



Magazine Luiza S.A. and Subsidiaries

Quarterly Information - ITR

March 31, 2023

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A free translation from Portuguese into English of Independent auditor's review report on quarterly information (ITR) 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 review report on quarterly information (ITR)

To the Shareholders, Board of Directors and Officers of
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 March 31, 2023, which comprises the statement of financial position as at March 31, 2023 and the related statements of profit or loss, of comprehensive income, of changes in equity, and of cash flows for the three-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.



Emphasis of matter – Internal investigation on anonymous report

As mentioned in Note 1.1 to the individual and consolidated interim financial information, the Company's management adopted certain internal actions with the purpose of investigating and providing clarification on the anonymous report on alleged commercial activities in violation of the Company's Code of Conduct and Ethics. Actions to investigate said report are still in progress and, at this time, it is not possible to predict future developments resulting from this internal investigation process, nor its possible effects on the individual and consolidated interim financial information, if any. Our conclusion is not qualified in respect to this matter.

Other matters

Statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added (SVA) for the three-month period ended March 31, 2023, 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.

São Paulo, May 15, 2023.

ERNST & YOUNG
Auditores Independentes S/S Ltda.
CRC-SP-034519/O

Alexandre Rubio
Accountant CRC-SP-223361/O

A free translation from Portuguese into English of quarterly information (ITR) 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 March 31, 2023 and December 31, 2022 (In thousands of reais - R\$)

	Note	Individual		Consolidated	
		03/31/2023	12/31/2022	03/31/2023	12/31/2022
Assets					
Current assets					
Cash and cash equivalents	5	684,802	808,764	1,784,888	2,420,045
Marketable securities	6	483,278	304,298	447,910	304,298
Accounts receivable	7	2,780,959	4,587,059	4,720,362	6,760,270
Inventories	8	6,483,254	6,608,969	7,564,070	7,790,069
Accounts receivable from related parties	9	1,920,131	3,305,722	1,465,263	2,576,572
Taxes recoverable	10	1,318,749	1,376,204	1,509,082	1,564,188
Income and social contribution taxes recoverable	11	268,301	258,838	328,744	314,457
Other current assets		117,314	70,436	355,578	208,237
Total current assets		14,056,788	17,320,290	18,175,897	21,938,136
Noncurrent assets					
Accounts receivable	7	11,849	17,156	11,849	17,156
Taxes recoverable	10	2,063,533	2,037,328	2,144,900	2,123,865
Deferred income and social contribution taxes	11	1,834,973	1,625,928	1,917,143	1,686,360
Judicial deposits	23	1,275,911	1,234,720	1,722,188	1,650,223
Other noncurrent assets		103,769	106,615	112,944	116,786
Long-term receivables		5,290,035	5,021,747	5,909,024	5,594,390
Investments in subsidiaries	12	4,362,869	4,379,731	-	-
Investments in jointly-controlled entities	13	301,654	338,833	301,654	338,833
Right of use - lease	14	3,391,584	3,473,159	3,427,609	3,511,497
Property and equipment	15	1,735,620	1,769,292	1,951,063	1,955,479
Intangible assets	16	938,740	896,749	4,451,321	4,427,510
		10,730,467	10,857,764	10,131,647	10,233,319
Total noncurrent assets		16,020,502	15,879,511	16,040,671	15,827,709
Total assets		30,077,290	33,199,801	34,216,568	37,765,845

See accompanying notes.

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Statements of financial position at March 31, 2023 and December 31, 2022 (In thousands of reais - R\$)

	Note	Individual		Consolidated	
		03/31/2023	12/31/2022	03/31/2023	12/31/2022
Liabilities and equity					
Current liabilities					
Trade accounts payable	17	4,064,460	4,604,573	4,823,153	5,741,020
Trade accounts payable - agreement	18	2,153,957	3,756,776	2,172,293	3,802,237
Partners and other deposits	19	-	-	1,527,734	1,552,643
Loans and financing	20	1,033,859	92,607	1,046,501	124,297
Salaries, vacation pay and social charges		235,245	242,906	413,713	420,496
Taxes payable		165,656	141,811	261,803	224,889
Accounts payable to related parties	9	230,736	256,707	125,639	152,511
Lease	14	619,449	604,140	633,891	619,788
Deferred revenue	21	49,167	52,009	73,919	76,908
Other current liabilities	22	1,202,735	1,621,391	1,702,031	2,118,136
Total current liabilities		9,755,264	11,372,920	12,780,677	14,832,925
Noncurrent liabilities					
Loans and financing	20	5,824,783	6,584,571	6,224,632	6,984,460
Taxes payable		4,614	4,614	7,836	7,836
Lease	14	2,966,514	3,047,523	2,992,268	3,073,728
Deferred income and social contribution taxes	11	-	-	102,502	108,822
Provision for tax, civil, and labor contingencies	23	852,229	814,836	1,250,464	1,193,765
Deferred revenue	21	225,529	238,354	405,159	423,464
Other noncurrent liabilities	22	157,670	488,282	162,343	492,144
Total noncurrent liabilities		10,031,339	11,178,180	11,145,204	12,284,219
Total liabilities		19,786,603	22,551,100	23,925,881	27,117,144
Equity					
Capital	24	12,352,498	12,352,498	12,352,498	12,352,498
Capital reserve		(1,867,684)	(1,896,383)	(1,867,684)	(1,896,383)
Treasury shares		(1,242,844)	(1,245,809)	(1,242,844)	(1,245,809)
Legal reserve		137,442	137,442	137,442	137,442
Income reserve		1,298,941	1,298,941	1,298,941	1,298,941
Equity adjustments		3,555	2,012	3,555	2,012
Loss for the period		(391,221)	-	(391,221)	-
Total equity		10,290,687	10,648,701	10,290,687	10,648,701
Total liabilities and equity		30,077,290	33,199,801	34,216,568	37,765,845

See accompanying notes.

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Statements of profit or loss Quarters ended March 31, 2023 and 2022 (In thousands of reais - R\$)

	Notes	Individual		Consolidated	
		03/31/2023	03/31/2022	03/31/2023	03/31/2022
Net sales revenue	25	7,542,153	7,136,590	9,067,334	8,762,176
Cost of goods resold and services rendered	26	(5,641,786)	(5,290,173)	(6,588,041)	(6,330,426)
Gross profit		1,900,367	1,846,417	2,479,293	2,431,750
Operating income (expenses)					
Selling expenses	27	(1,280,771)	(1,332,924)	(1,644,418)	(1,589,233)
General and administrative expenses	27	(202,892)	(214,963)	(308,417)	(352,387)
Expected credit losses		(94,180)	(60,332)	(98,961)	(61,139)
Depreciation and amortization	14/15/16/27	(250,448)	(210,098)	(307,800)	(265,059)
Equity pickup	12 13	(20,373)	52,773	(12,117)	(7,953)
Other operating (expenses) income, net	27 28	(76,990)	(82,856)	(91,252)	(81,531)
		(1,925,654)	(1,848,400)	(2,462,965)	(2,357,302)
Operating income (loss) before finance income (costs)		(25,287)	(1,983)	16,328	74,448
Finance income		131,023	181,464	193,262	204,694
Finance costs	29	(706,002)	(533,965)	(825,621)	(626,804)
Finance income (costs)		(574,979)	(352,501)	(632,359)	(422,110)
Operating loss before income and social contribution taxes		(600,266)	(354,484)	(616,031)	(347,662)
Current and deferred income and social contribution taxes	11	209,045	193,185	224,810	186,363
Loss for the period		(391,221)	(161,299)	(391,221)	(161,299)
Loss attributable to:					
Controlling shareholders		(391,221)	(161,299)	(391,221)	(161,299)
Loss per share					
Basic and diluted (reais per share)	24	(0.059)	(0.024)	(0.059)	(0.024)

See accompanying notes.

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Statements of comprehensive income (loss) Quarters ended March 31, 2023 and 2022 (In thousands of reais - R\$)

	Individual and Consolidated	
	03/31/2023	03/31/2022
Loss for the period	(391,221)	(161,299)
Items that may be subsequently reclassified to profit or loss:		
Investments valued under the equity method - share in other comprehensive income (OCI)	(2,338)	(377)
Tax effects	795	128
Total items that may be subsequently reclassified to profit or loss	(1,543)	(249)
Total comprehensive income (loss) for the period, net of taxes	(392,764)	(161,548)
Attributable to:		
Controlling shareholders	(392,764)	(161,548)

See accompanying notes.

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Statements of changes in equity Quarters ended March 31, 2023 and 2022 (In thousands of reais - R\$)

Note	Capital	Capital reserve	Treasury shares	Legal reserve	Income reserve			Loss for the period	Equity adjustments	Total
					Reserve for working capital increase	Additional dividends proposed	Tax incentive reserve			
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	23	-	18,614	-	-	-	-	-	-	18,614
Treasury shares disposed of	23	-	(1,042)	989	-	-	-	-	-	(53)
Loss for the period	23	-	-	-	-	-	-	(161,299)	-	(161,299)
		-	17,572	989	-	-	-	(161,299)	-	(142,738)
Other comprehensive income (loss)		-	-	-	-	-	-	-	(249)	(249)
Equity adjustments		-	-	-	-	-	-	-	(249)	(249)
Balances at March 31, 2022	12,352,498	(1,619,483)	(1,448,170)	137,442	582,635	58,749	1,215,281	(161,299)	591	11,118,244
Balances at December 31, 2022	12,352,498	(1,896,383)	(1,245,809)	137,442	83,660	-	1,215,281	-	2,012	10,648,701
Stock option plan	23	-	31,974	-	-	-	-	-	-	31,974
Treasury shares disposed of	23	-	(3,275)	2,965	-	-	-	-	-	(310)
Loss for the period	23	-	-	-	-	-	-	(391,221)	-	(391,221)
		-	28,699	2,965	-	-	-	(391,221)	-	(359,557)
Other comprehensive income (loss)		-	-	-	-	-	-	-	-	-
Equity adjustments		-	-	-	-	-	-	-	1,543	1,543
Balances at March 31, 2023	12,352,498	(1,867,684)	(1,242,844)	137,442	83,660	-	1,215,281	(391,221)	3,555	10,290,687

See accompanying notes.

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Statements of cash flows Quarters ended March 31, 2023 and 2022 (In thousands of reais - R\$)

	Note	Individual		Consolidated	
		03/31/2023	03/31/2022	03/31/2023	03/31/2022
Cash flows from operating activities					
Loss for the period		(391,221)	(161,299)	(391,221)	(161,299)
Adjustments to reconcile net loss for the period to cash flows from operating activities:					
Income and social contribution taxes recognized in P&L	11	(209,045)	(193,185)	(224,810)	(186,363)
Depreciation and amortization	14 15 16	250,448	210,098	307,800	265,059
Accrued interest on loans, financing and lease	14 20	313,821	244,880	329,765	256,449
Gain (loss) on marketable securities		(10,864)	(18,531)	(10,864)	(18,531)
Equity pickup	12 13	20,373	(52,773)	12,117	7,953
Changes in provision for losses on accounts receivable and inventories	7 8	92,973	87,308	99,939	88,280
Provision for tax, civil, and labor contingencies	23	39,135	21,858	58,531	25,788
Gain on disposal of property and equipment	28	939	298	893	298
Appropriation of deferred revenue	28	(15,667)	(13,164)	(21,491)	(13,891)
Stock option plan expenses		22,273	12,166	32,511	12,166
Adjusted net income for the period		113,165	137,656	193,170	275,909
(Increase) decrease in operating assets:					
Accounts receivable		1,699,527	1,114,199	1,932,989	782,942
Marketable securities		(168,116)	990,315	(132,748)	990,475
Inventories		144,622	985,019	238,286	1,016,610
Accounts receivable from related parties		1,369,147	693,996	1,094,865	773,559
Taxes recoverable		21,787	(191,081)	19,784	(180,929)
Judicial deposits		(41,191)	(39,331)	(71,965)	(87,213)
Other assets		(44,032)	(93,032)	(143,499)	197,238
Changes in operating assets		2,981,744	3,460,085	2,937,712	3,492,682
Increase (decrease) in operating liabilities:					
Trade accounts payable	17 18	(540,113)	(2,225,810)	(917,867)	(2,418,913)
Partners and other deposits		-	-	(24,909)	70,036
Salaries, vacation pay and social charges		(7,661)	(11,638)	(6,783)	8,316
Taxes payable		23,636	(40,879)	31,719	(136,829)
Accounts payable to related parties		(25,971)	(22,849)	(26,872)	(10,556)
Other accounts payable		(241,188)	71,141	(223,215)	(137,552)
Cash from (used in) operating activities		(791,297)	(2,230,035)	(1,167,927)	(2,625,498)
Income and social contribution taxes paid		-	-	(7,307)	(13,263)
Dividends received		142,912	70,220	43,089	70,220
Cash flows from (used in) operating activities		2,446,524	1,437,926	1,998,737	1,200,050
Cash flows from investing activities					
Acquisition of property and equipment	14 15	(24,636)	(87,969)	(64,607)	(99,978)
Acquisition of intangible assets	16	(87,421)	(58,901)	(113,519)	(74,587)
Capital increase at subsidiary	12	(81,120)	(50,837)	-	-
Payment for acquisition of subsidiary, net of cash acquired		(507,520)	(498,286)	(518,993)	(498,286)
Cash flows used in investing activities		(700,697)	(695,993)	(697,119)	(672,851)
Cash flows from financing activities					
Repayment of loans and financing	19	-	(2,200)	(4,319)	(30,651)
Payment of interest on loans and financing	19	(58,448)	(31,684)	(87,737)	(38,889)
Payment of lease	14	(134,109)	(105,780)	(138,938)	(111,921)
Payment of interest on lease	14	(74,413)	(72,090)	(75,837)	(73,199)
Decrease in trade accounts payable - agreement	18	(1,602,819)	(1,409,400)	(1,629,944)	(1,431,553)
Cash flows used in financing activities		(1,869,789)	(1,621,154)	(1,936,775)	(1,686,213)
Decrease in the balance of cash and cash equivalents		(123,962)	(879,221)	(635,157)	(1,159,014)
Cash and cash equivalents at beginning of period		808,764	1,458,754	2,420,045	2,566,218
Cash and cash equivalents at end of the period		684,802	579,533	1,784,888	1,407,204
Decrease in the balance of cash and cash equivalents		(123,962)	(879,221)	(635,157)	(1,159,014)

See accompanying notes.

Magazine Luiza S.A.

Statements of value added Quarters ended March 31, 2023 and 2022 (In thousands of reais - R\$)

	Individual		Consolidated	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Revenues				
Sales of goods, products and services	9,003,074	8,242,594	10,996,108	10,629,440
Allowance for expected credit losses, net of reversals	(94,180)	(60,332)	(98,961)	(61,139)
Other operating income	18,139	26,652	16,083	51,487
	8,927,033	8,208,914	10,913,230	10,619,788
Bought-in inputs				
Cost of goods resold and services rendered	(6,011,129)	(5,564,111)	(6,955,102)	(6,589,554)
Materials, energy, third-party services and other expenses	(1,099,872)	(1,104,169)	(1,393,680)	(1,776,715)
Loss/recovery of receivables	17,300	(22,807)	14,890	(23,495)
	(7,093,701)	(6,691,087)	(8,333,892)	(8,389,764)
Gross value added	1,833,332	1,517,827	2,579,338	2,230,024
Depreciation and amortization	(250,448)	(210,098)	(307,800)	(265,059)
Net value added produced by the Company	1,582,884	1,307,729	2,271,538	1,964,965
Value added received in transfer				
Equity pickup	(20,373)	52,773	(12,117)	(7,953)
Finance income	131,023	181,464	193,262	204,694
Total value added to be distributed	1,693,534	1,541,966	2,452,683	2,161,706
Distribution of value added				
Personnel and charges:				
Salaries	409,515	429,996	580,625	594,875
Benefits	76,536	77,171	114,360	102,576
Unemployment Compensation Fund (FGTS)	30,536	43,332	52,965	61,970
	516,587	550,499	747,950	759,421
Taxes, charges and contributions:				
Federal	49,762	41,024	241,928	186,494
State	782,685	531,686	958,715	676,064
Local	23,495	19,823	37,864	32,992
	855,942	592,533	1,238,507	895,550
Debt remuneration:				
Interest	671,921	510,184	786,689	599,753
Rent	12,361	26,702	15,484	30,654
Other	27,944	23,347	55,274	37,627
	712,226	560,233	857,447	668,034
Equity remuneration:				
Retained losses	(391,221)	(161,299)	(391,221)	(161,299)
	1,693,534	1,541,966	2,452,683	2,161,706

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. It is headquartered in the city of Franca, São Paulo State, and its parent and holding company is LTD Administração e Participação S.A.

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

As at March 31, 2023, the Company owned 1,302 stores and 23 distribution centers (1,399 stores and 23 distribution centers as at December 31, 2022) located in all regions in Brazil. The Company also operates 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, Têmolucro and Plus Delivery food delivery applications.

On May 15, 2023, the Board of Directors authorized the issuance of this quarterly information.

1.1. Anonymous report received

On March 6, 2023, the Company became aware of an anonymous report regarding alleged practices in violation of the Company’s Code of Conduct and Ethics, specifically with regard to alleged irregularities involving operations with certain distributors and suppliers. In accordance with the anonymous report, the alleged practices involved transactions with bonus payment to suppliers and mentions three distributors, which represented approximately 3.5% of the total purchase value of goods throughout year 2022. In view of that, the Board of Directors determined that the Audit, Risk and Compliance Committee investigated the facts alleged in the anonymous report, which is in progress with the advice of external independent specialists on the date of disclosure of this quarterly information.

2. Presentation and preparation of the quarterly information

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, 2022, which were disclosed on March 9, 2023, and should be read together.

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.

3. New standards, amendments and interpretations of standards

The amended standards and effective interpretations for the year beginning on January 1, 2023 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 the financial statements as of December 31, 2022 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 quarterly information presents selected explanatory notes and does not include all explanatory notes presented in the financial statements for the year ended December 31, 2022. 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, 2022 are not presented:

4. Notes to the financial statements as of December 31, 2022 that are not presented in this quarterly information (Continued)

- 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	
		03/31/2023	12/31/2022	03/31/2023	12/31/2022
Cash		88,862	95,911	89,573	96,583
Banks		64,864	106,752	92,061	153,431
Short-term deposits	From 85% to 103% of the CDI	531,076	606,101	1,561,596	2,132,556
Non-boutique investment funds	From 92.5% to 100% of the CDI	-	-	41,658	37,475
		684,802	808,764	1,784,888	2,420,045

Credit risk and sensitivity analysis are described in Note 31.

6. Marketable securities

Financial assets	Rates	Individual		Consolidated	
		03/31/2023	12/31/2022	03/31/2023	12/31/2022
Non-boutique investment fund	From 100% to 105% of the CDI	14,990	14,525	14,990	14,525
Receivables investment fund		44,500	44,500	9,132	44,500
Boutique investment fund:	(a)				
Federal government securities		358,171	245,273	358,171	245,273
Repurchase agreements		65,617	-	65,617	-
		483,278	304,298	447,910	304,298

(a) These refer to boutique fixed income investment funds. As of March 31, 2023 and December 31, 2022, 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 31.

7. Accounts receivable

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Trade accounts receivable:				
Credit cards (a)	1,746,312	3,430,696	3,489,988	5,383,828
Debit cards (a)	5,570	11,375	5,691	12,041
Direct consumer credit (b)	1,086,203	1,197,994	1,086,203	1,197,994
Customer services (c)	231,867	230,431	242,150	257,661
Other receivables (d)	9,809	15,381	146,905	134,417
Total trade accounts receivable	3,079,761	4,885,877	4,970,937	6,985,941
From commercial agreements (e)	283,896	315,578	336,433	392,777
Allowance for expected credit losses	(298,487)	(266,709)	(302,797)	(270,761)
Present value adjustment	(272,362)	(330,531)	(272,362)	(330,531)
	2,792,808	4,604,215	4,732,211	6,777,426
Current assets	2,780,959	4,587,059	4,720,362	6,760,270
Noncurrent assets	11,849	17,156	11,849	17,156

Days sales outstanding is of 38 and 48 days, individual and consolidated, respectively, as of March 31, 2023 (48 and 56 days, individual and consolidated, respectively, as of December 31, 2022).

- (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 19. As of March 31, 2023, the Company recorded credits assigned to certain buyers and financial institutions amounting to R\$4,009,036 (R\$2,693,143 as of December 31, 2022), individual, and R\$6,426,716 (R\$4,944,607 as of December 31, 2022), consolidated, on which a discount ranging from 105.3% to 109.5% 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) Refers to receivables from sales financed by the Company and by other financial institutions.
- (c) 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) 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) Refers to bonus amounts 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). The balance presented is net of the amount to be offset by matching accounts with balances payable from the respective suppliers, provided for in a partnership agreement between the parties.

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

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Opening balance	(266,709)	(151,426)	(270,761)	(169,588)
(+) Additions	(111,880)	(344,453)	(112,226)	(342,551)
(-) Write-offs	80,102	229,170	80,190	241,378
Closing balance	(298,487)	(266,709)	(302,797)	(270,761)

The credit risk analysis is detailed in Note 31.

7. Accounts receivable (Continued)

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	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Falling due:								
Within 30 days	389,410	255,845	622,497	452,821	85,862	57,191	95,443	82,998
31 to 60 days	286,920	279,652	455,647	348,570	40,916	54,408	56,567	88,838
61 to 90 days	251,543	716,831	394,672	824,887	60,966	66,514	69,102	69,989
91 to 180 days	841,583	2,134,903	1,599,585	3,246,201	13,989	108,735	22,480	108,944
181 to 360 days	1,065,085	1,244,850	1,639,854	1,858,988	18,374	7,503	18,374	7,586
More than 361 days	42,844	53,802	42,973	53,885	-	-	-	-
	2,877,385	4,685,883	4,755,228	6,785,352	220,107	294,351	261,966	358,355
Overdue:								
Within 30 days	50,719	45,820	63,486	46,415	5,292	8,717	11,311	9,724
31 to 60 days	35,356	36,293	35,922	36,293	36,405	1,085	37,698	5,767
61 to 90 days	32,154	30,924	32,154	30,924	21,648	107	22,970	3,608
91 to 180 days	84,147	86,957	84,147	86,957	444	11,318	2,488	15,323
	202,376	199,994	215,709	200,589	63,789	21,227	74,467	34,422
	3,079,761	4,885,877	4,970,937	6,985,941	283,896	315,578	336,433	392,777

8. Inventories

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Goods for resale	6,598,549	6,755,508	7,693,263	7,943,173
Consumption materials	22,750	15,929	36,072	31,380
Provision for inventory losses	(138,045)	(162,468)	(165,265)	(184,484)
	6,483,254	6,608,969	7,564,070	7,790,069

As of March 31, 2023, the Company recorded inventories of goods for resale given in guarantee of legal proceedings, under enforcement, in the approximate amount of R\$21,751 (R\$21,834 as of December 31, 2022).

Changes in the provision for inventory losses are shown below:

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Opening balance	(162,468)	(142,526)	(184,484)	(163,556)
Reversal (set up) of provision	18,906	(159,015)	12,286	(170,107)
Inventories written off or sold	5,517	139,073	6,933	149,179
Closing balance	(138,045)	(162,468)	(165,265)	(184,484)

9. Transactions with related parties

	Assets (liabilities)				P&L for the quarter			
	Individual		Consolidated		Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Luizacred (i)								
Commissions for services provided	5,190	4,255	5,190	4,255	61,978	67,497	61,978	67,497
Credit cards	1,403,427	2,500,360	1,403,427	2,500,360	(125,797)	(94,242)	(125,797)	(94,242)
Transfers of receivables	(44,190)	(69,879)	(44,190)	(69,879)	-	-	-	-
Reimbursement of shared expenses	6,108	7,191	6,108	7,191	35,965	35,203	35,965	35,203
	1,370,535	2,441,927	1,370,535	2,441,927	(27,854)	8,458	(27,854)	8,458
Luizaseg (ii)								
Commissions for services provided	39,860	57,531	39,860	57,531	113,961	109,312	113,961	109,312
Dividends receivable	-	8,831	-	8,831	-	-	-	-
Transfers of receivables	(65,851)	(80,301)	(65,851)	(80,301)	-	-	-	-
	(25,991)	(13,939)	(25,991)	(13,939)	113,961	109,312	113,961	109,312
Total jointly-controlled entities	1,344,544	2,427,988	1,344,544	2,427,988	86,107	117,770	86,107	117,770
Netshoes (iii)								
Reimbursement of expenses	22,014	22,352	-	-	-	-	-	-
Commissions for services provided	-	-	-	-	5,305	3,836	-	-
	22,014	22,352	-	-	5,305	3,836	-	-
Época Cosméticos (iv)								
Commissions for services provided	242	1,614	-	-	1,725	1,408	-	-
Kabum (v)								
Commissions for services provided	5,460	3,924	-	-	640	-	-	-
Capital reduction	-	21,488	-	-	-	-	-	-
	5,460	25,412	-	-	640	-	-	-
Luiza Administradora de Consórcio (vi)								
Commissions for services provided	2,793	1,378	-	-	4,154	3,774	-	-
Dividends receivable	-	4,633	-	-	-	-	-	-
Group of consortia	(252)	(804)	(252)	(804)	-	-	-	-
	2,541	5,207	(252)	(804)	4,154	3,774	-	-
Magalog (vii)								
Transfers of receivables	(93,784)	(61,358)	-	-	-	-	-	-
Freight	-	-	-	-	(422,487)	(369,214)	-	-
	(93,784)	(61,358)	-	-	(422,487)	(369,214)	-	-
Magalu Pagamentos (viii)								
Transfers of receivables	413,081	644,887	-	-	(84,898)	(32,514)	-	-
Joven Nerd (ix)								
Placement of advertisement	(106)	(940)	-	-	(106)	-	-	-
Luizalabs (x)								
System development	-	(13,094)	-	-	-	-	-	-
Total Subsidiaries	349,448	624,080	(252)	(804)	(495,667)	(392,710)	-	-
MTG Participações (xi)								
Rent and other transfers	(2,804)	(2,713)	(2,875)	(2,783)	(15,972)	(9,650)	(15,972)	(9,650)
PJD Agropastoril (xii)								
Rent, freight and other transfers	(108)	(104)	(108)	(104)	(253)	(364)	(253)	(364)
LH Participações (xiii)								
Rent	(216)	(201)	(216)	(201)	(648)	(603)	(648)	(603)
ASENOVE Administração (xiv)								
Rent	(14)	-	(14)	-	(43)	-	(43)	-
ETCO - SCP (xv)								
Agency fee	-	-	-	-	(2,393)	(2,470)	(2,393)	(2,470)
Marketing expenses	(1,455)	(35)	(1,455)	(35)	(74,783)	(77,198)	(74,783)	(77,198)
	(1,455)	(35)	(1,455)	(35)	(77,176)	(79,668)	(77,176)	(79,668)
Total other related parties	(4,597)	(3,053)	(4,668)	(3,123)	(94,092)	(90,285)	(94,092)	(90,285)
Total related parties	1,689,395	3,049,015	1,339,624	2,424,061	(503,652)	(365,225)	(7,985)	27,485

9. Transactions with related parties (Continued)

	Assets (liabilities)				P&L for the quarter			
	Individual		Consolidated		Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Boutique investment fund transactions – classified as Marketable securities (xvi)	423,788	245,273	423,788	245,273	10,400	5,042	10,400	5,042

Reconciliation	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Accounts receivable from related parties	1,920,131	3,305,722	1,465,263	2,576,572
Accounts payable to related parties	(230,736)	(256,707)	(125,639)	(152,511)
	1,689,395	3,049,015	1,339,624	2,424,061

- (I) Transactions with Luizacred, jointly-controlled entity with Banco Itaúcard S.A., refer to the following activities:
- Receivables with private label credit cards and finance costs with advance of such receivables;
 - Balance receivable from the sale of financial products to customers by Luizacred, received by the Company;
 - 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 reduction in the subsidiary KaBuM in the amount of R\$50 million (see Note 12), fully settled in 2023.
- (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 and transfer of receivables.
- (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 placement of advertising.
- (X) 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 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 LH Agropastoril, Administração Participações Ltda., controlled by the same controlling shareholders of the Company, refer to expenses with rent of commercial buildings and central office.
- (XIV) Transactions with ASENOVE Administração e Participações Ltda., controlled by a controlling shareholder of the Company, refer to expenses with rent of commercial building.
- (XV) 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.
- (XVI) Refers to investments, redemptions and income from boutique investment funds (ML Renda Fixa Crédito Privado FI and BB MGL Fundo de Investimento RF Longo Prazo - see Note 6 – Marketable securities).

9. Transactions with related parties (Continued)

Management compensation

	03/31/2023		03/31/2022	
	Board of Directors	Statutory Board	Board of Directors	Statutory Board
Fixed and variable compensation	1,014	2,113	1,014	1,666
Stock option plan	1,477	5,768	3,274	5,971

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 24. 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 26, 2023, in which the limit of R\$51,790 was forecast for 2023.

10. Taxes recoverable

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
ICMS recoverable (a)	2,633,662	2,689,730	2,689,577	2,748,199
PIS and COFINS recoverable (b)	744,918	720,188	938,325	929,340
Other	3,702	3,614	26,080	10,514
	3,382,282	3,413,532	3,653,982	3,688,053
Current assets	1,318,749	1,376,204	1,509,082	1,564,188
Noncurrent assets	2,063,533	2,037,328	2,144,900	2,123,865

- (a) 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 to the extent validations take place via administrative procedures with the Brazilian IRS.

11. Income and social contribution taxes

a) a) Income and social contribution taxes recoverable

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
IRPJ and CSLL recoverable (a)	218,403	218,403	258,581	243,581
Withholding Income Tax (IRRF) to be offset	49,898	40,435	70,163	70,876
	268,301	258,838	328,744	314,457

- (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, previously unused income and social contribution tax credits on net income were recognized, 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 period. The offset of tax credits will be made against income and social contribution taxes or other federal taxes.

11. Income and social contribution taxes (Continued)

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

	Three-month period ended			
	Individual		Consolidated	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Loss before income and social contribution taxes	(600,266)	(354,484)	(616,031)	(347,662)
Current statutory rate	34%	34%	34%	34%
Expected income and social contribution tax credit at current rates	204,090	120,525	209,451	118,205
Reconciliation to effective rate (effects of application of tax rates):				
Exclusion - equity pickup	(6,927)	17,943	(4,120)	(2,704)
Deferred IRPJ and CSLL not accrued on tax losses	-	-	7,271	13,046
Effect of government grant (1)	12,426	19,060	15,298	22,069
Exclusion of monetary restatement of undue tax payments (2)	2,056	37,187	2,056	37,187
Other permanent exclusions, net	(2,600)	(1,530)	(5,146)	(1,440)
Income and social contribution tax credit	209,045	193,185	224,810	186,363
Current	-	-	(12,293)	(25,113)
Deferred	209,045	193,185	237,103	211,476
Total	209,045	193,185	224,810	186,363
Effective rate	34.8%	54.5%	36.5%	53.6%

(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 period.

(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).

11. Income and social contribution taxes (Continued)

Deferred income and social contribution taxes

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

	Individual			Consolidated		
	Balance at 12/31/2022	Income (expenses)	Balance at 03/31/2023	Balance at 12/31/2022	Income (expenses)	Balance at 03/31/2023
Deferred income and social contribution taxes on:						
Income and social contribution tax losses	1,033,410	182,915	1,216,325	1,096,109	202,245	1,298,354
Allowance for expected credit losses	90,681	27,394	118,075	90,681	27,394	118,075
Provision for inventory losses	55,239	(8,304)	46,935	55,542	(8,119)	47,423
Provision for present value adjustments	83,998	(18,782)	65,216	83,998	(18,782)	65,216
Provision for tax, civil, and labor contingencies	277,044	12,714	289,758	392,931	15,193	408,124
Provision for stock option plan	127,528	11,055	138,583	127,528	11,055	138,583
Temporary differences on leases	102,967	5,862	108,829	102,967	5,862	108,829
Temporary differences on fair value in acquisitions	(41,679)	-	(41,679)	(258,028)	8,726	(249,302)
Judicial deposits	617	(11)	606	617	(11)	606
Deferred tax credits ¹	(102,149)	-	(102,149)	(131,605)	-	(131,605)
Other provisions	(1,728)	(3,798)	(5,526)	16,798	(6,460)	10,338
Deferred income and social contribution tax assets (liabilities)	1,625,928	209,045	1,834,973	1,577,538	237,103	1,814,641

(1) 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.

	Individual			Consolidated		
	Balance at 12/31/2021	Income (expenses)	Balance at 03/31/2022	Balance at 12/31/2021	Income (expenses)	Balance at 03/31/2022
Deferred income and social contribution taxes on:						
Income and social contribution tax losses	503,823	170,579	674,402	547,235	175,626	722,861
Allowance for expected credit losses	51,485	10,627	62,112	51,485	10,627	62,112
Provision for inventory losses	48,459	(312)	48,147	48,762	(312)	48,450
Provision for present value adjustments	80,605	(5,592)	75,013	80,605	(5,592)	75,013
Provision for tax, civil, and labor contingencies	220,466	6,742	227,208	336,353	6,742	343,095
Provision for stock option plan	109,602	4,538	114,140	109,602	4,538	114,140
Temporary differences on leases	70,026	7,499	77,525	70,026	7,499	77,525
Temporary differences on fair value in acquisitions	(41,679)	-	(41,679)	(294,344)	13,061	(281,283)
Judicial deposits	628	(11)	617	628	(11)	617
Deferred tax credits	(169,164)	-	(169,164)	(169,164)	-	(169,164)
Other provisions	(19)	(885)	(904)	20,024	(261)	19,763
Deferred income and social contribution tax assets (liabilities)	874,232	193,185	1,067,417	801,212	211,917	1,013,129

11. Income and social contribution taxes (Continued)

Breakdown of deferred income and social contribution taxes by company

	Balance at 12/31/2022	Deferred tax assets	Deferred tax liabilities	Balance at 03/31/2023
Individual	1,625,928	1,834,973	-	1,834,973
Netshoes	2,474	4,622	-	4,622
KaBuM	(98,953)	-	(93,129)	(93,129)
Consórcio Luiza	1,399	-	(1,665)	(1,665)
Época Cosméticos	8,283	13,001	-	13,001
Magalog	42,402	58,347	-	58,347
Softbox	5,874	6,200	-	6,200
Magalu Pagamentos	(9,869)	-	(7,708)	(7,708)
Consolidated	1,577,538	1,917,143	(102,502)	1,814,641

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 03/31/2023

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
% Equity interest	100%	100%	100%	100%	100%	100%	100%
Current assets	630,367	1,419,482	150,718	1,997,978	149,428	334,877	66,037
Noncurrent assets	585,467	108,511	196,108	530,236	11,226	346,502	265,658
Current liabilities	520,472	526,169	68,423	2,179,517	72,889	360,254	97,624
Noncurrent liabilities	229,311	521,510	8,996	18,473	4,838	52,541	10,477
Capital	631,150	250,882	140,905	2,000	50,050	287,269	140,841
Equity	466,051	480,314	269,407	330,224	82,927	268,584	223,594
Net revenue	413,323	735,656	138,278	224,592	32,366	461,830	6,227
Net income (loss)	(2,600)	27,536	7,590	51	7,374	(32,847)	(3,696)

Changes	Netshoes	KaBuM	Época Cosméticos	Magalu Pagamentos	Consórcio Luiza	Magalog	Luizalabs	Total
Balance at December 31, 2022	1,168,083	1,922,997	270,263	430,028	75,363	275,124	237,873	4,379,731
Future capital contribution (AFAC)	468	-	32,900	-	-	32,762	14,990	81,120
Other comprehensive income (loss)	(40)	-	-	-	-	-	-	(40)
Action plan	830	1,064	207	146	-	919	6,969	10,135
Dividends	-	-	-	(100,000)	179	-	-	(99,821)
Equity pickup	(7,812)	21,441	7,590	51	7,385	(33,021)	(3,890)	(8,256)
Balances at March 31, 2023	1,161,529	1,945,502	310,960	330,225	82,927	275,784	255,942	4,362,869

12. Investments in subsidiaries (Continued)

a) Changes in investments in subsidiaries (Continued)

Position at 12/31/2022

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
% Equity interest	100%	100%	100%	100%	100%	100%	100%
Current assets	824,577	1,568,602	263,682	2,369,705	92,694	304,537	87,600
Noncurrent assets	581,208	123,749	162,785	534,781	10,798	329,042	228,291
Current liabilities	706,539	735,826	197,744	2,277,381	23,770	311,320	99,734
Noncurrent liabilities	231,852	504,811	13	197,077	4,359	54,500	10,828
Capital	630,683	250,882	108,005	2,000	50,050	254,507	125,851
Equity	467,394	451,714	228,710	430,028	75,363	267,759	205,329
Net revenue	2,449,574	3,248,679	864,724	829,461	146,409	1,756,663	23,649
Net income (loss)	56,498	178,958	75,996	66,790	19,495	(33,202)	(15,193)

Changes	Netshoes	KaBuM	Época Cosméticos	Magalu Pagamentos	Consórcio Luiza	Magalog	Luizalabs	Total
Balance at December 31, 2021	1,098,743	1,738,137	175,727	563,283	60,817	238,986	221,912	4,097,605
Future capital contribution (AFAC)/(Capital decrease) ¹	12,763	(50,000)	18,600	-	-	71,877	20,554	73,794
Other comprehensive income (loss)	(661)	-	-	-	(316)	-	-	(977)
Action plan	3,484	9,411	(60)	(45)	-	809	14,202	27,801
Reclassification of consideration for acquisition	-	-	-	-	-	(3,000)	(1,500)	(4,500)
Dividends paid	-	-	-	(200,000)	(4,633)	-	-	(204,633)
Remeasurement of goodwill	-	68,037	-	-	-	-	-	68,037
Equity pickup	53,754	157,412	75,996	66,790	19,495	(33,548)	(17,295)	322,604
Balance at December 31, 2022	1,168,083	1,922,997	270,263	430,028	75,363	275,124	237,873	4,379,731

(1) The Company approved, on September 16, 2022, a capital reduction of the subsidiary KaBuM!, as it is considered excessive in relation to the activities carried out, in the amount of R\$50,000, without canceling shares issued.

12. Investments in subsidiaries (Continued)

b) Reconciliation of the book value

Subsidiary	Equity	Goodwill on acquisition	Surplus value ¹	Balance at 03/31/2023
Netshoes	466,051	486,718	208,760	1,161,529
KaBuM	480,314	710,910	754,278	1,945,502
Época Cosméticos	269,407	36,826	4,727	310,960
Magalu Pagamentos	330,224	-	-	330,224
Consórcio Luiza	82,927	-	-	82,927
Magalog	268,584	3,755	3,445	275,784
Luizalabs	223,594	25,421	6,928	255,943
	2,121,101	1,263,630	978,138	4,362,869

¹ 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 03/31/2022
Netshoes	467,394	486,718	213,971	1,168,083
KaBuM	451,714	710,911	760,372	1,922,997
Época Cosméticos	228,710	36,826	4,727	270,263
Magalu Pagamentos	430,028	-	-	430,028
Consórcio Luiza	75,363	-	-	75,363
Magalog	267,759	3,756	3,609	275,124
Luizalabs	205,329	25,421	7,123	237,873
Total	2,126,297	1,263,632	989,802	4,379,731

¹ 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 03/31/2023

Equity interest	Luizacred	Luizaseg
Shares/units of interest	31,056,244	12,855
% Equity interest	50%	50%
Current assets	16,973,126	369,701
Noncurrent assets	1,987,576	404,409
Current liabilities	18,167,480	357,116
Noncurrent liabilities	74,794	207,184
Capital	596,000	133,883
Equity	718,428	209,810
Net revenue	1,159,172	182,484
Net income (loss)	(35,061)	21,528

Changes	Luizacred	Luizaseg	Total
Opening balance	370,550	(31,717)	338,833
Other comprehensive income (loss)	(253)	1,836	1,583
Dividends declared	-	(26,645)	(26,645)
Unrealized income / Difference in practice	(230)	(5,120)	(5,350)
Equity pickup	(17,531)	10,764	(6,767)
Closing balance	352,536	(50,882)	301,654

13. Investments in jointly-controlled entities (Continued)

Position at 12/31/2022

Equity interest	Luizacred	Luizaseg
Shares/units of interest	31,056,244	12,855
% Equity interest	50%	50%
Current assets	17,695,963	376,397
Noncurrent assets	1,982,452	448,698
Current liabilities	18,853,006	385,231
Noncurrent liabilities	71,413	201,962
Capital	596,000	133,883
Equity	753,996	237,902
Net revenue	4,208,911	732,367
Net income (loss)	(99,179)	70,651

Changes	Luizacred	Luizaseg	Total
Opening balance	426,422	(18,642)	407,780
Other comprehensive income	166	1,983	2,149
Dividends declared	-	(35,358)	(35,358)
Unrealized income / Difference in practice	(6,448)	(15,026)	(21,474)
Equity pickup	(49,590)	35,326	(14,264)
Closing balance	370,550	(31,717)	338,833

Total investments in jointly-controlled entities

	03/31/2023	12/31/2022
Luizacred (a)	359,214	376,998
Luizacred – Difference in practice (b)	(6,678)	(6,448)
Luizaseg (c)	104,905	118,951
Luizaseg – Unrealized income (d)	(155,787)	(150,668)
	301,654	338,833

- (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) Adjustment of the difference in accounting practice related to the accounting recognition of revenue arising from the partnership agreement entered into between the parties and described in Note 21, item b.
- (c) 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 NCVP Participações Societárias S.A., subsidiary of Cardif do Brasil Seguros e Previdência S.A., and is engaged in the development, sale and administration of extended warranties for any type of product sold in Brazil through the Company's chain of stores.
- (d) Unrealized income from transactions involving intermediation of extended warranty insurance for the jointly-controlled entity Luizaseg.

14. Lease

The Company acts as a lessee in agreements mainly related to real estate (physical stores, distribution centers and administrative units). Since 2019, the Company recognizes 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 the right of use in the quarters ended March 31, 2023 and 2022 were as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Balance at January 1	3,473,159	3,324,747	3,511,497	3,362,998
Additions/remeasurements	77,838	203,815	77,838	208,526
Direct costs	3,449	1,068	6,620	1,068
Write-offs	(11,764)	(39,066)	(11,764)	(39,066)
Depreciation	(151,098)	(130,817)	(156,582)	(136,815)
Balance at March 31	3,391,584	3,359,747	3,427,609	3,396,711
Breakdown at March 31				
Cost value	5,276,220	4,638,720	5,360,168	4,713,649
Accumulated depreciation	(1,884,636)	(1,278,973)	(1,932,559)	(1,316,938)
	3,391,584	3,359,747	3,427,609	3,396,711

Changes in the lease liability in the quarters ended March 31, 2023 and 2022 were as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Balance at January 1	3,651,663	3,412,288	3,693,516	3,454,678
Additions/remeasurements	81,200	206,223	84,372	211,205
Payment of principal	(134,109)	(105,780)	(138,938)	(111,921)
Payment of interest	(74,413)	(72,090)	(75,837)	(73,199)
Accrued interest	73,909	67,149	75,333	68,258
Write-off	(12,287)	(39,993)	(12,287)	(39,993)
Balance at March 31	3,585,963	3,467,797	3,626,159	3,509,028
Balance at March 31				
Current liabilities	619,449	418,373	633,891	439,675
Noncurrent liabilities	2,966,514	3,049,424	2,992,268	3,069,353

15. Property and equipment

Changes in property and equipment in the quarters ended March 31, 2023 and 2022 were as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Balance at January 1	1,769,292	1,777,788	1,955,479	1,938,713
Additions	21,187	86,901	57,987	98,910
Write-offs	(939)	(298)	(893)	(298)
Depreciation	(53,920)	(50,187)	(61,510)	(54,463)
Balance at March 31	1,735,620	1,814,204	1,951,063	1,982,862
Breakdown at March 31				
Cost value	2,712,104	2,609,429	3,083,313	2,901,931
Accumulated depreciation	(976,484)	(795,225)	(1,132,250)	(919,069)
	1,735,620	1,814,204	1,951,063	1,982,862

No indication of impairment was identified in the three month-period ended March 31, 2023.

16. Intangible assets

Changes in intangible assets in the quarters ended March 31, 2023 and 2022 were as follows:

	Individual		Consolidated	
	2023	2022	2023	2022
Balance at January 1	896,749	728,998	4,427,510	4,306,587
Additions	87,421	58,901	113,519	74,587
Additions from business combination	-	-	-	20,055
Amortization	(45,430)	(29,094)	(89,708)	(73,781)
Balance at March 31	938,740	758,805	4,451,321	4,327,448
Breakdown at March 31				
Cost value	1,436,183	1,098,878	5,421,264	4,970,296
Accumulated depreciation	(497,443)	(340,073)	(969,943)	(642,848)
	938,740	758,805	4,451,321	4,327,448

17. Trade accounts payable

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Goods for resale	4,131,418	4,661,647	4,827,933	5,740,238
Other suppliers	84,858	113,624	155,711	182,534
Present value adjustment	(151,816)	(170,698)	(160,491)	(181,752)
	4,064,460	4,604,573	4,823,153	5,741,020

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. Trade accounts payable - agreement

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Trade accounts payable - agreement	2,153,957	3,756,776	2,172,293	3,802,237

The Company has agreements with partnering banks to structure a factoring transaction with its main suppliers, where the Company is a legitimate debtor. 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. In addition, the Company, by confirming the existence of receivables from suppliers to the banks, assures the latter of the certainty and liquidity of their maturities and, as a result, receives a premium from the banks, which is recognized as finance income in the same period as the closing of the transaction. The transactions outstanding at March 31, 2023 were contracted with an average term of 47 days. Aiming at an even better presentation of the comparative balance for 2022, the Company reclassified the related balances in the Statement of Cash Flows.

19. Partners and other deposits

	Consolidated	
	03/31/2023	12/31/2022
Onlending to sellers – marketplace (a)	1,253,436	1,244,615
Payment arrangements to be settled (b)	89,216	107,116
Digital accounts of customers and sellers (c)	185,082	200,912
	1,527,734	1,552,643

- (a) 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.
- (b) Refers substantially to amounts transacted by Hub Pagamentos customers using prepaid cards in accredited commercial facilities, to be settled with the corresponding acquirers.
- (c) This corresponds to deposits made by customers and sellers in Magalu Pay digital accounts and Hub prepaid payment account.

20. Loans and financing

Type	Charges	Guarantee	Final maturity	Individual		Consolidated	
				03/31/2023	12/31/2022	03/31/2023	12/31/2022
Promissory notes (a)	100% of CDI + 1.25% p.a.	Clean	April/24	1,847,657	1,783,941	1,847,657	1,783,941
Debentures – restricted offer (b)	100% of CDI + 1.25% p.a.	Clean	Dec/26	5,010,660	4,892,944	5,420,673	5,317,809
Working capital (c)	CDI + 1.8% to 4.9% p.a.	Surety	Oct/25	-	-	-	4,174
Other	113.5% of CDI p.a.	Clean	Oct/25	325	293	2,803	2,833
				6,858,642	6,677,178	7,271,133	7,108,757
Current liabilities				1,033,859	92,607	1,046,501	124,297
Noncurrent liabilities				5,824,783	6,584,571	6,224,632	6,984,460

- (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 a 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 5, 2022, subsidiary KaBum carried out the 1st issue of unsecured, nonconvertible debentures for public distribution with restricted placement efforts. Four hundred thousand (400,000) units of interest were issued with a par value of one thousand reais (R\$1,000) each, with final maturities on July 13, 2025, at a cost of 100% CDI + 1.25% p.a. for the purpose of extending debt. The guarantor of this agreement is Parent Company Magazine Luiza.
- (c) This refers to agreements signed by the subsidiary KaBuM for working capital purposes. These agreements were settled in 2022.

Reconciliation of cash flows from operating and financing activities

	Individual		Consolidated	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Opening balance	6,677,179	6,412,705	7,108,754	6,792,872
Payment of principal	-	(2,200)	(4,319)	(30,651)
Payment of interest	(58,449)	(31,684)	(87,734)	(38,889)
Accrued interest	239,912	177,732	254,432	188,192
Closing balance	6,858,642	6,556,553	7,271,133	6,911,524

20. Loans and financing (Continued)

Maturity schedule

The maturity schedule of loans and financing is as follows:

Maturity	Individual	Consolidated
2023	210,676	224,263
2024	2,647,966	2,647,966
2025	2,000,000	2,398,904
2026	2,000,000	2,000,000
	6,858,642	7,271,133

Covenants

The debentures issued by the 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. At March 31, 2023, the Company was in compliance with the covenants, which are measured quarterly.

21. Deferred revenue

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Deferred revenue with third parties:				
Exclusivity agreement with Cardif (a)	48,040	52,407	48,040	52,407
Exclusivity agreement with Banco Itaúcard S.A. (b)	77,625	67,605	77,625	67,605
Exclusivity agreement in Payment Arrangements (c)	-	-	191,467	196,484
Other agreements	57,834	61,047	70,749	74,572
	183,499	181,059	387,881	391,068
Deferred revenue with related parties:				
Exclusivity agreement with Luizacred (b)	62,297	77,504	62,297	77,504
Exclusivity agreement with Luizaseg (a)	28,900	31,800	28,900	31,800
	91,197	109,304	91,197	109,304
Total deferred revenue	274,696	290,363	479,078	500,372
Current liabilities	49,167	52,009	73,919	76,908
Noncurrent liabilities	225,529	238,354	405,159	423,464

(a) On December 14, 2015, Luizaseg entered into a new Strategic Partnership Agreement with the companies of the Cardif group, aiming to extend the rights and obligations set forth in the agreements between the parties that expired on December 31, 2015, for an additional 10-year period, effective from January 1, 2016 to December 31, 2025. This agreement enabled a cash inflow of R\$330,000 to the Company. Of this amount, R\$42,000 were allocated to the jointly-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.

21. Deferred revenue (Continued)

- (b) On September 27, 2009, the Company entered into a partnership agreement with Itaú Unibanco Holding S.A. ("Itaú") and Banco Itaucard S.A., under which the Company 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.

- (c) On October 21, 2022, the Company, through its indirect subsidiary Hub Pagamentos S.A., entered into an agreement with Mastercard Brasil Soluções de Pagamento Ltda to encourage payment arrangements between companies, whereby Mastercard has the exclusive right to issue cards for a period of 10 years. As consideration for such exclusivity, Mastercard paid R\$200,000 to the Company, which is recognized in P&L over the term of the agreement.

22. Other current and noncurrent liabilities

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Sales pending delivery, net of returns	447,387	527,981	542,311	601,759
Amounts to be transferred to partners (a)	122,873	128,080	159,792	162,877
Specialized services	26,003	72,024	38,639	89,617
Freight payable	90,364	140,142	280,085	267,108
Marketing payable	29,114	90,882	60,079	187,877
Payables for acquisitions (b)	545,807	1,053,327	616,847	1,118,413
Other	98,857	97,237	166,621	182,629
	1,360,405	2,109,673	1,864,374	2,610,280
Current liabilities	1,202,735	1,621,391	1,702,031	2,118,136
Noncurrent liabilities	157,670	488,282	162,343	492,144

- (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) Compensation payable agreed upon in the acquisition of companies, the highest amount of which refers to the acquisition of KaBuM, which at March 31, 2023 amounts to R\$390,932 (R\$898,302 at December 31, 2022), of which R\$318,500 refer to the subscription warrant of up to 50.0 million common shares issued by the Company (MGLU3), subject to the achievement of goals to be determined in January 2024. Furthermore, R\$ 507,369 were paid in cash in January 2023.

23. Provision for tax, civil, and labor contingencies

In relation to labor, civil and tax proceedings in progress whose likelihood of loss has been assessed as probable by the legal advisors, the Company set up a 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 January 1, 2023:	720,252	25,556	69,028	814,836
Additions	16,149	2,118	1,514	19,781
Reversals	(724)	-	-	(724)
Payments	-	(1,742)	-	(1,742)
Restatement	20,078	-	-	20,078
Balances at March 31, 2023:	755,755	25,932	70,542	852,229

Consolidated

	Tax	Civil	Labor	Total
Balances at January 1, 2023:	1,083,023	35,808	74,934	1,193,765
Additions	49,164	3,218	2,020	54,402
Reversals	(15,008)	(21)	(1,586)	(16,615)
Payments	-	(1,832)	-	(1,832)
Restatement	20,744	-	-	20,744
Balances at March 31, 2023:	1,137,923	37,173	75,368	1,250,464

As of March 31, 2023, 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 a 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 a provision for other legal disputes, for which judicial deposits have been made, as well as provisions related to the business combinations carried out in prior years. Tax contingencies are presented below:

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Federal	531,280	508,889	913,448	871,660
State	224,449	211,337	224,449	211,337
Local	26	26	26	26
	755,755	720,252	1,137,923	1,083,023

b) *Civil contingencies*

The provision for civil contingencies of R\$25,932, individual, and R\$37,173, consolidated, at March 31, 2023 (R\$25,556 – individual and R\$35,808 - consolidated at December 31, 2022) refers to claims arising mainly from customers about possible defects of products.

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

c) *Labor contingencies*

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

The provisioned amount of R\$70,542, individual, and R\$75,368, consolidated, at March 31, 2023 (R\$69,028, individual, and R\$74,934, consolidated, at December 31, 2022) 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\$1,275,911, individual, and R\$1,722,188, consolidated, at March 31, 2023 (R\$1,234,720, individual, and R\$1,650,223, consolidated, at December 31, 2022). The main deposits are related to lawsuits challenging the payment of ICMS Rate Differential (Difal), in the amount of R\$771,727, individual, and R\$911,540, consolidated, at March 31, 2023 (R\$745,989, individual, and R\$974,243, consolidated, at December 31, 2022).

e) *Contingent liabilities – possible loss*

The Company is a 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	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Federal	1,830,908	1,831,085	2,051,076	2,049,132
State	1,037,553	939,375	1,145,467	1,338,949
Local	5,410	5,020	5,414	5,027
	2,873,871	2,775,480	3,201,957	3,393,108

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; Despite the evolution of the discussion, with decisions favorable to taxpayers, the analysis of internal and external legal advisors is that the chances of a favorable outcome are possible;

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

e) *Contingent liabilities – possible loss* (Continued)

- (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) (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.

24. Equity

a) Capital

The Company's shareholding structure as of March 31, 2023 and December 31, 2022, with common, registered, book-entry no par value shares, is shown below:

	03/31/2023		12/31/2022	
	Number of shares	Interest %	Number of shares	Interest %
Controlling shareholders	3,792,476,933	56.19	3,794,963,060	56.23
Outstanding shares	2,884,916,204	42.75	2,882,259,410	42.71
Treasury shares	71,533,711	1.06	71,704,378	1.06
	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.

24. Equity (Continued)

a) Capital (Continued)

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

There were 284,928 exercisable stock options as of March 31, 2023. In the three-month period ended March 31, 2023, there were no changes 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.

24. Equity (Continued)

b) Capital reserve (Continued)

The following table shows the balance (quantity) of shares granted as of March 31, 2023:

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	26,565,343	R\$2.16
1 st Performance share	February 20, 2019	5 years	34,238,152	R\$5.08
			71,243,907	R\$4.98

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

In addition to the plans mentioned above, the Company has commonly used, in its acquisition processes, the negotiation of part of the acquisition price as consideration in shares issued by it ("MGLU3) to the former owners of the acquired companies. The number of committed shares at March 31, 2023 is 11,174,145, which must be delivered to the former owners by August 2026, part linked to the achievement of certain targets and part negotiated at a fixed price. Additionally, the Company issued, in the process of acquiring KaBuM, subscription warrants of up to 50 million common, registered, book-entry shares with no par value, subject to the fulfillment of targets to be determined in January 2024.

c) Treasury shares

	Number of shares	Amount
At January 1, 2022	83,408,504	1,449,159
Disposed of in the period	(11,704,126)	(203,350)
At December 31, 2022	71,704,378	1,245,809
Disposed of in the period	(170,667)	(2,965)
At March 31, 2023	71,533,711	1,242,844

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 the MGLU3 share at March 31, 2023 was of R\$3.31.

d) Equity adjustments

In the period ended March 31, 2023, the Company recorded the amount of R\$3,555 (R\$2,012 as of December 31, 2022) under equity adjustments, related to the fair value adjustments of financial assets in subsidiaries and jointly-controlled entities.

24. Equity (Continued)

e) Loss per share

Basic and diluted losses per share are calculated as follows:

In thousands	Basic losses		Diluted losses	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Total number of common shares	6,748,926,848	6,748,926,848	6,748,926,848	6,748,926,848
Effect of treasury shares	(71,533,711)	(83,351,541)	(71,533,711)	(83,351,541)
Effect of exercise of stock option plans (a)	-	-	71,532,710	66,908,683
Weighted average number of outstanding common shares	6,677,393,137	6,665,575,307	6,748,925,847	6,732,483,990
Loss for the period	(391,221)	(161,299)	(391,221)	(161,299)
Loss per share (in reais)	(0.059)	(0.024)	(0.059)	(0.024)

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

25. Net sales revenue

	Individual		Consolidated	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Gross revenue:				
Retail - resale of goods	8,825,491	8,207,791	10,332,887	9,817,009
Retail - provision of services	539,666	409,148	848,823	643,813
Other services	-	-	129,838	116,118
	9,365,157	8,616,939	11,311,548	10,576,940
Taxes and returns:				
Retail - resale of goods	(1,785,187)	(1,446,129)	(2,084,654)	(1,664,489)
Retail - provision of services	(37,817)	(34,220)	(63,695)	(56,517)
Other services	-	-	(95,865)	(93,758)
	(1,823,004)	(1,480,349)	(2,244,214)	(1,814,764)
Net sales revenue	7,542,153	7,136,590	9,067,334	8,762,176

26. Cost of goods resold and services rendered

	Individual		Consolidated	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Costs:				
Of resold goods	(5,641,786)	(5,290,173)	(6,582,067)	(6,311,067)
Of other services	-	-	(5,974)	(19,359)
	(5,641,786)	(5,290,173)	(6,588,041)	(6,330,426)

27. 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:

	Individual		Consolidated	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Personnel expenses (a)	(597,256)	(633,483)	(758,590)	(775,918)
Expenses with service providers	(798,671)	(687,668)	(838,286)	(706,344)
Depreciation and amortization - sales	(129,399)	(113,501)	(169,141)	(154,060)
Depreciation and amortization - administrative	(121,049)	(96,597)	(138,659)	(110,999)
Other	(164,726)	(309,592)	(447,211)	(540,889)
	(1,811,101)	(1,840,841)	(2,351,887)	(2,288,210)
Classified by function as:				
Selling expenses	(1,280,771)	(1,332,924)	(1,644,418)	(1,589,233)
General and administrative expenses	(202,892)	(214,963)	(308,417)	(352,387)
Depreciation and amortization	(250,448)	(210,098)	(307,800)	(265,059)
Other operating income, net (Note 28)	(76,990)	(82,856)	(91,252)	(81,531)
	(1,811,101)	(1,840,841)	(2,351,887)	(2,288,210)

(a) The Company provides its employees with medical assistance benefits, dental reimbursement, life insurance, food vouchers, transportation vouchers, study "mother check", in addition to a stock option plan for eligible employees, as described in Note 24.

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

28. Other operating income, net

	Individual		Consolidated	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Appropriation of deferred revenue (a)	15,667	13,164	21,271	13,560
Tax credits and other amounts recovered	-	13,474	613	21,401
Provision for tax, civil, and labor contingencies	(4,613)	(4,368)	(5,213)	(10,082)
Loss on disposal of property, plant and equipment	(939)	(298)	(892)	(395)
Expert fees (b)	-	(14,119)	(585)	(15,136)
Restructuring and integration expenses (c)	(87,105)	(86,509)	(106,203)	(86,509)
Other	-	(4,200)	(243)	(4,370)
	(76,990)	(82,856)	(91,252)	(81,531)

(a) Refers to appropriation of deferred revenue for assignment of exploration rights, as described in Note 21.

(b) Expenses related to advisory costs for acquisition of companies, as well as lawyers' success fees.

(c) Refers to expenses related to adapting administrative and sales staff, as well as expenses necessary for the integration of businesses acquired in the past.

29. Finance income (costs)

	Individual		Consolidated	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Finance income:				
Interest from sales of extended warranty	30,558	29,334	30,558	29,334
Yield from short-term investments and marketable securities	19,487	22,342	44,328	35,008
Late payment interest	8,283	6,142	8,314	6,160
Monetary restatement receivable (a)	72,461	123,384	90,655	126,611
Other	234	262	19,407	7,581
	131,023	181,464	193,262	204,694
Finance costs:				
Interest on loans and financing	(237,683)	(170,714)	(252,844)	(182,517)
Interest on lease	(73,909)	(67,149)	(75,333)	(68,258)
Charges on credit card advances	(306,517)	(206,965)	(399,873)	(280,329)
Provision for loss on interest from extended warranty	(17,699)	(8,773)	(17,699)	(8,773)
Taxes on finance income	(3,334)	(5,237)	(4,891)	(6,445)
Monetary restatement payable	(23,484)	(41,265)	(27,875)	(43,776)
Other (b)	(43,376)	(33,862)	(47,106)	(36,706)
	(706,002)	(533,965)	(825,621)	(626,804)
Finance income (costs), net	(574,979)	(352,501)	(632,359)	(422,110)

(a) Refers substantially to the monetary restatement of tax credits described in Note 10.

(b) Premiums received from banks for confirming the existence of receivables from suppliers, as explained in Note 18, are stated here net of other expenses with negotiation with suppliers.

30. 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:

- 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;
- Financial operations - through the jointly-controlled entity Luizacred, whose main purpose is to provide credit to the Company's customers for the purchase of products;
- Insurance operations - through the jointly-owned entity Luizaseg, whose main purpose is to offer extended warranties to products purchased by the Company's customers;
- Other services - sum of the provision of consortium management services through the subsidiary Luiza Administradora de Consórcio, whose main purpose is the management of consortia for the Company's customers, for the acquisition of products; product delivery management services - through the subsidiary Magalog, and software development services through the 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.

30. Segment information (Continued)

Statements of profit or loss

	03/31/2023					Consolidated
	Retail (a)	Finance operations	Insurance operations	Other services	Eliminations (b)	
Gross revenue	11,181,711	579,586	91,242	596,287	(1,137,279)	11,311,547
Deductions from revenue	(2,148,349)	-	-	(95,864)	-	(2,244,213)
Net revenue of the segment	9,033,362	579,586	91,242	500,423	(1,137,279)	9,067,334
Costs	(6,586,640)	(98,246)	(11,786)	(5,555)	114,186	(6,588,041)
Gross profit	2,446,722	481,340	79,456	494,868	(1,023,093)	2,479,293
Selling expenses	(1,588,325)	(142,909)	(66,667)	(518,390)	671,873	(1,644,418)
General and administrative expenses	(289,511)	(2,106)	(9,083)	(18,906)	11,189	(308,417)
Gains (losses) on allowance for expected credit losses	(98,961)	(347,928)	-	-	347,928	(98,961)
Depreciation and amortization	(302,459)	(1,496)	(1,460)	(5,341)	2,956	(307,800)
Equity pickup	(41,643)	-	-	-	29,526	(12,117)
Other operating income	(97,063)	(16,020)	190	5,811	15,830	(91,252)
Finance income	189,116	-	10,436	4,146	(10,436)	193,262
Finance costs	(821,236)	-	(21)	(4,385)	21	(825,621)
Income and social contribution taxes	212,139	11,358	(7,207)	12,671	(4,151)	224,810
Net income (loss) for the period	(391,221)	(17,761)	5,644	(29,526)	41,643	(391,221)

Reconciliation of equity pickup

Equity pickup – Other services (Note 12)	(29,526)
Equity pickup – Luizacred (Note 13)	(17,761)
Equity pickup – Luizaseg (Note 13)	5,644
(=) Equity pickup of the retail segment	(41,643)
(-) Effect of elimination – Other services	29,526
(=) Consolidated equity pickup	(12,117)

Statements of profit or loss

	03/31/2022					Consolidated
	Retail (a)	Finance operations	Insurance operations	Other services	Eliminations (b)	
Gross revenue	10,460,824	487,487	82,879	116,116	(570,366)	10,576,940
Deductions from revenue	(1,721,004)	-	-	(93,760)	-	(1,814,764)
Net revenue of the segment	8,739,820	487,487	82,879	22,356	(570,366)	8,762,176
Costs	(6,319,040)	(53,371)	(12,773)	(11,386)	66,144	(6,330,426)
Gross profit	2,420,780	434,116	70,106	10,970	(504,222)	2,431,750
Selling expenses	(1,585,986)	(135,667)	(57,058)	(3,247)	192,725	(1,589,233)
General and administrative expenses	(337,303)	(1,983)	(7,772)	(15,084)	9,755	(352,387)
Gains (losses) on allowance for expected credit losses	(60,139)	(299,194)	-	(1,000)	299,194	(61,139)
Depreciation and amortization	(261,113)	(1,497)	(1,504)	(3,946)	3,001	(265,059)
Equity pickup	(17,828)	-	-	-	9,875	(7,953)
Other operating income	(83,337)	(17,992)	141	1,806	17,851	(81,531)
Finance income	201,661	-	6,818	3,033	(6,818)	204,694
Finance costs	(623,265)	-	(15)	(3,539)	15	(626,804)
Income and social contribution taxes	185,231	8,837	(5,289)	1,132	(3,548)	186,363
Net income (loss) for the period	(161,299)	(13,380)	5,427	(9,875)	17,828	(161,299)

Reconciliation of equity pickup

Equity pickup – Other services (Note 12)	(9,875)
Equity pickup – Luizacred (Note 13)	(13,380)
Equity pickup – Luizaseg (Note 13)	5,427
(=) Equity pickup of the retail segment	(17,828)
(-) Effect of elimination – Other services	9,875
(=) Consolidated equity pickup	(7,953)

30. Segment information (Continued)

Statements of profit or loss (Continued)

- (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

	03/31/2023			
	Retail	Finance operations	Insurance operations	Other services
Assets				
Cash and cash equivalents	1,646,200	18,861	91	138,688
Marketable securities	447,910	27,115	332,436	-
Accounts receivable	4,654,493	8,917,005	-	77,718
Inventories	7,564,070	-	-	-
Investments	916,307	-	-	-
Property and equipment, intangible assets and right of use	9,235,930	32,817	15,282	594,063
Other	9,292,747	477,884	39,252	405,996
	33,757,657	9,473,682	387,061	1,216,465
Liabilities				
Trade accounts payable	4,774,767	-	1,345	48,386
Trade accounts payable - agreement	2,172,293	-	-	-
Transfers and other deposits	1,527,734	-	-	-
Loans and financing	7,269,804	-	-	1,329
Lease	3,626,159	-	103	-
Interbank deposits	-	3,077,699	-	-
Credit card operations	-	5,228,977	-	-
Insurance reserves	-	-	406,020	-
Provision for tax, civil and labor contingencies	1,182,619	37,404	2,070	67,845
Deferred revenue	478,488	-	-	590
Other	2,435,106	777,066	28,405	483,662
	23,466,970	9,121,146	437,943	601,812
Equity	10,290,687	352,536	(50,882)	614,653
Investment reconciliation				
Subsidiaries (Note 12)				
Consórcio Luiza	82,927			
Magalog	268,584			
Luizalabs	223,594			
Magalu Pagamentos	330,224			
	905,329			
Jointly-controlled entities (Note 13)				
Luizacred	352,536			
Luizaseg	(50,882)			
	301,654			
Total investments	1,206,983			
(-) Effect of elimination	(905,329)			
(=) Consolidated income (losses) on investments	301,654			

30. Segment information (Continued)

Statement of financial position (Continued)

	12/31/2022			
	Retail	Finance operations	Insurance operations	Other services
Assets				
Cash and cash equivalents	2,255,188	175,833	68	164,857
Marketable securities	304,298	26,797	348,059	-
Accounts receivable	6,688,286	9,106,242	-	89,140
Inventories	7,790,069	-	-	-
Investments	927,191	-	-	-
Property and equipment, intangible assets and right of use	9,337,004	34,541	16,742	557,482
Other	10,100,601	489,349	47,681	285,035
	<u>37,402,637</u>	<u>9,832,762</u>	<u>412,550</u>	<u>1,096,514</u>
Liabilities				
Trade accounts payable	5,703,177	-	1,452	37,843
Trade accounts payable - agreement	3,802,237	-	-	-
Transfers and other deposits	1,552,643	-	-	-
Loans and financing	7,107,284	-	-	1,473
Lease	3,693,516	-	115	-
Interbank deposits	-	2,780,669	-	-
Credit card operations	-	5,328,314	-	-
Insurance reserves	-	-	390,738	-
Provision for tax, civil, and labor contingencies	1,122,260	35,707	1,899	71,505
Deferred revenue	499,749	-	-	623
Other	3,273,070	1,317,522	50,063	396,712
	<u>26,753,936</u>	<u>9,462,212</u>	<u>444,267</u>	<u>508,156</u>
Equity	<u>10,648,701</u>	<u>370,550</u>	<u>(31,717)</u>	<u>588,358</u>
Investment reconciliation				
Subsidiaries (Note 12)				
Consórcio Luiza	75,363			
Magalog	267,759			
Luizalabs	205,329			
Magalu Pagamentos	430,028			
	<u>978,479</u>			
Jointly-controlled entities (Note 13)				
Luizacred	370,550			
Luizaseg	(31,717)			
	<u>338,833</u>			
Total investments	<u>1,317,312</u>			
(-) Effect of elimination	(978,479)			
(=) Consolidated income (losses) on investments	<u>338,833</u>			

31. Financial instruments

Accounting policy

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). Financial assets are measured at amortized cost if both of the following conditions are met and if these assets are not 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.

31. Financial instruments (Continued)

Accounting policy (Continued)

Initial classification and subsequent measurement (Continued)

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.

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, 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.

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.

31. Financial instruments (Continued)

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.

31. Financial instruments (Continued)

Financial instruments by category

Financial instruments by category	Classification	Fair value measurement	Individual				Consolidated			
			03/31/2023		12/31/2022		03/31/2023		12/31/2022	
			Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Cash and banks	Amortized cost	Level 2	153,726	153,726	202,663	202,663	181,634	181,634	250,014	250,014
Accounts receivable – Credit and debit cards	Amortized cost	Level 2	1,751,882	1,751,882	3,442,071	3,442,071	3,495,679	3,495,679	5,395,869	5,395,869
Accounts receivable – Other trade accounts receivable and receivables from commercial agreements	Amortized cost	Level 2	1,040,926	1,040,926	1,162,144	1,162,144	1,236,532	1,236,532	1,381,557	1,381,557
Accounts receivable from related parties	Amortized cost	Level 2	516,704	516,704	805,362	805,362	61,836	61,836	76,212	76,212
Accounts receivable from related parties – Credit card	Amortized cost	Level 2	1,403,427	1,403,427	2,500,360	2,500,360	1,403,427	1,403,427	2,500,360	2,500,360
Cash equivalents - Bills	FVTPL	Level 2	2,276	2,276	2,276	2,276	2,276	2,276	2,276	2,276
Cash equivalents - CDBs	Amortized cost	Level 2	528,800	528,800	603,825	603,825	1,559,320	1,559,320	2,130,280	2,130,280
Marketable securities	Amortized cost	Level 2	14,990	14,990	14,525	14,525	14,990	14,990	14,525	14,525
Marketable securities	FVTPL	Level 2	423,788	423,788	245,273	245,273	423,788	423,788	245,273	245,273
Total financial assets			5,836,519	5,836,519	8,978,499	8,978,499	8,379,482	8,379,482	11,996,366	11,996,366

Financial instruments by category	Classification	Fair value measurement	Individual				Consolidated			
			03/31/2023		12/31/2022		03/31/2023		12/31/2022	
			Book value	Fair value						
Suppliers of goods and agreement	Amortized cost	Level 2	6,218,417	6,218,417	8,361,349	8,361,349	6,995,446	6,995,446	9,543,257	9,543,257
Transfers and other deposits	Amortized cost	Level 2	-	-	0	0	1,527,734	1,527,734	1,552,643	1,552,643
Loans and financing	Amortized cost	Level 2	6,858,642	6,827,377	6,677,178	6,827,377	7,271,133	7,239,868	7,108,757	7,258,956
Lease	Amortized cost	Level 2	3,585,963	3,585,963	3,651,663	3,651,663	3,626,159	3,626,159	3,693,516	3,693,516
Accounts payable to related parties	Amortized cost	Level 2	230,736	230,736	256,707	256,707	125,639	125,639	152,511	152,511
Other accounts payable - acquisition	Amortized cost	Level 2	545,807	545,807	1,053,327	1,053,327	616,847	616,847	1,118,413	1,118,413
Total financial liabilities			17,439,565	17,408,300	20,000,224	20,150,423	20,162,958	20,131,693	23,169,097	23,319,296

31. Financial instruments (Continued)

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 observable.

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.

31. Financial instruments (Continued)

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 forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities and maintaining close relationships with financial institutions, frequently disclosing information to support credit decisions when in need for external funds.

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 03/31/2023

	Book balance	Up to 1 year	1 to 3 years	More than 3 years	Total
Individual					
Suppliers of goods and agreement	6,218,417	6,218,417	-	-	6,218,417
Lease	3,585,963	694,144	1,252,621	2,976,674	4,923,439
Loans and financing	6,858,642	1,033,037	3,847,966	2,000,000	6,881,003
Transactions with related parties	230,736	230,736	-	-	230,736
Other accounts payable - acquisition	545,807	61,975	318,500	169,782	550,257
Consolidated					
Suppliers of goods and agreement	6,995,446	6,995,446	-	-	6,995,446
Lease	3,626,159	699,811	1,262,848	3,000,976	4,963,635
Loans and financing	7,271,133	1,445,528	3,847,966	2,000,000	7,293,494
Transactions with related parties	125,639	125,639	-	-	125,639
Other accounts payable - acquisition	616,847	76,037	353,326	185,507	614,870

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 30, segment information. The main market risk factors that affect the Company's business are summarized below:

31. Financial instruments (Continued)

Considerations about other financial risks (Continued)

Credit risk: the credit risk arises from the possibility that the Company may incur losses resulting from the non-receipt of amounts billed to its customers, the consolidated balance of which as of March 31, 2023 was R\$5,49,991 (R\$6,985,941 as of December 31, 2022). 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 December 31, 2022, the Company recorded accounts receivable balances that would be overdue or lost, whose terms were renegotiated, in the amount of R\$63,779 (R\$63,779 as of December 31, 2022), 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 March 31, 2023, almost all of the investments held by the Company have such a rating level, reaching the amount of R\$1,014,354 (R\$910,399 as of December 31, 2022), individual, and R\$2,051,164 (R\$2,474,329 as of December 31, 2022), 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, 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 March 31, 2023, 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 12.75% p.a.

31. Financial instruments (Continued)

Considerations about other financial risks (Continued)

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 03/31/2023	Consolidated 03/31/2023
Bank Deposit Certificates (Note 5)	531,076	1,561,596
Non-boutique investment funds (Note 5)	-	41,658
Cash equivalents	531,076	1,603,254
Marketable securities (Note 6)	483,278	447,910
Total cash equivalents and marketable securities	1,014,354	2,051,164
Loans and financing (Note 20)	531,076 (6,858,642)	1,561,596 (7,271,133)
Net exposure	(5,844,288)	(5,219,969)
Finance cost related to interest - exposure to CDI		
Impact on finance income (costs), net of taxes:		
Base scenario – rate of 12.75% p.a.	(303,703)	(324,601)
Scenario of 25% increase – rate of 15.94% p.a.	(379,629)	(405,752)
Scenario of 50% increase – rate of 19.13% p.a.	(455,554)	(486,902)
Scenario of 25% decrease – rate of 9.56% p.a.	(227,777)	(243,451)
Scenario of 50% decrease – rate of 6.38% p.a.	(151,851)	(162,301)

32. 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	
	03/31/2023	03/31/2022	03/31/2023	03/31/2022
Changes in the fair values of financial assets	(1,543)	249	(1,543)	249
Stock option plan	(10,238)	(7,419)	-	-
Right of Use and Lease – additions/remeasurements	77,838	203,815	77,838	208,526
Offset of taxes recoverable	(233,263)	(245,528)	(233,263)	(245,528)

33. 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 March 31, 2023 and December 31, 2022 is as follows:

	Individual		Consolidated	
	03/31/2023	12/31/2022	03/31/2023	12/31/2022
Civil liability D&O	100,000	100,000	194,025	194,025
Sundry risks – inventories and P&E	6,387,001	6,556,541	7,407,797	7,714,867
Vehicles	34,126	34,379	34,126	34,379
	6,521,127	6,690,920	7,635,948	7,943,271

34. Events after the reporting period

On May 11, 2023, the Company disclosed a Material Fact announcing the signing of a new operating and distribution agreement with Luizaseg Seguros S.A, BNP Paribas Cardif, Cardif do Brasil Vida e Previdência S.A and Cardif do Brasil Seguros e Garantias S.A, aiming at the launch of new products, especially in digital channels, and extending the partnership to offer insurance to the Company's customers, effective from July 1, 2023 until December 2033. Under the new agreement, the Company will immediately receive the net amount of R\$850 million on an exclusive basis. Also, over the term of the agreement, the Company may receive additional payments ("Profit Sharing") due to the fulfillment of certain goals defined in the new agreement.

The Company also disclosed in this Material Fact a purchase and sale agreement between Magazine Luiza S.A. and NCVP Participações Societárias S.A ("NCVP"), controlled by Cardif, for the sale of the total interest held by the Company in Luizaseg Seguros S.A. to NCVP for the amount of R\$160 million. The effective completion of the sale of Luizaseg Seguros S.A is subject to compliance with certain conditions precedent, including approval by the Brazilian Antitrust Agency (CADE) and Brazil's Private Insurance Supervisory Office (SUSEP).