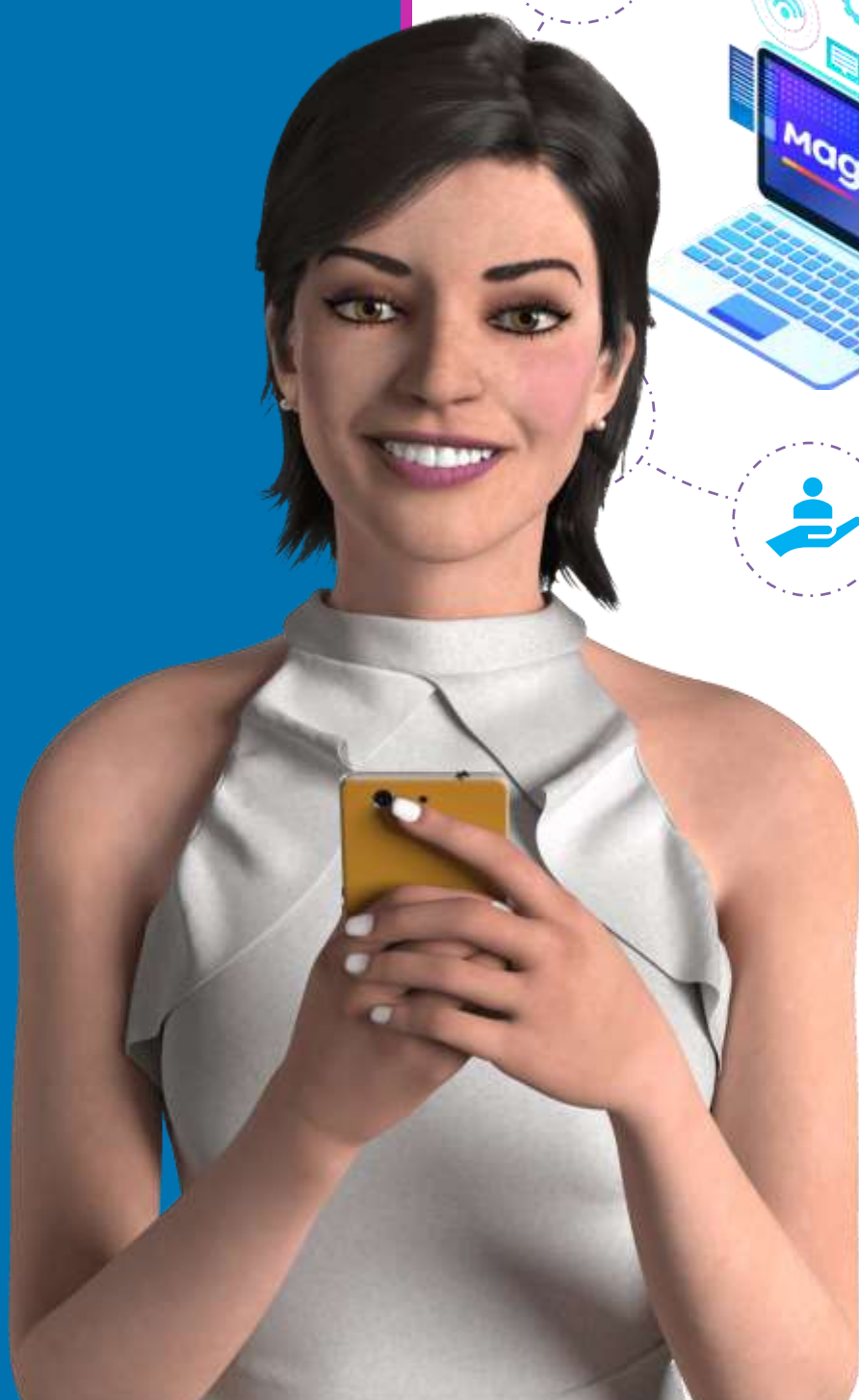




ITR – Quarterly Information September 30, 2022



Contents

Independent auditor's report on quarterly information	1
Statements of financial position	3
Statements of profit or loss	5
Statements of comprehensive income	6
Statements of changes in equity	7
Statements of cash flows	8
Statements of value added	9
Notes to quarterly information	10



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A free translation from Portuguese into English of Independent Auditor's Report on Review of quarterly information prepared in Brazilian currency in accordance with NBC TG 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB)

Independent auditor's report on review of quarterly information (ITR)

To the Shareholders, Board of Directors and Officers

Magazine Luiza S.A.

Franca - SP

Introduction

We have reviewed the individual and consolidated interim financial information of Magazine Luiza S.A. ("Company") contained in the Quarterly Information Form (ITR) for the quarter ended September 30, 2022, which comprises the statement of financial position as at September 30, 2022 and the related statements of profit or loss, of comprehensive income, of changes in equity, and of cash flows for the nine-month period then ended, including explanatory information.

The executive board is responsible for preparation of the individual and consolidated interim financial information in accordance with NBC TG 21 and IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the rules 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 this interim financial information based on our review.

Scope of review

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

Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information (ITR), and presented consistently with the rules issued by the CVM.



Other matters

Statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added (SVA) for the nine-month period ended September 30, 2022, prepared under the responsibility of the Company's executive board, and presented as supplementary information for IAS 34 purposes. These statements were subject to review procedures conducted jointly with the review of the quarterly information for the purpose of concluding whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not prepared, in all material respects, pursuant to such standard and consistently with the individual and consolidated interim financial information taken as a whole.

Audit and review of corresponding figures

The audit of the individual and consolidated statements of financial position as at September 30, 2021 and review of the individual and consolidated statements of profit or loss and of comprehensive income for the three- and nine-month periods ended September 30, 2021 and of changes in equity, of cash flows and of value added for the nine-month period then ended, presented for comparison purposes, were conducted under the responsibility of other independent auditors, who issued an audit report and a review report without modifications, dated March 14, 2022 and November 11, 2021, respectively.

São Paulo, November 10, 2022.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

Alexandre Rubio
Accountant CRC-1SP223361/O-2

A free translation from Portuguese into English of quarterly information prepared in Brazilian currency in accordance with NBC TG 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB)

Magazine Luiza S.A.

Statements of financial position at September 30, 2022 and December 31, 2021 (In thousands of reais - R\$)

	Note	Individual		Consolidated	
		09/30/2022	12/31/2021	09/30/2022	12/31/2021
Assets					
Current assets					
Cash and cash equivalents	5	774,394	1,458,754	1,812,210	2,566,218
Marketable securities	6	293,885	1,556,211	293,885	1,556,371
Trade accounts receivable	7	3,563,689	3,928,531	5,486,042	5,650,759
Inventories	8	7,197,030	7,873,544	8,471,338	9,112,214
Accounts receivable from related parties	9	3,175,414	4,201,742	2,528,368	3,707,284
Taxes recoverable	10	1,286,087	1,151,721	1,502,515	1,279,257
Income and social contribution taxes recoverable	11	235,051	205,312	285,087	234,886
Other current assets		174,289	136,516	342,515	402,821
Total current assets		16,699,839	20,512,331	20,721,960	24,509,810
Noncurrent assets					
Trade accounts receivable	7	15,495	17,351	15,495	17,351
Taxes recoverable	10	1,883,760	1,408,706	1,971,128	1,551,556
Deferred income and social contribution taxes	11	1,418,504	874,232	1,468,616	915,111
Judicial deposits	22	1,111,690	935,329	1,511,638	1,189,894
Other noncurrent assets		105,983	175,902	115,010	184,816
Long-term receivables		4,535,432	3,411,520	5,081,887	3,858,728
Investments in subsidiaries	12	4,428,658	4,099,575	-	-
Investments in jointly-controlled entities	13	360,485	407,780	360,485	407,780
Rights of use – leases	14	3,383,060	3,324,747	3,425,890	3,362,998
Property and equipment	15	1,802,262	1,777,788	1,979,768	1,938,713
Intangible assets	16	854,427	728,998	4,406,414	4,306,587
Total noncurrent assets		15,364,324	13,750,408	15,254,444	13,874,806
Total assets		32,064,163	34,262,739	35,976,404	38,384,616

See accompanying notes.

Magazine Luiza S.A.

Statements of financial position at September 30, 2022 and December 31, 2021 (In thousands of reais - R\$)

	Note	Individual		Consolidated	
		09/30/2022	12/31/2021	09/30/2022	12/31/2021
Liabilities and equity					
Current liabilities					
Trade accounts payable	17	7,564,923	9,108,542	8,606,768	10,098,944
Partners and other deposits	18	-	-	1,308,979	1,418,897
Loans and financing	19	205,462	44,100	224,193	407,968
Salaries, vacation pay and social charges		241,816	237,270	425,785	370,176
Taxes payable		103,489	146,332	180,205	239,595
Accounts payable to related parties	9	216,954	195,894	111,704	125,302
Leases	14	409,676	415,329	428,142	433,834
Deferred revenue	20	39,157	39,157	50,567	50,329
Dividends payable		-	41,434	-	41,434
Other current liabilities	21	1,400,002	1,535,455	1,820,084	2,070,710
Total current liabilities		10,181,479	11,763,513	13,156,427	15,257,189
Noncurrent liabilities					
Loans and financing	19	6,523,994	6,368,605	6,923,772	6,384,904
Taxes payable		4,614	4,614	7,836	24,274
Leases	14	3,118,807	2,996,959	3,146,335	3,020,844
Deferred income and social contribution taxes	11	-	-	116,788	113,899
Provision for tax, civil, and labor contingencies	22	772,879	717,977	1,150,292	1,154,109
Deferred revenue	20	256,718	234,210	265,448	245,258
Other noncurrent liabilities	21	400,383	915,630	404,217	922,908
Total noncurrent liabilities		11,077,395	11,237,995	12,014,688	11,866,196
Total liabilities		21,258,874	23,001,508	25,171,115	27,123,385
Equity					
Capital	23	12,352,498	12,352,498	12,352,498	12,352,498
Capital reserve		(1,756,710)	(1,637,055)	(1,756,710)	(1,637,055)
Treasury shares		(1,265,078)	(1,449,159)	(1,265,078)	(1,449,159)
Legal reserve		137,442	137,442	137,442	137,442
Income reserve		1,797,916	1,856,665	1,797,916	1,856,665
Equity adjustments		2,284	840	2,284	840
Net loss for the period		(463,063)	-	(463,063)	-
Total equity		10,805,289	11,261,231	10,805,289	11,261,231
Total liabilities and equity		32,064,163	34,262,739	35,976,404	38,384,616

See accompanying notes.

Magazine Luiza S.A.

Statements of profit or loss Three- and nine-month periods ended September 30, 2022 and 2021 (In thousands of reais - R\$)

Note	Nine-month periods ended:				Three-month periods ended:				
	Individual		Consolidated		Individual		Consolidated		
	09/30/2022	09/30/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021	
Net sales revenue	24	20,984,030	23,093,131	26,131,584	25,878,154	6,967,633	7,522,017	8,807,019	8,612,033
Cost of goods resold and services rendered	25	(15,464,004)	(18,070,579)	(18,792,385)	(19,765,650)	(5,143,279)	(6,317,358)	(6,352,345)	(6,877,900)
Gross profit		5,520,026	5,022,552	7,339,199	6,112,504	1,824,354	1,204,659	2,454,674	1,734,133
Operating income (expenses)									
Selling expenses	26	(3,830,110)	(4,041,143)	(4,707,205)	(4,614,738)	(1,216,351)	(1,235,543)	(1,548,232)	(1,583,116)
General and administrative expenses	26	(644,570)	(577,526)	(1,024,416)	(703,367)	(207,175)	(211,016)	(334,342)	(222,169)
Expected credit losses		(191,839)	(91,230)	(178,924)	(98,309)	(73,807)	(29,525)	(58,772)	(31,720)
Depreciation and amortization	14 15 16	(642,766)	(497,608)	(809,159)	(590,829)	(217,851)	(174,107)	(273,314)	(207,801)
Equity pickup	12 13	187,422	373,966	(25,944)	99,906	75,095	166,724	(10,403)	46,176
Other operating income (expenses), net	26 27	(108,924)	367,435	(109,716)	499,458	(11,523)	144,338	(6,870)	191,450
		(5,230,787)	(4,466,106)	(6,855,364)	(5,407,879)	(1,651,612)	(1,339,129)	(2,231,933)	(1,807,180)
Operating income before finance income (costs)		289,239	556,446	483,835	704,625	172,742	(134,470)	222,741	(73,047)
Finance income		425,550	294,878	542,324	304,960	116,122	218,061	182,062	219,301
Finance costs		(1,722,124)	(656,938)	(2,014,557)	(745,943)	(629,102)	(226,865)	(738,347)	(260,280)
Finance income (costs)	28	(1,296,574)	(362,060)	(1,472,233)	(440,983)	(512,980)	(8,804)	(556,285)	(40,979)
Income (loss) before income and social contribution taxes		(1,007,335)	194,386	(988,398)	263,642	(340,238)	(143,274)	(333,544)	(114,026)
Current and deferred income and social contribution taxes	11	544,272	303,307	525,335	234,051	173,478	286,790	166,784	257,542
Net income (loss) for the period		(463,063)	497,693	(463,063)	497,693	(166,760)	143,516	(166,760)	143,516
Income (loss) attributable to:									
Controlling shareholders		(463,063)	497,693	(463,063)	497,693	(166,760)	143,516	(166,760)	143,516
Earnings (loss) per share									
Basic (reais per share)	23	(0.069)	0.075	(0.069)	0.075	(0.020)	0.022	(0.020)	0.022
Diluted (reais per share)	23	(0.069)	0.075	(0.069)	0.075	(0.020)	0.022	(0.020)	0.022

See accompanying notes.

Magazine Luiza S.A.

Statements of comprehensive income Three- and nine-month periods ended September 30, 2022 and 2021 (In thousands of reais - R\$)

	Nine-month periods ended:		Three-month periods ended:	
	Individual and Consolidated		Individual and Consolidated	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Net income (loss) for the period	(463,063)	497,693	(166,760)	143,516
Items that may be subsequently reclassified to profit or loss:				
Investments valued under the equity method - share in other comprehensive income (OCI)	2,188	(15,433)	4,108	(3,983)
Tax effects	(744)	6,246	(1,397)	1,693
Total items that may be subsequently reclassified to profit or loss	1,444	(9,187)	2,711	(2,290)
Total comprehensive income (loss) for the period, net of taxes	(461,619)	488,506	(164,049)	141,226
Attributable to:				
Controlling shareholders	(461,619)	488,506	(164,049)	141,226

See accompanying notes.

Magazine Luiza S.A.

Statements of changes in equity Nine-month periods ended September 30, 2022 and 2021 (In thousands of reais - R\$)

Note	Capital	Capital reserve	Treasury shares	Legal reserve	Income reserve			Net income (loss) for the period	Equity adjustments	Total
					Reserve for working capital increase	Additional dividends proposed	Tax incentive reserve			
Balances at December 31, 2020	5,952,282	390,644	(603,681)	122,968	1,003,374	130,194	318,355	-	11,151	7,325,287
Common shares issued	3,981,250	-	-	-	-	-	-	-	-	3,981,250
Share issue costs, net of taxes	(81,035)	-	-	-	-	-	-	-	-	(81,035)
Stock option plan	-	64,147	-	-	-	-	-	-	-	64,147
Treasury shares acquired	-	-	(862,659)	-	-	-	-	-	-	(862,659)
Treasury shares disposed of or delivered in stock option plans	-	(199,565)	191,202	-	-	-	-	-	-	(8,363)
Consideration for acquisition	-	95,600	-	-	-	-	-	-	-	95,600
Income reserve	-	-	-	-	-	(130,194)	-	-	-	(130,194)
Net income for the period	-	-	-	-	-	-	-	497,693	-	497,693
	3,900,215	(39,818)	(671,457)	-	-	(130,194)	-	497,693	-	3,556,439
Other comprehensive income:										
Equity adjustments	-	-	-	-	-	-	-	-	(9,187)	(9,187)
Balances at September 30, 2021	9,852,497	350,826	(1,275,138)	122,968	1,003,374	-	318,355	497,693	1,964	10,872,539
Balances at December 31, 2021	12,352,498	(1,637,055)	(1,449,159)	137,442	582,635	58,749	1,215,281	-	840	11,261,231
Stock option plan	-	80,854	-	-	-	-	-	-	-	80,854
Treasury shares delivered in stock option plans	23	(196,008)	184,081	-	-	-	-	-	-	(11,927)
Reclassification of consideration due to acquisition	-	(4,501)	-	-	-	-	-	-	-	(4,501)
Additional dividends proposed	23	-	-	-	-	(58,749)	-	-	-	(58,749)
Loss for the period	23	-	-	-	-	-	-	(463,063)	-	(463,063)
	-	(119,655)	184,081	-	-	(58,749)	-	(463,063)	-	(457,386)
Other comprehensive income:										
Equity adjustments	-	-	-	-	-	-	-	-	1,444	1,444
Balances at September 30, 2022	12,352,498	(1,756,710)	(1,265,078)	137,442	582,635	-	1,215,281	(463,063)	2,284	10,805,289

See accompanying notes.

Magazine Luiza S.A.

Statements of cash flows Nine-month periods ended September 30, 2022 and 2021 (In thousands of reais - R\$)

	Note	Individual		Consolidated	
		09/30/2022	09/30/2021	09/30/2022	09/30/2021
Cash flows from operating activities					
Net income (loss) for the period		(463,063)	497,693	(463,063)	497,693
Adjustments to reconcile net income (loss) for the period to cash from (used in) operating activities:					
Income and social contribution taxes recognized in P&L	11	(544,272)	(303,307)	(525,335)	(234,051)
Depreciation and amortization	14 15 16	642,766	497,608	809,159	590,829
Accrued interest on loans, financing and leases	14 19	829,682	242,641	869,760	244,206
Gains from (losses on) marketable securities		(30,110)	(23,716)	(30,110)	(23,716)
Equity pickup	12 13	(187,422)	(373,966)	25,944	(99,906)
Changes in provision for losses on assets		351,324	519,188	357,183	534,293
Provision for tax, civil, and labor contingencies	22	68,634	(282,493)	70,378	(411,844)
Gains from (losses on) disposal of property and equipment	27	462	(106)	(84)	(177)
Appropriation of deferred revenue	27	(49,493)	(40,029)	(50,999)	(42,374)
Stock option plan expenses		58,692	63,100	58,692	63,100
Net income for the period – adjusted		677,200	796,613	1,121,525	1,118,053
(Increase) decrease in operating assets:					
Trade accounts receivable		148,552	(414,652)	(48,418)	(709,603)
Marketable securities		1,292,436	163,672	1,292,596	(108,695)
Inventories		543,336	(2,501,010)	498,684	(2,623,495)
Accounts receivable from related parties		1,029,654	(551,078)	1,182,242	(502,281)
Taxes recoverable		(639,159)	(767,711)	(693,031)	(777,457)
Judicial deposits		(176,361)	(303,670)	(321,744)	(329,602)
Other assets		(136,459)	(29,888)	(19,671)	(63,711)
Changes in operating assets		2,061,999	(4,404,337)	1,890,658	(5,114,844)
Increase (decrease) in operating liabilities:					
Trade accounts payable		(1,543,619)	808,573	(1,492,176)	675,517
Partners and other deposits		-	-	(109,918)	730,275
Salaries, vacation pay and social charges		4,546	(3,295)	55,609	71,467
Taxes payable		(47,039)	(188,186)	(131,298)	(221,695)
Accounts payable to related parties		21,060	(2,437)	(13,598)	(73,506)
Other liabilities		30,618	37,839	(47,493)	(101,184)
Changes in operating liabilities		(1,534,434)	652,494	(1,738,874)	1,080,874
Income and social contribution taxes paid		-	(5,475)	(48,806)	(67,697)
Dividends received		70,220	29,454	70,220	29,454
Cash flows from (used in) operating activities		1,274,985	(2,931,251)	1,294,723	(2,954,160)
Cash flows from investing activities					
Acquisition of property and equipment	14 15	(184,127)	(590,011)	(215,760)	(629,277)
Acquisition of intangible assets	16	(221,387)	(149,819)	(331,045)	(227,734)
Capital increase at subsidiary	12	(85,566)	(605,705)	-	-
Payment for acquisition of subsidiary, net of cash acquired		(526,908)	-	(543,663)	(168,227)
Cash flows used in investing activities		(1,017,988)	(1,345,535)	(1,090,468)	(1,025,238)
Cash flows from financing activities					
Loans and financing raised	19	-	2,300,000	400,000	2,300,000
Repayment of loans and financing	19	(6,062)	(1,609,108)	(380,156)	(1,679,408)
Payment of interest on loans and financing	19	(306,124)	(106,819)	(330,464)	(106,819)
Payment of leases	14	(312,784)	(261,626)	(327,954)	(270,023)
Payment of interest on leases	14	(216,421)	(176,351)	(219,723)	(177,875)
Payment of dividends and interest on equity		(99,966)	(146,133)	(99,966)	(146,133)
Treasury shares acquired		-	(770,712)	-	(770,712)
Funds from issue of shares		-	3,981,250	-	3,981,250
Payment of share issue costs, net of taxes		-	(81,035)	-	(81,035)
Cash flows from (used in) financing activities		(941,357)	3,129,466	(958,263)	3,049,245
Decrease in cash and cash equivalents		(684,360)	(1,147,320)	(754,008)	(930,153)
Cash and cash equivalents at beginning of period	05	1,458,754	1,281,569	2,566,218	1,681,376
Cash and cash equivalents at end of period	05	774,394	134,249	1,812,210	751,223
Decrease in cash and cash equivalents		(684,360)	(1,147,320)	(754,008)	(930,153)

See accompanying notes.

Magazine Luiza S.A.

Statements of value added Nine-month periods ended September 30, 2022 and 2021 (In thousands of reais - R\$)

	Individual		Consolidated	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Revenues				
Sales of goods, products and services	24,467,936	26,942,156	30,723,685	30,224,668
Allowance for expected credit losses, net of reversals	(191,839)	(91,230)	(178,924)	(98,309)
Other operating income	53,729	679,559	75,113	760,537
	24,329,826	27,530,485	30,619,874	30,886,896
Bought-in inputs				
Cost of goods resold and services rendered	(16,502,237)	(19,243,477)	(19,766,762)	(20,914,239)
Materials, energy, third-party services and other expenses	(3,116,870)	(3,227,777)	(3,996,008)	(3,553,310)
Loss/recovery of receivables	(60,120)	(423,418)	(65,470)	(429,511)
	(19,679,227)	(22,894,672)	(23,828,240)	(24,897,060)
Gross value added	4,650,599	4,635,813	6,791,634	5,989,836
Depreciation and amortization	(642,766)	(497,608)	(809,159)	(590,829)
Net value added produced by the Company	4,007,833	4,138,205	5,982,475	5,399,007
Value added received in transfer				
Equity pickup	187,422	373,966	(25,944)	99,906
Finance income	425,550	294,878	542,324	304,960
Total value added to be distributed	4,620,805	4,807,049	6,498,855	5,803,873
Distribution of value added				
Personnel and charges:				
Salaries	1,216,943	1,172,310	1,729,380	1,425,867
Benefits	239,583	278,959	319,735	342,355
Unemployment Compensation Fund (FGTS)	101,345	93,595	155,924	123,504
	1,557,871	1,544,864	2,205,039	1,891,726
Taxes, charges and contributions:				
Federal	8,965	131,727	648,966	516,467
State	1,708,617	1,866,251	1,933,723	1,988,828
Local	63,608	54,221	102,636	80,568
	1,781,190	2,052,199	2,685,325	2,585,863
Debt remuneration:				
Interest	1,631,632	600,135	1,907,993	683,663
Rent	58,254	49,245	68,925	58,528
Other	54,921	62,913	94,636	86,400
	1,744,807	712,293	2,071,554	828,591
Equity remuneration:				
Retained profit (accumulated losses)	(463,063)	497,693	(463,063)	497,693
	4,620,805	4,807,049	6,498,855	5,803,873

See accompanying notes.

Notes to quarterly information

1. Operations

Magazine Luiza S.A. (“Company”) is a publicly-held corporation listed under the special segment called “Novo Mercado” of B3 S.A. – Brasil, Bolsa, Balcão, under ticker symbol “MGLU3” and is primarily engaged in the retail sale, through physical stores, e-commerce and its SuperApp, which is an application that offers products and services from Magazine Luiza, its subsidiaries, as well as from commercial partners (“sellers”) through the marketplace platform. Its jointly-controlled entities (Note 13) offer loans, financing and insurance services to customers. Company main offices are located in 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 September 30, 2022, the Company owned 1,430 stores and 23 distribution centers (1,481 stores and 26 distribution centers as at December 31, 2021) located in all regions in Brazil. The Company also operated on the e-commerce websites www.magazineluiza.com.br, www.epocacosmeticos.com.br, www.netshoes.com.br, www.zattini.com.br, www.shoestock.com.br, www.kabum.com.br, and their respective mobile applications, as well as through AiQfome, Tônolucro and Plus Delivery food delivery applications.

On November 10, 2022, the Board of Directors authorized the issue of these interim financial statements.

2. Presentation and preparation of interim financial statements

2.1. Accounting policies

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

The individual and consolidated quarterly information was prepared in accordance with accounting pronouncement CPC 21 (R1) and IAS 34 (Interim financial reporting), and is presented in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

Accounting practices, policies and key accounting judgments and sources of uncertainty about estimates adopted in the preparation of the individual and consolidated quarterly information are consistent with those adopted and disclosed in the notes to the financial statements for the year ended December 31, 2021, which were disclosed on March 14, 2022, and should be read together with such statements.

The objective of the statement of value added (SVA) is to present information on the wealth created by the Company and its subsidiaries and its distribution over a given period, and is presented as required by the rules issued by the CVM, given that it is not provided for or mandatory under IFRS.

Management adopts the accounting policy of presenting interest paid as financing activities and dividends received as operating activities in the Statement of Cash Flows.

2.2. Impacts related to the Covid-19 pandemic

The spread of Covid-19 has affected business and economic activities on a global scale since the beginning of 2020. Since the beginning of the pandemic, the Company established an internal Contingency Committee that monitors its evolution, making important decisions, having elected three priorities: the health and safety of its employees, the continuity of operations, and the maintenance of jobs.

Considering these three pillars to face the crisis, the Company took certain measures and made assessments in line with CVM/SNC Memorandum Circulares No. 02 and 03/2020, analyzing the key risks and uncertainties arising from Covid-19 in relation to its financial statements. These analyses are described in the 2021 financial statements, which should be read together with this interim financial information.

In the period ended September 30, 2022, the Company did not find any indication of impairment of its assets. Additionally, on the date of disclosure of this interim financial information, all of the Company's physical stores were operating normally.

3. New standards, amendments and interpretations of standards

The amended standards and effective interpretations for the year beginning on January 1, 2022 did not affect this interim financial information. A number of other reviews of standards and interpretations are underway by the IASB and the Company will assess them in due course.

4. Notes to financial statements as of December 31, 2021 that are not presented in this quarterly information

The quarterly information is presented in accordance with accounting pronouncements CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), in compliance with the provisions contained in CVM/SNC/SEP Memorandum Circular No. 003/2011 of April 28, 2011. The preparation of this quarterly information involves judgment by the Company's management in connection with the relevance and changes that should be disclosed in the explanatory notes. Accordingly, this interim information presents selected explanatory notes and does not include all explanatory notes presented in the financial statements for the year ended December 31, 2021. As permitted by Memorandum Circular No. 03/2011, from the Brazilian Securities and Exchange Commission (CVM), the following explanatory notes and their references to the financial statements as of December 31, 2021 are not presented:

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

5. Cash and cash equivalents

	Rates	Individual		Consolidated	
		09/30/2022	12/31/2021	09/30/2022	12/31/2021
Cash		97,565	37,732	98,301	38,775
Banks		102,255	73,410	146,390	750,450
Shor-term deposits	From 85% to 101% of CDI	574,574	1,347,612	1,530,393	1,742,161
Non-boutique investment funds	From 92.5% to 100% of CDI	-	-	37,126	34,832
		774,394	1,458,754	1,812,210	2,566,218

Credit risk and sensitivity analysis are described in Note 30.

6. Marketable securities

Financial assets	Rates	Individual		Consolidated	
		09/30/2022	12/31/2021	09/30/2022	12/31/2021
Non-boutique investment funds	101% of CDI	14,120	12,734	14,120	12,734
Boutique investment funds:	(a)				
Repurchase agreements		-	27,512	-	27,512
Receivables		44,500	32,500	44,500	32,500
Federal government securities		235,265	1,483,465	235,265	1,483,625
		293,885	1,556,211	293,885	1,556,371

- (a) These refer to boutique fixed income investment funds. As of September 30, 2022 and December 31, 2021, the portfolio comprised the investments described in the table above, which are linked to securities and financial transactions and referenced to the variation of the Interbank Deposit Certificate (CDI), with the objective of returning to the average yield of 100% of the CDI for the Company.

Credit risk and sensitivity analysis are described in Note 30.

7. Trade accounts receivable

	Individual		Consolidated	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021
Trade accounts receivable:				
Credit cards (a)	2,663,441	3,111,344	4,422,544	4,618,014
Debit cards (a)	18,380	9,417	21,032	14,396
Own installment sales plan (b)	899,254	789,111	899,250	789,111
Customer services (c)	192,252	166,625	203,522	208,837
Other receivables (d)	14,676	44,139	114,685	182,588
Total trade accounts receivable	3,788,003	4,120,636	5,661,033	5,812,946
From commercial agreements (e)	284,194	295,757	337,325	343,837
Allowance for expected credit losses	(212,393)	(151,426)	(216,201)	(169,588)
Present value adjustment	(280,620)	(319,085)	(280,620)	(319,085)
	3,579,184	3,945,882	5,501,537	5,668,110
Current assets	3,563,689	3,928,531	5,486,042	5,650,759
Noncurrent assets	15,495	17,351	15,495	17,351

Days sales outstanding is of 42 and 49 days, individual and consolidated, respectively, as of September 30, 2022 (27 and 33 days, individual and consolidated, respectively, as of December 31, 2021).

- (a) Accounts receivable from sales made through credit and debit cards, which the Company receives from the buyers in amounts, terms and number of installments defined at the time of sale of the products. The consolidated information includes receivables from buyers transacted through Magalu Pagamentos, to be transferred to the partners (sellers) as described in Note 18. As of September 30, 2022, the Company recorded credits assigned to buyers and financial institutions amounting to R\$2,422,984 (R\$2,656,104 as of December 31, 2021), individual, and R\$4,794,986 (R\$5,165,898 as of December 31, 2021), consolidated, on which a discount ranging from 106.5% to 108.92% of the CDI is applied. Through assignment of receivables from cards, the Company transfers to the buyers and financial institutions all risks from customer receivables and, thus, settles the amounts receivable related to these credits.
- (b) This refers to receivables from sales financed by the Company and by other financial institutions.
- (c) This refers substantially to sales intermediated by the Company for Luizaseg and Cardif do Brasil Seguros e Garantias S.A. The Company allocates to its partners the extended warranty and other insurance, in full, in the month following the sale, and receives from customers in accordance with the agreed transaction term. Additionally, receivables for marketplace services and other services are allocated to this account.
- (d) This refers mostly to receivables for transportation services of subsidiaries Magalog and GFL Logística to third parties, as well as services rendered and entries in Hub Fintech's payment accounts.
- (e) This refers to bonuses to be received from suppliers, arising from the fulfillment of the purchase volume, as well as from agreements that define the share of suppliers in disbursements related to advertising and marketing (joint advertising).

Changes in the allowance for expected credit losses are as follows:

	Individual		Consolidated	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021
Opening balance	(151,426)	(95,832)	(169,588)	(115,207)
(+) Additions	(218,146)	(167,496)	(214,991)	(174,278)
(-) Write-offs	157,179	111,902	168,378	119,897
Closing balance	(212,393)	(151,426)	(216,201)	(169,588)

The credit risk analysis is detailed in Note 30.

The aging list of trade accounts receivable and receivables from commercial agreements is as follows:

	Trade accounts receivable				From commercial agreements			
	Individual		Consolidated		Individual		Consolidated	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021	09/30/2022	12/31/2021	09/30/2022	12/31/2021
Falling due:								
Within 30 days	257,456	217,534	612,952	637,694	34,983	40,577	55,925	57,714
31 to 60 days	271,788	151,049	437,191	477,043	51,282	52,469	62,900	75,429
61 to 90 days	394,710	167,493	548,571	416,689	92,303	52,238	93,135	52,970
91 to 180 days	1,678,829	867,283	2,409,011	1,059,054	68,985	53,630	69,038	53,630
181 to 360 days	951,741	2,556,412	1,419,585	3,041,805	19,591	63,710	20,110	63,710
More than 361 days	49,418	52,636	49,571	55,423	-	263	-	288
	3,603,942	4,012,407	5,476,881	5,687,708	267,144	262,887	301,108	303,741
Overdue:								
Within 30 days	44,050	31,573	44,120	32,628	3,505	19,670	13,863	22,223
31 to 60 days	32,130	20,500	32,151	22,041	3,749	7,480	8,230	10,740
61 to 90 days	27,984	16,239	27,984	16,239	1,528	1,133	3,460	1,133
91 to 180 days	79,897	39,917	79,897	54,330	8,268	4,587	10,664	6,000
	184,061	108,229	184,152	125,238	17,050	32,870	36,217	40,096
	3,788,003	4,120,636	5,661,033	5,812,946	284,194	295,757	337,325	343,837

8. Inventories

	Individual		Consolidated	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021
Goods for resale	7,337,965	7,971,149	8,622,311	9,210,072
Consumption materials	17,943	44,921	35,273	65,698
Provision for inventory losses	(158,878)	(142,526)	(186,246)	(163,556)
	7,197,030	7,873,544	8,471,338	9,112,214

As of September 30, 2022, the Company recorded inventories of goods for resale given in guarantee of legal proceedings, under enforcement, in the approximate amount of R\$21,834 (R\$21,846 as of December 31, 2021).

Changes in the provision for inventory losses are shown below:

	Individual		Consolidated	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021
Opening balance	(142,526)	(90,108)	(163,556)	(101,178)
Set-up of provision	(133,178)	(505,891)	(142,192)	(519,663)
Inventories written off or sold	116,826	453,473	119,502	457,285
Closing balance	(158,878)	(142,526)	(186,246)	(163,556)

9. Transactions with related parties

Company	Assets (liabilities)				P&L for the nine-month period				P&L for the three-month period			
	Individual		Consolidated		Individual		Consolidated		Individual		Consolidated	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Luizacred (i)												
Commissions for services rendered	23,209	2,478	23,209	2,478	182,741	176,655	182,741	176,655	59,575	58,270	59,575	58,270
Credit cards	2,445,238	3,592,443	2,445,238	3,592,443	(258,189)	(145,936)	(258,189)	(145,936)	(77,280)	(43,926)	(77,280)	(43,926)
Transfers of receivables	(44,017)	(46,638)	(44,017)	(46,638)	-	-	-	-	-	-	-	-
Dividends receivable	-	35,018	-	35,018	-	-	-	-	-	-	-	-
Reimbursement of shared expenses	17,845	22,193	17,845	22,193	103,807	88,941	103,807	88,941	35,280	32,416	35,280	32,416
	2,442,275	3,605,494	2,442,275	3,605,494	28,359	119,660	28,359	119,660	17,575	46,760	17,575	46,760
Luizaseg (ii)												
Commissions for services rendered	41,755	40,760	41,755	40,760	352,051	324,102	352,051	324,102	118,106	116,157	118,106	116,157
Dividends receivable	-	8,953	-	8,953	-	-	-	-	-	-	-	-
Transfers of receivables	(63,761)	(66,074)	(63,761)	(66,074)	-	-	-	-	-	-	-	-
	(22,006)	(16,361)	(22,006)	(16,361)	352,051	324,102	352,051	324,102	118,106	116,157	118,106	116,157
Total jointly-controlled entities	2,420,269	3,589,133	2,420,269	3,589,133	380,410	443,762	380,410	443,762	135,681	162,917	135,681	162,917
Netshoes (iii)												
Reimbursement of expenses	19,107	10,854	-	-	-	-	-	-	-	-	-	-
Discounted notes	-	-	-	(4,053)	-	-	-	-	-	-	-	-
Commissions for services rendered	-	-	-	-	14,037	6,195	-	-	5,400	3,599	-	-
	19,107	10,854	-	(4,053)	14,037	6,195	-	-	5,400	3,599	-	-
Época Cosméticos (iv)												
Commissions for services rendered	917	1,333	-	-	5,119	2,169	-	-	1,696	788	-	-
Kabum (v)												
Commissions for services rendered	3,117	-	-	-	10,762	-	-	-	826	-	-	-
Capital decrease	28,666	-	-	-	-	-	-	-	-	-	-	-
	31,783	-	-	-	10,762	-	-	-	826	-	-	-
Luiza Administradora de Consórcio (vi)												
Commissions for services rendered	1,371	2,643	-	-	11,458	11,147	-	-	3,867	4,057	-	-
Dividends receivable	-	2,703	-	-	-	-	-	-	-	-	-	-
Group of consortia	(649)	(362)	(649)	(362)	-	-	-	-	-	-	-	-
	722	4,984	(649)	(362)	11,458	11,147	-	-	3,867	4,057	-	-
Magalog (vii)												
Transfers of receivables	(72,326)	(50,357)	-	-	-	-	-	-	-	-	-	-
Freight expenses	-	-	-	-	(1,108,628)	(577,678)	-	-	(386,910)	(261,712)	-	-
	(72,326)	(50,357)	-	-	(1,108,628)	(577,678)	-	-	(386,910)	(261,712)	-	-
Magalu Pagamentos (viii)												
Transfers of receivables	574,377	465,672	-	-	(76,448)	(31,431)	-	-	(21,686)	(5,759)	-	-
Joven Nerd (ix)												
Advertising	(409)	-	-	-	(409)	-	-	-	(409)	-	-	-
Luizalabs (x)												
System development	(13,094)	(13,101)	-	-	-	-	-	-	-	-	-	-
Total Subsidiaries	541,077	419,385	(649)	(4,415)	(1,144,109)	(589,598)	-	-	(397,216)	(259,027)	-	-
MTG Participações (xi)												
Rent and other transfers	(2,503)	(2,463)	(2,573)	(2,529)	(31,364)	(25,468)	(31,364)	(25,468)	(11,401)	(8,846)	(11,401)	(8,846)
PJD Agropastoril (xii)												
Rent, freight and other transfers	(104)	(51)	(104)	(51)	(896)	(1,554)	(896)	(1,554)	(284)	(553)	(284)	(553)
LH Participações (xiii)												
Rent	(201)	(156)	(201)	(156)	(1,609)	(1,693)	(1,609)	(1,693)	(402)	(593)	(402)	(593)
ETCO – SCP (xiv)												
Agency fees	-	-	-	-	(7,098)	(5,672)	(7,098)	(5,672)	(3,109)	(1,976)	(3,109)	(1,976)
Marketing expenses	(78)	-	(78)	-	(221,817)	(179,226)	(221,817)	(179,226)	(97,157)	(63,501)	(97,157)	(63,501)
	(78)	-	(78)	-	(228,915)	(184,898)	(228,915)	(184,898)	(100,266)	(65,477)	(100,266)	(65,477)
Total other related parties	(2,886)	(2,670)	(2,956)	(2,736)	(262,784)	(213,613)	(262,784)	(213,613)	(112,353)	(75,469)	(112,353)	(75,469)
Total related parties	2,958,460	4,005,848	2,416,664	3,581,982	(1,026,483)	(359,449)	117,626	230,149	(373,888)	(171,579)	23,328	87,448

	Assets (liabilities)				P&L for the nine-month period				P&L for the three-month period			
	Individual		Consolidated		Individual		Consolidated		Individual		Consolidated	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021	09/30/2022	30/092021	09/30/2022	30/092021	09/30/2022	30/092021	09/30/2022	30/092021
Boutique investment fund transactions – classified as Marketable securities (xv)	279,765	1,543,477	279,765	1,543,637	9,800	23,425	9,800	23,425	1,538	12,813	1,538	12,813

Reconciliation	Individual		Consolidated	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021
Accounts receivable from related parties	3,175,414	4,201,742	2,528,368	3,707,284
Accounts payable to related parties	(216,954)	(195,894)	(111,704)	(125,302)
	2,958,460	4,005,848	2,416,664	3,581,982

- I. Transactions with Luizacred, jointly-controlled entity with Banco Itaúcard S.A., refer to the following activities:
 - (a) Receivables with private label credit cards and finance costs with advance of such receivables;
 - (b) Balance receivable from the sale of financial products to customers by Luizacred, received by the Company;
 - (c) Commissions on services provided monthly by the Company, including attraction of new customers, management and administration of consumer credit transactions, control and collection of financing granted, indication of insurance linked to financial services and products. The amounts payable (current liabilities) refer to the receipt of customer installments at the Company's store cashiers, which are transferred to Luizacred;
- II. The amounts receivable (current assets) and revenues of Luizaseg, jointly-controlled entity with NCVP Participações Societárias S. A., a subsidiary of Cardif do Brasil Seguros e Previdência S. A., arise from commissions on services provided monthly by the Company, relating to the sale of extended warranties and proposed dividends. The amounts payable (current liabilities) refer to transfers of extended warranties sold, to Luizaseg, in full, on the month following the sale.
- III. The amounts of Netshoes, a wholly-owned subsidiary, refer to commissions for sales made via the Parent Company's Marketplace platform.
- IV. Transactions with Época Cosméticos, a wholly-controlled subsidiary, refer to sales commissions through the Parent Company's Marketplace platform.
- V. Transactions with KaBuM, a wholly-controlled subsidiary, refer to sales commissions through the Parent Company's Marketplace platform. In 2022, the Company approved a capital decrease in subsidiary KaBuM amounting to R\$50 million (Note 12), which had not been fully settled until the closing of this quarterly information.
- VI. The amounts receivable (current assets) from Consórcio Luiza (LACs), a wholly-owned subsidiary, refer to proposed dividends and commissions for sales made by the Parent Company as an agent for consortium operations. The amounts payable (current liabilities) refer to unrealized onlending operations to LACs relating to consortia installments received by the Parent Company through cashiers at the points of sale.
- VII. Transactions with "Magalog," a wholly-owned subsidiary, refer to freight expenses.
- VIII. Transactions with Magalu Pagamentos, a wholly-owned subsidiary, refer to commissions receivable for sales carried out in its Marketplace by sellers, as well as fees for the use of the sub-acquisition operation.
- IX. Transactions with Jovem Nerd, a wholly-owned subsidiary, refer to freight expenses.
- X. This refers to provision of system development services by the subsidiary Luizalabs Computação e Sistemas de Informação Ltda.
- XI. Transactions with MTG Administração, Assessoria e Participações S.A., controlled by the same controlling shareholders of the Company, refer to expenses with rent of commercial buildings for establishment its stores, as well as distribution centers, central office, and reimbursement of expenses.
- XII. Transactions with PJD Agropastoril Ltda., a company controlled by the Company's indirect controlling shareholders, refer to expenses with truck rentals for freight of goods.

- XIII. Transactions with LHAgrupastoril, Administração Participações Ltda., controlled by the same controlling shareholders of the Company, refer to expenses with rent of commercial buildings.
- XIV. 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 provision of publicity and advertising services, including transfers related to broadcasting, media production and graphic creation services.
- XV. This refers to investments, redemptions and income from boutique investment funds (ML Renda Fixa Crédito Privado FI and FI Caixa ML RF Longo Prazo (Note 6 – Marketable securities).

b) Management compensation

	09/30/2022		09/30/2021	
	Board of Directors	Statutory Board	Board of Directors	Statutory Board
Fixed and variable compensation	3,042	3,759	3,650	9,588
Stock option plan	9,821	11,858	14,751	32,092

The Company does not offer post-employment benefits, severance pay, or other long-term benefits. Short-term benefits for the statutory board correspond to those granted to the other Company employees, and certain eligible employees are beneficiaries of an incentive plan linked to shares, as mentioned in Note 23. The Company's internal policy determines the payment of Profit Sharing to its employees. These amounts are accrued on a monthly basis by the Company, according to estimated achievement of goals. Total management remuneration was approved at the Annual General Meeting held on April 18, 2022, in which the limit of R\$59,394 was forecast for 2022.

10. Taxes recoverable

	Individual		Consolidated	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021
ICMS recoverable (a)	2,618,425	2,001,716	2,684,275	2,052,515
PIS and COFINS recoverable (b)	547,809	555,098	779,562	771,339
Other	3,613	3,613	9,806	6,959
	3,169,847	2,560,427	3,473,643	2,830,813
Current assets	1,286,087	1,151,721	1,502,515	1,279,257
Noncurrent assets	1,883,760	1,408,706	1,971,128	1,551,556

- (a) These refer to accumulated credits of own ICMS and by tax substitution, arising from the application of diversified rates in interstate receiving and shipping operations. These credits are realized by means of request for refund and offset of debts of the same nature with states of origin of the credit.

The Company is a party to lawsuits in different states challenging the use of amounts of refund of State VAT – Tax Substitution (ICMS/ST) arising from sales to end consumers for an amount lower than the presumed tax base of periods prior to the *erga omnes* effect granted by the Federal Supreme Court (STF) on the matter in 2016, for which the final and unappealable decision is expected for the coming months. Considering the procedural progress, the Company reached the understanding that a favorable outcome for these suits is practically certain, and obtained legal opinions from its advisors confirming this understanding. Accordingly, restated credits of R\$539,796 were recognized in 2021, of which R\$348,383 refers to principal and R\$191,413 to monetary restatement.

- (b) In 2019, a final favorable decision was handed down on the proceedings claiming the right to exclude State VAT (ICMS) from the tax bases of Contribution Tax on Gross Revenue for Social Integration Program (PIS) and Contribution Tax on Gross Revenue for Social Security Financing (COFINS), regarding Magazine Luiza S.A. and its merged company FS Vasconcelos Ltda. Two lawsuits were filed in 2007, ensuring the right to recognize tax credits in the statute of limitation period from 2002 to 2014, and another lawsuit was filed in 2017, ensuring the right to the credit for the period after Law No. 12973/14. The recorded amount for these lawsuits was R\$1,190,050, of which R\$713,455 refers to principal and R\$476,595 to monetary restatement.

Also in 2019, a final 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 totaling R\$119,035, of which R\$73,093 refers to principal and R\$45,942 to monetary restatement.

The measurement of credits related to these proceedings was determined with the support of legal and tax advisors, considering the periods indicated above and the Company's right to exclude ICMS from the PIS and COFINS tax bases without any restrictions, since the decisions that have become final guarantee that all the ICMS required from the Company should be excluded from the PIS and COFINS tax bases, regardless of the collection method, according to the legal advisors.

Tax credits are offset as respective validations take place via administrative procedures with the Brazilian IRS.

11. Income and social contribution taxes

a) Income and social contribution taxes recoverable

	Individual		Consolidated	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021
IRPJ and CSLL recoverable (a)	173,658	173,658	193,261	189,924
Withholding Income Tax (IRRF) to be offset	61,393	31,654	91,826	44,962
	235,051	205,312	285,087	234,886

- (a) Considering the progress of discussions and case laws on the application of Supplementary Law No. 160/2017, the Company, together with its legal and tax advisors, reviewed its application considering ICMS tax incentives and benefits as investment grants, without distinction in relation to their form of granting. As such, in 2021, previously unused income and social contribution tax credits were recognized in the amount of R\$168,190, of which R\$155,342 refers to principal and R\$12,848 to monetary restatement, for the periods from 2017 to 2020, based on the evaluation that a favorable outcome is possible in case of inquiries, tending to probable, according to ICPC 22 – Uncertainty over Income Tax Treatments (equivalent to IFRIC 23). Accordingly, the Company reviewed its tax calculations and recorded a posting against current and deferred income and social contribution taxes in P&L for the year. These tax credits will be offset against income and social contribution taxes or other federal taxes.

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

	Nine-month periods ended:				Three-month periods ended:			
	Individual		Consolidated		Individual		Consolidated	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Income (loss) before income and social contribution taxes	(1,007,335)	194,386	(988,398)	263,642	(340,238)	(143,274)	(333,544)	(114,026)
Current statutory rate	34%	34%	34%	34%	34%	34%	34%	34%
Expected income and social contribution tax credit (debit) at current rates	342,494	(66,091)	336,055	(89,638)	115,681	48,713	113,405	38,769
Reconciliation to effective rate (effects of application of tax rates):								
Exclusion - equity pickup	63,723	127,148	(8,821)	33,968	25,532	56,686	(3,537)	15,700
Effect of interest on equity	-	34,000	-	34,000	-	-	-	-
Deferred IRPJ and CSLL not accrued on tax losses	-	-	53,235	44,372	-	-	22,078	20,765
Technological innovation	-	15,591	-	15,591	-	-	-	-
Effect of government grant (1)	78,027	25,115	88,044	33,984	25,745	8,071	29,385	11,410
Interest on undue tax payments (2)	64,812	174,887	64,812	174,887	8,667	174,887	8,667	174,887
Other permanent exclusions, net	(4,784)	(7,343)	(7,990)	(13,113)	(2,147)	(1,567)	(3,214)	(3,989)
Income and social contribution tax debit	544,272	303,307	525,335	234,051	173,478	286,790	166,784	257,542
Current	-	70,400	(55,549)	(15,980)	-	128,723	(13,671)	92,743
Deferred	544,272	232,907	580,884	250,031	173,478	158,067	180,455	164,799
Total	544,272	303,307	525,335	234,051	173,478	286,790	166,784	257,542
Effective rate (3)	54.0%	-156.0%	53.2%	-88.8%	51.0%	200.2%	50.0%	225.9%

- (1) As mentioned in item a above, the Company, in performing its regular activities, takes advantage of a series of tax benefits granted by the states. Based on the concept brought by Supplementary Law No. 160/2017, these benefits are considered investment grants and, according to CPC 07 – Government Grants and Assistance, they are recorded in P&L for the year.
- (2) On September 24, 2021, in a decision of the Federal Supreme Court with recognized *erga omnes* effect, the levy of IRPJ and CSLL on amounts related to the Selic rate received due to repetition of undue tax payment was declared unconstitutional. The Company has a writ of mandamus, dated before the judgment of the Federal Supreme Court, whose subject matter is precisely the recognition of the illegitimacy of the levy of IRPJ and CSLL on Selic in tax credits. Based on the decision of the STF, the Company permanently excluded these amounts from the tax base, considering that it is likely that the decision will be accepted by the tax authorities, pursuant to ICPC 22 – Uncertainty over Income Tax Treatments (equivalent to IFRIC 23).
- (3) Taxes on income for the interim period are accrued using the rate that should be applied to expected total annual income i.e. the estimated annual effective average rate is applied on pre-tax income in the interim period.

Deferred income and social contribution taxes

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

	Individual			Consolidated			
	Balance at 12/31/2021	Income (expenses)	Balance at 09/30/2022	Balance at 12/31/2021	Income (expenses)	Business combination (1)	Balance at 09/30/2022
Deferred income and social contribution taxes on:							
Income and social contribution tax losses	503,823	375,343	879,166	547,235	383,904	-	931,139
Allowance for expected credit losses	51,485	20,728	72,213	51,485	20,728	-	72,213
Provision for inventory losses	48,459	5,559	54,018	48,762	5,559	-	54,321
Provision for present value adjustments	80,605	(8,517)	72,088	80,605	(8,517)	-	72,088
Provision for tax, civil, and labor contingencies	220,466	42,313	262,779	336,353	42,313	-	378,666
Provision for stock option plan	109,602	5,524	115,126	109,602	5,524	-	115,126
Temporary differences on leases	70,026	21,335	91,361	70,026	21,335	-	91,361
Temporary differences on fair value in acquisitions	(41,679)	-	(41,679)	(294,344)	57,610	(30,268)	(267,002)
Judicial deposits	628	(11)	617	628	(11)	-	617
Deferred tax credits	(169,164)	85,527	(83,637)	(169,164)	55,796	-	(113,368)
Other provisions	(19)	(3,529)	(3,548)	20,024	(3,357)	-	16,667
Deferred income and social contribution tax assets (liabilities)	874,232	544,272	1,418,504	801,212	580,884	(30,268)	1,351,828

- (1) Since allocation of the acquisition price of subsidiary KaBuM was completed, in the measurement period allowed by the accounting standard, the Company supplemented deferred income and social contribution taxes on fair value of the intangible assets identified.

	Individual			Consolidated					
	Balance at 12/31/2020	Income (expenses)	Equity	Balance at 09/30/2021	Balance at 12/31/2020	Income (expenses)	Business combination	Equity	Balance at 09/30/2021
Deferred income and social contribution taxes on:									
Income and social contribution tax losses	-	88,177	37,680	125,857	19,334	94,570	26,460	37,680	178,044
Allowance for expected credit losses	32,583	8,769	-	41,352	32,583	8,769	-	-	41,352
Provision for inventory losses	30,637	123,749	-	154,386	30,940	123,749	-	-	154,689
Provision for present value adjustments	17,092	24,901	-	41,993	17,092	24,901	-	-	41,993
Provision for tax, civil, and labor contingencies	200,447	(3,341)	-	197,106	291,113	(3,341)	6,646	-	294,418
Provision for stock option plan	69,392	20,802	-	90,194	69,392	20,802	-	-	90,194
Temporary differences on fair value in acquisitions	(41,679)	-	-	(41,679)	(161,284)	10,676	(45,937)	-	(196,545)
Judicial deposits	(11,394)	2,088	-	(9,306)	(11,394)	2,088	-	-	(9,306)
Deferred tax credits (1)	(186,184)	(43,822)	-	(230,006)	(186,184)	(43,822)	-	-	(230,006)
Temporary differences on leases (IFRS 16)	44,967	19,450	-	64,417	44,967	19,450	-	-	64,417
Other provisions	8,186	(7,866)	-	320	25,334	(7,811)	218	-	17,741
Deferred income and social contribution tax assets (liabilities)	164,047	232,907	37,680	434,634	171,893	250,031	(12,613)	37,680	446,991

- (1) This refers to temporary exclusions from the income and social contribution tax bases related to recognition of tax credits, the tax benefits of which are observed at a time other than upon recognition.

Breakdown of deferred income and social contribution taxes by company

	Balance at 12/31/2021	Deferred tax assets	Deferred tax liabilities	Balance at 09/30/2022
Individual	874,232	1,418,504	-	1,418,504
Netshoes	(10,105)	1,394	-	1,394
KaBuM	(84,164)	-	(104,413)	(104,413)
Consórcio Luiza	795	1,549	-	1,549
Época Cosméticos	10,176	9,865	-	9,865
Magalog	26,759	35,318	-	35,318
Softbox	3,004	1,986	-	1,986
Magalu Pagamentos	(19,485)	-	(12,375)	(12,375)
Consolidated	801,212	1,468,616	(116,788)	1,351,828

The balance of deferred income and social contribution tax assets recorded is limited to amounts whose realization is supported by projections of future taxable bases, approved by management.

12. Investments in subsidiaries

a. Changes in investments in subsidiaries

Changes in investments in direct subsidiaries presented in the individual financial statements are as follows:

Position at 09/30/2022

Financial information	Netshoes	Kabum	Época Cosméticos	Magalu Pagamentos	Consórcio Luiza	Magalog	Luizalabs
Shares/units of interest	1,514,532,428	1,976,774	34,405,475	2,000,000	6,500	16,726	23,273,616
Interest %	100%	100%	100%	100%	100%	100%	100%
Current assets	829,499	1,371,230	153,052	2,028,269	88,893	270,739	73,221
Noncurrent assets	579,532	136,171	147,971	539,807	6,968	312,699	223,056
Current liabilities	736,870	609,265	99,449	1,942,051	19,173	279,067	82,362
Noncurrent liabilities	231,691	504,824	2	23,607	2,966	54,837	10,853
Capital	628,481	811,020	107,205	2,000	50,050	222,564	122,569
Equity	440,470	393,312	201,572	602,418	73,722	249,534	203,062
Net revenue	1,737,686	2,288,362	565,073	588,521	106,018	1,233,251	12,080
Net income (loss)	32,484	121,741	49,857	39,321	13,221	(18,644)	(9,008)

Changes	Netshoes	Kabum	Época Cosméticos	Magalu Pagamentos	Consórcio Luiza	Magalog	Luizalabs	Total
Opening balance	1,098,743	1,738,137	175,727	563,283	60,817	238,986	221,912	4,097,605
FCC/(Capital decrease) ¹	10,561	(50,000)	17,800	-	-	39,934	17,271	35,566
Other comprehensive income (loss)	(431)	-	-	-	(316)	-	-	(747)
Stock option plans	2,547	8,228	(259)	(186)	-	(32)	9,033	19,331
Reclassification of consideration due to acquisition	-	-	-	-	-	(3,000)	(1,500)	(4,500)
Remeasurement of goodwill	-	68,037	-	-	-	-	-	68,037
Equity pickup	34,952	105,581	49,857	39,321	13,221	(18,981)	(10,585)	213,366
Closing balance	1,146,372	1,869,983	243,125	602,418	73,722	256,907	236,131	4,428,658

- (1) On September 16, 2022, the Company approved a capital decrease amounting to R\$50,000 in subsidiary KaBuM!, since capital was considered excessive as compared with the activities developed, subject to no cancellation of shares issued.

Position at 12/31/2021

Financial information	Netshoes	KaBum ¹	Época Cosméticos	Magalu Pagamentos	Integra	Consórcio Luiza	Magalog	Luizalabs	Kelex	Certa
Shares/units of interest	1,514,532,428	1,976,774	34,405,475	2,000,000	100	6,500	16,726	23,273,616	-	-
Interest %	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Current assets	791,994	1,199,864	204,022	2,005,967	150	82,068	265,539	59,296	59	100
Noncurrent assets	564,462	125,828	100,425	552,603	-	4,415	288,833	223,906	-	-
Current liabilities	743,803	856,045	170,460	1,963,472	-	23,391	262,234	84,606	-	1
Noncurrent liabilities	217,344	204,680	13	31,815	-	2,275	60,862	11,329	-	-
Capital	617,919	2,000	89,405	2,000	4,156	50,050	182,630	105,297	100	100
Equity	395,309	264,967	133,974	563,283	150	60,817	231,276	187,267	59	99
Net revenue	2,477,798	156,667	725,313	658,811	-	129,530	1,031,358	90,084	-	-
Net income (loss)	134,697	13,361	45,329	156,147	-	11,383	(858)	(6,981)	(228)	3

Changes	Netshoes	Kabum	Época Cosméticos	Magalu Pagamentos	Integra	Consórcio Luiza	Magalog	Luizalabs	Kelex	Certa	Total
Opening balance	763,450	-	121,454	169,536	2,170	52,129	145,212	62,843	1072	481	1,318,347
FCC/(Capital decrease)	216,170	-	9,000	237,770	-	-	82,079	80,395	-	-	625,414
Acquisition of subsidiaries ²	-	1,724,776	-	-	-	-	12,800	82,800	-	-	1,820,376
Other comprehensive income (loss)	1,853	-	-	-	-	-	-	-	-	-	1,853
Stock option plans	3,427	-	(256)	(170)	-	-	(247)	3,979	-	-	6,733
Dividends	-	-	-	-	-	(2,695)	-	-	-	-	(2,695)
Net assets	-	-	-	-	-	-	-	1,328	(844)	(484)	-
Business combination	(20,854)	-	-	-	-	-	-	(2,452)	-	-	(23,306)
Equity pickup	134,697	13,361	45,329	156,147	-	11,383	(858)	(6,981)	(228)	3	352,853
Closing balance	1,098,743	1,738,137	175,527	563,283	2,170	60,817	238,986	221,912	-	-	4,099,575

(2) The amounts of net revenue and net income at KaBuM refer to the period after closing of the acquisition process;

(3) This refers to the amount of consideration payable for the acquisition of companies, in MGLU3 shares.

b. Reconciliation of book value

Subsidiary	Equity	Goodwill on acquisition	Surplus value ¹	Balance at 09/30/2022
Netshoes	440,470	486,718	219,184	1,146,372
Kabum	393,312	710,911	765,760	1,869,983
Época Cosméticos	201,572	36,826	4,727	243,125
Magalu Pagamentos	602,418	-	-	602,418
Consórcio Luiza	73,722	-	-	73,722
Magalog	249,534	3,756	3,617	256,907
Luizalabs	203,062	25,421	7,648	236,131
Total	2,164,090	1,263,632	1,000,936	4,428,658

¹ This refers to the difference in the fair value of assets and liabilities allocated to the acquisition price.

Subsidiary	Equity	Goodwill on acquisition	Surplus value ¹	Balance at 12/31/2021
Netshoes	395,309	486,718	216,716	1,098,743
KaBuM	264,967	746,688	726,482	1,738,137
Época Cosméticos	133,974	36,826	4,727	175,527
Magalu Pagamentos	563,283	-	-	563,283
Integra Commerce	150	-	2,020	2,170
Consórcio Luiza	60,817	-	-	60,817
Magalog	231,276	3,756	3,954	238,986
Luizalabs	187,267	25,421	9,224	221,912
Total	1,837,043	1,299,409	963,123	4,099,575

¹ This refers to the difference in the fair value of assets and liabilities allocated to the acquisition price.

13. Investments in jointly-controlled entities

Position at 09/30/2022

Ownership interest	Luizacred	Luizaseg
Shares/units of interest	31,056,244	12,855
Interest %	50%	50%
Current assets	17,052,457	350,690
Noncurrent assets	1,923,837	418,159
Current liabilities	18,142,399	338,740
Noncurrent liabilities	66,845	188,056
Capital	596,000	133,883
Equity	767,050	242,053
Net revenue	3,094,288	534,076
Net income (loss)	(85,992)	50,955

Changes	Luizacred	Luizaseg	Total
Opening balance	426,422	(18,642)	407,780
Other comprehensive income (loss)	98	2,093	2,191
Dividends	-	(23,542)	(23,542)
Unrealized income	-	(8,426)	(8,426)
Equity pickup	(42,996)	25,478	(17,518)
Closing balance	383,524	(23,039)	360,485

Position at 12/31/2021

Ownership interest	Luizacred	Luizaseg
Shares/units of interest	31,056,244	12,855
Interest %	50%	50%
Current assets	15,191,017	276,724
Noncurrent assets	1,924,832	486,832
Current liabilities	16,169,030	353,579
Noncurrent liabilities	93,975	175,975
Capital	483,000	133,883
Equity	852,844	234,002
Net revenue	2,911,596	671,726
Net income (loss)	152,978	71,619

Changes	Luizacred	Luizaseg	Total
Opening balance	384,951	1,774	386,725
Other comprehensive income (loss)	-	(12,164)	(12,164)
Dividends	(35,018)	(31,091)	(66,109)
Unrealized income	-	(12,971)	(12,971)
Equity pickup	76,489	35,810	112,299
Closing balance	426,422	(18,642)	407,780

Total investments in jointly-controlled entities

	09/30/2022	12/31/2021
Luizacred (a)	383,524	426,422
Luizaseg (b)	121,027	117,001
Luizaseg – Unrealized income (c)	(144,066)	(135,643)
	360,485	407,780

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

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

(c) Unrealized income from transactions involving intermediation of extended warranty insurance for the jointly-controlled entity Luizaseg.

14. Leases

The Company acts as a lessee in agreements mainly related to real estate (physical stores, distribution centers and administrative units). Since 2019, the Company has recognized these agreements in accordance with CPC 06 (R2)/IFRS 16, in the statement of financial position as right of use and lease liability.

Changes in rights of use in the nine-month periods ended September 30, 2022 and 2021 were as follows:

	Individual	Consolidated
Rights of use at December 31, 2021:	3,324,747	3,362,998
Additions/remeasurements	541,745	562,644
Direct costs	1,705	1,705
Write-offs	(95,815)	(95,815)
Depreciation	(389,322)	(405,642)
Rights of use at September 30, 2022:	3,383,060	3,425,890
Breakdown:		
Cost value	4,920,538	5,001,240
Accumulated depreciation	(1,537,478)	(1,575,350)
Rights of use at September 30, 2022:	3,383,060	3,425,890

	Individual	Consolidated
Rights of use at January 01, 2021:	2,441,539	2,465,514
Additions/remeasurements	895,545	913,016
Direct costs	38,323	38,323
Write-offs	(33,219)	(33,219)
Depreciation	(327,588)	(335,269)
Rights of use at September 30, 2021:	3,014,600	3,048,365
Breakdown:		
Cost value	4,037,728	4,087,163
Accumulated depreciation	(1,023,128)	(1,038,798)
Rights of use at September 30, 2021:	3,014,600	3,048,365

Changes in rights of use in the nine-month periods ended September 30, 2022 and 2021 were as follows:

	Individual	Consolidated
Leases at December 31, 2021:	3,412,288	3,454,678
Remeasurements/additions	547,120	567,872
Payment of principal	(312,784)	(327,954)
Payment of interest	(216,421)	(219,723)
Accrued interest	200,745	204,047
Write-offs	(102,465)	(104,443)
Leases at September 30, 2022:	3,528,483	3,574,477
Current liabilities	409,676	428,142
Noncurrent liabilities	3,118,807	3,146,335

	Individual	Consolidated
Leases at December 31, 2020:	2,497,323	2,526,304
Remeasurements/additions	902,768	920,239
Payment of principal	(261,626)	(270,023)
Payment of interest	(176,351)	(177,875)
Accrued interest	161,482	163,006
Write-offs	(36,808)	(36,808)
Leases at September 30, 2021:	<u>3,086,788</u>	<u>3,124,843</u>
Current liabilities	398,447	411,732
Noncurrent liabilities	2,688,341	2,713,111

15. Property and equipment

Changes in property and equipment in the nine-month periods ended September 30, 2022 and 2021 were as follows:

	Individual	Consolidated
Net property and equipment at December 31, 2021:	1,777,788	1,938,713
Additions	182,422	214,055
Write-offs	(462)	(701)
Depreciation	(157,486)	(172,299)
Net property and equipment at September 30, 2022:	<u>1,802,262</u>	<u>1,979,768</u>
Breakdown:		
Cost value	2,695,036	3,012,981
Accumulated depreciation	(892,774)	(1,033,213)
Net property and equipment at September 30, 2022:	<u>1,802,262</u>	<u>1,979,768</u>

	Individual	Consolidated
Net property and equipment at December 31, 2020:	1,171,758	1,258,162
Additions	551,688	590,954
Additions from business combination	-	26,444
Depreciation	(116,369)	(128,791)
Net property and equipment at September 30, 2021:	<u>1,607,077</u>	<u>1,746,769</u>
Breakdown:		
Cost value	2,309,863	2,564,389
Accumulated depreciation	(702,786)	(817,620)
Net property and equipment at September 30, 2021:	<u>1,607,077</u>	<u>1,746,769</u>

The Company identified no indication of impairment in the nine-month period ended September 30, 2022.

16. Intangible assets

Changes in intangible assets in the nine-month periods ended September 30, 2022 and 2021 were as follows:

	Individual	Consolidated
Net intangible assets at December 31, 2021:	728,998	4,306,587
Additions	221,387	307,951
Additions from business combination	-	23,094
Amortization	(95,958)	(231,218)
Net intangible assets at September 30, 2022:	<u>854,427</u>	<u>4,406,414</u>

Breakdown:

Cost value	1,267,043	5,213,545
Accumulated amortization	(412,616)	(807,131)
Net intangible assets at September 30, 2022:	<u>854,427</u>	<u>4,406,414</u>

	Individual	Consolidated
Net intangible assets at December 31, 2020:	593,427	1,886,997
Additions	149,819	227,734
Addition of intangible assets due to business combination	-	254,678
Addition of goodwill based on expected future profitability (a)	-	455,197
Write-offs	-	(163)
Amortization	(53,651)	(126,769)
Net intangible assets at September 30, 2021:	<u>689,595</u>	<u>2,697,674</u>

Breakdown:

Cost value	970,312	3,303,666
Accumulated amortization	(280,717)	(605,992)
Net intangible assets at September 30, 2021:	<u>689,595</u>	<u>2,697,674</u>

The Company identified no indication of impairment in the nine-month period ended September 30, 2022.

17. Trade accounts payable

	Individual		Consolidated	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021
Goods for resale	7,669,437	9,037,611	8,681,967	9,990,475
Other suppliers	52,409	142,710	95,181	190,371
Present value adjustment	(156,923)	(71,779)	(170,380)	(81,902)
	<u>7,564,923</u>	<u>9,108,542</u>	<u>8,606,768</u>	<u>10,098,944</u>

The Company has agreements with partnering banks to structure a factoring transaction with its main suppliers. In this transaction, suppliers transfer to the bank the right to receive the notes in exchange for early receipt. The bank then becomes a creditor of the operation. The Company settles the note on the date originally agreed upon with its supplier and subsequently receives a bank commission for this intermediation and confirmation of the notes payable. This commission is recorded as finance income.

Since the transaction carried out by the Company does not change the terms, prices and conditions previously agreed upon with suppliers, this amount is recognized as trade accounts payable.

At September 30, 2022, the balance payable negotiated by suppliers and accepted by the Company totaled R\$3,960,320, individual, and R\$3,994,234, consolidated (R\$4,414,266, individual, and R\$4,460,556, consolidated, at December 31, 2021).

Trade accounts payable are initially recorded at present value, against Inventories. The reversal of the present value adjustment is accounted for under Cost goods resold and services rendered, upon lapse of the term.

18. Partners and other deposits

	Consolidated	
	09/30/2022	12/31/2021
Onlending to sellers – marketplace (a)	998,751	934,030
Payment arrangements to be settled (b)	12,270	18,983
Digital customer accounts (c)	297,958	465,884
	1,308,979	1,418,897

- This refers to amounts to be transferred to partners in the marketplace regarding purchases made by customers on Magazine Luiza's digital platform of products sold by partner storeowners (sellers) and traded by Magalu Pagamentos.
- This refers substantially to amounts transacted by Hub Pagamentos customers using prepaid cards in accredited commercial facilities, to be settled with the corresponding acquirers.
- This corresponds to deposits made by customers in Magalu Pay digital accounts and Hub prepaid payment account.

19. Loans and financing

Type	Charges	Guarantee	Final maturity	Individual		Consolidated	
				09/30/2022	12/31/2021	09/30/2022	12/31/2021
Promissory notes (a)	100% of CDI + 1.25% p.a.	Clean	April/24	1,723,324	1,567,971	1,723,324	1,567,971
Debentures – restricted offer (b)	100% of CDI + 1.25% p.a.	Clean	Dec/26	5,004,022	4,837,054	5,414,171	4,837,054
Working capital (c)	CDI + +1.8% to 4.9% p.a.	Surety Bank guarantee	Oct/25	-	-	5,426	356,167
Innovation financing – FINEP (d)	4% p.a.		Dec/22	1,784	7,351	1,784	7,063
Other	113.5% of CDI p.a.	Clean	Oct/25	326	329	3,260	24,617
				6,729,456	6,412,705	7,147,965	6,792,872
Current liabilities				205,462	44,100	224,193	407,968
Noncurrent liabilities				6,523,994	6,368,605	6,923,772	6,384,904

- a) On April 30, 2021, the Company carried out the 5th issue of promissory notes, including one thousand and five hundred (1,500) promissory notes with a par value of one million reais (R\$1,000,000) each, with a single maturity on April 29, 2024 at the cost of 100% of CDI + 1.25% p.a. The amounts raised have been used to improve the cash flow in the ordinary course and management of the Company's business. The amount related to the 4th issue of commercial promissory notes was settled in June 2021.
- b) The Company raised R\$800 million on January 15, 2021 through the 9th issue of debentures, via public distribution and with restricted placement efforts, remunerated at CDI + 1.25% p.a. and maturing on January 15, 2024. On October 14 and December 23, 2021, according to the debt extension strategy, the Company carried out the 10th and 11th issues of unsecured nonconvertible debentures, for public distribution with restricted placement efforts. Four million (4,000,000) shares were issued with par value of R\$1,000 each, with final maturities on October 15 and December 23, 2026, at the cost of 100% of CDI + 1.25% p.a. The main purpose of the amount raised was to increase the Company's working capital. On July 05, 2022, subsidiary KaBum carried out the 1st issue of nonconvertible junior debentures, for public distribution with restricted placement efforts. Four hundred thousand (400,000) shares were issued with par value of R\$1,000 each, with final maturity on July 13, 2025, at the cost of 100% of CDI + 1.25 % p.a. for debt extension purposes.
- c) These refer to agreements signed by the subsidiary KaBuM for working capital purposes.
- d) This concerns a financing agreement signed with Financiadora de Estudos e Projetos - FINEP, for the purpose of investing in technological innovation research and development projects.

Reconciliation of cash flows from operating and financing activities

	Individual		Consolidated	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Opening balance	6,412,705	1,683,968	6,792,872	1,686,762
Funding	-	2,300,000	400,000	2,300,000
Additions for acquisition	-	-	-	70,300
Payment of principal	(6,062)	(1,609,108)	(380,156)	(1,679,408)
Payment of interest	(306,124)	(106,819)	(330,464)	(106,819)
Accrued interest	628,937	81,159	665,713	81,200
Closing balance	6,729,456	2,349,200	7,147,965	2,352,035

Maturity schedule

The maturity schedule of loans and financing is as follows:

Maturity	Individual	Consolidated
2022	183,653	183,653
2023	21,397	39,785
2024	2,523,954	2,525,609
2025	2,000,226	2,398,692
2026	2,000,226	2,000,226
	<u>6,729,456</u>	<u>7,147,965</u>

Covenants

The Debentures issued by the parent company and its subsidiary Kabum, as well as the 5th issue of Promissory Notes are subject to covenants corresponding to maintenance of the adjusted net debt-to-EBITDA ratio below 3.0 times. Adjusted net debt corresponds to the sum of all loans and financing, including debentures, excluding cash and cash equivalents, short-term investments and marketable securities, and credit card receivables not paid in advance. Adjusted EBITDA is calculated in accordance with CVM Ruling No. 527, of October 4, 2012, excluding operational events (revenue/expenses) of an extraordinary nature. The Company is in compliance with the restrictive clauses, which are measured on a quarterly basis.

20. Deferred revenue

	Individual		Consolidated	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021
Deferred revenue with third parties:				
Exclusivity agreement with Cardif (a)	56,774	69,876	56,774	69,876
Exclusivity agreement with Banco Itaúcard S.A. (b)	62,125	71,500	62,125	71,500
Other agreements	62,000	-	82,140	22,220
	<u>180,899</u>	<u>141,376</u>	<u>201,039</u>	<u>163,596</u>
Deferred revenue with related parties:				
Exclusivity agreement with Luizacred (b)	80,276	88,591	80,276	88,591
Exclusivity agreement with Luizaseg (a)	34,700	43,400	34,700	43,400
	<u>114,976</u>	<u>131,991</u>	<u>114,976</u>	<u>131,991</u>
Total deferred revenue	<u>295,875</u>	<u>273,367</u>	<u>316,015</u>	<u>295,587</u>
Current liabilities	39,157	39,157	50,567	50,329
Noncurrent liabilities	256,718	234,210	265,448	245,258

(a) On December 14, 2015, Luizaseg entered into a new Strategic Partnership Agreement with companies of the Cardif group and Luizaseg, aiming to extend the rights and obligations set forth in the agreements between the parties that expired on December 31, 2015, for an additional 10-year period, effective from January 1, 2016 to December 31, 2025. This agreement enabled a cash inflow of R\$330,000 to the Company. Out of this amount, R\$42,000 were allocated to the jointly-controlled entity Luizacred since it has exclusive rights over credit card insurance. The recognition of the Company's revenue resulting from this agreement is allocated to P&L over the term of the agreement, part of which is conditioned to achievement of certain goals.

(b) On September 27, 2009, the Company entered into a partnership agreement with Itaú Unibanco Holding S.A. ("Itaú") and Banco Itaúcard S.A., under which the Company granted to Luizacred the exclusive right to offer, distribute, and sell financial products and services in its chain of stores for a 20-year period. Under the aforementioned partnership, Itaú institutions paid the amount of R\$250,000 in cash, of which: (i) R\$230,000 refers to the completion of the negotiation itself, without the right of recourse, and (ii) R\$20,000 is subject to achievement of profitability goals 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 P&L over the term of the agreement. As part of this partnership agreement, the amount of R\$20,000, mentioned in the paragraph above, was increased to R\$55,000.

On December 16, 2011, the Company entered into a second addendum to the partnership agreement with Luizacred, due to acquisition of New-Utd ("Lojas do Baú"). As consideration, Luizacred paid R\$48,000 to the Company, which is recognized in P&L over the remaining agreement term.

21. Other current and noncurrent liabilities

	Individual		Consolidated	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021
Sales pending delivery, net of returns	512,766	542,076	549,937	584,385
Amounts to be transferred to partners (a)	107,516	104,767	129,364	153,722
Specialized services	83,785	126,302	101,362	149,240
Freight payable	102,932	91,407	186,004	196,885
Marketing payable	15,237	77,367	109,153	183,382
Payables for acquisitions (b)	909,166	1,427,749	975,482	1,565,412
Other	68,983	81,417	172,999	160,592
	1,800,385	2,451,085	2,224,301	2,993,618
Current liabilities	1,400,002	1,535,455	1,820,084	2,070,710
Noncurrent liabilities	400,383	915,630	404,217	922,908

- (a) Transfers of amounts carried out through sales of services (insurance, technical assistance, furniture installations, etc.) from partners intermediated by the Company in its physical stores.
- (b) Agreed consideration payable for acquisitions of companies, the highest amount of which refers to acquisition of KaBuM (R\$905,482 at September 30, 2022 and R\$1,422,793 at December 31, 2021).

22. Provision for tax, civil, and labor contingencies

In relation to labor, civil and tax proceedings in progress whose outcomes have been assessed as unfavorable by the legal advisors, the Company set up provision, which is management's best estimate of the future disbursement. Changes in the provision for tax, civil and labor contingencies are shown below:

Individual

	Tax	Civil	Labor	Total
Balances at December 31, 2021	652,074	20,047	45,856	717,977
Additions	16,731	6,300	4,482	27,513
Reversals	(5,748)	-	-	(5,748)
Payments	(8,648)	(2,206)	(2,878)	(13,732)
Restatement	46,869	-	-	46,869
Balances at September 30, 2022:	701,278	24,141	47,460	772,879
	Tax	Civil	Labor	Total
Balances at January 1, 2021	938,956	16,938	42,356	998,250
Additions	217,128	6,300	4,500	227,928
Reversals	(534,430)	-	(2,000)	(536,430)
Payments	-	(3,446)	-	(3,446)
Restatement	26,009	-	-	26,009
Balances at September 30, 2021	647,663	19,792	44,856	712,311

Consolidated

	Tax	Civil	Labor	Total
Balances at December 31, 2021	1,073,207	30,937	49,965	1,154,109
Additions	29,207	8,379	5,411	42,997
Allocation of price in business combination	(67,068)	-	-	(67,068)
Reversals	(10,296)	-	-	(10,296)
Payments	(8,649)	(6,631)	(3,157)	(18,437)
Restatement	48,987	-	-	48,987
Balances at September 30, 2022:	1,065,388	32,685	52,219	1,150,292

	Tax	Civil	Labor	Total
Balances at January 1, 2021	1,314,533	20,163	45,239	1,379,935
Additions	221,853	6,300	5,314	233,467
Allocation of price in business combination	19,832	9,350	1,569	30,751
Reversals	(671,106)	788	(2,000)	(672,318)
Payments	-	(5,985)	(657)	(6,642)
Restatement	27,007	-	-	27,007
Balances at September 30, 2021	912,119	30,616	49,465	992,200

As of September 30, 2022, the nature of the Company's major proceedings classified by management, based on the opinion of its legal advisors, as probable risk of loss, as well as legal obligations for which amounts have been deposited in court, included in the provisions above, is as follows:

a) Tax contingencies

The Company is party to administrative and legal proceedings involving tax matters assessed as probable loss, for which provisions have been set up. In addition to these proceedings, the Company records provision for other legal disputes for which judicial deposits have been made, as well as provisions related to the business combinations of its acquirees. Tax contingencies are presented below:

	Individual		Consolidated	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021
Federal	489,931	464,442	854,019	885,575
State	211,343	187,606	211,343	187,606
Local	4	26	26	26
	701,278	652,074	1,065,388	1,073,207

b) Civil contingencies

The provision for civil contingencies of R\$24,141, individual, and R\$32,685, consolidated, at September 30, 2022 (R\$20,047 – individual and R\$30,937 - consolidated at December 31, 2021) refers to claims arising mainly from customers about possible defects of products.

c) Labor contingencies

The Company is party to various labor claims, substantially involving incurred overtime.

The provisioned amount of de R\$47,460, individual, and R\$52,219, consolidated, at September 30, 2022 (R\$45,856, individual, and R\$49,965, consolidated, at December 31, 2021) reflects the risk of probable loss assessed by the Company management together with its legal advisors.

d) *Judicial deposits*

To cover tax, civil and labor contingencies, the Company has judicial deposits in the amount of R\$1,111,690, individual, and R\$1,511,638, consolidated, at September 30, 2022 (R\$935,329, individual, and R\$1,189,894, consolidated, at December 31, 2021).

e) *Contingent liabilities – possible loss*

The Company is party to other tax proceedings and discussions assessed by management as possible risk of loss, based on the opinion of its legal advisors. Accordingly, no provision was set up for such proceedings and discussions. The amounts related to discussions involving taxes are as follows:

	Individual		Consolidated	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021
Federal	1,835,437	1,933,845	2,053,350	2,172,908
State	844,510	809,521	1,274,864	1,165,019
Local	5,072	3,719	5,079	3,719
	2,685,019	2,747,085	3,333,293	3,341,646

The main tax suits assessed as possible loss are as follows: (i) administrative proceeding in which the Company discusses with the tax authorities the nature/concept of the bonuses/reimbursements of its suppliers for PIS/COFINS taxation purposes, in addition to discussions on the classification of certain expenses related to its core business as inputs for purposes of PIS/COFINS credits; (ii) legal proceeding and notice served in which the Company discusses the violation of several legal principles of Law No. 13241/2015, which extinguished the exemption of PIS and COFINS on revenues from sales of products eligible for the Basic Production Process, which, according to analysis of the internal and external legal advisors, were assessed as possible loss, tending to remote; (iii) proceedings in which the Company discusses alleged ICMS credits or differences with state tax authorities; (iv) administrative proceeding in which the Company discusses with the state tax authorities tax notices served for collection of ICMS credits taken on the purchase of goods from suppliers later declared to be unreliable; (v) various notices served, for which the Company discusses the collection of ICMS credits taken on the purchase of goods from certain suppliers, as they took advantage of a tax benefit granted by another state; (vi) risk related to non-reversal of taxes on physical inventory losses. In addition, the Company monitors the developments of all discussions every quarter so that, in the event of a change in the scenario, risk assessments and possible losses will also be reassessed.

The risks involved in the proceedings are constantly evaluated and reviewed by management. The Company is also contesting civil and labor administrative proceedings for which the likelihood of loss was assessed as possible loss, but the amounts of which are immaterial for disclosure.

23. Equity

a) Capital

As at September 30, 2022 and December 31, 2021, the Company's shareholding structure, with common, registered, book-entry no par value shares, is shown below:

	09/30/2022		12/31/2021	
	Number of shares	Interest %	Number of shares	Interest %
Controlling shareholders	3,794,963,060	56.23	3,794,169,268	56.22
Outstanding shares	2,881,150,364	42.69	2,871,349,076	42.55
Treasury shares	72,813,424	1.08	83,408,504	1.23
	6,748,926,848	100.00	6,748,926,848	100.00

Shares held by controlling shareholders who are members of the Board of Directors and/or the executive board are included in the controlling shareholders line.

Under article 7 of the Bylaws, the Company may increase capital pursuant to article 168 of Law No. 6404/76, with the issue of 1,200,000,000 new common shares.

b) Capital reserve

Stock option plan – 2nd grant of the Stock option plan

The second grant of the Stock option plan was approved on October 25, 2013. On this occasion, 38,831,232 options were granted and the strike price was set at R\$0.30 (already considering the effects of the stock split). The maximum term of exercise of this plan is of 12 years, as from the date of its signature, provided that the beneficiary remains linked to the Company and has fulfilled the plan's requirements. The fair value of each option granted was estimated on the grant date using the Black & Scholes option pricing model, considering the following assumptions:

Assumption	2 nd Grant
Expected average life of options (a)	5.5 years
Annualized average volatility	37.9%
Risk-free interest rate	6%
Weighted average fair value of options granted	R\$0.19

(a) This represents the period in which the options are believed to be exercised and takes into account the average turnover of the plan's beneficiaries.

The Company recorded 284,928 exercisable stock options as of September 30, 2022. In the nine-month period ended September 30, 2022, no changes were recorded in active stock options.

Share-based payment

The Company has a long-term incentive plan based on shares, which was approved at the Special General Meeting held on April 20, 2017. The purpose of the plan is to regulate the granting of incentives tied to common shares issued by the Company through programs to be implemented by the Board of Directors. Managing officers, employees and service providers of the Company, its subsidiaries and jointly-controlled entities are eligible to participate.

The key plan objectives are as follows: (a) increase the Company's ability to attract and retain talent; (b) reinforce the culture of sustainable performance and seek the development of managing officers, employees and service providers, aligning the interests of shareholders with those of the eligible professionals; and (c) foster the Company's expansion and the achievement and surpassing of its corporate goals and fulfillment of its social objectives, in line with the interests of shareholders, through the long-term commitment of the beneficiaries.

The following table shows the balance (quantity) of shares granted as of September 30, 2022.

Type of program	Grant date	Maximum grace period	Position of granted shares	Fair value ¹
2 nd Matching share	April 05, 2018	5 years	2,874,124	R\$ 3.08
3 rd Matching share	April 04, 2019	5 years	1,303,840	R\$ 5.05
4 th Matching share	April 15, 2020	5 years	1,290,748	R\$ 10.96
5 th Matching share	May 04, 2021	5 years	1,021,443	R\$ 19.86
4 th Restricted share - Board	January 04, 2021	3 years	1,082,709	R\$ 24.63
5 th Restricted share	April 15, 2020	3 years	1,051,432	R\$ 10.96
6 th Restricted share	May 04, 2021	3 years	1,816,116	R\$ 19.86
7 th Restricted share	July 04, 2022	3 years	26,701,145	R\$ 2.16
1 st Performance share	February 20, 2019	5 years	34,238,152	R\$ 5.08
			71,379,709	R\$4.98

¹ This refers to the weighted average fair value calculated in each program.

In addition to the plans above, the Company granted 8,916,188 shares in the process of acquiring the Softbox group, a related party of the former owners of the acquiree who continue to act as employees and of the other employees. The fair value measured on the grant date was R\$5.68 and the maximum grace period of the plan is 5 years (December 2023).

c) Treasury shares

	Number of shares	Amount
At January 1, 2021	35,539,688	603,681
Acquired in the year	59,416,900	1,055,885
Disposed of in the year	(11,548,084)	(210,407)
At December 31, 2021	83,408,504	1,449,159
Disposed of in the period	(10,595,080)	(184,081)
At September 30, 2022	72,813,424	1,265,078

The reduction in the balance of treasury shares is equal to the weighted average of the cost incurred to acquire the shares. Any excess cash received for the disposal on the reduction of treasury shares is recorded as capital reserve. The value of each MGLU3 share at September 30, 2022 was of 4.48.

d) Additional dividends proposed

At the Annual General Meeting held on April 18, 2022, the payment of interest on equity included in total dividends for 2021, in the amount of R\$100,000, was approved. Thus, the amount of R\$58,749 was added to the amount already allocated as mandatory minimum dividend in the amount of R\$41,251 at December 31, 2021. Interest on equity was fully paid in May 2022.

e) Equity adjustments

At September 30, 2022, the Company recorded the amount of R\$2,284 (R\$840 at December 31, 2021) under equity adjustments, related to the fair value adjustments of financial assets in subsidiaries and jointly-controlled entities.

f) Earnings (loss) per share

Basic and diluted earnings (losses) per share are calculated as follows:

In thousands	Basic earnings		Diluted earnings	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Total number of common shares	6,748,926,848	6,673,926,848	6,748,926,848	6,673,926,848
Effect of treasury shares	(72,813,424)	(71,084,351)	(72,813,424)	(71,084,351)
Effect of exercise of stock option plans (a)	-	-	50,793,019	71,620,075
Weighted average number of outstanding common shares	6,676,113,424	6,602,842,497	6,726,906,443	6,674,462,572
Net earnings (losses) for the period ended:	(463,063)	497,693	(463,063)	497,693
Net earnings (losses) per share (in reais):	(0.069)	0.075	(0.069)	0.075
Net earnings (losses) for the quarter ended:	(135,004)	143,516	(135,004)	143,516
Net earnings (losses) per share (in reais):	(0.020)	0.022	(0.020)	0.022

(a) This considers the effect of exercisable shares in accordance with the share-based plans disclosed above.

24. Net sales revenue

	Nine-month periods ended:				Three-month periods ended:			
	Individual		Consolidated		Individual		Consolidated	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Gross revenue:								
Retail - resale of goods	24,254,395	27,107,943	29,315,927	29,558,161	8,109,246	8,832,641	9,918,702	9,783,249
Retail - provision of services	1,278,778	1,009,325	2,011,592	1,586,897	439,189	328,234	683,245	579,794
Other services	-	-	345,677	361,089	-	-	127,101	111,891
	25,533,173	28,117,268	31,673,196	31,506,147	8,548,435	9,160,875	10,729,048	10,474,934
Taxes and returns:								
Retail - resale of goods	(4,453,243)	(4,926,650)	(5,123,054)	(5,313,041)	(1,552,530)	(1,603,191)	(1,793,338)	(1,746,992)
Retail - provision of services	(95,900)	(97,487)	(158,672)	(140,053)	(28,272)	(35,667)	(48,179)	(54,557)
Other services	-	-	(259,886)	(174,899)	-	-	(80,512)	(61,352)
	(4,549,143)	(5,024,137)	(5,541,612)	(5,627,993)	(1,580,802)	(1,638,858)	(1,922,029)	(1,862,901)
Net sales revenue	20,984,030	23,093,131	26,131,584	25,878,154	6,967,633	7,522,017	8,807,019	8,612,033

25. Cost of goods resold and services rendered

	Nine-month periods ended:				Three-month periods ended:			
	Individual		Consolidated		Individual		Consolidated	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Costs:								
Of goods resold	(15,464,004)	(18,070,579)	(18,735,165)	(19,434,223)	(5,143,279)	(6,317,358)	(6,333,290)	(6,855,892)
Of services rendered	-	-	(57,220)	(331,427)	-	-	(19,055)	(22,008)
	(15,464,004)	(18,070,579)	(18,792,385)	(19,765,650)	(5,143,279)	(6,317,358)	(6,352,345)	(6,877,900)

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

The Company presented the statement of profit or loss using classification of expenses based on function. Information of the nature of these expenses recognized in the statement of profit or loss is presented below:

	Nine-month periods ended:				Three-month periods ended:			
	Individual		Consolidated		Individual		Consolidated	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Personnel expenses	(1,795,485)	(1,821,485)	(2,169,559)	(2,115,129)	(588,418)	(596,592)	(649,807)	(678,288)
Expenses with service providers	(1,926,994)	(1,781,260)	(2,036,748)	(1,418,288)	(593,371)	(542,210)	(643,555)	(371,928)
Other	(861,125)	(648,489)	(1,635,030)	(1,285,230)	(253,260)	(163,419)	(596,082)	(563,619)
	(4,583,604)	(4,251,234)	(5,841,337)	(4,818,647)	(1,435,049)	(1,302,221)	(1,889,444)	(1,613,835)
Classified by function as:								
Selling expenses	(3,830,110)	(4,041,143)	(4,707,205)	(4,614,738)	(1,216,351)	(1,235,543)	(1,548,232)	(1,583,116)
General and administrative expenses	(644,570)	(577,526)	(1,024,416)	(703,367)	(207,175)	(211,016)	(334,342)	(222,169)
Other operating income, net	(108,924)	367,435	(109,716)	499,458	(11,523)	144,338	(6,870)	191,450
	(4,583,604)	(4,251,234)	(5,841,337)	(4,818,647)	(1,435,049)	(1,302,221)	(1,889,444)	(1,613,835)

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

27. Other operating income, net

	Nine-month periods ended:				Three-month periods ended:			
	Individual		Consolidated		Individual		Consolidated	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Appropriation of deferred revenue (a)	49,493	40,029	50,999	42,068	23,165	13,164	23,716	12,860
Reversal of (provision for) contingencies (b)	(15,032)	276,323	(26,909)	402,950	(8,084)	(5,432)	(8,258)	44,054
Tax credits and other amounts recovered	13,474	253,734	26,822	261,234	-	253,734	5,421	253,734
Other income	47,935	570,086	50,912	706,252	15,081	261,466	20,879	310,648
Gains from (losses on) disposal of property and equipment	(462)	106	84	504	239	(177)	882	(175)
Expert fees (c)	(26,704)	(119,757)	(29,625)	(124,912)	(9,838)	(70,476)	(10,723)	(71,985)
Pre-operating expenses of stores and restructuring (d)	(125,537)	(52,048)	(125,537)	(52,048)	(16,967)	(32,530)	(16,967)	(32,530)
Covid-19-related aspects and other (e)	(4,156)	(30,952)	(5,550)	(30,338)	(38)	(13,945)	(941)	(14,508)
Other expenses	(156,859)	(202,651)	(160,628)	(206,794)	(26,604)	(117,128)	(27,749)	(119,198)
	(108,924)	367,435	(109,716)	499,458	(11,523)	144,338	(6,870)	191,450

- (a) This refers to appropriation of deferred revenue for assignment of exploration rights, as described in Note 20.
(b) In 2021, refers mainly to the impacts of reversal of the provision related to judgment by the STF of the unconstitutionality of the payment of ICMS - Difal.
(c) Expenses related to advisory costs for acquisition of companies, as well as corporate structuring and lawyers' success fees for the aforementioned processes.
(d) This refers to expenses with the opening and closing of physical stores, as well as additional expenses with staff adjustment.
(e) This refers substantially to expenses incurred as a result of Covid-19, such as supplies for cleaning of the Distribution Centers and administrative units, among others.

28. Finance income (costs)

	Nine-month periods ended:				Three-month periods ended:			
	Individual		Consolidated		Individual		Consolidated	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Finance income								
Interest from sales of extended warranty	90,012	29,876	90,012	29,876	31,017	14,955	31,017	14,955
Yield from short-term investments and marketable securities	55,490	31,052	112,779	17,676	19,343	17,537	45,158	12,160
Late payment interest	20,310	14,316	20,372	14,325	7,018	5,187	7,053	5,189
Monetary restatement receivable	255,983	218,364	294,693	223,788	55,865	179,661	89,210	180,982
Other	3,755	1,270	24,468	19,295	2,879	721	9,624	6,015
	425,550	294,878	542,324	304,960	116,122	218,061	182,062	219,301
Finance costs								
Interest on loans and financing	(610,886)	(78,453)	(650,002)	(79,474)	(237,664)	(37,025)	(253,811)	(37,705)
Interest on leases	(200,745)	(161,482)	(204,048)	(163,006)	(68,617)	(56,099)	(69,746)	(56,685)
Charges on credit card advances	(554,064)	(294,025)	(788,661)	(364,570)	(184,789)	(75,119)	(271,358)	(101,720)
Provision for loss on interest from extended warranty	(36,907)	(11,596)	(36,907)	(11,596)	(7,914)	(5,147)	(7,914)	(5,147)
Taxes on finance income	(22,296)	(8,153)	(26,711)	(9,875)	(10,005)	(4,070)	(11,864)	(4,790)
Monetary restatement payable	(131,625)	(28,331)	(128,321)	(36,541)	(45,557)	(13,821)	(44,853)	(16,487)
Other	(165,601)	(74,898)	(179,907)	(80,881)	(74,556)	(35,584)	(78,801)	(37,746)
	(1,722,124)	(656,938)	(2,014,557)	(745,943)	(629,102)	(226,865)	(738,347)	(260,280)
	(1,296,574)	(362,060)	(1,472,233)	(440,983)	(512,980)	(8,804)	(556,285)	(40,979)

29. Segment information

For financial and operational management purposes, the Company classified its businesses into Retail, Financial Operations, Insurance Operations and Other Services. These divisions are considered the primary segments for information disclosure. The main characteristics of each of the divisions are:

- a) Retail - substantially resale of goods and services in the Company's stores, electronic commerce (traditional e-commerce and marketplace), and food delivery management platform. In the marketplace context, this segment includes information related to Magalu Pagamentos;
- b) Financial operations - through jointly-controlled entity Luizacred, whose main purpose is to provide credit to the Company's customers for the purchase of products;
- c) Insurance operations - through jointly-owned entity Luizaseg, whose main purpose is to offer extended warranties to products purchased by the Company's customers;
- d) Other services - sum of the provision of consortium management services through the subsidiary LAC, whose main purpose is the management of consortia for the Company's customers, for the acquisition of products; product delivery management services - through subsidiary Magalog, and software development services through subsidiary Luizalabs.

The Company's sales are entirely carried out in the national territory and, considering retail operations, there is no concentration of customers, as well as of products and services offered.

Statements of profit or loss

	09/30/2022					
	Retail (a)	Financial operations	Insurance operations	Other services	Eliminations (b)	Consolidated
Gross revenue	31,327,520	1,547,144	267,038	1,611,234	(3,079,740)	31,673,196
Deductions from revenue	(5,281,727)	-	-	(259,885)	-	(5,541,612)
Net revenue of the segment	26,045,793	1,547,144	267,038	1,351,349	(3,079,740)	26,131,584
Costs	(18,757,221)	(224,981)	(37,885)	(46,622)	274,324	(18,792,385)
Gross profit	7,288,572	1,322,163	229,153	1,304,727	(2,805,416)	7,339,199
Selling expenses	(4,701,257)	(404,165)	(185,961)	(1,260,048)	1,844,226	(4,707,205)
General and administrative expenses	(976,737)	(9,199)	(24,815)	(47,679)	34,014	(1,024,416)
Gains from (losses on) allowance for expected credit losses	(177,570)	(923,832)	-	(1,354)	923,832	(178,924)
Depreciation and amortization	(797,230)	(4,490)	(4,489)	(11,929)	8,979	(809,159)
Equity pickup	(42,289)	-	-	-	16,345	(25,944)
Other operating income	(115,017)	(54,286)	445	5,301	53,841	(109,716)
Finance income	531,527	-	20,034	10,797	(20,034)	542,324
Finance costs	(1,997,363)	-	(58)	(17,194)	58	(2,014,557)
Income and social contribution taxes	524,301	30,813	(17,257)	1,034	(13,556)	525,335
Net income (loss) for the period	(463,063)	(42,996)	17,052	(16,345)	42,289	(463,063)

Reconciliation of equity pickup

Equity pickup – Other services (Note 12)	(16,345)
Equity pickup – Luizacred (Note 13)	(42,996)
Equity pickup – Luizaseg (Note 13)	17,052
(=) Equity pickup of the retail segment	(42,289)
(-) Effect of elimination – Other services	16,345
(=) Consolidated equity pickup	(25,944)

Statements of profit or loss

	09/30/2021					
	Retail (a)	Financial operations	Insurance operations	Other services	Eliminations (b)	Consolidated
Gross revenue	31,145,058	1,028,124	247,646	1,016,064	(1,930,745)	31,506,147
Deductions from revenue	(5,453,088)	-	-	(174,905)	-	(5,627,993)
Net revenue of the segment	25,691,970	1,028,124	247,646	841,159	(1,930,745)	25,878,154
Costs	(19,442,555)	(52,133)	(26,090)	(334,242)	89,370	(19,765,650)
Gross profit	6,249,415	975,991	221,556	506,917	(1,841,375)	6,112,504
Selling expenses	(4,761,298)	(370,424)	(179,636)	(497,268)	1,193,888	(4,614,738)
General and administrative expenses	(735,389)	(4,913)	(22,021)	32,022	26,934	(703,367)
Gains from (losses on) allowance for doubtful accounts	(94,547)	(418,723)	-	(3,762)	418,723	(98,309)
Depreciation and amortization	(584,438)	(4,472)	(4,046)	(6,391)	8,518	(590,829)
Equity pickup	111,301	-	-	-	(11,395)	99,906
Other operating income	498,373	(33,877)	608	1,085	33,269	499,458
Finance income	302,146	-	18,618	2,814	(18,618)	304,960
Finance costs	(733,994)	-	(40)	(11,949)	40	(745,943)
Income and social contribution taxes	246,124	(59,849)	(18,866)	(12,073)	78,715	234,051
Net income (loss) for the period	497,693	83,733	16,173	11,395	(111,301)	497,693

Reconciliation of equity pickup

Equity pickup – Other services	11,395
Equity pickup – Luizacred	83,733
Equity pickup – Luizaseg	16,173
(=) Equity pickup of the retail segment	111,301
(-) Effect of elimination – Other services	(11,395)
(=) Consolidated equity pickup	99,906

- a) The retail segment is represented by the consolidated amounts that include the results of Magazine Luiza S.A. Época Cosméticos, Netshoes, KaBuM, Magalu Pagamentos, and Aiqfome. In the retail segment, the equity pickup line includes the net results of financial operations, insurance operations and other services, since this amount is contained in the profit or loss of the segment used by the key operations manager.
- b) The eliminations are mainly represented by the effects of the financial operations and insurance operations segments, which are presented proportionally above, but are included in a single equity pickup line in the Company's consolidated financial statements.

Transfers of net revenue between operating segments are less than 10% of the combined net revenue of all segments and are not regularly reviewed by the Company's key operations manager.

Statement of financial position

	09/30/2022			
	Retail	Financial operations	Financial operations	Other services
Assets				
Cash and cash equivalents	1,678,376	19,238	130	133,834
Marketable securities	293,885	25,939	325,640	-
Trade accounts receivable	5,445,156	8,953,281	-	56,381
Inventories	8,471,161	-	-	177
Investments	927,244	-	-	-
Property and equipment, intangible assets and rights of use	9,268,753	42,485	18,082	543,319
Other	9,562,112	447,205	40,577	286,406
	<u>35,646,687</u>	<u>9,488,148</u>	<u>384,429</u>	<u>1,020,117</u>
Liabilities				
Trade accounts payable	8,587,628	-	1,440	19,140
Transfers and other deposits	1,308,979	-	-	-
Loans and financing	7,146,310	-	-	1,655
Leases	3,574,477	-	127	-
Interbank deposits	-	2,771,747	-	-
Credit card operations	-	4,976,563	-	-
Insurance reserves	-	-	357,028	-
Provision for tax, civil and labor contingencies	1,078,848	33,423	1,808	71,444
Deferred revenue	316,015	-	-	-
Other	2,829,141	1,322,890	47,066	361,119
	<u>24,841,398</u>	<u>9,104,623</u>	<u>407,469</u>	<u>453,358</u>
Equity	<u>10,805,289</u>	<u>383,525</u>	<u>(23,040)</u>	<u>566,759</u>
Investment reconciliation				
Subsidiaries (Note 12)				
Consórcio Luiza	73,722			
Magalog	249,534			
Luizalabs	203,062			
Magalu Pagamentos	602,418			
	<u>1,128,736</u>			
Jointly-controlled entities (Note 13)				
Luizacred	383,525			
Luizaseg	(23,040)			
	<u>360,485</u>			
Total investments	<u>1,489,221</u>			
(-) Effect of elimination	(1,128,736)			
(=) Consolidated income (losses) on investments	<u>360,485</u>			

Statement of financial position

	12/31/2021			
	Retail	Financial operations	Insurance operations	Other services
Assets				
Cash and cash equivalents	2,452,950	19,085	110	113,268
Marketable securities and other financial assets	1,556,211	7,990	316,117	160
Trade accounts receivable	5,582,053	8,121,521	-	87,301
Inventories	9,112,101	-	-	113
Investments	929,496	-	-	-
Property and equipment, intangible assets and rights of use	9,077,477	46,968	22,454	483,773
Other	9,324,082	362,365	43,109	239,601
	38,034,370	8,557,929	381,790	924,216
Liabilities				
Trade accounts payable	10,067,199	-	1,458	31,745
Transfers and other deposits	1,418,897	-	-	-
Loans and financing and other financial liabilities	6,790,828	-	-	2,044
Leases	3,454,678	-	33	-
Interbank deposits	-	1,900,576	-	-
Credit card operations	-	4,196,935	-	-
Insurance reserves	-	-	352,871	-
Provision for tax, civil and labor contingencies	1,078,800	33,860	1,581	69,842
Deferred revenue	295,587	13,128	-	-
Other	3,667,172	1,987,008	44,489	341,065
	26,773,161	8,131,507	400,432	444,696
Equity	11,261,209	426,422	(18,642)	479,520

Investment reconciliation

Subsidiaries (Note 12)

Consórcio Luiza	60,817
Magalog	238,986
Luizalabs	221,912
Magalu Pagamentos	563,283
	1,084,998

Jointly-controlled entities (Note 13)

Luizacred	426,422
Luizaseg	(18,642)
	407,780

Total investments

	1,492,778
(-) Effect of elimination	(1,084,998)
(= Consolidated income (losses) on investments	407,780

30. Financial instruments

Accounting policy

(i) Initial classification and subsequent measurement

Upon initial recognition, financial assets are classified as measured at amortized cost, at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL). A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- It is held within a business model whose objective is to hold financial assets for the purpose of receiving contractual cash flows; and
- Its contractual terms generate, on specific dates, cash flows that are related solely to the payment of principal and interest on the outstanding principal amount.

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

- It is held within a business model whose objective is achieved both by receiving contractual cash flows and by selling financial assets; and
- Its contractual terms generate, on specific dates, cash flows that are related solely to the payment of principal and interest on the outstanding principal amount.

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

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

- Financial assets measured at FVTPL: These assets are subsequently measured at FVTPL. Net gains (losses), including interest, is recognized in P&L.
- Financial assets at amortized cost: These assets are subsequently measured at amortized cost, using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, possible exchange gains and losses, and impairment are recognized in P&L. Any gain or loss upon derecognition is also stated in P&L.
- Financial assets measured at FVTOCI: These assets are subsequently measured at FVTOCI. Upon derecognition, accumulated gains (losses) in OCI are reclassified to P&L.

Financial liabilities are classified as measured at 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, is a derivative, or is designated as such upon initial recognition. Financial liabilities measured at FVTPL are measured at fair value and net gains (losses), including interest, are recognized in P&L. Other financial liabilities are subsequently measured at amortized cost, using the effective interest method. Interest expense and exchange gains and losses are recognized in P&L. Any gain or loss upon derecognition is also stated in P&L.

(ii) Derecognition and offset

The Company derecognizes a financial asset when its contractual rights to cash flows of the asset expire, or when it transfers the contractual rights to receive cash flows of a financial asset in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred.

The Company derecognizes a financial liability when the contractual obligation is discharged or canceled or expires. Upon derecognition of a financial liability, the difference between the extinguished book value and the consideration paid (including transferred assets that do not flow through cash or liabilities assumed) is recognized in P&L.

Financial assets or liabilities are offset and the net amount is stated in the statement of financial position when, and only when, the Company has a currently enforceable legal right to offset the amounts and intends to settle on a net basis or realize the asset and settle the liability simultaneously.

(iii) Impairment of financial assets

The Company elected to measure allowance for losses on accounts receivable and other receivables and contractual assets in an amount equal to the lifetime expected credit loss. In determining whether the credit risk of a financial asset has significantly increased since initial recognition and in estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and analyses, based on the Company's experience, on credit assessment, and considering forward looking information, such as macroeconomic assumptions for inflation and sales growth. The Company considers a financial asset to be in default when: - It is unlikely that the creditor will pay its credit obligations in full, without resorting to actions such as realization of the guarantee (if any); or the financial asset is overdue for more than 30 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 shortfalls (i.e., the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Financial assets with credit recovery issues

At each reporting date, the Company assesses whether the financial assets recorded at amortized cost and those measured at FVTOCI are experiencing recovery issues. A financial asset has "credit recovery issues" when one or more events occur that adversely impact the financial asset's estimated future cash flows.

Financial instruments by category

Financial instruments by category	Classification	Fair value measurement	Individual				Consolidated			
			09/30/2022		12/31/2021		09/30/2022		12/31/2021	
			Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Cash and banks	Amortized cost	Level 2	199,820	199,820	111,142	111,142	244,691	244,691	789,225	789,225
Accounts receivable – Credit and debit cards	Amortized cost	Level 2	2,681,821	2,681,821	3,120,761	3,120,761	4,443,576	4,443,576	4,632,410	4,632,410
Accounts receivable – Other trade accounts receivable and receivables from commercial agreements	Amortized cost	Level 2	897,363	897,363	825,121	825,121	1,057,961	1,057,961	1,035,700	1,035,700
Accounts receivable from related parties	Amortized cost	Level 2	730,176	730,176	609,299	609,299	83,130	83,130	114,841	114,841
Accounts receivable from related parties – Credit card	Amortized cost	Level 2	2,445,238	2,445,238	3,592,443	3,592,443	2,445,238	2,445,238	3,592,443	3,592,443
Cash equivalents - Bills	FVTPL	Level 2	3,968	3,968	5,887	5,887	3,968	3,968	5,887	5,887
Cash equivalents - CDBs	Amortized cost	Level 2	570,606	570,606	1,341,725	1,341,725	1,526,425	1,526,425	1,736,274	1,736,274
Marketable securities	Amortized cost	Level 2	14,120	14,120	12,734	12,734	14,120	14,120	12,734	12,734
Marketable securities	FVTPL	Level 2	279,765	279,765	1,543,477	1,543,477	279,765	279,765	1,543,637	1,543,637
Total financial assets			7,822,877	7,822,877	11,162,589	11,162,589	10,098,874	10,098,874	13,463,151	13,463,151

Financial instruments by category	Classification	Fair value measurement	Individual				Consolidated			
			09/30/2022		12/31/2021		09/30/2022		12/31/2021	
			Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Trade accounts payable	Amortized cost	Level 2	7,564,923	7,564,923	9,108,542	9,108,542	8,606,768	8,606,768	10,098,944	10,098,944
Transfers and other deposits	Amortized cost	Level 2	-	-	-	-	1,308,979	1,308,979	1,418,897	1,418,897
Loans and financing	Amortized cost	Level 2	6,729,456	6,716,714	6,412,705	7,149,049	7,147,965	7,135,223	6,792,872	7,529,216
Leases	Amortized cost	Level 2	3,528,483	3,528,483	3,412,288	3,412,288	3,574,477	3,574,477	3,454,678	3,454,678
Accounts payable to related parties	Amortized cost	Level 2	216,954	216,954	195,894	195,894	111,704	111,704	125,302	125,302
Other accounts payable - acquisition	Amortized cost	Level 2	909,166	909,166	1,427,750	1,427,750	975,482	975,482	1,565,413	1,565,413
Total financial liabilities			18,948,982	18,936,240	20,557,179	21,293,523	21,725,375	21,712,633	23,456,106	24,192,450

Fair value measurement

All assets and liabilities that are measured or disclosed at fair value in the financial statements are classified within the fair value hierarchy, as described below, based on the lowest level input that is significant to the overall fair value measurement:

- a) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is either directly or indirectly observable. The Company uses the discounted cash flow technique for its measurements;
- c) Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is not available.

Valuation techniques and significant unobservable inputs:

Specific valuation techniques used to value financial instruments under Level 2 rules include:

- Quoted market prices or quotes from financial institutions or brokers for similar instruments.
- Discounted cash flows, which consider the present value of expected future payments, discounted at a risk-adjusted rate for the remaining financial instruments.

Capital risk management

The primary objective of the Company's capital management is to ensure its ability to continue as a going concern in order to offer return to shareholders and benefits to stakeholders, maintaining an adequate capital structure to reduce cost and maximize the resources to be applied in 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 marketable securities. From time to time, management reviews the capital structure and its ability to settle liabilities, as well as monitors, on a timely basis, the days purchase outstanding in relation to the average term of inventory turnover. Necessary actions are promptly taken in the event of significant imbalances.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company's Finance Board, which prepares an appropriate liquidity risk management model to manage funding needs and liquidity management in the short, medium and long terms. The Company manages liquidity risk by continuously monitoring expected and actual cash flows, combining the maturity profiles of financial assets and liabilities, and maintaining close relationships with financial institutions, with frequent disclosure of information to support credit decisions should external resources be required.

The table below details the remaining contractual maturity of the Company's financial liabilities and contractual repayment terms. The table was prepared in accordance with the undiscounted cash flows of financial liabilities.

Contractual maturity is based on the earliest date on which the Company is required to settle the respective obligations.

Position at 09/30/2022

<u>Individual</u>	Book balance	Up to 1 year	1 to 3 years	More than 3 years	Total
Trade accounts payable	7,564,923	7,564,923	-	-	7,564,923
Leases	3,528,483	687,655	1,252,722	3,142,868	5,083,245
Loans and financing	6,729,456	205,050	2,523,954	4,000,452	6,729,456
Transactions with related parties	216,954	216,954	-	-	216,954
Other accounts payable - acquisition	909,166	568,346	318,500	81,883	968,729

<u>Consolidated</u>	Book balance	Up to 1 year	1 to 3 years	More than 3 years	Total
Trade accounts payable	8,606,768	8,606,768	-	-	8,606,768
Leases	3,574,477	693,877	1,264,057	3,171,305	5,129,239
Loans and financing	7,147,965	623,559	2,523,954	4,000,452	7,147,965
Transactions with related parties	111,705	111,705	-	-	111,705
Other accounts payable - acquisition	975,482	635,279	383,780	16,761	1,035,820

Considerations about other financial risks

The Company's business is mostly comprised of 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 Company's business are summarized below:

Credit risk: this risk arises from the possibility that the Company will incur losses resulting from the non-receipt of amounts billed to its customers, the consolidated balance of which as of September 30, 2022 was R\$5,661,033 (R\$5,812,946 at December 31, 2021). A significant portion of the Company's sales are made using the credit card as payment method, which is substantially securitized with the credit card companies. For other accounts receivable, the Company also assesses the risk as low, in view of the natural dispersion of sales due to the large number of customers, but there are no real guarantees of receipt of the total balance of accounts receivable given the nature of the business. Even so, the risk is managed through periodic analysis of the level of default (with consistent criteria to support the requirements of IFRS 9), as well as adoption of more effective forms of collection. As of September 30, 2022, the Company recorded accounts receivable balances that would be overdue or lost, whose terms were renegotiated, in the amount of R\$61,729 (R\$49,123 at December 31, 2021), which are included in the analysis on the need to set up a provision for expected credit losses. Note 7 provides further information on accounts receivable.

The Company's policy for investing in debt securities (financial investments) is to invest in securities that are assessed by the main credit rating agencies and that have a rating equal to or higher than the sovereign rating (on a global scale). As of September 30, 2022, almost all of the investments held by the Company have such a rating level, reaching the amount of R\$868,459 (R\$2,903,823 at December 31, 2021), individual, and R\$1,861,404 (R\$3,333,364 at December 31, 2021), consolidated.

Market risk: arises from the possible downturn in retail in the country's economic scenario. Management of the risks involved in these operations is carried out through the establishment of operational and commercial policies, determination of limits for transactions with derivatives, and constant monitoring of the positions assumed. The key related risks include fluctuations of the interest, inflation and exchange rates.

Currency risk: on the date of this quarterly information, the Company did not have significant directly traded foreign exchange transactions. However, many products sold by the Company, especially technology items, are manufactured locally but have various imported components, so their costs may vary with the exchange rate differences. Therefore, management of "indirect" currency risk is closely related to commercial management, price and margin of products and is carried out together with the suppliers, with the objective of not transferring large fluctuations to end customers.

Interest rate risk: the Company is exposed to floating interest rates linked to the Interbank Deposit Certificate (CDI), related to financial investments, loans and financing in reais, for which a sensitivity analysis was carried out, as described below.

As of September 30, 2022, management performed a sensitivity analysis considering a probable scenario and scenarios with decreases and increases of 25% and 50% in expected interest rates. The probable scenario, of decrease and increase in interest rates, was measured using future interest rates published by BM&F BOVESPA and/or BACEN, considering a base rate of CDI at 13.65% p.a.

The expected effects of finance costs on loans and financing, net of income from financial investments, for the next three months are as follows:

	Individual	Consolidated
	09/30/2022	09/30/2022
Bank Deposit Certificates (Note 5)	574,574	1,530,393
Non-boutique investment funds (Note 5)	-	37,126
Cash equivalents	574,574	1,567,519
Marketable securities (Note 6)	293,885	293,885
Total cash equivalents and marketable securities	868,459	1,861,404
Loans and financing (Note 19)	(6,729,456)	(7,147,965)
Net exposure	(5,860,997)	(5,286,561)
Finance cost related to interest - exposure to CDI		
Impact on finance income (costs), net of taxes:		
Base scenario – rate of 13.65% p.a.	(214,419)	(228,997)
Scenario of 25% increase – rate of 17.06% p.a.	(268,023)	(286,247)
Scenario of 50% increase – rate of 20.48% p.a.	(321,628)	(343,496)
Scenario of 25% decrease – rate of 10.24% p.a.	(160,814)	(171,748)
Scenario of 50% decrease – rate of 6.83% p.a.	(107,209)	(114,499)

31. Statements of cash flows

Changes in statement of financial position accounts that did not impact the Company's cash flows are as follows:

	Individual		Consolidated	
	09/30/2022	09/30/2021	09/30/2022	09/30/2021
Additions – IFRS 16 – Rights of use and leases	547,120	895,545	567,872	913,016
Stock option plan - subsidiaries	(25,092)	(4,892)	(25,092)	-
Treasury shares payable	-	(86,213)	-	(86,213)

32. Insurance coverage

The Company has insurance contracts with coverage determined by expert advice, taking into account the nature and degree of risk, at amounts considered sufficient to cover possible losses on its assets and/or liabilities.

Insurance coverage at September 30, 2022 and December 31, 2021 is as follows:

	Individual		Consolidated	
	09/30/2022	12/31/2021	09/30/2022	12/31/2021
Civil liability D&O	100,000	100,000	194,025	194,025
Sundry risks – inventories and property and equipment	6,895,473	6,779,389	8,114,234	7,756,705
Vehicles	34,379	25,228	34,379	25,228
	7,029,852	6,904,617	8,342,638	7,975,958