Interim Financial Information

Magazine Luiza S.A.

June 30, 2016
with Independent Auditor's Report

Magazine Luiza S.A.

Interim financial information

June 30, 2016

Contents

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Independent auditor's report on review of interim financial information

To the Management and Shareholders of
Magazine Luiza S.A.
Franca - SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Magazine Luiza S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended June 30, 2016, which comprises the balance sheet (statement of financial position) as of June 30, 2016, and the related statement of income and comprehensive income for three- and six month-period ended on that date and the statements of changes in equity, and statements of cash flows for the six-month period then ended, including the notes to financial statements.

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

Scope of review

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

Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the quarterly financial information referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Quarterly Information Form (ITR) and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Other matters

Statements of value added

We have also reviewed the individual and consolidated interim statements of value added (SVA) for the six-month period ended June 30, 2016, prepared under the management's responsibility, the presentation of which in the interim financial information is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Financial Information (ITR), and considered supplementary information by IFRS, which do not require the presentation of an SVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

São Paulo, August 2, 2016.

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

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

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Statement of financial position
At June 30, 2016 and December 31,2015
(Amounts in thousands of Brazilian reais - R$)

		Company		Consolidated	
	Note	**06/30/2016**	**12/31/2015**	**06/30/2016**	**12/31/2015**
Assets					
Current					
Cash and cash equivalents	5	**168,811**	590,400	**197,501**	617,465
Securities and other financial assets	6 and 27	**464,845**	497,623	**464,845**	497,623
Trade receivables	7	**399,049**	430,549	**404,297**	435,225
Inventories	8	**1,297,812**	1,343,741	**1,306,703**	1,353,092
Related parties	9	**41,933**	88,140	**41,176**	86,152
Taxes recoverable	10	**295,810**	333,475	**296,916**	334,344
Other assets		**94,897**	35,531	**96,001**	36,614
Total current assets		**2,763,157**	3,319,459	**2,807,439**	3,360,515
Noncurrent assets					
Securities and other financial assets	6 and 27	**148**	46,728	**148**	46,728
Trade receivables	7	**2,032**	2,595	**2,032**	2,595
Taxes recoverable	10	**167,036**	177,295	**167,036**	177,295
Deferred income tax and social contribution	11	**238,844**	228,602	**239,686**	229,347
Escrow deposits	19	**272,951**	248,450	**272,951**	248,450
Other assets		**47,752**	51,977	**50,128**	54,291
Investments in subsidiaries	12	**63,457**	56,905	**-**	-
Investments in joint ventures	13	**368,125**	384,025	**368,125**	384,025
Property and equipment	14	**561,679**	577,811	**562,404**	578,571
Intangible assets	15	**464,925**	463,726	**508,421**	506,720
Total noncurrent assets		**2,186,949**	2,238,114	**2,170,931**	2,228,022
Total assets		**4,950,106**	5,557,573	**4,978,370**	5,588,537

	Note	Company 06/30/2016	Company 12/31/2015	Consolidated 06/30/2016	Consolidated 12/31/2015
Liabilities and equity					
Current liabilities					
Trade payables	16	**1,419,874**	1,885,251	**1,427,136**	1,894,157
Borrowings, financing and other financial liabilities	17	**902,131**	568,220	**902,261**	568,350
Payroll, vacation pay and payroll charges		**140,821**	150,419	**144,480**	153,903
Taxes payable		**27,155**	29,497	**28,464**	30,605
Related parties	9	**78,149**	68,787	**77,977**	68,404
Deferred revenue	18	**40,568**	41,399	**40,568**	41,399
Other payables		**90,948**	116,038	**93,292**	117,964
Total current liabilities		**2,699,646**	2,859,611	**2,714,178**	2,874,782
Noncurrent liabilities					
Borrowings, financing and other financial liabilities	17	**794,370**	1,254,830	**794,433**	1,254,960
Provision for tax, civil and labor contingencies	19	**252,041**	230,010	**263,387**	243,412
Deferred revenue	18	**529,314**	550,910	**529,314**	550,910
Other payables		**-**	-	**2,323**	2,261
Total noncurrent liabilities		**1,575,725**	2,035,750	**1,589,457**	2,051,543
Total liabilities		**4,275,371**	4,895,361	**4,303,635**	4,926,325
Equity	20				
Capital stock		**606,505**	606,505	**606,505**	606,505
Capital reserve		**16,798**	14,567	**16,798**	14,567
Treasury shares		**(1,092)**	(9,574)	**(1,092)**	(9,574)
Legal reserve		**16,143**	16,143	**16,143**	16,143
Profit retention reserve		**19,761**	36,199	**19,761**	36,199
Other comprehensive income		**947**	(1,628)	**947**	(1,628)
Profit for the period		**15,673**	-	**15,673**	-
Total equity		**674,735**	662,212	**674,735**	662,212
Total liabilities and equity		**4,950,106**	5,557,573	**4,978,370**	5,588,537

See accompanying notes.

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Statement of income
For the three and six-month periods ended June 30, 2016 and 2015
(Amounts in thousands of Brazilian reais - R$)

		Half-year ended				Quarter ended			
		Company		Consolidated		Company		Consolidated	
	Note	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Net sales revenue	21	**4,349,103**	4,311,734	**4,410,738**	4,359,734	**2,116,663**	2,083,102	**2,147,264**	2,107,301
Cost of goods resold and services rendered	22	**(3,025,904)**	(3,103,776)	**(3,044,688)**	(3,116,378)	**(1,454,862)**	(1,471,053)	**(1,464,778)**	(1,477,769)
Gross profit		**1,323,199**	1,207,958	**1,366,050**	1,243,356	**661,801**	612,049	**682,486**	629,532
Operating income (expenses)									
Selling	23	**(839,513)**	(822,194)	**(844,550)**	(825,734)	**(415,205)**	(402,487)	**(417,773)**	(404,406)
General and administrative	23	**(213,761)**	(208,988)	**(229,509)**	(221,798)	**(110,442)**	(106,521)	**(118,446)**	(112,756)
Doubtful account losses		**(13,236)**	(12,992)	**(13,236)**	(12,992)	**(5,521)**	(6,820)	**(5,521)**	(6,820)
Depreciation and amortization	14 and 15	**(61,555)**	(62,505)	**(61,875)**	(62,739)	**(30,813)**	(30,876)	**(30,980)**	(30,991)
Equity in earnings of subsidiaries	12 and 13	**36,167**	55,789	**30,615**	47,812	**18,759**	24,147	**15,930**	20,823
Other operating income, net	23 and 24	**(4,019)**	19,290	**(2,059)**	23,335	**5,540**	934	**6,520**	206
		(1,095,917)	(1,031,600)	**(1,120,614)**	(1,052,116)	**(537,682)**	(521,623)	**(550,270)**	(533,944)
Operating profit before financial result		**227,282**	176,358	**245,436**	191,240	**124,119**	90,426	**132,216**	95,588
Finance income		**69,037**	82,251	**53,419**	69,288	**31,513**	54,609	**24,806**	48,860
Finance expenses		**(290,888)**	(277,930)	**(291,854)**	(278,322)	**(148,717)**	(153,346)	**(149,310)**	(153,567)
Financial result	25	**(221,851)**	(195,679)	**(238,435)**	(209,034)	**(117,204)**	(98,737)	**(124,504)**	(104,707)
Operating income (loss) before income tax and social contribution		**5,431**	(19,321)	**7,001**	(17,794)	**6,915**	(8,311)	**7,712**	(9,119)
Current and deferred income tax and social contribution	11	**10,242**	25,210	**8,672**	23,683	**3,504**	11,348	**2,707**	12,156
Profit for the period		**15,673**	5,889	**15,673**	5,889	**10,419**	3,037	**10,419**	3,037
Profit attributable to:									
Owners of the Company		**15,673**	5,889	**15,673**	5,889	**10,419**	3,037	**10,419**	3,037
Earnings per share									
Basic and diluted (R$ per share)		**0.72**	0.27	**0.72**	0.27	**0.48**	0.14	**0.48**	0.14

See accompanying notes.

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Statement of comprehensive income
For the three and six-month periods ended June 30, 2016 and 2015
(Amounts in thousands of Brazilian reais - R$)

	Half-year ended		Quarter ended	
	Company and Consolidated		Company and Consolidated	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Profit for the period	**15,673**	5,889	**10,419**	3,037
Other comprehensive income deriving from previous periods:				
Available-for-sale financial assets deriving from investments				
Available-for-sale financial assets	**(2,959)**	(2,103)	**435**	(2,126)
Tax effect	**1,331**	841	**(196)**	850
Total	**(1,628)**	(1,262)	**239**	(1,276)
Other comprehensive income:				
Available-for-sale financial assets, deriving from investments				
Available-for-sale financial assets	**4,681**	238	**1,287**	261
Tax effect	**(2,106)**	(95)	**(579)**	(104)
Total	**2,575**	143	**708**	157
Statement of comprehensive income	**947**	(1,119)	**947**	(1,119)
Total other comprehensive income for the period, net of taxes	**16,620**	4,770	**11,366**	1,918
Attributable to:				
Controlling shareholders:	**16,620**	4,770	**11,366**	1,918

See accompanying notes.

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Statement of changes in equity
For the SIX-month periods ended June 30, 2016 and 2015
(Amounts in thousands of Brazilian reais - R$)

	Note	Capital stock	Capital reserve	Treasury shares	Legal reserve	Profit retention reserve	Profit for the period	Other comprehensive income	Total
Balances at January 01, 2015		606,505	10,103	(20,195)	16,143	143,173	-	(1,262)	754,467
Stock option plan		-	2,232	-	-	-	-	-	2,232
Treasury shares		-	-	(11,234)	-	-	-	-	(11,234)
Cancelation of treasury shares		-	-	26,203	-	(26,203)	-	-	-
Additional dividends proposed		-	-	-		(15,166)	-	-	(15,166)
Profit for the period		-	-	-	-	-	5,889	-	5,889
		606,505	12,335	(5,226)	16,143	101,804	5,889	(1,262)	736,188
Other comprehensive income:									
Financial instruments adjustment		-	-	-	-	-	-	143	143
Balances at June 30, 2015		**606,505**	**12,335**	**(5,226)**	**16,143**	**101,804**	**5,889**	**(1,119)**	**736,331**
Balances at December 31,2015		**606,505**	**14,567**	**(9,574)**	**16,143**	**36,199**	**-**	**(1,628)**	**662,212**
Stock option plan		**-**	**2,231**	**-**	**-**	**-**	**-**	**-**	**2,231**
Cancelation of treasury shares		**-**	**-**	**16,438**	**-**	**(16,438)**	**-**	**-**	**-**
Additional dividends proposed		**-**	**-**	**(7,956)**	**-**	**-**	**-**	**-**	**(7,956)**
Profit for the period		**-**	**-**	**-**	**-**	**-**	**15,673**	**-**	**15,673**
		606,505	**16,798**	**(1,092)**	**16,143**	**19,761**	**15,673**	**(1,628)**	**672,160**
Other comprehensive income:									
Financial instruments adjustment	13	**-**	**-**	**-**	**-**	**-**	**-**	**2,575**	**2,575**
Balances at June 30, 2016		**606,505**	**16,798**	**(1,092)**	**16,143**	**19,761**	**15,673**	**947**	**674,735**

See accompanying notes.

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Statement of cash flows
For the six-month period ended June 30, 2016 and 2015
(Amounts in thousands of Brazilian reais - R$)

	Note	Company		Consolidated	
		06/30/2016	06/30/2015	06/30/2016	06/30/2015
Cash flow from operating activities					
Profit for the period		**15,673**	5,889	**15,673**	5,889
Adjustments to reconcile profit for the period to cash generated from operating activities					
Income tax and social contribution expenses recognized in P&L	11	**(10,242)**	(25,210)	**(8,672)**	(23,683)
Depreciation and amortization	14 and 15	**61,555**	62,505	**61,875**	62,739
Interest rate accrued over borrowings and financing		**123,099**	115,564	**123,116**	115,588
Yield on securities		**(17,693)**	(14,381)	**(17,693)**	(14,381)
Equity in the earnings (losses) of subsidiaries	12 and 13	**(36,167)**	(55,789)	**(30,615)**	(47,812)
Changes in allowance for asset losses		**52,784**	80,691	**53,216**	80,691
Provision for tax, civil and labor contingencies	19	**29,372**	(105)	**27,451**	(4,902)
Gains (losses) on sale, net of write-off of property and equipment	24	**348**	364	**348**	364
Appropriation of deferred revenue	24	**(20,237)**	(31,374)	**(20,237)**	(31,374)
Stock option plan expenses		**2,231**	2,232	**2,231**	2,232
Adjusted profit for the period		**200,723**	140,386	**206,693**	145,351
(Increase) decrease in operating assets:					
Receivables		**10,772**	166,141	**10,200**	165,245
Securities		**-**	-	**7,380**	234,715
Inventories		**14,436**	134,341	**14,464**	134,825
Related parties		**26,659**	36,135	**25,428**	36,184
Taxes recoverable		**47,924**	(54,568)	**47,687**	(54,814)
Other assets		**(77,541)**	(78,366)	**(77,624)**	(78,486)
Changes in operating assets		**22,250**	203,683	**27,535**	437,669
Increase (decrease) in operating liabilities:					
Trade payables		**(465,377)**	(614,325)	**(467,021)**	(614,788)
Payroll, vacation pay and related charges		**(9,598)**	(22,136)	**(9,423)**	(21,669)
Taxes payable		**(2,342)**	(20,289)	**(2,691)**	(20,381)
Related parties		**9,362**	(23,044)	**9,573**	(23,105)
Other payables		**(8,439)**	(24,693)	**(8,094)**	(25,415)
Changes in operating liabilities		**(476,394)**	(704,487)	**(477,656)**	(705,358)
Income tax and social contribution paid		**-**	-	**(1,117)**	(1,162)
Dividends received from subsidiaries		**53,638**	64,026	**53,638**	64,026
Cash flow deriving from (used) in operating activities		**(199,783)**	(296,392)	**(190,907)**	(59,474)
Cash flow deriving from (used) in operating activities					
Cash flows from investing activities	14	**(28,215)**	(38,269)	**(28,304)**	(38,392)
Purchase of property and equipment	15	**(20,856)**	(31,736)	**(21,554)**	(31,736)
Purchase of intangible assets		**(707,030)**	(301,550)	**-**	-
Investments in exclusive investment fund		**714,410**	536,265	**-**	-
Redemptions in exclusive investment fund		**(11,182)**	-	**(11,182)**	-
Capital increase in subsidiary		**(1,000)**	(5,000)	**-**	(5,000)
Cash flow (used in) deriving from investing activities		**(53,873)**	159,710	**(61,040)**	(75,128)
Cash flow from financing activities					
Borrowings and financing		**192,983**	669,920	**192,983**	669,920
Payment of borrowings and financing		**(227,915)**	(579,065)	**(227,981)**	(579,131)
Repayment of interest on borrowings and financing		**(125,045)**	(97,000)	**(125,063)**	(97,024)
Payment of dividends		**-**	(33,485)	**-**	(33,485)
Treasury shares acquired		**(7,956)**	(10,711)	**(7,956)**	(10,711)
Cash flow deriving from (used in) financing activities		**(167,933)**	(50,341)	**(168,017)**	(50,431)
Decrease in cash and cash equivalents		**(421,589)**	(187,023)	**(419,964)**	(185,033)
Cash and cash equivalents at the beginning of the period		**590,400**	391,763	**617,465**	412,170
Cash and cash equivalents at the end of the period		**168,811**	204,740	**197,501**	227,137
Decrease in cash and cash equivalents		**(421,589)**	(187,023)	**(419,964)**	(185,033)

See accompanying notes.

Magazine Luiza S.A.

Statement of value added
For the six-month period ended June 30, 2016 and 2015
(Amounts in thousands of Brazilian reais - R$)

	Company		Consolidated	
	06/30/2016	**06/30/2015**	**06/30/2016**	**06/30/2015**
Revenue				
Goods and products sold and services rendered	**4,986,227**	4,806,348	**5,053,434**	4,857,247
Allowance for doubtful accounts, net of reversals	**(13,236)**	(12,992)	**(13,236)**	(12,992)
Other operating revenue	**20,370**	51,048	**22,331**	55,046
	4,993,361	4,844,404	**5,062,529**	4,899,301
Inputs acquired from third parties				
Cost of products and goods sold and services rendered	**(3,300,335)**	(3,350,606)	**(3,318,972)**	(3,363,249)
Material, electricity, outsourced services and other	**(443,289)**	(463,895)	**(454,984)**	(472,298)
Impairment of assets	**(31,492)**	(44,537)	**(31,742)**	(44,537)
	(3,775,116)	(3,859,038)	**(3,805,698)**	(3,880,084)
Gross value added	**1,218,245**	985,366	**1,256,831**	1,019,217
Depreciation and amortization	**(61,555)**	(62,505)	**(61,875)**	(62,739)
Net value added generated by the entity	**1,156,690**	922,861	**1,194,956**	956,478
Value added received through transfer				
Equity in earnings of subsidiaries	**36,167**	55,789	**30,615**	47,812
Finance income	**69,037**	82,251	**53,419**	69,288
Total value added to distribute	**1,261,894**	1,060,901	**1,278,990**	1,073,578
Distribution of value added				
Personnel and charges:				
Direct compensation	**334,475**	362,246	**340,741**	367,838
Benefits	**65,595**	66,085	**66,288**	66,698
Government Severance Indemnity Fund for Employees (FGTS)	**38,892**	36,753	**39,485**	37,176
	438,962	465,084	**446,514**	471,712
Taxes, fees and contributions:				
Federal	**55,432**	44,670	**59,959**	48,698
State	**290,797**	110,105	**293,904**	110,842
Municipal	**19,017**	18,649	**19,782**	19,330
	365,246	173,424	**373,645**	178,870
Value distributed to providers of capital:				
Interest	**271,983**	242,237	**272,804**	242,559
Rentals	**154,113**	138,573	**154,367**	138,796
Other	**15,917**	35,694	**15,987**	35,752
	442,013	416,504	**443,158**	417,107
Value distributed to shareholders:				
Retaining earnings	**15,673**	5,889	**15,673**	5,889
	1,261,894	1,060,901	**1,278,990**	1,073,578

See accompanying notes.

1. Operations

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

At June 30, 2016, the Company and its subsidiaries owned 787 stores (786 stores on December 31, 2015) and nine distribution centers (nine distribution centers on December 31, 2015), 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.

The interim financial information was approved and the Board of Directors authorized its publication on August 2, 2016.

2. Presentation and preparation of the interim financial information

2.1. Accounting practices

The interim financial information is presented in Brazilian reais (R$), which is the Company’s functional and reporting currency.

The individual and consolidated interim financial information has been prepared according to the Brazilian Accounting Pronouncement CPC 21 (R1) (Interim Financial Reporting) and the international standard IAS 34 and presented in conformity with the standards issued by the Brazilian Securities and Exchange Commission.

The accounting practices, policies and main judgments and sources of uncertainties on the estimates adopted when preparing the Company and Consolidated interim financial information are consistent with those adopted and disclosed in notes 3, 4, 6, 8, 9, 12, 15, 16, 20, 22, 23 and 29 of the financial statements for the year ended December 31, 2015, which were made available on February 29, 2016.

In view of the above mentioned, the interim financial information must be read jointly with the financial statements for the year ended December 31, 2015.

2. Presentation and preparation of the interim financial information (Continued)

2.1. Accounting practices (Continued)

The Statement of Value Added (“DVA”) is intended to evidence the wealth created by the Company and its distribution during certain period and is presented pursuant to Brazilian Corporation Law, since it is neither required nor mandatory statement under the IFRS.

The non-financial information included in this interim financial information, such as the number of stores and distribution centers, amongst others, was not submitted to an audit, or review by our independent auditors.

3. New standards, amendments and interpretations of standards

Regarding the accounting pronouncements and interpretations in effect as at December 31, 2015, there were no significant changes for the interim information in relation to that disclosed in Note 5 to the financial statements of December 31, 2015. Regarding the accounting pronouncements and interpretations in effect as of January 1, 2016, as disclosed in Note 5 to the financial statements of December 31, 2015, there are no significant impacts for the Company and its subsidiaries.

4. Notes included in the financial statements as of December 31, 2015 not presented in this interim financial information

This interim financial information is presented in conformity with CPC 21 (R1) and IAS 34 Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and the provisions set forth by CVM Circular Letter SNC/SEP 003/2011, of April 28, 2011. The preparation of this interim financial information requires the Company’s management to make judgments on the relevance and changes that should be disclosed in explanatory notes. Accordingly, this interim financial information includes selected explanatory information and does not comprise all the explanatory information presented in the financial statements for the fiscal year ended December 31, 2015. As permitted by CVM Circular Letter 03/2011, the following explanatory information and its reference to the financial statements as of December 31, 2015 are no longer reported:

- Leasing (Note 29);
- Statements of cash flows (Note 30).

(Amounts in thousands of Brazilian reais - R$)

5. Cash and cash equivalents

	Rates	Company 6/30/2016	Company 12/31/2015	Consolidated 6/30/2016	Consolidated 12/31/2015
Cash		**34,192**	31,646	**34,198**	31,651
Banks		**14,189**	30,857	**14,591**	31,500
Bank deposit certificates	From 80% to 105% of CDI	**119,819**	527,316	**136,357**	542,893
Non-exclusive investment funds	102% of CDI	**611**	581	**12,355**	11,421
Total cash and cash equivalents		**168,811**	590,400	**197,501**	617,465

6. Securities and other financial assets

Financial assets	Rates	Company and Consolidated 6/30/2016	Company and Consolidated 12/31/2015
Securities			
Non-exclusive investment funds	105% of CDI	**9,665**	6,319
Exclusive investment funds:	(a)		
Debentures		**1,386**	1,375
Federal government securities and repo operations		**409,326**	387,394
Time deposits and other securities		**6,284**	21,261
	Note 9-a	**416,996**	410,030
Total securities		**426,661**	416,349
Other financial assets - at fair value through profit or loss			
Swap receivable - Fair value hedge	(b)	**38,332**	128,002
Total securities and other financial assets		**464,993**	544,351
Current assets		**464,845**	497,623
Noncurrent assets		**148**	46,728

(a) Considers the exclusive fixed income investment funds. At June 30, 2016, the portfolio was distributed into the investment types described in the table above, which are linked to financial operations 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 27.

(Amounts in thousands of Brazilian reais - R$)

7. Trade receivables

	Company		Consolidated	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**
Trade receivables:				
Credit cards (a)	**171,108**	155,017	**174,859**	158,749
Debit cards (a)	**3,316**	8,061	**3,316**	8,061
Own installment plan (b)	**87,881**	106,252	**87,877**	106,305
Additional warranty agreements and other insurance (c)	**66,869**	104,274	**66,869**	104,274
Total trade receivables	**329,174**	373,604	**332,921**	377,389
Arising from sales agreements (d)	**123,266**	126,974	**124,784**	127,904
Allowance for doubtful accounts	**(33,161)**	(46,640)	**(33,161)**	(46,640)
Present value adjustment	**(18,198)**	(20,794)	**(18,215)**	(20,833)
Total receivables	**401,081**	433,144	**406,329**	437,820
Current assets	**399,049**	430,549	**404,297**	435,225
Noncurrent assets	**2,032**	2,595	**2,032**	2,595

The average term to receive trade receivables is 13 days in the Company and Consolidated. Receivables were assigned to secure borrowings for R$109,586 on June 30, 2016 (R$109,588 as of December 31, 2015), 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 June 30, 2016, the Company had credits granted to financial institutions totaling R$1,422,497 (R$1,417,827 as of December 31, 2015), where a discount between 105.0% and 108.0% of CDI is applied, which is recognized in profit or loss under “Financial expenses.” The Company, through assignment of card receivables 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) Refer to receivables from sales financed by the Company.

(c) These sales are intermediated by the Company on behalf of Luizaseg and Cardif. The Company allocates to its partner companies the extended warranty amount and other insurance, in full, in the month following the sale and receives from customers according to the transaction term.

(d) Refer 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).

(Amounts in thousands of Brazilian reais - R$)

7. Trade receivables (Continued)

Changes in the allowance for doubtful accounts are as follows:

	Company and Consolidated	
	6/30/2016	**12/31/2015**
Balance at the beginning of the period/year	**(46,640)**	(49,511)
(+) Additions	**(21,291)**	(72,265)
(-) Write-offs	**34,770**	75,136
Balance at the end of the period/year	**(33,161)**	(46,640)

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

	Trade receivables				Receivables from Sales Agreements			
	Company		Consolidated		Company		Consolidated	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**	**6/30/2016**	**12/31/2015**	**6/30/2016**	**12/31/2015**
Falling due:								
Up to 30 days	**47,637**	81,197	**50,613**	83,487	**51.866**	29,395	**53.384**	30,325
Between 31 and 60 days	**29,910**	54,729	**30,051**	55,689	**35.386**	64,818	**35.386**	64,818
Between 61 and 90 days	**21,881**	44,619	**21,958**	45,096	**12.240**	30,609	**12.240**	30,609
Between 91 and 180 days	**42,249**	86,177	**42,772**	86,235	**13.489**	181	**13.489**	181
Between 181 and 360 days	**158,474**	67,184	**158,504**	67,184	**-**	18	**-**	18
Over 361 days	**3,868**	4,319	**3,868**	4,319	**-**	-	**-**	-
	304,019	338,225	**307,766**	342,010	**112.981**	125,021	**114.499**	125,951
Past-due:								
Up to 30 days	**5,868**	7,223	**5,868**	7,223	**5.724**	714	**5.724**	714
Between 31 and 60 days	**3,890**	6,192	**3,890**	6,192	**900**	68	**900**	68
Between 61 and 90 days	**3,775**	5,991	**3,775**	5,991	**1.211**	310	**1.211**	310
Between 91 and 180 days	**11,622**	15,973	**11,622**	15,973	**2.450**	861	**2.450**	861
	25,155	35,379	**25,155**	35,379	**10.285**	1,953	**10.285**	1,953
Total	**329,174**	373,604	**332,921**	377,389	**123.266**	126,974	**124.784**	127,904

(Amounts in thousands of Brazilian reais - R$)

8. Inventories

.	Company		Consolidated	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**
Resale goods	**1,321,700**	1,362,818	**1,331,023**	1,372,169
Consumption material	**9,392**	11,314	**9,392**	11,314
Provision for losses	**(33,280)**	(30,391)	**(33,712)**	(30,391)
Total	**1,297,812**	1,343,741	**1,306,703**	1,353,092

At June 30, 2016, the Company has revolving inventories assigned as guarantee in legal lawsuits in progress, totaling approximately R$2,353 (R$2,353 at December 31, 2015).

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

	Company		Consolidated	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**
Balance at the beginning of the period/year	**(30,391)**	(20,828)	**(30,391)**	(20,828)
Provision	**(31,493)**	(64,807)	**(31,925)**	(64,807)
Inventories sold or disposed of	**28,604**	55,244	**28,604**	55,244
Balance at the end of the period/year	**(33,280)**	(30,391)	**(33,712)**	(30,391)

(Amounts in thousands of Brazilian reais - R$)

9. Related parties

a) Balances from related parties

	Company		Consolidated	
Current assets	**6/30/2016**	**12/31/2015**	**6/30/2016**	**12/31/2015**
Commissions on services				
Joint ventures:				
Luizacred (i)	**11,889**	14,742	**11,889**	14,742
Luizaseg (ii)	**21,384**	34,233	**21,384**	34,233
	33,273	48,975	**33,273**	48,975
Subsidiaries:				
Luiza Administradora de Consórcios (“LAC”) (iii)	**757**	757	**-**	-
Reimbursement of expenses and costs with consortium draws				
Consortium Group (“LAC”) (iii)	**105**	249	**105**	249
Dividends receivable:				
Luizacred (i)	**1,235**	1,235	**1,235**	1,235
Luizaseg (ii)	**-**	3,317	**-**	3,317
Luiza Administradora de Consórcios (“LAC”) (iii)	**-**	1,231	**-**	-
	1,235	5,783	**1,235**	4,552
Balance receivable from credit card sales and accounts receivable by CDC:				
Luizacred - CDC (i)	**1,513**	3,492	**1,513**	3,492
Luizacred - Credit card (i)	**5,050**	13,884	**5,050**	13,884
	6,563	17,376	**6,563**	17,376
Other receivables:				
Luizacred (i)	**-**	15,000	**-**	15,000
Total	**41,933**	88,140	**41,176**	86,152
Securities				
Investment Funds (vii)	**416,996**	410,030	**416,996**	410,030

	Company		Consolidated	
Current liabilities	**6/30/2016**	**12/31/2015**	**6/30/2016**	**12/31/2015**
Transfers of receivables from services and accounts payable:				
Joint ventures:				
Luizacred (i)	**14,684**	22,374	**14,685**	22,374
Luizaseg (ii)	**32,671**	43,432	**32,670**	43,432
	47,355	65,806	**47,355**	65,806
Subsidiaries:				
Consortium Group (“LAC”) (iii)	**535**	806	**535**	806
Campos Floridos Comércio de Cosméticos Ltda. (viii)	**205**	383	**-**	-
	740	1,189	**535**	806
Rentals payable and other transfers				
Controlled by the Company’s controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (iv)	**1,698**	1,752	**1,700**	1,752
PJD Agropastoril Ltda. (vi)	**41**	40	**72**	40
	1,739	1,792	**1,772**	1,792
Payables relating to advertising campaigns:				
ETCO - Special Partnership (v)	**28,315**	-	**28,315**	-
Total	**78,149**	68,787	**77,977**	68,404

(Amounts in thousands of Brazilian reais - R$)

9. Related-party transactions (Continued)

b) Related-party transactions

	Half-year ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Income from service intermediation commissions								
Joint ventures:								
Luizacred (i)	**60,265**	65,789	**60,265**	65,789	**28,695**	30,390	**28,695**	30,390
Luizaseg (ii)	**117,097**	142,122	**117,097**	142,122	**55,862**	74,209	**55,862**	74,209
	177,362	207,911	**177,362**	207,911	**84,557**	104,599	**84,557**	104,599
Subsidiaries:								
Luiza Administradora de Consórcios (“LAC”) (iii)	**4,411**	4,114	**-**	-	**2,233**	2,137	**-**	-
Revenue from return on exclusive fund:								
Investment Funds (vii)	**17,257**	14,060	**17,257**	14,060	**7,574**	6,332	**7,574**	6,332
Reimbursement of shared expenses								
Joint venture:								
Luizacred (i)	**26,371**	34,574	**26,371**	34,574	**13,204**	17,412	**13,204**	17,412
Total revenues	**225,401**	260,659	**220,990**	256,545	**107,568**	130,480	**105,335**	128,343

	Half-year ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Costs related to the acquisition of goods								
Campos Floridos Comércio de Cosméticos Ltda. (viii)	**(3,478)**	(2,545)	**-**	-	**(829)**	(1,415)	**-**	-
Total costs	**(3,478)**	(2,545)	**-**	-	**(829)**	(1,415)	**-**	-

(Amounts in thousands of Brazilian reais - R$)

9. Related-party transactions (Continued)

b) Related-party transactions (Continued)

	Half-year ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	6/30/2016	**6/30/2015**	**6/30/2016**	**6/30/2015**	**6/30/2016**	**6/30/2015**	**6/30/2016**	**6/30/2015**
Office building rental expenses								
Controlled by the Company's controlling shareholders:								
MTG Administração, Assessoria e Participações S.A. (iv)	**(10,028)**	(7,765)	**(10,041)**	(7,765)	**(4,886)**	(3,659)	**(4,899)**	(3,659)
PJD Agropastoril Ltda. (vi)	**(242)**	(220)	**(419)**	(220)	**(122)**	(111)	**(293)**	(111)
	(10,270)	(7,985)	**(10,460)**	(7,985)	**(5,008)**	(3,770)	**(5,192)**	(3,770)
Freight expenses								
PJD Agropastoril Ltda. (vi)	**(1,104)**	(1,242)	**(1,104)**	(1,242)	**(498)**	(581)	**(412)**	(581)
Credit card anticipation charge expenses:								
Luizacred (i)	**(64,365)**	(47,315)	**(64,365)**	(47,315)	**(33,477)**	(26,216)	**(33,477)**	(26,216)
Advertising campaign expenses								
Controlled by the Company's controlling shareholders:								
ETCO - Special Partnership (v)	**(76,151)**	(155,290)	**(76,151)**	(155,290)	**(35,974)**	(71,105)	**(35,974)**	(71,105)
Total expenses	**(151,890)**	(211,832)	**(152,080)**	(211,832)	**(74,957)**	(101,672)	**(75,055)**	(101,672)

(i) Transactions with Luizacred, 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");

9. Related-party transactions (Continued)

b) Related-party transactions (Continued)

(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, recommendation of insurance associated to financial products and services. Access to telecommunication systems and network, in addition to storage and availability of physical space in the points-of-sale. The amounts payable (current liabilities) refer to the receipt of customers' installments by the Company's store cashiers, which are transferred to Luizacred on D+1;

(d) Balance receivable referring to Luizacred's dividend proposal;

(ii) The amounts receivable (current assets) and revenues of Luizaseg, subsidiary jointly controlled with NCVP Participações Societárias S.A., a subsidiary of Cardif do Brasil Seguros e Previdência S.A., arise from commissions on services monthly provided by the Company, relating to the sale of extended warranties and proposed dividends. The amounts payable (current liabilities) refer to the transfers of extended warranties sold to Luizaseg, in full, in the month following the sale.

(iii) The amounts receivable (current assets) of LAC, wholly-owned subsidiary, refers to dividends proposed and 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 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.

(Amounts in thousands of Brazilian reais - R$)

9. Related-party transactions (Continued)

c) Management Compensation

	6/30/2016		6/30/2015	
	Board of Directors	**Statutory Board of Executive Officers**	**Board of Directors**	**Statutory Board of Executive Officers**
Fixed and variable compensation	**1,294**	**3,349**	207	4,141
Stock option plan	**1,227**	**431**	193	1,465

The Company does not grant post-employment benefits, severance benefits, or other long-term benefits. Short-term benefits to the Statutory Board of Executive Officers are the same to other employees of the Company. The Company has an internal policy to pay profit sharing to its employees. These amounts are being provisioned on a monthly basis by the Company, in accordance with target achievement estimates. On April 18, 2016, the Company's Board of Directors approved management's overall compensation for the fiscal year ended December 31, 2016, where a maximum limit for management's overall compensation is estimated at R$15,598.

10. Recoverable taxes

	Company		Consolidated	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**
Recoverable ICMS (a)	**420,261**	450,115	**420,261**	450,115
Recoverable income tax and social contribution	**2,461**	2,461	**2,463**	2,463
Withholding income tax recoverable	**21,618**	23,853	**21,627**	23,878
PIS and COFINS recoverable	**17,024**	32,859	**18,119**	33,701
Other	**1,482**	1,482	**1,482**	1,482
	462,846	510,770	**463,952**	511,639
Current assets	**295,810**	333,475	**296,916**	334,344
Noncurrent assets	**167,036**	177,295	**167,036**	177,295

(a) These refer to ICMS accumulated credits and credits arising from the ST ("tax prepayment at the beginning of the production chain") 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.

(Amounts in thousands of Brazilian reais - R$)

11. Income tax and social contribution

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

	Half-year ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Income (loss) before income tax and social contribution	**5,431**	(19,321)	**7,001**	(17,794)	**6,915**	(8,311)	**7,712**	(9,119)
Nominal statutory rate	**34%**	34%	**34%**	34%	**34%**	34%	**34%**	34%
Expected income tax and social contribution credit (debit) at statutory rates	**(1,847)**	6,569	**(2,380)**	6,050	**(2,351)**	2,826	**(2,622)**	3,100
Reconciliation for effective rate (effects of applying tax rates):								
Exclusion - equity in the earnings (losses) of subsidiaries	**12,297**	18,968	**10,409**	16,256	**6,378**	8,210	**5,416**	7,080
Other permanent exclusions, net	**(208)**	(327)	**643**	1,377	**(523)**	312	**(87)**	1,976
Debit from income tax and social contribution	**10,242**	25,210	**8,672**	23,683	**3,504**	11,348	**2,707**	12,156
Current	**-**	-	**(1,667)**	(1,468)	**-**	-	**(843)**	850
Deferred	**10,242**	25,210	**10,339**	25,151	**3,504**	11,348	**3,550**	11,306
Total	**10,242**	25,210	**8,672**	23,683	**3,504**	11,348	**2,707**	12,156
Effective tax rate	**188.6%**	130.5%	**123.9%**	133.1%	**50.7%**	136.5%	**35.1%**	133.3%

(Amounts in thousands of Brazilian reais - R$)

11. Income tax and social contribution (Continued)

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

	Company		Consolidated	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**
Deferred income tax and social contribution assets:				
Tax losses and social contribution tax loss carryforwards	**165,450**	146,684	**165,864**	147,170
Allowance for doubtful accounts	**11,275**	15,857	**11,275**	15,857
Provision for inventory losses	**11,315**	10,333	**11,461**	10,393
Provision for present value adjustment	**6,754**	7,194	**6,767**	7,194
Provision for tax, civil and labor contingencies	**85,694**	78,203	**85,943**	78,402
Other provisions	**3,794**	4,821	**3,814**	4,821
	284,282	263,092	**285,124**	263,837
Deferred income tax and social contribution liabilities:				
Amortization of intangible assets	**(37,810)**	(34,490)	**(37,810)**	(34,490)
Escrow deposits	**(4,423)**	-	**(4,423)**	-
Other provisions	**(3,205)**	-	**(3,205)**	-
	(45,438)	(34,490)	**(45,438)**	(34,490)
Deferred income tax and social contribution	**238,844**	228,602	**239,686**	229,347

12. Investments in subsidiaries

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

	Época		LAC	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**
Units of interest held	**4,155**	4,155	**6,500**	6,500
Current assets	**15,660**	16,083	**29,584**	27,344
Noncurrent assets	**6,875**	6,618	**3,737**	3,368
Current liabilities	**7,559**	9,012	**7,935**	8,530
Noncurrent liabilities	**10,675**	13,062	**3,057**	2,731
Capital stock	**12,255**	11,255	**6,500**	6,500
Equity	**4,301**	627	**22,329**	19,451
Net revenues	**27,076**	45,674	**25,191**	47,234
Net income for the period/year	**2,674**	8,160	**2,878**	5,183

Changes in investments	Época		LAC	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**
Balances at the beginning of the period	**37,454**	29,294	**19,451**	15,499
Advance for future capital increase "AFAC"	**1,000**	-	**-**	-
Dividends proposed	**-**	-	**-**	(1,231)
Equity in the earnings (losses) of subsidiaries	**2,674**	8,160	**2,878**	5,183
Balance at end of period	**41,128**	37,454	**22,329**	19,451

12. Investments in subsidiaries (Continued)

Total investments in subsidiaries

	6/30/2016	12/31/2015
Época Cosméticos	**4,301**	627
Época Cosméticos - goodwill	**36,827**	36,827
Consortium group ("LAC")	**22,329**	19,451
	63,457	56,905

13. Investment in joint ventures

	Luizacred (a)		Luizaseg (b)	
	6/30/2016	12/31/2015	6/30/2016	12/31/2015
Total shares - in thousands	**978**	978	**133,883**	133,883
Direct interest percentage	**50%**	50%	**50%**	50%
Current assets	**3,585,896**	3,845,850	**151,572**	188,934
Noncurrent assets	**443,578**	484,162	**295,914**	272,202
Current liabilities	**3,382,362**	3,660,700	**173,086**	178,714
Noncurrent liabilities	**111,884**	106,052	**73,378**	77,632
Capital stock	**274,624**	274,624	**133,884**	133,883
Equity	**535,228**	563,260	**201,022**	204,790
Net revenues	**827,971**	1,834,284	**185,302**	383,592
Net income for the period/year	**51,344**	123,278	**9,886**	27,932

Changes in investments	Luizacred (a)		Luizaseg (b)	
	6/30/2016	12/31/2015	6/30/2016	12/31/2015
Balances at the beginning of the period	**281,630**	280,566	**102,395**	39,038
Capital increase	**-**	-	**-**	60,000
Dividends proposed	**(39,688)**	(60,575)	**(9,402)**	(10,243)
Other comprehensive income (losses)	**-**	-	**2,575**	(366)
Equity in the earnings (losses) of subsidiaries	**25,672**	61,639	**4,943**	13,966
Balance at the end of the period	**267,614**	281,630	**100,511**	102,395

Total investments in joint ventures

	6/30/2016	12/31/2015
Luizacred	**267,614**	281,630
Luizaseg	**100,511**	102,395
Total investments in joint ventures	**368,125**	384,025

(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 relevant 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 relevant 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.

(Amounts in thousands of Brazilian reais - R$)

14. Property and equipment

Changes in property and equipment for the six-month period ended June 30, 2016 are as follows:

	Company	Consolidated
Net property and equipment at December 31, 2015	577,811	578,571
Additions	28,215	28,304
Write-offs	(2,166)	(2,166)
Depreciation	(42,181)	(42,305)
Net property and equipment at June 30, 2016	**561,679**	**562,404**
Breakdown of property and equipment at June 30, 2016:		
Cost of property and equipment	**1,095,693**	**1,098,038**
Accumulated depreciation	**(534,014)**	**(535,634)**
Net property and equipment at June 30, 2016	**561,679**	**562,404**

In the course of this six-month period, no indications that property and equipment items might be impaired were identified.

15. Intangible assets

Changes in the intangible assets during the six-month period ended June 30, 2016 are as follows:

	Company	Consolidated
Net intangible assets at December 31, 2015	463,726	506,720
Additions	20,856	21,554
Write-offs	(283)	(283)
Amortization	(19,374)	(19,570)
Net intangible assets at June 30, 2016	**464,925**	**508,421**
Breakdown of intangible assets at June 30, 2016		
Cost of the intangible assets	**714,074**	**758,926**
Accumulated amortization	**(249,149)**	**(250,505)**
Net intangible assets at June 30, 2016	**464,925**	**508,421**

In the course of this six-month period, no indications that intangible assets might be impaired were identified.

(Amounts in thousands of Brazilian reais - R$)

16. Trade payables

	Company		Consolidated	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**
Resale of goods - domestic market	**1,422,325**	1,907,626	**1,428,381**	1,915,222
Other trade payables	**24,352**	15,092	**25,760**	16,683
Present value adjustment	**(26,803)**	(37,467)	**(27,005)**	(37,748)
Total trade payables	**1,419,874**	1,885,251	**1,427,136**	1,894,157

The Company maintains agreements entered into with partner banks to structure with its main suppliers the operation of factoring of receivables. In this operation, suppliers transfer the right to receive the instruments to the Bank in exchange for the early payment of the instrument. The Bank, in turn, becomes the creditor of the operation, and the Company settles the instrument on the same date originally agreed with its supplier and receives a commission from the Bank for this intermediation and confirmation of the instruments payable. This commission is recorded as finance income.

The abovementioned operation is carried out by the Company and does not change the terms, prices and conditions previously established with suppliers and, therefore, the Company records it under Suppliers.

As of June 30, 2016, the balance payable negotiated by suppliers and accepted by Magazine Luiza totaled R$374,097 (R$452,092 as of December 31, 2015).

The accounts payable to suppliers is originally recorded at present value with an offsetting entry in "Inventories". The reversal of the present value adjustment is recorded under "Cost of goods resold" over realization of the term.

(Amounts in thousands of Brazilian reais - R$)

17. Borrowings, financing and other financial liabilities

Type	Charge	Collaterals	Final maturity	Company 6/30/2016	Company 12/31/2015	Consolidated 6/30/2016	Consolidated 12/31/2015
Working capital in foreign currency (a)	2.07% p.a. to 6.41% p.a. + foreign exchange variation	N/A	Mar/18	**484,165**	590,491	**484,165**	590,491
Working capital in domestic currency	110.4% to 111.0% of CDI	Collateral signature ("Aval") guarantees	Dec/19	**124,074**	163,606	**124,267**	163,866
Finance leases (b)	10.2% p.a. of CDI + 2%	Fiduciary sale	Dec/19	**22,344**	30,264	**22,344**	30,264
Debentures - Restricted offer (e)	108.8% to 125.2% of CDI	Credit card receivables	Mar/20	**1,013,587**	1,016,166	**1,013,587**	1,016,166
Innovation financing - FINEP (c)	4% p.a.	Bank guarantee	Dec/22	**36,033**	22,523	**36,033**	22,523
BNB (d)	7% p.a.	Bank guarantee	Dec/22	**4,383**	-	**4,383**	-
				1,684,586	1,823,050	**1,684,779**	1,823,310
Other financial liabilities							
Swap payable - Fair value hedge (a)				**11,915**	-	**11,915**	-
Total borrowings, financing and other financial liabilities				**1,696,501**	**1,823,050**	**1,696,694**	**1,823,310**
Current liabilities				**902,131**	568,220	**902,261**	568,350
Noncurrent liabilities				**794,370**	1,254,830	**794,433**	1,254,960

(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, the Company applied the hedge accounting of said operations. Further details are disclosed in Note 27.

(b) The Company has finance lease contracts relating to 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 June 30, 2016, the first three installments were released, totaling R$36,033.

(d) The Company entered into a R$68,103 credit facility agreement 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). Until June 30, 2016, the first installment was released, totaling R$4,383.

(e) The Company issued the following nonconvertible debentures:

Issues	Guarantee	Principal Amount R$	Issue date	Final maturity	Outstanding securities	Financial charges	Company and Consolidated 6/30/2016	Company and Consolidated 12/31/2015
1st issue - single series	Clean	200,000	12/26/2011	6/16/2017	200	113.0% of DI	**149,099**	149,175
3rd issue - single series	Clean (ii)	200,000	10/21/2013	10/21/2016	20,000	108.8% of DI	**-**	102,090
4th issue - single series	Clean	400,000	5/30/2014	5/30/2019	40,000	112.0% of DI	**402,293**	402,262
5th issue - single series	(i)	350,000	3/17/2015	3/17/2020	35,000	113.2% of DI	**362,449**	362,639
6th issue - single series	Clean	100,000	6/20/2016	6/20/2018	10,000	125.2% of DI	**99,746**	-
							1,013,587	1,016,166

(i) The 5th issue of non-convertible debentures has a credit card receivables guarantee, in which, until the maturity date of debentures, should account for 30% of the issue's outstanding balance;

(ii) As of June 30, 2016, the Company carried out the voluntary acquisition of all of 3rd issue Debentures at their market price (108.8% of CDI).

(Amounts in thousands of Brazilian reais - R$)

17. Borrowings, financing and other financial liabilities (Continued)

Maturity schedule

The borrowings and financing payment schedule is as follows:

	Company			Consolidated		
Maturity year	Debt considering hedge accounting	Fair value hedge Notes 6 and 17	Debt not considering hedge accounting	Debt considering hedge accounting	Fair value hedge Notes 6 and 17	Debt not considering hedge accounting
2016	282,770	28,084	254,686	282,840	28,084	254,756
2017	693,333	(1,667)	695,000	693,456	(1,667)	695,123
2018	371,151	-	371,151	371,151	-	371,151
2019	267,988	-	267,988	267,988	-	267,988
2020	56,333	-	56,333	56,333	-	56,333
2021 onwards	13,011	-	13,011	13,011	-	13,011
Total	1,684,586	26,417	1,658,169	1,684,779	26,417	1,658,362

The Company maintains some working capital 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 borrowings and financing, 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 527 of October 4, 2012, excluding non-recurring operational events (revenue/expenses).

(ii) *5th and 6th 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 borrowings and financing, 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 527 of October 4, 2012, excluding non-recurring operational events (revenue/expenses).

The Company is found in compliance with the above-mentioned covenants at June 30, 2016.

(Amounts in thousands of Brazilian reais - R$)

18. Deferred revenue

	Company and Consolidated	
	6/30/2016	**12/31/2015**
Deferred revenue with third parties:		
Exclusive dealing agreement with Cardif (a)	**170,405**	176,458
Exclusive dealing agreement with Banco Itaúcard S.A. (b)	**140,250**	146,500
Other agreements	**3,154**	4,234
	313,809	327,192
Deferred revenue from related parties:		
Exclusive dealing agreement with Luizacred (b)	**149,573**	155,117
Exclusive dealing agreement with Luizaseg (a)	**106,500**	110,000
	256,073	265,117
Total deferred revenue	**569,882**	592,309
Current liabilities	**40,568**	41,399
Noncurrent liabilities	**529,314**	550,910

(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 generated 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 is 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 executed the first amendment to the 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.

(Amounts in thousands of Brazilian reais - R$)

19. Provision for tax, civil and labor contingencies

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 December 31, 2015	183,748	15,350	30,912	230,010
Additions	7,932	3,759	8,188	19,879
Payments	-	(3,152)	(4,189)	(7,341)
Inflation Adjustments	9,493	-	-	9,493
Balance at June 30, 2016	**201,173**	**15,957**	**34,911**	**252,041**

Consolidated

	Tax	Civil	Labor	Total
Balance at December 31, 2015	195,025	15,647	32,740	243,412
Additions	7,932	4,171	8,208	20,311
Reversal	(1,594)	(8)	(751)	(2,353)
Payments	-	(3,287)	(4,189)	(7,476)
Inflation Adjustments	9,493	-	-	9,493
Balance at June 30, 2016	**210,856**	**16,523**	**36,008**	**263,387**

As of June 30, 2016, 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 has administrative and judicial proceedings involving several tax claims classified as a probable loss, which are, therefore, provisioned. Said lawsuits involve federal taxes, totaling R$7,512 at June 30, 2016 (R$8,950 at December 31, 2015), state taxes, totaling R$32,114 at June 30, 2016 (R$25,262 at December 31, 2015) and municipal taxes totaling R$60 (R$60 at December 31, 2015).

19. Provision for tax, civil and labor contingencies (Continued)

a) Tax lawsuits (Continued)

The Company also has other lawsuits to which escrow deposits are made, as well as other provisions related to business combination, which involve federal taxes, totaling R$161,591 at June 30, 2016 (R$149,580 at December 31, 2015), state taxes, totaling R$9,579 at June 30, 2016, (R$11,173 at December 31, 2015).

b) Civil lawsuits

Consolidated civil contingencies of R$16,523 at June 30, 2016 (R$15,647 at December 31, 2015) are related to claims filed by customers on possible product defects.

c) Labor lawsuits

At the labor courts, the Company is a party to various labor lawsuits, mostly claiming overtime.

The accrued amount of R$36,008 at June 30, 2016 (R$32,740 at December 31, 2015) 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 in which, in summary, it changed the understanding on the monetary restatement index of labor lawsuits, whereby labor liabilities related to lawsuits filed as of June 30, 2009 are no longer restated by the Reference Rate (TR) but by the Special Expanded Consumer Price Index (IPCA-E). This decision, however, was suspended in October 2015 by the Federal Supreme Court (STF). The Company's management, supported by the opinion of its legal counsel that the obligation to settle such liabilities restated by the IPCA-E is not definitive and that, therefore, said liability is considered a contingent liability with a risk of possible loss, decided not to record the impact of the restatement by reference to the IPCA-E, of R$5,356, and maintain the TR as the restatement index of labor liabilities. The Company will monitor the outcome of this issue so as to reconsider 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$272,951 at June 30, 2016 (R$248,450 at December 31, 2015).

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$325,136 at June 30, 2016 (R$320,062 at December 31, 2015), in relation to state taxes these amounts sum up R$155,097 at June 30, 2016 (R$168,142 at December 31, 2015) and as to municipal taxes these amounts sum up R$754 at June 30, 2016 (R$690 at December 31, 2015).

(Amounts in thousands of Brazilian reais - R$)

19. Provision for tax, civil and labor contingencies (Continued)

c) Labor lawsuits (Continued)

The Company has challenged in court the breach of a number of legal principles of Law No. 13241/2015, which extinguished the exemption of PIS and COFINS contributions on revenue from the sale of goods eligible to the Basic Production Process. Additionally, the Company has obtained a favorable court decision in Interlocutory Relief. In accordance with its internal and external legal counsel, the chances of loss are possible or remote, which is why the Company did not record any provision for this risk. Moreover, the Company declares that it will monitor the discussion every quarter and, if the scenario changes, the Company will carry out net assessments of risk and losses.

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 plan a settlement schedule reliably.

20. Equity

a) Capital stock

At June 30, 2016, the Company's ownership structure is reported as follows, all shares are non-par, book-entry, registered, common shares:

	Number of shares	Interest %
Controlling shareholders	**15,947,270**	**73.75**
Outstanding shares	**5,646,663**	**26.11**
Treasury shares	**30,000**	**0.14**
Total	**21,623,933**	**100.00**

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

20. Equity (Continued)

b) Treasury shares

On May 25, 2016, the Company's Board of Directors approved:

(a) The expiration of the Share Buyback Program created by the Company's Board of Directors on May 27, 2015 ("Program");

(b) The cancellation of all treasury shares, i.e. 625,000 shares, without reducing capital stock;

(c) The creation of the Company's new share buyback program. From this new program, the Company already acquired 30,000 shares at an average cost of R$36.40.

c) Earnings per share

On September 30, 2015, the Special General Meeting approved the reverse stock split proposed by the Company's management, in the ratio of 8:1 common shares. Accordingly, the earnings per share presented in the Company Consolidated and interim financial information as of June 30, 2015 increased from R$0.03 to R$0.27 in the six-month period and from R$0.02 to R$0.14 in the quarter.

(Amounts in thousands of Brazilian reais - R$)

21. Net sales revenue

	Half-year ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Gross revenue:								
Retail - resale of goods	**5,006,882**	4,818,576	**5,034,252**	4,835,241	**2,423,187**	2,303,668	**2,437,833**	2,312,696
Retail - services rendered	**210,589**	229,769	**223,435**	239,715	**104,467**	115,290	**109,808**	119,485
Consortium management	**-**	-	**27,458**	24,469	**-**	-	**13,892**	12,609
	5,217,471	5,048,345	**5,285,145**	5,099,425	**2,527,654**	2,418,958	**2,561,533**	2,444,790
Taxes and returns:								
Resale of goods	**(840,240)**	(705,557)	**(844,012)**	(706,539)	**(396,909)**	(320,236)	**(399,062)**	(320,786)
Services rendered	**(28,128)**	(31,054)	**(30,395)**	(33,152)	**(14,082)**	(15,620)	**(15,207)**	(16,703)
	(868,368)	(736,611)	**(874,407)**	(739,691)	**(410,991)**	(335,856)	**(414,269)**	(337,489)
.								
Net sales revenue	**4,349,103**	4,311,734	**4,410,738**	4,359,734	**2,116,663**	2,083,102	**2,147,264**	2,107,301

22. Cost of goods resold and services rendered

	Half-year ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Costs:								
Goods resold	**(3,025,904)**	(3,103,776)	**(3,034,702)**	(3,108,018)	**(1,454,862)**	(1,471,053)	**(1,459,499)**	(1,473,440)
Services rendered	**-**	-	**(9,986)**	(8,360)	**-**	-	**(5,279)**	(4,329)
	(3,025,904)	(3,103,776)	**(3,044,688)**	(3,116,378)	**(1,454,862)**	(1,471,053)	**(1,464,778)**	(1,477,769)

(Amounts in thousands of Brazilian reais - R$)

23. Information on the nature of expenses and other operating income

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

	Half-year ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Personnel expenses	**(517,363)**	(485,145)	**(519,877)**	(486,935)	**(245,137)**	(251,044)	**(246,358)**	(252,834)
Expenses with service providers	**(258,985)**	(290,675)	**(264,348)**	(294,089)	**(136,147)**	(133,755)	**(138,890)**	(137,169)
Other	**(280,945)**	(236,072)	**(291,893)**	(243,173)	**(138,823)**	(123,275)	**(144,451)**	(126,953)
	(1,057,293)	(1,011,892)	**(1,076,118)**	(1,024,197)	**(520,107)**	(508,074)	**(529,699)**	(516,956)
Classified by function as:								
Selling expenses	**(839,513)**	(822,194)	**(844,550)**	(825,734)	**(415,205)**	(402,487)	**(417,773)**	(404,406)
General and administrative expenses	**(213,761)**	(208,988)	**(229,509)**	(221,798)	**(110,442)**	(106,521)	**(118,446)**	(112,756)
Other operating income, net (Note 24)	**(4,019)**	19,290	**(2,059)**	23,335	**5,540**	934	**6,520**	206
	(1,057,293)	(1,011,892)	**(1,076,118)**	(1,024,197)	**(520,107)**	(508,074)	**(529,699)**	(516,956)

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.

(Amounts in thousands of Brazilian reais - R$)

24. Other operating income, net

	Half-year ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Loss on sale of property and equipment	**(348)**	(364)	**(348)**	(364)	**(168)**	(176)	**(168)**	(176)
Recognition of deferred revenue (a)	**20,237**	31,375	**20,237**	31,375	**10,329**	8,188	**10,329**	8,188
Provision for tax losses	**(742)**	(2,180)	**1,216**	1,862	**189**	(1,326)	**1,168**	(2,040)
Non-recurring expenses (b)	**(24,302)**	(10,939)	**(24,302)**	(10,939)	**(5,301)**	(5,869)	**(5,301)**	(5,869)
Other	**1,136**	1,398	**1,138**	1,401	**491**	117	**492**	103
Total	**(4,019)**	19,290	**(2,059)**	23,335	**5,540**	934	**6,520**	206

(a) Refers to the allocation of deferred revenue from the assignment of exploration rights, as described in Note 18.

(b) Refers to expenses with strategic restructuring and adjustment of the headcount. In 2015, refers mainly to stores' pre-operating expenses.

25. Financial income (expenses), net

	Half-year ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Finance income:								
Interest on extended warranty sales	**18,034**	31,061	**18,034**	31,061	**9,249**	20,676	**9,249**	20,676
Income from short-term financial investments and securities	**24,091**	18,483	**8,473**	5,507	**10,312**	7,773	**3,605**	2,018
Interest on sale of goods - interest on delay in receivables	**2,359**	2,987	**2,359**	2,987	**1,093**	1,702	**1,093**	1,702
Exchange gains	**-**	95	**-**	95	**-**	95	**-**	95
Discount obtained and monetary restatement	**23,712**	25,634	**23,712**	25,647	**10,344**	20,375	**10,344**	20,381
Other	**841**	3,991	**841**	3,991	**515**	3,988	**515**	3,988
	69,037	82,251	**53,419**	69,288	**31,513**	54,609	**24,806**	48,860
Financial expenses:								
Interest on borrowings and financing	**(131,579)**	(123,174)	**(131,594)**	(123,197)	**(65,176)**	(62,350)	**(65,186)**	(62,361)
Charges on credit card advances	**(140,404)**	(119,063)	**(141,210)**	(119,362)	**(75,217)**	(63,208)	**(75,724)**	(63,381)
Provision for interest losses on extended warranty	**(8,628)**	(23,162)	**(8,628)**	(23,162)	**(3,808)**	(20,728)	**(3,808)**	(20,728)
Exchange losses	**-**	(488)	**-**	(488)	**-**	-	**-**	-
Other	**(10,277)**	(12,043)	**(10,422)**	(12,113)	**(4,516)**	(7,060)	**(4,592)**	(7,097)
	(290,888)	(277,930)	**(291,854)**	(278,322)	**(148,717)**	(153,346)	**(149,310)**	(153,567)
Net financial result	**(221,851)**	(195,679)	**(238,435)**	(209,034)	**(117,204)**	(98,737)	**(124,504)**	(104,707)

(Amounts in thousands of Brazilian reais - R$)

26. 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

	6/30/2016			
	Retail (*)	Financial operations	Insurance operations	Consortium management
Gross revenue	5,262,098	413,986	92,651	27,458
Revenue deductions	(872,140)	-	-	(2,267)
Segment net revenue	4,389,958	413,986	92,651	25,191
Costs	(3,039,113)	(60,124)	(15,321)	(9,986)
Gross profit	1,350,845	353,862	77,330	15,205
Selling expenses	(844,550)	(147,133)	(63,377)	-
General and administrative expenses	(217,275)	(984)	(12,067)	(12,234)
Result from allowance for doubtful accounts	(13,236)	(158,320)	-	-
Depreciation and amortization	(61,701)	(3,032)	(2,364)	(174)
Equity in the earnings of subsidiaries	33,493	-	-	-
Other operating income	(2,062)	3,078	382	3
Financial income (expenses), net	(239,937)	-	9,541	1,502
Income tax and social contribution	10,096	(21,799)	(4,502)	(1,424)
Profit for the period	15,673	25,672	4,943	2,878

Equity accounting reconciliation	
Equity in the earnings of LAC (Note 12)	2,878
Equity in the earnings of Luizacred (Note 13)	25,672
Equity in the earnings of Luizaseg (Note 13)	4,943
(=) Equity accounting of retail segment	33,493
(-) Elimination effect - LAC	(2,878)
(=) Consolidated equity in the earnings of subsidiaries	30,615

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

(Amounts in thousands of Brazilian reais - R$)

26. Segment reporting (Continued)

Statement of income (Continued)

	6/30/2015			
	Retail (*)	**Financial operations**	**Insurance operations**	**Consortium management**
Gross revenue	5,079,070	460,855	102,355	24,469
Revenue deductions	(737,593)	-	-	(2,098)
Segment net revenue	4,341,477	460,855	102,355	22,371
Costs	(3,112,132)	(64,301)	(12,220)	(8,360)
Gross profit	1,229,345	396,554	90,135	14,011
Selling expenses	(825,734)	(154,112)	(73,964)	-
General and administrative expenses	(210,524)	(1,504)	(11,959)	(11,274)
Result from allowance for doubtful accounts	(12,992)	(173,942)	-	-
Depreciation and amortization	(62,580)	(3,136)	(2)	(159)
Equity in the earnings of subsidiaries	50,232	-	-	-
Other operating income	23,316	3,481	66	19
Financial income (expenses), net	(210,057)	-	8,002	1,023
Income tax and social contribution	24,883	(26,924)	(4,883)	(1,200)
Profit for the period	5,889	40,417	7,395	2,420
Equity accounting reconciliation				
Equity in the earnings of LAC	2,420			
Equity in the earnings of Luizacred	40,417			
Equity in the earnings of Luizaseg	7,395			
(=) Equity accounting of retail segment	50,232			
(-) Elimination effect - LAC	(2,420)			
(=) Consolidated equity in the earnings of subsidiaries	47,812			

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

The “Financial operations” and “Insurance operations” segments are accounted for by the equity accounting method.

(Amounts in thousands of Brazilian reais - R$)

26. Segment reporting (Continued)

Statements of financial position

	6/30/2016			
	Retail (*)	**Financial operations**	**Insurance operations**	**Consortium management**
Assets				
Cash and cash equivalents	**169,019**	**2,297**	**151**	**28,482**
Securities	**464,993**	**5,709**	**151,245**	**-**
Trade receivables	**406,329**	**1,788,704**	**-**	**-**
Inventories	**1,306,703**	**-**	**-**	**-**
Investments	**390,454**	**-**	**-**	**-**
Property and equipment and intangible assets	**1,069,709**	**78,932**	**52,651**	**1,116**
Other	**1,160,928**	**139,095**	**19,696**	**3,723**
	4,968,135	**2,014,737**	**223,743**	**33,321**
Liabilities				
Trade payables	**1,425,898**	**-**	**2,108**	**1,238**
Borrowings and financing	**1,696,694**	**-**	**-**	**-**
Interbank deposits	**-**	**889,934**	**-**	**-**
Credit card operations	**-**	**772,694**	**-**	**-**
Insurance technical reserves	**-**	**-**	**103,723**	**-**
Provision for tax, civil and labor contingencies	**262,653**	**35,241**	**534**	**734**
Deferred revenue	**569,882**	**20,701**	**-**	**-**
Other	**338,273**	**28,553**	**16,867**	**9,020**
	4,293,400	**1,747,123**	**123,232**	**10,992**
Equity	**674,735**	**267,614**	**100,511**	**22,329**

Investment reconciliation	
Investments in subsidiaries	
Investment in LAC (Note 12)	**22,329**
Investment in joint ventures	
Investment in Luizacred (Note 13)	**267,614**
Investment in Luizaseg (Note 13)	**100,511**
	368,125
Total investments	**390,454**
(-) Elimination effect - LAC	**(22,329)**
(=) Total consolidated investment	**368,125**

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

(Amounts in thousands of Brazilian reais - R$)

26. Segment reporting (Continued)

Statements of financial position (Continued)

	12/31/2015			
	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 technical 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 12)	19,451
Investment in joint ventures	
Investment in Luizacred (Note 13)	281,630
Investment in Luizaseg (Note 13)	102,395
	384,025
Total investments	403,476
(-) Elimination effect - LAC	(19,451)
(=) Result of consolidated investment	384,025

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

(Amounts in thousands of Brazilian reais - R$)

27. 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 relevant 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 immediate 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.

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

	Company		Consolidated	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**
Borrowings, financing and other financial liabilities	**1,696,501**	1,823,050	**1,696,694**	1,823,310
(-) Cash and cash equivalents	**(168,811)**	(590,400)	**(197,501)**	(617,465)
(-) Securities and other financial assets	**(464,993)**	(544,351)	**(464,993)**	(544,351)
(-) Third-party credit cards	**(171,108)**	(155,017)	**(174,859)**	(158,749)
(-) Related-party credit cards	**(5,050)**	(13,884)	**(5,050)**	(13,884)
Adjusted net debt	**886,539**	519,398	**854,291**	488,861
Equity	**674,735**	662,212	**674,735**	662,212

(Amounts in thousands of Brazilian reais - R$)

27. Financial instruments (Continued)

Categories of financial instruments

	Company		Consolidated	
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**
Financial assets				
Loans and receivables:				
Cash and banks	**48,381**	62,503	**48,789**	63,151
Escrow deposits	**272,951**	248,450	**272,951**	248,450
Trade receivables	**401,081**	433,144	**406,329**	437,820
Related parties	**41,933**	88,140	**41,176**	86,152
At fair value through profit or loss:				
Cash equivalents, securities and other financial assets	**585,423**	1,072,248	**613,705**	1,098,665
Financial liabilities				
Amortized cost:				
Trade payables	**1,419,874**	1,885,251	**1,427,136**	1,894,157
Borrowings and financing	**1,212,336**	1,232,559	**1,212,529**	1,232,819
Related parties	**78,149**	68,787	**77,977**	68,404
At fair value through profit or loss:				
Borrowings and financing	**484,165**	590,491	**484,165**	590,491

Fair value measurement

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

- Level 1 - market prices quoted (not adjusted) in active markets for identical assets or liabilities;
- Level 2 - evaluation techniques for which the lowest level information, relevant to measure fair value, is directly or indirectly observable;
- Level 3 - evaluation techniques for which the lowest level information, relevant to measure fair value, is not available.

(Amounts in thousands of Brazilian reais - R$)

27. Financial instruments (Continued)

Fair value measurement (Continued)

The fair value measurement of the Company's assets and liabilities is as follows:

	Company		Consolidated		Fair value measurement
	6/30/2016	**12/31/2015**	**6/30/2016**	**12/31/2015**	**Level**
Financial assets					
At fair value through profit or loss:					
Cash equivalents and marketable securities	**547,091**	944,246	**575,373**	970,663	**Level 1**
Other financial assets	**38,332**	128,002	**38,332**	128,002	**Level 2**
Financial liabilities					
At fair value through profit or loss:					
Borrowings and financing	**484,165**	590,491	**484,165**	590,491	**Level 2**
Other financial liabilities	**11,915**	-	**11,915**	-	**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 Company should settle the related obligations:

	Less than one year	1 to 3 years	Over 3 years	Total
Trade payables	**1,427,136**	**-**	**-**	**1,427,136**
Borrowings, financing and other financial liabilities	**902,131**	**658,320**	**136,243**	**1,696,694**
Related parties	**77,977**	**-**	**-**	**77,977**

27. Financial instruments (Continued)

<u>Considerations on risks</u>

The Group's business primarily comprises 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$332,921 as at June 30, 2016 (R$377,389 as at December 31, 2015). 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 June 30, 2016, the Group recorded past-due or uncollectible balances under "trade receivables," whose terms were renegotiated, in the amount of R$2,919 (R$11,844 as at December 31, 2015), 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, setting 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.

(Amounts in thousands of Brazilian reais - R$)

27. Financial instruments (Continued)

Considerations on risks (Continued)

Documentation includes to identify the hedge instrument, the item or transaction, purpose of hedge, the nature of the risk, purpose of hedge, 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 fair value of item, purpose of hedge or cash flows related to risks, purpose of hedge.

In this scenario, the Company raised foreign-currency-denominated, interest-bearing loans, 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 period ended June 30, 2016:

Fair value hedge

Hedge instrument

	Swaps			Average indexes
	Amortized cost	**MTM adjustment**	**Fair value (a)**	
Assets	**485,286**	**(1,121)**	**484,165**	**US$ + 3.08%**
Liabilities	**457,748**	**-**	**457,748**	**112.72% of CDI**
Total	**27,538**	**(1,121)**	**26,417**	

Hedged item

	Working capital in USD			Average indexes
	Amortized cost	**MTM adjustment**	**Fair value (a)**	
Liabilities	**485,286**	**(1,121)**	**484,165**	**US$ + 3.08%**

Reconciliation	
Other financial assets (Note 6)	**38,332**
Other financial liabilities (Note 17)	**(11,915)**
(=) Fair value of derivatives	**26,417**

(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.

(Amounts in thousands of Brazilian reais - R$)

27. Financial instruments (Continued)

Considerations on risks (Continued)

There were no transactions, in the reporting period, no longer classified as hedging transactions and no future commitments subject to cash flow hedge.

Sensitivity analysis of financial instruments

As of June 30, 2016, management carried out a sensitivity analysis, taking into consideration a probable increase and scenarios with 25 and 50 percent increase in the expected interest rates. The probable increase scenario was measured based on future exchange rates disclosed by BM&F BOVESPA 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	**14.25%**	**(63,678)**	**(79,597)**	**(95,516)**
Impact on financial result, net of taxes		**(42,027)**	**(52,534)**	**(63,041)**

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.

28. 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 losses, if any, on its assets and/or liabilities.

As of June 30, 2016 and December 31, 2015, insurance coverage is as follows:

	6/30/2016	12/31/2015
Civil liability and D&O	**42,000**	41,000
Sundry risks - inventories and property and equipment	**1,948,090**	1,905,145
Vehicles	**17,285**	16,696
	2,007,375	1,962,841

29. Subsequent events

Extension of debt profile and amendments to the terms of the 3rd issue debentures.

On July 13, 2016, the Board of Directors' Meeting and the General Debenture Holders' Meeting approved:

(a) Increase in the issue's effective term from thirty-six (36) to fifty-seven (57) months;

(b) Inclusion of new early maturity hypothesis of Debentures;

(c) Adjustment of remunerative interest on the accrued variation in the average daily one-day extra-group overnight Interbank Deposit rate (DI), expressed as an annual percentage based on a year of two hundred and fifty-two (252) business days, calculated and disclosed on a daily basis by CETIP S.A. - Mercados Organizados; and

(d) The consequent amendment to the Issue Indenture in order to reflect the resolutions taken by the Board of Directors' Meeting and General Debenture Holders' Meeting.