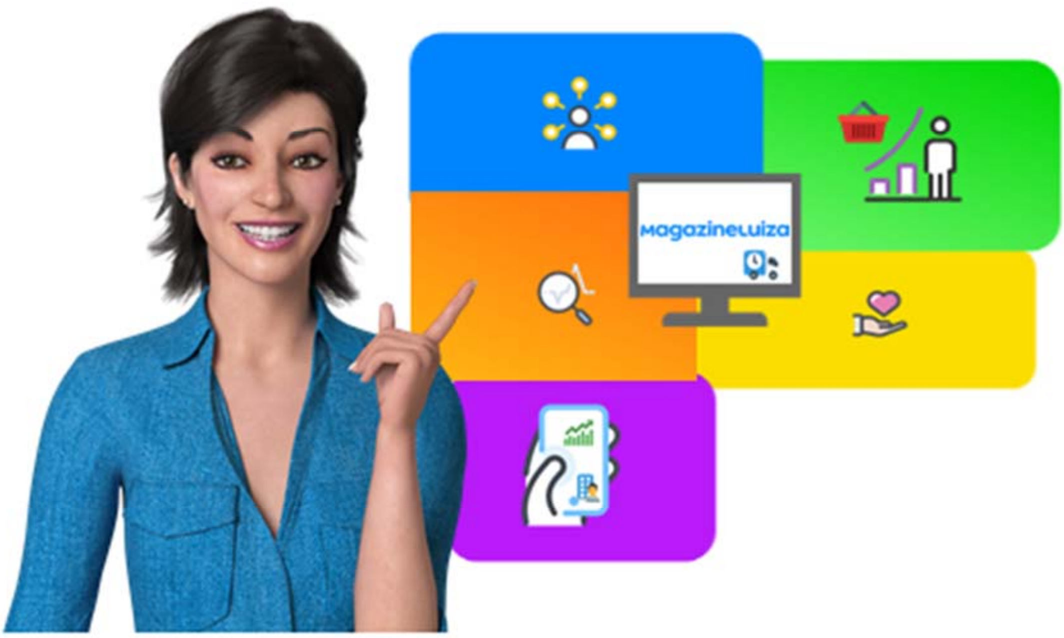

Unaudited Condensed Parent and Consolidated Interim Financial Statements as of and the Three and Nine-month period Ended September 30, 2019

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Independent auditor's report on review of unaudited condensed parent and consolidated interim financial statements

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

Introduction
We have reviewed the accompanying unaudited condensed parent and consolidated balance sheet of Magazine Luiza S.A. (the "Company") as at September 30, 2019, the unaudited condensed parent and consolidated statements of income and comprehensive income for the three and nine-months period then ended, and the unaudited condensed parent and consolidated statements of changes in shareholders' equity and cash flows for the nine-month period then ended, and notes to the condensed interim financial statements (unaudited). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with the *Accounting Pronouncement* CPC 21(R1) and the IAS 34 - *Interim Financial Reporting*, issued by the International Accounting Standards Board – IASB. Our responsibility is to express a conclusion on this unaudited condensed parent and consolidated interim financial statements based on our review.

Scope of review
We conducted our review in accordance with Brazilian and International Review Standards (NBC TR 2410 - *Revisão de Informações Intermediárias Executada pelo Auditor da Entidade* and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of unaudited condensed parent and consolidated interim financial statements consists of making inquiries, primarily of persons responsible for the 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 Brazilian and International 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 unaudited condensed parent and consolidated interim financial statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited condensed parent and consolidated interim financial statements as at September 30, 2019, is not prepared, in all material respects, in accordance with Accounting Pronouncement CPC 21(R1) and IAS 34 - Interim Financial Reporting.

Other Mathers

Unaudited condensed statements of value added

We also reviewed the unaudited condensed parent and consolidated statement of value added for the nine-month period ended September 30, 2019, prepared under the responsibility of the Company's Management, for which presentation is required in the interim information in accordance with the standards issued by the Brazilian GAAP, and considered as supplementary information by IFRS, which does not require the presentation of the statement of value added. These statements were submitted to the same review procedures described previously and, based on our review, nothing has come to our attention that causes us to believe that the accompanying statements of value added is not prepared, in all material respects, in accordance with the Brazilian GAAP.

São Paulo, October 29, 2019

KPMG Auditores Independentes
CRC 2SP014428/O-6

Marcelle Mayume Komukai
Accountant CRC 1SP249703/O-5

Magazine Luiza S.A.

Unaudited condensed balance sheets at September 30, 2019 and December 31, 2018

(Amounts expressed in thousands of reais – R$)

		Parent company		Consolidated	
	Note	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Assets					
Current assets					
Cash and cash equivalents	5	**120,891**	548,553	**221,794**	599,087
Securities	6	**236,717**	409,111	**238,717**	409,111
Accounts receivable	7	**1,828,330**	2,024,685	**1,874,975**	2,051,557
Inventories	8	**2,574,919**	2,790,726	**2,885,737**	2,810,248
Accounts receivable from related parties	9	**240,440**	193,635	**239,207**	190,190
Recoverable taxes	10	**650,532**	299,746	**745,693**	303,691
Other assets		**107,914**	46,357	**145,100**	48,506
Total current assets		**5,759,743**	6,312,813	**6,351,223**	6,412,390
Non-current assets					
Securities	6	**-**	-	**264**	214
Accounts receivable	7	**9,129**	7,571	**11,657**	7,571
Recoverable taxes	10	**1,161,229**	150,624	**1,275,532**	150,624
Deferred income tax and social contribution	11	**-**	171,488	**14,222**	181,012
Judicial deposits	20	**382,082**	349,228	**518,208**	349,239
Accounts receivable from related parties	9	**260,500**	-	**-**	-
Other assets		**34,659**	32,442	**36,438**	34,154
Investments in subsidiaries	12	**693,470**	146,703	**-**	-
Investments in jointly-controlled subsidiaries	13	**305,022**	308,462	**305,022**	308,462
Right-of-use of leases	3	**2,100,082**	-	**2,168,171**	-
Property, plant and equipment	14	**927,192**	749,463	**1,016,054**	754,253
Intangible assets	15	**576,116**	501,539	**1,556,008**	598,822
Total non-current assets		**6,449,481**	2,417,520	**6,901,576**	2,384,351
Total assets		**12,209,224**	8,730,333	**13,252,799**	8,796,741

See the accompanying notes to the interim financial statements.

Magazine Luiza S.A.

Unaudited condensed balance sheets at September 30, 2019 and December 31, 2018

(Amounts expressed in thousands of reais – R$)

	Note	Parent company 09/30/2019	Parent company 12/31/2018	Consolidated 09/30/2019	Consolidated 12/31/2018
Liabilities					
Current liabilities					
Suppliers	16	**3,331,173**	4,068,459	**3,802,802**	4,105,244
Loans and financing	17	**311,558**	130,685	**313,387**	130,743
Salaries, vacations and social security charges		**303,735**	250,792	**349,760**	258,983
Taxes payable		**179,607**	135,384	**208,845**	140,979
Accounts payable to related parties	9	**125,572**	125,353	**125,607**	125,383
Leases	3	**196,036**	-	**213,107**	-
Deferred revenue	18	**39,157**	39,157	**43,032**	39,157
Dividends payable		**112,000**	182,000	**112,000**	182,000
Other accounts payable	19	**545,842**	403,805	**688,213**	406,109
Total current liabilities		**5,144,680**	5,335,635	**5,856,753**	5,388,598
Non-current liabilities					
Loans and financing	17	**832,697**	323,402	**832,697**	325,224
Leases	3	**1,938,502**	-	**1,991,161**	-
Deferred income tax and social contribution	11	**7,145**	-	**65,283**	-
Provision for tax, civil and labor risks	20	**740,189**	377,444	**940,963**	387,355
Deferred revenue	18	**352,388**	390,980	**370,519**	390,980
Other accounts payable	19	**-**	-	**1,800**	1,712
Total non-current liabilities		**3,870,921**	1,091,826	**4,202,423**	1,105,271
Total liabilities		**9,015,601**	6,427,461	**10,059,176**	6,493,869
Shareholders' equity	21				
Capital		**1,719,886**	1,719,886	**1,719,886**	1,719,886
Capital reserve		**296,339**	52,175	**296,339**	52,175
Treasury shares		**(80,371)**	(87,015)	**(80,371)**	(87,015)
Legal reserve		**65,644**	65,644	**65,644**	65,644
Profit reserve		**434,851**	546,851	**434,851**	546,851
Equity valuation adjustment		**3,444**	5,331	**3,444**	5,331
Income for the period		**753,830**	-	**753,830**	-
Total shareholders' equity		**3,193,623**	2,302,872	**3,193,623**	2,302,872
Total liabilities and shareholders' equity		**12,209,224**	8,730,333	**13,252,799**	8,796,741

See the accompanying notes to the interim financial statements.

Magazine Luiza S.A.

Unaudited condensed statements of income
For the three and nine-months periods ended September 30, 2019 and 2018
(Amounts expressed in thousands of reais – R$)

	Note	Parent company		Consolidated		Parent company		Consolidated	
		Nine months ended				Quarter			
		09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Net revenue from sales	22	**12,805,511**	10,843,438	**13,501,284**	10,979,915	**4,356,834**	3,623,300	**4,864,198**	3,670,467
Cost of goods resold and services rendered	23	**(9,348,359)**	(7,667,594)	**(9,772,712)**	(7,738,668)	**(3,132,246)**	(2,552,151)	**(3,439,279)**	(2,580,599)
Gross income		**3,457,152**	3,175,844	**3,728,572**	3,241,247	**1,224,588**	1,071,149	**1,424,919**	1,089,868
Operating revenues (expenses)									
From sales	24	**(2,147,020)**	(1,950,586)	**(2,309,125)**	(1,972,463)	**(762,498)**	(661,186)	**(889,953)**	(669,217)
General and administrative expenses	24	**(395,740)**	(387,238)	**(498,226)**	(414,731)	**(141,065)**	(135,297)	**(207,117)**	(144,222)
Expected credit loss		**(42,964)**	(43,088)	**(45,836)**	(43,088)	**(17,467)**	(15,489)	**(20,236)**	(15,489)
Depreciation and amortization	3 | 14 | 15	**(338,515)**	(121,374)	**(364,687)**	(122,681)	**(142,374)**	(45,798)	**(163,905)**	(46,324)
Equity in net income of subsidiaries	12 | 13	**82,114**	45,407	**8,198**	43,097	**(12,545)**	10,540	**10,608**	10,114
Other operating revenues, net	24 | 25	**323,150**	34,842	**392,903**	37,709	**181,829**	6,869	**182,968**	7,811
		(2,518,975)	(2,422,037)	**(2,816,773)**	(2,472,157)	**(894,120)**	(840,361)	**(1,087,635)**	(857,327)
Operating income before financial income		**938,177**	753,807	**911,799**	769,090	**330,468**	230,788	**337,284**	232,541
Financial revenues		**569,152**	111,141	**613,880**	98,167	**93,201**	35,992	**96,193**	34,886
Financial expenses		**(476,717)**	(300,685)	**(496,313)**	(302,162)	**(125,645)**	(106,065)	**(135,682)**	(106,547)
Financial income (loss)	26	**92,435**	(189,544)	**117,567**	(203,995)	**(32,444)**	(70,073)	**(39,489)**	(71,661)
Operating income before income tax and social contribution		**1,030,612**	564,263	**1,029,366**	565,095	**298,024**	160,715	**297,795**	160,880
Deferred income tax and social contribution	11	**(276,782)**	(156,478)	**(275,536)**	(157,310)	**(62,924)**	(41,159)	**(62,695)**	(41,324)
Net revenue for the period		**753,830**	407,785	**753,830**	407,785	**235,100**	119,556	**235,100**	119,556
Income attributable to:									
Controlling shareholders		**753,830**	407,785	**753,830**	407,785	**235,100**	119,556	**235,100**	119,556
Earnings per share									
Basic (R$ per share)	21	**0.495**	0.270	**0.495**	0.270	**0.155**	0.079	**0.155**	0.079
Diluted (R$ per share)	21	**0.490**	0.268	**0.490**	0.268	**0.153**	0.078	**0.153**	0.078

See the accompanying notes to the interim financial statements.

Magazine Luiza S.A.

Unaudited condensed statements of comprehensive income
For the three and nine-months periods ended September 30, 2019 and 2018

(Amounts expressed in thousands of reais – R$)

	Parent company and Consolidated			
	Nine months ended		Quarter	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Net revenue for the period	**753,830**	407,785	**235,100**	119,556
Items that can subsequently be reclassified to profit or loss:				
Investments evaluated through the equity accounting method – participation in other comprehensive income - OCI	**6,381**	(4,039)	**3,506**	(646)
Tax effects	**(2,422)**	1,818	**(1,272)**	291
Total	**3,959**	(2,221)	**2,234**	(355)
Financial assets measured at fair value - FVOCI	**(8,858)**	4,301	**(2)**	(1,571)
Tax effects	**3,012**	(1,463)	**1**	534
	(5,846)	2,838	**(1)**	(1,037)
Total items that can subsequently be reclassified to profit or loss	**(1,887)**	617	**2,233**	(1,392)
Total other comprehensive income for the period, net of taxes	**751,943**	408,402	**237,333**	118,164
Attributable to:				
Controlling shareholders	**751,943**	408,402	**237,333**	118,164

See the accompanying notes to the interim financial statements.

Magazine Luiza S.A.
Unaudited condensed statements of changes in shareholders’ equity
For the nine-months period ended September 30, 2019 and 2018

(Amounts expressed in thousands of reais – R$)

	Note	Capital	Capital reserve	Treasury shares	Legal reserve	Profit reserve		Net Income for the period	Equity valuation adjustment	Total
						Working capital reinforcement reserve	Tax incentive reserve			
Balances at December 31, 2017		1,719,886	37,094	(13,955)	39,922	220,072	68,299	-	2,659	2,073,977
Additional dividends		-	-	-	-	**(50,000)**	-	-	-	**(50,000)**
Stock option plan		-	**12,083**	-	-	-	-	-	-	**12,083**
Treasury shares		-	-	**(67,977)**	-	-	-	-	-	**(67,977)**
Sale of treasury shares for payment of stock option plan		-	**(1,840)**	**14,172**	-	-	-	-	-	**12,332**
Initial adoption IFRS 9 and 15 controlling company		-	-	-	-	**(24,411)**	-	-	-	**(24,411)**
Initial adoption IFRS 9 in jointly-owned subsidiaries		-	-	-	-	**(52,082)**	-	-	-	**(52,082)**
Income for the period		-	-	-	-	-	-	**407,785**	-	**407,785**
		1,719,886	**47,337**	**(67,760)**	**39,922**	**93,579**	**68,299**	**407,785**	**2,659**	**2,311,707**
Other comprehensive income:										
Equity valuation adjustment		-	-	-	-	-	-	-	**617**	**617**
Balances at September 30, 2018		**1,719,886**	**47,337**	**(67,760)**	**39,922**	**93,579**	**68,299**	**407,785**	**3,276**	**2,312,324**
Balances at December 31, 2018		1,719,886	52,175	(87,015)	65,644	395,561	151,290	-	5,331	2,302,872
Stock option plan	21	-	**65,202**	-	-	-	-	-	-	**65,202**
Treasury shares acquired	21	-	-	**(98,611)**	-	-	-	-	-	**(98,611)**
Treasury shares sold	21	-	**178,962**	**105,255**	-	-	-	-	-	**284,217**
Income for the period	21	-	-	-	-	-	-	**753,830**	-	**753,830**
Interest on own capital		-	-	-	-	**(112,000)**	-	-	-	**(112,000)**
		1,719,886	**296,339**	**(80,371)**	**65,644**	**283,561**	**151,290**	**753,830**	**5,331**	**3,195,510**
Other comprehensive income:										
Equity valuation adjustment		-	-	-	-	-	-	-	**(1,887)**	**(1,887)**
Balances at September 30, 2019		**1,719,886**	**296,339**	**(80,371)**	**65,644**	**283,561**	**151,290**	**753,830**	**3,444**	**3,193,623**

The accompanying notes are an integral part of the interim financial statements.

Magazine Luiza S.A.

Unaudited condensed statements of cash flows
For the nine-months period ended September 30, 2019 and 2018

(Amounts expressed in thousands of reais – R$)

	Note	Parent company		Consolidated	
		09/30/2019	09/30/2018	09/30/2019	09/30/2018
Cash flow from operating activities					
Net revenue for the period		**753,830**	407,785	**753,830**	407,785
Adjustments to reconcile net income for the period to cash generated by operating activities:					
Income tax and social contribution recognized under profit or loss	11	**276,782**	156,478	**275,536**	157,310
Depreciation and amortization	3 | 14 | 15	**338,515**	121,374	**364,687**	122,681
Accrued interest over loans, financing and leasing	3 | 17	**105,690**	40,078	**116,497**	40,078
Gain (loss) on marketable securities		**(8,630)**	(15,236)	**(8,630)**	(15,236)
Equity in net income of subsidiaries	12 | 13	**(82,114)**	(45,407)	**(8,198)**	(43,097)
Changes in provision for loss in assets		**296,211**	114,525	**296,514**	114,611
Provision for tax, civil and labor risks	20	**389,087**	62,902	**394,897**	60,465
Loss on sale of property, plant and equipment	25	**(4,150)**	424	**(4,150)**	424
Accrual of deferred revenue	25	**(38,593)**	(31,486)	**(39,542)**	(31,486)
Stock option plan expenses		**51,460**	12,083	**55,804**	12,083
		2,078,088	823,520	**2,197,245**	825,618
(Increase) decrease in operating assets:					
Accounts receivable		**125,905**	(499,020)	**195,140**	(506,663)
Securities		**181,024**	1,019,655	**179,024**	1,019,655
Inventories		**(16,403)**	(185,358)	**(110,621)**	(189,710)
Accounts receivable from related parties		**(53,875)**	(72,346)	**(56,087)**	(72,660)
Recoverable taxes		**(1,361,391)**	(25,249)	**(1,486,409)**	(25,514)
Other assets		**(85,912)**	(17,729)	**(99,061)**	(18,494)
Changes in operating assets		**(1,210,652)**	219,953	**(1,378,014)**	206,614
Increase (decrease) in operating liabilities:					
Suppliers		**(737,286)**	(273,899)	**(722,155)**	(266,499)
Salaries, vacations and social security charges		**52,943**	30,538	**58,471**	32,134
Taxes payable		**(8,935)**	(18,689)	**(780)**	(19,017)
Accounts payable to related parties		**219**	754	**224**	753
Other accounts payable		**146,163**	32,997	**102,276**	30,842
Change in operating liabilities		**(546,896)**	(228,299)	**(561,964)**	(221,787)
Income tax and social contribution		**(52,129)**	(77,259)	**(52,129)**	(80,158)
Dividends received		**21,238**	17,506	**21,238**	15,723
Cash flows generated in operating activities		**289,649**	755,421	**226,376**	746,010
Cash flow from investing activities					
Acquisition of property, plant and equipment	14	**(252,574)**	(171,272)	**(254,072)**	(171,616)
Acquisition of intangible assets	15	**(126,501)**	(60,140)	**(136,636)**	(62,625)
Capital increase and intercompany loan in subsidiary		**(272,700)**	(14,583)	**-**	-
Investment in subsidiary, net of cash acquired		**(469,762)**	(3,212)	**(400,978)**	(3,163)
Net cash invested in investment activities		**(1,121,537)**	(249,207)	**(791,686)**	(237,404)
Cash flow from financing activities					
Loans and financing	17	**802,741**	-	**802,741**	-
Payment of loans and financing	17	**(106,636)**	(284,914)	**(309,676)**	(284,914)
Payment of interest on loans and financing	17	**(41,238)**	(47,468)	**(47,705)**	(47,468)
Lease payment	3	**(183,857)**	-	**(187,820)**	-
Payment of interest on lease operations	3	**(70,389)**	-	**(73,128)**	-
Payment of dividends		**(182,000)**	(114,273)	**(182,000)**	(114,273)
Divestment (acquisition) of treasury shares	21	**185,605**	(55,645)	**185,605**	(55,645)
Net cash generated (used) in financing activities		**404,226**	(502,300)	**188,017**	(502,300)
Increase (decrease) in the balance of cash and cash equivalents		**(427,662)**	3,914	**(377,293)**	6,306
Cash and cash equivalents at the beginning of the period		**548,553**	370,926	**599,087**	412,707
Cash and cash equivalents at the end of the period		**120,891**	374,840	**221,794**	419,013
Increase (decrease) in the balance of cash and cash equivalents		**(427,662)**	3,914	**(377,293)**	6,306

See the accompanying notes to the interim financial statements.

Magazine Luiza S.A.

Unaudited condensed statements of added value
For the nine-months period ended September 30, 2019 and 2018

(Amounts expressed in thousands of reais – R$)

	Parent company		Consolidated	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Revenues				
Sale of goods, products and services	**14,927,013**	12,565,740	**15,775,221**	12,722,182
Allowance for doubtful accounts, net of reversals	**(42,964)**	(43,088)	**(45,836)**	(43,088)
Other operating revenues	**529,598**	42,143	**612,048**	44,985
	15,413,647	12,564,795	**16,341,433**	12,724,079
Inputs acquired from third parties				
Cost of goods resold and services rendered	**(10,060,107)**	(8,342,996)	**(10,467,141)**	(8,414,325)
Materials, energy, outsourced services and other	**(1,404,724)**	(1,051,300)	**(1,588,939)**	(1,082,598)
Loss and recovery of asset values	**(219,975)**	(54,976)	**(220,278)**	(55,062)
	(11,684,806)	(9,449,272)	**(12,276,358)**	(9,551,985)
Gross added value	**3,728,841**	3,115,523	**4,065,075**	3,172,094
Depreciation and amortization	**(338,515)**	(121,374)	**(364,687)**	(122,681)
Net added value produced by the Entity	**3,390,326**	2,994,149	**3,700,388**	3,049,413
Added value received as transfer				
Equity in net income of subsidiaries	**82,114**	45,407	**8,198**	43,097
Financial revenues	**569,152**	111,141	**613,880**	98,167
Total added value payable	**4,041,592**	3,150,697	**4,322,466**	3,190,677
Distribution of added value				
Personnel and related charges:				
Direct remuneration	**867,470**	688,761	**933,480**	700,904
Benefits	**232,909**	167,360	**248,773**	169,407
FGTS	**74,869**	63,107	**80,663**	64,132
	1,175,248	919,228	**1,262,916**	934,443
Taxes, rates and contributions:				
Federal	**456,983**	323,549	**517,422**	330,081
State	**1,098,086**	893,369	**1,192,866**	908,015
Municipal	**48,733**	38,797	**52,474**	40,322
	1,603,802	1,255,715	**1,762,762**	1,278,418
Third parties' capital remuneration				
Interest	**405,336**	254,642	**434,407**	255,622
Rentals	**59,273**	272,392	**61,011**	273,004
Other	**44,103**	40,935	**47,540**	41,405
	508,712	567,969	**542,958**	570,031
Remuneration of own capital:				
Retained earnings	**753,830**	407,785	**753,830**	407,785
	4,041,592	3,150,697	**4,322,466**	3,190,677

See the accompanying notes to the interim financial statements.

Notes to the unaudited condensed parent and consolidated interim financial statements

1. General information

Magazine Luiza S.A. ("Company") is a publicly traded corporation listed under the special segment called "Novo Mercado da B3 S.A. – Brasil, Bolsa, Balcão" under the code "MGLU3" and is primarily engaged in the retail sale of consumer goods, mainly home appliances, electronics and furniture, through physical and virtual stores or through e-commerce. Through its jointly-owned subsidiaries (Note 13) it offers loans, financing and insurance services to its clients. 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. Its company and holding company is LTD Administração e Participação S.A.

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

As at September 30, 2019 the Company owned 1,039 stores and 17 distribution centers (954 stores and 12 distribution centers as at December 31, 2018) located in all regions of Brazil and works with the e-commerce sites www.magazineluiza.com.br, www.epocacosmeticos.com.br. In view of the acquisition of the Netshoes Group (Note 12), the websites www.netshoes.com.br, www.zattini.com.br and www.shoestock.com.br.

On October 29, 2019 the Board of Directors authorized the issue of the interim financial statements.

2. Presentation and preparation of the interim financial statements

2.1. Accounting policies

The interim financial statements are presented in thousands of reais ("R$" - Brazilian currency), which is the functional and presentation currency of the Company.

The parent and consolidated interim financial statements are prepared in accordance with technical pronouncement CPC 21 (R1) (interim financial reporting) and with the international standard IAS 34.

With exception to the initial adoption of IFRS 16 (CPC 06 R2), which came into effect as of January 1, 2019, as described under Note 3, the practices, policies and main accounting judgments adopted in the preparation of the parent and consolidated interim financial statements are consistent with those adopted and disclosed under the Notes to the financial statements for the year ended December 31, 2018, which were disclosed as at February 21, 2019 and should be read jointly.

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

3. New standards, amendments and interpretations of standards

3.1 Initial adoption of CPC 06 R2/ IFRS 16 – Leases

CPC 06 (R2)/IFRS 16 provides a single in balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability, representing its obligation to make lease payments.

The Company previously classified operating or financial leases based on the assessment on whether the lease transferred or not substantially all the risks and benefits of ownership. In accordance with CPC 06 (R2)/IFRS 16, the Company recognizes the right-of-use assets and liabilities of the lease for most of the leases, in other words, these leases are recognized on the balance sheet.

i) Accounting policies

The Company recognizes a right-of-use asset and a lease liability on the lease inception date. The right-of-use asset is initially measured at cost and subsequently at cost net of any accumulated depreciation and impairment, and adjusted for certain remeasures of the lease liability. Depreciation is calculated using the straight-line method according to the remaining term of contracts.

The Company used as a cost component the fixed lease payments or fixed in essence, which would be the minimum agreed payments in accordance with the contracts with variable payments in accordance with the revenue achieved. The specific amounts of the variables are outside the scope of CPC 06 (R2) and are recognized monthly as operating expenses.

Lease liabilities are measured initially at present value of the lease payments that were not paid on the date of the beginning of the lease, discounted using the incremental rate on the lease, which is defined as a rate equivalent to what the lessee would have to pay for a loan for a similar period, and similar guarantee, for the funds necessary to obtain the asset of a similar value to the right-of-use asset in a similar economic environment..

The Company is a party in certain contracts with indefinite terms. Considering that both the lessor and the lessee have the right to cancel a contract at any time, with an insignificant fine, if any, the Company understands that such contracts are outside the scope of pronouncement CPC 06 (R2), and such payments are recognized as operating expenses, should they occur.

ii) Transition effects

The Company applied CPC 06 (R2)/IFRS 16 using the modified retrospective approach, which does not require the restatement of the corresponding amounts, does not have any impact on net equity, and does not alter the calculation of dividends and permits the adoptions of practical expedients. Thus, the comparative information presented for 2018 has not been restated – that is, it is presented as previously reported according to CPC 06/IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

During transition, for leases classified as operating leases in accordance with CPC 06(R1)/IAS 17, the lease liabilities were measured at the present value of the remaining payments, discounted at the incremental loan rate of the Company at January 1, 2019. The right-of-use assets were measured at the amount equivalent to the lease liability on the date of initial adoption.

The Company opted to use the practical expedient for the transition and not recognize the right-of-use assets and lease liabilities for some of the low value leases (for example, lease of printers), of for short-term leases. The Company recognizes payments associated to these leases as expense under the straight-line method over the lease term. Additionally, the Company excludes the initial direct costs from the measurement of the right-of-use asset on the date of initial application.

When measuring the lease liability for leases previously classified as operating leases, the Company discounted the payment of the lease using its incremental rate for loans as at January 1, 2019. The weighted average rate applied was 4.29% p.a. – 4.64% p.a., depending on the contractual terms and, approximately 8.00% p.a. in the subsidiary Netshoes.

iii) Impacts of initial adoption on the financial statements

The tables below demonstrate the equity effects on initial adoption:

	Parent company			Consolidated		
	Previous balance	First-time adoption adjustment	Balance after first-time adoption	Previous balance	First-time adoption adjustment	Balance after first-time adoption
	01/01/2019	IFRS16	01/01/2019	01/01/2019	IFRS16	01/01/2019
Assets						
Current assets						
Total current assets	6,312,813	-	**6,312,813**	6,412,390	-	**6,412,390**
Non-current assets						
Deferred income tax and social contribution	171,488	-	**171,488**	181,012	-	**181,012**
Right-of-use – lease	-	**1,947,468**	**1,947,468**	-	**1,947,468**	**1,947,468**
Other assets	2,246,032	-	**2,246,032**	2,203,339	-	**2,203,339**
Total non-current assets	2,417,520	**1,947,468**	**4,364,988**	**2,384,351**	**1,947,468**	**4,331,819**
Total assets	8,730,333	**1,947,468**	**10,677,801**	**8,796,741**	**1,947,468**	**10,744,209**
Liabilities						
Current liabilities						
Leases	-	**224,642**	**224,642**	-	**224,642**	**224,642**
Other liabilities	5,335,635	-	**5,335,635**	5,388,598	-	**5,388,598**
Total current liabilities	5,335,635	**224,642**	**5,560,277**	5,388,598	**224,642**	**5,613,240**
Non-current liabilities						
Leases	-	**1,722,826**	**1,722,826**	-	**1,722,826**	**1,722,826**
Other liabilities	1,091,826	-	**1,091,826**	1,105,271	-	**1,105,271**
Total non-current liabilities	1,091,826	**1,722,826**	**2,814,652**	1,105,271	**1,722,826**	**2,828,097**
Shareholders' equity	2,302,872	-	**2,302,872**	2,302,872	-	**2,302,872**
Total liabilities and shareholder's equity	8,730,333	**1,947,468**	**10,677,801**	8,796,741	**1,947,468**	**10,744,209**

iv) Impact on the financial statements for the period

As a result of the initial application of CPC 06 (R2)/IFRS 16, in relation to the leases that were previously classified as operational leases, the Company recognized R$ 1.9 billion in right-of-use assets and lease liabilities as at January 01, 2019.

Also in relation to these leases, pursuant to CPC 06(R2)/IFRS 16, the Company recognized depreciation and interest expenses, instead of operating lease expenses. During the Nine-month period ended September 30, 2019, the Company recognized R$ 218,313 (R$ 224,779 Consolidated) of depreciation and R$ 70,389 (R$ 73,596 Consolidated) of interest from these leases.

Changes in the right-of-use, during the Nine-month period ended September 30, 2019 were as follows:

	Parent company	Consolidated
Initial adoption – IFRS 16	**1,947,468**	**1,947,468**
Remeasurement of contracts	**272,372**	**272,372**
Addition of new contracts	**98,555**	**99,048**
Additions due to business combination	**-**	**74,062**
Depreciation	**(218,313)**	**(224,779)**
Closing balance	**2,100,082**	**2,168,171**
Breakdown of right of use as at September 30, 2019:		
Cost value of property and equipment	**2,318,395**	**2,392,950**
Accumulated depreciation	**(218,313)**	**(224,779)**
Net right of use as at September 30, 2019	**2,100,082**	**2,168,171**

Changes in the lease liability, during the Nine-month period ended September 30, 2019 were as follows:

	Parent company	Consolidated
Initial adoption	**1,947,468**	**1,947,468**
Remeasurement of contracts	**272,372**	**272,372**
Addition of new contracts	**98,555**	**98,555**
Additions due to business combination	**-**	**73,225**
Payment of principal	**(183,857)**	**(187,820)**
Interest payment	**(70,389)**	**(73,128)**
Accrued interest	**70,389**	**73,596**
Closing balance	**2,134,538**	**2,204,268**
Current liabilities	**196,036**	**213,107**
Non-current liabilities	**1,938,502**	**1,991,161**

3.2 IFRIC 23/ICPC 22 – Uncertainty over Tax Treatments

The interpretation explains how to consider the uncertainty in accounting for income tax. IAS 12/CPC32 - Income Taxes specifies how to account for current and deferred income taxes, but not how to reflect the effects of uncertainty. For instance, it may not be clear:

- how to apply the tax legislation to specific transactions or circumstances;
- or whether the tax authorities will accept a particular tax treatment adopted by the entity.

If the entity understands that a specific tax treatment is not likely to be accepted, it must use estimates (most likely value or expected value) to determine the tax treatment (taxable income, tax bases, unused tax losses, unused tax credits), tax rates and so on. The decision must be based on the method providing the best possible solution for the uncertainty.

The Company's management understands that the application of this interpretation will have no material impact on the Company's interim information, as the main treatment of income tax and social contribution are considered by the Company's management, with the support of its legal advisors, as likely to be accepted by the tax authorities.

4. Notes included in the Financial Statements as at December 31, 2018 not presented in this interim financial statements

The unaudited condensed interim financial statements is presented in accordance with technical pronouncements CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB). The preparation of the interim financial statements involves judgment by the Company's management in relation to the relevance and alterations that should be disclosed in the notes to the unaudited condensed interim financial statements. In this manner, the interim financial statements include selected notes and does not contemplate all of the notes presented in the financial statements for the year ended December 31, 2018. The following notes and their references to the financial statements for the year ended December 31, 2018 are not presented herein:

- Summary of significant accounting policies and practices (Note 3);
- Significant accounting judgments and sources of uncertainties about estimates (Note 4); and
- Leasing commitments (Note 32), considering the adoption of the new accounting practice, the related information is disclosed under Note 3.1.

5. Cash and cash equivalents

	Rates	Parent company 09/30/2019	Parent company 12/31/2018	Consolidated 09/30/2019	Consolidated 12/31/2018
Cash		**77,972**	62,874	**78,076**	62,985
Banks		**34,483**	73,186	**52,217**	75,310
Bank deposit certificates	70–101% CDI	**8,436**	409,710	**52,417**	416,401
Non-exclusive investment funds	92.5–100% CDI	**-**	2,783	**39,084**	44,391
Total cash and cash equivalents		**120,891**	548,553	**221,794**	599,087

The credit risk and sensitivity analysis is described under Note 28.

6. Marketable securities and other financial assets

Financial assets	Rates	Parent company 09/30/2019	Parent company 12/31/2018	Consolidated 09/30/2019	Consolidated 12/31/2018
Securities					
Non-exclusive investment funds	97% CDI	**11,964**	11,455	**14,228**	11,669
Exclusive investment funds	(a)				
Federal Government Securities and repo operations	Note 9	**224,753**	397,656	**224,753**	397,656
Total securities		**236,717**	409,111	**238,981**	409,325
Current		**236,717**	409,111	**238,717**	409,111
Non-current		**-**	-	**264**	214

(a) Refers to exclusive fixed income investment funds. As at September 30, 2019 and December 31, 2018, 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 change in the Interbank Deposit Certificate (CDI) rate, to return the average profitability of 103% of the CDI rate to the Company.

The credit risk and sensitivity analysis is described under Note 28.

7. Accounts receivable

	Parent company		Consolidated	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Trade accounts receivable:				
Credit cards (a)	**1,135,654**	1,477,322	**1,141,985**	1,492,316
Debit cards (a)	**10,148**	13,967	**10,148**	13,967
Own credit plan (b)	**272,994**	224,146	**272,997**	229,229
Client services (c)	**109,307**	121,469	**109,307**	121,469
Other accounts receivable	**12,716**	28,622	**52,945**	30,332
Total trade accounts receivable	**1,540,819**	1,865,526	**1,587,382**	1,887,313
Commercial agreements (d)	**393,696**	279,346	**410,563**	284,431
Allowance for doubtful accounts	**(83,065)**	(73,510)	**(97,322)**	(73,510)
Adjustment to present value	**(13,991)**	(39,106)	**(13,991)**	(39,106)
Total accounts receivable	**1,837,459**	2,032,256	**1,886,632**	2,059,128
Current	**1,828,330**	2,024,685	**1,874,975**	2,051,557
Non-current	**9,129**	7,571	**11,657**	7,571

The average term to receive trade receivables is of 31 days (30 days as at December 31, 2018), Company and Consolidated.

(a) Receivables from sales made through credit and debit cards, which the Company receives from credit card operators in amounts, terms and quantity of installments defined at the moment the product is sold. As at September 30, 2019, the Company had credits assigned to operators and financial institutions amounting to R$ 1,718,439 (R$ 1,360,242 as at December 31, 2018) and Consolidated R$ 1,992,901 (R$ 1,385,779 as at December 31, 2018), over which a discount varying 105.0–109.0% of the CDI rate is applied. The Company, through credit assignment operations of receivables from credit cards, transfers to the operators and to the financial institutions all of the risks of receiving from customers and, in this manner, settles its receivables related to these credits. With initial adoption of CPC 48/IFRS 9 - Financial Instruments, the difference between the face value and the fair value of receivables began to be recorded under other comprehensive income and after the settlement of receivables the respective financial charges, if any, are registered under profit or loss for the period.

(b) Refers to receivables from sales financed by the Company and by other financial institutions.

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

(d) Refers to bonuses to be received from suppliers, arising from the fulfillment of the purchase volume, as well as from agreements that define the participation of suppliers in disbursements related to advertising and marketing (joint advertising).

Changes in the allowance for doubtful accounts are as follows:

	Parent company		Consolidated	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Opening balance	**(73,510)**	(42,672)	**(73,510)**	(42,672)
(+) Additions	**(64,001)**	(86,008)	**(66,843)**	(86,008)
(+) Addition for acquisition of subsidiary	**-**	-	**(18,358)**	-
(+) Initial adoption IFRS09	**-**	(14,726)	**-**	(14,726)
(-) Write-offs	**54,446**	69,896	**61,389**	69,896
Closing balance	**(83,065)**	(73,510)	**(97,322)**	(73,510)

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

	Trade accounts receivable				Receivables from commercial agreements			
	Parent company		Consolidated		Parent company		Consolidated	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Amounts falling due (days):								
Up to 30	**240,064**	168,436	**261,409**	190,223	**45,697**	45,816	**60,028**	50,901
31–60	**190,713**	114,711	**192,521**	114,711	**77,580**	123,446	**77,580**	123,446
61–90	**166,249**	122,706	**166,951**	122,706	**194,515**	69,490	**194,515**	69,490
91–180	**357,854**	880,668	**358,724**	880,668	**27,835**	31,459	**27,835**	31,459
181–360	**513,219**	524,688	**513,594**	524,688	**15**	1,513	**15**	1,513
>361	**11,877**	14,348	**12,289**	14,348	**-**	-	**-**	-
	1,479,976	1,825,557	**1,505,488**	1,847,344	**345,642**	271,724	**359,973**	276,809
Amounts past due (days):								
Up to 30	**14,605**	11,425	**18,418**	11,425	**19,419**	2,282	**21,022**	2,282
31–60	**10,585**	7,160	**11,594**	7,160	**14,449**	1,779	**14,790**	1,779
61–90	**9,901**	6,027	**11,036**	6,027	**4,707**	802	**4,996**	802
91–180	**25,752**	15,357	**40,846**	15,357	**9,479**	2,759	**9,782**	2,759
	60,843	39,969	**81,894**	39,969	**48,054**	7,622	**50,590**	7,622
Total	**1,540,819**	1,865,526	**1,587,382**	1,887,313	**393,696**	279,346	**410,563**	284,431

8. Inventories

	Parent company		Consolidated	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Goods for resale	**2,816,382**	2,850,966	**3,155,245**	2,871,342
Consumption material	**11,944**	8,699	**19,122**	8,699
Provisions for inventory losses	**(253,407)**	(68,939)	**(288,630)**	(69,793)
Total	**2,574,919**	2,790,726	**2,885,737**	2,810,248

As at September 30, 2019, the Company had inventories of goods for resale given in guarantee of legal proceedings, under execution, in the approximate amount of R$ 30,810 (R$ 30,761 as at December 31, 2018).

Changes in the provision for inventory loss are demonstrated below:

	Parent company		Consolidated	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Opening balance	**(68,939)**	(56,036)	**(69,793)**	(56,552)
Formation of provision	**(266,558)**	(44,203)	**(266,861)**	(44,541)
Addition for acquisition of subsidiary	**-**	-	**(60,129)**	-
Inventory written-off or sold	**82,090**	31,300	**108,153**	31,300
Closing balance	**(253,407)**	(68,939)	**(288,630)**	(69,793)

Changes in the amounts of provision for inventories refer to planned promotional campaigns directly affecting the net realizable value of inventories.

9. Related parties

Company	Assets / (Liabilities)				Income (loss) for the nine months ended				Income (loss) for the quarter ended			
	Parent company		Consolidated		Parent company		Consolidated		Parent company		Consolidated	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Luizacred (i)												
Commissions for services rendered	**10,793**	10,176	**10,793**	10,176	**142,721**	117,722	**142,721**	117,722	**49,068**	41,143	**49,068**	41,143
CDC	**1,261**	3,439	**1,261**	3,439	**-**	-	**-**	-	**-**	-	**-**	-
Credit card	**157,432**	106,687	**157,432**	106,687	**(196,150)**	(158,037)	**(196,150)**	(158,037)	**(64,284)**	(57,625)	**(64,284)**	(57,625)
Transfer of receivables	**(59,499)**	(58,367)	**(59,499)**	(58,367)	**-**	-	**-**	-	**-**	-	**-**	-
Dividends receivable	**1,322**	1,322	**1,322**	1,322	**-**	-	**-**	-	**-**	-	**-**	-
Reimbursement of shared expenses	**21,188**	12,221	**21,188**	12,221	**70,583**	56,076	**70,583**	56,076	**23,995**	19,988	**23,995**	19,988
	132,497	75,478	**132,497**	75,478	**17,154**	15,761	**17,154**	15,761	**8,779**	3,506	**8,779**	3,506
Luizaseg (ii)												
Commissions for services rendered	**41,882**	46,825	**41,882**	46,825	**290,562**	250,860	**290,562**	250,860	**103,955**	87,267	**103,955**	87,267
Dividends receivable	**-**	4,976	**-**	4,976	**-**	-	**-**	-	**-**	-	**-**	-
Transfer of receivables	**(58,095)**	(55,600)	**(58,095)**	(55,600)	**-**	-	**-**	-	**-**	-	**-**	-
Clawback-exclusivity agreement	**-**	(4,282)	**-**	(4,282)	**-**	-	**-**	-	**-**	-	**-**	-
	(16,213)	(8,081)	**(16,213)**	(8,081)	**290,562**	250,860	**290,562**	250,860	**103,955**	87,267	**103,955**	87,267
Total jointly controlled entities:	**116,284**	67,397	**116,284**	67,397	**307,716**	266,621	**307,716**	266,621	**112,734**	90,773	**112,734**	90,773
Luiza Administradora de Consórcio (“LAC”) (iii)												
Commissions for services rendered	**1,214**	1,286	**-**	-	**11,095**	8,833	**-**	-	**3,918**	3,236	**-**	-
Dividends receivable	**-**	2,093	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Consortium groups	**(1,109)**	(1,063)	**(1,109)**	(1,063)	**-**	-	**-**	-	**-**	-	**-**	-
	105	2,316	**(1,109)**	(1,063)	**11,095**	8,833	**-**	-	**3,918**	3,236	**-**	-
Campos Floridos Comércio de Cosméticos Ltda. (iv)												
Commissions for services rendered	**-**	66	**-**	-	**171**	177	-	-	**-**	74	**-**	-
	-	66	**-**	-	**171**	177	-	-		74	**-**	-
Donatelo - “Integra Commerce”(v)												
Reimbursement of shared expenses	-	-	-	-	-	148	-	-	-	-	-	-
	-	-	-	-	-	148	-	-	-	-	-	-
“Magalog”(vi)												
Freight expenses	**19**	-	-	-	-	-	-	-	**-**	-	-	-
Amounts receivable	-	-	-	-	**(9,925)**	(1,045)	-	-	**(6,030)**	(768)	-	-
	19	-	-	-	**(9,925)**	(1,045)	-	-	**(6,030)**	(768)	-	-
Netshoes (vii)												
Loan receivable - Working capital	**260,500**	-	-	-	-	-	-	-	-	-	-	-
	260,500	-	-	-	-	-	-	-	-	-	-	-
Total subsidiaries	**260,624**	2,382	**(1,109)**	(1,063)	**1,341**	8,113	-	-	**(2,112)**	2,542	-	-

Company	Parent company		Consolidated		Parent company		Consolidated		Parent company		Consolidated	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018
MTG Administração, Assessoria e Participações S.A. (viii)												
Rentals and other expenses	**(1,225)**	(1,222)	**(1,232)**	(1,225)	**(18,348)**	(17,481)	**(18,372)**	(17,513)	**(6,012)**	(5,767)	**(6,012)**	(5,778)
	(1,225)	(1,222)	**(1,232)**	(1,225)	**(18,348)**	(17,481)	**(18,372)**	(17,513)	**(6,012)**	(5,767)	**(6,012)**	(5,778)
PJD Agropastoril Ltda. (ix)												
Rentals, freight and other expenses	**(32)**	(31)	**(60)**	(58)	**(1,793)**	(1,965)	**(1,952)**	(2,254)	**(572)**	(665)	**(572)**	(762)
	(32)	(31)	**(60)**	(58)	**(1,793)**	(1,965)	**(1,952)**	(2,254)	**(572)**	(665)	**(572)**	(762)
LH Agropastoril, Administração de participações Ltda. (x)												
Rentals	**(123)**	(77)	**(123)**	(77)	**(1,242)**	(681)	**(1,242)**	(681)	**(368)**	(231)	**(368)**	(231)
	(123)	(77)	**(123)**	(77)	**(1,242)**	(681)	**(1,242)**	(681)	**(368)**	(231)	**(368)**	(231)
ETCO - Sociedade em Conta de Participação (xi)												
Agencing fee	-	-	-	-	**(4,675)**	(4,787)	**(4,675)**	(4,787)	**(2,013)**	(1,475)	**(2,013)**	(1,475)
Marketing expenses	**(160)**	(167)	**(160)**	(167)	**(150,705)**	(152,644)	**(150,705)**	(152,644)	**(62,516)**	(51,082)	**(62,516)**	(51,082)
	(160)	(167)	**(160)**	(167)	**(155,380)**	(157,431)	**(155,380)**	(157,431)	**(64,529)**	(52,557)	**(64,529)**	(52,557)
Total other related parties	**(1,540)**	(1,497)	**(1,575)**	(1,527)	**(176,763)**	(177,558)	**(176,946)**	(177,879)	**(71,481)**	(59,220)	**(71,481)**	(59,328)
Total related parties	**375,368**	68,282	**113,600**	64,807	**132,294**	97,176	**130,770**	88,742	**39,141**	34,095	**41,253**	31,445

Reconciliation	Parent company		Consolidated	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Accounts receivable from related parties - current	**240,440**	193,635	**239,207**	190,190
Accounts receivable from related parties - Non-current	**260,500**	-	**-**	-
Accounts payable to related parties	**(125,572)**	(125,353)	**(125,607)**	(125,383)
Total	**375,368**	68,282	**113,600**	64,807

Other related parties Securities	Assets (Liabilities)				P&L - Nine-month period				P&L - Quarter			
	Parent company		Consolidated		Parent company		Consolidated		Parent company		Consolidated	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Investment funds (xii)	**224,753**	397,656	**224,753**	397,656	**8,111**	14,726	**8,111**	14,726	**2,221**	1,721	**2,221**	1,721

(i) Transactions with Luizacred, jointly-owned subsidiary with Banco Itaúcard S.A., refer to the following activities:

(a) Receivables in private label credit cards and financial expenses with the advance of such receivables;

(b) Balance receivable from the sale of financial products to customers by Luizacred, received by the Company;

(c) Commissions on services provided monthly by the Company, including attracting new 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 filing and availability of physical space at sales outlets. The amounts payable (current liabilities) refer to the receipt of customer installments by the Company's store cashiers, which are transferred to Luizacred.

(ii) The amounts receivable (current assets) and revenues of Luizaseg, jointly-owned subsidiary with NCVP Participações Societárias S.A., a subsidiary of Cardif do Brasil Seguros e Previdência S.A., arise from commissions on services provided monthly 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, on the month following the sale. In 2018 a balance payable was registered resulting from the "clawback" of the exclusivity agreement signed in 2015 (Note 18).

(iii) The amounts receivable (current assets) from LAC, wholly-owned subsidiary, refers to proposed dividends, commissions for sales made by the Company as an agent for consortium operations. The amounts payable (current liabilities) refer to transfers to be made to LAC relating to consortium installments received by the Company through cashiers at sales outlets.

(iv) Transactions with Campos Floridos - "Época Cosméticos", a wholly-owned subsidiary, refers to sales commissions through the Company's Marketplace platform.

(v) Transactions with Donatelo - "Integra Commerce", a wholly-owned subsidiary, refer to the reimbursement of shared expenses.

(vi) Transactions with "Magalog", a wholly-owned subsidiary, refer to freight expenses.

(vii) The loan amounts for Netshoes refer to working capital transferred by the company.

(viii) Transactions with MTG Administração, Assessoria e Participações S.A. ("MTG"), controlled by the same controlling companies of the Company, refer to expenses with the rental of commercial buildings for establishing its stores, as well as distribution centers and central office and reimbursement of expenses.

(ix) 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, truck rental for freight of goods and expenses with kitchen and pantry.

(x) Transactions with LH Agropastoril, Administração Participações Ltda., controlled by the same controlling shareholders of the Company, refers to expenses with rental of commercial.

(xi) Transactions with ETCO, a special partnership which has as partner an entity controlled by the president 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

(xii) 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 – Marketable Securities and other financial assets).

b) <u>Management compensation</u>

	09/30/2019		09/30/2018	
	Board of Directors	Statutory Board	Board of Directors	Statutory Board
Fixed and variable compensation	**3,370**	**29,426**	2,868	9,141
Stock option plan	**70**	**23,892**	70	3,052

The Company does not grant post-employment benefits, severance benefits or other long-term benefits. Short-term benefits for the Executive Officers are the same as those extended to other employees of the Company. It is an internal public policy of the Company to pay Profit Sharing to its collaborators. These amounts are provisioned on a monthly basis by the Company, according to estimates for meeting targets. On April 12, 2019 in an Ordinary General Assembly the management's overall compensation(Board of Directors and Executive Officers) was approved for the year ending December 31, 2019, where a maximum limit for management's overall compensation was established at R$ 65,385 (R$ 28,480 in December 31, 2018).

10. Recoverable taxes

	Parent company		Consolidated	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018
ICMS recoverable (a)	**598,776**	411,267	**670,362**	411,267
IRPJ and CSLL recoverable	**-**	8,718	**3,547**	10,544
IRRF recoverable	**9,933**	642	**9,956**	749
PIS and COFINS recoverable (b)	**1,200,657**	27,230	**1,331,973**	29,242
Other	**2,395**	2,513	**5,387**	2,513
	1,811,761	450,370	**2,021,225**	454,315
Current assets	**650,532**	299,746	**745,693**	303,691
Non-current assets	**1,161,229**	150,624	**1,275,532**	150,624

(a) Refer to accumulated credits of own ICMS and by tax substitution, arising from the adoption of diversified rates in operations of inflow and outflow of interstate goods. These credits will be realized by refund request and offset against debts of same nature with the states of origin of the credit.

(b) In the year 2019, the Company had a favorable and unappealable final decision for lawsuits regarding the right to exclude ICMS tax from PIS and COFINS tax calculation basis, provided that these lawsuits were related to the claim of Magazine Luiza S.A. and its merged company FS Vasconcelos Ltda. Two of the lawsuits were filed in 2007, ensuring the right for recognition of tax credits from the limitation period in 2002 up to the period of 2014, other one was filed in 2017, which ensure the right for recognition of tax credits from the period post 12.973/2014 law. The estimated and recorded amount for these lawsuits was R$ 1,190,050, of which R$ 713,455 refers to the principal and R$ 476,595 refers to inflation adjustment.

Also in 2019 a final and unappealable decision was handed down for subsidiary Netshoes on the same issue. The lawsuit was filed in 2014 and ensures the tax credit from 2009 to 2014, whose estimated and recorded amount was R$ 119,035, of which 73,093 refers to principal and R$ 45,942 to inflation adjustment.

The compensation of the credit will be subject to judicial homologation via administrative procedures before the Federal Revenue Superintendence.

11. Income tax and social contribution

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

	Nine months ended				Quarter			
	Parent company		Consolidated		Parent company		Consolidated	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Income before income tax and social contribution	**1,030,612**	564,263	**1,029,366**	565,095	**298,024**	160,715	**297,797**	160,880
Current nominal rate	**34%**	34%	**34%**	34%	**34%**	34%	**34%**	34%
Expected income tax and social contribution debits at statutory rates	**(350,408)**	(191,849)	**(349,984)**	(192,132)	**(101,328)**	(54,643)	**(101,251)**	(54,699)
Reconciliation to effective rate (effects of application of tax rates):								
Exclusion – equity in investments	**27,919**	15,438	**2,787**	14,653	**(4,265)**	3,583	**3,606**	3,439
Non-taxable Income - Netshoes (i)	**-**	-	**25,854**	-	**-**	-	**(7,946)**	-
Effect of government subvention	**12,185**	20,990	**12,185**	20,990	**4,075**	11,036	**4,075**	11,035
Interest on own capital	**38,080**	-	**38,080**	-	**38,080**	-	**38,080**	-
Other permanent exclusions, net	**(4,558)**	(1,057)	**(4,458)**	(821)	**514**	(1,135)	**741**	(1,099)
Income tax and social contribution debit	**(276,782)**	(156,478)	**(275,536)**	(157,310)	**(62,924)**	(41,159)	**(62,695)**	(41,324)
Current	**(98,149)**	(96,589)	**(101,601)**	(99,612)	**(40,414)**	(38,277)	**(41,838)**	(39,050)
Deferred	**(178,633)**	(59,889)	**(173,935)**	(57,698)	**(22,510)**	(2,882)	**(20,857)**	(2,274)
Total	**(276,782)**	(156,478)	**(275,536)**	(157,310)	**(62,924)**	(41,159)	**(62,695)**	(41,324)
Effective rate	**26.9%**	27.7%	**26.8%**	27.8%	**21.1%**	25.6%	**21.1%**	25.7%

(i) The subsidiary Netshoes has tax losses for the year. However, it recorded net income for the post-acquisition period, in view of the recognition of the tax credits described in Note 10. Accordingly, the taxable income for the period is being reconciled for better presentation.

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

	Parent company			Consolidated			
	Balance 12/31/2018	Net income (loss)	Balance 09/30/2019	Balance 12/31/2018	Net income (loss)	Business Combination	Balance 09/30/2019
Deferred income tax and social contribution assets:							
Tax loss carryforwards and negative basis of social contribution	56,140	**(35,444)**	**20,696**	62,004	**(32,139)**	**-**	**29,865**
Allowance for doubtful accounts	24,993	**3,249**	**28,242**	24,993	**3,249**	**-**	**28,242**
Provision for inventory losses	23,439	**62,719**	**86,158**	23,729	**62,732**	**-**	**86,461**
Provision for adjustments to present value	8,906	**(3,435)**	**5,471**	8,906	**(3,435)**	**-**	**5,471**
Provision for tax, civil and labor risks	113,426	**86,337**	**199,763**	116,796	**86,067**	**53,129**	**255,992**
Identified intagibles in business combination	(41,679)	**-**	**(41,679)**	(41,679)	**-**	**(111,267)**	**(152,946)**
Escrow deposits	(31,134)	**18,279**	**(12,855)**	(31,134)	**18,279**	**-**	**(12,855)**
Deferred credit tax	-	**(343,673)**	**(343,673)**	-	**(343,673)**	**-**	**(343,673)**
Other provisions	17,397	**33,335**	**50,732**	17,397	**34,985**	**-**	**52,382**
Deferred income tax and social contribution	171,488	**(178,633)**	**(7,145)**	181,012	**(173,935)**	**(58,138)**	**(51,061)**

	Parent company					Consolidated				
	Balance 12/31/2017	Net income (loss)	IFRS Addoption	FVOCI	Balance 09/30/2018	Balance 12/31/2017	Net income (loss)	IFRS Addoption	FVOCI	Balance 09/30/2018
Deferred income tax and social contribution assets:										
Tax loss carryforwards and negative basis of social contribution	113,917	(43,265)	-	-	70,652	117,253	(41,107)	-	-	76,146
Allowance for doubtful accounts	14,508	2,513	5,007	-	22,028	14,508	2,513	5,007	-	22,028
Provision for inventory losses	19,052	11,070	-	-	30,122	19,229	11,098	-	-	30,327
Provision for adjustments to present value	8,648	492	-	-	9,140	8,671	469	-	-	9,140
Provision for tax, civil and labor risks	101,027	(4,019)	-	-	97,008	101,235	(3,966)	-	-	97,269
Exchange variations	4,683	(4,683)	-	-	-	4,683	(4,683)	-	-	-
Amortization of intangible assets	(41,679)	-	-	-	(41,679)	(41,679)	-	-	-	(41,679)
Escrow deposits	(8,996)	(21,392)	-	-	(30,388)	(8,996)	(21,392)	-	-	(30,388)
Other provisions	8,161	(605)	7,569	(1,463)	13,662	8,196	(630)	7,569	(1,463)	13,672
Deferred income tax and social contribution	219,321	(59,889)	12,576	(1,463)	170,545	223,100	(57,698)	12,576	(1,463)	176,515

Conciliation of deferred income tax by company:

	Balance 12/31/2018	DTA	DTL	Balance 09/30/2019
Magazine Luiza	171,488	**-**	**(7,145)**	**(7,145)**
Netshoes	-	**-**	**(58,138)**	**(58,138)**
Consórcio Luiza	272	**485**	**-**	**485**
Época	6,154	**9,244**	**-**	**9,244**
Magalog	-	**1,250**	**-**	**1,250**
Softbox	3,098	**3,243**	**-**	**3,243**
Total	181,012	**14,222**	**(65,283)**	**(51,061)**

c) Deferred income tax and social contribution not formed

The subsidiary Netshoes accumulated tax losses and negative basis of social contribution on net income over the last operating years and, consequently, did not recognize income tax and social contribution credits over the deferred net income, in accordance with CVM Instruction No. 371/2002. The income tax and social contribution assets on net income may be recognized when the subsidiary Netshoes present future sustainable tax income and it is likely that the tax benefits will be realized. As at September 30, 2019, subsidiary Netshoes had R$ 310,428 of deferred taxes not recorded, of which R$ 255,395 refers to negative basis of social contribution and R$ 55,033 refers to temporary differences.

12. Investments in subsidiaries

a. Business combination

a.1 - “Grupo Softbox”

As at December 13, 2018, the Company acquired full control of companies Softbox Sistemas de Informação, Certa Administração and Kelex Tecnologia, which are together called “Softbox Group” or only “Softbox”.

At acquisition date, Softbox had 256 employees, of which 174 developers and IT specialists, providing solutions for retail companies and for the consumer goods industry willing to sell their products to their end consumers via internet. The vast majority of the Brazilian companies are not yet within the digital world, without access to any marketplace. With the acquisition of Softbox, the Company will support the transformation of analogic into digital companies.

<u>Consideration transferred</u>

The company was acquired for R$ 43,482, paid through three payment methods: i) R$ 13,950 fully paid when the acquisition was closed; ii) R$ 13,950 to be paid over 5 years; and iii) R$ 15,582 to be paid in 5 years upon assignment of Company’s shares or funds immediately available in the event that it is not possible to assign the shares, provided that the number of shares will be determined at acquisition date.

Assets acquired and liabilities assumed at the acquisition date:

An analysis was conducted by an independent expert within the term defined in CPC 15 – Business Combination to make the acquisition and segregate the goodwill, using the financial statements at the time of the acquisition for determination of the purchase price. The Company previously presented the fair value allocation in 2018. In 2019, the Company is stating the definitive amounts, in view of the completion of the analyses prepared by the expert.

	Softbox	Allocation	Fair value
Current assets	8,892	-	8,892
Intangible assets - Software (a)	-	9,900	9,900
Intangible assets - Client base (b)	-	5,300	5,300
Intangible assets - Workforce (c)	-	4,050	4,050
Intangible assets - Trademark (d)	-	1,280	1,280
Other non-current assets	2,914	3,098	6,012
	11,806	23,628	35,434
Current liabilities	4,503	-	4,503
Provision for tax risks (e)	-	9,111	9,111
Other non-current liabilities	1,836	-	1,836
	6,339	9,111	15,450
Total identifiable assets, net	**5,467**	**14,517**	**19,984**

Valuation techniques for the acquired assets

The valuation techniques used to measure the fair value of the significant assets acquired were as follows:

a) Software: Multi-Period Excess Earning Method (MPEEM). MPEEM measures the present value of future earnings to be generated over the remaining useful life of a given asset.

b) Customer list: using the With or Without income method. This methodology is commonly used to assess this type of intangible asset and calculates the difference in future cash flow generation between two scenarios, one with the customer portfolio and one hypothetical scenario without this asset.

c) Labor force: using the replacement cost method.

d) Brand: using the Relief-from-Royalty method, which captures the economies of royalties related to owning the brand, instead of obtaining a license to use it.

e) Tax risks subject to inquiries from tax authorities. Management believes that the likelihood of an outflow of funds is probable.

Goodwill on acquisition

Consideration transferred	43,482
Fair value of shareholders' equity	(19,984)
Goodwill on acquisition	23,498

The goodwill from the acquisition totals R$ 23,498, including the difference paid by the Company in relation to the fair value of the assets of the acquired companies. This refers mainly to the abilities and technical skills of the labor force of Softbox Group, and the expected synergies from the integration of the entity with the existing business of the Company.

This recognized goodwill may have the tax treatment provided for by the applicable legislation.

a.2 - “Grupo Netshoes”

As at June 14, 2019, the Company completed the acquisition of all shares, which also include all the voting capital of Netshoes Group’s companies (“Netshoes”). Established in 2000, Nethoes is a leading online retailer of clothes, shoes and sports articles with 5.8 million active customers and renowned brands, such as Netshoes, Zattini, and Shoestock. The acquisition represents a significant step towards the exponential growth strategy of the Company, increasing the online customer base and the purchase frequency. This also represents a milestone in entering new categories with high growth potential.

The acquisition amounted to R$ 453,247, was fully paid in cash at the transaction’s closing date. There is no contingent consideration is this acquisition.

Assets acquired and liabilities assumed at the acquisition date:

The Company engaged an independent assessment of the fair value of net assets acquired, which service had not been concluded up until the disclosure of the interim financial statements. Accordingly, the accounting registers of the acquisition may be reviewed as the assessment service is concluded. With the preliminary data, the net assets acquired are as follows:

	Netshoes	Allocation	Fair value
Current assets	448,019	-	448,019
Property, plant and equipment (a)	72,482	17,923	90,405
Intangible assets - Client base (b)	-	175,300	175,300
Intangible assets - Trademark (c)	14,561	108,399	122,960
Intangible assets - Software (d)	125,236	9,341	134,577
Intangible assets - Workforce (e)	-	16,297	16,297
Other intangible assets	1,786	-	1,786
Other non-current assets	236,601	38,964	275,565
	898,685	366,224	1,264,909
Current liabilities	736,673	-	736,673
Provision for risks (f)	30,372	156,265	186,637
Other non-current liabilities (g)	210,935	111,268	322,203
	977,980	267,533	1,245,513
Total identifiable assets, net	**(79,295)**	**98,691**	**19,396**

(a) Allocation related mainly to the surplus of leasehold Improvements;

(b) Allocation determined for the customer portfolio. The intangibles of the customer portfolio arises from the company’s relationship with its customers representing a stable and recurrent source of income;

(c) Allocation related to the strength of Netshoes, Zattini, and Shoestock brands to generate cash flow for the Company;

(d) Allocation related mainly to software developed internally in Netshoes Group, vital for the operation;

(e) Allocation determined mainly by the cost of replacement of the existing labor force in the acquired entity;

(f) Netshoes Group has tax and labor risks subject to inquiries from tax authorities. Management believes that the likelihood of an outflow of funds is probable.

(g) The allocation refers to deferred income tax liability on allocation of the intangibles mentioned above

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts,
or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill on acquisition

Consideration transferred	453,247
Fair value of the identifiable net assets	(19,396)
Goodwill on acquisition	433,851

The goodwill preliminary generated from the acquisition totals R$ 433,851, including the difference paid by the Company in relation to the fair value of the equity of the acquired companies. It is mainly attributed to the expected synergies with the integration of the entity to the existing business of the Company.

Incorporated revenues and income

In the nine-month period ended September 30, 2019, the Company consolidated the net revenue and net income amounts for the period from June 14 to September 30, 2019 arising from the acquisition, totaling R$ 486,773 and R$ 76,042, respectively. It is worth highlighting that this result is impacted by the recognition of tax credits related to the exclusion of ICMS in the PIS and COFINS calculation base, as shown in Note 10. If the acquisition date were at the beginning of the reporting period, such amounts would refer to net revenue of R$ 1,114,539 and net loss of R$ 151,438.

Changes in investments in subsidiaries, presented in the parent interim financial statements, are as follows:

	LAC	Época	Integra	Magalog	Softbox	Certa adm	Kelex	Netshoes	Magalu Pgtos[1]
Investment in subsidiaries	09/30/2019	09/30/2019	09/30/2019	09/30/2019	09/30/2019	09/30/2019	09/30/2019	09/30/2019	09/30/2019
Quotas/shares held	6,500	12,855	100	16,726	5,431	100	100	31,056,244	2,000,000
Equity interest	100%	100%	100%	100%	100%	100%	100%	100%	100%
Current assets	53,071	52,292	375	9,900	7,138	118	289	469,333	222
Non-current assets	4,603	12,696	602	1,472	6,012	-	-	535,326	-
Current liabilities	12,027	49,647	19	7,235	8,244	30	2	636,105	23
Non-current liabilities	2,432	20	-	-	-	1	-	366,035	-
Capital	6,500	34,405	4,156	7,551	6,447	100	100	245	200
Shareholders' equity	43,215	15,321	958	4,137	4,906	87	287	2,519	199
Net revenue	61,115	124,526	111	11,933	23,593	-	114	486,773	-
Net income (loss)	6,673	(6,002)	(184)	(2,426)	(281)	(5)	100	76,042	(1)

	LAC	Época	Integra	Magalog	Gr. Softbox	Netshoes	Magalu Pgtos[1]
Changes in investments	09/30/2019	09/30/2019	09/30/2019	09/30/2019	09/30/2019	09/30/2019	09/30/2019
Opening balances	36,542	57,077	2,861	8,373	41,850	-	-
Advances for future capital increase	-	5,800	300	5,900	-	-	200
Investments in subsidiaries	-	-	-	-	-	453,247	-
Adjustment to the acquisition price	-	-	-	-	1,632	-	-
Other comprehensive income	-	-	-	-	-	1,428	-
Stock Option Plan	-	-	-	-	-	4,344	-
Equity in net income of subsidiaries	6,673	(6,002)	(184)	(2,426)	(186)	76,042	(1)
Balances at the end of the period	43,215	56,875	2,977	11,847	43,296	535,061	199

[1] During this year, the Company made an investment in Magalu Pagamentos Ltda, which will be the Company's payment institution.

Investment in subsidiaries	LAC 12/31/2018	Época 12/31/2018	Integra 12/31/2018	Magalog 12/31/2018	Softbox 12/31/2018	Certa adm 12/31/2018	Kelex 12/31/2018
Quotas/shares held	6,500	12,855	100	16,726	5,431	100	100
Equity interest	100%	100%	100%	100%	100%	100%	100%
Current assets	48,378	43,540	122	1,390	9,306	191	120
Non-current assets	3,723	9,417	1,055	70	2,914	-	-
Current liabilities	13,047	37,434	335	796	4,789	2	28
Non-current liabilities	2,512	-	-	-	1,822	-	-
Capital	6,500	28,605	3,856	1,651	6,447	100	100
Shareholders' equity	36,542	15,523	842	664	5,609	189	92
Net revenue	71,251	127,098	306	2,762	-	-	-
Net income (loss)	8,814	(1,351)	(2,102)	(1,277)	-	-	-

Changes in investments	LAC 12/31/2018	Época 12/31/2018	Integra 12/31/2018	Magalog 12/31/2018	Gr. Softbox 12/31/2018
Opening balances	29,821	46,577	2,132	-	-
Advances for future capital increase	-	11,851	2,831	1,650	-
Investments in subsidiaries	-	-	-	8,000	41,850
Dividends distributed	(2,093)	-	-	-	-
Equity in net income of subsidiaries	8,814	(1,351)	(2,102)	(1,277)	-
Balances at the end of the period	36,542	57,077	2,861	8,373	41,850

Total investments in subsidiaries by company	Profit sharing subsidiaries	Goodwill	Goodwill	Balance 09/30/2019
Administradora de Consórcio ("LAC")	**43,215**	**-**	**-**	**43,215**
Época Cosméticos	**15,321**	**36,827**	**4,727**	**56,875**
Integra "Donatelo"	**957**	**-**	**2,020**	**2,977**
Magalog	**4,137**	**3,756**	**3,954**	**11,847**
Softbox (Sotfbox, Certa and Kelex)	**5,281**	**23,498**	**14,517**	**43,296**
Netshoes	**2,519**	**433,851**	**98,691**	**535,061**
Magalu Bank	**199**	**-**	**-**	**199**
	71,629	**497,932**	**123,909**	**693,470**

Total investments in subsidiaries by company	Profit sharing subsidiaries	Goodwill	Goodwill	Balance 12/31/2018
Administradora de Consórcio ("LAC")	36,542	-	-	36,542
Época Cosméticos	15,523	36,827	4,727	57,077
Integra "Donatelo"	841	-	2,020	2,861
Magalog	663	3,756	3,954	8,373
Softbox (Sotfbox, Certa and Kelex)	(125)	-	41,975	41,850
	53,444	40,583	52,676	146,703

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13. Investments in jointly-controlled subsidiaries

	Luizacred (a)		Luizaseg (b)	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Total shares – in thousands	**1,054**	1,054	**133,883**	133,883
Direct equity interest	**50%**	50%	**50%**	50%
Current assets	**9,048,906**	7,447,394	**224,046**	233,745
Non-current assets	**1,284,331**	854,518	**408,874**	349,992
Current liabilities	**9,590,248**	7,560,045	**260,646**	238,613
Non-current liabilities	**160,931**	165,347	**133,965**	117,549
Capital	**400,000**	371,102	**133,883**	133,883
Shareholders' equity	**582,058**	576,520	**238,309**	227,575
Net revenues	**1,879,498**	2,002,175	**398,905**	474,950
Net income (loss) for the period/year	**5,538**	87,650	**34,008**	41,924

	Luizacred		Luizaseg	
Changes in investments	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Opening balances	**288,260**	293,574	**20,202**	17,773
Proposed dividends	**-**	(22,323)	**(14,169)**	(11,768)
Other comprehensive income (a)	**-**	-	**2,532**	265
Initial adoption of IFRS 9	**-**	(56,816)	**-**	-
Capital increase	**-**	30,000	**-**	-
Unrealized profit	**-**	-	**(11,575)**	(7,030)
Equity in net income of subsidiaries	**2,769**	43,825	**17,004**	20,962
Balances at the end of the period	**291,029**	288,260	**13,994**	20,202

a) Refers to financial assets measured at fair value for the jointly-controlled subsidiary Luizaseg. These amounts will be reclassified to income for the year when settled in the future.

Total investments in jointly-owned subsidiaries

	09/30/2019	12/31/2018
Luizacred (a)	**291,029**	288,260
Luizaseg (b)	**119,154**	113,788
Luizaseg - Unrealized profits (c)	**(105,161)**	(93,586)
Total investments in jointly-owned subsidiaries	**305,022**	308,462

(h) Equity interest of 50% of voting capital representing the contractually agreed sharing, the control of business, requiring the unanimous consent of the parties about significant decisions, financial and operating activities. Luizacred is jointly controlled by Banco Itaúcard S.A. and is engaged in the supply, distribution and trade of financial products and services to customers at the Company's chain of stores.

(b) Equity interest of 50% of voting capital representing the contractually agreed sharing, the control of business, requiring the unanimous consent of the parties about significant decisions, guarantees and operating activities. Luizaseg is jointly controlled by NCVP Participações Societárias S.A., subsidiary of Cardif do Brasil Seguros e Previdência S.A., and is engaged in the development, sale and administration of extended warranties for any type of product sold in Brazil through the Company's chain of stores.

(c) Unrealized profits from transactions for intermediation of extended warranty insurance for the jointly-owned subsidiary Luizaseg

14. Property, plant and equipment

Changes in property and equipment during the nine-months ended September 30, 2019 and 2018 were as follows:

	Parent company	Consolidated
Net property and equipment as at December 31, 2018	749,463	754,253
Additions	**252,574**	**254,072**
Addition for business combination – Note 12 (a.2)	**-**	**90,405**
Write-offs	**(2,360)**	**(2,559)**
Depreciation	**(72,485)**	**(80,117)**
Net intangible assets at September 30, 2019	**927,192**	**1,016,054**
Breakdown of property, plant and equipment at September 30, 2019:		
Cost value of property and equipment	**1,728,177**	**1,886,190**
Accumulated depreciation	**(800,985)**	**(870,136)**
Net intangible assets at September 30, 2019	**927,192**	**1,016,054**

	Parent company	Consolidated
Net property and equipment as at December 31, 2017	567,085	569,027
Additions	171,272	171,616
Addition due to business combination	-	4
Write-offs	(935)	(935)
Depreciation	(76,114)	(76,384)
Net intangible assets at September 30, 2018	661,308	663,328
Breakdown of property, plant and equipment at September 30, 2018:		
Cost value of property and equipment	1,375,672	1,379,986
Accumulated depreciation	(714,364)	(716,658)
Net intangible assets at September 30, 2018	661,308	663,328

During this nine-months ended September 30, 2019, no indication of impairment to fixed assets was identified.

15. Intangible assets

Changes in intangible assets during the nine-months ended September 30, 2019 and 2018 were as follows:

	Parent company	Consolidated
Net intangible assets as at December 31, 2018	501,539	598,822
Additions	**126,501**	**136,636**
Addition for business combination – Note 12 (a.2)	**-**	**884,771**
Amortization	**(47,717)**	**(59,791)**
Write-offs	**(4,207)**	**(4,430)**
Net intangible assets at September 30, 2019	**576,116**	**1,556,008**
Breakdown of intangible assets as at September 30, 2019		
Cost value of intangible assets	**1,001,513**	**2,116,498**
Accumulated amortization	**(425,397)**	**(560,490)**
Net intangible assets at September 30, 2019	**576,116**	**1,556,008**

	Parent company	Consolidated
Net intangible assets as at December 31, 2017	486,111	532,360
Additions	60,140	62,625
Addition due to business combination	-	7,710
Write-offs	(8)	(8)
Amortization	(45,260)	(46,297)
Net intangible assets at September 30, 2018	500,983	556,390
Breakdown of intangible assets as at September 30, 2018		
Cost value of intangible assets	862,869	921,574
Accumulated amortization	(361,886)	(365,184)
Net intangible assets at September 30, 2018	500,983	556,390

During the nine-months ended September 30, 2019, no indication of impairment to intangible assets was identified.

16. Suppliers

	Parent company		Consolidated	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Goods for resale – domestic Market	**3,313,886**	4,022,357	**3,775,940**	4,050,931
Other suppliers	**39,838**	81,108	**56,840**	89,319
Adjustment to present value	**(22,551)**	(35,006)	**(29,978)**	(35,006)
Total suppliers	**3,331,173**	4,068,459	**3,802,802**	4,105,244

The Company maintains agreements with partner banks to structure, with its main suppliers, transactions to advance their receivables. In this operation, suppliers transfer the right to receive from securities to the Bank in exchange of the advanced receipt of the security. The Bank, in turn, becomes the creditor of the operation, and the Company settles the note on the same date originally agreed-to with its supplier and receives, subsequently, a commission from the Bank for this intermediation and confirmation of the notes payable. This commission is registered as financial revenue.

Above-mentioned transaction carried out by the Company does not change terms, prices and conditions previously established with suppliers and, therefore, the Company classified it under “Suppliers” caption.

As at September 30, 2019 the balance payable negotiated by suppliers, and with the acceptance of the Company, totaled R$ 754,158 (R$ 781,549 as at December 31, 2018).

Trade accounts payables are initially recorded at present value with the counter entry in “Inventories”. The reversal of the adjustment to present value is registered under “Cost of resold goods and services rendered” for the benefit of the term.

17. Loans and financing

Description	Charge	Guarantees	Final maturity	Parent company		Consolidated	
				09/30/2019	12/31/2018	09/30/2019	12/31/2018
Debentures – restricted offer – 7th issue	113.5% CDI	Clean	Mar 2020	**300,631**	306,545	**300,631**	306,545
Promissory notes – 3rd issue	112.0% CDI	Clean	May 2019	**-**	113,931	**-**	113,931
Promissory notes – 4th issue (a)	104.0% CDI	Clean	Jun/21	**814,316**	-	**814,316**	-
Innovation financing - FINEP (b)	4% p.a.	Bank guarantee	dez/22	**24,063**	29,620	**24,063**	29,620
Expansion financing - BNB (c)	7% p.a.	Bank guarantee	dez/22	**2,385**	2,936	**2,385**	2,936
Other				**2,860**	1,055	**4,689**	2,935
				1,144,255	454,087	**1,146,084**	455,967
Current liabilities				**311,558**	130,685	**313,387**	130,743
Non-current liabilities				**832,697**	323,402	**832,697**	325,224

(a) As at June 16, 2019, the Company held its fourth issuance of 160 commercial promissory notes in a single series, with nominal par value of R$ 5,000 for public distribution with restricted distribution efforts, in accordance with CVM Instruction no. 476/2009. The amounts raised will be used to improve the cash flow in the course and ordinary management of the Company's business.

(b) Refers to a financing contract signed with *Financiadora de Estudos e Projetos - FINEP*, with the purpose of investing in technological innovation research development projects

(c) The Company signed a financing contract with *Banco do Nordeste do Brasil - BNB*, with the purpose of modernizing, refurbishing the stores in the northeastern region and building a new Distribution Center in the municipality of Candeias (BA).

Cash flow reconciliation of operating and financing activities

	Parent company		Consolidated	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Opening balance	**454,087**	871,498	**455,967**	871,498
Addition from aquisition of subsidiary	**-**	-	**201,856**	-
Funding	**802,741**	-	**802,741**	-
Payment of principal	**(106,636)**	(284,914)	**(309,676)**	(284,914)
Interest payment	**(41,238)**	(47,468)	**(47,705)**	(47,468)
Accrued interest	**35,301**	40,078	**42,901**	40,078
Fair value hedge	**-**	(1,378)	**-**	(1,378)
Closing balance	**1,144,255**	577,816	**1,146,084**	577,816

Amortization schedule

The schedule for the payment of the loan and financing installments is demonstrated below:

Year of maturity	Parent company	Consolidated
2019	**2,315**	**2,315**
2020	**309,243**	**311,072**
2021	**824,790**	**824,790**
2022	**7,907**	**7,907**
Total	**1,144,255**	**1,146,084**

Covenants

The Company has restrictive clauses (covenants) for the 7th issue of debentures and 4th issue of Promissory Notes, being the maintenance of the "adjusted net debt/adjusted EBITDA" not superior to 3.0 times.

The adjusted net debt is understood as the sum of all loans and financing, including debentures, excluding cash and cash equivalents, financial investments, 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) of extraordinary nature.

18. Deferred revenue

	Parent company		Consolidated	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Deferred revenue with third parties:				
Exclusivity agreement with Cardif (a)	**109,182**	122,283	**109,182**	122,283
Exclusivity agreement with Banco Itaúcard S.A. (b)	**99,625**	109,000	**99,625**	109,000
Other Contracts	**-**	-	**22,006**	**-**
	208,807	231,283	**230,813**	231,283
Deferred revenue with related parties:				
Exclusivity agreement with Luizacred (b)	**113,538**	121,854	**113,538**	121,854
Exclusivity agreement with Luizaseg (a)	**69,200**	77,000	**69,200**	77,000
	182,738	198,854	**182,738**	198,854
Total deferred revenues	**391,545**	430,137	**413,551**	430,137
Current liabilities	**39,157**	39,157	**43,032**	39,157
Non-current liabilities	**352,388**	390,980	**370,519**	390,980

a) On December 14, 2015, Luizaseg entered into a new Strategic Partnership Agreement with companies of the Cardif group and Luizaseg, 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 to the Company. Of this amount, R$ 42,000 were allocated to the jointly-owned subsidiary Luizacred, since it had exclusive rights over credit card insurance. The Company’s revenue recognition deriving from this agreement will be recognized in profit (loss) over the term of the agreement, part of which is subject to the achievement of certain targets.

b) On September 27, 2009, the Company entered into a partnership agreement with Itaú Unibanco Holding S.A. (“Itaú”) and Banco Itaucard S.A., under which the Company grants to Luizacred the exclusive right to offer, distribute, and sell financial products and services in its store chain for a 20-year period. In consideration for the aforementioned alliance, Itaú group companies paid in cash R$ 250,000, of which: (i) R$ 230,000 relating to the completion of the negotiation, without right of recourse; and (ii) R$ 20,000 subject to the achievement of profitability targets in Luizacred. Said targets were been fully achieved by the end of 2014.

   On December 29, 2010, the parties signed the first addendum 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.

   On December 16, 2011, the Company entered into a second addendum 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 was allocated to profit (loss) over the remaining term of the agreement.

19. Other accounts payable

	Parent company		Consolidated	
	09/30/2019	12/31/2018	09/30/2019	12/31/2018
Sales pending delivery	**211,079**	193,136	**219,143**	193,136
Amounts subject to onlending to partners	**119,058**	87,575	**119,058**	87,575
Specialized services	**94,011**	-	**111,865**	-
Expenses payable	**91,161**	44,007	**194,008**	44,007
Amounts payable to former shareholders	**16,676**	47,638	**16,676**	47,638
Other	**13,857**	31,449	**29,263**	35,465
	545,842	403,805	**690,013**	407,821
Current	**545,842**	403,805	**688,213**	406,109
Non-current	**-**	-	**1,800**	1,712

20. Provision for tax, civil and labor risks

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

Parent company

	Tax	Civil	Labor	Total
Balances at December 31, 2018	328,547	14,971	33,926	377,444
Additions	**379,514**	**6,820**	**15,427**	**401,761**
Reversal	**(27,428)**	**-**	**(1,286)**	**(28,714)**
Payments	**(6,723)**	**(6,833)**	**(12,786)**	**(26,342)**
Restatements	**16,040**	**-**	**-**	**16,040**
Balances at September 30, 2019	**689,950**	**14,958**	**35,281**	**740,189**

Consolidated

	Tax	Civil	Labor	Total
Balances at December 31, 2018	337,658	15,181	34,516	387,355
Additions	**383,539**	**8,495**	**15,904**	**407,938**
Addition for acquisition of subsidiary	**26,451**	**2,481**	**1,440**	**30,372**
Allocation of price in business combination – Note 12 (a.2)	**156,265**	**-**	**-**	**156,265**
Reversal	**(27,428)**	**(1,450)**	**(1,788)**	**(30,666)**
Payments	**(6,723)**	**(6,833)**	**(12,786)**	**(26,342)**
Restatements	**16,041**	**-**	**-**	**16,041**
Balances at September 30, 2019	**885,803**	**17,874**	**37,286**	**940,963**

As at September 30, 2019, the nature of the main lawsuits of the Company, classified by Management as of probable loss, based on the opinion of its legal advisors, as well as legal obligations which amounts are deposited in court, which the amounts were included in the provision for contingencies, are as follows:

a) Tax proceedings

The Company discusses on an administrative and legal basis several tax claims classified as of probable loss, therefore, these are provisioned. These proceedings involve federal taxes, totaling as at September 30, 2019 the amount of R$ 230,129 (R$ 50,562 as at December 31, 2018), state taxes, in the amount of R$ 186,558 as at September 30, 2019 (R$ 117,278 as at December 31, 2018), and municipal taxes totaling R$ 51 (R$ 61 as at December 31, 2018).

The Company also has provision for other legal discussions to which escrow deposits have been made, as well as other provisions related to the fair value measured in the purchase price allocation process during the business combination of the acquired businesses, which involve federal taxes, totaling R$ 382,420 as at September 30, 2019 (R$ 169,395 as at December 31, 2018), state taxes, totaling R$ 86,283 as at September 30, 2019 (none as at December 31, 2018) and municipal taxes totaling R$ 362 as at September 30, 2019 (R$ 362 as at December 31, 2018).

b) Civil proceedings

The provision for consolidated civil contingencies in the amount of R$ 17,874 as at September 30, 2019 (R$ 15,181 as at December 31, 2018) is related to claims filed by customers on possible product defects.

c) Labor proceedings

At the labor courts, the Company is a party to various labor claims, mostly questioning overtime incurred.

The amount provisioned of R$ 37,286 as at September 30, 2019 (R$ 34,516 as at December 31, 2018), consolidated, reflecting the risk of probable loss assessed by the Company’s Management jointly with its legal advisors.

In order to address the tax, civil and labor contingencies, the Company has a balance in escrow deposits of R$ 382,082 and of R$ 518,208 in the consolidated as at September 30, 2019 (R$ 349,228 in the company and R$ 349,239 in the consolidated as at December 31, 2018).

d) Contingent liabilities – possible loss

The Company is a party to other claims that were assessed by Management, based on the opinion of its legal advisors, as of possible loss and, therefore, no provision was recognized for such claims. The amounts related to claims involving federal taxes, as at September 30, 2019 reach a total of R$ 1,946,559 (R$ 1,360,610 as at December 31, 2018), in relation to state taxes these amounts, as at September 30, 2019 reach a total of R$ 476,644 (R$ 475,383 as at December 31, 2018) and as to municipal taxes these amount to a total of R$ 1,694 as at September 30, 2019 (R$ 1,401 as at December 31, 2018).

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

The risks of claims are assessed on an ongoing basis and reviewed by Management. Additionally, the Company also contests civil and labor administrative claims, with chances of possible loss, with immaterial amounts for disclosure.

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

e) Contingent assets

The Company is an author (as plaintiff) in other tax claims of various natures, in other words, filed lawsuits against various taxing entities in order to recover taxes paid and/or collected unduly by such entities. A final decision was handed down for the discussion on the unconstitutional inclusion of ICMS in the calculation base of the PIS and COFINS contributions with a favorable decision to the Company, as shown in Note 10.

21. Shareholders' equity

The Special General Meeting held on July 31, 2019 approved the proposal of stock splitting, to the ratio of one (1) common share to eight (8) common shares, with no change in the Company's capital value. Therefore, the number of shares went from 190,591,464 to 1,524,731,712, all common nominative shares with no par value.

Accordingly, considering the total split shares, as at September 30, 2019, the Company's shareholding structure is as follows:

	Number of shares	Interest %
Controlling shareholders	**969,167,832**	**63.56**
Outstanding shares	**552,434,724**	**36.23**
Treasury shares	**3,129,156**	**0.21**
Total	**1,524,731,712**	**100.00**

The shares held by controlling shareholders, members of the Board of Directors and/or Executive Officers, are included under the controlling shareholders item.

According to article 7 of the Bylaws, the Company may increase its capital, pursuant to article 168, Law 6404/76, by means of the issue of up to 400,000,000 new common shares.

a) Capital reserve

As at September 30, 2019, the Company has the amount of R$ 296,339 (R$ 52,175 as at December 31, 2018) registered under Capital Reserve.

Share purchase option plan

The table below shows the changes in number of stock options and the weighted average of their exercise price (MPPE):

	After the stock splitting		Before the stock splitting	
	Quantity	MPPE[1]	Quantity	MPPE[1]
In circulation at January 1, 2018	5,591,360	1.36	698,920	10.88
exercized during the period[2]	(2,559,552)	1.39	(319,944)	11.14
In circulation on December 31, 2018	3,031,808	1.33	378,976	10.66
exercized during the period[2]	**(1,423,088)**	**1.50**	**(177,886)**	**12.02**
In circulation at September 30, 2019	**1,608,720**	**1.18**	**201,090**	**9.45**

[1]Weighted Average of the Stock Option Exercise Price: calculated based on the contractual terms, not considering the inflation adjustment to the exercise price.

[2]The weighted average price of stock options at exercise date was R$ 25.39 in 2019 after stock splitting (R$ 203.15 before stock splitting) and R$ 48.82 in 2018 after stock splitting (R$ 97.64 before stock splitting).

Share-based incentive plan

The Company has a long-term incentive plan based on shares, approved by the Special General Meeting of April 20, 2017. The purpose of the plan is to grant incentives linked to common shares issued by the Company through programs to be implemented by our Board of Directors, and the managers, employees or service providers of the Company or its subsidiaries and joint ventures are eligible to participate.

The plan's key objectives are: (a) increase the Company's capacity to attract and retain talents; (b) reinforcing the culture of sustainable performance and the pursuit of development of our managers, employees and service providers, aligning the interests of our shareholders with those of the eligible persons; and (c) stimulating the Company's expansion and the achievement and exceeding of our business goals and the attainment of our corporate objectives, aligned with the interests of our shareholders, through the long-term commitment of the beneficiaries.

The following table shows the total shares granted in each program instituted by the Company's Board of Directors:

Type of program	Grant date	Number of shares granted[1]	Fair value [2]	Maximum grace period
1st Matching share	June 28, 2017	4,411,584	R$3.88	4 years and 10 months
2nd Matching share	April 05, 2018	2,338,344	R$12.30	5 years
3rd Matching share	April 04, 2019	555,336	R$20.20	5 years
1st Restricted share	April 05, 2018	535,744	R$12.30	3 years
2nd Restricted share	April 04, 2019	513,552	R$20.20	3 years
3rd Restricted share[3]	June 05, 2019	798,895	R$23.90	3 years
1st Performance share	February 20, 2019	10,755,152	R$20.31	5 years
		19,908,607	**R$15.65**	

[1]The number of shares granted and their respective fair values already consider the stock split approved at July 31, 2019.

[2]Refers to the weighted average of the fair value calculated in each program.

[3] Restricted share plan granted to Netshoes employees.

In addition to the plans shown above, the Company granted 2,229,047 shares (considering the stock split) in the Softbox group acquisition process, part linked to the acquisition price to the former owners of the acquiree who continue to act as employees and part to the other employees. The fair value measured at grant date was R$ 22.73 (considering the stock split), and the maximum grace period is 5 years.

b) Legal reserve

As at September 30, 2019, the Company has the amount of R$ 65,644 (R$ 65,644 as at December 31, 2018) registered under Legal Reserve.

c) Treasury shares

	After the stock splitting		Before the stock splitting	
	Quantity	Amount	Quantity	Amount
January 1, 2018	10,880,480	13,955	1,360,060	13,955
Acquired in the year	6,947,200	87,984	868,400	87,984
Disposed in the year	(4,809,496)	(14,924)	(601,187)	(14,924)
December 31, 2018	**13,018,184**	**87,015**	**1,627,273**	**87,015**
Acquired in the period	**3,265,444**	**98,611**	**408,181**	**98,611**
Disposed in the period	**(13,154,472)**	**(105,255)**	**(1,644,309)**	**(105,255)**
September 30, 2019	**3,129,156**	**80,371**	**391,145**	**80,371**

The Company disposed the treasury stock in the period for a total amount of R$ 284,217. The decrease in treasury stock balance is equal to the weighed average of the cost incurred to acquire the stock. Any exceeding cash received for the disposal on decrease of treasury stock is recoded as capital reserve.

The stock options exercised for the period were paid using the Company's treasury stock.

d) Profit reserves

Under the Profit Reserve item a specific reserve is registered for reinforcement or working capital, approved in a general assembly, in the total amount of R$ 283,561 and tax incentive reserve, in the amount of R$ 151,290.

On September 30, 2019 the Board of Directors approved the payment of interest on own capital in the amount of R$ 112,000, which will be attributed to the calculation of dividends and interest on own capital for the year 2019.

e) Equity valuation adjustments

As at September 30, 2019, the Company has registered under the item Equity Valuation Adjustment the amount of R$ 3,444 (R$ 5,331 as at December 31, 2018), related to adjustment to fair value of financial assets.

f) Earnings per share

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

	Basic earnings		Diluted earnings	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Average of common shares	**1,524,731,712**	1,524,731,712	**1,524,731,712**	1,524,731,712
Effect of treasury shares	**(3,129,156)**	(12,114,312)	**(3,129,156)**	(12,114,312)
Diluting effect of shares (a)	**-**	-	**17,703,827**	10,635,072
Weighted average of outstanding common shares	**1,521,602,556**	1,512,617,400	**1,539,306,383**	1,523,252,472
Net income for the nine-ended period	**753,830**	407,785	**753,830**	407,785
Earnings per share in Brazilian Reais	**0.495**	0.270	**0.490**	0.268
Net income for the quarter ended	**235,100**	119,556	**235,100**	119,556
Earnings per share in Brazilian Reais	**0.155**	0.079	**0.153**	0.078

a) It considers the effect of the stock option exercisable in accordance with the share-based incentive plans, shown above. The number of shares and earnings per share amounts already consider the stock split as at July 31, 2019.

22. Net sales

	Nine-months ended				Quarter ended			
	Parent company		Consolidated		Parent company		Consolidated	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Gross revenue:								
Retail – resale of goods	**14,846,351**	12,580,509	**15,652,238**	12,676,438	**5,052,273**	4,186,392	**5,685,328**	4,224,494
Retail – services rendered	**761,492**	559,893	**749,233**	565,876	**278,589**	202,828	**271,386**	201,325
Other services	**-**	-	**107,338**	55,686	**-**	-	**42,720**	18,631
	15,607,843	13,140,402	**16,508,809**	13,298,000	**5,330,862**	4,389,220	**5,999,434**	4,444,450
Taxes and returns:								
Retail – resale of goods	**(2,720,962)**	(2,228,780)	**(2,915,550)**	(2,245,218)	**(945,123)**	(741,504)	**(1,101,515)**	(747,950)
Retail – services rendered	**(81,370)**	(68,184)	**(81,392)**	(68,234)	**(28,905)**	(24,416)	**(28,905)**	(24,426)
Other services	**-**	-	**(10,583)**	(4,633)	**-**	-	**(4,816)**	(1,607)
	(2,802,332)	(2,296,964)	**(3,007,525)**	(2,318,085)	**(974,028)**	(765,920)	**(1,135,236)**	(773,983)
Net sales	**12,805,511**	10,843,438	**13,501,284**	10,979,915	**4,356,834**	3,623,300	**4,864,198**	3,670,467

23. Cost of goods resold and services rendered

	Nine-months ended				Quarter ended			
	Parent company		Consolidated		Parent company		Consolidated	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Costs:								
Goods resold	**(9,348,359)**	(7,667,594)	**(9,725,202)**	(7,724,060)	**(3,132,246)**	(2,552,151)	**(3,419,834)**	(2,575,023)
Services rendered	**-**	-	**(47,510)**	(14,608)	**-**	-	**(19,445)**	(5,576)
	(9,348,359)	(7,667,594)	**(9,772,712)**	(7,738,668)	**(3,132,246)**	(2,552,151)	**(3,439,279)**	(2,580,599)

24. Information on the nature of expenses and other operating revenues

The Company's statement of profit or loss is presented based on the classification of the expenses according to their functions. The information on the nature of these expenses recognized in the income statement is as follows:

	Nine-months ended				Quarter ended			
	Parent company		Consolidated		Parent company		Consolidated	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Personnel expenses	**(1,386,862)**	(1,089,480)	**(1,467,135)**	(1,096,465)	**(498,508)**	(390,056)	**(554,683)**	(392,722)
Expenses from services rendered	**(738,067)**	(629,918)	**(831,642)**	(647,120)	**(280,609)**	(189,447)	**(343,927)**	(195,250)
Other	**(94,681)**	(583,584)	**(115,671)**	(605,900)	**57,383**	(210,111)	**(15,492)**	(217,656)
Total	**(2,219,610)**	(2,302,982)	**(2,414,448)**	(2,349,485)	**(721,734)**	(789,614)	**(914,102)**	(805,628)

	Parent company		Consolidated		Parent company		Consolidated	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Classified by function as:								
Sales expenses	**(2,147,020)**	(1,950,586)	**(2,309,125)**	(1,972,463)	**(762,498)**	(661,186)	**(889,953)**	(669,217)
Administrative and general expenses	**(395,740)**	(387,238)	**(498,226)**	(414,731)	**(141,065)**	(135,297)	**(207,117)**	(144,222)
Other operating revenues, net (Note 25)	**323,150**	34,842	**392,903**	37,709	**181,829**	6,869	**182,968**	7,811
Total	**(2,219,610)**	(2,302,982)	**(2,414,448)**	(2,349,485)	**(721,734)**	(789,614)	**(914,102)**	(805,628)

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

25. Other operating revenues, net

	Nine-months ended				Quarter ended			
	Parent company		Consolidated		Parent company		Consolidated	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018
(Gain) Loss on sale of fixed assets	**4,150**	(424)	**4,441**	(424)	**1,188**	(143)	**1,479**	(143)
Recognition of deferred revenue (a)	**38,593**	31,486	**39,542**	31,486	**12,865**	10,079	**13,814**	10,079
Tax credits (b)	**730,897**	47,573	**811,977**	47,573	**232,855**	232	**240,842**	1,178
	773,640	78,635	**855,960**	**78,635**	**246,908**	10,168	**256,135**	11,114
Tax provision	**(244,272)**	(36,746)	**(246,680)**	(33,909)	**(14,272)**	-	**(16,680)**	-
Specialists fees (c)	**(134,161)**	-	**(144,028)**	-	**(23,021)**	-	**(28,783)**	-
Pre-operating store expenses	**(20,006)**	(7,047)	**(20,298)**	(7,017)	**(12,164)**	(3,299)	**(12,082)**	(3,303)
Non Compete/retation contracts (d)	**(52,051)**	-	**(52,051)**	-	**(15,622)**	-	**(15,622)**	-
	(450,490)	(43,793)	**(463,057)**	**(40,926)**	**(65,079)**	(3,299)	**(73,167)**	(3,303)
Total	**323,150**	34,842	**392,903**	**37,709**	**181,829**	6,869	**182,968**	7,811

(a) Refers to the recognition of deferred revenue by assignment of exploration rights, as described under Note 18.

(b) It refers to the recognition of the effects determined and recorded for the final decision on the Company's and its subsidiaries' shares for the exclusion of ICMS from the PIS and COFINS calculation base, as shown in Note 10.
(c) Expenses related to supplementary costs for the acquisition of Netshoes and attorney's and advisor's fees involved in the calculation of the amounts described above.
(d) Non compete contracts with the Company's executive board.

26. Financial income (loss)

	Nine-months ended				Quarter ended			
	Parent company		Consolidated		Parent company		Consolidated	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Financial revenues:								
Interest from the sale of extended guarantee	**39,151**	53,988	**39,151**	53,988	**11,332**	20,296	**11,332**	20,296
Yield from interest earning bank deposits and securities	**7,145**	20,138	**4,872**	7,164	**(810)**	4,530	**1,123**	3,424
Interest from the sale of goods – interest in arrears in receipts	**5,435**	4,166	**5,435**	4,166	**2,008**	1,512	**2,008**	1,512
Inflation adjustment (a)	**499,036**	31,802	**544,978**	31,802	**69,877**	9,254	**69,877**	9,254
Other	**18,385**	1,047	**19,444**	1,047	**10,794**	400	**11,853**	400
	569,152	111,141	**613,880**	98,167	**93,201**	35,992	**96,193**	34,886
Financial expenses:								
Interest on loans and financing	**(34,061)**	(41,727)	**(40,870)**	(41,727)	**(18,484)**	(9,700)	**(19,165)**	(9,700)
Interest on leasing operations	**(70,389)**	-	**(73,028)**	-	**(3,234)**	-	**(5,349)**	-
Charges on credit card advances	**(300,887)**	(212,915)	**(309,302)**	(213,895)	**(87,453)**	(74,837)	**(93,603)**	(75,146)
Provision for loss from interest on extended guarantee	**(21,007)**	(16,461)	**(21,007)**	(16,461)	**(4,400)**	(6,340)	**(4,400)**	(6,340)
Financial income tax	**(27,679)**	-	**(27,679)**	-	**(5,158)**	-	**(5,158)**	-
Other	**(22,694)**	(29,582)	**(24,427)**	(30,079)	**(6,916)**	(15,188)	**(8,007)**	(15,361)
	(476,717)	(300,685)	**(496,313)**	(302,162)	**(125,645)**	(106,065)	**(135,682)**	(106,547)
Net financial income (loss)	**92,435**	(189,544)	**117,567**	(203,995)	**(32,444)**	(70,073)	**(39,489)**	(71,661)

(a) It basically refers to the monetary restatement of the effects determined and recorded for the final decision on the Company's and its subsidiaries' lawsuits on the exclusion of ICMS in the PIS and COFINS calculation basis, as shown in Note 10.

27. Information per business segment

To manage its business taking into consideration its financial and operating activities, the Company classified its business into Retail, Financial Operations, Insurance Operations and Other Services. These divisions are considered as the primary segments for information disclosure. The main characteristics of these divisions are as follows:

Retail – basically the resale of goods and provision of services in the Company's stores and e-commerce (traditional e-commerce and marketplace);

Financial operations - through the jointly-owned subsidiary Luizacred, mainly engaged in granting of credit to the Company's customers for acquisition of products;

Insurance operations - through the jointly-owned subsidiary Luizaseg, mainly engaged in the offer of extended warranties of products purchased by the Company's customers;

Other services – sum of services rendered in consortium management through its subsidiary LAC, mainly engaged in the management of consortia to the Company's customers for the purchase of products; and management of product delivery services, through its subsidiary Magalog and software development services through the subsidiaries of Grupo Softbox.

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

Statements of profit or loss

	09/30/2019					
	Retail (a)	Financial operations	Insurance operations	Other services	Eliminations (b)	Consolidated
Gross revenue	16,421,974	939,749	199,453	107,338	(1,159,705)	16,508,809
Deductions from revenue	(2,996,942)	-	-	(10,583)	-	(3,007,525)
Net revenue from segment (c)	13,425,032	939,749	199,453	96,755	(1,159,705)	13,501,284
Costs	(9,725,202)	(97,450)	(19,483)	(58,605)	128,028	(9,772,712)
Gross profit	3,699,830	842,299	179,970	38,150	(1,031,677)	3,728,572
					-	
Sales expenses	(2,313,950)	(313,504)	(154,441)	(4,583)	477,353	(2,309,125)
Administrative and general expenses	(469,621)	(12,583)	(18,836)	(28,605)	31,419	(498,226)
Allowance for doubtful accounts	(45,836)	(484,416)	-	-	484,416	(45,836)
Depreciation and amortization	(363,985)	(4,463)	(3,817)	(702)	8,280	(364,687)
Equity in net income of subsidiaries	12,258	-	-	-	(4,060)	8,198
Other operating revenues	393,319	(22,252)	117	(416)	22,135	392,903
Financial revenues	611,457	-	13,501	2,423	(13,501)	613,880
Financial expenses	(495,950)	-	(32)	(363)	32	(496,313)
Income tax and social contribution	(273,692)	(2,312)	(11,033)	(1,844)	13,345	(275,536)
Net income	753,830	2,769	5,429	4,060	(12,258)	753,830

Equity accounting reconciliation

Equity in investments - Other services (Note 12)	**4,060**
Equity in investments - Luizacred (Note 13)	**2,769**
Equity in investments - Luizaseg (Note 13)	**5,429**
(=) Equity in investments of the retail segment	**12,258**
(-) Elimination effect - Other services	**(4,060)**
(=) Consolidated equity in investments	**8,198**

a) The retail segment is represented by consolidated amounts contemplating the results of Magazine Luiza S.A., Época Cosméticos, Integra Commerce and Netshoes. In the retail segment, the equity in investments line contemplates net income from financial operations, insurance and other services, once this amount is contained in the profit or loss amounts of the segment used by the main operations management.

(b) Eliminations are represented mainly by the effects of the segments of financial operations and insurance operations, which are presented in a proportional manner above, nevertheless are included only in one line of equity in investments in the consolidated financial statements of the Company.

(c) Inter-segment transfers are less than 10% of combined revenue of all operating segment and are not an information regularly reviewed by Chief Operation Decision Maker.

Statements of profit or loss

	09/30/2018					
	Retail (a)	Financial operations	Insurance operations	Other services	Eliminations (b)	Consolidated
Gross revenue	13,251,147	717,635	170,635	56,731	(898,148)	13,298,000
Deductions from revenue	(2,313,452)	-	-	(4,633)	-	(2,318,085)
Net revenue from segment	10,937,695	717,635	170,635	52,098	(898,148)	10,979,915
Costs	(7,724,060)	(65,593)	(14,664)	(23,441)	89,090	(7,738,668)
Gross profit	3,213,635	652,042	155,971	28,657	(809,058)	3,241,247
Sales expenses	(1,972,397)	(265,839)	(130,881)	(1,111)	397,765	(1,972,463)
Administrative and general expenses	(394,258)	(8,665)	(13,008)	(20,473)	21,673	(414,731)
Allowance for doubtful accounts	(43,088)	(287,848)	-	-	287,848	(43,088)
Depreciation and amortization	(122,401)	(4,449)	(3,545)	(280)	7,994	(122,681)
Equity in net income of subsidiaries	48,521	-	-	-	(5,424)	43,097
Other operating revenues	37,682	(12,677)	(3,645)	27	16,322	37,709
Financial revenues	96,416	-	12,749	1,751	(12,749)	98,167
Financial expenses	(302,031)	-	(43)	(131)	43	(302,162)
Income tax and social contribution	(154,294)	(36,594)	(10,471)	(3,016)	47,065	(157,310)
Net income	407,785	35,970	7,127	5,424	(48,521)	407,785

Equity accounting reconciliation

Equity in investments- Other services	5,424
Equity in investments - Luizacred	35,970
Equity in investments - Luizaseg	7,127
(=) Equity in investments of the retail segment	48,521
(-) Elimination effect – Other services	(5,424)
(=) Consolidated equity in investments	43,097

a) The retail segment is represented by consolidated amounts contemplating the results of Magazine Luiza S.A., Época Cosméticos and Integra Commerce. In the retail segment, the equity in investments line contemplates net income from financial operations, insurance and consortium management, once this amount is contained in the profit or loss amounts of the segment used by the main operations management.

(b) Eliminations are represented mainly by the effects of the segments of financial operations and insurance operations, which are presented in a proportional manner above, nevertheless are included only in one line of equity in investments in the consolidated financial statements of the Company.

(c) Inter-segment transfers are less than 10% of combined revenue of all operating segment and are not an information regularly reviewed by Chief Operation Decision Maker.

Statements of financial position

	09/30/2019			
	Retail (*)	Financial operations	Insurance operations	Other services
Assets				
Cash and cash equivalents	168,345	11,256	120	53,449
Marketable securities and other financial assets	236,767	37,822	250,251	2,214
Accounts receivable	1,872,413	4,602,694	-	14,219
Inventories	2,885,737	-	-	-
Investments	403,579	-	-	-
Property and equipment, intangible assets and right-of-use	4,683,475	60,092	34,416	5,020
Other	2,964,637	454,755	31,674	7,923
	13,214,953	5,166,619	316,461	82,825
Liabilities				
Suppliers	3,794,452	-	1,334	8,350
Loans and financing and other financial liabilities	1,144,255	-	-	1,829
Leases	2,204,268	-	-	-
Interbank deposits	-	2,469,437	-	-
Credit card operations	-	2,019,804	-	-
Technical Reserves - Insurance	-	-	273,226	-
Provision for tax, civil and labor contingency risks	931,199	66,424	1,303	653
Deferred revenue	413,551	14,042	-	-
Other	1,533,605	305,882	26,605	19,162
	10,021,330	4,875,589	302,468	29,994
Shareholders' equity	3,193,623	291,030	13,993	52,831

Reconciliation of investment	
Investments in subsidiaries	
Investment - LAC (Note 12)	43,215
Investment Magalog (Nota 12)	11,848
Investment - Softbox (Note 12)	43,296
Investment – Magalu Bank (Note 12)	199
	98,558
Investments in jointly-controlled	
Investment - Luizacred (Note 13)	291,029
Investment - Luizaseg (Note 13)	13,993
	305,022
Total investments - Retail	403,580
(-) Elimination effect	(98,558)
(=) Total consolidated investments	305,022

(*)Consolidated balances contemplating the results of Magazine Luiza S.A, Época Cosméticos, Integra Commerce and Netshoes.

Statements of financial position

	12/31/2018			
	Retail (*)	Financial operations	Insurance operations	Other services
Assets				
Cash and cash equivalents	549,048	8,671	121	46,796
Marketable securities and other financial assets	409,111	36,513	219,617	-
Accounts receivable	2,053,726	3,797,293	-	1,679
Inventories	2,810,248	-	-	-
Investments	395,227	-	-	-
Property, plant and equipment and intangible assets	1,298,891	64,078	38,105	1,809
Other	1,248,382	244,401	34,026	3,277
	8,764,633	4,150,956	291,869	53,561
Liabilities				
Suppliers	4,101,560	-	1,051	3,155
Loans and financing and other financial liabilities	454,087	-	-	-
Interbank deposits		1,931,922	-	-
Credit card operations	-	1,737,286	-	-
Technical Reserves - Insurance	-	-	233,837	-
Provision for tax, civil and labor contingency risks	377,444	65,654	1,411	800
Deferred revenue	430,137	17,020	-	-
Other	1,098,533	110,812	35,368	12,401
	6,461,761	3,862,694	271,667	16,356
Shareholders' equity	2,302,872	288,262	20,202	37,205

Reconciliation of investment	
Investments in subsidiaries	
Investment - LAC (Note 12)	36,542
Investment - Magalog (Note 12)	8,373
Investment - Softbox (Note 12)	41,850
	86,765
Investments in jointly-controlled	
Investment - Luizacred (Note 13)	288,260
Investment - Luizaseg (Note 13)	20,202
	308,462
Total investments - Retail	395,227
(-) Elimination effect	(86,765)
(=) Total consolidated investments	308,462

(*) Consolidated balances contemplating the results of Magazine Luiza S.A, Época Cosméticos and Integra Commerce

28. Financial instruments

Capital risk management

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

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

Categories of financial instruments

		Parent company				Consolidated			
		09/30/2019		12/31/2018		09/30/2019		12/31/2018	
Categories of financial instruments	Rating	Book	Fair value	Book	Fair value	Book	Fair value	Book	Fair value
Cash and banks	Amortized cost	**112,455**	**112,455**	136,060	136,060	**130,293**	**130,293**	138,295	138,295
Trade receivables - Credit and debit cards	FVTOCI	**1,145,802**	**1,145,802**	1,491,289	1,491,289	**1,152,133**	**1,152,133**	1,506,283	1,506,283
Other trade receivables	Amortized cost	**691,657**	**691,657**	540,967	540,967	**734,499**	**734,499**	552,845	552,845
Accounts receivable from related parties	Amortized cost	**343,508**	**343,508**	86,948	86,948	**81,775**	**81,775**	83,503	83,503
Receivables from related parties – Credit cards	FVTPL	**-**	**-**	106,687	106,687	**-**	**-**	106,687	106,687
Receivables from related parties – Credit cards	FVTOCI	**157,432**	**157,432**	-	-	**157,432**	**157,432**	-	-
Cash equivalents	FVTPL	**788**	**788**	408,907	408,907	**788**	**788**	408,907	408,907
Cash equivalents	Amortized cost	**7,648**	**7,648**	803	803	**51,629**	**51,629**	7,494	7,494
Securities	Amortized cost	**11,964**	**11,964**	11,455	11,455	**14,228**	**14,228**	11,669	11,669
Securities	FVTPL	**224,753**	**224,753**	397,656	397,656	**224,753**	**224,753**	397,656	397,656
Total financial assets		**2,696,007**	**2,696,007**	3,180,772	3,180,772	**2,547,530**	**2,547,530**	3,213,339	3,213,339

		Parent company				Consolidated			
Categories of financial instruments	Rating	09/30/2019		12/31/2018		09/30/2019		12/31/2018	
		Book	Fair value	Book	Fair value	Book	Fair value	Book	Fair value
Suppliers	Amortized cost	**3,331,173**	**3,331,173**	4,068,459	4,068,459	**3,802,802**	**3,802,802**	4,105,244	4,105,244
Loans and financing	Amortized cost	**1,144,255**	**1,144,255**	454,087	454,087	**1,146,084**	**1,146,084**	455,967	455,967
Leases	Amortized cost	**2,134,538**	**2,134,538**	-	-	**2,204,268**	**2,204,268**	-	-
Accounts payable to related parties	Amortized cost	**125,572**	**125,572**	125,353	125,353	**125,607**	**125,607**	125,383	125,383
Other accounts payable ex-quotaholders	Amortized cost	**16,676**	**16,676**	47,638	47,638	**16,676**	**16,676**	47,638	47,638
Total financial liabilities		**6,752,214**	**6,752,214**	4,695,537	4,695,537	**7,295,437**	**7,295,437**	4,734,232	4,734,232

Fair value measurement

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

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest and significant level of information to measure the fair value directly or indirectly observable. The Company uses the discounted cash flow technique for measurement.

Level 3 - Valuation techniques for which the lowest and significant level of information to measure the fair value is unobservable.

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

Category of financial instruments – Assets	Rating	Parent company 09/30/2019	Parent company 12/31/2018	Consolidated 09/30/2019	Consolidated 12/31/2018	Level
Trade receivables - Credit and debit cards	FVTOCI	**1,145,802**	1,491,289	**1,152,133**	1,506,283	**Level 2**
Receivables from related parties – Credit cards	FVTPL	**-**	106,687	**-**	106,687	**Level 2**
Receivables from related parties – Credit cards	FVTOCI	**157,432**		**157,432**		
Cash equivalents	FVTPL	**788**	408,907	**788**	408,907	**Level 2**
Securities	FVTPL	**224,753**	397,656	**224,753**	397,656	**Level 2**
Total financial assets		**1,528,775**	2,404,539	**1,535,106**	2,419,533	

Evaluation techniques and significant unobservable inputs

Specific evaluation techniques used to value financial instruments, in accordance to the rules of level 2, include:

• Quoted market prices or quotations from financial institutions or brokers for similar instruments.

• Fair value of receivables from credit cards is determined based on assumptions usually used for the sale of similar assets.

• Other techniques, such as discounted cash flow analysis, are used to determine the fair value for the remaining financial instruments.

Management of liquidity risk

The Company's Financial Management has the ultimate responsibility for the management of the liquidity risk and prepares an appropriate liquidity risk management model to manage funding requirements and short, medium and long-term liquidity management. The Company 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 Company's financial liabilities and the contractual amortization terms. This table was prepared using the undiscounted cash flows of financial liabilities.

Contractual maturity is based on the most recent date when the Company should settle the related obligations:

	Book balance	Contractual flow	<1 year	1–3 years	>3 years
Suppliers	**3,802,802**	**3,802,802**	**3,802,802**	**-**	**-**
Loans and financing	**1,146,084**	**1,150,015**	**313,389**	**826,742**	**9,884**
Related parties	**125,607**	**125,607**	**125,607**	**-**	**-**
Leases	**2,204,268**	**2,691,771**	**373,845**	**774,852**	**1,543,074**
Other accounts payable ex-quotaholders	**16,676**	**20,309**	**4,461**	**7,925**	**7,923**

Considerations on risks

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

Credit risk: the risk arises from the possibility that the Company may incur losses due to non-receipt of amounts billed to their customers, the consolidated balance of which amounts to R$ 1,587,382 as at September 30, 2019 (R$ 1,887,313 as at December 31, 2018). A large part of the sales of the Company are made using the credit card as a form of payment, which is substantially securitized with the credit card administrators. For other receivables the Company evaluates also the risk as being low, due to the widespread sales, as a result of the large number of customers; however, there are no guarantees of actual receipt of the total balance of trade receivables due to the nature of the Company's activities. Nevertheless, the risk is managed by means of periodic analysis of default rate (with consistent criteria to support the requirements of IFRS 9) and the adoption of more efficient collection measures. As at September 30, 2019, the Company recorded past-due or uncollectible balances, which terms were renegotiated, in the amount of R$ 9,945 (R$ 7,334 as at December 31, 2018), which are included in the Company's analysis on the need to recognize an allowance for doubtful accounts.

The policy of the Company for investments in debt securities (financial investments) is to invest in securities that have ratings attributed by the main credit risk agencies, of at least Sovereign Credit Ratings (on a global scale). As at September 30, 2019, almost the total amount of investments held by the Company had such rating levels, reaching the amount of R$ 245,153 (R$ 821,604 as at December 31, 2018) Company and R$ 330,482 (R$ 870,117 as at December 31, 2018) Consolidated.

Market risk: arises from the slowdown of retail sales in the Brazilian economic environment. The risks involved in these transactions are managed by establishing operational and commercial policies, determining limits for derivative transactions, and constantly monitoring assumed positions. The main related risks are changes in the interest.

Interest rate risk: the Company is exposed to floating interest rates tied to the "Interbank Deposit Certificate (CDI)", relating to financial investments and loans and financing in Brazilian Reais, for which it performed a sensitivity analysis, as described below.

As at September 30, 2019, Management carried out a sensitivity analysis, considering a probable scenario and scenarios of 25% and 50% increases in the expected interest rates. The probable scenario was measured using the future interest rates disclosed by B3 and/or BACEN, considering a CDI base rate of 5.40%. The expected effects of interest expenses net of financial revenue from financial investments for the next three months are as follows:

	Parent company	Consolidated
	09/30/2019	09/30/2019
Bank deposit certificates (Note 5)	8,436	52,417
Non-exclusive investment funds (Note 5)	-	39,084
Cash equivalents	8,436	91,501
Marketable securities (Note 6)	236,717	238,981
Total cash equivalents and marketable securities	245,153	330,482
Loans and financing (note 17)	(1,144,255)	(1,146,084)
Net exposure to interest rate risk	(899,102)	(815,602)
Interest to incur exposed to CDI	5.40%	5.40%
Impact on financial income, net of taxes		
Probable Scenario I – rate 5.40%	(11,807)	(10,922)
Scenario II - >25% - rate 6.75%	(14,759)	(13,652)
Scenario III - >50% - rate 8.10%	(17,711)	(16,383)

29. Statements of cash flows

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

	Parent company		Consolidated	
	09/30/2019	09/30/2018	09/30/2019	09/30/2018
Changes in fair value of financial assets	**-**	617	**-**	617
Initial adoption IFRS 9 and 15 - FVOCI	**-**	(768)	**-**	(768)
Initial adoption IFRS 9 and 15 – FVTPL	**-**	(36,219)	**-**	(36,219)
Initial adoption IFRS 9 and 15 – Jointly-owned subsidiaries	**-**	(52,082)	**-**	(52,082)
Initial adoption IFRS 9 and 15 – IR/CS effect	**-**	12,576	**-**	12,576
Amounts payable to former shareholders	**15,582**	5,000	**15,582**	5,000
Initial adoption IFRS 16 – Right of Use	**1,947,469**	-	**2,021,530**	-
Initial adoption IFRS 16 – Leasing	**(1,947,469)**	-	**(2,021,530)**	-
Share based plan – Netshoes	**(4,344)**	-	**(4,344)**	-
Reclassification of taxes payable to provision for tax, civil and labor risks	**95,779**	-	**95,779**	-

30. Insurance coverage

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

The insurance coverage, as at September 30, 2019 and December 31, 2018, are demonstrated below:

	Parent company		Consolidated	
	09/30/2019	12/31/2018	09/30/2019	09/30/2018
Civil responsibility and D&O	**100,000**	70,000	**230,425**	70,000
Sundry risks – inventory and property and equipment	**3,407,721**	2,925,028	**3,672,506**	2,925,028
Vehicles	**20,156**	22,872	**39,056**	22,872
	3,527,877	3,017,900	**3,941,987**	3,017,900