MGLU3 NOVO MERCADO BM&FBOVESPA

ITR - Quarterly Information
March 31, 2020

(A free translation of the original report in Portuguese interim financial statements)

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Independent Auditor’s Review Report of the interim financial information

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

Introduction
We have reviewed the accompanying individual and consolidated interim financial information of Magazine Luiza S.A. (the “Company”), included in the quarterly information form - ITR as at March 31, 2020, which comprise the balance sheets as at March 31, 2020 and the respective statements of income, other comprehensive income, changes in equity and cash flows for the three-months period then ended, including explanatory information.

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

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

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

Other matters – Statements of value added
The individual and consolidated interim financial information related to the statement of value added for the three-months period ended March 31, 2020, prepared under the responsibility of the Company's Management, presented as supplementary information for the purpose of IAS 34, was subject to the same review procedures performed jointly with the review of the quarterly information - ITR of the Company. To prepare our conclusion we evaluated whether these statements are reconciled with the interim financial information and accounting registers, as applicable, and whether the form and contents are in accordance with the criteria defined under Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, we are not aware of any fact that might lead us to believe that they were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information, taken as a whole.

São Paulo, May 25, 2020

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
Marcelle Mayume Komukai
Accountant CRC 1SP249703/O-5

Magazine Luiza S.A.

Balance sheets at March 31, 2020 and December 31, 2019

(Amounts expressed in thousands of reais – R$)

	Note	Parent company		Consolidated	
		03/31/2020	12/31/2019	03/31/2020	12/31/2019
Assets					
Current assets					
Cash and cash equivalents	5	**319,208**	180,799	**388,904**	305,746
Securities and other financial assets	6	**2,229,488**	4,446,143	**2,231,269**	4,448,158
Accounts receivable	7	**1,859,297**	2,769,649	**2,147,035**	2,915,034
Inventories	8	**3,725,404**	3,509,334	**4,075,499**	3,801,763
Accounts receivable from related parties	9	**729,891**	373,995	**726,243**	370,036
Recoverable taxes	10	**782,876**	777,929	**877,448**	864,144
Other assets		**104,551**	99,166	**143,470**	136,280
Total current assets		**9,750,715**	12,157,015	**10,589,868**	12,841,161
Non-current assets					
Securities and other financial assets	6	**-**	-	**-**	214
Accounts receivable	7	**14,167**	14,314	**14,167**	16,842
Recoverable taxes	10	**1,134,272**	1,039,684	**1,217,492**	1,137,790
Deferred income tax and social contribution	11	**3,415**	-	**18,901**	12,712
Judicial deposits	21	**452,519**	428,042	**599,354**	570,142
Other assets		**7,987**	9,030	**11,341**	11,003
Investments in subsidiaries	12	**1,032,261**	935,573	**-**	-
Investments in jointly-controlled subsidiaries	13	**287,974**	305,091	**287,974**	305,091
Right-of-use from lease	14	**2,221,197**	2,203,827	**2,292,375**	2,273,786
Property, plant and equipment	15	**1,018,344**	992,372	**1,103,156**	1,076,704
Intangible assets	16	**534,482**	526,869	**1,575,454**	1,545,628
Total non-current assets		**6,706,618**	6,454,802	**7,120,214**	6,949,912
Total assets		**16,457,333**	18,611,817	**17,710,082**	19,791,073

See the accompanying notes to the interim financial information.

Magazine Luiza S.A.

Balance sheets at March 31, 2020 and December 31, 2019

(Amounts expressed in thousands of reais – R$)

	Note	Parent company		Consolidated	
		03/31/2020	12/31/2019	03/31/2020	12/31/2019
Liabilities					
Current liabilities					
Suppliers	17	**3,705,088**	5,413,546	**4,132,662**	5,934,877
Loans and financing	18	**6,168**	8,192	**6,477**	9,967
Salaries, vacations and social security charges		**211,364**	309,007	**263,282**	354,717
Taxes payable		**149,493**	307,695	**176,931**	352,008
Accounts payable to related parties	9	**66,855**	152,094	**52,822**	152,126
Leases	14	**312,835**	311,960	**330,550**	330,571
Deferred revenue	19	**39,157**	39,157	**42,992**	43,036
Dividends payable	22	**123,566**	123,566	**123,566**	123,566
Other accounts payable	20	**427,004**	537,825	**782,936**	701,719
Total current liabilities		**5,041,530**	7,203,042	**5,912,218**	8,002,587
Non-current liabilities					
Loans and financing	18	**845,985**	838,862	**847,372**	838,862
Leases	14	**1,921,932**	1,893,790	**1,981,249**	1,949,751
Deferred income tax and social contribution	11	**-**	3,725	**32,632**	39,043
Provision for tax, civil and labor risks	21	**793,471**	767,938	**1,065,653**	1,037,119
Deferred revenue	19	**326,359**	339,523	**342,902**	356,801
Other accounts payable	20	**-**	-	**-**	1,973
Total non-current liabilities		**3,887,747**	3,843,838	**4,269,808**	4,223,549
Total liabilities		**8,929,277**	11,046,880	**10,182,026**	12,226,136
Shareholders' equity	22				
Capital		**5,952,282**	5,952,282	**5,952,282**	5,952,282
Capital reserve		**304,460**	323,263	**304,460**	323,263
Treasury shares		**(175,885)**	(124,533)	**(175,885)**	(124,533)
Legal reserve		**109,001**	109,001	**109,001**	109,001
Profit reserve		**1,301,756**	1,301,756	**1,301,756**	1,301,756
Equity valuation adjustment		**5,639**	3,168	**5,639**	3,168
Income for the period		**30,803**	-	**30,803**	-
Total shareholders' equity		**7,528,056**	7,564,937	**7,528,056**	7,564,937
Total liabilities and shareholders' equity		**16,457,333**	18,611,817	**17,710,082**	19,791,073

See the accompanying notes to the interim financial information.

Magazine Luiza S.A.

Statements of income
Quarters ended March 31, 2020 and 2019

(Amounts expressed in thousands of reais – R$)

	Note	Parent company 03/31/2020	Parent company 03/31/2019	Consolidated 03/31/2020	Consolidated 03/31/2019
Net sales	23	**4,723,796**	4,269,246	**5,234,749**	4,328,984
Cost of resold goods and services rendered	24	**(3,483,552)**	(3,078,612)	**(3,814,276)**	(3,117,565)
Gross income		**1,240,244**	1,190,634	**1,420,473**	1,211,419
Operating revenues (expenses)					
From sales	25	**(801,140)**	(684,994)	**(938,263)**	(692,977)
General and administrative expenses	25	**(148,393)**	(123,443)	**(194,625)**	(136,275)
Allowance for doubtful accounts		**(26,944)**	(12,422)	**(30,008)**	(12,422)
Depreciation and amortization	15|16	**(145,821)**	(103,344)	**(174,841)**	(103,939)
Equity in net income of subsidiaries	12|13	**(59,815)**	(2,575)	**2,445**	90
Other operating revenue, net	25|26	**82,168**	25,598	**72,599**	25,537
		(1,099,945)	(901,180)	**(1,262,693)**	(919,986)
Operating income (loss) before financial income		**140,299**	289,454	**157,780**	291,433
Financial revenues		**57,536**	40,530	**42,890**	38,022
Financial expenses		**(130,021)**	(136,049)	**(137,301)**	(136,956)
Financial income (loss)	27	**(72,485)**	(95,519)	**(94,411)**	(98,934)
Operating income before income tax and social contribution		**67,814**	193,935	**63,369**	192,499
Deferred income tax and social contribution	11	**(37,011)**	(61,831)	**(32,566)**	(60,395)
Net income for the period		**30,803**	132,104	**30,803**	132,104
Income attributable to:					
Controlling shareholders		**30,803**	132,104	**30,803**	132,104
Earnings per share					
Basic (Reais per share)	22	**0.019**	0.087	**0.019**	0.087
Diluted (Reais per share)	22	**0.019**	0.087	**0.019**	0.087

See the accompanying notes to the interim financial information.

Magazine Luiza S.A.

Statements of comprehensive income
Quarters ended March 31, 2020 and 2019

(Amounts expressed in thousands of reais – R$)

	Parent company and Consolidated	
	03/31/2020	03/31/2019
Net revenue for the period	**30,803**	132,104
Items that can subsequently be reclassified to profit or loss:		
Investment assessed under the equity method - interest in Other Comprehensive Income - OCI	**3,476**	377
Tax effect	**(1,005)**	(151)
Total	**2,471**	226
Financial assets measured at fair value - FVOCI	**-**	(11,667)
Tax effect	**-**	3,967
Total	**-**	(7,700)
Total items that can subsequently be reclassified to profit or loss	**2,471**	(7,474)
Total other comprehensive income for the period, net of taxes	**33,274**	124,630
Attributable to:		
Controlling shareholders	**33,274**	124,630

See the accompanying notes to the interim financial information.

Magazine Luiza S.A.
Statements of changes in shareholders' equity
Quarters ended March 31, 2020 and 2019

(Amounts expressed in thousands of reais – R$)

	Notes	Capital	Capital reserve	Treasury shares	Legal reserve	Profit reserve: Working capital reinforcement reserve	Profit reserve: Additional dividends proposed	Profit reserve: Tax incentive reserve	Net income for the period	Equity valuation adjustment	Total
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		-	4,526	-	-	-	-	-	-	-	4,526
Treasury shares		-	(1,850)	2,865	-	-	-	-	-	-	1,015
Income for the period		-	-	-	-	-	-	-	132,104	-	132,104
		-	2,676	2,865	-	-	-	-	132,104	-	137,645
Other comprehensive income:											
Equity valuation adjustment		-	-	-	-	-		-		(7,474)	(7,474)
Balances at March 31, 2019		1,719,886	54,851	(84,150)	65,644	395,561	-	151,290	132,104	(2,143)	2,433,043
Balances at December 31, 2019		**5,952,282**	**323,263**	**(124,533)**	**109,001**	**758,421**	**337,348**	**205,987**	**-**	**3,168**	**7,564,937**
Stock option plan	22	**-**	**22,277**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**22,277**
Treasury shares	22	**-**	**(41,080)**	**(51,352)**	**-**	**-**	**-**	**-**	**-**	**-**	**(92,432)**
Additional dividends	22	**-**	**-**	**-**	**-**	**290,914**	**(290,914)**	**-**	**-**	**-**	**-**
Income for the period	22	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30,803**	**-**	**30,803**
		-	**(18,803)**	**(51,352)**	**-**	**290,914**	**(290,914)**	**-**	**30,803**	**-**	**(39,352)**
Other comprehensive income:											
Equity valuation adjustment		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,471**	**2,471**
Balances at March 31, 2020		**5,952,282**	**304,460**	**(175,885)**	**109,001**	**1,049,335**	**46,434**	**205,987**	**30,803**	**5,639**	**7,528,056**

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

Magazine Luiza S.A.

Statements of cash flows
Quarters ended March 31, 2020 and 2019
(Amounts expressed in thousands of reais – R$)

	Note	Parent company		Consolidated	
		03/31/2020	03/31/2019	03/31/2020	03/31/2019
Cash flow from operating activities					
Net revenue for the period		**30,803**	132,104	**30,803**	132,104
Adjustments to reconcile net income for the period to cash generated by (invested in) operating activities:					
Income tax and social contribution recognized in income (loss)	11	**37,011**	61,831	**32,566**	60,395
Depreciation and amortization	14|15 |16	**145,821**	103,344	**174,841**	103,939
Interest on provisioned loans, financing and leases	14|18	**51,366**	29,245	**53,438**	29,245
Yield from securities		**(18,414)**	(3,422)	**(18,414)**	(3,422)
Equity in net income of subsidiaries	12|13	**59,815**	2,575	**(2,445)**	(90)
Changes in provision for losses in assets		**(59,162)**	40,939	**(79,086)**	41,242
Provision for tax, civil and labor risks	21	**29,762**	(4,710)	**33,564**	(4,692)
Loss on sale of property, plant and equipment	26	**62**	(2,846)	**62**	(2,846)
Appropriation of deferred revenue	26	**(13,164)**	(12,864)	**(13,892)**	(12,864)
Stock option plan expenses		**20,171**	4,526	**22,277**	4,526
Adjusted net income for the period		**284,071**	350,722	**233,714**	347,537
(Increase) decrease in operating assets:					
Accounts receivable		**874,897**	249,911	**734,716**	264,252
Securities		**2,235,069**	195,783	**2,235,517**	195,248
Inventories		**(121,306)**	303,985	**(158,438)**	305,780
Accounts receivable from related parties		**(362,855)**	(74,706)	**(363,166)**	(74,741)
Recoverable taxes		**(99,535)**	(14,072)	**(92,711)**	(14,465)
Other assets		**(28,598)**	(73,431)	**(34,698)**	(76,216)
Changes in operating assets		**2,497,672**	587,470	**2,321,220**	599,858
Increase (decrease) in operating liabilities:					
Suppliers		**(1,708,458)**	(1,116,691)	**(1,802,646)**	(1,131,630)
Salaries, vacations and social security charges		**(97,643)**	12,122	**(92,592)**	10,969
Taxes payable		**(202,353)**	43,021	**(218,833)**	43,130
Accounts payable to related parties		**(85,239)**	(19,404)	**(99,304)**	(19,402)
Other accounts payable		**(114,951)**	37,177	**78,905**	38,478
Change in operating liabilities		**(2,208,644)**	(1,043,775)	**(2,134,470)**	(1,058,455)
Income tax and social contribution		**-**	(28,718)	**(1,751)**	(29,097)
Dividends received		**24,751**	19,145	**24,751**	19,145
Cash flow generated by (invested in) operating activities		**597,850**	(115,156)	**443,464**	(121,012)
Cash flow from investing activities					
Acquisition of property, plant and equipment	15	**(60,723)**	(58,324)	**(68,490)**	(58,537)
Acquisition of intangible assets	16	**(27,642)**	(21,778)	**(36,906)**	(21,829)
Capital increase in subsidiary	12	**(152,600)**	(6,700)	**-**	-
Payment for acquisition of subsidiary		**-**	(15,193)	**(29,902)**	(15,193)
Cash flow invested in investment investing activities		**(240,965)**	(101,995)	**(135,298)**	(95,559)
Cash flow from financing activities					
Payment of loans and financing	18	**(4,039)**	(2,199)	**(4,087)**	(2,228)
Payment of interest on loans and financing	18	**(226)**	(11,209)	**(257)**	(11,209)
Lease payment	14	**(76,369)**	(55,646)	**(80,750)**	(55,646)
Payment of interest on lease	14	**(45,409)**	(21,259)	**(47,481)**	(21,259)
Disposal (acquisition) of treasury shares		**(92,433)**	1,015	**(92,433)**	1,015
Cash flow invested in financing activities		**(218,476)**	(89,298)	**(225,008)**	(89,327)
Increase (decrease) in the balance of cash and cash equivalents		**138,409**	(306,449)	**83,158**	(305,898)
Cash and cash equivalents at the beginning of the period		**180,799**	548,553	**305,746**	599,087
Cash and cash equivalents at the end of the period		**319,208**	242,104	**388,904**	293,189
Increase (decrease) in the balance of cash and cash equivalents		**138,409**	(306,449)	**83,158**	(305,898)

See the accompanying notes to the interim financial information.

Magazine Luiza S.A.

Statements of added value
Quarters ended March 31, 2020 and 2019

(Amounts expressed in thousands of reais – R$)

	Parent company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Revenues				
Sale of goods, products and services	**5,582,419**	5,012,576	**6,201,147**	5,083,234
Allowance for doubtful accounts, net of reversals	**(26,944)**	(12,422)	**(30,008)**	(12,422)
Other operating revenues	**66,735**	31,831	**67,856**	31,831
	5,622,210	5,031,985	**6,238,995**	5,102,643
Inputs acquired from third parties				
Costs of resold goods and services rendered	**(3,970,016)**	(3,335,855)	**(4,267,990)**	(3,368,838)
Materials, energy, outsourced services and other	**(486,416)**	(416,599)	**(611,145)**	(429,924)
Loss and recovery of asset values	**94,764**	(17,535)	**94,543**	(17,838)
	(4,361,668)	(3,769,989)	**(4,784,592)**	(3,816,600)
Gross added value	**1,260,542**	1,261,996	**1,454,403**	1,286,043
Depreciation and amortization	**(145,821)**	(103,344)	**(174,841)**	(103,939)
Net added value produced by the Entity	**1,114,721**	1,158,652	**1,279,562**	1,182,104
Added value received as transfer				
Equity in net income of subsidiaries	**(59,815)**	(2,575)	**2,445**	90
Financial revenues	**57,536**	40,530	**42,890**	38,022
Total added value payable	**1,112,442**	1,196,607	**1,324,897**	1,220,216
Distribution of added value				
Personnel and charges:				
Direct remuneration	**275,935**	262,860	**322,067**	272,103
Benefits	**93,084**	60,113	**96,328**	61,885
FGTS	**25,281**	23,962	**29,162**	24,858
	394,300	346,935	**447,557**	358,846
Taxes, duties and contributions:				
Federal	**129,979**	158,291	**177,469**	159,993
State	**396,764**	386,000	**483,660**	394,014
Municipal	**18,370**	14,561	**20,661**	15,289
	545,113	558,852	**681,790**	569,296
Third parties' capital remuneration				
Interest	**111,620**	121,069	**115,358**	121,856
Rentals	**14,052**	24,715	**21,112**	25,064
Other	**16,554**	12,932	**28,277**	13,050
	142,226	158,716	**164,747**	159,970
Remuneration of own capital:				
Retained earnings	**30,803**	132,104	**30,803**	132,104
	1,112,442	1,196,607	**1,324,897**	1,220,216

See the accompanying notes to the interim financial information.

Notes to the quarterly information

1. General information

Magazine Luiza S.A. ("Parent Company") is a publicly-held 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 through brick-and-mortar and virtual stores or through e-commerce. Through its jointly-controlled subsidiaries (Note 13) it offers loans, financing and insurance services to its clients. Its head office is located in the city of Franca, State of São Paulo, Brazil. Its parent 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 March 31, 2020 the Company owned 1,157 stores and 18 distribution centers (1,113 stores and 17 distribution centers as at December 31, 2019) located in all regions in Brazil and worked with the e-commerce sites www.magazineluiza.com.br, www.epocacosmeticos.com.br, www.netshoes.com.br, www.zattini.com.br and www.shoestock.com.br.

On May 25, 2020, the Board of Directors authorized the issue of the interim financial information.

2. Presentation and preparation of quarterly information

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 individual and consolidated quarterly information is presented in conformity with Technical Pronouncement CPC 21 (R1) - (Interim Statement) and in compliance with International Standard IAS 34, and presented in compliance with standards issued by the Securities Commission (CVM).

The practices, policies and main accounting judgments adopted in the preparation of the individual and consolidated interim financial information are consistent with those adopted and disclosed under the Notes to the financial statements for the year ended December 31, 2019, which were disclosed as at February 17, 2020 and should be read jointly.

The purpose of the Statement of Added Value is to evidence the wealth created by the Company and its Subsidiaries and its distribution during a certain period, and is presented, as required, by the standards issued by the Brazilian Securities and Exchange Commission (CVM), since it is not a statement provided for or mandatory under IFRS.

Management adopts the accounting policy of presenting interest paid as financing activities, while dividends received are presented as operating activities in the Statements of cash flows.

2.2. Impacts related to the Covid-19 pandemic

The Covid-19 spread in early 2020 has been affecting businesses and economic activities on a global scale. In this scenario of considerable uncertainty, the Company formed an internal Contingency Committee, which has been making some important decisions and has chosen three priorities: the health and safety of its employees, the continuity of the operation and the maintenance of jobs. Within these three pillars to face the crisis, the Company took the following short-term measures:

a) Temporary closure of all brick-and-mortar stores as of March 20, 2020, with no date defined for the resumption of activities. Until the issuance of this quarterly information, some stores were reopened following a strict pandemic risk map analysis in the locations where it operates, as described in Note 32 (Subsequent events).

b) Cash reinforcement: despite ending the year 2019 with a strong cash position, the Company raised R$ 800 million on April 6, 2020 through the 8th Issue of Debentures, via public distribution and with restricted placement efforts, remunerated at CDI rate + 1.5% p.a. and maturing on March 13, 2021, as described in Note 32 (Subsequent events).

c) Negotiation with suppliers and service providers: the Company started negotiations of payment terms with its main suppliers, of expense cuts with its service providers, as well as the renegotiation of property rentals, which until March 31, 2020 had not yet been considered. In April, 976 lease agreements were renegotiated, a work that remains in progress, as described in further details in Note 32 (Subsequent event).

d) Containment of personnel expenses: In March, as soon as the brick-and-mortar stores were closed, the Company anticipated and paid vacations for approximately 23,000 employees, as previously provisioned. At the end of April, after carrying out a capacity planning for the next months, the Company joined the Provisional Measure (PM) No. 936/2020, reducing the working hours and salaries of some employees and suspending the contract with others, according to the provisions established by the PM itself. Moreover, the remuneration of the executive president and vice-president was reduced by 80%, while the remuneration of executive officers and members of the board of directors was reduced by 50%, and the remuneration of the remaining officers was cut by 25%.

In addition to these short-term measures, the Company, based on CVM/SNC Circular Letters No. 02 and 03/2020, analyzed the main risks and uncertainties arising from Covid-19 regarding its financial statements. We list the main analyzes performed below:

a) Going concern risk: notwithstanding the great uncertainty of the economic scenario still present, the Company updated its business plan for the coming years considering the assumptions observed until then, such as the temporary closure of its brick-and-mortar stores and the subsequent gradual reopening according to the aforementioned map, as well as the initial migration of sales to e-commerce channels. Even though it performed a scenario stress test, the Company has not identified elements that pose a going concern risk. However, is worth highlighting that a significant change in the scenarios used may occur and, if so, the Company should review its projections.

b) Trade accounts receivable and provision for expected credit loss: the Company observed a decrease in the payment flow of the Direct Consumer Credit (CDC), whose balance on March 31, 2020 totaled R$ 376.7 million (Note 7). However, according to internal analyzes, such decrease is significantly linked to the closing of its brick-and-mortar stores and the culture of its clients to pay their installments directly at store cashiers, thus representing a temporary liquidity restriction and not a significant increase in risk credit. Therefore, the Company did not record additional provisions linked to this extraordinary event as of March 31, 2020, as it considers that the effects are immaterial. The amount recorded as provision for expected credit losses as of March 31, 2020 is R$ 99.5 million in the parent company and R$ 115.9 million in the consolidated, and its changes are disclosed in Note 7.

c) Risk of loss due to realization of inventories: the Company's accounting practice is to record and present its inventory at the lower value between the acquisition average cost and net realizable value. This analysis was carried out on the base date and the balance presented in Note 8.

d) Impairment of non-financial assets as described in "item a)" above, the Company reviewed and updated its business plan for the coming years and, based on it, have not identified the need to record a provision for impairment of its assets. For the Netshoes cash generating unit, no indications of impairment were identified. Therefore, the projections were not reviewed for impairment calculation purposes. See Note 16.

3. New standards and interpretations not yet adopted

The amended rules and effective interpretations for the year started on January 1, 2020 did not impact this Company's interim financial information: Several other reviews of standards and interpretations are underway by the IASB, and the Company will assess them in due course.

4. Notes included in the financial statements for the year ended December 31, 2019 not presented in this quarterly information

The quarterly information is presented in accordance with technical pronouncements CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), pursuant to the provisions contained in CVM/SNC/SEP Official Circular Letter No. 003/2011, dated April 28, 2011. The preparation of this quarterly information involves judgment by the Company's Management on the materiality and changes that must be disclosed in the notes. Thus, this interim information includes selected notes and does not include all the explanatory notes presented in the financial statements for the year ended December 31, 2019. As allowed by Circular Letter No. 03/2011 of the Brazilian Securities and Exchange Commission (CVM), the following notes and their references to the financial statements for the year ended December 31, 2019 are no longer presented:

- Significant accounting policies and practices (Note 3); and
- Significant accounting judgments and sources of uncertainties about estimates (Note 4)

5. Cash and cash equivalents

	Rates	Parent company 03/31/2020	Parent company 12/31/2019	Consolidated 03/31/2020	Consolidated 12/31/2019
Cash		**5,999**	84,112	**6,161**	84,215
Banks		**8,734**	83,506	**29,688**	156,403
Bank deposit certificates	70–101% CDI	**304,475**	13,181	**316,601**	24,247
Non-exclusive investment funds	92.5–100% CDI	**-**	-	**36,454**	40,881
Total		**319,208**	180,799	**388,904**	305,746

The credit risk and sensitivity analysis is described under Note 29.

6. Securities and other financial assets

Financial assets	Rates	Parent company 03/31/2020	Parent company 12/31/2019	Consolidated 03/31/2020	Consolidated 12/31/2019
Non-exclusive investment fund	97% CDI	**12,205**	12,094	**13,986**	14,323
Exclusive investment fund:	(a)				
Federal Government Bonds and repurchase and resale agreements	Note 9	**2,217,283**	4,434,049	**2,217,283**	4,434,049
Total		**2,229,488**	4,446,143	**2,231,269**	4,448,372
Current assets		**2,229,488**	4,446,143	**2,231,269**	4,448,158
Non-current assets		**-**	-	**-**	214

(a) It is related to exclusive fixed-income investment funds. As at March 31, 2020 and December 31, 2019, 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 29.

7. Accounts receivable

	Parent company 03/31/2020	Parent company 12/31/2019	Consolidated 03/31/2020	Consolidated 12/31/2019
Trade accounts receivable:				
Credit cards (a)	**1,115,720**	2,036,665	**1,365,742**	2,121,008
Credit cards (a)	**10**	5,634	**10**	5,634
Own credit (b)	**376,785**	345,655	**376,785**	341,513
Client services (c)	**174,068**	185,716	**174,808**	185,716
Other accounts receivable	**32,541**	14,718	**82,487**	72,559
Total trade accounts receivable	**1,699,124**	2,588,388	**1,999,832**	2,726,430
From commercial agreements (d)	**294,317**	301,207	**315,505**	327,104
Provision for expected credit loss	**(99,510)**	(93,248)	**(115,944)**	(109,274)
Adjustment to present value	**(20,467)**	(12,384)	**(38,191)**	(12,384)
Total	**1,873,464**	2,783,963	**2,161,202**	2,931,876
Current assets	**1,859,297**	2,769,649	**2,147,035**	2,915,034
Non-current assets	**14,167**	14,314	**14,167**	16,842

The average term to receive trade receivables is of 33 days (37 days as at December 31, 2019), Company and Consolidated.

(a) Accounts receivable 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 products are sold. As at March 31, 2020, the Parent Company had credits assigned to operators and financial institutions amounting to R$ 2,284,492 (R$ 1,405,428 as at December 31, 2019) and Consolidated R$ 2,616,367 (R$ 1,679,790 as at December 31, 2019), over which a discount varying from 104.5% to 115.5% 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. The difference between the face and the fair value of receivables is recorded in other comprehensive income and, after the effective settlement of accounts receivable, they are recorded in income (loss) for the year.

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

(c) It refers mainly to sales intermediated by the Parent Company for Luizaseg and Cardif do Brasil Seguros e Garantias S.A. The Parent 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. Additionally, receivables for marketplace services and other services are allocated in this caption.

(d) Refers to bonus 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 provision for expected credit loss are as follows:

	Parent company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Opening balance	**(93,248)**	(73,510)	**(109,274)**	(73,510)
(+) Additions	**(34,894)**	(99,385)	**(36,212)**	(105,672)
(+) Additions for acquisition of subsidiary	**-**	-	**-**	(16,786)
(-) Write-offs	**28,632**	79,647	**29,542**	86,694
Closing balance	**(99,510)**	(93,248)	**(115,944)**	(109,274)

The analysis of impacts due to the pandemic caused by the coronavirus (Covid-19) is described in Note 2.2. The credit risk analysis is presented in note 29.

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

	Trade accounts receivable				From commercial agreements			
	Parent company		Consolidated		Parent company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Amounts falling due (days):								
Up to 30	**293,172**	526,828	**576,326**	581,871	**39,172**	23,716	**58,950**	45,039
31–60	**191,926**	295,077	**194,875**	317,626	**2,437**	27,079	**2,437**	27,079
61–90	**166,181**	313,013	**167,180**	328,798	**184,546**	97,994	**184,546**	97,994
91–180	**381,861**	685,185	**381,974**	700,311	**15,755**	122,262	**15,755**	122,262
181–360	**563,084**	683,473	**563,084**	695,840	**14,888**	18,899	**14,901**	18,899
>361	**23,117**	21,195	**21,967**	21,198	**-**	-	**-**	-
	1,619,341	2,524,771	**1,905,406**	2,645,644	**256,798**	289,950	**276,589**	311,273
Overdue (in days):								
Up to 30	**25,386**	18,015	**26,738**	18,491	**15,457**	1,648	**15,444**	3,846
31–60	**15,943**	10,005	**16,094**	10,005	**9,999**	6,488	**10,319**	7,662
61–90	**10,833**	9,283	**10,972**	9,283	**4,276**	593	**4,666**	976
91–180	**27,621**	26,314	**40,622**	43,007	**7,787**	2,528	**8,487**	3,347
	79,783	63,617	**94,426**	80,786	**37,519**	11,257	**38,916**	15,831
Total	**1,699,124**	2,588,388	**1,999,832**	2,726,430	**294,317**	301,207	**315,505**	327,104

8. Inventories

	Parent company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Goods for resale	**3,782,262**	3,668,831	**4,134,523**	3,972,334
Consumption material	**17,942**	17,018	**24,753**	25,277
Provisions for inventory losses	**(74,800)**	(176,515)	**(83,777)**	(195,848)
Total	**3,725,404**	3,509,334	**4,075,499**	3,801,763

As at March 31, 2020, the Company had inventories of goods for resale given in guarantee of legal proceedings, under execution, in the approximate amount of R$ 22,391 (R$ 30,810 as at December 31, 2019).

Changes in the provision for inventory losses are as follows:

	Parent company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Opening balance	**(176,515)**	(68,939)	**(195,848)**	(69,793)
Formation of provision	**(22,383)**	(266,558)	**(23,177)**	(266,861)
Addition for acquisition of subsidiary	**-**	-	**-**	(60,129)
Inventories written-off or sold	**124,098**	158,982	**135,248**	200,935
Closing balance	**(74,800)**	(176,515)	**(83,777)**	(195,848)

The analysis of impacts due to the pandemic caused by the coronavirus (Covid-19) is described in Note 2.2.

9. Related parties

Company	Assets (Liabilities)				Income (loss)			
	Parent company		Consolidated		Parent company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Luizacred (i)								
Commissions for services rendered	16,430	15,635	16,430	15,635	57,086	46,899	57,086	46,899
CDC	66	373	66	373	-	-	-	-
Credit card	649,158	269,485	649,158	269,485	(37,952)	(56,390)	(37,952)	(56,390)
Onlending of receipts	(682)	(75,668)	(682)	(75,668)	-	-	-	-
Dividends receivable	12,952	14,274	12,952	14,274	-	-	-	-
Reimbursement of shared expenses	8,074	7,830	8,074	7,830	24,846	23,460	24,846	23,460
	685,998	231,929	685,998	231,929	43,980	13,969	43,980	13,969
Luizaseg (ii)								
Commissions for services rendered	35,658	49,712	35,658	49,712	91,568	87,584	91,568	87,584
Dividends receivable	-	5,638	-	5,638	-	-	-	-
Onlending of receipts	(46,749)	(66,420)	(46,749)	(66,420)	-	-	-	-
	(11,091)	(11,070)	(11,091)	(11,070)	91,568	87,584	91,568	87,584
Total jointly-controlled Subsidiaries	674,907	220,859	674,907	220,859	135,548	101,553	135,548	101,553
Netshoes (iii)								
Commissions for services rendered	(4,573)	-	-	-	236	-	-	-
Época Cosméticos (iv)								
Commissions for services rendered	81	222	-	-	184	50	-	-
Consórcio Luiza (v)								
Commissions for services rendered	957	1,078	-	-	3,068	3,624	-	-
Dividends receivable	2,610	2,610	-	-	-	-	-	-
Consortia Group	-	(1,060)	-	(1,060)	-	-	-	-
	3,567	2,628	-	(1,060)	3,068	3,624	-	-
Magalog (vi)								
Onlending of receipts	(2,029)	49	-	-	-	-	-	-
Freight expenses	-	-	-	-	(17,441)	(1,999)	-	-
	(2,029)	49	-	-	(17,441)	(1,999)	-	-
Magalu Pagamentos (vii)								
Sub-acquisition's commission	(7,497)	-	-	-	(7,497)	-	-	-
	(7,497)	-	-	-	(7,497)	-	-	-
Total Subsidiaries	(10,451)	2,899	-	(1,060)	(21,450)	1,675	-	-
MTG Participações (viii)								
Rentals and other onlendings	(1,206)	(1,262)	(1,271)	(1,269)	(6,597)	(6,277)	(6,641)	(6,354)
PJD Agropastoril (ix)								
Rentals, freight and other onlendings	(32)	(32)	(33)	(57)	(436)	(601)	(442)	(613)
LH Participações (x)								
Rentals	(127)	(127)	(127)	(127)	(380)	(506)	(380)	(506)
ETCO – SCP (xi)								
Agencing fee	-	-	-	-	(1,546)	(1,458)	(1,546)	(1,458)
Media broadcasting expense	(55)	(436)	(55)	(436)	(48,231)	(47,833)	(48,231)	(47,833)
	(55)	(436)	(55)	(436)	(49,777)	(49,291)	(49,777)	(49,291)
Total other related parties	(1,420)	(1,857)	(1,486)	(1,889)	(57,190)	(56,675)	(57,240)	(56,764)
Total related parties	663,036	221,901	673,421	217,910	56,908	46,553	78,308	44,789

Reconciliation	Parent company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Accounts receivable from related parties	729,891	373,995	726,243	370,036
Accounts payable to related parties	(66,855)	(152,094)	(52,822)	(152,126)
	663,036	221,901	673,421	217,910

Other related parties	Assets (Liabilities)				Income (loss)			
	Parent company		Consolidated		Parent company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Investment fund (xii)	**2,217,283**	4,434,049	**2,217,283**	4,434,049	**18,330**	3,253	**18,330**	3,253
Luiza Factoring (xiii)	**(63,433)**	**-**	**(65,658)**	(1,871)	**-**	-	**-**	-
InLoco Tecnologia (xiv)	**(127)**	**-**	**(127)**	**-**	**(293)**	-	**(293)**	-
	2,153,723	4,434,049	**2,151,498**	4,432,178	**18,037**	3,253	**18,037**	3,253

I. Transactions with Luizacred, jointly-controlled subsidiary with Banco Itaúcard S.A., refer to the following activities:

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

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

(c) Commissions on services rendered 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 telecommunications systems and networks, in addition to storage and availability of physical space at points of sale. 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-controlled subsidiary with NCVP Participações Societárias S.A., a subsidiary of Cardif do Brasil Seguros e Previdência S.A., arise from commissions on services rendered monthly by the Company, relating to the sale of extended warranties and proposed dividends. The amounts payable (current liabilities) refer to the onlending of extended warranties sold, fully made to Luizaseg in the month following the sales. In 2018, a balance payable was registered resulting from the "clawback" of the exclusivity agreement signed in 2015 (Note 18).

III. The amounts payable (current liabilities) of Netshoes, a wholly-owned subsidiary, refer to commissions for sales made via the parent company's Marketplace platform.

IV. Transactions with Época Cosméticos, wholy-controlled subsidiary, refer to the cost of acquisition of goods for resale and also sales commissions through the Parent Company's *Marketplace* platform.

V. The amounts receivable (current assets) from Consórcio Luiza, wholly-owned subsidiary, refer to proposed dividends, commissions for sales made by the Parent Company as an agent for consortium operations. The amounts payable (current liabilities) refer to unrealized onlendings to LAC relating to consortia installments received by the Parent Company through cashiers at sales outlets.

VI. Transactions with "Magalog", a wholly-owned subsidiary, refer to freight expenses.

VII. Transactions with Magalu Pagamentos, a wholly-owned subsidiary, refer to sub-acquisition's commissions.

VIII. Transactions with MTG Administração, Assessoria e Participações S.A., controlled by the same controlling shareholders of the Company, refer to expenses with rental of commercial buildings for the establishment of its stores, as well as distribution centers, central office and reimbursement of expenses.

IX. Transactions with PJD Agropastoril Ltda., a company controlled by the Company's indirect controlling shareholders, refer to expenses with rentals of commercial property to establish its stores, truck rentals for freight of goods and expenses with kitchen services.

X. Transactions with LH Agropastoril, Administração Participações Ltda., controlled by the same controlling shareholders of the Company, refer to expenses with rental of commercial buildings.

XI. Transactions with ETCO Sociedade em Conta de Participação, whose participating partner is a company controlled by the chairman of the Company's Board of Directors, refer to contracts for the provision of publicity and advertising services, including transfers related to broadcasting, media production and graphic creation 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 – Securities).

XIII. Luiza Factoring Fomento Mercantil Ltda., a company controlled by the Company's indirect controlling parties, which operates advancing receivables from certain suppliers. With this operation, the Company settles the security initially traded with its suppliers with Luiza Factoring, which in turn, advances payment to said suppliers.

XIV. Transactions with In Loco Tecnologia da Informação S.A., investee of the Company's indirect controlling shareholders, providing geolocation services to users of Magazine Luiza's application.

b) Management compensation

	03/31/2020		03/31/2019	
	Board of Directors	Statutory Executive Board	Board of Directors	Statutory Executive Board
Fixed and variable remuneration	**1,217**	**2,180**	965	2,043
Stock option plan	**-**	**11,162**	23	1,337

The Company does not have post-employment benefits, severance benefits or other long-term benefits. Short-term benefits for the statutory executive board are the same of the other employees of the Company, and certain eligible employees are beneficiaries of an incentive plan linked to shares, as mentioned in Note 22. The Company's internal policy comprises the payment of Profit Sharing to its employees. These amounts are provisioned on a monthly basis by the Company, according to estimates for meeting targets. The overall management compensation is approved annually at the Annual General Meeting to be held in July of this year and whose proposal will be R$ 77,031.

10. Recoverable taxes

	Parent company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Recoverable ICMS (a)	**798,039**	706,857	**841,538**	750,068
Recoverable IRPJ and CSLL	**24,958**	5,017	**26,512**	8,764
Recoverable IRRF	**1,213**	5,956	**4,670**	6,140
Recoverable PIS and COFINS (b)	**1,089,324**	1,097,269	**1,213,056**	1,227,982
Other	**3,614**	2,514	**9,164**	8,980
Total	**1,917,148**	1,817,613	**2,094,940**	2,001,934
Current assets	**782,876**	777,929	**877,448**	864,144
Non-current assets	**1,134,272**	1,039,684	**1,217,492**	1,137,790

(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. Such credits are realized by request for reimbursement and offset of debits of the same nature to 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 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 lawsuit was filed in 2017, ensuring the right to credit for the period once established by Law 12973/14. 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.

The offset of the credits occurs as homologation via administrative procedures before the Federal Revenue Service.

11. Income tax and social contribution

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

	Parent company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Income before income tax and social contribution	**67,814**	193,935	**63,369**	192,499
Current nominal rate	**34%**	34%	**34%**	34%
Debit estimate for income tax and social contribution to current rates	**(23,057)**	(65,938)	**(21,545)**	(65,450)
Reconciliation to the effective rate (effects of application of tax rates):				
Exclusion – equity in net income of subsidiaries	**(20,337)**	(876)	**831**	31
Effect of government grant	**6,156**	4,121	**7,987**	4,121
Deferred Corporate income tax and social contribution on net income not formed on tax loss	**-**	-	**(18,683)**	-
Other permanent exclusions, net	**227**	862	**(1,156)**	903
Income tax and social contribution debit	**(37,011)**	(61,831)	**(32,566)**	(60,395)
Current	**(44,151)**	(47,361)	**(45,166)**	(48,246)
Deferred assets	**7,140**	(14,470)	**12,600**	(12,149)
Total	**(37,011)**	(61,831)	**(32,566)**	(60,395)
Effective rate	**54.6%**	31.9%	**51.4%**	31.4%

Deferred tax

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

	Parent company			Consolidated		
	Balance at 12/31/2019	Income (loss)	Balance at 03/31/2020	Balance at 12/31/2019	Income (loss)	Balance at 03/31/2020
Deferred income tax and social contribution on:						
Tax loss carryforwards and negative basis of social contribution	26,782	**(11,370)**	**15,412**	37,439	**(8,596)**	**28,843**
Provision for expected credit loss	31,704	**2,129**	**33,833**	31,704	**2,129**	**33,833**
Provision for inventory losses	60,015	**(34,583)**	**25,432**	60,318	**(34,583)**	**25,735**
Provision for adjustments to present value	4,958	**1,042**	**6,000**	4,958	**1,042**	**6,000**
Provision for tax, civil and labor risks	199,786	**(9,065)**	**190,721**	271,521	**(9,065)**	**262,456**
Temporary difference - intangible asset	(41,679)	**-**	**(41,679)**	(148,732)	**2,686**	**(146,046)**
Judicial deposits	(13,355)	**(426)**	**(13,781)**	(13,355)	**(426)**	**(13,781)**
Deferred tax credits (Note 12)	(343,673)	**50,634**	**(293,039)**	(343,673)	**50,634**	**(293,039)**
Other provisions	71,737	**8,779**	**80,516**	73,489	**8,779**	**82,268**
Deferred income tax and social contribution in assets (liabilities)	(3,725)	**7,140**	**3,415**	(26,331)	**12,600**	**(13,731)**

	Parent company			Consolidated		
	Balance at 12/31/2018	Income (loss)	Balance at 03/31/2019	Balance at 12/31/2018	Income (loss)	Balance at 03/31/2019
Deferred income tax and social contribution on:						
Tax loss carryforwards and negative basis of social contribution	56,140	(21,282)	34,858	62,004	(20,127)	41,877
Provision for expected credit loss	24,993	2,041	27,034	24,993	2,041	27,034
Provision for inventory losses	23,439	3,256	26,695	23,729	3,359	27,088
Provision for adjustments to present value	8,906	(1,570)	7,336	8,906	(1,570)	7,336
Provision for tax, civil and labor risks	113,426	(2,427)	110,999	116,796	(2,423)	114,373
Temporary difference - intangible asset	(41,679)	-	(41,679)	(41,679)	-	(41,679)
Judicial deposits	(31,134)	(707)	(31,841)	(31,134)	(707)	(31,841)
Other provisions	17,397	6,219	23,616	17,397	7,278	24,675
Deferred income tax and social contribution in assets (liabilities)	171,488	(14,470)	157,018	181,012	(12,149)	168,863

Breakdown of deferred income tax and of social contribution per company	Balance at 12/31/2019	Deferred assets Assets	Deferred assets Liabilities	Balance at 03/31/2020
Magazine Luiza	(3,725)	**3,415**	**-**	**3,415**
Netshoes	(35,318)	**-**	**(32,632)**	**(32,632)**
Consórcio Luiza	585	**679**	**-**	**679**
Época Cosméticos	8,651	**8,991**	**-**	**8,991**
Magalog	378	**2,170**	**-**	**2,170**
Softbox	3,098	**3,646**	**-**	**3,646**
Total	(26,331)	**18,901**	**(32,632)**	**(13,731)**

12. Investments in subsidiaries

a. Business combination – “Estante Virtual”

On February 17, 2020, the Company, through its subsidiary Época Cosméticos, acquired the total equity control of Estante Virtual, one of the largest book marketplaces in Brazil. Estante Virtual has over 6,000 sellers and an assortment of 20 million books. Founded in 2005, it started as a platform for the sale of used books and, in recent years, the company has also evolved into the sale of new books. The acquisition stresses the Company’s strategy of growing in new categories and increasing the frequency of purchases.

The acquisition amounted to R$ 30,544, fully paid at the transaction’s closing 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 information.

b. Changes in investments in subsidiaries

Changes in investments in subsidiaries, in individual financial statements are as follows:

Position as of 03/31/2020

Subsidiaries	Interest		Assets		Liabilities		Capital	Shareholders' equity	Net revenue	Net income (loss)
	Quotas Shares	%	Current	Non-current	Current	Non-current				
Netshoes	31,056,244	100%	471,785	510,513	576,742	337,787	351,745	67,769	406,785	(60,164)
Época Cosméticos	12,855	100%	64,056	43,774	47,093	95	80,405	60,642	56,433	(1,829)
Integra Commerce	100	100%	388	301	18	-	4,156	671	-	(150)
Consórcio Luiza	6,500	100%	56,784	3,146	14,725	1,038	6,500	44,167	22,509	(205)
Magalog	16,726	100%	13,591	2,988	8,118	11	13,651	8,450	16,458	(3,479)
Softbox	5,431	100%	7,584	6,951	5,272	1,387	9,166	7,876	10,354	1,550
Kelex	100	100%	216	58	4	-	100	270	52	46
Certa	100	100%	119	-	35	-	100	84	-	(1)
Magalu Pagamentos	2,000,000	100%	251,475	-	237,511	-	12,000	13,964	9,108	1,972

Changes	Opening balance	AFAC	Other comprehensive income	Action plan	Business combination	Equity in net income of subsidiaries	Closing balance
Netshoes	768,904	91,000	4,241	2,107	(5,214)	(54,950)	806,088
Época Cosméticos	58,025	46,000	-	-	-	(1,829)	102,196
Integra Commerce	2,841	-	-	-	-	(150)	2,691
Consórcio Luiza	44,372	-	-	-	-	(205)	44,167
Magalog	14,039	5,600	-	-	-	(3,479)	16,160
Softbox	43,921	-	-	-	1,130	420	45,471
Kelex	1,009	-	-	-	-	46	1,055
Certa	470	-	-	-	-	(1)	469
Magalu Pagamentos	1,992	10,000	-	-	-	1,972	13,964
Total	935,573	152,600	4,241	2,107	(4,084)	(58,176)	1,032,261

Position as of 12/31/2019

Subsidiaries	Interest		Assets		Liabilities		Capital	Shareholders' equity	Net revenue	Net income (loss)
	Quotas Shares	%	Current	Non-current	Current	Non-current				
Netshoes	31,056,244	100%	530,943	520,277	693,202	121,656	260,745	236,362	1,080,034	46,758
Época Cosméticos	12,855	100%	68,735	11,791	64,055	-	34,405	16,471	198,138	(4,852)
Integra Commerce	100	100%	389	451	19	-	4,156	821	111	(320)
Consórcio Luiza	6,500	100%	56,474	4,874	14,336	2,640	6,500	44,372	84,756	10,440
Magalog	16,726	100%	28,936	869	23,476	-	8,051	6,329	23,250	(734)
Softbox	5,431	100%	8,076	5,849	7,599	-	8,500	6,326	34,477	(2,226)
Kelex	100	100%	227	-	3	-	100	224	162	35
Certa	100	100%	117	-	32	-	100	85	-	(7)
Magalu Pagamentos	2,000,000	100%	2,800	-	808	-	2,000	1,992	74	(8)

Changes	Opening balance	AFAC	Acquisition of subsidiaries	Other comprehensive income	Action plan	Dividends	Business combination	Equity in net income of subsidiaries	Closing balance
Netshoes	-	260,500	453,247	902	7,497	-	-	46,758	768,904
Época Cosméticos	57,077	5,800	-	-	-	-	-	(4,852)	58,025
Integra Commerce	2,861	300	-	-	-	-	-	(320)	2,841
Consórcio Luiza	36,542	-	-	-	-	(2,610)	-	10,440	44,372
Magalog	8,373	6,400	-	-	-	-	-	(734)	14,039
Softbox	42,110	-	-	-	-	-	4,037	(2,226)	43,921
Kelex	974	-	-	-	-	-	-	35	1,009
Certa	477	-	-	-	-	-	-	(7)	470
Magalu Pagamentos	-	2,000	-	-	-	-	-	(8)	1,992
Total	148,414	275,000	453,247	902	7,497	(2,610)	4,037	49,086	935,573

c. Reconciliation of book value

Position as of 03/31/2020

Subsidiaries	Shareholders' equity	Goodwill generated on acquisition	Surplus[1]	Balance at 03/31/2020
Netshoes	**67,769**	**486,719**	**251,600**	**806,088**
Época Cosméticos	**60,642**	**36,826**	**4,728**	**102,196**
Integra Commerce	**671**	**-**	**2,020**	**2,691**
Consórcio Luiza	**44,167**	**-**	**-**	**44,167**
Magalog	**8,450**	**3,756**	**3,954**	**16,160**
Softbox	**7,876**	**23,078**	**14,517**	**45,471**
Kelex	**270**	**785**	**-**	**1,055**
Certa	**84**	**385**	**-**	**469**
Magalu Pagamentos	**13,964**	**-**	**-**	**13,964**
Total	**203,893**	**551,549**	**276,819**	**1,032,261**

[1] Refers to the difference in the fair value of assets and liabilities allocated to the acquisition price.

Position as of 12/31/2019

Subsidiaries	Shareholders' equity	Goodwill generated on acquisition	Surplus[1]	Balance at 12/31/2019
Netshoes	30,586	486,718	251,600	768,904
Época Cosméticos	16,471	36,827	4,727	58,025
Integra Commerce	821	-	2,020	2,841
Consórcio Luiza	44,372	-	-	44,372
Magalog	6,329	3,756	3,954	14,039
Softbox	6,326	23,078	14,517	43,921
Kelex	224	785	-	1,009
Certa	85	385	-	470
Magalu Pagamentos	1,992	-	-	1,992
Total	107,206	551,549	276,818	935,573

[1] Refers to the difference in the fair value of assets and liabilities allocated to the acquisition price.

13. Investments in jointly-controlled subsidiaries

Position as of 03/31/2020

Jointly-controlled subsidiaries	Interest		Assets		Liabilities		Capital	Shareholders' equity	Net revenue	Net income (loss)
	Quotas Shares	%	Current	Non-current	Current	Non-current				
Luizacred	1,054	50%	**9,618,236**	**1,468,966**	**10,398,953**	**87,736**	**400,000**	**600,513**	**629,782**	**9,571**
Luizaseg	133,883	50%	**242,854**	**389,046**	**269,461**	**147,859**	**133,883**	**214,580**	**150,648**	**12,700**

Changes	Opening balance	Dividends	Other comprehensive income	Unrealized income	Equity in net income of subsidiaries	Closing balance
Luizacred	**295,471**	**-**	**-**	**-**	**4,786**	**300,257**
Luizaseg	**9,620**	**(17,792)**	**(1,770)**	**(8,691)**	**6,350**	**(12,283)**
Total	**305,091**	**(17,792)**	**(1,770)**	**(8,691)**	**11,136**	**287,974**

Position as of 12/31/2019

Jointly-controlled subsidiaries	Interest		Assets		Liabilities		Capital	Shareholders' equity	Net revenue	Net income (loss)
	Quotas Shares	%	Current	Non-current	Current	Non-current				
Luizacred	1,054	50%	9,686,106	1,499,986	10,445,936	149,214	400,000	590,942	2,568,222	40,326
Luizaseg	133,883	50%	231,400	450,102	305,904	134,598	133,884	241,000	564,582	47,476

Changes	Opening balance	Dividends	Other comprehensive income	Unrealized income	Equity in net income of subsidiaries	Closing balance
Luizacred	288,260	(12,952)	-	-	20,163	295,471
Luizaseg	20,202	(19,807)	2,781	(17,294)	23,738	9,620
Total	308,462	(32,759)	2,781	(17,294)	43,901	305,091

Total investments in jointly-controlled subsidiaries

	03/31/2020	12/31/2019
Luizacred (a)	**300,257**	295,471
Luizaseg (b)	**107,290**	120,500
Luizaseg - Unrealized income (c)	**(119,573)**	(110,880)
Total	**287,974**	305,091

(a) 50% interest in the voting capital, representing the contractually agreed sharing of the equity control of the business, requiring the unanimous consent of the parties on relevant financial and operational decisions and activities. Luizacred is jointly-controlled with Banco Itaúcard S.A. and is engaged in offering, distributing and selling financial products and services to clients in the Parent Company's store network.

(b) 50% interest in the voting capital, representing the contractually agreed sharing of the equity control of the business, requiring the unanimous consent of the parties on relevant guarantees and operational decisions and 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 Parent Company's chain of stores.

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

14. Leases

The Company acts as a lessee in agreements mainly related to real estate (brick-and-mortar stores, distribution centers and administrative units). Since 2019, the Company recognizes these agreements in accordance with CPC 06 (R2)/IFRS 16, and in the balance sheet as the right-of-use and lease liability.

Changes in the right-of-use, during the period ended March 31, 2020 were as follows:

	Parent company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Opening balance	**2,203,827**	-	**2,273,786**	-
First-time adoption - IFRS 16	**-**	1,947,468	**-**	1,947,468
Addition/remeasurement	**132,395**	-	**138,411**	-
Write-offs	**(18,765)**	-	**(18,765)**	-
Depreciation	**(96,260)**	(65,434)	**(101,057)**	(65,434)
Closing balance	**2,221,197**	1,882,034	**2,292,375**	1,882,034
Breakdown				
Cost	**2,355,987**	1,947,468	**2,452,768**	1,947,468
Accumulated depreciation	**(134,790)**	(65,434)	**(160,393)**	(65,434)
Right-of-use from lease	**2,221,197**	1,882,034	**2,292,375**	1,882,034

Changes in the lease liability during the period ended March 31, 2020 were as follows:

	Parent company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Opening balance	**2,205,750**	1,947,468	**2,280,322**	1,947,468
Addition/Remeasurement	**127,460**	-	**134,301**	-
Payment of principal	**(76,369)**	(55,646)	**(80,750)**	(55,646)
Interest payment	**(45,409)**	(21,259)	**(47,481)**	(21,259)
Accrued interest	**42,002**	21,259	**44,074**	21,259
Write-off	**(18,667)**	-	**(18,667)**	-
Closing balance	**2,234,767**	1,891,822	**2,311,799**	1,891,822
Current	**312,835**	224,642	**330,550**	224,642
Non-current	**1,921,932**	1,667,180	**1,981,249**	1,667,180

15. Property, plant and equipment

Changes in property, plant and equipment during the quarters ended March 31, 2020 and 2019 were as follows:

	Parent company	Consolidated
Net property, plant and equipment as of December 31, 2019:	**992,372**	**1,076,704**
Additions	**55,788**	**63,555**
Addition due to business combination	**-**	**244**
Write-offs	**(230)**	**(1,430)**
Depreciation	**(29,586)**	**(35,917)**
Net property, plant and equipment as of March 31, 2020	**1,018,344**	**1,103,156**
Breakdown:		
Cost value	**1,855,803**	**2,020,280**
Accumulated depreciation	**(837,459)**	**(917,124)**
Net property, plant and equipment as of March 31, 2020	**1,018,344**	**1,103,156**

	Parent company	Consolidated
Net property, plant and equipment as of December 31, 2018:	749,463	754,253
Additions	58,324	58,537
Write-offs	(454)	(454)
Depreciation	(22,715)	(22,925)
Net property, plant and equipment as of March 31, 2019	784,618	789,411
Breakdown:		
Cost value	1,541,665	1,549,984
Accumulated depreciation	(757,047)	(760,573)
Net property, plant and equipment as of March 31, 2019	784,618	789,411

As described in Note 2.2, considering the temporary closure of brick-and-mortar stores, related to the coronavirus pandemic scenario, the Company reviewed and updated its business plan for the cash-generating unit (CGU) Magazine Luiza and have not identified the need to record a provision for impairment of its assets. The main assumptions used are summarized below:

	Rate (p.a.)

Discounted cash flow - discount rate before taxes	10.8% (1)
Average weighted growth rate in first five years.	15.8%
Perpetuity	7.0%

(1) CAPM (Custo Médio de Capital Próprio-average cost of own capital) rate.

Future cash flow assumptions and growth perspective for CGU is based on the Company's annual budget and on business plans for the next five years approved by the Board of Directors, as well as on comparable market data representing the best Management estimate regarding economic conditions prevailing during useful economic life of the group of assets generating cash flows.

For the CGU Netshoes, no indications of asset impairment have been identified. Thus, the assumptions of the business plan were not reviewed.

16. Intangible assets

Changes in intangible assets during the quarters ended March 31, 2020 and 2019 were as follows:

	Parent company	Consolidated
Net intangible assets as of December 31, 2019:	**526,869**	**1,545,628**
Additions	**27,642**	**36,906**
Addition due to business combination - Note 12a	**-**	**30,841**
Write-offs	**(54)**	**(54)**
Amortization	**(19,975)**	**(37,867)**
Net intangible assets as of March 31, 2020	**534,482**	**1,575,454**
Breakdown:		
Cost value	**798,185**	**2,010,274**
Accumulated amortization	**(263,703)**	**(434,820)**
Net intangible assets as of March 31, 2020	**534,482**	**1,575,454**

	Parent company	Consolidated
Net intangible assets as of December 31, 2018:	501,539	598,822
Additions	21,778	21,829
Amortization	(15,195)	(15,580)
Net intangible assets as of March 31, 2019	508,122	605,071
Breakdown:		
Cost value	900,994	1,002,132
Accumulated amortization	(392,872)	(397,061)
Net intangible assets as of March 31, 2019	508,122	605,071

The asset impairment assessment, mentioned in Note 2.2, is described in detail in Note 15 above.

17. Suppliers

	Parent company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Goods for resale	**3,676,887**	5,372,599	**4,102,103**	5,867,239
Other suppliers	**45,717**	67,258	**56,372**	99,698
Adjustment to present value	**(17,516)**	(26,311)	**(25,813)**	(32,060)
Total	**3,705,088**	5,413,546	**4,132,662**	5,934,877

The Company maintains agreements with partner banks to structure, with its main suppliers, transactions to advance their receivables. In this operation, the suppliers transfer the right to receiving the notes to the Bank in exchange for anticipated receipt of the security. The Bank, in turn, starts to be the creditor of the operation, and the Company settles the security 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 securities 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 March 31, 2020 the balance payable negotiated by suppliers, and with the acceptance of Magazine Luiza, totaled R$ 1,597,728 (R$ 1,389,804 as at December 31, 2019).

Accounts payable to suppliers are initially recorded at their present value with a corresponding contra entry to the “Inventories” account. The reversal of adjustment to present value is recorded under “Cost of resold goods and services rendered” for the benefit of the term.

18. Loans and financing

Description	Charge	Guarantees	Final maturity	Parent company		Consolidated	
				03/31/2020	12/31/2019	03/31/2020	12/31/2019
Promissory notes - 4th issue (a)	104.0% of CDI	Clean	Jun/21	**831,682**	822,542	**831,682**	822,542
Innovation financing - FINEP (b)	4% p.a.	Letter of guarantee	Dec/22	**20,364**	22,215	**20,364**	22,215
Expansion financing - BNB (c)	7% p.a.	Letter of guarantee	Dec/22	**-**	2,203	**-**	2,203
Other	113.5% CDI	Clean	Mar 2020	**107**	94	**1,803**	1,869
Total				**852,153**	847,054	**853,849**	848,829
Current liabilities				**6,168**	8,192	**6,477**	9,967
Non-current liabilities				**845,985**	838,862	**847,372**	838,862

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 agreement with the Financing Agency for Studies and Projects (FINEP), with the purpose of investing in research and development projects for technological innovations.

c) The Company entered into a financing agreement with Banco do Nordeste do Brasil (BNB), with the purpose of modernizing and renovating stores in the northeastern region, as well as building a new Distribution Center in the municipality of Candeias (Bahia).

Reconciliation of cash flows from operating and financing activities

	Parent company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Opening balance	**847,054**	454,087	**848,829**	455,967
Payment of principal	**(4,039)**	(2,199)	**(4,087)**	(2,228)
Interest payment	**(226)**	(11,209)	**(257)**	(11,209)
Accrued interest	**9,364**	7,986	**9,364**	7,986
Closing balance	**852,153**	448,665	**853,849**	450,516

Maturity schedule

The payment schedule for the portion of loans and financing is as follows:

Year of maturity	Parent company	Consolidated
2020	**6,168**	**6,477**
2021	**803,913**	**805,300**
2022	**24,624**	**24,624**
2023	**17,448**	**17,448**
Total	**852,153**	**853,849**

Covenants

The Company has restrictive clauses (covenants) for the 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, interest earning bank deposits, securities, credit card receivables not anticipated. Adjusted EBITDA is calculated in accordance with CVM Instruction No. 527, dated October 4, 2012, excluding extraordinary operating events (revenue/expenses).

19. Deferred revenue

	Parent company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Deferred revenue from third parties:				
Exclusivity agreement with Cardif (a)	**100,447**	104,814	**100,447**	104,814
Exclusivity agreement with Banco Itaúcard S.A. (b)	**93,375**	96,500	**93,375**	96,500
Other Contracts	**-**	-	**20,378**	21,157
	193,822	201,314	**214,200**	222,471
Deferred revenue from related parties:				
Exclusivity agreement with Luizacred (b)	**107,994**	110,766	**107,994**	110,766
Exclusivity agreement with Luizaseg (a)	**63,700**	66,600	**63,700**	66,600
	171,694	177,366	**171,694**	177,366
Total deferred revenues	**365,516**	378,680	**385,894**	399,837
Current liabilities	**39,157**	39,157	**42,992**	43,036
Non-current liabilities	**326,359**	339,523	**342,902**	356,801

(a) As of December 14, 2015, a new Strategic Alliance Agreement was established with Cardif group companies and with Luizaseg, aiming at extending the rights and obligations provided for in the agreements between the parties overdue as of December 31, 2015 for the additional period 10 years, and effective from January 1, 2016 to December 31, 2025. This agreement provided for the inflow of R$ 330,000 in the Company's cash. Of this amount, R$ 42,000 were allocated to the jointly-controlled subsidiary Luizacred, since it had exclusive rights over credit card insurance. The recognition of the Company's revenue resulting from this agreement is appropriated to income (loss) during the term of the agreement, part of which is conditioned 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 related to the completion of the negotiation itself, without the right of recourse, and (ii) R$ 20,000 subject to the achievement of profitability targets in Luizacred. Said targets were 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 association 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 the second amendment to the association agreement with Luizacred, due to the 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.

20. Other accounts payable

	Parent company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Sales pending delivery	**235,346**	242,085	**238,575**	252,638
Onlendings to seller – Marketplace (a)	**-**	-	**235,939**	-
Amounts subject to onlending to partners	**81,405**	123,419	**81,600**	123,419
Specialized services	**-**	31,679	**21,626**	47,496
Expenses payable	**90,133**	110,320	**168,504**	234,851
Amounts payable to former shareholders	**10,581**	10,581	**10,581**	10,581
Other	**9,539**	19,741	**26,111**	34,707
Total	**427,004**	537,825	**782,936**	703,692
Current liabilities	**427,004**	537,825	**782,936**	701,719
Non-current liabilities	**-**	-	**-**	1,973

a) Refers to amounts to be transferred to partners in the Company's marketplace, related to purchases made by clients on the Magazine Luiza's digital platform, of products sold by partner storeowners (sellers) and financially traded by Magalu Pagamentos.

21. Provision for tax, civil and labor risks

For ongoing labor, civil and tax lawsuits, in which the opinion of legal advisors is unfavorable, the Company recorded a provision representing the best estimate made by Management on the future disbursement. Changes in provision for tax, civil and labor risks are as follows:

Parent company

	Tax	Civil	Labor	Total
Balances at December 31, 2019	713,547	16,272	38,119	767,938
Additions	**55,817**	**2,101**	**1,499**	**59,417**
Reversal	**(35,002)**	**-**	**-**	**(35,002)**
Payments	**(2,387)**	**(494)**	**(1,348)**	**(4,229)**
Restatements	**5,347**	**-**	**-**	**5,347**
Balances at March 31, 2020	**737,322**	**17,879**	**38,270**	**793,471**

Consolidated

	Tax	Civil	Labor	Total
Balances at December 31, 2019	977,900	19,130	40,089	1,037,119
Additions	**58,576**	**2,849**	**1,893**	**63,318**
Addition from business combination	**-**	**29**	**66**	**95**
Reversal	**(35,487)**	**-**	**-**	**(35,487)**
Payments	**(2,387)**	**(1,250)**	**(1,393)**	**(5,030)**
Restatements	**5,638**	**-**	**-**	**5,638**
Balances at March 31, 2020	**1,004,240**	**20,758**	**40,655**	**1,065,653**

As at March 31, 2020, 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 is discussing several tax lawsuits classified as a probable loss in the administrative and judicial spheres. Therefore, a provision was recorded for them. These proceedings involve federal taxes, totaling as at March 31, 2020 the amount of R$ 226,436 (R$ 225,360 as at December 31, 2019), state taxes, in the amount of R$ 145,498 as at March 31, 2020 (R$ 179,870 as at December 31, 2019), and municipal taxes totaling R$ 26 (R$ 26 as at December 31, 2019).

The Company also has provision for other legal discussions to which escrow deposits are made, as well as other provisions related to business combinations of the acquired businesses, which involve federal taxes, totaling R$ 482,173 as at March 31, 2020 (R$ 457,618 as at December 31, 2019), state taxes totaling R$ 149,745 as at March 31, 2020 (R$ 114,664 as at December 31, 2019) and municipal taxes, totaling R$ 362 as at March 31, 2020 (R$ 362 as at December 31, 2019).

b) **Civil proceedings**

The provision for consolidated civil contingencies in the amount of R$ 20,758 as at March 31, 2020 (R$ 19,130 as at December 31, 2019) is related to claims filed by customers on possible product defects.

c) **Labor proceedings**

In the labor level, the Company is party to several lawsuits mainly involving overtime incurred.

The amount provisioned of R$ 40,655 as at March 31, 2020 (R$ 40,089 as at December 31, 2019) in 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 judicial deposits of R$ 599,354 as at March 31, 2020 (R$ 570,142 as at December 31, 2019).

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; therefore, no provision has been recognized for said processes. The amounts related to claims involving federal taxes, as at March 31, 2020 reach a total of R$ 1,787,595 (R$ 1,791,196 as at December 31, 2019), in parent company and R$ 1,960,091 (R$ 1,887,776 as at December 31, 2019) in consolidated, and in relation to state taxes these amounts, as at March 31, 2020 reach a total of R$ 608,493 (R$ 425,727 as at December 31, 2019) in parent company and R$ 609,553 (R$ 485,723 as at December 31, 2019) in consolidated and as to municipal taxes these amount to on March 31, 2020, a total of R$ 2,520 (R$ 2,446 as at December 31, 2019) in parent company and R$ 2,520 (R$ 2,458 as at December 31, 2019) in consolidated.

Among the main tax lawsuits classified as a possible loss, we highlight the following: (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 notice 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. Moreover, the Company monitors the evolution of all discussions each quarter so that, if there is a change in the scenario, risk assessments and possible losses will also be reassessed.

Lawsuit risks are constantly assessed and reviewed by Management. Furthermore, the Company also disputes civil and labor administrative proceedings with the estimated risk of loss classified as possible, whose amounts involved are immaterial for disclosure.

e) Lawsuits where the Company is the plaintiff

The Company is the plaintiff in other tax lawsuits of several natures; that is, filed with the various tax authorities to recover taxes paid and/or unduly collected by such entities. A final decision was handed down for active proceedings of the Company involving the issue of exclusion of ICMS from PIS/COFINS calculation basis, in favor to the Company in 2019, as shown in Note 12.

22. Shareholders' equity

a) Capital

As of March 31, 2020, the Company's shareholding structure is as follows (all nominative, book-entry common shares, with no par value):

	Number of shares	Interest %
Controlling shareholders	953,272,059	58.67
Outstanding shares	666,104,585	41.00
Treasury shares	5,355,068	0.33
Total	**1,624,731,712**	**100.00**

The shares held by controlling shareholders who are members of the Board of Directors and/or of the executive board are included in the caption Controlling shareholders.

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.

b) Capital reserve

As at March 31, 2020, the Company has the amount of R$ 304,460 (R$ 323,263 as at December 31, 2019) registered under Capital Reserve.

Share purchase option plan

1st Grant of Stock option plan

For this Stock Option Plan ("Plan"), the Company's executives, employees or service providers became eligible to receive stock options. In the first grant of the Plan, on January 5, 2012, 10,197,856 options were granted at the strike price of R$ 1.70 (already considering the effect of split of shares). The Plan was in effect for an eight-year period counted from the grant date, being closed on January 5, 2020.

2nd Grant of Stock option plan

The second grant of the Stock Option Plan was approved on October 25, 2013. In this opportunity, 9,707,808 options were granted and the strike price was established at R$ 1.18. Said plan will have a maximum exercise period of 12 years, counted from the execution date, provided that the beneficiary continues linked to the Company and has complied with the grace periods of the plan.

The fair value of each option granted was estimated on the grant date by using the Black & Scholes option pricing model, considering the following assumptions:

Assumption	1st granting	2nd granting
Expected average life of options (a)	5.5 years	5.5 years
Average annual volatility	43.5%	37.9%
Risk-free interest rate	10%	6%
Weighted average of fair value of granted options (b)	R$0.83	R$0.76

(a) It represents the period in which the options are believed to be exercised and considers the average turnover of the plan's beneficiaries.
(b) The amounts consider the effect of the split of shares

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

	Quantity	MPPE[1]
Outstanding at January 1, 2019	3,031,808	R$1.33

exercised during the period[2]	(1,423,088)	R$1.50
In circulation on December 31, 2019	1,608,720	R$1.18
exercised during the period[2]	(1,274,016)	R$1.18
Outstanding, on March 31, 2020	**334,704**	**R$1.18**

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

[2]The weighted average price of stock options at exercise date was R$ 38.68 in 2020 (R$ 25.39 in 2019).

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	Fair value [1]	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[2]	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]Refers to the weighted average of the fair value calculated in each program.

[2] Plan granted to employees of the subsidiary Netshoes.

In addition to the plans shown above, the Company granted 2,229,047 shares 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 and the maximum grace period is 5 years.

c) Treasury shares

	Quantity	Amount
January 1, 2019	13,018,184	87,015
Acquired in the year	4,265,444	142,773
Disposed in the year	(13,154,472)	(105,255)
December 31, 2019	4,129,156	124,533
Acquired in the period	2,500,000	92,405
Disposed in the period	(1,274,088)	(41,053)
March 31, 2020	5,355,068	175,885

The decrease in treasury stock balance is equal to the weighted 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

In 2019, the Board of Directors approved the distribution of Interest on Own Capital in the amount of R$ 170,000, in addition to the proposal for the distribution of dividends in the amount of R$ 290,914; the proposed distribution totaled R$ 460,914, equivalent to 50% of net income, of which R$ 123,566 refers to minimum mandatory dividends.

Due to the worsening of the pandemic crisis caused by the coronavirus (Covid-19), the Board of Directors decided to cancel the additional dividend proposal in the amount of R$ 290,914 on March 22, 2020, allocating said amount to the working capital reinforcement reserve, and maintaining the distribution of dividends in the amount of R$ 170,000, of which R$ 123,566 refer to mandatory minimum dividends. At the same meeting, the Board of Directors decided to postpone the Annual General Meeting from April 9, 2020 to July 27, 2020, pursuant to CVM Resolution No. 489/2020.

e) Equity valuation adjustments

In the period ended March 31, 2020 the Company recorded in "Equity valuation adjustments" the amount of R$ 5,639 (R$ 3,168 in 2019), related to adjustment to fair value of financial assets.

f) Earnings per share

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

	Basic income		Diluted earnings	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
In thousands				
Total common shares	**1,624,731,712**	1,524,731,712	**1,624,731,712**	1,524,731,712
Effect of treasury shares	**(5,355,068)**	(12,589,640)	**(5,355,068)**	(12,589,640)
Effect of stock plans to be exercised (a)	**-**	-	**23,604,149**	11,900,288
Weighted average of outstanding common shares	**1,619,376,644**	1,512,142,072	**1,642,980,793**	1,524,042,360
Net income for the year	**30,803**	132,104	**30,803**	132,104
Earning per share: (In reais)	**0.019**	0.087	**0.019**	0.087

(a) Considers the effect of exercisable shares in accordance with the stock-option plan disclosed above.

23. Net revenue from sales

	Parent company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Gross revenue:				
Retail - resale of goods	**5,535,059**	5,016,464	**6,132,865**	5,059,974
Retail - rendering of services	**296,988**	225,619	**316,420**	228,876
Other services	**-**	-	**37,000**	24,363
	5,832,047	5,242,083	**6,486,285**	5,313,213
Taxes and returns:				
Retail - resale of goods	**(1,080,987)**	(948,151)	**(1,216,900)**	(956,957)
Retail - rendering of services	**(27,264)**	(24,686)	**(27,465)**	(24,699)
Other services	**-**	-	**(7,171)**	(2,573)
	(1,108,251)	(972,837)	**(1,251,536)**	(984,229)
Net revenue from sales	**4,723,796**	4,269,246	**5,234,749**	4,328,984

24. Cost of resold goods and services rendered

	Parent company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Costs:				
Resold goods	**(3,483,552)**	(3,078,612)	**(3,773,337)**	(3,104,016)
Rendering of services	**-**	-	**(40,939)**	(13,549)
Total	**(3,483,552)**	(3,078,612)	**(3,814,276)**	(3,117,565)

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

The Company presented the statement of income using a classification of operating expenses based on their function. The information on the nature of these expenses recognized in the income statement is as follows:

	Parent company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Personnel expenses	**(469,303)**	(405,371)	**(523,726)**	(413,529)
Expenses from services rendered	**(333,620)**	(247,602)	**(397,984)**	(255,694)
Other	**(64,442)**	(129,866)	**(138,579)**	(134,492)
Total	**(867,365)**	(782,839)	**(1,060,289)**	(803,715)

	Parent company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Classified by function such as:				
Sales expenses	**(801,140)**	(684,994)	**(938,263)**	(692,977)
Administrative and general expenses	**(148,393)**	(123,443)	**(194,625)**	(136,275)
Other operating revenue, net	**82,168**	25,598	**72,599**	25,537
Total	**(867,365)**	(782,839)	**(1,060,289)**	(803,715)

Freight expenses related to the transportation of goods from DCs to brick-and-mortar stores and delivery of products resold to consumers are classified as selling expenses.

26. Other operating revenues, net

	Parent company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Appropriation of deferred revenue	**13,164**	12,864	**13,892**	12,864
Reversal of provision for tax risks	**28,979**	16,000	**30,866**	16,000
Extempore tax credits	**53,308**	-	**44,322**	-
Other revenues	**95,451**	28,864	**89,080**	28,864
Gain (loss) on sale of fixed assets	**(62)**	2,846	**(62)**	2,846
Experts' fees	**(4,186)**	(4,619)	**(7,771)**	(4,619)
Pre-operating expenses	**(1,900)**	(1,593)	**(1,900)**	(1,593)
Aspects related to Covid-19 and others (a)	**(7,135)**	100	**(6,748)**	39
Other expenses	**(13,283)**	(3,266)	**(16,481)**	(3,327)
Total	**82,168**	25,598	**72,599**	25,537

(a) Refers to non-recurring expenditures incurred due to Covid-19, such as supplies for cleaning the Distribution Centers and administrative units, among others.

27. Financial income (loss)

	Parent company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Financial revenues:				
Interest on sales of extended warranty	**10,883**	14,850	**10,883**	14,850
Yield from interest earning bank deposits and securities	**19,924**	4,002	**1,882**	1,443
Interest from the sale of goods – interest in arrears in receipts	**2,297**	1,611	**2,332**	1,661
Inflation adjustments	**17,088**	19,896	**19,819**	19,896
Other	**7,344**	171	**7,974**	172
	57,536	40,530	**42,890**	38,022
Financial expenses:				
Interest on loans and financing	**(10,740)**	(6,921)	**(10,748)**	(6,962)
Interest from lease	**(41,127)**	(21,259)	**(43,200)**	(21,259)
Charges on credit card advance	**(59,753)**	(92,889)	**(60,354)**	(93,634)
Provision for loss from interest on extended guarantee	**(7,950)**	(8,982)	**(7,950)**	(8,982)
Financial income tax	**(3,000)**	(2,072)	**(3,114)**	(2,083)
Other	**(7,451)**	(3,926)	**(11,935)**	(4,036)
	(130,021)	(136,049)	**(137,301)**	(136,956)
Net financial income (loss)	**(72,485)**	(95,519)	**(94,411)**	(98,934)

28. 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 Consortia Management. These divisions are considered as the primary segments for information disclosure. The main characteristics of these divisions are as follows:

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

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

Insurance operations - through the jointly-controlled 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; product delivery management services - through the subsidiary Magalog and software development services through the subsidiaries of the Softbox Group.

The Company's sales are fully made in the national territory and, considering retail operations, there is no concentration of clients, nor of products and services offered.

Statements of income as of 03/31/2020.

	Retail (a)	Financial operations	Insurance operations	Other services	Elimination (b)	Consolidated
Gross revenue	**6,449,285**	**326,816**	**75,324**	**65,652**	**(430,792)**	**6,486,285**
Deductions from revenue	**(1,244,365)**	**-**	**-**	**(7,171)**	**-**	**(1,251,536)**
Net revenue of segment	**5,204,920**	**326,816**	**75,324**	**58,481**	**(430,792)**	**5,234,749**
Costs	**(3,773,337)**	**(25,981)**	**(7,680)**	**(44,007)**	**36,729**	**(3,814,276)**
Gross income	**1,431,583**	**300,835**	**67,644**	**14,474**	**(394,063)**	**1,420,473**
Sales expenses	**(961,319)**	**(117,132)**	**(61,115)**	**(2,528)**	**203,831**	**(938,263)**
Administrative and general expenses	**(182,434)**	**(2,723)**	**(7,620)**	**(12,191)**	**10,343**	**(194,625)**
Income (loss) from allowance for doubtful accounts	**(29,339)**	**(164,920)**	**-**	**(669)**	**164,920**	**(30,008)**
Depreciation and amortization	**(173,921)**	**(1,499)**	**(1,319)**	**(920)**	**2,818**	**(174,841)**
Equity in net income of subsidiaries	**2,328**	**-**	**-**	**-**	**117**	**2,445**
Other operating revenues	**71,609**	**(6,320)**	**(26)**	**(140)**	**7,476**	**72,599**
Financial revenues	**42,682**	**-**	**4,226**	**208**	**(4,226)**	**42,890**
Financial expenses	**(136,966)**	**-**	**(11)**	**(335)**	**11**	**(137,301)**
Income tax and social contribution	**(33,420)**	**(3,455)**	**(4,120)**	**1,984**	**6,445**	**(32,566)**
Net revenue for the period	**30,803**	**4,786**	**(2,341)**	**(117)**	**(2,328)**	**30,803**

Reconciliation of equity in net income of subsidiaries

Equity in net income of subsidiaries – Other services (Note 12)	**(117)**
Equity in net income of subsidiaries - Luizacred (Note 13)	**4,786**
Equity in net income of subsidiaries - Luizaseg (Note 13)	**(2,341)**
(=) Equity in net income of subsidiaries of the retail segment	**2,328**
(-) Elimination effect – Other services	**117**
(=) Consolidated equity in net income of subsidiaries	**2,445**

Statements of income as of 03/31/2019

	Retail (a)	Financial operations	Insurance operations	Management of consortium	Elimination (b)	Consolidated
Gross revenue	5,288,850	291,857	60,092	29,986	(357,572)	5,313,213
Deductions from revenue	(981,656)	-	-	(2,573)	-	(984,229)
Net revenue of segment	4,307,194	291,857	60,092	27,413	(357,572)	4,328,984
Costs	(3,104,016)	(29,903)	(6,188)	(17,173)	39,715	(3,117,565)
Gross income	1,203,178	261,954	53,904	10,240	(317,857)	1,211,419
Sales expenses	(693,768)	(99,411)	(47,224)	(1,210)	148,636	(692,977)
Administrative and general expenses	(126,856)	(3,460)	(4,810)	(9,419)	8,270	(136,275)
Income (loss) from allowance for doubtful accounts	(12,422)	(150,111)	-	-	150,111	(12,422)
Depreciation and amortization	(103,726)	(1,477)	(1,256)	(213)	2,733	(103,939)
Equity in net income of subsidiaries	103	-	-	-	(13)	90
Other operating revenues	25,600	(8,082)	(1,323)	(61)	9,403	25,537
Financial revenues	37,277	-	4,364	745	(4,364)	38,022
Financial expenses	(136,838)	-	(11)	(118)	11	(136,956)
Income tax and social contribution	(60,444)	143	(3,110)	49	2,967	(60,395)
Net revenue for the period	132,104	(444)	534	13	(103)	132,104

Reconciliation of equity in net income of subsidiaries

Equity in net income of subsidiaries - Other services	13
Equity in net income of subsidiaries – Luizacred	(444)
Equity in net income of subsidiaries – Luizaseg	534
(=) Equity in net income of subsidiaries of the retail segment	103
(-) Elimination effect – Other services	(13)
(=) Consolidated equity in net income of subsidiaries	90

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 caption Equity in net income of subsidiaries includes the net results of financial operations, insurance and other services, since this amount is included in the profit or loss for the segment used by the main manager of the operations.

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

c) The transfers of net revenue between the operating segments are lower than 10% of the combined net revenue of all segments and are not regularly reviewed by the Company's main operating manager.

Balance sheet on 03/31/2020

	Retail (*)	Financial operations	Insurance operations	Other services
Assets				
Cash and cash equivalents	323,544	19,265	566	65,360
Securities and other financial assets	2,229,488	9,861	256,878	1,781
Accounts receivable	1,920,677	5,169,480	-	240,525
Inventories	4,075,499	-	-	-
Investments	409,260	-	-	-
Property, plant and equipment, intangible assets and right-of-use	4,912,768	57,224	31,830	5,729
Other	3,575,204	287,771	26,676	29,517
	17,446,440	5,543,601	315,950	342,912
Liabilities				
Suppliers	4,127,074	-	1,340	5,588
Loans and financing and other financial liabilities	852,153	-	-	1,696
Leases	2,311,799	-	-	-
Interbank deposits	-	2,584,110	-	-
Credit card operations	-	2,216,841	-	-
Technical Reserves - Insurance	-	-	302,143	-
Provision for tax, civil and labor risks.	1,055,493	31,518	1,750	1,049
Deferred revenue	385,894	12,350	-	-
Other	1,185,971	398,525	23,000	259,768
	9,918,384	5,243,344	328,233	268,101
Shareholders' equity	7,528,056	300,257	(12,283)	74,811

Reconciliation of investment	
Subsidiaries (Note 12)	
Consórcio Luiza	44,167
Magalog	16,160
Softbox Group	46,995
Magalu Pagamentos	13,964
	121,286
Jointly-controlled subsidiaries (Note 13)	
Luizacred	300,257
Luizaseg	(12,283)
	287,974
Total investments	409,260
(-) Effect of elimination	(121,286)
(=) Income (loss) from consolidated investment	287,974

Balance sheet on 12/31/2019

	Retail (*)	Financial operations	Insurance operations	Other services
Assets				
Cash and cash equivalents	248,988	15,327	103	56,758
Securities and other financial assets	4,446,143	37,975	270,552	2,229
Accounts receivable	2,906,243	5,174,703	-	25,633
Inventories	3,801,763	-	-	-
Investments	410,894	-	-	-
Property, plant and equipment, intangible assets and right-of-use	4,838,386	58,718	33,148	5,244
Other	3,084,414	306,323	36,948	18,358
	19,736,831	5,593,046	340,751	108,222
Liabilities				
Suppliers	5,911,232	-	1,185	23,645
Loans and financing and other financial liabilities	847,054	-	-	1,775
Leases	2,280,322	-	-	-
Interbank deposits	-	2,677,682	-	-
Credit card operations	-	2,341,973	-	-
Technical Reserves - Insurance	-	-	285,283	-
Provision for tax, civil and labor risks.	1,027,341	61,621	1,312	667
Deferred revenue	399,837	12,986	-	-
Other	1,706,108	203,313	43,351	22,807
	12,171,894	5,297,575	331,131	48,894
Shareholders' equity	7,564,937	295,471	9,620	59,328

Reconciliation of investment	
Subsidiaries (Note 12)	
Consórcio Luiza	44,372
Magalog	14,039
Softbox Group	45,400
Magalu Pagamentos	1,992
	105,803
Jointly-controlled subsidiaries (Note 13)	
Luizacred	295,471
Luizaseg	9,620
	305,091
Total investments	410,894
(-) Effect of elimination	(105,803)
(=) Income (loss) from consolidated investment	305,091

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

29. Financial instruments

Accounting policy

(i) Initial classification and subsequent measurement

In the initial recognition, a financial asset is classified as measured: at amortized cost; at fair value through other comprehensive income (FVTOCI) at Fair Value (FVTPL). A financial asset is measured at amortized cost if it meets both conditions below and is not designated as measured at FVTPL:

- it is held within a business model whose purpose is to maintain financial assets to receive contractual cash flows; and
- its contractual terms generate, on specific dates, cash flows only related to the payment of principal and interest on outstanding principal value.

A debt instrument is measured at FVTOCI if it meets both conditions below and is not designated as measured at FVTPL:

- it is maintained within a business model whose purpose is achieved by both the receipt of contractual cash flows and the sale of financial assets; and
- its contractual terms generate, on specific dates, cash flows which are only payments of principal and interest on principal outstanding value.

All financial assets not classified as measured at amortized cost as described above or at FVTOCI, are classified as FVTPL. A financial asset (unless it is a trade accounts receivable without a material financing component that is initially measured at the transaction price) is initially measured at fair value, plus, for an item not measured at FVTPL, transaction costs which are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

- Financial assets measured at FVTPL: These financial assets are subsequently measured at fair value through profit or loss (FVTPL). Net income, plus interest, is recognized in income (loss).

- Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is impaired. Interest revenue, possible foreign exchange gains and impairment losses are recognized in the income (loss). Any gain or loss on derecognition is recognized in income (loss).

- Financial assets measured at FVTOCI: These financial assets are subsequently measured at FVTOCI. In derecognition, the retained earnings in OCI are reclassified to the income (loss).

Financial liabilities are classified as measured as amortized cost or at FVTPL. A financial liability is classified as measured at fair value through profit or loss if it is classified as held for trading, if it is a derivative or assigned as such in initial recognition. Financial liabilities measured at FVTPL are measured at fair value and net income (loss), plus interest, is recognized in income (loss). Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense, foreign exchange gains and losses are recognized in income (loss). Any gain or loss on derecognition is also recognized in income (loss).

(ii) Derecognition and offset

The Company derecognizes a financial asset when the contractual rights to the cash flow of the asset expire, or when the Company transfers the rights to the reception of contractual cash flows over a financial asset in a transaction in which essentially all the risks and benefits of ownership of the financial asset are transferred.

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expired. In the derecognition of a financial liability, the difference between the extinct book value and the consideration paid (including assets transferred that do not pass through the cash or assumed liabilities) is recognized in income (loss).

Financial assets or liabilities are offset and the net value reported in the balance sheet only when the Company currently has legally enforceable right to set off and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(iii) Impairment of financial assets

The Company opted to measure provisions for losses on accounts receivable and contractual assets at an amount equal to the credit loss expected for the entire life. When determining if the credit risk of a financial asset has significantly increased since the initial recognition and when estimating expected credit losses, the Company considers reasonable and tolerable information that is relevant and available without excessive cost or effort. This includes quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment, and considering forward-looking information. The Company considers a financial asset as non-performing when: - it is very unlikely that the creditor will fully pay its credit obligations, without having to resort to actions like the realization of guarantee (if any); or - financial asset is overdue for more than 180 days.

Measurement of expected credit losses

Expected credit losses are estimates weighted by the probability of credit losses. Credit losses are measured at present value based on all cash insufficiencies (that is, the difference between the cash flows owed to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Financial assets with credit recovery problems

At each reporting date, the Company assesses whether the financial assets accounted for at amortized cost and measured at FVTOCI are experiencing recovery problems. A financial asset has “credit recovery problems” when one or more events with a negative impact on the estimated future cash flows of the financial asset occur.

Presentation of impairment

Provision for losses for financial assets measured at amortized cost are deducted from the gross book value of the assets. For financial assets measured at FVTOCI, the provision for losses is recognized in OCI.

Impairment losses related to trade accounts receivable and other receivables are presented separately in the statement of income and OCI.

Categories of financial instruments

		Parent company				Consolidated			
		03/31/2020		12/31/2019		03/31/2020		12/31/2019	
Categories of financial instruments	**Rating**	**Book**	**Fair value**	**Book**	**Fair value**	**Book**	**Fair value**	**Book**	**Fair value**
Cash and banks	Amortized cost	**14,733**	**14,733**	167,618	167,618	**35,849**	**35,849**	240,618	240,618
Accounts receivable - Credit and debit cards	FVTOCI	**1,115,730**	**1,115,730**	2,042,299	2,042,299	**1,365,752**	**1,365,752**	2,126,642	2,126,642
Accounts receivable - Other trade accounts receivable and commercial agreements	Amortized cost	**757,734**	**757,734**	741,664	741,664	**795,450**	**795,450**	805,234	805,234
Accounts receivable from related parties	Amortized cost	**80,733**	**80,733**	104,510	104,510	**77,085**	**77,085**	100,551	100,551
Accounts receivable from related parties – Credit cards	FVTPL	**-**	**-**	-	-	**-**	**-**	-	-
Accounts receivable from related parties – Credit cards	FVTOCI	**649,158**	**649,158**	269,485	269,485	**649,158**	**649,158**	269,485	269,485
Cash equivalents	FVTPL	**2,166**	**2,166**	7,914	7,914	**2,166**	**2,166**	7,914	7,914
Cash equivalents	Amortized cost	**302,309**	**302,309**	5,267	5,267	**314,435**	**314,435**	16,333	16,333
Securities	Amortized cost	**12,205**	**12,205**	12,094	12,094	**13,986**	**13,986**	14,323	14,323
Securities	FVTPL	**2,217,283**	**2,217,283**	4,434,049	4,434,049	**2,217,283**	**2,217,283**	4,434,049	4,434,049
Total financial assets		**5,152,051**	**5,152,051**	7,784,900	7,784,900	**5,471,164**	**5,471,164**	8,015,149	8,015,149

		Parent company				Consolidated			
		03/31/2020		12/31/2019		03/31/2020		12/31/2019	
Categories of financial instruments	**Rating**	**Book**	**Fair value**	**Book**	**Fair value**	**Book**	**Fair value**	**Book**	**Fair value**
Suppliers	Amortized cost	**3,705,088**	**3,705,088**	5,413,546	5,413,546	**4,132,662**	**4,132,662**	5,934,877	5,934,877
Loans and financing (i)	Amortized cost	**852,153**	**852,153**	847,054	847,054	**853,849**	**853,849**	848,829	848,829
Lease (i)	Amortized cost	**2,234,767**	**2,234,767**	2,205,750	2,205,750	**2,311,799**	**2,311,799**	2,280,322	2,280,322
Accounts payable to related parties	Amortized cost	**66,855**	**66,855**	152,094	152,094	**52,822**	**52,822**	152,126	152,126
Other accounts payable - ex-quotaholders	Amortized cost	**10,581**	**10,581**	10,581	10,581	**10,581**	**10,581**	10,581	10,581
Total financial liabilities		**6,869,444**	**6,869,444**	8,629,025	8,629,025	**7,361,713**	**7,361,713**	9,226,735	9,226,735

(i) Measured based on tier 2 of fair value.

Fair value measurement

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

Level 1 - market prices quoted (not adjusted) in active markets for identical assets and liabilities;
Level 2 - Valuation techniques for which the lowest and most significant level of information for measuring fair value is directly or indirectly observable. The Company uses the discounted cash flow technique for its measurements;
Level 3 - valuation techniques for which the lowest and most significant level of information for measuring fair value is not available.

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

		Parent company		Consolidated		
Categories of financial instruments - Assets	Rating	03/31/2020	12/31/2019	03/31/2020	12/31/2019	Level
Accounts receivable – Credit and debit cards	FVTOCI	**1,115,730**	2,042,299	**1,365,752**	2,126,642	**Level 2**
Accounts receivable from related parties – Credit cards	FVTPL	**-**	-	**-**	-	**Level 2**
Accounts receivable from related parties – Credit cards	FVTOCI	**649,158**	269,485	**649,158**	269,485	
Cash equivalents	FVTPL	**2,166**	7,914	**2,166**	7,914	**Level 2**
Securities	FVTPL	**2,217,283**	4,434,049	**2,217,283**	4,434,049	**Level 2**
Total financial assets		**3,984,337**	6,753,747	**4,234,359**	6,838,090	

Valuation techniques and significant non-observable inputs:

Specific evaluation techniques used to measure the financial instruments pursuant to Level 2 rules include:

• Quoted market prices or quotes from financial institutions or brokerage firms for similar instruments.

• Fair value of accounts receivable from credit cards is determined based on assumptions usually used for the sale of similar assets, considering the discounted cash flows at a rate of acquiring companies.

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

Capital risk management

The Company's objectives in managing its capital are to safeguard its going concern to offer return to shareholders and benefits to the other stakeholders besides maintaining an optimal capital structure to reduce this cost and maximize funds to invest in the opening and modernization of stores, new technologies, process improvements and advanced management methods.

The Company’s capital structure comprises financial liabilities, cash and cash equivalents and securities. Periodically, Management reviews the capital structure and its capacity to settle its liabilities, as well as timely monitors the average term of suppliers in relation to the average term of inventory turnover, taking the necessary actions when the relationship between these balances shows significant imbalances.

Management of liquidity risk

The ultimate responsibility for the liquidity risk management rests with the Company's Financial Executive Board, which prepares an appropriate model of liquidity risk management for managing the needs of funding and liquidity management in short, medium and long-terms. Company manages the liquidity risk through the continuous monitoring of expected and actual cash flows, combining the maturity profiles of financial assets and liabilities, and maintaining a close relationship with financial institutions, with frequent disclosure of information to support credit decisions when external funds are required.

The following table shows in detail the remaining contractual maturity of financial liabilities of the Company and the contractual amortization terms. The table was prepared in accordance with financial liabilities undiscounted cash flows.

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

	Book balance	< 1 year	1–3 years	>3 years	Total
Suppliers	**4,132,662**	**4,132,662**	**-**	**-**	**4,132,662**
Leases	**2,311,799**	**325,478**	**1,186,606**	**1,686,827**	**3,198,911**
Loans and financing	**853,849**	**6,477**	**877,426**	**17,448**	**901,351**
Related parties	**52,822**	**52,822**	**-**	**-**	**52,822**
Other accounts payable - ex-quotaholders/partners	**10,581**	**4,438**	**5,850**	**999**	**11,287**

Other financial risk considerations

The Company's businesses comprise particularly the retail trade of consumer goods and insurance, financial and other services, as described in note 29, segment information. The main market risk factors that affect the businesses are summarily:

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$ 2,013,055 as at March 31, 2020 (R$ 2,726,430 as at December 31, 2019). A large portion of the Company's sales is made using the credit card as the payment method, which is substantially securitized with the credit card companies. For other accounts receivable 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 accounts receivable due to the nature of the Company's activities. However, the risk is managed through periodical analyses of default levels (with consistent criteria to support IFRS 9 requirements), as well as by adopting more effective collection ways. As at March 31, 2020, the Company recorded past-due or uncollectible balances, which terms were renegotiated, in the amount of R$ 13,895 (R$ 14,841 as at December 31, 2019), which are included in the analysis on the need to form a provision for expected credit loss. More information on accounts receivable is disclosed in Note 7.

The policy of the Company for investments in debt securities (interest earning bank deposits) 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 March 31, 2020, almost the total amount of investments held by the Company had such rating levels, reaching the amount of R$ 2,533,963 (R$ 4,459,324 as at December 31, 2019) in Parent Company and R$ 2,584,324 (R$ 4,513,500 as at December 31, 2019) in Consolidated.

Market risk: arises from the slowdown of retail sales in the Brazilian economic environment. The management of the risks involved in these operations is performed by establishing operational and trading policies, determining limits for transactions with derivatives and constant monitoring of assumed positions. The main related risks are changes in the interest and foreign exchange rates.

Foreign exchange risk: on the date of this quarterly information, the Company did not have directly traded significant foreign exchange transactions. However, many products that the Company sells, especially technology items, are manufactured locally, but have several imported components, so that their costs may vary with the exchange-rate change. Therefore, the management of “indirect” exchange rate risk is closely linked to commercial, price and product margin management, being carried out together with its suppliers, who try not to transfer major fluctuations to end clients.

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 March 31, 2020, Management carried out a sensitivity analysis, considering a probable scenario and scenarios of 25% and 50% decreases in the expected interest rates. The probable scenario and decrease in interest rates were measured using the future interest rates disclosed by BM&F BOVESPA and/or BACEN, considering a CDI base rate of 3.65%. The expected effects of revenues from interest earning bank deposits, net of financial expenses from loans and financing for the next three months are as follows:

	Parent company	Consolidated
	03/31/2020	03/31/2020
Bank deposit certificates (Note 5)	**304,475**	**316,601**
Non-exclusive investment funds (Note 5)	**-**	**36,454**
Cash equivalents	**304,475**	**353,055**
Securities (Note 6)	**2,229,488**	**2,231,269**
Total cash equivalents and securities	**2,533,963**	**2,584,324**
Loans and financing (note 18)	**(852,153)**	**(853,849)**
Net exposure	**1,681,810**	**1,730,475**
Financial revenue from interest - exposure to CDI	**3.65%**	**3.65%**
Impact on financial income (loss), net of taxes:		
Scenario I - Probable	**14,144**	**14,342**
Scenario II - Decrease of 25%	**10,608**	**10,757**
Scenario III - Decrease of 50%	**7,072**	**7,171**

30. Statements of cash flows

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

	Parent company		Consolidated	
	03/31/2020	03/31/2019	03/31/2020	03/31/2019
Changes in fair values of biological assets	**(2,811)**	7,927	**(2,811)**	7,927
Stock option plan - Netshoes	**(2,107)**	-	**-**	-
Offset of recoverable taxes	**(111,654)**	-	**(111,654)**	-

First-time adoption of IFRS 16	**-**	1,947,468	**-**	1,947,468
Leases – Additions and remeasurements	**108,695**	-	**115,634**	-

31. Insurance coverage

The Company maintains insurance contracts with coverage determined in accordance with the orientation of specialists, considering the nature and the degree of risk, in amounts considered sufficient to cover possible losses on its assets and/or responsibilities.

Insurance coverage, in amounts, is as follows:

	Parent company		Consolidated	
	03/31/2020	12/31/2019	03/31/2020	12/31/2019
Civil liability and D&O	**100,000**	100,000	**341,305**	230,425
Sundry risks - Inventories and property, plant and equipment	**3,948,401**	3,674,701	**4,471,501**	4,139,459
Vehicles	**22,872**	22,872	**22,872**	35,706
Total	**4,071,273**	3,797,573	**4,835,678**	4,405,590

32. Subsequent events related to Covid-19

As disclosed in note 2.2, the Covid-19 pandemic continued to evolve from the base date of this interim information (March 31, 2020) to the date of its approval. Thus, the Company discloses below the main operating and financial events subsequent to the base date:

a) **Gradual reopening of brick-and-mortar stores:**

With the partial reopening of brick-and-mortar stores only as of April 22, the Company recorded a drop of 84.4% in this channel in April compared to the same period in 2019. On the other hand, there was a significant acceleration in the billings from traditional e-commerce (products sold by Magazine Luiza with its own inventory and, in 2020, considering Netshoes operations), growing 109.0% in relation to 2019, in addition to the marketplace sales performance (products sold by partners).

In May, with the ongoing gradual reopening, the drop in brick-and-mortar store sales reached 52.8% (up to May 20), while in traditional e-commerce the numbers accelerated even more, with a 194.3% growth (up to May 20), compared to the same periods of the year 2019.

Therefore, it is possible to observe an increase in revenue (brick-and-mortar stores and traditional e-commerce, disregarding marketplace sales) of 1.3% from April 1 to May 20, 2020, compared to the same period of 2019.

b) **Debentures issued:** as described in Note 2.2, the Company raised R$ 800 million on April 6, 2020 through the 8th Issue of Debentures, via public distribution and with restricted placement efforts, remunerated at CDI rate + 1.5% p.a. and maturing on March 13, 2021.

c) **Renegotiation of rental contracts:** as described in note 2.2, in April the Company started a renegotiation of rental contracts for its brick-and-mortar stores. As of the date of approval of this quarterly information, 976 out of a total of 1,306 contracts had been renegotiated. The effects of expense reductions were being assessed on the date of approval of this quarterly information.

d) Containment of personnel expenses: At the end of April, after carrying out a capacity planning for the next months, the Company joined the Provisional Measure (PM) No. 936/2020, reducing the working hours and salaries of some employees and suspending the contract with others, according to the provisions established by the PM itself.