Total	**2,356,673**	**2,122,435**	**-9.9%**

Share Price Performance

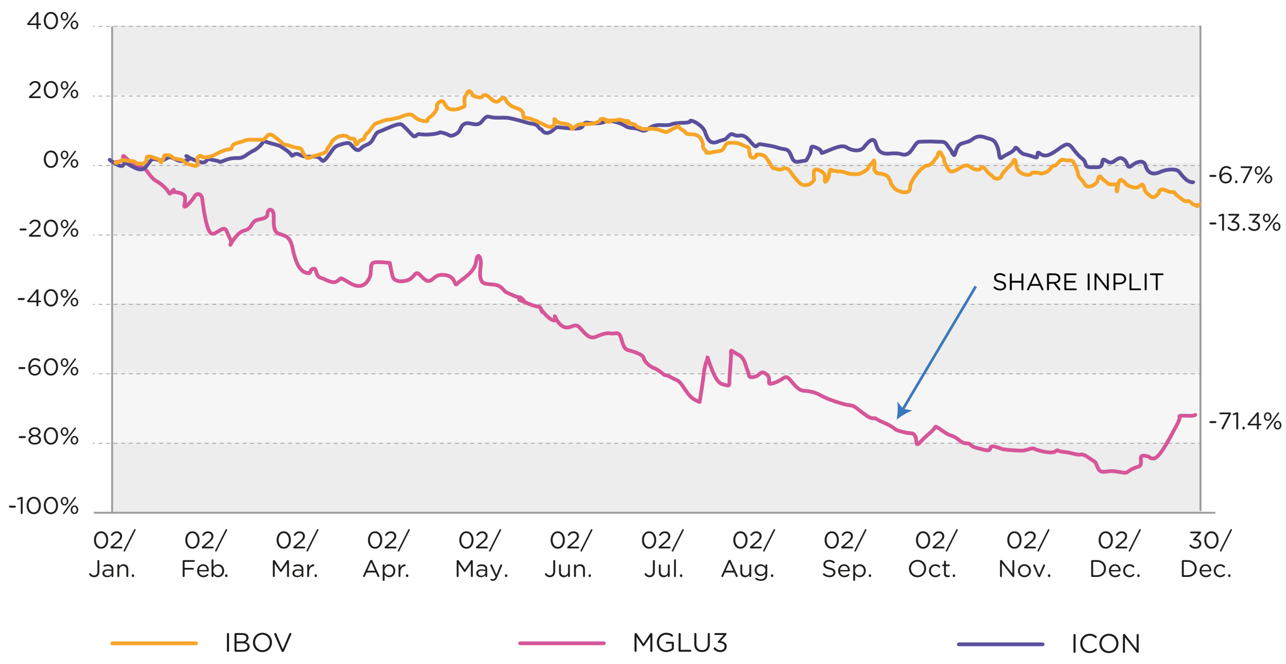
The tough macro economic environment of 2015 negatively impacted the Brazilian stock exchange performance. Ibovespa index ended 2015 lower by 13.3%, in nominal terms, while the Consumer Companies Index (Icon) dropped by 6.6%, in the same period.

Demand for household appliances and consumer electronics was also negatively affected by the macro economic scenario, which as a result explains the fall of 70.5% in our share price performance.

As a result of the drop in value in our shares and aiming to reduce the volatility, on September 9th, 2015 the board of directors approved a 8:1 ratio inplit in the total number of shares outstanding. At year end 2015, our shares closed at R$17.65.

With the share inplit, the Company's social capital remained unchanged at R$626.9 million, divided into 22,248,933 common shares.

Performance MGLU x IBOV x ICON



5

Our
Clients

#abraceonovo

5

Our
Clients

Pioneer initiatives to allow the customer to buy where, how and whenever they want

Synonymous with innovation in the domestic retail sector, Magazine Luiza has pioneering milestones in its history, including the launch of the first virtual store model in 1992 when the world was still in its infancy in the use of internet. Through multimedia terminals without products on display at the stores, sales at our virtual stores began. Today, over one hundred virtual stores are spread across four states, forming one of the pillars that made the Company leaner and more agile to serve its customers.

Another time that will be marked in the Magazine Luiza innovation history are the years between 2015-2017, with the implementation of Digital Transformation cycle nicknamed "Embrace the New," which uses digital technology to improve the sales and service in stores and across all channels with the consumer. With the use of new digital sales interfaces, the #abraceonovo campaign focuses on customer loyalty through digital inclusion.

Mobile Sales reduces the traditional shopping time from 30 to 45 minutes to five to ten minutes - bringing flexibility to the business and convenience to the consumer. To enter the "digital turn" of Mobile Sales, each salesperson received a smartphone to show the customer the products available instore or at our website, start the credit approval process, therefore significantly reducing the time to complete the sale.

Magazine Luiza mobile app has the following features: find the nearest stores, find available products, to buy with just one step/click, photograph or register the credit card number, in other words be a fully customized application.

The assembly service also went through a digitalization process and with the Mobile Assembler app, the furniture and appliances assembly routes became more agile and allowed for faster deliveries and assemblies. In 2016, over 70% of the stores will be automated in their assembly process which as a result can generate productivity gains of 15% to 25% depending on the region. Mobile Assembler also eliminates administrative activities in the assembly stations, which can now focus on customer service excellence.

All this digital transformation could not have left out Lu, our virtual sales assistant online for more than ten years, who was promoted to personal shopper of salespeople and customers: knowing the products, explaining the features potential of each item in the technology category. In addition, with the help of Lu, salespeople better assimilate the new technology of smartphones and other electronic devices.

To closely monitor customer satisfaction, Magazine Luiza uses a NPS methodology (Net Promoting Score), which evaluates the percentage of buyers that would indicate the company to relatives, friends or colleagues. Results may vary from 100% negative to 100% positive. In physical stores, the research was based on a minimum population of 60 respondents per store throughout the year, contacted by telephone (via attendant or electronically via our Interactive Voice Response Unit - URA). The recommendation rate was 75.5%. **PR5**

News in stores

Throughout 2015, 30 new stores were opened across the country and 62 were remodeled under the ***"Invigorate project"*** that improves the facilities at a lower cost than a complete renovation. Both new stores and upgraded stores adopt accessibility standards to ensure mobility for customers and employees with special needs.

Another novelty of the remodeled stores is ***Mobitech -*** a display of smartphones, tablets and notebooks. Magazine Luiza is a pioneer in its industry to offer this display to consumers.

Starting 2016, customers can buy online and retrieve the merchandise at any store, saving the shipping cost - ***Pick up at store.***

Another project focusing on the customer is the ***Scheduled Delivery,*** whose pilot project is being tested. The service promotes process improvement from the completion of the order until it is delivered, and meets the Law 14,951/2013, which requires suppliers of goods and services to set a specific date and window to make deliveries of products to customers.

Wedding lists

One of the services offered in www.magazineluiza.com is the ***"Quero de Casamento"*** (Wedding list), which has as different value proposition the interaction between the couples and their guests, with room for photo uploads of the bride and groom after the wedding, keeping the relationship in the post-sale gift list.

Black Friday

In the traditional Black Friday event, held in November, the commitment of employees and leaders from all areas of the company's official social media sites exceeded expectations. We had an engagement in social networks of 54.7% with our customers and we responded to all of them. The products that were top sellers during Black Friday, both in stores and online were: TVs, smartphones and some white goods.

Management of environmental impacts

Rational use of natural resources

At the end of 2014, the Electric Energy and Water Committee was created to lead a project that has brought positive results in terms of reducing costs and use of natural resources. A reduction of 10% in the consumption of KW in the Southeast and Midwest region was recorded. In order to reduce the use of artificial lighting, the new Ribeirão Preto distribution center has been renovated considering the further use of natural lighting.

In 2015, Magazine Luiza reinforced its employees´ commitment to a conscious consumption of water and energy initiatives. Through its "Sou + Consciente" campaign, the theme was present in the main internal communication channels, such as Radio Luiza, Luiza TV and the intranet portal, which disclosed saving tips. To stimulate the exchange of ideas, a community on Google+ was set up, in which employees shared photos or videos on how to avoid waste.

The company also invested in the modernization of the consumption structures in buildings, the installation of double activated valves in toilets, pressure reducers on taps and showers at changing rooms and water treatment systems for reuse.

In order to minimize the risk of water shortages in the stores, especially in the Southeast, which recorded a long period of drought throughout the year, a Risk Committee was created with representatives from different areas of the Company. The increased risk of shortage in certain stores received water tanks up to 10,000 liters so to store water in case of dry periods.

487 stores had their water consumption monitored and they recorded a drop of 8% compared to 2014. And at 426 stores where we monitored for energy consumption, a reduction of 5% was achieved.

EN3, EN7

The entire staff was engaged in actions such as cooking oil collection (202 liters collected and donated for processing), PET bottles (770) and soda cans (76), and soda cans lids (83 kg collected, which were reverted into a wheelchair donation). The company also launched the "Vou de Carona" program, encouraging employees to leave their cars at home and share rides.

In order to engage our customers in several initiatives, we installed 133 collectors for small electronics stores in the capital and the interior of São Paulo, so that these items could receive proper disposal. About 200 kg of electronics were sent for recycling and the goal for 2016 is to install 77 more collectors and raise 500 kg of waste.

Luiza Consortium conducted several campaigns to reduce the impact of waste on the environment. An example is the scanning of contracts and sending invoices by email, eliminating the use of paper in these processes.

The CO_2 emissions of our own fleet were 3,169,970 tons throughout the year. In the Northeast, the company allocated 237 tires for recycling, contributing to the proper disposal of such waste.

Electricity Consumption (GJ)

2013	301.1 thousand
2014	328.3 thousand[1]
2015	311.9 thousand

[1] Increased consumption of 2013 to 2014 is justified by the installation of air conditioners in 60 stores.

6

Our Employees

#abraceonovo

6 Our Employees

Communication and transparency engages the staff

The strength of our employees is a registered trademark of Maganize Luiza. To keep it alive, the Company invests in clear communication and training to develop and engage teams.

In 2015, more than 1,200 leaders took part in the annual conventions and strategic positioning seminars. At the seminar held in November, all members of the Trajano family, including its founders, participated in the official announcement of the transition from the former president Marcelo Silva to his successor, Frederico Trajano. As a sign of respect and appreciation to employees, they were informed of the change first hand, before the formal announcement was made to the market.

Internal communication is intensively used between the leaders and their teams. Throughout 2015, we broadcasted over 50 live programs by our internal TV system (TV Luiza), via satellite to all employees - almost one per week.

Our transparent culture was consolidated further during the transition to the digitization of sales channels. In order to implement Mobile Sales, for example, a schedule was developed and then our director of operations, Frederico Trajano, went personally to each store to explain the new model of operation to the salesforce. Employees were encouraged and stimulated to interact, strengthening the #abraceonovo movement in both internal and external social media networks.

Benefits and performance

The company offers several benefits to employees (see chart on page 52).

Luiza Consortium promoted the “Elite Squad” promotional campaign aimed at business managers. The best performing managers in 2014 received “patents”, which gave them benefits and advantages in the following year. The benefits were medical insurance reimbursements, among other rewards.

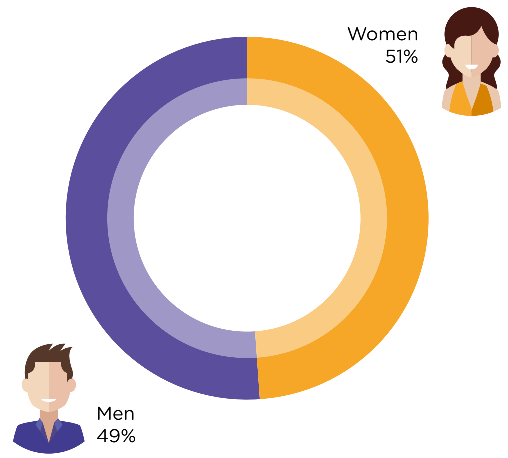
In order to measure the team performances', 2,737 employees were subject to a performance analysis survey. In the management and director levels, which are subject to a formal evaluation process, the response rates reached 92.9 % and 96.3%, respectively.

LA11

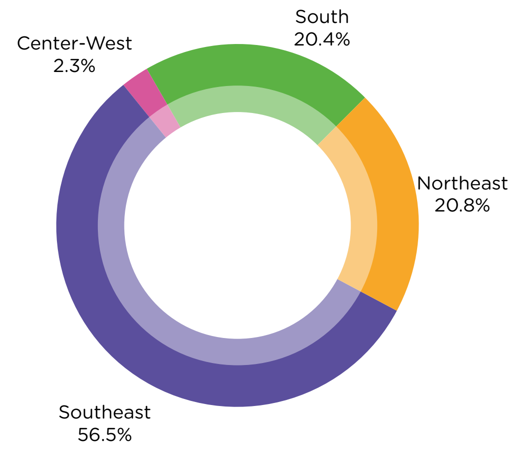
With regards to total number of employees, the headcount reduction was of 11% in 2015 YoY.

G4-10, LA1

Employees 2015



Employees 2015



G4-10

Total of employees[1]	2013	2014	2015	
			Men	Women
Functional level				
Council	7	7	5	2
Board of Directors	22	25	21	6
Administration	982	1,010	746	264
Leadership/coordination	1,113	1,176	387	802
Technical/supervision	247	360	250	96
Governing	6,611	7,895	2,184	4,856
Operational	14,503	13,170	6,640	4,666
Trainees	13	13	7	10
Intern	665	744	427	360
Trainees	40	35	7	9
Total	**24,203**	**24,435**	**21,745**	

[1]All contracts are indefinite and consider full journey.

LA1

Turnover 2015	Hired	Disconnect	Fee
By genre			
Men	3,800	5,215	48.9%
Woman	3,228	4,703	42.5%
By region			
South	1,714	2,317	52.3%
Southeast	3,698	5,397	44.0%
Midwest	174	268	53.1%
Northeast	1,442	1,936	42.7%
Total	**7,028**	**9,918**	**45.6%**

Benefit	Who benefits?
Food vouchers	All employees after completing 90 days of employment with the Company are eligible to receive this benefit
Mother´s Check	Every mother with more than six months of employment with the Company is eligible to receive this benefit until the child turns 11 years old
Program Baby on Board	Employees and their dependents/spouses who are pregnant. Pregnant women receive frequent monitoring, exemption from payment in doctor's appointment as it relates to the pregnancy process as well as exams and online courses
Special education Check	Employees with more than six months of employment who have children with disabilities
Scholarship	Employees with more than six months of employment. The percentage of reimbursement varies according to the course type
Optional benefits	
Health plan	All employees, dependents and aggregates. PS.: the company covers a specific percentage of the plan´s cost
Dental Plan	All employees, dependents and aggregates
Private Retirement plans	All employees
Consignment credit	Employees with more than six months of employment with the Company

LA11

Performance Analysis 2015	Employees Evaluated	%
Type		
Board of directors	0	0%
Executive management team	27	1%
Management	919	34%
Coordinators/Leaders	924	35%
Technical/Supervisors	112	4%
Administrative	686	26%
Operational	0	0%
By Gender		
Male	1,291	48%
Female	1,377	52%
Total	**2,668**	**100%**

Climate

Held every 18 months, the survey of organizational climate is an important indicator of the morale of the team, whose main indicators are: commitment, performance, values, communication, direction, career development, leadership, reward, cooperation and resources. The teams with the lowest scores are helped by the Climate team, when the points of conflict are addressed. Between each survey, support actions and communication plans are developed aimed at improving performance.

The last survey was fulfilled in November 2015 and it showed that the team remains engaged with a very positive mood. Surprisingly, the commercial area which is one of the areas most affected by the economic crisis that Brazil is going through was the one division that recorded the highest score in the survey, thanks to the constant alignment with the executive team.

Training and succession

In order to prepare new leaders to perpetuate the Company's culture, the Training and Development department invested in the stores leadership training courses, logistics and offices. The Managers Training Program Training trained 242 people in 9680 hours throughout the year. **LA10**

Employees of the 30 new stores that were opened in 2015 also underwent training divided into two phases, totaling 34,412 hours. The first phase was more theoretical and refers to the organizational culture and the second part was more "hands on" and included an "intership" in one store for operational and technical knowledge.

In 2015 there were more than 258,800 hours of training. Each employee participated, on average, 11.9 hours, 40% YoY increase. **LA9**

During periodic training, the audit team conducted training modules on ethics and proper conduct that employees should adopt in their daily work routine. Regarding the fight against corruption, 742 employees participated in this training. **SO4**

All employees received communication on the annual update of the Code of Conduct and took mandatory online ethics training, available on the intranet. This topic (ethics) was also mentioned in the weekly television programs held within the Company.

People with disabilities

Social inclusion is one of Magazine Luiza´s cultural pillars. In 2015 we reached almost 100% of the quota stipulated by the law, through a well structured and recognized program that has adaptated its facilities, trained veteran employees and hired of employees with some sort of disability. At the end of 2015, 1,036 people with disabilities were working in the Company.

All these engagement initiatives, training and inclusion make of Magazine Luiza's one of the best companies to work for in Brazil, according to the ranking issued by the Great Place to Work Institute (GPTW). In addition to being among the 25 best overall in the country for 19 consecutive years, as per GPTW, the company was ranked 6th best overall in 2015 among companies within Brazil. (Read more about our Awards and Acknowledgments on page 15).

Volunteer and sponsorship

Through volunteer work, the "Rede do Bem" initiative benefited more than 34,000 people in 55 cities, with the involvement of about 3,300 employees of Magazine Luiza, who donated products to 62 different social institutions in 25 Brazilian cities.

Cultural projects, sports and social projects in several communities received our support and sponsorship, as per the use of tax incentives laws. In all, 30 projects that directly benefited 28,800 people in several cities were contemplated. **LA1 , LA2**

Projects with social investment

	2014	2015
Rede do Bem		
Bahia	3	42
Goiás	0	1
Mato Grosso do Sul	12	4
Minas Gerais	1	18
Paraíba	2	2
Paraná	4	2
Pernambuco	2	1
Rio Grande do Sul	6	3
Santa Catarina	1	5
São Paulo	21	28
Total	**52**	**106**
Incentive Projects		
Barretos (SP)*	0	3
Cássia (SP)	1	0
Franca (SP)**	2	4
Indaiatuba (SP)***	0	1
Itu (SP)	0	1
Jaú (SP)	1	1
Machado (SP)	1	0
Recife (PE)	0	3
São Paulo (SP)	10	16
Teresina (PI)	0	1
Total	**15**	**30**

*Franca basketball team, Guri Project Support Fund for Children and Adolescents of Franca (FIA), Visual Arts.
**Circus and Guitar.
***Seniors, Bella Vita and Epidemiologic studies at SUS.

SO1

Impact assessment, engagement and development	% operation*
2014	6%
2015	9%

*Consider the units (stores, offices and distribution centers) perform the Well Network programs and their percentage representation of the total operation.

7

Our Suppliers

#abraceonovo

7 Our Suppliers

"Win-win" relationships with suppliers

Faced with the economic scenario of a challenging year, with the high dollar, which impacted directly on the production cost of industries in general and our suppliers specifically, which in turn required cost reduction measures to be adopted by all companies. Magazine Luiza kept its model of transparency in the decisions. Our suppliers were invited to together find solutions favorable to the business. As a result, there was an efficient tax planning that was developed jointly. This project will be in place for 18 months and it aims to reshape the purchasing process to make it even more productive.

In 2015, Magazine Luiza had a network of 700 active suppliers, with a purchasing volume concentration (almost 60%) in the ten largest partners. **G4-12**

For more than ten years, the Company has a commitment document that defines ethical and sustainable practices with its suppliers, as well as the preference for more efficient products in terms of consumption and quality. In addition to respecting labor and environmental laws, all Magazinel Luiza suppliers must act in line with the company's Code of Conduct, which sets ethical standards for the relationship and way of doing business. Relationships are governed by the Supply of Goods Agreement, which includes a Term of Conduct with details of the responsibilities of those involved. The hiring of partners goes through analysis of the Commercial, Legal and Financial teams as well. In the case of furniture, the process also involves annual inspections of the quality area of the plants. **EN32, LA14, SO9**

Attentive to opportunities, the company developed a partnership with Caixa Econômica Federal - one of Brazil's largest public banks - the company and its suppliers (a three party agreement) to offer a line of credit to stimulate small and medium size the suppliers to do more business at more affordable rates than they could individually get at a bank and Magazine Luiza would endorse the line of credit. The signing of the agreement was also extended to all retailers associated with the Retail Development Institute (IDV), increasing the range of beneficiaries.

In order to offer more flexibility to services, reduce freight costs and minimize the environmental impacts of transportation of products, Magazine Luiza search rely on suppliers that operate close to its distribution centers and, where possible, the company encourages the partners to foment local industries. In 2015, 45% of purchases (considering gross values) were made from suppliers located in the same area of the distribution center involved in the transaction. **EC9**

8

About the Report

#abraceonovo

8

About the Report

G4-18, G4-22, G4-23, G4-32

IIRC: Basis for preparation and presentation, general guidelines

This report brings together the key information about the performance of Magazine Luiza in the period from January 1 to December 31, 2015, including the challenges and the goals and objectives established by the company.

The publication follows the principles of integrated reporting of the International Integrated Reporting Council (IIRC) and meets the requirements for the G4 version of the Essential option of the guidelines of the Global Reporting Initiative (GRI), the world reference in sustainability reporting.

The IIRC guidelines and GRI were also the basis of materiality process elaborated specially for this report and determined the publication of key topics based on information systemized in two key steps.

> The publication follows the principles of integrated reporting of the International Integrated Reporting Council (IIRC) and meets the requirements for the G4 version of the Essential option of the guidelines of the Global Reporting Initiative (GRI)

The first step considered internal policies, the vision and the commitments made by Magazine Luiza, reference documents on driving a sustainable business in the retail and financial services and the expectation of several strategic relationship groups. Employees, suppliers, investors and financial analysts participated in an online survey and could opinionate on the management and the communication of our sustainability efforts by the company and the issues that they consider most relevant.

In the second stage, the top management of the Company analyzed the most recurrent themes considering two aspects: the impact (probability and size) and the ability to influence the Company on the subject. The result of this analysis determined the material issues (priority issues) covered by this report. **G4-19, G4-26**

Material Theme - **G4-20 and G4-21**	Public[1]	Appearance and Marker GRI	Limits[2]	Chapter[3]
Energy consumption by the operation	Suppliers Analysts/investors	Energy – **EN3** e **EN7**	Company	Our clients (Environmental Impact Management)
Ethical relationships with suppliers	Employees Suppliers Analysts/Investors	Supply Practices – **EC9**	Suppliers Society	Our suppliers
		Environmental assessment of suppliers – **EN33** Supplier evaluation in labor practices – **LA14**	Suppliers Society	Our clients (Environmental Impact Management)
		Supplier evaluation on the impacts on society – **SO9**	Suppliers Society	Our suppliers
Customer relations, dialogue management and satisfaction	Employees Suppliers	Labeling of products and services – **PR4** and **PR5**	Customers	Our Customers
		Marketing Communications – **PR7**	Customers Society	GRI summary
		Customer privacy – **PR8**	Customers	GRI summary
		Conformity – **PR9**	Company Society	GRI summary
Education and financial inclusion	Suppliers	Labeling of products and services – **PR3** and **PR4**	Society	GRI summary
Work conditions	Employees Suppliers Analysts/Investors	Employment – **LA1** e **LA2**	Company	Our employees
Training and professional development of the workforce	Employees Suppliers Analysts/Investors	Training and education – **LA9**, **LA10** and **LA11**	Company	Our employees
Responsibility in financial management	Suppliers Analysts/Investors	Economic performance – **EC1**	Company Society	Profile (economic results)
Adherence to good corporate governance parameters	Employees Analysts/Investors	Fighting corruption – **SO3**, **SO4** and **SO5**	Company Society	Profile and Our employees
Risk management[4]	Suppliers Analysts/Investors	There are no related aspects	Company Society	

[1] Public that indicated the topic as relevant on the online survey.
[2] Where - inside and outside the company - are located the main impacts related to the indicated GRI topic.
[3] Chapter of the report that addresses the issue.
[4] Despite the theme of "risk management" does not count directly related GRI topic, it was covered in the report following the same principles of quality that guided the rest of the content.

9

GRI Summary

#abraceonovo

9

GRI
Summary

General Content

Aspect	Description	Page/response
Strategy and analysis	**G4-1** President's Message	Pag. 06
Organizational Profile	**G4-3** Organization name	Magazine Luiza S.A.
	G4-4 Main brands, products and/or services	Pag. 26
	G4-5 Organization's headquarters location	São Paulo
	G4-6 Countries where the main operating stores and distribution centers, offices and more relevant to aspects of sustainability report	Brazil
	G4-7 Type and legal nature of ownership	Pag. 12
	G4-8 Markets in which the Company operates	Brazil
	G4-9 Size of Company	Pag. 12
	G4-10 Profile of employees	Pag. 51
	G4-11 Percentage of employees covered by collective bargaining agreements	All employees.
	G4-12 Description of the supply chain	Pag. 56
	G4-13 Significant changes regarding size, structure, ownership interest and supply chain	In 2015 there were no significant changes regarding its size, structure, ownership interest and supply chain.
	G4-14 Description of how the Company adopts the approach or the precautionary principle	Magazine Luiza does not adopt the precautionary principle in its entirety, but seeks to act with caution and responsibility in conducting business and in identifying and minimizing the impact of its operations.
	G4-15 Letters, principles or other externally developed initiatives	Pags. 12 e 31
	G4-16 Participation in associations and organizations	Pag. 12
Identified material aspects and limits	**G4-17** Entities included in the consolidated financial statements and entities not covered by the report	Pag. 72
	G4-18 Process for report content definition	Pag. 58
	G4-19 List of material issues	Pag. 59
	G4-20 Limit within the Company, every material respect	Pag. 60
	G4-21 Limit, outside the Company, every material aspect	Pag. 60
	G4-22 Reformulations of information provided in earlier reports	Pag. 58
	G4-23 Significant changes in scope and limits of material aspects in relation to previous reports	Pag. 58

Aspect	Description	Page/response
Stakeholder engagement	**G4-24** List of stakeholder groups engaged by the Company	In addition to the public specifically engaged in the preparation of this report process, Magazine Luiza also maintains systematic relationship with customers, industry forums, non-governmental organizations and government entities.
	G4-25 Basis for identification and selection of stakeholders for engagement	Identification processes and selection of stakeholders consider the extent of the positive and negative impacts of Magazine Luiza on the different sectors of society and the public potential impact on the Company .
	G4-26 Approach to engage stakeholders	The approach adopted specifically for the report is described on pages 58 and 59. In everyday operation, the Company maintains an ongoing dialogue channel with employees, customers and shareholders.
	G4-27 Key topics and concerns raised during the engagement by stakeholder group	Pages 58 e 59
Report profile	**G4-28** Period covered by the report	From January 1st to December 31, 2015 .
	G4-29 Date of the most recent report	2015
	G4-30 Reporting cycle	Annual
	G4-31 Contact for questions about the report or its contents	ri@magazineluiza.com.br
	G4-32 Option of applying the guidelines and location of the GRI chart	Essential
Governance	**G4-33** Policy and current practice with regard to seeking external assurance for the report	This report has not been subject to external check
	G4-34 Governance structure of the Company	Pag. 22
Ethics and integrity	**G4-56** Values, principles, standards and organizational behavior standards	Pags. 14 e 32

Specific Content

Economic category		
Aspect	**Description**	**Page/response**
Financial performance	**DMA** Management style	Pag. 40
	EC1 Direct economic value generated and distributed	Pag. 40
	EC4 Financial help received from the government	In 2015, the presumed credits Tax on Sales and Services (ICMS) related to certain operations in Paraiba and Minas Gerais resulted in a monetary benefit of R$ 17.1 million.
Purchasing practices	**EC9** Policies, practices and the proportion of expenses with local suppliers	Pag. 56

Environment class		
Aspect	**Description**	**Page/response**
Energy	**DMA** Management style	Pag. 45
	EN3 Energy consumption in the Company	Pag. 45
	EN7 Reducing product energy needs and services	Pag. 45
Environmental supplier evaluation	**DMA** Management style	Pag. 56
	EN32 Percentage of new suppliers selected based on environmental criteria	Magazine Luiza does not use environmental criteria in the selection of suppliers, but requires all partners to meet the environmental and labor laws. For more information, see page 56.

Social performance - Labor practices and decent work		
Aspect	**Description**	**Page/response**
Employment	**DMA** Management style	Pag. 49
	LA1 Total number of new hires, rates and employee turnover	Pags. 49 e 51
	LA2 Comparison of Benefits provided to full-time/part-time employees or temporary	Pag. 54
Training and education	**DMA** Management style	Pag. 53
	LA9 Average hours of training per year	Pag. 53
	LA10 Programs for skills management and lifelong learning	Pag. 53
	LA11 Percentage of employees receiving regular performance and career development reviews	Pags. 49 e 52
Evaluation of suppliers in labor practices	**DMA** Management style	Pag. 56
	LA14 Percentage of new suppliers selected based on criteria relating to labor practices	Magazine Luiza does not use environmental criteria in the selection of suppliers, but requires all partners to meet the environmental and labor laws. For more information, see page 56.

Social category - Society		
Aspect	**Description**	**Page/Response**
Fight against corruption	**DMA** Management style	Pag. 32
	SO3 Stores analyzed for risks related to corruption	The office of São Paulo, which concentrates corporate activities, underwent evaluation.
	SO4 Percentage of employees trained in organization's anti-corruption policies and procedures	100% of employees participated in online training and 3.5% had specific training on the subject. More information on page 53.
	SO5 Confirmed cases of corruption and measures taken	No cases of corruption, but the company has identified 229 confirmed cases of unethical behavior of employees in conducting the work, such as fraud, money and product inventory variances. All cases received administrative sanctions, and in severe cases the employees involved were dismissed.
Supplier evaluation on impacts on society	**DMA** Management style	Pag. 56
	SO9 Percentage of new suppliers selected with criteria of impact on society	Magazine Luiza does not use environmental criteria in the selection of suppliers, but requires all partners to meet the environmental and labor laws. For more information, see page 56.

Social performance - Product responsibility		
Aspect	**Description**	**Page/Response**
Labeling of products and services	**DMA** Management style	
	PR3 Type of Information on products and services required by labeling procedures	The products sold at retail, labeling is issued directly by the manufacturer or distributor. Magazine Luiza adopts procedures to ensure consumer information on product features and usage tips and provide a transparent information related to price, interest rates applied and exchange policy. The same transparency applies to financial products and services marketed by the Luiza Consortium Luizacred and Luizaseg. In addition to following the specific legal regulations, the Company is guided by its own Code of Ethics information to consumers.
	PR4 Non-conformities related to the labeling of products and services	Within the Luiza Consortium, the company's guided by its own Code of Ethics and the Ethics Code of the Association of Administrators of Consortium (ABAC) responsible to inform consumers about the products offered. In 2015, four warnings were recorded for non-compliance with these codes.
	PR5 Research results measuring customer satisfaction	
Marketing Communications	**DMA** Management style	
	PR6 Sale of products banned or challenged	The Company does not sell prohibited products or services and values the quality of products offered, selecting suppliers that operate in accordance with the standards established by Brazilian law and the Company's Code of Conduct.
	PR7 Non compliance related to communication products and services	Magazine Luiza voluntarily follows the Brazilian Code of rules of Advertising Self-Regulation (Conar), and based on the Code, was instructed to change in 2015, the form of an ad campaign "This is My Condo". The adjustments were made as recommended, and the placement took place as usual.
Customer privacy	**DMA** Management style	
	PR8 Total proven complaints relating to violation of privacy and loss of customer data	There was no complaint on this subject.
Compliance	**DMA** Management style	
	PR9 Fines for non-compliance concerning the provision and use of products and services	The company paid $1.1 million in fines in 2015.

10

Financial Statements

#abraceonovo

10 Financial Statements

STATEMENT OF FINANCIAL DECEMBER 31, 2015 AND 2014

(Amounts in thousands of Brazilian reais - R$)

ASSETS	Note	Company		Consolidated	
		2015	2014	2015	2014
Current assets					
Cash and cash equivalents	6	**590,400**	391,763	**617,465**	412,170
Securities and other financial assets	7 e 28	**497,623**	450,979	**497,623**	450,979
Trade receivables	8	**430,549**	616,585	**435,225**	618,276
Inventories	9	**1,343,741**	1,465,553	**1,353,092**	1,472,738
Related parties	10	**88,140**	93,895	**86,152**	93,220
Taxes recoverable	11	**333,475**	295,205	**334,344**	295,595
Other assets		**35,531**	51,389	**36,614**	52,944
Total current assets		**3,319,459**	3,365,369	**3,360,515**	3,395,922
Noncurrent assets					
Securities	7 e 28	**46,728**	-	**46,728**	-
Trade receivables	8	**2,595**	5,020	**2,595**	5,020
Taxes recoverable	11	**177,295**	106,477	**177,295**	106,477
Deferred income tax and social contribution	12	**228,602**	145,436	**229,347**	146,447
Escrow deposits	20	**248,450**	209,648	**248,450**	209,648
Other assets		**51,977**	49,587	**54,291**	51,973
Investments in subsidiaries	13	**56,905**	44,793	**-**	-
Investments in joint ventures	14	**384,025**	319,604	**384,025**	319,604
Property and equipment	15	**577,811**	565,358	**578,571**	566,193
Intangible assets	16	**463,726**	446,080	**506,720**	488,753
Total noncurrent assets		**2,238,114**	1,892,003	**2,228,022**	1,894,115
Total assets		**5,557,573**	5,257,372	**5,588,537**	5,290,037

LIABILITIES AND EQUITY	Note	Company		Consolidated	
		2015	2014	2015	2014
Current liabilities					
Trade payables	17	**1,885,251**	1,784,902	**1,894,157**	1,789,898
Borrowings and financing	18	**568,220**	591,051	**568,350**	591,443
Payroll, vacation pay and payroll charges		**150,419**	164,739	**153,903**	167,423
Taxes payable		**29,497**	44,008	**30,605**	44,595
Related parties	10	**68,787**	80,525	**68,404**	80,305
Taxes paid in installments		**-**	6,504	**-**	6,504
Deferred revenue	19	**41,399**	37,734	**41,399**	37,734
Dividends and interest on equity payable		**-**	18,319	**-**	18,319
Other payables		**116,038**	92,848	**117,964**	95,227
Total current liabilities		**2,859,611**	2,820,630	**2,874,782**	2,831,448
Noncurrent liabilities					
Borrowings and financing	18	**1,254,830**	1,120,184	**1,254,960**	1,120,184
Provision for tax, civil and labor contingencies	20	**230,010**	246,225	**243,412**	265,691
Deferred revenue	19	**550,910**	315,866	**550,910**	315,866
Other payables		**-**	-	**2,261**	2,381
Total noncurrent liabilities		**2,035,750**	1,682,275	**2,051,543**	1,704,122
Total liabilities		**4,895,361**	4,502,905	**4,926,325**	4,535,570
Equity	**21**				
Capital stock		**606,505**	606,505	**606,505**	606,505
Capital reserve		**14,567**	10,103	**14,567**	10,103
Treasury shares		**(9,574)**	(20,195)	**(9,574)**	(20,195)
Legal reserve		**16,143**	16,143	**16,143**	16,143
Profit retention reserve		**36,199**	143,173	**36,199**	143,173
Other comprehensive income		**(1,628)**	(1,262)	**(1,628)**	(1,262)
Total equity		**662,212**	754,467	**662,212**	754,467
Total liabilities and equity		**5,557,573**	5,257,372	**5,588,537**	5,290,037

See accompanying notes

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2015 AND 2014

(Amounts in thousands of reais - R$)

	Note	Company		Consolidated	
		2015	2014	2015	2014
Net sales revenue	22	**8,872,845**	9,692,286	**8,978,259**	9,779,385
Costs of goods resold and services rendered	23	**(6,369,372)**	(7,066,328)	**(6,399,630)**	(7,086,909)
Gross profit		**2,503,473**	2,625,958	**2,578,629**	2,692,476
Operating income (expenses)					
Selling	24	**(1,711,504)**	(1,737,443)	**(1,720,799)**	(1,746,258)
General and administrative expenses	24	**(431,100)**	(417,997)	**(458,479)**	(442,550)
Allowance for doubtful accounts		**(30,462)**	(22,547)	**(30,462)**	(22,547)
Depreciation and amortization	15 e 16	**(125,333)**	(113,896)	**(125,801)**	(114,332)
Equity in the earnings (losses) of subsidiaries	13 e 14	**88,948**	102,010	**75,605**	99,620
Other operating income, net	24 e 25	**15,187**	24,514	**20,233**	24,519
		(2,194,264)	(2,165,359)	**(2,239,703)**	(2,201,548)
Operating profit before financial result		**309,209**	460,599	**338,926**	490,928
Finance income		**155,359**	124,982	**130,297**	96,469
Finance expenses		**(615,264)**	(456,548)	**(616,352)**	(457,211)
Financial result	26	**(459,905)**	(331,566)	**(486,055)**	(360,742)
Operating profit (loss) before income tax and social contribution		**(150,696)**	129,033	**(147,129)**	130,186
Current and deferred income tax and social contribution	12	**85,091**	(477)	**81,524**	(1,630)
Profit (loss) for the year		**(65,605)**	128,556	**(65,605)**	128,556
Profit (loss) attributable to:					
Owners of the company		**(65,605)**	128,556	**(65,605)**	128,556
Earnings (loss) per share					
Basic and diluted earnings (R$ per share)	21	**(2.94)**	5.60	**(2.94)**	5.60

See accompanying notes

STATEMENT OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2015 AND 2014
(Amounts in thousands of reais - R$)

	Note	Company and Consolidated	
		2015	2014
Profit (loss) for the year		**(65,605)**	128,556
Other comprehensive results arising from prior years to be reclassified to profit or loss in subsequent period:			
Available-for-sale financial assets deriving from investments			
Available-for-sale financial assets		**(2,103)**	(2,740)
Tax effect		**841**	1,096
Total		**(1,262)**	(1,644)
Other comprehensive income to be reclassified to profit or loss in subsequent period:			
Available-for-sale financial assets deriving from investments			
Available-for-sale financial assets		**(856)**	637
Tax effect		**490**	(255)
Total	14	**(366)**	382
Statement of comprehensive income		**(1,628)**	(1,262)
Total other comprehensive income for the period, net of taxes		**(67,233)**	127,294
Attributable to:			
Controlling shareholders:		**(67,233)**	127,294

See accompanying notes

STATEMENT OF CHANGES IN EQUITY - COMPANY AND CONSOLIDATED

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(Amounts in thousands of Brazilian reais - R$)

	Note	Capital stock	Capital reserve	Treasury shares	Legal reserve	Profit Retention Reserve	Profit (loss) for the year	Other comprehensive Income	Total
Balances at January 01, 2014		606,505	5,640	(20,063)	9,715	94,458	-	(1,644)	694,611
Stock option plan		-	4,463	-	-	-	-	-	4,463
Treasury shares		-	-	(39,959)	-	-	-	-	(39,959)
Cancelation of treasury shares		-	-	39,827	-	(39,827)	-	-	-
Additional dividends proposed		-	-	-	-	(15,267)	-	-	(15,267)
Net income for the year		-	-	-	-	-	128,556	-	128,556
Allocations:									
Legal reserve		-	-	-	6,428	-	(6,428)	-	-
Profit retention reserve		-	-	-	-	103,809	(103,809)	-	-
Interest on equity		-	-	-	-	-	(14,000)	-	(14,000)
Mandatory dividends		-	-	-	-	-	(4,319)	-	(4,319)
		606,505	10,103	(20,195)	16,143	143,173	-	(1,644)	754,085
Other comprehensive income:									
Financial instruments adjustment	14	-	-	-	-	-	-	382	382
Balances at December 31, 2014		**606,505**	**10,103**	**(20,195)**	**16,143**	**143,173**	**-**	**(1,262)**	**754,467**
Stock option plan		**-**	**4,464**	**-**	**-**	**-**	**-**	**-**	**4,464**
Treasury shares		**-**	**-**	**(15,582)**	**-**	**-**	**-**	**-**	**(15,582)**
Cancelation of treasury shares		**-**	**-**	**26,203**	**-**	**(26,203)**	**-**	**-**	**-**
Additional dividends proposed		**-**	**-**	**-**	**-**	**(15,166)**	**-**	**-**	**(15,166)**
Loss for the year		**-**	**-**	**-**	**-**	**-**	**(65,605)**	**-**	**(65,605)**
Transfer to retained profit retention reserve absorption		**-**	**-**	**-**	**-**	**(65,605)**	**65,605**	**-**	**-**
		606,505	**14,567**	**(9,574)**	**16,143**	**36,199**	**-**	**(1,262)**	**662,578**
Other comprehensive income:									
Financial instruments adjustment	14	**-**	**-**	**-**	**-**	**-**	**-**	**(366)**	(366)
Balances at December 31, 2015		**606,505**	**14,567**	**(9,574)**	**16,143**	**36,199**	**-**	**(1,628)**	**662,212**

See accompanying notes

STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(Amounts in thousands of Brazilian reais - R$)

	Note	Company 2015	Company 2014	Consolidated 2015	Consolidated 2014
Cash flow from operating activities					
Net income for the year		**(65,605)**	128,556	**(65,605)**	128,556
Adjustments to reconcile profit for the year to cash generated from operating activities:					
Income tax and social contribution expenses recognized in P&L	12	**(85,091)**	477	**(81,524)**	1,630
Depreciation and amortization	15 e 16	**125,333**	113,896	**125,801**	114,332
Interest rate accrued over borrowings and financing		**252,910**	166,545	**252,958**	166,545
Yield on securities		**(28,361)**	(30,692)	**(28,361)**	(31,015)
Equity in the earnings (losses) of subsidiaries	13 e 14	**(88,948)**	(102,010)	**(75,605)**	(99,620)
Changes in allowance for asset losses		**137,072**	80,217	**137,072**	80,217
Provision for tax, civil and labor contingencies	20	**(860)**	52,355	**(6,920)**	52,537
Write-off of property and equipment, net of gains from sale		**710**	1,229	**710**	1,229
Appropriation of deferred revenue	25	**(47,749)**	(35,358)	**(47,749)**	(35,358)
Stock option plan expenses		**4,464**	4,463	**4,464**	4,463
Other	12	**1,925**	-	**1,925**	-
Adjusted net income for the year		**205,800**	379,678	**217,166**	383,516
(Increase) decrease in operating assets:					
Receivables		**116,196**	(148,247)	**113,211**	(149,240)
Securities and other financial assets		**-**	-	**62,991**	71,324
Inventories and other financial assets		**57,005**	(237,318)	**54,839**	(240,346)
Related parties		**6,906**	4,027	**6,988**	4,123
Taxes recoverable		**(109,088)**	(22,809)	**(109,567)**	(23,199)
Other assets		**(24,632)**	(53,842)	**(24,040)**	(55,146)
Changes in operating assets		**46,387**	(458,189)	**104,422**	(392,484)
Increase (decrease) in operating liabilities:					
Trade payables		**100,349**	137,955	**104,259**	138,355
Payroll, vacation pay and related charges		**(14,320)**	250	**(13,520)**	838
Taxes payable		**(21,015)**	(3,623)	**(21,239)**	(3,734)
Related parties		**(11,738)**	6,809	**(11,901)**	6,686
Tax paid in installments		**-**	(1,782)	**-**	(1,782)
Other payables		**15,838**	(42,094)	**15,261**	(40,112)
Changes in operating liabilities		**69,114**	97,515	**72,860**	100,251
Income tax and social contribution paid		**-**	(1,558)	**(2,556)**	(3,543)
Dividends received from subsidiaries		**70,898**	45,797	**70,898**	43,697
Cash flow deriving from operating activities		**392,199**	63,243	**462,790**	131,437
Cash flows from investing activities					
Purchase of property and equipment	15	**(98,259)**	(106,255)	**(98,472)**	(106,590)
Purchase of intangible assets	16	**(58,585)**	(44,992)	**(59,134)**	(45,075)
Investments in exclusive investment fund		**(645,400)**	(1,448,493)	**-**	-
Redemptions from exclusive investment fund		**708,391**	1,505,416	**-**	-
Sale of exclusive dealing agreement and exploration right		**288,000**	3,000	**288,000**	3,000
Capital increase in subsidiaries and jointly controlled		**(60,000)**	(7,100)	**(60,000)**	-
Investment in subsidiary		**(9,545)**	(4,265)	**(9,545)**	(4,265)
Cash flow deriving from (used in) investing activities		**124,602**	(102,689)	**60,849**	(152,930)
Cash flow from financing activities					
Borrowings and financing		**690,809**	641,187	**690,809**	641,724
Payment of borrowings and financing		**(738,264)**	(258,953)	**(738,396)**	(259,336)
Repayment of interest on borrowings and financing		**(221,642)**	(157,586)	**(221,690)**	(157,586)
Payment of dividends		**(33,484)**	(31,486)	**(33,484)**	(31,486)
Treasury shares acquired		**(15,583)**	(39,959)	**(15,583)**	(39,959)
Cash flow (used in) deriving from financing activities		**(318,164)**	153,203	**(318,344)**	153,357
Increase in cash and cash equivalents		**198,637**	113,757	**205,295**	131,864
Cash and cash equivalents at the beginning of the year		**391,763**	278,006	**412,170**	280,306
Cash and cash equivalents at the end of the year		**590,400**	391,763	**617,465**	412,170
Increase in cash and cash equivalents		**198,637**	113,757	**205,295**	131,864

See accompanying notes

STATEMENT OF VALUE ADDED

YEARS ENDED DECEMBER 31, 2015 AND 2014

(Amounts in thousands of Brazilian reais - R$)

	Company		Consolidated	
	2015	2014	2015	2014
Revenue				
Goods and products sold and services rendered	**9,910,096**	10,870,422	**10,022,062**	10,962,734
Allowance for doubtful accounts, net of reversals	**(30,462)**	(22,547)	**(30,462)**	(22,547)
Other operating revenue	**93,702**	29,709	**98,767**	29,698
	9,973,336	10,877,584	**10,090,367**	10,969,885
Inputs acquired from third parties				
Cost of products and goods sold and services rendered	**(6,941,230)**	(7,795,715)	**(6,971,641)**	(7,816,392)
Material, electricity, outsourced services and other	**(997,223)**	(837,912)	**(1,017,285)**	(857,507)
Impairment of assets	**(59,107)**	(21,070)	**(59,107)**	(21,070)
	(7,997,560)	(8,654,697)	**(8,048,033)**	(8,694,969)
Gross value added	**1,975,776**	2,222,887	**2,042,334**	2,274,916
Depreciation and amortization	**(125,333)**	(113,896)	**(125,801)**	(114,332)
Net value added generated by the entity	**1,850,443**	2,108,991	**1,916,533**	2,160,584
Value added received through transfer				
Equity in the earnings of subsidiaries	**88,948**	102,010	**75,605**	99,620
Finance income	**155,359**	124,982	**130,297**	96,469
Total value added to distribute	**2,094,750**	2,335,983	**2,122,435**	2,356,673

	Company		Consolidated	
	2015	2014	2015	2014
Distribution of value added				
Personnel and charges:				
Direct compensation	**716,681**	776,480	**728,383**	786,038
Benefits	**128,979**	159,234	**130,276**	160,152
Government Severance Indemnity Fund for Employees (FGTS)	**71,180**	70,268	**72,132**	71,107
	916,840	1,005,982	**930,791**	1,017,297
Taxes, fees and contributions:				
Federal	**41,220**	127,162	**50,036**	132,874
State	**265,032**	315,141	**267,049**	316,489
Municipal	**37,366**	37,496	**38,798**	38,713
	343,618	479,799	**355,883**	488,076
Value distributed to providers of capital:				
Interest	**537,271**	404,012	**538,134**	404,562
Rentals	**287,954**	265,098	**288,407**	265,533
Other	**74,672**	52,536	**74,825**	52,649
	899,897	721,646	**901,366**	722,744
Value distributed to shareholders:				
Interest on equity	**-**	14,000	**-**	14,000
Dividends	**-**	4,319	**-**	4,319
Retained earnings	**(65,605)**	110,237	**(65,605)**	110,237
	2,094,750	2,335,983	**2,122,435**	2,356,673

See accompanying notes

(Amounts in thousands of Brazilian reais - R$)

1. OPERATIONS:

Magazine Luiza S.A. (the "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. At December 31, 2015, the Company and its subsidiaries owned 786 stores (756 stores in 2014) and nine distribution centers (eight distribution centers in 2014), 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 February 25, 2016, the Board of Directors authorized the issue of these financial statements.

2. PRESENTATION AND PREPARATION OF THE FINANCIAL STATEMENTS

2.1. Basis of preparation and presentation: The Company's parent company and consolidated financial statements were prepared based on the accounting practices adopted in Brazil, which include the provisions of the Brazilian Corporation Law provided for in Law No. 6404/76, with amendments to Law No. 11638/07, Law No. 11941/09 and Law No. 12973/14, and the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), implemented in Brazil through the Brazilian Accounting Pronouncements Committee ("CPC") and its technical interpretations ("ICPC") and guidance ("OCPC"), approved by the Brazilian Securities and Exchange Commission ("CVM"). All important information contained herein refers to the financial statements alone and corresponds to that used by management in the execution of its activities. The financial statements were prepared based on the historical cost, except for certain financial instruments measured by their fair values. The non-financial information included in these financial statements, such as the number of stores and distribution centers, amongst others, were not purpose of an audit by our independent auditors.

2.2. Basis of consolidation and investments in subsidiaries: The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries. The control is obtained when the Group is exposed or is entitled to variable returns based on its involvement with the investee and has the capacity to affect these returns through its power over the investee. Below is a description of the Company's subsidiaries at year-end:

Subsidiary	Main activity	Interest % 2015 and 2014
Época Cosméticos	E-commerce of perfumes and cosmetics	**100%**
Luiza Administradora de Consórcios (LAC)	Consortium management company	**100%**

The process of consolidating equity and income statement accounts observe their nature, eliminating the following: • The Parent company's interest in the capital, reserves and retained earnings from consolidated entities; • Balances of assets and liabilities maintained between consolidated entities; and • Balances of revenues and expenses deriving from transactions between consolidated entities. In the parent company's financial statements, the financial information about the subsidiaries and joint ventures will be recognized by the equity accounting method.

2.3. Functional and reporting currency of the financial statements: The Group's functional currency is the Brazilian Real. The financial statements of each subsidiary, as well as the financial statements adopted as basis to measure the investments by the equity accounting method, are prepared in Brazilian reais.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The summary of significant accounting practices described have been consistently applied to the reported years and to the parent company and consolidated financial statements:

3.1. Foreign currency-denominated transactions: If any, the monetary assets and liabilities denominated in foreign currency are translated into Brazilian Reais by adopting the foreign exchange rate effective on the closing date of the related statements of financial position. The differences resulting from the currency translation are recognized as finance income or expenses in the statement of income.

3.2. Financial Instruments: (i) Financial assets: The Company classifies the financial instruments according to the purpose to which they were acquired and establishes the classification upon initial recognition as per the following categories: *Measured at fair value through profit or loss* - the financial instruments held for trading are recorded in this category to be sold in the short term. These instruments are measured at fair value and have their gains and losses recorded directly in the statement of income. Securities are classified into this category. *Loans and receivables* - these are non-derivative financial assets with fixed or determinable payments not quoted in an active market. Loans and receivables are measured at the amortized cost by adopting the effective interest rate method, less any impairment loss. Escrow deposits, related parties and trade receivables are classified into this category. *Financial assets impairment:* As of the reporting dates, the Company analyzes if there is any objective evidence determining the impairment of the financial asset, or group of financial assets. An impairment only exists if, and only if, there is an objective evidence of non-recoverability due to one or more events occurred after the asset's initial recognition with an impact on the estimated future cash flow of the financial asset, which may be reasonably estimated. *Derecognition (write-off) of financial assets:* The derecognition of a financial asset only occurs when the contractual rights over the asset's cash flow are realized or when the Company transfers the financial asset and substantially all its risks and returns to third parties. In transactions where these financial assets are transferred to third parties, but without effective transfer of related risks and returns, the asset is not derecognized. (ii) Financial liabilities: The Group's financial liabilities were classified upon initial recognition in the following category: *Other financial liabilities* - these are initially measured at fair value, net of transaction costs and, subsequently, they are measured by the amortized cost adopting the effective interest rate method to calculate the interest expense. The effective interest rate method calculates the amortized cost of a liability and allocates interest expenses during the significant period. The following is classified herein: balances of trade payables, borrowings and financing, related parties and taxes paid in installments. *Measured at fair value through profit or loss* - financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments held by the Group that do not meet hedge accounting criteria defined by CPC 38 - Derivatives, including embedded derivatives that are not closely related to the host contract and must be separated, and are also classified as held for trading unless they are designated as effective hedging instruments. Gains and losses on liabilities held for trading are recognized in the income statement. *Derecognition (write-off) of financial liabilities:* A financial liability is written off when the obligation is revoked, canceled or expired. When a current financial liability is replaced with another one from same lender under substantially different terms, or the terms of a current liability are substantially modified, such replacement or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in corresponding carrying amounts is recognized in profit or loss.

3.3. Derivative financial instruments and hedge accounting: The Company uses derivative financial instruments to manage its market risks, deriving from mismatch between currencies and indices. Derivatives are initially recognized at fair value on the date of the agreement, and subsequently, measured at their fair value at the end of each year or period as can be seen in greater detail in Note 28.

3.4. Allocation of goodwill balances: Goodwill allocated to each cash-generating unit is annually tested for impairment or more frequently, when there is any indication that the cash-generating unit shows lower than expected performance. If the recoverable value of the cash-generating unit is lower than its carrying amount plus goodwill allocated thereto, the impairment loss is firstly allocated to reduce the goodwill allocated to the unit, and subsequently, to other assets of the unit, proportionally to the carrying amount of each of these assets. Any goodwill impairment is directly recognized in profit or loss when it was identified, which is not reversed in subsequent periods, even if the factors which resulted in its recording no longer exist.

3.5. Investment in joint ventures: Based on the equity accounting method, the investment in a joint venture is initially recognized at cost. The carrying amount of investment is adjusted to recognize changes in the Company's share in the joint venture's equity as of the acquisition date. The statement of income reflects the Company's share in the joint venture's operating results. Any change in other comprehensive income of these investees is reported as part of the Company's other comprehensive income. In addition, when there is a variation directly recognized in the joint venture's equity, the Company will recognize its share in any variations, where applicable, in the statement of changes in equity. Unrealized gains and losses arising from transactions between the Company and the joint venture are removed to the extent of interest in the joint venture. The joint venture's financial statements are prepared for the same reporting period as the Company's financial statements. Adjustments are made when necessary to align the accounting policies with those adopted by the Company. After applying the equity accounting method, the Company determines whether it is necessary to recognize any additional impairment on the Company's investment in its joint venture. The Company determines, on each reporting date, if there is an objective evidence that the investment in joint venture is impaired. If so, the Company calculates the impairment amount as the difference between the joint venture's recoverable value and its carrying amount, and recognizes the loss in the statement of income. The Company did not identify any objective evidence to recognize impairment in 2014 and 2015.

(Amounts in thousands of Brazilian reais - R$)

3.6. Present value adjustment: Retail operations: Main transactions that result in adjustments to present value are related to the purchase of goods for resale in installments, as well as goods resale operations, whose balances the clients pay by installments at fixed interest rates. Purchases and sales are discounted to determine the present value on the transaction date considering the installment terms. The discount rate adopted considers the finance charges effects on the end consumer, weighted at the default risk percentage assessed and already included in the allowance for doubtful accounts. The present value adjustment of liabilities referring to the purchase of goods for resale is recorded under "Trade payables" (having "Inventories" as the corresponding entry). Its reversal is recorded under "Costs of goods resold and services rendered", according to the related maturity term. The corresponding entry of present value adjustment of resale of goods in installments is the "Trade receivables". Their realization is recorded under "Revenue from resale of goods", according to the related maturity term.
3.7. Monetary restatement of rights and obligations: The monetary assets and liabilities subject to contractual adjustments or foreign exchange and monetary variations are restated up to the end of the reporting period, and these variations are recorded in the statement of income for the year to which they refer.
3.8. Provisions: Provisions are recognized for current liabilities or risks resulting from past events, where it is possible to reliably estimate the amounts and whose settlement is probable. The amount recognized as provision is the best estimate of the considerations required to settle the liability at the end of each year or period, taking into account the risks and uncertainties related to the liability.
3.9. Statement of Value Added ("DVA"): The Statement of Value Added ("DVA") aims at evidencing the wealth created by the Group and its distribution during certain period. It is presented as part of its parent company financial statements pursuant to the Brazilian corporation law and as supplementary information to the consolidated financial statements, since it is neither an estimated statement nor mandatory under the IFRS.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND SOURCES OF UNCERTAINTIES ABOUT ESTIMATES

When applying the Group's accounting policies, the management is required to make judgments and prepare estimates on the carrying amounts of assets and liabilities to which objective information is not easily obtained from other sources. Estimates and related assumptions are based on the historical experience and other significant factors. Actual results of these carrying amounts may differ from those estimates. Below, the key assumptions concerning the future and other main sources of uncertainty in the estimates at the end of the reporting year, which may result in significant adjustments to the carrying amounts of assets and liabilities in the next year.
a) Deferred income tax and social contribution: The management's judgment is required in order to determine the deferred income tax and social contribution assets that may be recognized, based on a probable term and level of future taxable income, along with future tax planning strategies.
b) Useful life of long-lived assets: The Group recognizes the depreciation of its long-lived assets based on their estimated useful lives, which are based on the Group's practices and past experience and reflect the economic life of these assets. However, the actual useful lives may vary due to several factors. The useful lives of long-lived assets also affect tests to recover its cost.
c) Impairment of assets: At the end of each year, the Group reviews the balances of intangible assets and property and equipment to check whether there are indications that these assets may have been impaired (the highest amount between the value in use and the fair value, less sales costs). If yes, management conducts a detailed analysis of each asset's recoverable value by calculating the individual future cash flow, discounted at present value, adjusting the balance of related asset and its market value, if necessary.
d) Provision for inventory losses: The provision for inventory losses is estimated based on the history of losses identified in the physical inventory of stores and distribution centers, and management considers it sufficient to cover probable losses at the end of the reporting period.
e) Provision for inventory realization: The provision for inventory realization is recognized based on analysis of current sales prices, less taxes and overhead incurred for the sales effort, plus historical percentage of margin recovery with suppliers, compared to the cost of purchase of the products. In addition, goods transferred to technical assistance were considered in the analysis of obsolete products.
f) Allowance for doubtful accounts: This allowance is recorded in amount management deems sufficient to cover potential risks on the loan portfolio and other receivables existing at the end of the reporting period. The criterion to record this allowance, takes into account, in retail operations, the percentage of historical recovery of past-due receivables and the default rate for the amounts falling due.
g) Provision for tax, civil and labor contingencies: The Group is a party to several lawsuits and administrative proceedings, as described in Note 20. Provisions are recorded for all the risks referring to lawsuits and administrative proceedings representing probable and estimated losses with certain degree of safety. The chances of losses include an evaluation on available evidence, the hierarchy of laws, available former court decisions, most recent court decisions and their relevance in the system of laws, as well as the external legal counsel's opinion. Management believes that these provisions for tax, civil, and labor contingencies are fairly reported in the financial statements.

5. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

The standards and interpretations issued but not yet adopted until the date of publication of the Group's financial statements are presented below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments (Effective as of 01/01/2018)	It aims ultimately to replace IAS 39. The main amendments are: (i) all the financial assets must be initially recognized at their fair value; (ii) the standard divides all the financial assets into: amortized cost and fair value; and (iii) the concept of embedded derivatives was extinguished.
IFRS 15 Revenue from Contracts with Customers (Effective as of 01/01/2017)	It primarily aims at providing clear principles to recognize revenue and streamlining the process of preparing the financial statements.
Amendment to IFRS 11 Business Combination (Effective as of 01/01/2016)	The entity participating in a joint venture must apply the significant principles related to business combination, including referring to required disclosures.
Amendment to IAS 16 and IAS 38 Acceptable Methods of Depreciation and Amortization (Effective as of 01/01/2016)	Method of depreciation and amortization must be based on the economic benefits consumed by means of the use of asset.
Amendment to IAS 27 Equity accounting in separate financial statements (effective as of 01/01/2016)	This review opens the possibility of adopting the equity accounting method in investments held in subsidiaries in separate financial statements.
Amendment to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective as of 01/01/2016)	These amendments clarify that any gain or loss resulting from the sale or contribution of assets that constitute a business, as set forth in IFRS 3, between an investor and its associate or joint-venture, is recognized in full.
IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations	This amendment clarifies that changing from one of these methods of disposal to the other is not considered a new sale plan, but a continuation of the original plan.
IFRS 7 Financial Instruments: Disclosures	Servicing contracts: This amendment clarifies that a service contract including a fee may constitute continuing involvement in a financial asset. Condensed interim financial information: This amendment clarifies that offsetting disclosure requirements do not apply to condensed interim financial information, unless said disclosures significantly update the information in the most recent annual report.
IAS 19 Employee Benefits	This amendment clarifies that the market depth of high-quality private securities is evaluated based on the currency in which the obligation is denominated and not on the country where the obligation is located.
IAS 34 Interim Financial Reporting	This amendment clarifies that the required interim information disclosures should be presented in the interim financial information or incorporated via cross-reference between the interim financial information and the section in which it is going to be included.
Amendment to IAS 1 Disclosure Initiative (Effective as of 01/01/2016)	It aims at emphasizing that accounting and financial information should be objective and easily understood.

(Amounts in thousands of Brazilian reais - R$)

Amendment to IFRS 10, IFRS 12 and IAS 28 Investment Entity - exceptions to the consolidation rule (Effective as of 01/01/2016.)	Among other clarifications, it is set forth that an entity that is not an investment entity may maintain, when applying the equity accounting method, the measurement at fair value through profit and loss adopted by its investments.
IFRS 16 Leases (Effective as of 01/01/2019)	The new standard establishes the principles, for both client (the lessee) and supplier (the lessor), for the disclosure of material information regarding leases so that the financial statements clearly demonstrate commercial lease operations. In order to achieve this objective, the lessee is required to recognize the assets and liabilities resulting from a lease agreement.

6. CASH AND CASH EQUIVALENTS

Accounting policy: The Company's management defines as "Cash and cash equivalents" the amounts held for the purpose of meeting short-term commitments rather than for investment or other purposes. The financial investments can be immediately converted into a known cash amount with the issuer and are not subject to a significant risk of change in value, recorded at cost plus income earned until the end of the reporting period, which does not exceed their market or realization value.

	Rates	Company		Consolidated	
		2015	2014	2015	2014
Cash		**31,646**	30,550	**31,651**	30,558
Banks		**30,857**	35,996	**31,500**	36,262
Bank deposit certificates	From 80.0% to 105% CDI	**527,316**	324,500	**542,893**	339,459
Non-exclusive investment funds	102.0% CDI	**581**	717	**11,421**	5,891
Total cash and cash equivalents		**590,400**	391,763	**617,465**	412,170

7. SECURITIES AND OTHER FINANCIAL ASSETS

Financial assets at fair value through profit or loss	Rates	Company and Consolidated	
		2015	2014
Held for trading			
Non-exclusive investment funds	105% CDI	**6,319**	5,597
Exclusive investment funds:	(a)		
Investment fund quotas		**1,375**	4,190
Federal government securities and repo operations		**387,394**	339,568
Time deposits and other securities		**21,261**	101,624
	Note 10.a	**410,030**	445,382
At fair value through profit or loss			
Swap receivable - Fair value hedge	(b)	**128,002**	-
Total securities		**544,351**	450,979
Current assets		**497,623**	450,979
Noncurrent assets		**46,728**	-

(a) Considers the exclusive fixed income investment funds. At December 31, 2015, 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 in Note 28.

8. TRADE RECEIVABLES

Accounting policy: Trade receivables are recorded and maintained in the statement of financial position for the securities amount, adjusted to present value, where applicable, mainly represented by credits from installment resales and credit card and the allowance for doubtful accounts (Note 4-f).

	Company		Consolidated	
	2015	2014	2015	2014
Trade receivables:				
Credit cards (a)	**155,017**	183,696	**158,749**	185,075
Debit cards (a)	**8,061**	6,717	**8,061**	6,717
Own installment plan (b)	**106,252**	107,275	**106,305**	107,275
Additional warranty agreements (c)	**104,274**	162,148	**104,274**	162,148
Total trade receivables	**373,604**	459,836	**377,389**	461,215
Arising from sales agreements (d)	**126,974**	237,512	**127,904**	237,879
Allowance for doubtful accounts	**(46,640)**	(49,511)	**(46,640)**	(49,511)
Present value adjustment	**(20,794)**	(26,232)	**(20,833)**	(26,287)
Total receivables	**433,144**	621,605	**437,820**	623,296
Current assets	**430,549**	616,585	**435,225**	618,276
Noncurrent assets	**2,595**	5,020	**2,595**	5,020

The average term to receive trade receivables is 15 days in the Parant company and consolidated. Receivables were assigned to secure borrowings for R$109,588 on December 31, 2015 (R$120,802 at December 31, 2014), represented by credit card receivables. (a) Refers to credit and debit card receivables, which the Company receives from credit card companies at the amount, term and number of installments defined when the product is sold. At December 31, 2015, the Company had credits granted to financial institutions totaling R$1,417,827 (R$1,515,648 in December 2014), where a discount between 105.0% and 108.0% of CDI is applied, which is recognized in profit or loss under "Finance expenses." The Company, through card sales transactions, transfers to the credit card companies and financial institutions all risks of payment by customers and, therefore, does not recognize the receivables referring to these credits. The respective financial charges are recorded in profit or loss for the year upon derecognition. (b) Refers to receivables from sales financed by the Company. (c) These sales are intermediated by the Company on behalf of Luizaseg. The Company allocates to Luizaseg the extended warranty amount, in full, in the month following the sale and receives from customers according to the transaction term. (d) Refers to bonuses on products to be received from suppliers, arising from the fulfillment of the purchase volume and a portion of agreements defining the suppliers' percentage in the disbursements related to advertising and marketing (joint advertising).
Changes in the allowance for doubtful accounts are as follows:

	Company and Consolidated	
	2015	2014
Balance at the beginning of the year	**(49,511)**	(43,190)
(+) Additions	**(72,265)**	(61,247)
(-) Write-offs	**75,136**	54,926
Balance at the end of the year	**(46,640)**	(49,511)

(Amounts in thousands of Brazilian reais - R$)

The aging list of trade receivables and receivables from sales agreements is as follows:

	Trade Receivables				Receivables from Sales Agreements			
	Company		Consolidated		Company		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
Falling due:								
Up to 30 days	**81,197**	70,121	**83,487**	70,550	**29,395**	50,532	**30,325**	50,899
Between 31 and 60 days	**54,729**	45,723	**55,689**	45,912	**64,818**	139,089	**64,818**	139,089
Between 61 and 90 days	**44,619**	43,599	**45,096**	43,816	**30,609**	36,467	**30,609**	36,467
Between 91 and 180 days	**86,177**	79,382	**86,235**	79,718	**181**	9,025	**181**	9,025
Between 181 and 360 days	**67,184**	179,275	**67,184**	179,483	**18**	780	**18**	780
Over 361 days	**4,319**	7,832	**4,319**	7,832	**-**	-	**-**	-
	338,225	425,932	**342,010**	427,311	**125,021**	235,893	**125,951**	236,260
Past-due:								
Up to 30 days	**7,223**	7,636	**7,223**	7,636	**714**	587	**714**	587
Between 31 and 60 days	**6,192**	5,726	**6,192**	5,726	**68**	300	**68**	300
Between 61 and 90 days	**5,991**	5,210	**5,991**	5,210	**310**	101	**310**	101
Between 91 and 180 days	**15,973**	15,332	**15,973**	15,332	**861**	631	**861**	631
	35,379	33,904	**35,379**	33,904	**1,953**	1,619	**1,953**	1,619
Total	**373,604**	459,836	**377,389**	461,215	**126,974**	237,512	**127,904**	237,879

9. INVENTORIES

Accounting policy: Inventories are stated at the smallest amount between the average acquisition cost and the net realization amount. The average acquisition cost includes the purchase price, taxes and non-recoverable taxes, such as the ICMS ST (State VAT Substitution taxation regime), and other costs directly attributable to the acquisition, and trade discounts and rebates. The net realization amount corresponds to the estimated sales price of inventories, less all costs necessary for the sale.

	Company		Consolidated	
	2015	2014	2015	2014
Resale goods	**1,362,818**	1,475,198	**1,372,169**	1,482,383
Consumption material	**11,314**	11,183	**11,314**	11,183
Provision for losses	**(30,391)**	(20,828)	**(30,391)**	(20,828)
Total	**1,343,741**	1,465,553	**1,353,092**	1,472,738

At December 31, 2015, the Company has revolving inventories assigned as guarantee in legal lawsuits in progress, totaling approximately R$2,353 (R$1,817 at December 31, 2014).
Changes in the provision for losses and adjustment to net realizable value are as follows:

	Company and Consolidated	
	2015	2014
Opening balance	**(20,828)**	(27,740)
Provision	**(64,807)**	(18,970)
Written-off or sold inventories	**55,244**	25,882
Closing balance	**(30,391)**	(20,828)

10. RELATED PARTIES

a) Balances from related parties

Current assets	Company		Consolidated	
	2015	2014	2015	2014
Commissions on services				
Joint ventures:				
Luizacred (i)	**14,742**	24,127	**14,742**	24,127
Luizaseg (ii)	**34,233**	41,292	**34,233**	41,292
	48,975	65,419	**48,975**	65,419
Subsidiaries:				
Luiza Administradora de Consórcios ("LAC") (iii)	**757**	675	**-**	-
Reimbursement of expenses and costs with consortium draws				
Consortium Group ("LAC") (iii)	**249**	647	**249**	647
Dividends receivable:				
Luizacred (i)	**1,235**	2,325	**1,235**	2,325
Luizaseg (ii)	**3,317**	2,307	**3,317**	2,307
Luiza Administradora de Consórcios ("LAC") (iii)	**1,231**	-	**-**	-
	5,783	4,632	**4,552**	4,632
Balance receivable from credit card sales and accounts receivable by CDC:				
Luizacred - CDC (i)	**3,492**	9,620	**3,492**	9,620
Luizacred - Credit cards (i)	**13,884**	12,902	**13,884**	12,902
	17,376	22,522	**17,376**	22,522
Other receivables:				
Luizacred (i)	**15,000**	-	**15,000**	-
Total	**88,140**	93,895	**86,152**	93,220
Securities				
Investment Funds (vii)	**410,030**	445,382	**410,030**	445,382

Current Liabilities	Company		Consolidated	
	2015	2014	2015	2014
Transfers of receivables from services and accounts payable:				
Joint ventures:				
Luizacred (i)	**22,374**	24,234	**22,374**	24,234
Luizaseg (ii)	**43,432**	51,374	**43,432**	51,374
	65,806	75,608	**65,806**	75,608
Subsidiaries:				
Consortium Group ("LAC") (iii)	**806**	622	**806**	622
Campos Floridos Comércio de Cosméticos Ltda. (viii)	**383**	220	**-**	-
	1,189	842	**806**	622
Rentals payable and other transfers				
Controlled by the Company's controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (iv)	**1,752**	1,651	**1,752**	1,651
PJD Agropastoril Ltda. (vi)	**40**	37	**40**	37
	1,792	1,688	**1,792**	1,688
Payables relating to advertising campaigns:				
ETCO - Special Partnership (v)	**-**	2,387	**-**	2,387
Total	**68,787**	80,525	**68,404**	80,305

(Amounts in thousands of Brazilian reais - R$)

Profit or loss	Company		Consolidated	
	2015	2014	2015	2014
Income from service intermediation commissions				
Joint ventures:				
Luizacred (i)	**130,820**	145,171	**130,820**	145,171
Luizaseg (ii)	**289,314**	295,253	**289,314**	295,253
	420,134	440,424	**420,134**	440,424
Subsidiaries:				
Luiza Administradora de Consórcios ("LAC") (iii)	**8,525**	7,419	**-**	-
Revenue from return on exclusive fund:				
Investment Funds (vii)	**27,639**	30,144	**27,639**	30,144
Reimbursement of shared expenses				
Joint venture:				
Luizacred (i)	**66,837**	56,317	**66,837**	56,317
Total revenues	**523,135**	534,304	**514,610**	526,885

b) Transactions with related parties

	Company		Consolidated	
	2015	2014	2015	2014
Costs related to the acquisition of goods				
Campos Floridos Comércio de Cosméticos Ltda. (viii)	**(6,608)**	(3,280)	**-**	-
Total costs	**(6,608)**	(3,280)	**-**	-
Office building rental expenses				
Controlled by the Company's controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (iv)	**(16,210)**	(14,370)	**(16,210)**	(14,370)
PJD Agropastoril Ltda. (vi)	**(445)**	(384)	**(445)**	(384)
	(16,655)	(14,754)	**(16,655)**	(14,754)
Freight expenses				
PJD Agropastoril Ltda. (vi)	**(2,333)**	(2,363)	**(2,333)**	(2,363)
Credit card anticipation charge expenses:				
Luizacred (i)	**(108,056)**	(82,221)	**(108,056)**	(82,221)
Advertising campaign expenses				
Controlled by the Company's controlling shareholders:				
ETCO - Special Partnership (v)	**(269,375)**	(242,942)	**(269,375)**	(242,942)
	(396,419)	(342,280)	**(396,419)**	(342,280)

(i) Transactions with Luizacred, a subsidiary jointly controlled with Banco Itaúcard S.A., refer to the following activities: (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 monthly provided by the Company, which include the attraction of customers, management and administration of consumer credit transactions, control and collection of financing granted, indication of insurance linked to financial services and products, access to 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. (e) Balance receivable referring to targets not met in the sale of certain financial insurance plans. (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 sale of products for resale by the Company.

c) Management Compensation

	2015		2014	
	Board of Directors	Board of Executive Officers	Board of Directors	Board of Executive Officers
Fixed and variable compensation	**419**	**8,787**	408	14,371
Stock option plan	**386**	**2,930**	386	2,930

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. The Company's Board of Directors approved on April 27, 2015, the management's overall compensation for the year ended at December 31, 2015, where a maximum limit for management's overall compensation was estimated at R$18,938.

11. RECOVERABLE TAXES

	Company		Consolidated	
	2015	2014	2015	2014
Recoverable ICMS (a)	**450,115**	347,762	**450,115**	347,762
Recoverable income tax and social contribution	**2,461**	5,511	**2,463**	5,511
Recoverable withholding income tax	**23,853**	13,866	**23,878**	13,876
Recoverable PIS and COFINS	**32,859**	33,062	**33,701**	33,442
Other	**1,482**	1,481	**1,482**	1,481
	510,770	401,682	**511,639**	402,072
Current assets	**333,475**	295,205	**334,344**	295,595
Noncurrent assets	**177,295**	106,477	**177,295**	106,477

(a) These refer to ICMS accumulated credits and credits arising from the ST ("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.

12. INCOME TAX AND SOCIAL CONTRIBUTION

Accounting policy: *Current Tax:* Income taxes are recognized in profit or loss for the year. The provisions for income tax and social contribution are calculated individually by company member of the Group based on the rates effective at the year's end. *Deferred Tax:* Deferred income tax and social contribution ("deferred taxes") are recognized on temporary differences between the balances of assets and liabilities recognized in the financial statements and related tax bases adopted to calculate the taxable income, including the tax loss and social contribution tax loss carryforwards, not subject to statute of limitations. Deferred tax liabilities are usually recognized for all taxable temporary differences and deferred tax assets are recognized over all deductible temporary differences only when it is probable that the future taxable basis will be in an amount sufficient to absorb the deductible temporary differences. The probability of recovering the balance of deferred tax assets is reviewed at the end of each year and, when future taxable bases are probably no longer available and allowing the full or partial recovery of these taxes, the balance of the assets is reduced to the amount expected to be recovered. Deferred tax assets and liabilities are mutually offset only when there is a legal right to set off, when they are related to taxes managed by the same tax authority and the Group intends to settle the net amount of its current tax assets and liabilities.

(Amounts in thousands of Brazilian reais - R$)

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

	Company		Consolidated	
	2015	2014	2015	2014
Income (loss) before income tax and social contribution	**(150,696)**	129,033	**(147,129)**	130,186
Statutory rate	**34%**	34%	**34%**	34%
Expected income tax and social contribution credit (debit) at statutory rates	**51,237**	(43,871)	**50,024**	(44,263)
Reconciliation for effective rate (effects of applying tax rates):				
Effect on the distribution of interest on equity	**-**	4,760	**-**	4,760
Effect of tax benefit referring to the technology innovation, pursuant to Law No. 11195/2005	**-**	2,981	**-**	2,981
Exclusion - equity in the earnings of subsidiaries	**30,242**	34,683	**25,706**	33,871
Other permanent exclusions, net	**3,612**	970	**5,794**	1,021
Credit (debit) from income tax and social contribution	**85,091**	(477)	**81,524**	(1,630)
Current	**-**	(6,660)	**(3,301)**	(8,650)
Deferred	**85,091**	6,183	**84,825**	7,020
Total	**85,091**	(477)	**81,524**	(1,630)
Effective tax rate	**56.5%**	0.4%	**55.4%**	1.3%

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

Company	Balance at 01/01/2014	Recognized in profit or loss	Transfer from the adoption of Law No. 12973/14 (3)	Balance at 12/31/2014	Recognized in profit or loss	Offsetting of tax loss carryforwards with PRORELIT(2)	Balance at 12/31/2015
Deferred income tax and social contribution assets:							
Tax losses and social contribution tax loss carryforwards	57,769	(2,916)	-	54,853	**93,756**	**(1,925)**	**146,684**
Allowance for doubtful accounts	14,685	2,149	-	16,834	**(977)**	**-**	**15,857**
Provision for inventory losses	9,432	(2,351)	-	7,081	**3,252**	**-**	**10,333**
Provision for present value adjustment	-	-	8,793	8,793	**(1,599)**	**-**	**7,194**
Provision for tax, civil and labor contingencies	69,676	10,423	-	80,099	**(1,896)**	**-**	**78,203**
Other provisions	106	5,218	-	5,324	**(503)**	**-**	**4,821**
	151,668	12,523	8,793	172,984	**92,033**	**(1,925)**	**263,092**
Deferred income tax and social contribution liabilities:							
Amortization of intangible assets	-	-	(27,548)	(27,548)	**(6,942)**	**-**	**(34,490)**
Temporary difference due to adoption of RTT (1) and amortization of intangible assets in business combination	(12,415)	(6,340)	18,755	-	**-**	**-**	**-**
	(12,415)	(6,340)	(8,793)	(27,548)	**(6,942)**	**-**	**(34,490)**
	139,253	6,183	-	145,436	**85,091**	**(1,925)**	**228,602**

Consolidated	Balance at 01/01/2014	Recognized in profit or loss	Transfer from the adoption of Law No. 12973/14 (3)	Balance at 12/31/2014	Recognized in profit or loss	Offsetting of tax loss carryforwards with PRORELIT(2)	Balance at 12/31/2015
Deferred income tax and social contribution assets:							
Tax losses and social contribution tax loss carryforwards	57,769	(2,112)	-	55,657	**93,438**	**(1,925)**	**147,170**
Allowance for doubtful accounts	14,685	2,149	-	16,834	**(977)**	**-**	**15,857**
Provision for inventory losses	9,432	(2,291)	-	7,141	**3,252**	**-**	**10,393**
Provision for present value adjustment	-	-	8,793	8,793	**(1,599)**	**-**	**7,194**
Provision for tax, civil and labor contingencies	69,850	10,396	-	80,246	**(1,844)**	**-**	**78,402**
Other provisions	106	5,218	-	5,324	**(503)**	**-**	**4,821**
	151,842	13,360	8,793	173,995	**91,767**	**(1,925)**	**263,837**
Deferred income tax and social contribution liabilities:							
Amortization of intangible assets	-	-	(27,548)	(27,548)	**(6,942)**	**-**	**(34,490)**
Temporary difference due to adoption of RTT (1) and amortization of intangible assets in business combination	(12,415)	(6,340)	18,755	-	**-**	**-**	**-**
	(12,415)	(6,340)	(8,793)	(27,548)	**(6,942)**	**-**	**(34,490)**
	139,427	7,020	-	146,447	**84,825**	**(1,925)**	**229,347**

(1) The Company adopted the Transitional Tax System (RTT), as prescribed by Law No. 11,941/09, which from the adoption of new accounting practices, creates temporary differences on taxable bases.
(2) Offsetting of tax loss carryforwards, referring to the adhesion to the Program to Reduce Tax Litigation (PRORELIT), pursuant to Law No. 13,202/15.
(3) In October 2014, the Company adopted Law No. 12.973/14, which revokes the Transitional Tax Regime (RTT), enacted by Law No. 11,941/09.

The asset recorded is limited to the amounts whose realization is supported by future taxable base projections, approved by management. The expected realization of the deferred income tax and social contribution at December 31, 2015 is as follows:

	Company	Consolidated
Year of realization		
2016	(51,550)	(51,550)
2017	(23,211)	(23,271)
2018	(28,946)	(28,946)
2019	(42,073)	(42,877)
2020 onwards	(82,822)	(82,703)
	(228,602)	(229,347)

13. INVESTMENTS IN SUBSIDIARIES

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

	Época		LAC	
	2015	2014	2015	2014
Units of interest held	4,155	4,155	6,500	6,500
Current assets	16,083	10,136	27,344	21,312
Noncurrent assets	6,618	6,551	3,368	3,527
Current liabilities	9,012	5,185	8,530	6,528
Noncurrent liabilities	13,062	19,035	2,731	2,812
Capital stock	11,255	11,255	6,500	6,500
Equity	627	(7,533)	19,451	15,499
Net revenues	45,674	28,095	47,234	39,559
Net income (loss) for the year	8,160	(1,633)	5,183	4,023
	2015	2014	2015	2014
Changes in investments				
Balances at the beginning of the year	29,294	23,827	15,499	13,576
Advance for Future Capital Increase "AFAC"	-	7,100	-	-
Dividends proposed	-	-	(1,231)	(2,100)
Equity in the earnings (losses) of subsidiaries	8,160	(1,633)	5,183	4,023
Balances at the end of the year	37,454	29,294	19,451	15,499

Total investments in subsidiaries

	2015	2014
Época Cosméticos	627	(7,533)
Época Cosmeticos - goodwill	36,827	36,827
Consortium group ("LAC")	19,451	15,499
	56,905	44,793

14. INVESTMENT IN JOINT VENTURES

	Luizacred (a)		Luizaseg (b)	
	2015	2014	2015	2014
Total shares - in thousands	978	978	133,883	13,883
Direct interest percentage	50%	50%	50%	50%
Current assets	3,845,850	4,120,696	188,934	190,268
Noncurrent assets	484,162	451,520	272,202	154,572
Current liabilities	3,660,700	3,943,110	178,714	187,354
Noncurrent liabilities	106,052	67,974	77,632	79,410
Capital stock	274,624	274,624	133,884	13,884
Equity	563,260	561,132	204,790	78,076
Net revenues	1,834,284	1,746,280	383,592	330,620
Profit for the year	123,278	180,782	27,932	18,456
Changes in investments				
Balances at the beginning of the year	280,566	212,501	39,038	39,246
Capital increase	-	-	60,000	-
Dividends proposed	(60,575)	(22,327)	(10,243)	(9,818)
Other comprehensive income	-	-	(366)	382
Equity in the earnings of subsidiaries	61,639	90,392	13,966	9,228
Balances at the end of the year	281,630	280,566	102,395	39,038

Total investments in joint ventures

	2015	2014
Luizacred (a)	281,630	280,566
Luizaseg (b)	102,395	39,038
	384,025	319,604

(a) Interest of 50% of voting capital stock 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 stock 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.

15. PROPERTY AND EQUIPMENT

Accounting policy: Property and equipment are stated at the acquisition or construction cost, less related accumulated depreciation, except for land and construction in progress, plus interest rates incurred and capitalized during the properties construction phase, where applicable.
Depreciation is recognized based on the estimated useful lives of each asset or family of assets by the straight-line method, so that its residual value after its useful life is fully written off. The estimated useful life, the residual values and depreciation methods are yearly reviewed and the effect of any change in estimates is accounted for prospectively.
An item of the property and equipment is written off after being sold or when there is no future economic benefits resulting from its continued use. Gains or losses on sale or write-off are recognized in profit or loss when incurred.
The accounting policy related to the impairment of property and equipment is described in Note 4-c.
Changes in property and equipment for the years ended December 31, 2015 and 2014 are as follows:
a) Parent Company

	Balance at 12/31/2014	Additions	Depreciation	Write-offs	Transfer	Balance at 12/31/2015
Furniture and fixtures	93,689	15,410	(15,068)	(659)	756	94,128
Machinery and equipment	58,704	10,799	(4,087)	(282)	(1,077)	64,057
Vehicles	24,870	826	(8,202)	(100)	(45)	17,349
Computers and peripherals	35,987	13,500	(15,411)	(117)	530	34,489
Leasehold improvements	288,951	-	(40,246)	-	74,025	322,730
Work in progress	56,929	52,850	-	(89)	(73,920)	35,770
Other	6,228	4,874	(1,429)	(116)	(269)	9,288
	565,358	98,259	(84,443)	(1,363)	-	577,811

(Amounts in thousands of Brazilian reais - R$)

	Balance at 01/01/2014	Additions	Depreciation	Write-offs	Transfer	Balance at 12/31/2014
Furniture and fixtures	92,369	10,966	(15,836)	(856)	7,046	93,689
Machinery and equipment	51,792	12,589	(3,689)	(393)	(1,595)	58,704
Vehicles	28,702	275	(4,015)	(225)	133	24,870
Computers and peripherals	37,349	11,084	(17,421)	(306)	5,281	35,987
Leasehold improvements	285,474	-	(35,276)	(283)	39,036	288,951
Work in progress	36,195	62,059	-	(87)	(41,238)	56,929
Other	7,848	9,282	(1,314)	(925)	(8,663)	6,228
	539,729	106,255	(77,551)	(3,075)	-	565,358

	2015			2014		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Furniture and fixtures	**169,399**	**(75,271)**	**94,128**	154,927	(61,238)	93,689
Machinery and equipment	**89,904**	**(25,847)**	**64,057**	80,559	(21,855)	58,704
Vehicles	**43,102**	**(25,753)**	**17,349**	43,219	(18,349)	24,870
Computers and peripherals	**148,058**	**(113,569)**	**34,489**	136,361	(100,374)	35,987
Leasehold improvements	**569,418**	**(246,688)**	**322,730**	495,393	(206,442)	288,951
Work in progress	**35,770**	**-**	**35,770**	56,929	-	56,929
Other	**19,061**	**(9,773)**	**9,288**	14,650	(8,422)	6,228
	1,074,712	**(496,901)**	**577,811**	982,038	(416,680)	565,358

b) Consolidated

	Balance at 12/31/2014	Additions (1)	Depreciation	Write-offs	Transfer	Balance at 12/31/2015
Furniture and fixtures	93,689	**15,410**	**(15,068)**	**(659)**	**756**	**94,128**
Machinery and equipment	58,704	**10,799**	**(4,087)**	**(282)**	**(1,077)**	**64,057**
Vehicles	24,870	**826**	**(8,202)**	**(100)**	**(45)**	**17,349**
Computers and peripherals	35,987	**13,500**	**(15,411)**	**(117)**	**530**	**34,489**
Leasehold improvements	288,951	**-**	**(40,246)**	**-**	**74,025**	**322,730**
Work in progress	56,929	**52,850**	**-**	**(89)**	**(73,920)**	**35,770**
Other	7,063	**5,087**	**(1,669)**	**(164)**	**(269)**	**10,048**
	566,193	**98,472**	**(84,683)**	**(1,411)**	**-**	**578,571**

	Balance at 01/01/2014	Additions (1)	Depreciation	Write-offs	Transfer	Balance at 12/31/2014
Furniture and fixtures	92,369	10,966	(15,836)	(856)	7,046	93,689
Machinery and equipment	51,792	12,589	(3,689)	(393)	(1,595)	58,704
Vehicles	28,702	275	(4,015)	(225)	133	24,870
Computers and peripherals	37,349	11,084	(17,421)	(306)	5,281	35,987
Leasehold improvements	285,474	-	(35,276)	(283)	39,036	288,951
Work in progress	36,195	62,059	-	(87)	(41,238)	56,929
Other	8,563	9,617	(1,529)	(925)	(8,663)	7,063
	540,444	106,590	(77,766)	(3,075)	-	566,193

	2015			2014		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Furniture and fixtures	**169,399**	**(75,271)**	**94,128**	154,927	(61,238)	93,689
Machinery and equipment	**89,904**	**(25,847)**	**64,057**	80,559	(21,855)	58,704
Vehicles	**43,102**	**(25,753)**	**17,349**	43,219	(18,349)	24,870
Computers and peripherals	**148,058**	**(113,569)**	**34,489**	136,361	(100,374)	35,987
Leasehold improvements	**569,418**	**(246,688)**	**322,730**	495,393	(206,442)	288,951
Work in progress	**35,770**	**-**	**35,770**	56,929	-	56,929
Other	**21,317**	**(11,269)**	**10,048**	16,789	(9,726)	7,063
	1,076,968	**(498,397)**	**578,571**	984,177	(417,984)	566,193

(1) Investments in renovation and adaptation of store facilities were substantially financed by the Brazilian Federal Savings Bank, as detailed in Note 18. At December 31, 2015, the Company recorded R$6,549 (R$4,325 at December 31, 2014) referring to the borrowing costs capitalized to open new stores and acquire facilities and equipment. The average borrowing rate was adopted to calculate the borrowing costs that can be capitalized.

c) Depreciation rates: Annual depreciation rates are stated as follows:

	2015	2014
Furniture and fixtures	**10%**	10%
Machinery and equipment	**5%**	5%
Light vehicles	**20%**	20%
Heavy vehicles	**14.3%**	14.3%
Computers and peripherals	**20%**	20%
Leasehold improvements	**7.1%**	7.1%

At December 31, 2015, the Group had property and equipment fully depreciated in operation at the amount of R$130,064 (R$151,592 at December 31, 2014.) The Group has no idle items of the property and equipment or held for sale.

d) Asset impairment test: In the reporting years, we did not identify any event indicating the need of making calculations to assess any impairment of the property and equipment.

16. INTANGIBLE ASSETS

Accounting policy: The intangible assets with finite useful lives, represented by the amounts paid in the acquisition of new points-of-sale (goodwill), have been amortized on a straight-line basis for 10 years, a period which reflects the management's best estimate of the minimum period of occupancy in the leased property. Software refers to the corporate management system's acquisition cost, which has been amortized via the straight-line method for five years. Research expenditures are recorded as expenses when incurred, and development expenses related to the technological innovation of existing products are capitalized, if they are technologically and economically feasible, and amortized in operating expenses during the expected period of benefits. While these developments are not concluded, the balances are recorded in the "Projects in progress" line. The intangible assets acquired in a business combination mainly refer to the goodwill verified in investment acquisition represented by store chains. In the consolidated financial statements, the intangible assets acquired in a business combination and recognized separately from goodwill are recorded at fair value on the acquisition date, which corresponds to its cost. An intangible asset is written off upon sale or when there is no future economic benefits related thereto, being recognized in profit & loss when the asset is written off. The accounting policies related to the impairment of intangible assets are described in Notes 3.4 (goodwill) and 4-c (other intangible assets). Changes for the years ended December 31, 2015 and 2014 are as follows:

a) Company

	Balance at 12/31/2014	Additions	Amortization	Write-offs	Transfer	Balance at 12/31/2015
Goodwill from the acquisition of new chains	313,856	**-**	**-**	**-**	**-**	**313,856**
Goodwill	37,295	**-**	**(14,609)**	**(9)**	**11,128**	**33,805**
Software and internal development	62,020	**11,264**	**(26,237)**	**(8)**	**36,227**	**83,266**
Projects in progress	32,703	**47,321**	**-**	**(32)**	**(47,355)**	**32,637**
Trademarks and patents	102	**-**	**(44)**	**-**	**-**	**58**
Other	104	**-**	**-**	**-**	**-**	**104**
	446,080	**58,585**	**(40,890)**	**(49)**	**-**	**463,726**

(Amounts in thousands of Brazilian reais - R$)

	Balance at 01/01/2014	Additions	Amortization	Write-offs	Transfer	Balance at 12/31/2014
Goodwill from the acquisition of new chains	313,856	-	-	-	-	313,856
Goodwill	57,178	-	(19,101)	(782)	-	37,295
Software and internal development	41,907	15,794	(17,200)	-	21,519	62,020
Projects in progress	25,368	29,198	-	(344)	(21,519)	32,703
Trademarks and patents	146	-	(44)	-	-	102
Other	104	-	-	-	-	104
	438,559	44,992	(36,345)	(1,126)	-	446,080

	2015			2014		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Goodwill from the acquisition of new chains	**325,451**	**(11,595)**	**313,856**	325,451	(11,595)	313,856
Goodwill	**137,904**	**(104,099)**	**33,805**	126,776	(89,481)	37,295
Software and internal development	**187,923**	**(104,657)**	**83,266**	143,600	(81,580)	62,020
Projects in progress	**32,637**	**-**	**32,637**	32,703	-	32,703
Trademarks and patents	**212**	**(154)**	**58**	212	(110)	102
Other	**9,596**	**(9,492)**	**104**	6,428	(6,324)	104
	693,723	**(229,997)**	**463,726**	635,170	(189,090)	446,080

b) Consolidated

	Balance at 12/31/2014	Additions	Amortization	Write-offs	Transfer	Balance at 12/31/2015
Goodwill from the acquisition of new chains	350,683	**-**	**-**	**-**	**-**	**350,683**
Goodwill	39,035	**-**	**(14,610)**	**(9)**	**11,128**	**35,544**
Software and internal development	62,740	**11,812**	**(26,464)**	**(8)**	**36,227**	**84,307**
Projects in progress	32,703	**47,321**	**-**	**(32)**	**(47,355)**	**32,637**
Trademarks and patents	3,489	**-**	**(44)**	**-**	**-**	**3,445**
Other	103	**1**	**-**	**-**	**-**	**104**
	488,753	**59,134**	**(41,118)**	**(49)**	**-**	**506,720**

	Balance at 01/01/2014	Additions	Amortization	Write-offs	Transfer	Balance at 12/31/2014
Goodwill from the acquisition of new chains	350,683	-	-	-	-	350,683
Goodwill	58,918	-	(19,101)	(782)	-	39,035
Software and internal development	42,765	15,877	(17,421)	-	21,519	62,740
Projects in progress	25,368	29,198	-	(344)	(21,519)	32,703
Trademarks and patents	3,533	-	(44)	-	-	3,489
Other	103	-	-	-	-	103
	481,370	45,075	(36,566)	(1,126)	-	488,753

	2015			2014		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Goodwill from the acquisition of new chains	**362,278**	**(11,595)**	**350,683**	362,278	(11,595)	350,683
Goodwill	**139,643**	**(104,099)**	**35,544**	128,516	(89,481)	39,035
Software and internal development	**190,123**	**(105,816)**	**84,307**	145,251	(82,511)	62,740
Projects in progress	**32,637**	**-**	**32,637**	32,703	-	32,703
Trademarks and patents	**3,599**	**(154)**	**3,445**	3,599	(110)	3,489
Other	**9,596**	**(9,492)**	**104**	6,427	(6,324)	103
	737,876	**(231,156)**	**506,720**	678,774	(190,021)	488,753

Expenses related to the amortization of intangible assets are recorded under "Depreciation and amortization" in the profit or loss for the year. *Impairment tests on goodwill and intangible assets:* Goodwill and other intangible assets underwent impairment tests at December 31, 2015 and 2014. Management prepared an estimate of recoverable values or amounts in use of all assets. The impairment tests comprise the calculation of recoverable values of the Cash-Generating Units (CGUs), which correspond to the group of stores of the acquired chains to which the goodwill and the intangible assets have been allocated, as follows:

	2015 and 2014
Goodwill related to the acquisition of chains in the South region	**25,327**
Goodwill related to the acquisition of Lojas Maia	**230,579**
Goodwill related to the acquisition of New-Utd	**57,951**
Goodwill related to the acquisition of Época Cosméticos	**36,826**
Total	**350,683**

The value in use of each CGU is calculated according to the discounted cash flow method, before taxes, applying the following rates:

	Discount rate (p.a.)
Discounted cash flow	14.0% (1)
Weighted average growth rate in the first 10 years	5.2%
Perpetuity	3.5%

(1) CAPM rate (weighted average cost of capital).

The assumptions about the future cash flows and growth prospects for the geographical regions where each CGU is located is based on the Company's annual budget and business plans for the next 10 years approved by the Board of Directors, as well as comparable market data, representing the management's best estimate as to current economic conditions during the useful economic lives of the group of assets generating cash flows. From the tests performed, the Company did not identify any impairment of the goodwill recorded.

17. TRADE PAYABLES

	Company		Consolidated	
	2015	2014	2015	2014
Resale of goods - domestic market	**1,907,626**	1,799,113	**1,915,222**	1,803,367
Other trade payables	**15,092**	17,939	**16,683**	18,803
Present value adjustment	**(37,467)**	(32,150)	**(37,748)**	(32,272)
	1,885,251	1,784,902	**1,894,157**	1,789,898

A Companhia mantém convênios firmados com bancos parceiros para estruturar com os seus principais fornecedores a operação de antecipação de recebíveis dos mesmos. Nessa operação, os fornecedores transferem o direito de recebimento dos títulos para o Banco em troca do recebimento antecipado do título. O Banco, por sua vez, passa a ser credor da operação, sendo que a Companhia efetua a liquidação do título na mesma data originalmente acordada com seu fornecedor e recebe subsequentemente uma comissão do Banco por essa intermediação e confirmação dos títulos a pagar. Essa comissão é registrada como receita financeira. A operação acima realizada pela Companhia, não altera os prazos, preços e condições anteriormente estabelecidos com os fornecedores e, portanto, a Companhia a classifica na rubrica de Fornecedores. O contas a pagar ao fornecedor é registrado inicialmente ao seu valor presente com contrapartida na conta de "Estoques". A reversão do ajuste a valor presente é registrada na rubrica "Custo das mercadorias revendidas" pela fruição de prazo. Em 31 de dezembro de 2015, o saldo a pagar negociado pelos fornecedores, e com aceite do Magazine Luiza, somava R$452.092 (R$235.835 em 31 de dezembro de 2014).

(Amounts in thousands of Brazilian reais - R$)

18. BORROWINGS AND FINANCING

Type	Charge	Collaterals	Final maturity	Company		Consolidated	
				2015	2014	2015	2014
Working capital in local currency	1.43% p.a to 3.40% p.a + exchange rate	Not applicable	Mar/18	**590,491**	221,403	**590,491**	221,403
Working capital in foreign currency(a)	108.8% to 116% of CDI	Aval guarantees	Dec /19	**163,606**	483,031	**163,866**	483,423
Finance leases (b)	CDI/LIBOR	Fiduciary sale/ escrow deposits	Dec /19	**30,264**	26,713	**30,264**	26,713
Debentures - Restricted offer (d)	108.8 % to 114.5% of CDI	Credit card receivables	Mar/20	**1,016,166**	957,549	**1,016,166**	957,549
Innovation financing -FINEP (c)	4% p.a.	Bank guarantee	Dec /22	**22,523**	22,539	**22,523**	22,539
				1,823,050	1,711,235	**1,823,310**	1,711,627
Current Liabilities				**568,220**	591,051	**568,350**	591,443
Noncurrent liabilities				**1,254,830**	1,120,184	**1,254,960**	1,120,184

(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 28. (b) The Company has finance lease contracts relating to: (i) aircraft, whose contract was entered into in 2005 and expires in 2016. For this contract, R$2,382 (equivalent to US$610 thousand) was deposited in escrow, recorded in line item "Other noncurrent assets," which will be redeemed on the final maturity of the contract. This deposit is adjusted for inflation, whose corresponding entry is recorded in profit (loss) for the period; (ii) IT equipment and software, whose contracts expire in 2019. (c) 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, in the amount of R$44,968, to be released in four installments. Until December 31, 2015, the first two installments were released, totaling R$22,484. (d) The Company issued the following debentures not convertible into shares:

Issues	Guarantee	Principal Amount R$	Issue date	Final maturity	Outstanding securities	Financial charges	Company and Consolidated	
							2015	2014
1st issue - single series	Clean	200,000	12/26/2011	6/16/2017	200	113.0% of DI	**149,175**	148,915
2nd issue - 1st series	Clean	100,000	3/22/2013	3/22/2015	-	112.0% of DI	**-**	102,475
2nd issue - 2nd series	Clean	100,000	3/22/2013	3/22/2016	-	114.5% of DI	**-**	102,552
3rd issue - single series	Clean	200,000	10/21/2013	10/21/2016	20,000	108.8% of DI	**102,090**	202,858
4th issue - single series	Clean	400,000	5/30/2014	5/30/2019	40,000	112.0% of DI	**402,262**	400,749
5th issue - single series	(i)	350,000	3/17/2015	3/17/2020	35,000	113.2% of DI	**362,639**	-
							1,016,166	957,549

(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.

Amortization schedule

The amortization schedule for borrowings and financing is presented below:

Year of maturity	Company			Consolidated		
	Debt including hedge accounting	Fair value hedge Note 7	Debt excluding hedge accounting	Debt including hedge accounting	Fair value hedge Note 7	Debt excluding hedge accounting
2016	**568,220**	**(81,274)**	**486,946**	**568,350**	**(81,274)**	**487,076**
2017	**601,213**	**(36,850)**	**564,363**	**601,343**	**(36,850)**	**564,493**
2018	**328,500**	**(9,878)**	**318,622**	**328,500**	**(9,878)**	**318,622**
2019	**265,071**	**-**	**265,071**	**265,071**	**-**	**265,071**
2020	**53,419**	**-**	**53,419**	**53,419**	**-**	**53,419**
2021 onwards	**6,627**	**-**	**6,627**	**6,627**	**-**	**6,627**
Total	**1,823,050**	**(128,002)**	**1,695,048**	**1,823,310**	**(128,002)**	**1,695,308**

(Amounts in thousands of Brazilian reais - R$)

The Company entered into credit facility agreements with Banco do Nordeste do Brasil S.A. ("BNB"), aiming at renovating the stores in the Northeast region and build a new Distribution Center in the city of Candeias (BA). The agreements totaled R$68,013, at the cost of 7% p.a., scheduled to be released during 2016. Until December 31, 2015, no amount has been released. The Company maintains some loan agreements with covenants. The clauses relating to financial ratios refer to: *i. Brazilian Federal Savings Bank:* maintenance of the adjusted net debt/adjusted EBITDA ratio below 3.0 times. 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). *ii. 5th Issue of Debentures:* maintenance of the adjusted net debt/adjusted EBITDA ratio below 3.0 times. 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).
The Company is found in compliance with the above-mentioned covenants at December 31, 2015.

19. DEFERRED REVENUE

	Company and Consolidated	
	2015	**2014**
Deferred revenue with third parties:		
Exclusive dealing agreement with Cardif (a)	**176,458**	22,000
Exclusive dealing agreement with Banco Itaúcard (b)	**146,500**	159,000
Other agreements	**4,234**	6,395
	327,192	187,395
Deferred revenue from related parties:		
Exclusive dealing agreement with Luizacred (b)	**155,117**	166,205
Exclusive dealing agreement with Luizaseg (a)	**110,000**	-
	265,117	166,205
Total deferred revenue	**592,309**	353,600
Current Liabilities	**41,399**	37,734
Noncurrent liabilities	**550,910**	315,866

(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 joint venture 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. At 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. At 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.

20. PROVISION FOR TAX, CIVIL AND LABOR CONTINGENCIES

Accounting policy: The provision for tax, civil and labor contingencies is recorded based on legal opinions and the management's assessment on the lawsuits known at the end of the reporting period, for the risks deemed as probable loss. **See Note 4.g** For labor, civil and tax lawsuits in progress, on which our legal counsel's opinion 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:
Company

	Tax	Civil	Labor	Total
Balance at January 01, 2014	186,921	10,405	29,120	226,446
Additions	36,269	16,316	6,501	59,086
Reversals	(10,875)	-	(8,315)	(19,190)
Payments	(18,563)	(9,599)	(4,414)	(32,576)
Inflation Adjustments	12,459	-	-	12,459
Balance at December 31, 2014	206,211	17,122	22,892	246,225
Additions	**22,821**	**7,857**	**13,245**	**43,923**
Reversals	**(60,930)**	**-**		**(60,930)**
Payments	**(501)**	**(9,629)**	**(5,225)**	**(15,355)**
Inflation Adjustments	**16,147**	**-**	**-**	**16,147**
Balance at December 31, 2015	**183,748**	**15,350**	**30,912**	**230,010**

Consolidated

	Tax	Civil	Labor	Total
Balance at January 01, 2014	203,205	10,651	32,026	245,882
Additions	36,887	16,402	6,641	59,930
Reversals	(10,875)	(9)	(8,968)	(19,852)
Payments	(18,563)	(9,715)	(4,450)	(32,728)
Inflation Adjustments	12,459	-	-	12,459
Balance at December 31, 2014	223,113	17,329	25,249	265,691
Additions	**22,821**	**7,959**	**13,315**	**44,095**
Reversals	**(66,555)**	**(8)**	**(599)**	**(67,162)**
Payments	**(501)**	**(9,633)**	**(5,225)**	**(15,359)**
Inflation Adjustments	**16,147**	**-**	**-**	**16,147**
Balance at December 31, 2015	**195,025**	**15,647**	**32,740**	**243,412**

As of December 31, 2015, the Company's main lawsuits classified by management as probable loss based on the opinion of its legal counsel, as well as legal obligations whose amounts are deposited in court, for which the amounts were included in the provision for contingencies, are as follows:
a) Tax lawsuits: The Company discusses on an administrative and legal basis several tax claims classified as probable loss, therefore, these are accrued. They involve federal taxes, totaling R$8,950 at December 31, 2015 (R$3,570 at December 31, 2014), state taxes, totaling R$25,262 at December 31, 2015 (R$20,043 at December 31, 2014, and municipal taxes totaling R$60 (R$79 at December 31, 2014). The Company also has other lawsuits to which escrow deposits are made, as well as other provisions related to business combinations, which involve federal taxes, totaling R$149.580 at December 31, 2015 (R$182,662 at December 31, 2014) and state taxes, totaling R$11,173 at December 31, 2015 (R$16,745 at December 31, 2014). No provision of this type was recorded for municipal taxes this year (R$14 at December, 2014).
b) Civil lawsuits: Consolidated civil contingencies of R$15,647 at December 31, 2015 (R$17,329 at December 31, 2014) are related to claims filed by customers on possible product defects.

(Amounts in thousands of Brazilian reais - R$)

c) Labor lawsuits: At the labor courts, the Company is a party to various labor lawsuits, mostly claiming overtime. The accrued amount of R$32,740 at December 31, 2015 (R$25,249 at December 31, 2014) in consolidated reflects the risk of probable loss assessed by the Company's management jointly with its legal counsel. In August 2015, the Superior Labor Court (TST) issued a decision changing its position on the inflation adjustment index of labor lawsuits. As a result, labor liabilities related to lawsuits 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 its legal counsel's opinion that the obligation to settle said liabilities adjusted by the IPCA-E is not final and is, therefore, classified 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$3,493, 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 deal with tax, civil and labor contingencies, the Company has a balance in escrow deposits of R$248,450 at December 31, 2015 (R$209,648 at December 31, 2014). The Company is a party to other lawsuits that were assessed by management, based on the opinion of its legal counsel, as possible losses and, therefore, no provision was recognized for such lawsuits. The amounts related to lawsuits involving federal taxes sum up R$320,062 at December 31, 2015 (R$296,062 at December 31, 2014), in relation to state taxes these amounts sum up R$168,142 at December 31, 2015 (R$117,546 at December 31, 2014) and as to municipal taxes these amounts sum up R$690 at December 31, 2015 (R$564 at December 31, 2014). The risks of lawsuits are continuously assessed and reviewed by management. Additionally, the Company also challenges civil and labor administrative lawsuits, with chances of possible loss, whose amounts are immaterial 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.

21. EQUITY

a) Capital stock: At September 30, 2015, the Extraordinary Shareholders' Meeting (ESM) approved the reverse split of shares proposed by the Company's management, in the ratio of eight common shares to one common share. As a result, the capital stock went from 177,991,467 to 22,248,933 common shares.
At December 31, 2015, the Company's ownership structure is reported as follows:

	Number of shares	Interest %
Controlling shareholders	**15,610,501**	**70.16**
Outstanding shares	**6,263,656**	**28.16**
Treasury shares	**374,776**	**1.68**
Total	**22,248,933**	**100.00**

Shares held by controlling shareholders who are members of the Board of Directors and/or Board of Executive Officers are included under outstanding shares item.
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 fifity thousand (6,250,000) new common shares.
b) Treasury shares: On May 27, 2015, the Company's Board of Directors approved:
(i) The expiration of the Share Buyback Program created by the Company's Board of Directors on April 24, 2014 ("Program"); (ii) The cancellation of all treasury shares, i.e. 3,503,000 shares (437,875 shares after the reverse split), without decreasing the capital stock; (iii) The creation of the Company's new share buyback program, maturing on May 26, 2016. The Company has already acquired 2,998,208 shares (374,776 shares after the reverse split) of this new program, at an average cost of R$3.19 (R$25.55 after the reverse split).
c) Stock option plan: *1st Granting of the Stock Option Plan:* For this Stock Option Plan ("Plan"), the Group's management, employees or service providers are eligible to receive stock options. In the first granting of the Plan, at January 5, 2012, 2,250,000 call options (281,250 options after the reverse split) were granted for the strike price of R$10.32 (R$82.56 after the reverse split) - "Plan 1" and 1,274,732 call options (159,342 options after the reverse split) for the strike price of R$13.60 (R$108.80 after the reverse split) - "Plan 2". Both types of plans will have eight-year duration as of their grant date. The options may be exercised, fully or partially, provided that the beneficiary remains continuously binding as manager or employee of the Company, between the grant date and the dates specified as follows. For Plan 1, 20% of the options may be exercised upon granting and, from this date, other 20% of the options may be exercised every year the beneficiary is bound to the Company. For Plan 2, 20% of the options may be exercised as of March 1, 2012 and, as of this date, other 20% may be exercised every year the beneficiary is bound to the Company. These options when exercised will be settled through the delivery of the Company's equity instruments.

2nd Granting of the Stock Option Plan: The second granting of the Stock Option Plan was approved on October 25, 2013. At that occasion, 1,213,476 options (151,685 options after the reverse split) were granted and the strike price was defined at R$9.45 (R$75.60 after the reverse split). This plan will have a maximum exercise term of 12 years, as of the date of its signature, but the following grace period shall be observed: 25% of the options may be exercised as of October 29, 2014; 25% of the options may be exercised as of October 29, 2015; 25% of the options may be exercised as of October 29, 2016 and 25% of the options may be exercised as of October 29, 2017.
Fair value: Until December 31, 2015, no stock option of the first and second granting was exercised. The fair value of each option granted is estimated on the granting date by adopting the Black & Scholes pricing model, considering the following assumptions:

Assumption	1st Granting	2nd Granting
Expected average life of the options (a)	5.5 years	5.5 years
Average annualized volatility	43.5%	37.98%
Risk-free interest rate	10%	5.92%
Weighted average of fair value of options granted	R$6.65	R$6.06
Weighted average of fair value of options granted after the reverse split of shares	R$53.20	R$48.48

(a) Represents the period when the options will be exercised and takes into account the average turnover of plan's beneficiaries.
The effects of transactions with share-based payments were recorded in the profit or loss for the year, considering the fair value of stock options, resulting in an expense of R$4,664 for the year ended December 31, 2015 (R$4,663 at December 31, 2014). The following table shows the changes in the number of stock options and the strike price weighted average (MPPE):

	Before the reverse split		After the reverse split	
	Amount	MPPE	Amount	MPPE
Outstanding at January 1, 2014	4,738,208	10.98	592,276	87.84
With right barred by law in the year	(384,088)	12.14	(48,011)	97.12
Outstanding at December 31, 2014	**4,354,120**	**10.88**	**544,265**	**87.02**
With right barred by law in the year	**(73,193)**	**11.83**	**(9,149)**	**94.63**
Outstanding at December 31, 2015	**4,280,927**	**10.86**	**535,116**	**86.89**

The remaining weighted average contractual effectiveness for the remaining stock options at December 31, 2015 was 5.45 years (6.45 years at December 31, 2014). The weighted average fair value of the remaining stock options at December 31, 2015 and 2014 was R$6.50 (R$52.01 after the reverse split).
d) Legal reserve: At December 31, 2015 and 2014, the Company has recorded under this item the amount of R$16,143.
e) Dividends and interest on equity: The Company's Bylaws provides for the minimum mandatory dividend of 15% of adjusted net income pursuant to the Brazilian corporation law. In the year ended December 31, 2014, management accrued R$4,319 referring to the mandatory minimum dividend. In addition, the Company's Board of Directors approved the distribution of Interest on Equity, to be attributed to the mandatory dividend, in the amount of R$14,000. The Annual and Extraordinary Shareholders' Meeting of April 27, 2015 approved the distribution of additional dividends of R$15,166, totaling R$19,485 referring to the year 2014.
f) Earnings/loss per share: The single financial instrument the Company has that may dilute profit/loss is the stock option plan. Considering that the average market price of outstanding shares is lower than the strike price of the stock options granted, in the period between the stock option plan grants and December 31, 2015, the dilution effect of the earnings per share is not affected:
g) Dividends and interest on equity

	2015	2014
Profit (loss) for the years attributable to the Company's owners	**(65,605)**	128,556
Weighted average of common shares	**22,290**	184,553
Basic and diluted earnings per share (in Brazilian reais)	**(2.94)**	0.70 (1)

(1) After the reverse split of shares, earnings per share would have been R$5.60 per share in 2014.

(Amounts in thousands of Brazilian reais - R$)

22. NET SALES REVENUE

Accounting policy: Revenue is measured at the fair value of the consideration received or receivable, less returns, discounts and rebates and sales taxes, as follows:

Products Resale - Revenue is recognized when products are delivered and their legal ownership is transferred, also considering that the following conditions have been met: • Transfer to the buyer of significant risks and benefits related to the ownership of products; • No continued involvement in the management of products resold at level usually associated with the ownership, nor effective control over these products; • Revenue can be reliably measured; • It is likely that the economic benefits associated with the transaction may flow to the Company or to the Group; and • Costs incurred or to be incurred related to the transaction can be reliably measured.

Service revenue - is determined by the intermediation of financial services to its joint ventures and other related companies of the Company and is recognized when it is likely that significant benefits to the service rendered will flow to the Company.

Consortium management - In the subsidiary Luiza Administradora de Consórcios, revenue from management fees of the consortium groups is monthly recognized upon effective receipt of installments from the consortium members, which, for the consortium management activities, represent the effective period of service rendered.

	Company		Consolidated	
	2015	2014	2015	2014
Gross revenue:				
Retail - resale of goods	**9,916,571**	10,928,547	**9,958,361**	10,955,162
Retail - services rendered	**469,261**	483,438	**488,375**	506,163
Consortium management	**-**	-	**51,578**	43,334
	10,385,832	11,411,985	**10,498,314**	11,504,659
Taxes and returns:				
Retail - resale of goods	**(1,450,198)**	(1,655,185)	**(1,452,922)**	(1,656,985)
Retail - services rendered	**(62,789)**	(64,514)	**(62,789)**	(64,514)
Consortium management	**-**	-	**(4,344)**	(3,775)
	(1,512,987)	(1,719,699)	**(1,520,055)**	(1,725,274)
Net sales revenue	**8,872,845**	9,692,286	**8,978,259**	9,779,385

23. COST OF GOODS RESOLD AND SERVICES RENDERED

Accounting policy: Costs of resold goods and services rendered include costs related to the acquisition of goods and services rendered, less costs recovered from suppliers and recoverable ICMS tax substitution. Freight expenses related to transportation of suppliers' goods to the distribution centers ("DCs") are incorporated into the cost of goods to be resold.

	Company		Consolidated	
	2015	2014	2015	2014
Costs:				
Goods resold	**(6,369,372)**	(7,066,328)	**(6,381,571)**	(7,072,698)
Services rendered	**-**	-	**(18,059)**	(14,211)
	(6,369,372)	(7,066,328)	**(6,399,630)**	(7,086,909)

24. 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:

	Company		Consolidated	
	2015	2014	2015	2014
Personnel expenses (a)	**(979,084)**	(1,105,306)	**(982,829)**	(1,105,306)
Service providers expenses	**(637,860)**	(481,566)	**(646,589)**	(481,566)
Other	**(510,473)**	(544,054)	**(529,627)**	(577,417)
Total	**(2,127,417)**	(2,130,926)	**(2,159,045)**	(2,164,289)

(a) The Group provides its employees with benefits, such as health care insurance, dental care refund, life insurance, food ticket, transportation ticket, scholarships, in addition to the Stock Option Plan for the eligible employees, as described in Note 21. Expenses arising from these benefits recorded in 2015 was R$125,188 for the Parent company (R$126,040 in 2014) and R$126,883 in consolidated (R$127,507 in 2014). Additionally, the Group offers supplementary pension plan for all its employees. This supplementary pension plan is included in the defined contribution category, not generating any actuarial responsibility for the Group. The Group's contribution corresponds to 0.20% of the salary of participating employees and may be suspended at any time, as long as with prior notice to the participants. In 2015 and 2014, the contributions totaled R$450 and R$536, respectively. Participants can make voluntary and payroll-deductible contributions, without any consideration for the Group.

	Company		Consolidated	
	2015	2014	2015	2014
Classified by function as:				
Selling expenses	**(1,711,504)**	(1,737,443)	**(1,720,799)**	(1,746,258)
General and administrative expenses	**(431,100)**	(417,997)	**(458,479)**	(442,550)
Other operating income, net (Note 25)	**15,187**	24,514	**20,233**	24,519
	(2,127,417)	(2,130,926)	**(2,159,045)**	(2,164,289)

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

25. OTHER OPERATING INCOME, NET

	Company		Consolidated	
	2015	2014	2015	2014
Loss on sale of property and equipment	**(710)**	(1,229)	**(710)**	(1,229)
Recognition of deferred revenue (a)	**47,749**	35,358	**47,749**	35,358
Provision for tax losses	**(5,845)**	(5,302)	**(838)**	(5,302)
Non-recurring expenses (b)	**(27,886)**	(5,051)	**(27,886)**	(5,051)
Other	**1,879**	738	**1,918**	743
Total	**15,187**	24,514	**20,233**	24,519

(a) Refers to the allocation of deferred revenue from the assignment of exploration rights, as described in Note 18.
(b) Refers to pre-operating stores and provisions for social charges of previous periods due to payroll reencumbrance.

(Amounts in thousands of Brazilian reais - R$)

26. FINANCIAL INCOME (EXPENSES), NET

	Company		Consolidated	
	2015	2014	2015	2014
Finance income:				
Interest on extended warranty sales	**54,878**	63,232	**54,878**	63,232
Income from short-term financial investments and securities	**37,692**	35,310	**12,617**	6,797
Interest on sale of goods - interest on delay in receivables	**5,724**	5,292	**5,724**	5,292
Exchange gains	**95**	168	**95**	168
Discount obtained and inflation adjustments	**45,656**	18,958	**45,669**	18,958
Other	**11,314**	2,022	**11,314**	2,022
	155,359	124,982	**130,297**	96,469
Finance expenses:				
Interest on borrowings and financing	**(262,762)**	(184,765)	**(262,803)**	(184,788)
Charges on credit card advances	**(274,509)**	(219,247)	**(275,331)**	(219,774)
Provision for interest on extended warranty	**(41,803)**	(36,600)	**(41,803)**	(36,600)
Exchange losses	**(1,073)**	(463)	**(1,073)**	(463)
Other	**(35,117)**	(15,473)	**(35,342)**	(15,586)
	(615,264)	(456,548)	**(616,352)**	(457,211)
Net financial result	**(459,905)**	(331,566)	**(486,055)**	(360,742)

27. SEGMENT REPORTING

To manage its business taking into consideration its 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 Luizacred, mainly engaged in the granting of credit to the Company's customers for acquisition of products;

Insurance - through the joint venture 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, as well as of products and services offered by the Group.

Statement of income

	2015			
	Retail (*)	Financial operations	Insurance operations	Consortium management
Gross revenue	**10,455,261**	**917,142**	**191,796**	**51,578**
Revenue deductions	**(1,515,711)**	**-**	**-**	**(4,344)**
Segment net revenue	**8,939,550**	**917,142**	**191,796**	**47,234**
Costs	**(6,390,096)**	**(134,730)**	**(27,975)**	**(18,059)**
Gross profit	**2,549,454**	**782,412**	**163,821**	**29,175**
Selling expenses	**(1,720,799)**	**(319,740)**	**(132,914)**	**-**
General and administrative expenses	**(434,951)**	**(3,267)**	**(24,102)**	**(23,528)**
Allowance for doubtful accounts	**(30,462)**	**(371,934)**	**-**	**-**
Depreciation and amortization	**(125,485)**	**(6,227)**	**(3)**	**(316)**
Equity in earnings of subsidiaries	**80,788**	**-**	**-**	**-**
Other operating income	**20,175**	**(992)**	**166**	**58**
Finance income	**127,769**	**-**	**17,759**	**2,528**
Finance expenses	**(616,187)**	**-**	**(1,005)**	**(165)**
Income tax and social contribution	**84,093**	**(18,613)**	**(9,756)**	**(2,569)**
Net income (loss) for the year	**(65,605)**	**61,639**	**13,966**	**5,183**

	2015
	Retail (*)
Equity accounting reconciliation	
Equity in the earnings of LAC (Note 13)	**5,183**
Equity in the earnings of Luizacred (Note 14)	**61,639**
Equity in the earnings of Luizaseg (Note 14)	**13,966**
(=) Equity accounting of retail segment	**80,788**
(-) Elimination effect - LAC	**(5,183)**
(=) Consolidated equity in the earnings of subsidiaries	**75,605**

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

	2014			
	Retail (*)	Financial operations	Insurance operations	Consortium management
Gross revenue	11,468,744	873,140	165,310	43,334
Revenue deductions	(1,721,499)	-	-	(3,775)
Segment net revenue	9,747,245	873,140	165,310	39,559
Costs	(7,080,117)	(113,633)	(17,791)	(14,211)
Gross profit	2,667,128	759,507	147,519	25,348
Selling expenses	(1,746,258)	(288,400)	(122,747)	-
General and administrative expenses	(421,993)	(2,333)	(22,112)	(20,557)
Allowance for doubtful accounts	(22,547)	(325,521)	-	-
Depreciation and amortization	(114,017)	(6,515)	(3)	(315)
Equity in earnings of subsidiaries	103,643	-	-	-
Other operating income	24,514	11,976	149	5
Finance income	94,850	-	12,748	1,619
Finance expenses	(457,151)	-	(300)	(60)
Income tax and social contribution	387	(58,322)	(6,026)	(2,017)
Profit for the year	128,556	90,392	9,228	4,023
Equity accounting reconciliation				
Equity in the earnings of LAC (Note 13)	4,023			
Equity in the earnings of Luizaseg (Note 14)	90,392			
Equity in the earnings of Luizacred (Note 14)	9,228			
(=) Equity accounting of retail segment	103,643			
(-) Elimination effect - LAC	(4,023)			
(=) Consolidated equity in the earnings of subsidiaries	99,620			

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

(Amounts in thousands of Brazilian reais - R$)

As they are jointly-controlled operations, the "Financial operations" and "Insurance operations" segments are accounted for by the equity accounting method.

Statements of financial position

	2015			
	Retail (*)	Financial operations	Insurance operations	Consortium management
Assets				
Cash and cash equivalents	**591,223**	**3,810**	**231**	**26,242**
Securities and other financial assets	**544,351**	**8,708**	**148,243**	**-**
Trade receivables	**437,820**	**1,900,907**	**-**	**-**
Inventories of goods for resale	**1,353,092**	**-**	**-**	**-**
Investments	**403,476**	**-**	**-**	**-**
Property and equipment and intangible assets	**1,084,393**	**81,942**	**55,005**	**898**
Other	**1,165,675**	**169,639**	**27,089**	**3,572**
	5,580,030	**2,165,006**	**230,568**	**30,712**
Liabilities				
Trade payables	**1,893,119**	**-**	**1,837**	**1,038**
Borrowings and financing	**1,823,310**	**-**	**-**	**-**
Interbank deposits	**-**	**971,644**	**-**	**-**
Credit card operations	**-**	**807,641**	**-**	**-**
Insurance reserves	**-**	**-**	**103,763**	**-**
Provision for contingencies	**242,942**	**31,921**	**428**	**470**
Deferred revenue	**592,309**	**21,000**	**-**	**-**
Other	**366,138**	**51,170**	**22,145**	**9,753**
	4,917,818	**1,883,376**	**128,173**	**11,261**
Equity	**662,212**	**281,630**	**102,395**	**19,451**
Investment reconciliation				
Investments in subsidiaries				
Investment in LAC (Note 13)	**19,451**			
Investment in joint ventures				
Investment in Luizacred (Note 14)	**281,630**			
Investment in Luizaseg (Note 14)	**102,395**			
	384,025			
Total investments	**403,476**			
(-) Elimination effect - LAC	**(19,451)**			
(=) Total consolidated investment	**384,025**			

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

	2014			
	Retail (*)	Financial operations	Insurance operations	Consortium management
Assets				
Cash and cash equivalents	392,366	4,107	406	19,804
Securities and other financial assets	450,979	5,361	139,668	-
Trade receivables	623,296	2,042,635	-	-
Inventories of goods for resale	1,472,738	-	-	-
Investments	335,103	-	-	-
Property and equipment and intangible assets	1,053,948	88,086	6	998
Other	952,942	145,919	32,340	4,037
	5,281,372	2,286,108	172,420	24,839
Liabilities				
Trade payables	1,789,251	-	1,896	647
Borrowings and financing	1,711,627	-	-	-
Interbank deposits	-	1,097,614	-	-
Credit card operations	-	790,014	-	-
Insurance reserves	-	-	101,926	-
Provision for contingencies	265,260	26,389	235	431
Deferred revenue	353,600	7,500	-	-
Other payables	407,167	84,025	29,325	8,262
	4,526,905	2,005,542	133,382	9,340
Equity	754,467	280,566	39,038	15,499
Investment reconciliation				
Investments in subsidiaries				
Investment in LAC (Note 13)	15,499			
Investment in joint ventures				
Investment in Luizacred (Note 14)	280,566			
Investment in Luizaseg (Note 14)	39,038			
	319,604			
Total investments	335,103			
(-) Elimination effect in consolidated	(15,499)			
(=) Result from consolidated investment	319,604			

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

28. FINANCIAL INSTRUMENTS

Capital risk management

The objectives of capital management are to safeguard the continuous return to the Company's shareholders and benefits to other related parties, and maintain an ideal capital structure to reduce this cost and maximize its funds to allow 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. Actions are promptly taken when these balances ratio pose significant imbalance. The Company also adopts the adjusted net debt/adjusted EBITDA ratio, which in its opinion, represents the most adequate manner to measure its indebtedness, since it reflects the net consolidated financial obligations of funds available for payment, considering its operating cash generation. Adjusted EBITDA means profit before income tax and social contribution, finance income and expenses, depreciation and amortization and non-recurring operating events. The Company's capital structure is broken down as follows:

	Company		Consolidated	
	2015	2014	2015	2014
Borrowings and financing	**1,823,050**	1,711,235	**1,823,310**	1,711,627
(-) Cash and cash equivalents	**(590,400)**	(391,763)	**(617,465)**	(412,170)
(-) Securities and other financial assets	**(544,351)**	(450,979)	**(544,351)**	(450,979)
(-) Third-party credit cards (*)	**(155,017)**	(183,696)	**(158,749)**	(185,075)
(-) Related-party credit cards (*)	**(13,884)**	(12,902)	**(13,884)**	(12,902)
Adjusted net debt (*)	**519,398**	671,895	**488,861**	650,501
Equity	**662,212**	754,467	**662,212**	754,467

(*) Includes credit cards pursuant to the amendment to covenants in 2015. The adjusted net debt balance was changed for comparison purposes in 2014.

(Amounts in thousands of Brazilian reais - R$)

Categories of financial instruments

	Company		Consolidated	
	2015	2014	2015	2014
Financial assets				
Loans and receivables:				
Cash and banks	**62,503**	66,546	**63,151**	66,820
Escrow deposits	**248,450**	209,648	**248,450**	209,648
Trade receivables	**433,144**	621,605	**437,820**	623,296
Related parties	**88,140**	93,895	**86,152**	93,220
At fair value through profit or loss:				
Cash equivalents, marketable securities and other financial assets	**1,072,248**	776,196	**1,098,665**	796,329
Financial liabilities				
Amortized cost:				
Trade payables	**1,885,251**	1,784,902	**1,894,157**	1,789,898
Borrowings and financing	**1,232,559**	1,711,235	**1,232,819**	1,711,627
Related parties	**68,787**	80,525	**68,404**	80,305
Taxes paid in installments	**-**	6,504	**-**	6,504
At fair value through profit or loss:				
Borrowings and financing	**590,491**	-	**590,491**	-

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; • 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 as follows:

	Company		Consolidated		Fair value measurement
	2015	2014	2015	2014	Level
Financial assets					
Fair value through profit or loss					
Cash equivalents and marketable securities	**944,246**	776,196	**970,663**	796,329	**Level 1**
	128,002	-	**128,002**	-	**Level 2**
Financial liabilities					
Fair value through profit or loss					
Borrowings and financing	**590,491**	-	**590,491**	-	**Level 2**

Liquidity risk management: The Company's management has 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 repayment periods. This table was prepared using the undiscounted cash flows of financial liabilities.
Contractual maturity is based on the most recent date when the Group should settle the related obligations:

	Less than one year	From one to three years	Over three years	Total
Trade payables	1,894,157	-	-	**1,894,157**
Borrowings and financing	568,350	929,843	325,117	**1,823,310**
Related parties	68,404	-	-	**68,404**

Considerations on risks: The Group's businesses mainly comprise the retail sale of consumer goods, mainly home appliances, personal 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: arises from the possibility that the Group may incur losses due to non-receipt of amounts billed to their customers, whose consolidated balance amounts to R$377,389 as at December 31, 2015 (R$461,215 as at December 31, 2014). This risk is assessed by the Company as low due to the normal 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 December 31, 2015, the Group recorded past-due or uncollectible balances under "trade receivables," whose terms were renegotiated, in the amount of R$11,844 (R$15,182 as at December 31, 2014), which are included in the Group's analysis on the need to recognize an allowance for doubtful accounts.
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. 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 borrowings and financing in Brazilian reais, for which it performed a sensitivity analysis, as described in the item below. *Foreign exchange rate risk management:* the Company uses derivatives to meet its market risk management requirements, arising from mismatching between currencies and indices. 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 to identify 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 derivative (*swap*) and the hedge purpose (borrowings) during the year are recorded directly in the statement of income, as finance income (expense).
Below, a description of agreements that affected profit or loss for the year ended December 31, 2015:
Fair Value Hedge

Hedging derivative				
	Swaps			Average indexes
	Amortized cost	Adjustment MTM	Fair Value (a)	
Assets	595,224	(4,733)	590,491	**US$ + 2.90%**
Liabilities	462,489	-	462,489	**108.81% CDI**
Total	**132,735**	**(4,733)**	**128,002**	

Hedge purpose				
	Working Capital in USD			Average indexes
	Amortized cost	Adjustment MTM	Fair Value (a)	
Liabilities (a)	**595,224**	**(4,733)**	**590,491**	**US$ + 2.90%**

(a) The fair value of derivatives is determined by using a methodology normally used by market players; the present value of payments is estimated by using market curves disclosed by BM&FBOVESPA.
There were no transactions, in the reporting period, no longer classified as hedging transactions and no future commitments subject to cash flow hedge.

(Amounts in thousands of Brazilian reais - R$)

Sensitivity analysis of financial instruments: At December 31, 2015, management carried out a sensitivity analysis, considering a probable increase and scenarios of 25% and 50% increases in the expected interest rates. The probable increase scenario was measured using the future interest rates disclosed by BM&FBOVESPA and/or BACEN. The expected effects of interest expenses net of finance income of financial investments for the next three months are as follows:

	Probable Rate	Probable Scenario I	Scenario II (+ 25%)	Scenario III (+ 50%)
Interest to be incurred exposed to:				
CDI	14.75%	(52,640)	(65,800)	(78,960)
Impact on financial result, net of taxes		(34,742)	(43,428)	(52,114)

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.

29. LEASING COMMITMENTS

Accounting policy: Assets acquired through finance lease are initially recognized as property and equipment at their fair value when lease starts or, if lower, by the present value of the minimum lease payment. The corresponding liability to the lessor is stated in the financial statements as an obligation with finance lease. Assets held through finance lease are depreciated by their estimated useful lives likewise own assets or for a shorter period, where applicable, pursuant to the terms of the lease agreement under consideration. Payments referring to finance lease are distributed between financial charges and liability reduction, so that to achieve a constant interest rate in relation to the liability's remaining balance. Payments referring to operating lease are recognized as expenses by the straight-line method during the effectiveness period of the agreement, except when another system is more representative to reflect when the economic benefits from leased assets are earned. Contingent payments arising from operating lease are recognized as expenses in the year or period in which they are incurred. Operating lease - lease agreements: The Company has several property lease agreements with related parties (MTG Administração e Participações S.A. and PJD Agropastoril Ltda.) and with third parties, whose average term is five years, renewable for another five years. Management analyzed these agreements and concluded that they are classified as operating lease. These agreements establish fixed or variable lease amounts, based on a percentage over net sales, in accordance with the contractual forms. At December 31, 2015, the Company had 786 stores (756 stores in 2014) and eight leased Distribution Centers. For these lease agreements, expenses of R$287,953 were recorded in the year ended December 31, 2015 (R$262,696 at December 31, 2014).

Future commitments deriving from these adjusted agreements amount to in the following five years:

Year	Amount
2016	312,538
2017	329,955
2018	347,150
2019	365,250
2020	381,236
Total	1,736,129

Finance lease agreements

	Minimum payments	
	Company and Consolidated	
	2015	2014
Within one year	16,501	13,541
Between two and five years	16,305	17,426
Over five years	862	-
	33,668	30,967
Less: financial income not incurred	(3,404)	(4,254)
Present value of minimum payments	30,264	26,713

In 2005, the Company acquired an aircraft unit through a finance lease contract with final maturity in 2016, subject to foreign exchange variation and bearing the LIBOR rate (see further information in Note 18b). No financial instruments were contracted to hedge against the risk related to foreign exchange variations set out in such agreement. Below, the amount of assets, net of accumulated depreciation, acquired through finance lease:

Type of assets	2015	2014
Computers and peripherals	4,263	7,229
Vehicles	4,285	10,594
Software	16,862	17,339
Machinery and equipment	7,908	3,686
Other	316	362
Total	33,634	39,210

In the reported periods, we did not identify any event that could indicate the need for making calculations in order to assess any impairment of these assets.

30. STATEMENT OF CASH FLOWS

Below are the changes in equity that did not affect the Company's cash flows:

	Company		Consolidated	
	2015	2014	2015	2014
Dividends proposed by subsidiaries and joint ventures and not received	5,783	4,632	4,552	4,632
Dividends declared and Interest on equity unpaid in the year	-	18,319	-	18,319
Other comprehensive income	366	382	366	382

31. 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 liabilities.
As of 2015 and 2014, insurance coverage is as follows:

	2015	2014
Civil liability and D&O	41,000	41,000
Sundry risks - inventories and property and equipment	1,905,145	1,740,372
Vehicles	16,696	17,832
	1,962,841	1,799,204

A DIRETORIA

Contador: **Marcel Adriano Rodrigues** - CRC 1SP206024/O-9

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

A free translation from Portuguese into English of Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with International Financial Reporting Standards (IFRS), issued by International Accounting Standards Board - IASB and accounting practices adopted in Brazil.

The Shareholders, Board of Directors and Officers
Magazine Luiza S.A.
São Paulo - SP

We have audited the accompanying individual and consolidated financial statements of Magazine Luiza S.A. ("Company"), identified as Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2015 and the income statement, of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Brazilian and international standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Magazine Luiza S.A. as at December 31, 2015, and its individual and consolidated financial performance and cash flows for the year then ended in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Other matters
Statements of value added
We have also audited the individual and consolidated statements of value added for the year ended December 31, 2015, prepared under the responsibility of Company's management, the presentation of which is required by Brazilian corporation law for publicly held companies, and as supplementary information under the IFRS, whereby no statement of value added presentation is required. These statements have been subject to the same auditing procedures previously described and, in our opinion, are presented fairly, in all material respects, in relation to the overall financial statements.

São Paulo, February 26, 2016

EY
Building a better working world

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Waldyr Passetto Junior
Contador CRC-1SP173518/O-8

11

Credits and Corporate Information

#abraceonovo

11 Credits

Graphic Design, Layout and Review

Luz Publicidade

GRI Consulting

MBS Value Partners

Wording

Instituto Modo Parites

Photos

Magazine Luiza photo library

Translation

Eduão Traduções

Corporate

Information

G4-31

Contact for more information:

Investor Relations
Rua Amazonas da Silva, 27 - Vila Guilherme, Marginal Tietê, São Paulo.
CEP 02051-000
(55 11) 3504-2727
http://www.magazineluiza.com.br/ri
ri@magazineluiza.com.br

Overall Coordination
Daniela Bretthauer
Director of RI
daniela.bretthauer@magazineluiza.com.br
(55 11) 3504-2070

Kenny Damázio
Relationship Analyst with Investors
kenny.damazio@magazineluiza.com.br
(55 11) 3504-2727

Rovilson Vieira Junior
Relationship Coordinator with Investors
rovilson.junior@magazineluiza.com.br
(55 11) 3504-2102