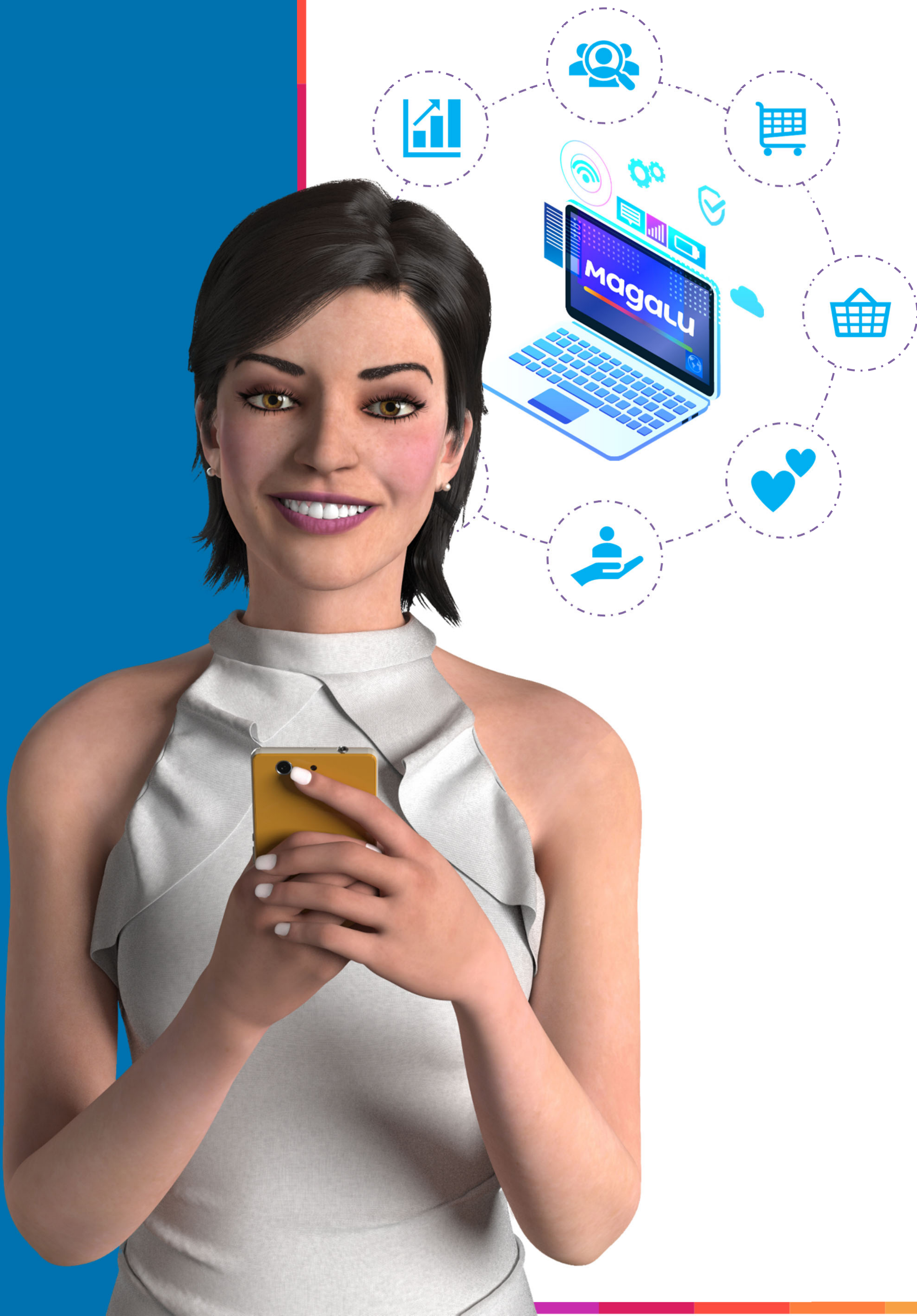
Magalu

Financial Statements
December 31, 2020 and 2019



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KPMG Auditores Independentes
Avenida Presidente Vargas, 2.121
Salas 1401 a 1405, 1409 e 1410 - Jardim América
Edifício Times Square Business
14020-260 - Ribeirão Preto/SP - Brasil
Caixa Postal 457 - CEP 14001-970 - Ribeirão Preto/SP - Brasil
Telefone +55 (16) 3323-6650
kpmg.com.br

Independent Auditors' Report

To the Shareholders, Board Members and Directors of Magazine Luiza S.A.

Report on the Audit of the Parent Company and Consolidated Financial Statements

Opinion

We have audited the Parent Company and consolidated financial statements of Magazine Luiza S.A. and its subsidiaries ("the Company"), which comprise the Parent Company and consolidated balance sheet as at December 31, 2020, the Parent Company and consolidated statements of income and statements of other comprehensive income, changes in equity and statements of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying Parent Company and consolidated financial statements present fairly, in all material respects, the Parent Company and consolidated financial position of the Magazine Luiza S.A. as at December 31, 2020, and of its Parent Company and consolidated financial performance and its Parent Company and consolidated cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company and consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of the Parent Company and consolidated financial statements in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*Error! Reference source not found.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Parent Company and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Parent Company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

See Notes 4 and 12 of Parent Company and consolidated financial statements

Key audit matter	**How our audit addressed this matter**
In the year 2020, the Company and its subsidiaries acquired control of other companies through business combinations. The calculation of these acquisitions requires, among other procedures, that the Company and its subsidiaries determine the fair value of the consideration transferred, the fair value of assets acquired and liabilities assumed, and goodwill arising from expected future profitability, or gain on bargain purchase. These procedures involve a high degree of judgment to determine the estimates of fair values based on methodology, measurement and assumptions concerning the future performance of the business acquired,	Our audit procedures included, but were not limited to: – understanding of the internal controls of the relevant business combination process to support the recording of the operation; – reading the contracts entered into that formalized the business combination and the corresponding financial transaction regarding the acquisition, such as contracts and minutes, and analysis of the criteria for determining the acquisition price, harmonization of accounting practices and verification whether the opening balances are consistent with the historic balance;

which are subject to a high level of uncertainty. Due to uncertainties related to assumptions, methodology and data, such as gross operating revenue, deductions, operating costs, operating expenses, income tax and social contribution, Capex, working capital, depreciation and discount rate inherent to the measurement of fair value and, consequently, the determination of the information that must be disclosed to enable users of the financial statements to evaluate the nature and financial effects arising from business combinations, we consider this matter significant for our audit.	– reviewing, with the assistance of our corporate finance experts, the methodology used to measure the fair value of assets acquired and liabilities assumed and goodwill determined, and assessed the assumptions used, such as gross operating revenue, deductions, operating costs, operating expenses, tax income and social contribution, Capex, working capital, depreciation and discount rate, as well as the impacts of possible changes in such assumptions on the calculated fair values and their relevance in relation to the financial statements as a whole by means of sensitivity analyses; – with the assistance of our corporate finance experts, we compared the calculations performed with external and historical data to analyze the reasonableness of the fair value; and – evaluating whether the disclosures in the Parent Company and consolidated financial statements include all relevant information. During our audit, we identified immaterial adjustments that affected the measurement on the recognized acquisition of business, which were not recorded by Management since they were considered immaterial. Based on evidence from the procedures summarized above, we considered that the amounts recognized, and disclosures related to business combination are acceptable in the

	context of the Parent Company and consolidated financial statements taken as a whole.

Other matters

The Parent Company and consolidated statements of added value (DVA) for the year ended December 31, 2020, prepared under the responsibility of the Company's management, and presented herein as supplementary information for IFRS purposes, have been subject to audit procedures jointly performed with the audit of the Company's financial statements. In order to form our opinion, we assessed whether those statements are reconciled with the financial statements and accounting records, as applicable, and whether their format and contents are in accordance with Accounting Practices Adopted in Brazil. In our opinion, the statements of added value have been fairly prepared, in all material respects, in accordance with the criteria determined by the aforementioned Technical Pronouncement, and are consistent with the overall Parent Company and consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Parent Company and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Parent Company and consolidated financial statements in accordance with accounting practices adopted in Brazil and IFRS, and for such internal control as management determines is necessary to enable the preparation of Parent Company and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Parent Company and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Parent Company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Parent Company and consolidated financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Parent Company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Parent Company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Parent Company and consolidated financial statements, including the disclosures, and whether the Parent Company and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Parent Company and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Parent Company and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, March 8, 2021

KPMG Auditores Independentes
CRC 2SP014428/O-6

Marcelle Mayume Komukai
Accountant CRC 1SP249703/O-5

Magazine Luiza S.A.

Balance sheets as at December 31, 2020 and 2019
(In thousands of Brazilian Reais - R$)

	Note	Parent Company		Consolidated	
		2020	2019	2020	2019
Assets					
Current assets					
Cash and cash equivalents	5	**1,281,569**	180,799	**1,681,376**	305,746
Securities	6	**1,220,095**	4,446,143	**1,221,779**	4,448,158
Trade accounts receivable	7	**3,460,711**	2,769,649	**4,761,899**	2,915,034
Inventory	8	**5,459,037**	3,509,334	**5,927,236**	3,801,763
Receivables from related parties	9	**2,661,364**	373,995	**2,329,648**	370,036
Recoverable taxes	10	**594,782**	777,929	**716,118**	864,144
Other assets		**121,925**	99,166	**160,754**	136,280
Total current assets		**14,799,483**	12,157,015	**16,798,810**	12,841,161
Non-current assets					
Securities and other financial assets	6	**-**	-	**-**	214
Trade accounts receivable	7	**16,140**	14,314	**16,140**	16,842
Recoverable taxes	10	**740,927**	1,039,684	**787,934**	1,137,790
Deferred income tax and social contribution	11	**164,047**	-	**196,736**	12,712
Escrow deposits	22	**660,734**	428,042	**843,852**	570,142
Other assets		**3,703**	9,030	**6,333**	11,003
Investments in subsidiaries	12	**1,318,347**	935,573	**-**	-
Investments in joint venture	13	**386,725**	305,091	**386,725**	305,091
Right-of-use of leases	14	**2,441,539**	2,203,827	**2,465,514**	2,273,786
Property, plant and equipment	15	**1,171,758**	992,372	**1,258,162**	1,076,704
Intangible assets	16	**593,427**	526,869	**1,886,997**	1,545,628
Total non-current assets		**7,497,347**	6,454,802	**7,848,393**	6,949,912
Total assets		**22,296,830**	18,611,817	**24,647,203**	19,791,073

The accompanying notes are an integral part of these financial statements

Magazine Luiza S.A.

Balance sheets as at December 31, 2020 and 2019
(In thousands of Brazilian Reais - R$)

	Note	Parent company		Consolidated	
		2020	2019	2020	2019
Liabilities					
Current liabilities					
Trade accounts payable	17	**7,679,861**	5,413,546	**8,501,398**	5,934,877
Payables to sellers	18	**-**	-	**718,482**	-
Loans and financing	19	**1,666,243**	8,192	**1,667,181**	9,967
Payroll, vacation pay and related charges		**294,314**	309,007	**359,721**	354,717
Taxes payable		**331,113**	307,695	**401,308**	352,008
Accounts payable to related parties	9	**189,135**	152,094	**130,286**	152,126
Lease	14	**340,801**	311,960	**351,152**	330,571
Deferred revenue	20	**39,157**	39,157	**43,009**	43,036
Dividends payable	23	**39,953**	123,566	**39,953**	123,566
Other accounts payable	21	**931,602**	537,825	**1,203,655**	701,719
Total current liabilities		**11,512,179**	7,203,042	**13,416,145**	8,002,587
Non-current					
Loans and financing	19	**17,725**	838,862	**19,581**	838,862
Lease	14	**2,156,522**	1,893,790	**2,175,152**	1,949,751
Deferred income tax and social contribution	11	**-**	3,725	**24,843**	39,043
Provision for tax, civil and labor contingency risks	22	**998,250**	767,938	**1,379,935**	1,037,119
Deferred revenue	20	**286,867**	339,523	**301,270**	356,801
Other accounts payable	21	**-**	-	**4,990**	1,973
Total non-current liabilities		**3,459,364**	3,843,838	**3,905,771**	4,223,549
Total liabilities		**14,971,543**	11,046,880	**17,321,916**	12,226,136
Total equity	23				
Capital		**5,952,282**	5,952,282	**5,952,282**	5,952,282
Capital reserve		**390,644**	323,263	**390,644**	323,263
Treasury shares		**(603,681)**	(124,533)	**(603,681)**	(124,533)
Legal reserve		**122,968**	109,001	**122,968**	109,001
Retained earnings		**1,451,923**	1,301,756	**1,451,923**	1,301,756
Equity valuation adjustment		**11,151**	3,168	**11,151**	3,168
Total equity		**7,325,287**	7,564,937	**7,325,287**	7,564,937
Total Liabilities and Total Equity		**22,296,830**	18,611,817	**24,647,203**	19,791,073

The accompanying notes are an integral part of these financial statements

Magazine Luiza S.A.

Statements of income
For the years ended December 31, 2020 and 2019
(In thousands of Brazilian Reais - R$)

	Note	Parent company 2020	Parent company 2019	Consolidated 2020	Consolidated 2019
Net revenue from sales	24	**26,130,544**	18,491,861	**29,177,113**	19,886,310
Cost of goods sold and services rendered	25	**(19,672,090)**	(13,464,405)	**(21,657,151)**	(14,332,349)
Gross profit		**6,458,454**	5,027,456	**7,519,962**	5,553,961
Operating income (expense)					
Sales expenses	26	**(4,476,887)**	(3,134,586)	**(5,162,618)**	(3,444,112)
General and administrative	26	**(725,716)**	(534,573)	**(906,799)**	(701,587)
Losses on trade receivables		**(100,388)**	(69,676)	**(118,119)**	(75,993)
Depreciation and amortization	14|15|16	**(569,325)**	(438,009)	**(702,523)**	(486,975)
Equity in investments	12|13	**36,553**	79,730	**119,929**	26,607
Other operating income	26|27	**81,834**	352,031	**74,744**	416,662
		(5,753,929)	(3,745,083)	**(6,695,386)**	(4,265,398)
Operating income before net financial expense		**704,525**	1,282,373	**824,576**	1,288,563
Financial income		**201,463**	647,421	**183,368**	674,363
Financial expenses		**(526,543)**	(714,410)	**(593,863)**	(744,776)
Net financial income (expenses)	28	**(325,080)**	(66,989)	**(410,495)**	(70,413)
Operating income before income tax and social contribution		**379,445**	1,215,384	**414,081**	1,218,150
Current and deferred income tax and social contribution	11	**12,264**	(293,556)	**(22,372)**	(296,322)
Net income for the year		**391,709**	921,828	**391,709**	921,828
Earnings per share					
Basic (R$ per share)	23	**0.061**	0.142	**0.061**	0.142
Diluted (R$ per share)	23	**0.060**	0.141	**0.060**	0.141

The accompanying notes are an integral part of these financial statements

Magazine Luiza S.A.

Statements of comprehensive income
For the years ended December 31, 2020 and 2019
(In thousands of Brazilian Reais - R$)

	Parent company and Consolidated	
	2020	**2019**
Net income for the year	**391,709**	921,828
Items that can subsequently be reclassified to profit or loss:		
Investments evaluated using the equity accounting method – participation in Other Comprehensive Income (OCI)	**6,853**	6,001
Tax effects	**(2,307)**	(2,318)
Total	**4,546**	3,683
Financial assets measured at fair value – FVOCI	**5,208**	(8,858)
Tax effects	**(1,771)**	3,012
Total	**3,437**	(5,846)
Total items that can subsequently be reclassified to profit or loss	**7,983**	(2,163)
Total comprehensive income for the year, net of taxes	**399,692**	919,665
Allocated to:		
Controlling shareholders	**399,692**	919,665

The accompanying notes are an integral part of these financial statements

Magazine Luiza S.A.

Statements of changes in equity
For the years ended December 31, 2020 and 2019
(In thousands of Brazilian Reais - R$)

						Profit reserve					
	Note	Capital	Capital reserve	Treasury shares	Legal reserve	Working capital reinforcement reserve	Additional dividends proposed	Tax incentive reserve	Net income	Equity valuation adjustment	Total
Balances as at January 1, 2019		1,719,886	52,175	(87,015)	65,644	395,561	-	151,290	-	5,331	2,302,872
Issuance of common shares		4,300,000	-	-	-	-	-	-	-	-	4,300,000
Expenses with issuing of shares, net of taxes		(67,604)	-	-	-	-	-	-	-	-	(67,604)
Share purchase option plan		-	92,126	-	-	-	-	-	-	-	92,126
Treasury shares acquired		-	-	(142,773)	-	-	-	-	-	-	(142,773)
Treasury shares sold		-	178,962	105,255	-	-	-	-	-	-	284,217
Net income		-	-	-	-	-	-	-	921,828	-	921,828
Allocated to:											
Legal reserve		-	-	-	43,357	-	-	-	(43,357)	-	-
Interest on own capital		-	-	-	-	-	170,000	-	(170,000)	-	-
Additional dividends proposed		-	-	-	-	-	167,348	-	(290,914)	-	(123,566)
Retained earnings		-	-	-	-	362,860	-	54,697	(417,557)	-	-
		4,232,396	271,088	(37,518)	43,357	362,860	337,348	54,697	-	-	5,264,228
Other comprehensive income:											
Equity valuation adjustment		-	-	-	-	-	-	-		(2,163)	(2,163)
Balances as at December 31, 2019		5,952,282	323,263	(124,533)	109,001	758,421	337,348	205,987	-	3,168	7,564,937
Share purchase option plan	23	-	**96,559**	-	-	-	-	-	-	-	**96,559**
Treasury shares acquired	23	-	-	**(573,827)**	-	-	-	-	-	-	**(573,827)**
Treasury shares sold	23	-	**(112,531)**	**94,679**	-	-	-	-	-	-	**(17,852)**
Considered contingent	23	-	**83,353**	-	-	-	-	-	-	-	**83,353**
Additional dividends proposed	23	-	-	-	-	-	**(199,074)**	-	-	-	**(199,074)**
Working capital reserve	23					**138,274**	**(138,274)**	-	-	-	-
Net income	23	-	-	-	-	-	-	-	**391,709**	-	**391,709**
Allocated to:	23										
Legal reserve	23	-	-	-	**13,967**	-	-	-	**(13,967)**	-	-
Minimum mandatory dividends	23	-	-	-	-	-	-	-	**(39,806)**	-	**(39,806)**
Additional dividends proposed	23	-	-	-	-	-	**130,194**	-	**(130,194)**	-	-
Retained earnings	23	-	-	-	-	**95,374**	-	**112,368**	**(207,742)**	-	-
		-	**67,381**	**(479,148)**	**13,967**	**233,648**	**(207,154)**	**112,368**	-	-	**(258,938)**
Other comprehensive income:											
Equity valuation adjustment		-	-	-	-	**11,305**	-	-	-	**7,983**	**19,288**
Balances as at December 31, 2020		**5,952,282**	**390,644**	**(603,681)**	**122,968**	**1,003,374**	**130,194**	**318,355**	-	**11,151**	**7,325,287**

The accompanying notes are an integral part of these financial statements

Magazine Luiza S.A.

Statements of cash flows
For the years ended December 31, 2020 and 2019
(In thousands of Brazilian Reais - R$)

	Note	Parent company		Consolidated	
		2020	2019	2020	2019
Cash flow from operating activities					
Net income		**391,709**	921,828	**391,709**	921,828
Adjustments to reconcile net income to cash flow from operating activities:					
Income tax and social contribution recognized under profit or loss	11	**(12,264)**	293,556	**22,372**	296,322
Depreciation and amortization	14|15|16	**569,325**	438,009	**702,523**	486,975
Accrued interest over loans, financing and leasing	14|19	**222,482**	198,545	**228,488**	203,736
Finance income from investments and securities		**(50,481)**	(30,083)	**(50,481)**	(30,098)
Equity in investments	12|13	**(36,553)**	(79,730)	**(119,929)**	(26,607)
Impairment loss on trade receivables and allowance for inventories	7|8	**65,071**	348,246	**67,045**	331,898
Provision for tax, civil and labor contingency risks	22	**242,202**	431,730	**282,481**	452,133
(Loss) gain from the disposal of property and equipment	27	**3,720**	(4,986)	**1,897**	(4,986)
Appropriation of deferred revenue	27	**(53,691)**	(51,457)	**(56,593)**	(53,255)
Shared base payment expense		**98,832**	75,151	**110,615**	84,358
		1,440,352	2,540,809	**1,580,127**	2,662,304
Changes in:					
Accounts receivable		**(795,096)**	(855,983)	**(1,936,797)**	(885,488)
Securities		**3,276,529**	(4,006,949)	**3,277,074**	(4,008,899)
Inventory		**(1,897,822)**	(967,469)	**(2,065,500)**	(1,026,647)
Receivables from related parties		**(2,276,667)**	(168,839)	**(1,946,792)**	(168,325)
Recoverable taxes		**458,826**	(1,367,243)	**475,165**	(1,467,118)
Judicial deposits		**(232,692)**	(78,814)	**(273,691)**	(220,903)
Other assets		**(978)**	(20,817)	**2,419**	93,732
Variation in assets		**(1,467,900)**	(7,466,114)	**(2,468,122)**	(7,683,648)
Changes in:					
Trade accounts payable		**2,266,315**	1,345,087	**2,563,648**	1,409,920
Payables to sellers		**-**	-	**718,482**	-
Payroll, vacation pay and related charges		**(14,693)**	58,215	**833**	63,428
Taxes payable		**(90,164)**	98,960	**(78,933)**	119,687
Accounts payable to related parties		**37,041**	26,741	**(21,840)**	26,743
Other accounts payable		**372,262**	130,489	**400,649**	102,902
Variation in liabilities		**2,570,761**	1,659,492	**3,582,839**	1,722,680
Income tax and social contribution paid		**(71,176)**	(52,129)	**(118,324)**	(52,129)
Dividends received		**27,362**	23,848	**27,362**	21,238
Cash generated from (used in) operating activities		**2,499,399**	(3,294,094)	**2,603,882**	(3,329,555)
Cash flow from (used in) investing activities					
Acquisition of property, plant and equipment	15	**(348,004)**	(396,221)	**(371,991)**	(399,429)
Acquisition of intangible assets	16	**(139,582)**	(107,150)	**(171,850)**	(122,085)
Capital increase in joint venture and advance for future capital increase in subsidiaries	12	**(364,719)**	(275,000)	**-**	-
Investment in subsidiary, net of cash acquired		**-**	(475,856)	**(107,604)**	(407,072)
Cash flow used in investing activities		**(852,305)**	(1,254,227)	**(651,445)**	(928,586)
Cash flow from / (used in) financing activities					
Loans and financing	19	**800,000**	798,944	**801,126**	798,944
Payment of loans and financing	19	**(11,342)**	(407,247)	**(22,637)**	(607,002)
Payment of interest on loans and financing	19	**(796)**	(49,560)	**(797)**	(52,320)
Lease payment	14	**(275,850)**	(205,695)	**(290,160)**	(214,309)
Payment of interest on lease	14	**(191,579)**	(147,715)	**(197,582)**	(152,353)
Payment of dividends		**(299,405)**	(182,000)	**(299,405)**	(182,000)
Divestment (acquisition) of treasury shares		**(567,352)**	141,445	**(567,352)**	141,445
Proceeds from issue of shares		**-**	4,300,000	**-**	4,300,000
Payments of expenditures with share issuance, net of taxes		**-**	(67,605)	**-**	(67,605)
Cash flow from / (used in) financing activities		**(546,324)**	4,180,567	**(576,807)**	3,964,800
Increase (decrease) of cash and cash equivalents		**1,100,770**	(367,754)	**1,375,630**	(293,341)
Cash and cash equivalents at the beginning of the year		**180,799**	548,553	**305,746**	599,087
Cash and cash equivalents at the end of the year		**1,281,569**	180,799	**1,681,376**	305,746
Increase (decrease) of cash and cash equivalents		**1,100,770**	(367,754)	**1,375,630**	(293,341)

The accompanying notes are an integral part of these financial statements

Magazine Luiza S.A.

Statements of added value
For the years ended December 31, 2020 and 2019
(In thousands of Brazilian Reais - R$)

	Parent company		Consolidated	
	2020	2019	2020	2019
Revenue				
Goods, products and services sold	**31,020,064**	21,611,120	**34,698,057**	23,312,470
Losses on trade receivables, net of reversals	**(100,388)**	(69,676)	**(118,119)**	(75,993)
Other operating income	**104,617**	560,561	**104,130**	654,037
	31,024,293	22,102,005	**34,684,068**	23,890,514
Inputs acquired from third parties				
Cost of goods sold and services rendered	**(21,784,187)**	(14,734,096)	**(23,602,802)**	(15,577,346)
Materials, energy, outsourced services and other	**(3,150,597)**	(1,943,257)	**(3,751,323)**	(2,273,691)
Loss and recovery of asset values	**55,109**	(143,479)	**54,658**	(143,680)
	(24,879,675)	(16,820,832)	**(27,299,467)**	(17,994,717)
Gross added value	**6,144,618**	5,281,173	**7,384,601**	5,895,797
Depreciation and amortization	**(569,325)**	(438,009)	**(702,523)**	(486,975)
Net added value produced by the Entity	**5,575,293**	4,843,164	**6,682,078**	5,408,822
Added value received as transfer				
Equity in investments	**36,553**	79,730	**119,929**	26,607
Financial income	**201,463**	647,421	**183,368**	674,636
Total added value for distribution	**5,813,309**	5,570,315	**6,985,375**	6,109,792
Distribution of added value				
Personnel and related charges:				
Direct remuneration	**1,407,830**	1,228,902	**1,571,916**	1,338,652
Benefits	**332,861**	361,209	**386,514**	390,164
FGTS	**105,025**	104,012	**124,581**	113,553
	1,845,716	1,694,123	**2,083,011**	1,842,369
Taxes, duties and contributions:				
Federal	**421,541**	557,168	**751,504**	689,134
State	**2,499,638**	1,558,901	**2,985,133**	1,746,614
Municipal	**76,610**	73,098	**93,572**	79,047
	2,997,789	2,189,167	**3,830,209**	2,514,795
Remuneration of third-party capital:				
Interest	**444,109**	588,038	**455,890**	637,474
Rent	**56,902**	80,439	**88,954**	89,299
Other	**77,084**	96,720	**135,602**	104,027
	578,095	765,197	**680,446**	830,800
Remuneration of own capital:				
Dividends and Interest on own capital	**170,000**	460,914	**170,000**	460,914
Retained earnings	**221,709**	460,914	**221,709**	460,914
	391,709	921,828	**391,709**	921,828
	5,813,309	5,570,315	**6,985,375**	6,109,792

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

1. General information

Magazine Luiza S.A. ("Company") is a publicly traded corporation listed under the special segment called "Novo Mercado da B3 S.A. – Brasil, Bolsa, Balcão" under the code "MGLU3" and is primarily engaged in the retail sale of consumer goods, mainly home appliances, personal electronics and furniture, through physical and virtual stores or through e-commerce. Through its joint venture subsidiaries (Note 9), it offers loan, financing and insurance services to its clients. Its headquarters is in the city of Franca, state of São Paulo, Brazil and its parent and holding company is LTD Administração e Participação S.A.

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

As at December 31, 2020, the Company owned 1,301 stores (1,113 stores as at December 31, 2019) and 24 distribution centers (17 distribution centers as at December 31, 2019), located in the South, Southeast, Mid-west and Northeast regions of Brazil and with e-commerce sites www.magazineluiza.com.br and www.epocacosmeticos.com.br and www.netshoes.com.br and www.zattini.com.br and www.shoestock.com.br and their respective mobile applications, as well as the AiQfome food delivery application.

On March 8, 2021 the Board of Directors authorized the issue of these financial statements.

2. Presentation and preparation of financial statements

2.1. Basis of preparation, presentation and statement of compliance

The parent company and consolidated financial statements of the Company were prepared based on the accounting practices adopted in Brazil, which include the provisions of the Brazilian Corporation Law under Law 6404/76 and its amendments, and the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), implemented in Brazil through the Brazilian Accounting Pronouncements Committee ("CPC") and its technical interpretations ("ICPC") and guidance ("OCPC"), approved by the Brazilian Securities and Exchange Commission ("CVM").

All relevant information in financial statements, and only the information contained herein, is being evidenced and corresponds to that used by Management in the execution of its activities.

The financial statements were prepared based on historical cost, except for certain financial instruments measured at fair value.

2.2. Functional and reporting currency of the financial statements

The Company's functional currency is the Brazilian Real. The financial statements of each subsidiary, as well as the financial statements adopted as basis to measure the investments by the equity accounting method, are prepared in Brazilian reais. All the balances were rounded off to the closest thousand, unless otherwise indicated.

2.3. Basis of consolidation and investments in subsidiaries

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries. Control is obtained when the Company holds, directly or indirectly, the majority of the rights to vote or is exposed has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Below is a description of the subsidiaries of the Company at the closing dates:

		Direct		Indirect	
Subsidiary's name	**Main activity**	**2020**	**2019**	**2020**	**2019**
Época Cosméticos	E-commerce of perfumes and cosmetics	**100%**	**100%**	-	-
Integra Commerce	Integration and relation management between store owners and marketplaces	**100%**	**100%**	-	-
Luiza Administradora de Consórcios (LAC)	Consortium management	**100%**	**100%**	-	-
Magalog	Logistics company	**100%**	**100%**	-	-
Softbox Sistemas de Informação	Technological solutions for retailing and consumer goods industries	**100%**	**100%**	-	-
Certa Administração	Marketplace for financial services	**100%**	**100%**	-	-
Kelex Tecnologia	Integration and management of relations between store-owners and marketplaces	**100%**	**100%**	-	-
Netshoes	E-commerce of sports and fashion products	**100%**	**100%**	-	-
Magalu Pagamentos	Company's Payment Institution	**100%**	**100%**	-	-
Estante Virtual	Marketplace off books segments	-	-	**100%**	-
Stoq Tecnologia	Technological solutions for retailing	-	-	**100%**	-
Betta Tecnologia	Technological solutions for retailing and consumer goods industries	-	-	**100%**	-
GFL Logística	Technology company applied to logistics	-	-	**100%**	-
Hubsales	Allow industries to offer their products at Marketplace platform	-	-	**100%**	-
Canaltech	Generation of content and audience	-	-	**100%**	-
Comschool	School of contents related to e-commerce	-	-	**100%**	-
Aiqfome	Food delivery platform	-	-	**100%**	-

The consolidated financial statements also contains exclusive investment funds, where the Company holds part of its financial investments, as demonstrated under Note 6.

The following eliminations are contemplated in the consolidation process of the financial statements

- The Company's interest in the capital, reserves and accumulated earnings of the consolidated companies;
- Balances of the asset and liability accounts maintained between the consolidated companies; and
- Balances of revenues and expenses from transactions between consolidated companies.

In the parent company financial statements, the financial information of the subsidiaries and joint venture are recognized through the equity accounting method.

2.4. Impacts related to the Covid-19 pandemic

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

a) Temporary shutdown of all brick-and-mortar stores as on March 20, 2020, with gradual resumption as on April 22, 2020, following a strict analysis of the pandemic risk map in the locations where it operates, as well as local decrees. On the date of issuance of these financial statements, 64 stores were closed.

b) Cash reinforcement: despite ending the year 2019 with a strong cash position, the Company raised R$ 800 million on April 6, 2020 through the 8th Issue of Debentures, via public distribution and with restricted placement efforts, remunerated at CDI rate + 1.5% p.a. and maturing on March 13, 2021 (see Note 19).

c) Negotiation with suppliers and service providers: the Company started negotiations of payment terms with its main suppliers, of expense cuts with its service providers, as well as the renegotiation of property rentals. In the year, 889 rental contracts were renegotiated (see note 14).

d) Containment of personnel expenses: In March, as soon as the brick-and-mortar stores were closed, the Company anticipated and paid vacations for approximately 23,000 employees, as previously provisioned. At the end of April, after carrying out a capacity planning for the next months, the Company joined the Provisional Measure (PM) No. 936/2020, reducing the working hours and salaries of some employees and suspending the contract with others, according to the provisions established by the PM itself. Moreover, the remuneration of the executive president and vice-president was reduced by 80%, while the remuneration of executive officers and members of the board of directors was reduced by 50%, and the remuneration of the remaining officers was cut by 25%. Due to the gradual improvement of the economic scenario and the leverage in e-commerce sales, the Company decided to resume the working hours and salaries of its administrative employees in July. At the date of issuance of these financial statements, the Provisional Measure was no longer vigent, so no employee remained on leave or with reduced salary.

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

a) Going concern risk: The Company has not identified elements that pose a going concern risk.

b) Trade accounts receivable and losses on trade receivables: the Company observed a decrease in the payment flow of the Direct Consumer Credit (CDC), at the beginning of the pandemic. However, according to internal analyses, such decrease was significantly linked to the closing of its brick-and-mortar stores and the culture of its clients to pay their installments directly at store cashiers, thus representing a temporary liquidity restriction and not a significant increase in risk credit. As of December 31, 2020, the Company already recorded receipt rates similar to the pre-pandemic period. Thus, the Company did not record any significant additional provisions as of December 31, 2020. The amount recorded as impairment losses on trade receivables as of December 31, 2020 is R$ 95.8 million in the Parent Company and R$ 115.2 million in the consolidated, and its changes are disclosed in Note 7.

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

d) Impairment of non-financial assets: The Company have not identified any need for impairment during the year.

3. Main accounting policies and practices

The main accounting policies and practices are described in each corresponding note, except those presented below that are related to more than one note. The accounting policies and practices have been consistently applied to all the years presented and to Company's parent company and consolidated financial statements.

3.1. Transactions and monetary correction of rights and obligations

Monetary assets and liabilities subject to contractual readjustments or exchange and monetary correction are updated to the balance sheet date, and the variations recognized as financial income or expenses under statement of income.

When existing, monetary assets and liabilities indexed in foreign currencies are converted to Brazilian reais using the exchange rate of the closing date of the balance sheet. Differences resulting from translation of foreign currencies are recognized as financial income or expenses under statement of income.

3.2. Impairment of assets

ii) Non-financial assets

The carrying values of non-financial assets of the Company are reviewed at each balance sheet date to verify indication of impairment. Should such indication occur, the recoverable value of the asset is estimated. In the case of goodwill, the recoverable value is tested annually.

Investees registered using the equity accounting method

Impairment related to an investee evaluated using the equity accounting method is measured through comparison of the recoverable value of the investment with its carrying value. Impairment loss is recognized under profit or loss and is reversed if there is a favorable change in the estimates used to determine the recoverable value.

iii) Allocation of goodwill balance

Goodwill allocated to each cash generating unit (division of physical stores) is annually tested for impairment or more frequently, when there is any indication that the cash-generating unit shows lower than expected performance. If the recoverable value of the cash-generating unit is lower than its carrying amount plus goodwill allocated thereto, the impairment loss is firstly allocated to reduce the goodwill allocated to the unit, and subsequently, to other assets of the unit, proportionally to the carrying value of each of these assets. Any goodwill impairment is directly recognized under profit or loss when identified. This is not reversed in subsequent periods, even if the factors which resulted in its recording no longer exist.

3.3. Adjustments to present value

Main transactions that result in adjustments to present value are related to the purchase of goods for resale in installments, as well as goods resale operations, whose balances the clients pay by installments at pre-fixed interest rates. Purchase and sales are discounted to determine the present value on the transaction date considering the installment terms.

The discount rate adopted considers the effects of the financial charges on the end consumer, weighted at the default risk percentage assessed and already included in the losses on trade receivables.

The present value adjustment of resale of goods in installments has as its contra-entry the “trade accounts receivable”. Realization is recorded under “net revenue from sales”, according to the related maturity term.

The present value adjustment of liabilities related to the purchase of goods for resale is registered under “trade accounts payables” with the contra-entry in the “inventory” account. Reversal is registered under “cost of goods sold and services rendered” according to the related maturity term.

3.4. Provisions

Provisions are recognized for present obligations or risks resulting from past events, where it is possible to reliably estimate the amounts and for which a disbursement is probable. The amount recognized as provision is the best estimate of the consideration required to settle the liability at the end of the year or reporting period, taking into account the risks and uncertainties related to the liability.

3.5. Employee benefits

Short-term benefit to employees

Obligations related to short-term benefits to employees are recognized as personnel expenses as the corresponding service is rendered. The liability is recognized in the amount of the expected payment should the Company have the present legal or constructive obligation to pay the amount due to past service rendered by the employee and the obligation can be reliably estimated.

Share-based payment agreements

The fair value on the date of the share-based payment agreements granted to employees is recognized as personnel expenses, with a corresponding increase in net equity, during the period in which the employees acquire unconditionally the right to the premium. The amount recognized as expense is adjusted to reflect the number of premiums that effectively attend to the service condition and of performance on the date of acquisition (vesting date). For the share-based payments that do not contain acquisition conditions (non-vesting conditions), the fair value on the date of granting the share-based payments is measured to reflect such conditions and posterior adjustments for the differences between the expected results and the actual results are not made.

3.6. Statement of added value ("DVA")

This statement aims at evidencing the wealth created by the Company and its distribution during certain periods. It is presented as part of its parent company financial statements pursuant to the Brazilian Corporate Law and as supplementary information to the consolidated financial statements since it is neither foreseen nor mandatory under IFRS.

3.7. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, in the principal or, in its absence, in the most advantageous market to which the Company has access on such date. The fair value of a liability reflects its non-performance risk. Non-performance risk includes, among other, the own credit risk of the Company.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active Market for that instrument. A Market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – in other words, the fair value of the consideration given or received.

3.8. New standards and interpretations not yet effective

A number of new standards are effective for annual periods beginning after January 1st, 2020 and earlier application is permitted. The Company did not adopt these changes for preparation of these financial statements.

The following changed standards and interpretations should not have a significant impact on the Company's financial statements:

- Property, plant and equipment - Revenue before intended use (changes to CPC 27 / IAS 16;
- Rental concessions related to COVID-19 (amendment to CPC 06 / IFRS 16);
- Reference to the Conceptual Framework (Amendments to CPC 15 / IFRS 3);
- Classification of Liabilities in Current or Non-Current (Amendments to CPC 26 / IAS 1);

4. Significant accounting judgments and sources of estimation uncertainties

When applying the Company's accounting policies, Management is required to make judgments and prepare estimates on the carrying amounts of assets and liabilities to which objective information is not easily obtained from other sources. Estimates and related assumptions are based on the historical experience and other significant factors. Actual results of these carrying amounts may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

a) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the parent company and consolidated financial statements is included in the following Notes:

- Note 2.3 – Basis for consolidation and investments in subsidiaries: the determination of whether the Company has *de-facto* control over an investee;

b) Estimation uncertainties

Information about assumptions and estimation uncertainties that have significant risk of resulting in material adjustment to the carrying amounts of assets and liabilities within the next reporting period are included under the following Notes:

- Note 7 – Trade accounts receivable: criteria and amounts for impairment loss on trade receivables.
- Note 8 - Inventory: criteria and amounts for provision for inventory loss.
- Note 11 - Income tax and social contribution: Availability of future taxable income against which tax losses may be used.
- Note 12 - Investments in subsidiaries: The calculation of these acquisitions requires, among other procedures, that the Company and its subsidiaries determine the fair value of the consideration transferred, the fair value of assets acquired and liabilities assumed, and goodwill arising from expected future profitability, or gain on bargain purchase. These procedures involve a high degree of judgment to determine the estimates of fair values based on methodology, measurement and assumptions concerning the future performance of the business acquired, which are subject to a high level of uncertainty.
- Note 15 and 16 - Property and Equipment and Intangible assets – estimated useful lives of long-lasting assets.
- Note 16 - Intangible assets: main assumptions in relation to recoverable values, including the recoverability of development costs. Determination of goodwill on acquisition of chains of retail companies is a complex process and involves a high degree of subjectivity, as well as being based on various assumptions, such as the determination of the cash generating units, discount rates, inflation projections, growth percentage, perpetuity and profitability of the businesses of the Company for the following years, among others. These assumptions are affected by market conditions or future economic scenarios of Brazil.
- Note 21 - Provision for tax, civil and labor contingency risks: main assumptions on probability and magnitude of disbursement.
- Note 29 - Impairment of financial instruments assets: determination of fair value based on significant unobservable inputs.

5. Cash and cash equivalents

Accounting policy

Company Management defines as "Cash and cash equivalents" the amounts held for the purpose of meeting short-term commitments rather than for investments or other purposes. Financial investments have characteristics of being immediately converted into known cash amounts and are not subject to a significant risk of change in value, recorded at cost plus interest earned until the end of the reporting period, not exceeding market or realization values. Note 30 describes the credit risk practice and policy.

		Parent Company		Consolidated	
	Rates	2020	2019	2020	2019
Cash		**62,235**	84,112	**62,595**	84,215
Banks		**92,660**	83,506	**299,571**	156,403
Bank deposit certificates	70–101% CDI	**1,126,674**	13,181	**1,286,791**	24,247
Non-exclusive investment funds	92.5–100% CDI	**-**	-	**32,419**	40,881
Total cash and cash equivalents		**1,281,569**	180,799	**1,681,376**	305,746

Credit risk analysis and sensitivity analysis are presented under Note 30 to the financial statements.

.6. Securities and other financial assets

		Parent Company		Consolidated	
Financial assets	**Rates**	**2020**	**2019**	**2020**	**2019**
Non-exclusive investment fund	97% CDI	**12,287**	12,094	**13,811**	14,323
Exclusive investment fund:	(a)				
Federal Government Bonds and repurchase and resale agreements	Note 9	**1,207,808**	4,434,049	**1,207,968**	4,434,049
Total securities		**1,220,095**	4,446,143	**1,221,779**	4,448,372
Current assets		**1,220,095**	4,446,143	**1,221,779**	4,448,158
Non-current assets		**-**	-	**-**	214

a) Considers the exclusive fixed income investment funds. As at December 31, 2020 and 2019, the portfolio was distributed into the types of investment described in the table above, which are linked to financial operations and securities, indexed to the monthly variation of CDI rate, to return the average profitability of 103% of the CDI to the Company.

b) Fair value hedge accounting, as detailed under 30

Credit risk analysis and sensitivity analysis are presented under Note 30.

7. Trade accounts receivable

Accounting policy

Trade accounts receivable are recorded and maintained in the balance sheet at the amount of the securities, adjusted to present value, when applicable, represented, mainly, by credits from resale installments and credit cards, receivables from commercial agreements and for losses on trade receivables, which is registered in amounts considered as sufficient by Management to cover eventual risks over the financing portfolio and other amounts receivable existing on the reporting date. The criteria for registering provision considers, for retail activities, the index of historical loss by aging list of the portfolio, as mentioned under Note 29 to the financial statements.

	Parent Company		Consolidated	
	2020	2019	2020	2019
Trade accounts receivable:				
Credit cards (a)	**2,641,426**	2,036,665	**3,847,324**	2,121,008
Debit cards (a)	**9,617**	5,634	**9,599**	5,634
Own installment plan (b)	**519,086**	345,655	**519,086**	341,513
Client services (c)	**146,375**	185,716	**185,702**	185,716
Other accounts receivable	**23,242**	14,718	**99,805**	72,559
Total trade accounts receivable	**3,339,746**	2,588,388	**4,661,516**	2,726,430
Receivables from commercial agreements (d)	**296,452**	301,207	**318,050**	327,104
Losses on trade receivables	**(95,832)**	(93,248)	**(115,207)**	(109,274)
Adjustment to present value	**(63,515)**	(12,384)	**(86,320)**	(12,384)
Total	**3,476,851**	2,783,963	**4,778,039**	2,931,876
Current assets	**3,460,711**	2,769,649	**4,761,899**	2,915,034
Non-current assets	**16,140**	14,314	**16,140**	16,842

The average term to receive trade receivables is of 36 days (37 days as at December 31, 2019), in the Parent Company and Consolidated

(a) Accounts receivable from sales made through credit and debit cards, which the Company receives from acquirers in amounts, terms and quantity of installments defined at the moment the products are sold. The Consolidated includes receivables from purchasers transacted at Magalu Pagamentos, which will be transferred to partners (“sellers”), as described in note 18. As of December 31, 2020, the Company had credits assigned to acquirers and financial institutions amounting to R$ 3,498,647 (R$ 1,405,428 as of December 31, 2019) in the Parent Company and R$ 4,547,865 (R$ 1,679,790 as of December 31, 2019) in Consolidated, over which a discount varying +0.25%–1.34% of the CDI rate is applied. The Company, through credit assignment operations of receivables from credit cards, transfers to the acquirers and to the financial institutions all of the risks of receiving from customers and, in this manner, settles its accounts receivable related to these credits.

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

(c) These sales are intermediated by the Company on behalf of Luizaseg and Cardif. The Company allocates to its partners the extended warranty amount, in full, in the month following the sale and receives from customers in accordance with the transaction term. Additionally in this item receivables for marketplace services and other services are allocated

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

Changes in losses on trade receivables are demonstrated below:

	Parent Company		Consolidated	
	2020	2019	2020	2019
Initial balance	**(93,248)**	(73,510)	**(109,274)**	(73,510)
(+) Additions	**(116,952)**	(99,385)	**(127,018)**	(122,458)
(-) Write-offs	**114,368**	79,647	**121,085**	86,694
Final balance	**(95,832)**	(93,248)	**(115,207)**	(109,274)

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

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

	Trade accounts receivable				Receivables from commercial agreements			
	Parent Company		Consolidated		Parent Company		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
Amounts due:								
Within 30 days	**445,562**	526,828	**623,483**	581,871	**30,090**	23,716	**26,315**	45,039
From 31 to 60 days	**234,265**	295,077	**322,979**	317,626	**22,039**	27,079	**27,233**	27,079
From 61 to 90 days	**244,400**	313,013	**390,644**	328,798	**78,655**	97,994	**78,655**	97,994
From 91 to 180 days	**1,199,670**	685,185	**1,738,314**	700,311	**140,868**	122,262	**140,868**	122,262
From 181 to 360 days	**1,101,008**	683,473	**1,442,375**	695,840	**6,178**	18,899	**6,178**	18,899
Over 361 days	**49,969**	21,195	**49,981**	21,198	**-**	-	**-**	-
	3,274,874	2,524,771	**4,567,776**	2,645,644	**277,830**	289,950	**279,249**	311,273
Amounts past due:								
Within 30 days	**19,338**	18,015	**23,792**	18,491	**5,506**	1,648	**20,531**	3,846
From 31 to 60 days	**11,029**	10,005	**13,030**	10,005	**3,209**	6,488	**5,543**	7,662
From 61 to 90 days	**8,815**	9,283	**10,225**	9,283	**1,153**	593	**2,346**	976
From 91 to 180 days	**25,690**	26,314	**46,693**	43,007	**8,754**	2,528	**10,381**	3,347
	64,872	63,617	**93,740**	80,786	**18,622**	11,257	**38,801**	15,831
Total	**3,339,746**	2,588,388	**4,661,516**	2,726,430	**296,452**	301,207	**318,050**	327,104

Credit risk analysis is presented under Note 30 to the financial statements.

8. Inventory

Accounting policy

Inventory is stated at the smallest amount between the average acquisition cost and the net realization amount. The average acquisition cost includes the purchase price, taxes and non-recoverable taxes, such as the ICMS (state VAT substitution taxation regime), and other costs directly attributable to the acquisition and to commercial discounts. Provisions for inventory loss are composed of a provision for realization of inventory which corresponds to the estimated sales price of inventory, less all necessary costs for performing the sale and provision for obsolescence which considers goods sent to technical assistance and provision for loss in physical inventories of stores and distribution centers.

	Parent Company		Consolidated	
	2020	2019	2020	2019
Goods for resale	**5,518,661**	3,668,831	**5,989,773**	3,972,334
Consumption material	**30,484**	17,018	**38,641**	25,277
Inventories provision	**(90,108)**	(176,515)	**(101,178)**	(195,848)
Total	**5,459,037**	3,509,334	**5,927,236**	3,801,763

As at December 31, 2020 the Company had inventories of goods for resale assigned as guarantee in legal lawsuits in progress, in the amount of approximately R$ 21,882 (R$ 30,810 as at December 31, 2019)

Changes in allowance for inventory loss are demonstrated below:

	Parent Company		Consolidated	
	2020	2019	2020	2019
Initial balance	**(176,515)**	(68,939)	**(195,848)**	(69,793)
Addition of provision	**(95,946)**	(266,558)	**(100,830)**	(326,990)
Inventory written-off or sold	**182,353**	158,982	**195,500**	200,935
Final balance	**(90,108)**	(176,515)	**(101,178)**	(195,848)

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

9. Related parties

Company	Assets (Liabilities)				Net income			
	Parent Company		Consolidated		Parent Company		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
Luizacred (i)								
Commissions for services rendered	**3,545**	15,635	**3,545**	15,635	**190,783**	199,309	**190,783**	199,309
Direct credit to consumer	**-**	373	**-**	373	**-**		**-**	
Credit card	**2,249,014**	269,485	**2,249,014**	269,485	**(115,358)**	(262,817)	**(115,358)**	(262,817)
Transfer of receivables	**(41,894)**	(75,668)	**(41,894)**	(75,668)	**-**	-	**-**	-
Dividends receivable	**12,949**	14,274	**12,949**	14,274	**-**	-	**-**	-
Reimbursement of shared expenses	**3,983**	7,830	**3,983**	7,830	**90,308**	95,447	**90,308**	95,447
	2,227,597	231,929	**2,227,597**	231,929	**165,733**	31,939	**165,733**	31,939
Luizaseg (ii)								
Commissions for services rendered	**45,894**	49,712	**45,894**	49,712	**404,658**	417,371	**404,658**	417,371
Dividends receivable	**7,323**	5,638	**7,323**	5,638	**-**	-	**-**	-
Transfer of receivables	**(71,029)**	(66,420)	**(71,029)**	(66,420)	**-**	-	**-**	-
	(17,812)	(11,070)	**(17,812)**	(11,070)	**404,658**	417,371	**404,658**	417,371
Total joint venture	**2,209,785**	220,859	**2,209,785**	220,859	**570,391**	449,310	**570,391**	449,310
Netshoes (iii)								
Transfer of receivables	**(1,075)**	-	**-**	-	**-**	-	**-**	-
Commissions for services rendered	**-**	-	**(1,692)**	-	**216**	-	**-**	-
	(1,075)	-	**(1,692)**	-	**216**	-	**-**	-
Grupo Época Cosméticos (iv)								
Commissions for services rendered	**552**	222	**-**	-	**2,291**	397	**-**	-
Consórcio Luiza (v)								
Commissions for services rendered	**2,586**	1,078	**-**	-	**10,840**	14,747	**-**	-
Dividends receivable	**-**	2,610	**-**	-	**-**	-	**-**	-
Consortium groups	**(434)**	(1,060)	**(434)**	(1,060)	**-**	-	**-**	-
	2,152	2,628	**(434)**	(1,060)	**10,840**	14,747	**-**	-
Magalog Group (vi)								
Freight expenses	**(55,609)**	49	**-**	-	**(192,790)**	(26,249)	**-**	-
Magalu Pagamentos (vii)								
Transfer of receivables	**324,716**	-	**-**	-	**24,556**	-	**-**	-
Total Subsidiaries	**270,736**	2,899	**(2,126)**	(1,060)	**(203,999)**	(11,105)	**-**	-
MTG Participações (viii)								
Rent and other expenses	**(2,224)**	(1,262)	**(2,229)**	(1,269)	**(25,970)**	(24,822)	**(26,587)**	(24,822)
PJD Agropastoril (ix)								
Rent, freight and other expenses	**(33)**	(32)	**(33)**	(57)	**(1,583)**	(2,673)	**(1,588)**	(2,673)
LH Participações (x)								
Rentals	**(128)**	(127)	**(128)**	(127)	**(1,280)**	(1,622)	**(1,280)**	(1,622)
ETCO – SCP (xi)								
Agencing fee	**-**	-	**-**	-	**(7,385)**	(6,764)	**(7,385)**	(6,764)
Marketing expenses	**(5,907)**	(436)	**(5,907)**	(436)	**(224,575)**	(216,891)	**(224,575)**	(216,891)
	(5,907)	(436)	**(5,907)**	(436)	**(231,960)**	(223,655)	**(231,960)**	(223,655)
Total other related parties	**(8,292)**	(1,857)	**(8,297)**	(1,889)	**(260,793)**	(252,772)	**(261,415)**	(252,772)
Total related parties	**2,472,229**	221,901	**2,199,362**	217,910	**105,599**	185,433	**308,976**	196,538

	Assets (Liabilities)				Income (loss)			
	Parent Company		Consolidated		Parent Company		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
Investment fund (xii)	**1,207,808**	4,434,049	**1,207,968**	4,434,049	**49,772**	29,428	**49,772**	29,428
InLoco Tecnologia (xiii)	**-**	-	**-**	-	**2,180**	-	**2,180**	-
	1,207,808	4,434,049	**1,207,968**	4,434,049	**51,952**	29,428	**51,952**	29,428

I. Transactions with Luizacred, a joint venture with Banco Itaúcard S.A., refer to the following activities::

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

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

(c) Commissions on the services provided monthly by the Company, which include the attraction of customers, management and administration of consumer credit transactions, control and collection of financing granted, indication of insurance linked to financial services and products, access to telecommunication systems and network, in addition to storage and availability of physical space in the points-of-sale. The amounts payable (current liabilities) refer to the receipt of customers' installments by the Company's store cashiers, which are transferred to Luizacred;

II. The amounts receivable (current assets) and revenues of Luizaseg, joint venture with NCVP Participações Societárias S.A., a subsidiary of Cardif do Brasil Seguros e Previdência S.A., arise from commissions on services monthly provided by the Company, relating to the sale of extended warranties and proposed dividends. The amounts payable (current liabilities) refer to the transfers of extended warranties sold, realized to Luizaseg, in full, on the month following the sale. In 2018 a balance payable was registered due to "clawback" of the exclusive agreement entered into in 2015 (Note 18).

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

IV. Transactions with "Época Cosméticos", a wholly-owned subsidiary, refers to the cost of acquisition of goods for resale and also sales commissions via the Marketplace platform of the Company .

V. The amounts receivable (current assets) from Consórcio Luiza, wholly-owned subsidiary, refers to proposed dividends, commissions and sales made by the Company as the agent of consortium transactions. The amounts payable (current liabilities) refer to the transfers to be made to Consórcio Luiza relating to the installments of consortiums received by the Company through the cashiers of its points-of-sale.

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

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

VIII. Transactions with MTG Administração, Assessoria e Participações S.A. ("MTG"), controlled by the Company's controlling shareholders, refer to expenses with rental of office buildings for the installation of its stores, distribution centers and head office and reimbursement of expenses.

IX. Transactions with PJD Agropastoril Ltda., an entity controlled by the Company's indirect controlling shareholders, refer to expenses with rental of commercial buildings for installation of stores and truck rental for freight of goods and kitchen and cooking expenses.

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

XI. Transactions with ETCO, a special partnership which has as partner an entity controlled by the president of the Company's Board of Directors, refer to advertising and marketing service contracts, also including transfers relating to placement, media production and graphic design services.

XII. Refers to investments and redemptions, and income from exclusive investment funds (ML Renda Fixa Crédito Privado FI and FI Caixa ML RF Longo Prazo - see Note 6 - Securities).

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

Reconciliation

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Accounts receivable from related parties	**2,661,364**	373,995	**2,329,648**	370,036
Accounts payable to related parties	**(189,135)**	(152,094)	**(130,286)**	(152,126)
Total	**2,472,229**	221,901	**2,199,362**	217,910

b) Management compensation

	2020		2019	
	Board of Directors	Executive officers	Board of Directors	Executive officers
Fixed and variable compensation	**4,259**	**28,295**	4,586	37,986
Share-option plan	**-**	**44,647**	94	37,025

The Company does not grant post-employment benefits, severance benefits, or other long-term benefits. Short-term benefits to the Executive Officers are the same as those extended to other employees of the Company, whereby certain eligible collaborators are beneficiaries of the share-option plan, mentioned under Note 23 to the financial statements. It is an internal public policy of the Company to pay Profit Sharing to its collaborators. These amounts are provisioned on a monthly basis by the Company, according to estimates for meeting targets. The Company's Board of Directors approved on July 27, 2020 Management's overall compensation for the year ended at December 31, 2020, where a maximum limit for management's overall compensation was established at R$ 78,251.

10. Recoverable taxes

	Parent Company		Consolidated	
	2020	2019	2020	2019
VAT tax recoverable (ICMS) (a)	**634,941**	706,857	**685,863**	750,068
Social integration plan (PIS) and Social security financing (COFINS) recoverable (b)	**692,392**	1,097,269	**797,171**	1,227,982
Recoverable income tax (IRPJ) and social contribution (CSLL)	**2,215**	5,017	**3,508**	8,764
Recoverable withholding income tax (IRRF)	**2,547**	5,956	**8,338**	6,140
Other	**3,614**	2,514	**9,172**	8,980
Total	**1,335,709**	1,817,613	**1,504,052**	2,001,934
Current assets	**594,782**	777,929	**716,118**	864,144
Non-current assets	**740,927**	1,039,684	**787,934**	1,137,790

(a) These refer to ICMS accumulated credits and credits arising from the tax substitution regime deriving from the application of different rates in the inflow and outflow of interstate goods. Referred credits will be realized by refund request and offset from debts of same nature with the States of origin of credit.

(b) In the year 2019, the Company had a favorable and unappealable final decision for lawsuits regarding the right to exclude ICMS tax from PIS and COFINS tax calculation basis, provided that these lawsuits were related to the claim of Magazine Luiza S.A. and its merged company FS Vasconcelos Ltda. Two lawsuits were filed in 2007, ensuring the right for recognition of tax credits from the limitation period in 2002 up to the period of 2014, other lawsuit was filed in 2017, ensuring the right to credit for the period once established by Law 12973/14. The recorded amount for these lawsuits was R$ 1,190,050, of which R$ 713,455 refers to the principal and R$ 476,595 refers to monetary adjustment.

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

The measurement of credits related to these lawsuits 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 calculation basis without any restrictions, since the decisions that have become final and unappealable guarantee that all the ICMS required from the Company should be excluded from the PIS and COFINS calculation basis, regardless of the collection method, according to its legal advisors.

The offset of the credits occurs as proofs of claim via administrative procedures before the Federal Revenue Service are carried out.

11. Income tax and social contribution

Accounting policy

Current and deferred income tax and social contribution are calculated based on the rates of 15%, plus a surtax of 10% over taxable income of over R$ 240 thousand for income tax and 9% over taxable income for social contribution on net income, and consider a compensation of tax losses and social contribution carryforward, limited to 30% of the taxable income for the year.

Current taxes

Taxes on income are recognized under profit or loss for the year. The provisions for income tax and social contribution are calculated individually by entity on rates in effect at the year end.

Deferred taxes

Deferred income tax and social contribution ("deferred taxes") are recognized on temporary differences between the balances of assets and liabilities recognized in the financial statements and related tax bases adopted to calculate the taxable income, including the tax loss and social contribution tax loss carryforwards, not subject to statute of limitations. Deferred tax liabilities are usually recognized for all taxable temporary differences and deferred tax assets are recognized over all deductible temporary differences only when it is probable that future taxable bases will be in a sufficient amount to absorb the deductible temporary differences.

The probability of recovering the balance of deferred tax assets is reviewed at the end of each year and, when future taxable bases are probably no longer available and allowing the full or partial recovery of these taxes, the balance of the assets is reduced to the amount expected to be recovered.

Deferred tax assets and liabilities are mutually offset only when there is a legal right to set off, when they are related to taxes managed by the same tax authority and the Company intends to settle the net amount of its current tax assets and liabilities.

Government subventions for investment

Government subventions for investment are recognized as sales tax reducers, when there is reasonable assurance that the benefit will be received and that all the corresponding conditions are fulfilled

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

	Parent Company		Consolidated	
	2020	2019	2020	2019
Income before income tax and social contribution	**379,445**	1,215,384	**414,081**	1,218,150
Prevailing statutory rate	**34%**	34%	**34%**	34%
Expected income tax and social contribution debits at statutory rates	**(129,011)**	(413,231)	**(140,788)**	(414,171)
Reconciliation to effective rate (effects of application of tax rates):				
Exclusion – equity in investments	**12,428**	27,108	**40,776**	9,046
Effect of interest on own capital	**57,800**	57,800	**57,800**	57,800
Netshoes tax losses and social contribution carryforward – unrecognized deferred tax assets	**-**	-	**(59,830)**	15,898
Effect of technological innovation (1)	**30,663**	21,599	**30,663**	21,599
Effect of government subvention (2)	**38,205**	18,597	**48,310**	18,597
Other permanent exclusions, net	**2,179**	(5,429)	**697**	(5,091)
Income tax and social contribution debit	**12,264**	(293,556)	**(22,372)**	(296,322)
Current	**(163,499)**	(119,299)	**(222,208)**	(125,241)
Deferred	**175,763**	(174,257)	**199,836**	(171,081)
Total	**12,264**	(293,556)	**(22,372)**	(296,322)
Effective rate	**-3.2%**	24.2%	**5.4%**	24.3%

(1) The Company has subventions for investments, granted by some governmental agencies where it has operations, in the form of deemed ICMS credits. The government subventions are registered in the statement of income of the year under net revenue from sales. As of December 31, 2020 and 2019, the Company fulfilled all of the requirements under the subvention terms, such as tax obligations, maintenance of the agreed employments, minimum billing and maintenance of a logistics structure with an adequate physical space for storage of goods at the granting governmental entity.

(2) Law of “Bem” 11.196/05 is a government program for the innovation and technology.

Deferred taxes

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

	Parent Company				Consolidated				
	Balance at 2019	Income (loss)	OCI	Balance at 2020	Balance at 2019	Income (loss)	Business combination	OCI	Balance at 2020
Deferred income tax and social contribution on:									
Tax loss and social contribution loss carryforward	26,782	**(26,782)**	**-**	**-**	37,439	**(18,105)**	**-**	**-**	**19,334**
Losses on trade receivables	31,704	**879**	**-**	**32,583**	31,704	**879**	**-**	**-**	**32,583**
Inventory loss allowance	60,015	**(29,378)**	**-**	**30,637**	60,318	**(29,378)**	**-**	**-**	**30,940**
Provision for adjustments to present value	4,958	**12,134**	**-**	**17,092**	4,958	**12,134**	**-**	**-**	**17,092**
Provision for tax, civil and labor risks	199,786	**661**	**-**	**200,447**	271,521	**661**	**18,931**	**-**	**291,113**
Provision for stock option	34,548	**34,844**	**-**	**69,392**	34,548	**34,844**	**-**	**-**	**69,392**
Temporary difference - intangible asset	(41,679)	**-**	**-**	**(41,679)**	(148,732)	**-**	**(12,552)**	**-**	**(161,284)**
Escrow deposits	(13,355)	**1,961**	**-**	**(11,394)**	(13,355)	**1,961**	**-**	**-**	**(11,394)**
Deferred tax credits (Note 10)	(343,673)	**157,489**	**-**	**(186,184)**	(343,673)	**157,489**	**-**	**-**	**(186,184)**
Other	37,189	**23,955**	**(7,991)**	**53,153**	38,941	**39,351**	**-**	**(7,991)**	**70,301**
Deferred income tax and social contribution in assets (liabilities)	(3,725)	**175,763**	**(7,991)**	**164,047**	(26,331)	**199,836**	**6,379**	**(7,991)**	**171,893**

	Parent Company			Consolidated			
	Balance at 2018	Income (loss)	Balance at 2019	Balance at 2018	Income (loss)	Business combination	Balance at 2019
Deferred income tax and social contribution on:							
Tax loss and social contribution loss carryforward	56,140	(29,358)	26,782	62,004	(24,565)	-	37,439
Losses on trade receivables	24,993	6,711	31,704	24,993	6,711	-	31,704
Inventory loss allowance	23,439	36,576	60,015	23,729	36,589	-	60,318
Provision for adjustments to present value	8,906	(3,948)	4,958	8,906	(3,948)	-	4,958
Provision for tax, civil and labor risks	113,426	86,360	199,786	116,796	82,990	71,735	271,521
Temporary difference - intangible asset	(41,679)	-	(41,679)	(41,679)	-	(107,053)	(148,732)
Escrow deposits	(31,134)	17,779	(13,355)	(31,134)	17,779	-	(13,355)
Deferred tax credits (Note 10)	-	(343,673)	(343,673)	-	(343,673)	-	(343,673)
Other	17,397	54,340	71,737	17,397	56,092	-	73,489
Deferred income tax and social contribution in assets (liabilities)	171,488	(175,213)	(3,725)	181,012	(172,025)	(35,318)	(26,331)

Breakdown of deferred income tax and of social contribution per company

	Balance at 2019	Deferred assets	Deferred liabilities	Balance at 2020
Company	(3,725)	**164,047**	**-**	**164,047**
Netshoes	(35,318)	**-**	**(21,231)**	**(21,231)**
Consórcio Luiza	585	**782**	**-**	**782**
Época Cosméticos	8,651	**14,046**	**(3,612)**	**10,434**
Magalog	378	**12,809**	**-**	**12,809**
Softbox	3,098	**5,052**	**-**	**5,052**
Consolidated	(26,331)	**196,736**	**(24,843)**	**171,893**

The asset recorded is limited to the amounts whose realization is supported by future taxable base projections, approved by Management. The expected realization of deferred income tax and social contribution as at December 31, 2020 is as follows:

Year of realization	Parent Company	Consolidated
2021	**17,399**	**38,408**
2022	**(5,487)**	**7,023**
2023	**25,432**	**37,942**
2024	**62,232**	**74,742**
>2025	**64,471**	**13,778**
	164,047	**171,893**

c) Deferred income tax and social contribution not recorded

The subsidiary Netshoes accumulated tax losses and negative basis of social contribution on net income over the last operating years and, consequently, did not recognize income tax and social contribution credits over the deferred net income, in accordance with CVM Instruction No. 371/2002. The income tax and social contribution assets on net income may be recognized when the subsidiary Netshoes present future sustainable tax income and it is likely that the tax benefits will be realized. As of December 31, 2020, subsidiary Netshoes has the amount of R$ 431,241 (R$ 402,277 as of December 31, 2019) of deferred taxes not recorded, of which R$ 269,621 (R$ 265,585 as of December 31, 2019) refers to tax loss and negative basis of social contribution and R$ 161,620 (R$ 136,692 as of December 31, 2019) refers to temporary differences.

d) IFRIC 23/ICPC 22 - Uncertainty over Income Tax Treatments.

The interpretation explains how to consider the uncertainty in accounting for income tax. IAS 12/CPC32 - Income Taxes specifies how to account for current and deferred income taxes, but not how to reflect the effects of uncertainty. For instance, it may not be clear: i) how to apply the tax legislation to specific transactions or circumstances; ii) or whether the tax authorities will accept a particular tax treatment adopted by the entity.

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

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

12. Investments in subsidiaries

Accounting policy

Business combinations are accounted for using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition.

a. Business combination – "Estante Virtual"

On February 17, 2020, the Company, through its subsidiary Época Cosméticos, acquired the total capital and voting capital quotas of the company Estante Virtual. Founded in 2005, it started as a platform for the sale of used books and, in recent years, the company has also evolved into the sale of new books. The acquisition stresses the Company's strategy of growing in new categories and increasing the frequency of purchases, also offering other e-commerce products and online services.

The acquisition amounted to R$ 19,536, fully paid in cash at the transaction's closing date.

Assets acquired and liabilities assumed at the acquisition date:

An analysis was conducted by an independent expert within the term defined in CPC 15/IFRS 3 – Business Combination to perform a fair value assessment of assets acquired and liabilities and segregate the goodwill, which we show below:

	Fair value
Cash and equivalents	939
Trade accounts receivables	254
Recoverable taxes	295
Other assets	142
Intangible assets - Client portfolio (a)	15,000
Intangible assets - Workforce (b)	400
Intangible assets - Trademark (c)	1,900
Other non-current assets	683
	19,613
Trade accounts payable	431
Loans and borrowings	10,988
Labor payables	1,249
Taxes liabilities	341
Other accounts payable	92
Deferred tax liabilities	5,199
	18,300
Total identified assets (liabilities)	**1,313**

Valuation techniques for the acquired assets

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

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

b) Workforce: using the replacement cost method.

Trademark: using the Relief-from-Royalty method, which captures the economies of royalties related to owning the brand, instead of obtaining a license to use it.Goodwill on acquisition

Consideration transferred	19,536
Fair value of assets acquired	(1,313)
Goodwill on acquisition	18,223

The goodwill from the acquisition totals R$ 18,223. This refers mainly to the abilities and technical skills of the labor force and the expected synergies from the integration of the entity with the existing business of the Company.

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

Statement of income

In the year ended December 31, 2020, the Company consolidated the net revenue and net income amounts for the period from February 17 to December 31, 2020 arising from the acquisition, totaling R$ 14,799 and R$ 1,118, respectively. If the acquisition date were at the beginning of the reporting period, such amounts would refer to net revenue of R$ 17,726 and a net loss of R$ 10,273.

b. Business combination – "Aiqfome"

On September 03, 2020, the Company, through its subsidiary Magalog, acquired the total capital and voting capital quotas of the company Aiqfome Ltda. With the acquisition, the Company reinforces the expansion of services offered in its SuperApp, thus increasing the frequency of purchases within its ecosystem.

The acquisition was made in the amount of up to R$ 125,000, whose disbursement will be made as follows: i) fixed consideration in cash in the amount of R$ 87,500, of which R$50,000 was disbursed upon the transaction completion and the remainder will be disbursed in five equal and annual installments beginning in January 2022; and ii) contingent consideration in the amount of up to R$ 37,500, divided into five annual installments to be settled in shares issued by the Company in case of reaching certain targets and permanency of former shareholders, starting in January 2021.

Assets acquired and liabilities assumed at the acquisition date:

The Company contracted an independent valuation of the fair values of the net assets acquired, which are shown below:

	Fair value
Cash and equivalents	10,673
Trade accounts receivables	11,261
Recoverable taxes	2
Other assets	3
Property, plant and equipment	420
Intangible assets - Client base	8,780
Intangible assets – Trademark	33,893
Intangible assets – Platform	2,240
Deferred tax assets	10,094
	77,366
Trade accounts payable	121
Labor payables	540
Taxes liabilities	367
Other accounts payable	16,157
Deferred tax liabilities	3,724
Provision for risks	29,689
	50,598
Total identifiable assets, net	**26,768**

Valuation techniques for the acquired assets

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

a) Client base – relationship with restaurants: Aiqfome has over 17 thousand restaurants registered on its platform and 110,249 new clients registered monthly (average number of registrations between January 2020 and June 2020)..

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

c) Technology: AiQFome has a technological food delivery platform (available on IOS and Android platforms) developed by the company itself. The recognition of the acquired technology is perceived mainly in the user's interaction with the application (User Experience), with high ratings within the platforms submitted by its users, due to its practicality and easy to use. The Relief-from-Royalty method was used as the valuation method.

Goodwill on acquisition

Consideration transferred	125,000
Fair value of shareholders' equity	(26,768)
Goodwill on acquisition	98,232

The goodwill from the acquisition totals R$ 98,232. This refers mainly to the abilities and technical skills of the labor force and the expected synergies from the integration of the entity with the existing business of the Company. This recognized goodwill is deductible for tax purposes.

Statement of income

In the year ended December 31, 2020, the Company consolidated the net revenue and net income amounts for the period from September 03 to December 31, 2020 arising from the acquisition, totaling R$ 10,858 and R$ 2,596, respectively. If the acquisition date were at the beginning of the reporting period, such amounts would refer to net revenue of R$ 22,240 and a net income of R$ 7,265.

c. Business combination – “Hubsales”

On July 30, 2020, the Company, through its subsidiary Netshoes, acquired all the share and voting capital of R.A. Marques Assessoria Comércio Digital EIRELI and of RRG Log Armazéns e Vendas On Line EIRELI (“Hubsales”). Hubsales allows industries from different segments with little or no familiarity with the digital solution to offer their products directly to the final consumer through marketplace platforms, a segment known as Factory to Consumers (“F2C”).

The acquisition of Hubsales accelerates the entry of new industries into the Company’s marketplace platform, which represents another important step in the digitalization strategy of Brazilian retail.

The acquisition was made in the amount of up to R$ 13 million, of which i) R$ 8 million will be paid in cash, with R$ 5 million in cash and another R$ 3 million in three annual installments beginning in 2021; and ii) up to R$ 5 million will be settled through the assignment of shares issued by the Company, upon reaching certain targets and permanency of former shareholders, in five annual calculations as of 2021.

The Company contracted an independent valuation of the fair values of the net assets acquired, which are shown below:

	Fair value
Current assets	1,111
Property, plant and equipment	271
Intangible assets - Client base	1,376
Intangible assets - Technology	70
	2,828
Current liabilities	561
Non-current liabilities	288
	849
Total identifiable assets, net	**1,979**

Using the multi-period excess earnings method (MPEEM), the client base was identified as an intangible asset allocated to the purchase price. The goodwill totals R$ 11,021. This refers mainly to the abilities and technical skills of the labor force and the expected synergies from the integration of the entity with the existing business of the Company. This recognized goodwill is deductible for tax purposes.

Statement of income

In the year ended December 31, 2020, the Company consolidated the net revenue and net income amounts for the period from July 30 to December 31, 2020 arising from the acquisition, totaling R$ 1,720 and R$ 197, respectively. If the acquisition date were at the beginning of the reporting period, such amounts would refer to net revenue of R$ 3,762 and a net income of R$ 709.

d. Business combination – "Canaltech"

On September 30, 2020, the Company, through its subsidiary Netshoes, acquired of all the share and voting capital of Unilogic Media Group Ltda. and Canal Geek Internet Ltda. ("Canaltech"). The transactions mark the Company's debut at the online advertising segment, combining the generation of content and audience with the platform for marketing digital media. Through MagaluAds (advertising platform), Company expects to expand the dissemination of millions of products available on the Company's platform, in addition to monetizing its strong audience.

The acquisition was made in the amount of up to R$ 38 million, whose disbursement will be made as follows: i) fixed consideration in the amount of R$ 28 million, of which R$ 14 million in cash at the closing of the transaction and another R$ 14 million through the assignment of shares issued by the Company, in five annual installments starting at one year after the signature of the agreement; and ii) contingent consideration of up to R$ 10 million to be settled through the assignment of shares issued by the Company, in accordance with the achievement of certain targets and permanency of former shareholders, with five annual calculations, starting in 2021.

The Company contracted an independent valuation of the fair values of the net assets acquired, which are shown below:

	Fair value
Current assets	2,519
Property, plant and equipment	38
Intangible assets – Trademark	13,714
	16,271
Current liabilities	279
Non-current liabilities	8,886
	9,165
Total identifiable assets, net	**7,106**

Using the Relief from Royalties method, the trademark was identified as an intangible asset allocated to the purchase price. The goodwill totals R$ 30,894, including the difference paid by the Company in relation to the fair value of the assets of the acquirees. This refers mainly to the abilities and technical skills of the labor force and the expected synergies from the integration of the entity with the existing business of the Company. This recognized goodwill is deductible for tax purposes.

Statement of income

In the year ended December 31, 2020, the Company consolidated the net revenue and net income amounts for the period from September 30 to December 31, 2020 arising from the acquisition, totaling R$ 5,595 and R$ 2,541, respectively. If the acquisition date were at the beginning of the reporting period, such amounts would refer to net revenue of R$ 11,229 and a net income of R$ 5,661.

e. Business combination – “Stoq Tecnologia”

On August 24, 2020, the Company, through its subsidiary Softbox, acquired of all the share and voting capital of Stoq Tecnologia Ltda., a technology startup headquartered in the city of São Carlos, State of São Paulo, specialized in innovative solutions for small and medium Brazilian retailers. With the acquisition, Stoq’s products become part of the Company’s strategy, taking digitalization also to medium-sized retailers, which generally have more than one branch. Stoq’s products will be integrated into the Company’s digital account, so that all Stoq’s retailer clients can easily accept payments using Magalu Pay.

The acquisition was made in the amount of up to R$ 21.5 million, the disbursement of which will be made as follows: i) fixed consideration in the amount of R$ 13.5 million, of which R$ 8.7 million (R$ 4.3 million in cash at the closing of the deal) and R$ 4.8 million through the assignment of shares issued by the Company, in five annual installments as of 2021; and ii) contingent consideration of up to R$ 8 million to be settled through the assignment of shares issued by the Company, in accordance with the achievement of certain targets (improve physical stores billing technology and cloud foundation) and permanency of former shareholders, with five annual calculations, starting in one year after the signature of the agreement.

The Company contracted an independent valuation of the fair values of the net assets acquired, which are shown below:

	Fair value
Current assets	188
Property, plant and equipment	15
Intangible assets - Software	1,390
	1,593
Current liabilities	770
Provision for risks	259
	1,029
Total identifiable assets, net	**564**

Using the MPEEM method (multi-period excess earnings method), the software technology was identified as an intangible asset allocated to the purchase price, in view of the technology developed internally by Stoq and which will be used by the Company. The goodwill totals R$ 20,936, including the difference paid by the Company in relation to the fair value of the assets of the acquirees. This refers mainly to the abilities and technical skills of the labor force and the expected synergies from the integration of the entity with the existing business of the Company. This recognized goodwill is deductible for tax purposes.

Statement of income

In the year ended December 31, 2020, the Company consolidated the net revenue and net loss amounts for the period from August 24 to December 31, 2020 arising from the acquisition, totaling R$ 333 and R$ 438, respectively. If the acquisition date were at the beginning of the reporting period, such amounts would refer to net revenue of R$ 793 and a net loss of R$ 1,273.

f. Business combination – "Betta Tecnologia"

On August 20, 2020, the Company, through its subsidiary Softbox, Acquired of all the share and voting capital of Betta Tecnologia S.A. Betta is a technology company headquartered in the city of Franca, State of São Paulo, and has developers, who will be part of the Luizalabs developer team.

The acquisition was made in the amount of R$ 12.7 million, to be settled in cash, of which R$ 7.7 were settled upon the execution of the acquisition contract, R$ 3.7 million will be paid in one year as of the closing and another R$ 1.3 million will be paid within five years of closing.

In assessing the fair values of the net assets identified in the acquisition, no new intangible assets to be allocated were identified. The goodwill totals R$ 17,244 It is mainly attributed to the skills and technical talent of the workforce and may have the tax treatment provided in relevant legislation.

In the year ended December 31, 2020, the Company consolidated the net revenue and net loss amounts for the period from August 20 to December 31, 2020 arising from the acquisition, totaling R$ 2,595 and R$ 3,403, respectively. If the acquisition date were at the beginning of the reporting period, such amounts would refer to net revenue of R$ 13,402 and a net loss of R$ 1,814.

g. Business combination – "GFL Logística"

On September 25, 2020, the Company, through its subsidiary Magalog, acquired all the share and voting capital of GFL Logística Ltda, one of the main e-commerce logistics platforms, with a large presence in the interior of São Paulo and south of Minas Gerais. The acquisition aims to reinforce the Company's order delivery speed strategy and serve sellers on the marketplace platform.

The acquisition was made in the amount of up to R$ 25 million, whose disbursement will be made as follows: i) fixed consideration of R$ 19.2 million in cash, with R$ 12.5 million in cash and another R$ 6.7 million in five annual installments as of the first anniversary of the closing date; and ii) contingent consideration of up to R$ 5.8 million through the assignment of shares issued by the Company, in accordance with the achievement of certain targets and permanency of former shareholders, with five annual calculations, starting in 2021.

The Company contracted an independent valuation of the fair values of the net assets acquired, which are shown below:

	Fair value
Cash and equivalents	1,035
Trade accounts receivable	9,868
Recoverable taxes	31
Other assets	618
Property, plant and equipment	1,215
Intangible assets - Client base	10,966
Deferred tax assets	6,257
	29,990
Current liabilities	4,715
Provision for risks	18,316
Other non-current liabilities	3,728
	26,759
Total identifiable assets, net	**3,231**

Using the multi-period excess earnings method (MPEEM), the client base was identified as an intangible asset allocated to the purchase price. The goodwill totals R$ 21,769. This refers mainly to the abilities and technical skills of the labor force and the expected synergies from the integration of the entity with the existing business of the Company. This recognized goodwill is deductible for tax purposes.

Statement of income

In the year ended December 31, 2020, the Company consolidated the net revenue and net income amounts for the period from September 25 to December 31, 2020 arising from the acquisition, totaling R$ 29,577 and R$ 6,398, respectively. If the acquisition date were at the beginning of the reporting period, such amounts would refer to net revenue of R$ 77,773 and a net loss of R$ 17,573.

h. Business combination – "Comschool"

On October 15, 2020, the Company, by means of its subsidiary Netshoes, acquired 100% of capital quotas from ComSchool Soluções em E-Commerce Ltda.., a benchmark in courses focused on e-commerce and digital performance in Brazil.

The Company's intention is to bring knowledge and training on the online market to thousands of people and companies, fostering inclusion in the digital universe. Furthermore, ComSchool will offer sellers in the Company's marketplace access to courses developed especially for their needs, enabling them to better manage their businesses in the digital world, to sell more and with a high service level. Moreover, entrepreneurs with analogic operations will be able to learn about e-commerce and digital businesses, accelerating the digital transformation process of said companies.

The acquisition was made in the amount of up to R$ 14.5 million, the disbursement of which will be made as follows: i) fixed consideration of R$ 8,000 in cash; and ii) contingent consideration of 6,500 in five annual installments as of the first anniversary of the closing date, R$ 2,990 in cash and R$ 3,510 through the assignment of shares issued by the Company, in accordance with the achievement of certain targets and permanency of former shareholders.

The Company contracted an independent valuation of the fair values of the net assets acquired, which are shown below:

	Fair value
Current assets	771
Property, plant and equipment	152
Intangible assets - Relationship (a)	2,325
Intangible assets – Trademarks (b)	5,623
	8,871
Current liabilities	871
Litigation, claims and liabilities	9,087
	9,958
Total identifiable assets, net	**(1,087)**

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

a) The relationship with teachers was assessed based on the MPEEM method and identified as a significant intangible asset in the acquisition.

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

The goodwill totals R$ 15,587. This refers mainly to the abilities and technical skills of the labor force and the expected synergies from the integration of the entity with the existing business of the Company. This recognized goodwill is deductible for tax purposes.

Statement of income

In the year ended December 31, 2020, the Company consolidated the net revenue and net loss amounts for the period from October 15 to December 31, 2020 arising from the acquisition, totaling R$ 1,084 and R$ 41, respectively. If the acquisition date were at the beginning of the reporting period, such amounts would refer to net revenue of R$ 5,779 and a net income of R$ 466.

i. Acquisition of Hub Prepaid Participações S.A.

On December 20, 2020, the Company, through its subsidiary Magalu Pagamentos, signed a purchase and sale agreement comprising all the shares of Hub Prepaid Participações S.A., a non-financial holding company that controls Hub Pagamentos S.A., a payment institution authorized to operate as a creditor and issuer of electronic currency by the Central Bank of Brazil (BACEN), fully integrated into the Brazilian Payment System (SPB) and the Instant Payment System (PIX). In addition to offering a digital account and prepaid card directly to its clients, Hub is one Banking as a Service (BaaS) platforms and a leader in prepaid card processing, serving clients in several segments, such as retail, mobility, financial institutions and fintechs. In addition to Hub Pagamentos S.A., Hub Prepaid Participações S.A. controls the non-operating companies Hub Voucher S.A., Paypaxx Administradora de Cartão S.A. and Hub Pagos S.A.

The amount agreed for the acquisition was R$ 290 million, to be fully settled upon the completion of the transaction, which is subject to certain precedent conditions, as well as the approval of the Administrative Council for Economic Defense (CADE) and of BACEN.

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j. Changes in investments in subsidiaries

Changes in investments in subsidiaries, presented in the parent company financial statements, are demonstrated below:

Information on subsidiaries
Position as of 12/31/2020

Investment position	Interest		Assets		Liabilities		Capital	Net equity	Net revenue	Net income (loss) in the year
	Quotas/shares owned	%	Current	Non-current	Current	Non-current				
Netshoes	1,514,532,428	100%	754,996	525,725	886,889	354,678	401,745	39,154	2,097,363	(195,207)
Época Cosméticos	34,405,475	100%	190,835	51,438	158,737	3,636	80,405	79,900	461,555	17,429
Magalu Pagamentos	2,000,000	100%	1,226,399	8,674	1,078,352	-	73,000	156,721	243,726	96,544
Integra Commerce	100	100%	150	-	-	-	4,156	150	-	(671)
Consórcio Luiza	6,500	100%	70,961	3,901	20,814	1,919	6,500	52,129	97,233	7,440
Magalog	16,726	100%	162,694	186,811	163,259	48,744	100,551	137,502	301,487	(4,610)
Softbox	23,273,616	100%	9,537	51,365	25,254	8,648	24,902	27,000	49,638	(4,375)
Kelex	100	100%	231	58	-	2	100	287	101	63
Certa	100	100%	125	-	29	-	100	96	-	11

Changes	Initial balance	Advance for future capital increase	Business combinations	Other comprehensive income	Share-option plan	Equity in investments	Final balance
Netshoes	768,904	141,000	32,510	4,460	11,783	(195,207)	763,450
Época Cosméticos	58,025	46,000	-	-	-	17,429	121,454
Magalu Pagamentos	1,992	71,000	-	-	-	96,544	169,536
Integra Commerce	2,841	-	-	-	-	(671)	2,170
Consórcio Luiza	44,372	-	-	317	-	7,440	52,129
Magalog	14,039	92,500	43,283	-	-	(4,610)	145,212
Softbox	43,921	14,219	9,078	-	-	(4,375)	62,843
Kelex	1,009	-	-	-	-	63	1,072
Certa	470	-	-	-	-	11	481
Total	**935,573**	**364,719**	**84,871**	**4,777**	**11,783**	**(83,376)**	**1,318,347**

Position as of 12/31/2019

Investment position	Interest		Assets		Liabilities		Capital	Shareholders' equity	Net revenue	Net income (loss)
	Quotas Shares	%	Current	Non-current	Current	Non-current				
Netshoes	31,056,244	100%	530,943	520,277	693,202	121,656	260,745	236,362	1,080,034	46,758
Época Cosméticos	12,855	100%	68,735	11,791	64,055	-	34,405	16,471	198,138	(4,852)
Magalu Pagamentos	2,000,000	100%	2,800	-	808	-	2,000	1,992	74	(8)
Integra Commerce	100	100%	389	451	19	-	4,156	821	111	(320)
Consórcio Luiza	6,500	100%	56,474	4,874	14,336	2,640	6,500	44,372	84,756	10,440
Magalog	16,726	100%	28,936	869	23,476	-	8,051	6,329	23,250	(734)
Softbox	5,431	100%	8,076	5,849	7,599	-	8,500	6,326	34,477	1,811
Kelex	100	100%	227	-	3	-	100	224	162	35
Certa	100	100%	117	-	32	-	100	85	-	(7)

Changes	Initial balance	Advance for future capital increase	Business combinations	Other comprehensive income	Share-option plan	Dividends	Equity in investments	Final balance
Netshoes	-	260,500	453,247	902	7,497	-	46,758	768,904
Época Cosméticos	57,077	5,800	-	-	-	-	(4,852)	58,025
Magalu Pagamentos	-	2,000	-	-	-	-	(8)	1,992
Integra Commerce	2,861	300	-	-	-	-	(320)	2,841
Consórcio Luiza	36,542	-	-	-	-	(2,610)	10,440	44,372
Magalog	8,373	6,400	-	-	-	-	(734)	14,039
Softbox	42,110	-	-	-	-	-	1,811	43,921
Kelex	974	-	-	-	-	-	35	1,009
Certa	477	-	-	-	-	-	(7)	470
Total	148,414	275,000	453,247	902	7,497	(2,610)	53,123	935,573

k. Reconciliation of book value

Total investments in subsidiaries by company	Shareholders' equity	Goodwill generated on acquisition	Surplus[1]	2020
Netshoes	**39,154**	**486,724**	**237,572**	**763,450**
Época Cosméticos	**79,901**	**36,826**	**4,727**	**121,454**
Magalu Pagamentos	**169,536**	**-**	**-**	**169,536**
Integra Commerce	**150**	**-**	**2,020**	**2,170**
Consórcio Luiza	**52,129**	**-**	**-**	**52,129**
Magalog	**137,502**	**3,756**	**3,954**	**145,212**
Softbox	**27,000**	**23,078**	**12,765**	**62,843**
Kelex	**287**	**785**	**-**	**1,072**
Certa	**96**	**385**	**-**	**481**
Total	**505,755**	**551,554**	**261,038**	**1,318,347**

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

Total investments in subsidiaries by company	Shareholders' equity	Goodwill generated on acquisition	Surplus[1]	2019
Netshoes	236,362	486,718	45,824	768,904
Época Cosméticos	16,471	36,827	4,727	58,025
Magalu Pagamentos	1,992	-	-	1,992
Integra Commerce	821	-	2,020	2,841
Consórcio Luiza	44,372	-	-	44,372
Magalog	6,329	3,756	3,954	14,039
Softbox	6,326	23,078	14,517	43,921
Kelex	224	785	-	1,009
Certa	85	385	-	470
Total	312,982	551,549	71,042	935,573

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

13. Investments in joint venture

Accounting policy

Investment in a joint-venture is initially recognized at cost. As of the date of acquisition, the carrying value of the investment is adjusted for the purpose of recognition of the variations in the equity interest of the Company in the net equity of the joint-venture.

The statement of income reflects the participation of the Company in the operational results of the joint-venture. Eventual variations in other comprehensive income of these investees are recognized directly under net equity of the joint-venture, the Company will recognize its participation in any variations, when applicable, in the statement of changes in equity. Unrealized gains and losses due to transactions between the Company and the joint-venture are eliminated in the proportion of the participation in the joint-venture.

The financial statements of the joint-venture are prepared for the same period of disclosure of the Company. When necessary, adjustments are made in order for the accounting policies to be aligned to those of the Company.

After applying the equity method of accounting, the Company determines whether it is necessary to recognize additional impairment loss on the investments in the joint-venture. The Company determines, at each balance sheet closing date, whether there is objective evidence that the investment in the joint-venture suffered impairment. If impairment is confirmed, the Company calculates the amount of the impairment loss as the difference between the recoverable value of the joint-venture and the carrying value and recognizes the loss in the statement of income. The Company has not identified impairment triggers in 2020 and 2019.

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Position as of 12/31/2020

Joint venture	Interest		Assets		Liabilities		Capital	Net equity	Net revenue	Net income
	Quotas Shares	%	Current	Non-current	Current	Non-current				
Luizacred	**31,056,244**	**50%**	**9,254,670**	**1,213,613**	**9,640,388**	**84,809**	**442,000**	**743,086**	**1,801,902**	**204,857**
Luizaseg	**12,855**	**50%**	**263,843**	**419,702**	**312,598**	**124,950**	**133,883**	**245,997**	**398,542**	**58,582**

Changes	Initial balance	Dividends	Other comprehensive income	Equity in investments	Final balance
Luizacred	**295,471**	**(12,949)**	**-**	**102,429**	**384,951**
Luizaseg	**9,620**	**(25,115)**	**(231)**	**17,500**	**1,774**
Total	**305,091**	**(38,064)**	**(231)**	**119,929**	**386,725**

Position as of 12/31/2019

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

Changes	Initial balance	Dividends	Other comprehensive income	Equity in investments	Final balance
Luizacred	288,260	(12,952)	-	20,163	295,471
Luizaseg	20,202	(19,807)	2,781	6,444	9,620
Total	308,462	(32,759)	2,781	26,607	305,091

Total investments in joint venture subsidiaries

	2020	2019
Luizacred (a)	**384,951**	295,471
Luizaseg (b)	**124,446**	120,500
Luizaseg - Unrealized profits (c)	**(122,672)**	(110,880)
Total investments in joint venture	**386,725**	305,091

(a) Equity interest of 50% in the voting capital representing the contractually agreed sharing in the control of the business, requiring unanimous consent of the parties on significant decisions and relevant financial and operational activities. Luizacred is jointly-controlled with Banco Itaúcard S.A. and is engaged in the offer, distribution and commercialization of financial products and services to its clients at the Company's chain of stores.

(b) Equity interest of 50% in the voting capital representing the contractually agreed sharing in the control of the business, requiring unanimous consent of the parties on significant decisions, guarantees and operating activities. Luisacred is joint venture with NCVP Participações Societárias S.A., a subsidiary of Cardif do Brasil Seguros e Previdência S.A. and is engaged in the development, sale and management of extended warranties for any kind of product sold in Brazil through the Company's chain of stores.

(c) Unrealized profits from transactions for the intermediation of extended warranty insurance for the joint venture subsidiary Luizaseg.

14. Leases

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

Accounting policy

The Company recognizes a right-of-use asset and a lease liability on the date of the beginning of the lease. The right-of-use asset is measured initially at cost and subsequently at cost less any accumulated depreciation and impairment loss, and adjusted by certain remeasurements of the lease liability. Depreciation is calculated using the straight-line method over the term of the lease.

The Company used as a cost component the fixed lease payments or fixed in essence, which would be the minimum agreed payments in accordance with the contracts with variable payments in accordance with the revenue achieved. The specific amounts of the variables are outside the scope of CPC 06 (R2)/IFRS 16 and are recognized monthly as operating expenses.

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

The Company is a party in certain contracts with indefinite terms. Considering that both the lessor and the lessee have the right to cancel a contract at any time, with an insignificant fine, if any, the Company understands that such contracts are outside the scope of pronouncement CPC 06 (R2)/IFRS 16, and such payments are recognized as operating expenses, should they occur.

Changes in the right-of-use, during the years ended December 31, 2020 and 2019 were as follows:

	Parent Company	Consolidated
Right-of-use as of December 31, 2019:	**2,203,827**	**2,273,786**
Addition/remeasurement	**618,231**	**650,234**
Write-offs	**(24,827)**	**(82,033)**
Depreciation	**(355,692)**	**(376,473)**
Right-of-use as of December 31, 2020:	**2,441,539**	**2,465,514**
Breakdown:		
Cost value	**3,137,081**	**3,172,371**
Accumulated depreciation	**(695,542)**	**(706,857)**
Right-of-use as of December 31, 2020:	**2,441,539**	**2,465,514**

	Parent Company	Consolidated
Right-of-use as of December 31, 2018:		
First-time adoption - IFRS 16	1,947,468	1,947,468
Addition/remeasurement	537,046	546,539
Additions due to business combination	-	72,973
Write-offs	(913)	(913)
Depreciation	(279,774)	(292,281)
Right-of-use as of December 31, 2019:	2,203,827	2,273,786
Breakdown:		
Cost value	2,606,785	2,697,648
Accumulated depreciation	(402,958)	(423,862)
Right-of-use as of December 31, 2019:	2,203,827	2,273,786

Changes in the lease liability, during the years ended December 31, 2020 and 2019 were as follows:

	Parent Company	Consolidated
Lease as of December 31, 2019:	2,205,750	2,280,322
Remeasurement/addition	**610,399**	**642,400**
Payment of principal	**(275,850)**	**(290,160)**
Interest payment	**(191,579)**	**(197,582)**
Accrued interest	**173,430**	**179,434**
Write-off	**(24,827)**	**(88,110)**
Lease as of December 31, 2020:	**2,497,323**	**2,526,304**
Current	**340,801**	**351,152**
Non-current	**2,156,522**	**2,175,152**

	Parent Company	Consolidated
Lease as of December 31, 2018:		
First-time adoption	1,947,468	1,947,468
Remeasurement/addition	463,977	473,470
Addition due to business combination	-	73,693
Payment of principal	(205,695)	(214,309)
Interest payment	(147,715)	(152,353)
Accrued interest	147,715	152,353
Lease as of December 31, 2019:	2,205,750	2,280,322
Current	311,960	330,571
Non-current	1,893,790	1,949,751

In 2020, the Technical Pronouncement CPC 06 (R2)/IFRS 16 – Leases underwent a review to provide for a practical expedient related to discounts obtained by lessees in lease agreements, related to Covid-19. This practical expedient provides for that the lessee could choose not to assess whether a benefit granted due to the pandemic would be recognized as an amendment of the lease agreement. Thus, the Company adopted the practical expedient to all the benefits negotiated with real estate lessors due to discounts obtained in 889 lease agreements.

i) Additional Information

As described above, the Company adopted, as a discount rate for lease liabilities, the incremental loan rate, which is calculated as basic interest rate that can be promptly observable, adjusted by the Company's credit risk, to the terms of the lease agreements and the nature and quality of possible guarantees to be pledged. Considering that the Company's lease agreements are substantially contracts with payment flows indexed by inflationary indexes and, also considering the disclosure suggestions published in CVM Circular Letter 02/19, the Company provides below additional information about the characteristics of the agreements so that users of these financial statements can, at their discretion, prepared projections of future payment flows indexed by inflation for the period:

Contractual flows as of December 31, 2020:

Maturity	Average discount rate	Contractual Payment Flow - Consolidated						
Maturity		2020	2021	2022	2023	2024	2025	>2025
2021–2023	7.62%	105,920	75,289	27,743	-	-	-	-
2024–2026	7.61%	140,719	141,837	141,766	126,448	84,280	39,638	-
2027–2029	7.56%	134,564	134,861	134,584	134,719	134,829	134,897	147,847
2030–2032	7.56%	34,588	34,378	34,378	34,374	34,254	34,283	166,404
2033–2035	7.61%	11,763	11,893	11,893	11,869	11,806	11,875	89,136
2036–2038	7.58%	23,906	24,322	24,320	24,320	24,320	24,291	263,592
>2038	7.57%	38,665	39,384	40,019	40,117	40,181	40,205	512,040
Total		**490,125**	**461,964**	**414,703**	**371,847**	**329,670**	**285,189**	**1,179,019**
Projected inflation[1]		6.06%	6.06%	6.06%	5.28%	5.28%	5.28%	4.23%

[1]Rate obtained through quotations of future DI x ICPA coupons observed at B3 (www.b3.com.br)

15. Property and equipment

Accounting policy

Items of property and equipment are measured at cost of acquisition or construction, less accumulated depreciation, with exception to land and works in progress, plus interest incurred and capitalized during the construction phase of the assets, when applicable. Depreciation is recognized based on the estimated useful life of each asset or family of assets, using the straight-line method, so that its residual value after its useful life is fully written-off. Depreciation methods, useful lives and residual values are reviewed at each reporting date and the effect of any estimation changes are registered prospectively.

An item of property and equipment is written-off after disposal or when there are no future economic benefits resulting from continued use. Gain or loss from disposal or write-off are recognized in profit or loss when incurred.

The accounting policy related to impairment of assets is described under Note 3.2. to the financial statements.

Changes in property and equipment, for the years ended December 31, 2020 and 2019, are demonstrated below:

Parent Company

	Balance 12/31/2019	Additions	Depreciation	Write-offs	Transfer	Balance 12/31/2020
Furniture and fixtures	**166,225**	**63,664**	**(28,894)**	**(1,743)**	**3,502**	**202,754**
Machinery and equipment	**127,573**	**37,332**	**(9,441)**	**(1,439)**	**147**	**154,172**
Vehicles	**10,789**	**2,848**	**(3,407)**	**(33)**	**-**	**10,197**
Computers and peripherals	**89,824**	**77,768**	**(33,220)**	**(13,556)**	**2,036**	**122,852**
Improvements	**487,618**	**-**	**(61,054)**	**(1,716)**	**157,352**	**582,200**
Works in progress	**87,850**	**149,272**	**-**	**-**	**(157,100)**	**80,022**
Other	**22,493**	**9,287**	**(4,818)**	**(1,464)**	**(5,937)**	**19,561**
	992,372	**340,171**	**(140,834)**	**(19,951)**	**-**	**1,171,758**

	Balance 01/01/2019	Additions	Depreciation	Write-offs	Transfer	Transfer - IFRS 16	Balance 12/31/2019
Furniture and fixtures	126,895	63,062	(24,432)	(697)	1,397	-	166,225
Machinery and equipment	84,228	51,049	(7,461)	(327)	84	-	127,573
Vehicles	17,706	4,924	(2,642)	(625)	(79)	(8,495)	10,789
Computers and peripherals	62,886	50,240	(23,845)	(280)	823	-	89,824
Improvements	327,930	213	(36,343)	(40)	195,858	-	487,618
Works in progress	108,457	175,697	-	(267)	(196,037)	-	87,850
Other	21,361	7,661	(4,107)	(376)	(2,046)	-	22,493
	749,463	352,846	(98,830)	(2,612)	-	(8,495)	992,372

	2020			2019		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Furniture and fixtures	**362,533**	**(159,779)**	**202,754**	306,354	(140,129)	166,225
Machinery and equipment	**208,323**	**(54,151)**	**154,172**	174,906	(47,333)	127,573
Vehicles	**29,107**	**(18,910)**	**10,197**	27,762	(16,973)	10,789
Computers and peripherals	**294,829**	**(171,977)**	**122,852**	258,470	(168,646)	89,824
Improvements	**1,045,339**	**(463,139)**	**582,200**	915,405	(427,787)	487,618
Works in progress	**80,022**	**-**	**80,022**	87,850	-	87,850
Other	**43,481**	**(23,920)**	**19,561**	42,708	(20,215)	22,493
	2,063,634	**(891,876)**	**1,171,758**	1,813,455	(821,083)	992,372

Consolidated

	Balance at 12/31/2019	Additions	Addition for acquisition of subsidiary	Depreciation	Write-off	Transfer	Balance at 12/31/2020
Furniture and fixtures	**169,689**	**64,881**	**1,600**	**(29,573)**	**(2,642)**	**3,857**	**207,812**
Machinery and equipment	**154,224**	**39,229**	**43**	**(12,782)**	**(1,488)**	**3,363**	**182,589**
Vehicles	**10,954**	**2,854**	**202**	**(3,465)**	**(39)**	**-**	**10,506**
Computers and peripherals	**96,847**	**83,674**	**628**	**(36,754)**	**(14,329)**	**2,743**	**132,809**
Improvements	**512,392**	**3,050**	**14**	**(73,596)**	**(2,203)**	**167,380**	**607,037**
Works in progress	**90,257**	**161,026**	**-**	**-**	**-**	**(169,188)**	**82,095**
Other	**42,341**	**9,444**	**4**	**(6,856)**	**(1,464)**	**(8,155)**	**35,314**
	1,076,704	**364,158**	**2,491**	**(163,026)**	**(22,165)**	**-**	**1,258,162**

	Balance at 01/01/2019	Additions	Addition from subsidiary	Depreciation	Write-off	Transfer	Transfer - IFRS 2016	Balance at 12/31/2019
Furniture and fixtures	126,911	63,076	3,630	(24,747)	(697)	1,516	-	169,689
Machinery and equipment	84,228	51,053	28,051	(9,042)	(377)	311	-	154,224
Vehicles	17,706	5,023	37	(2,694)	(625)	2	(8,495)	10,954
Computers and peripherals	62,972	50,644	7,699	(25,421)	(297)	1,250	-	96,847
Improvements	327,930	391	33,064	(45,683)	(173)	196,863	-	512,392
Works in progress	108,457	177,015	1,089	-	(267)	(196,037)	-	90,257
Other	26,049	8,852	16,243	(4,522)	(376)	(3,905)	-	42,341
	754,253	356,054	89,813	(112,109)	(2,812)	-	(8,495)	1,076,704

	2020			2019		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Furniture and fixtures	**369,917**	**(162,105)**	**207,812**	312,735	(143,046)	169,689
Machinery and equipment	**254,088**	**(71,499)**	**182,589**	215,280	(61,056)	154,224
Vehicles	**29,659**	**(19,153)**	**10,506**	28,153	(17,199)	10,954
Computers and peripherals	**327,279**	**(194,470)**	**132,809**	285,748	(188,901)	96,847
Improvements	**1,117,621**	**(510,584)**	**607,037**	976,809	(464,417)	512,392
Works in progress	**82,095**	**-**	**82,095**	90,257	-	90,257
Other	**61,524**	**(26,210)**	**35,314**	64,147	(21,806)	42,341
	2,242,183	**(984,021)**	**1,258,162**	1,973,129	(896,425)	1,076,704

As of December 31, 2020, the Company did not record the capitalized loan cost for the opening of new stores and acquisition of facilities and equipment (R$ 510 as at December 31, 2019). The average rate of the loans was used to calculate the costs of the loans to be capitalized.

Depreciation rates

Annual depreciation rates are demonstrated below:

	2020	2019
Furniture and fixtures	**10%**	10%
Machinery and equipment	**5%**	5%
Aircrafts	**5%**	5%
Light vehicles	**20%**	20%
Heavy vehicles	**14.3%**	14.3%
Computers and peripherals	**20%**	20%
Improvements	**7.0**	8.1%

The Company has neither fixed assets idle nor held for sale.

Asset impairment test

No events were identified for the reporting periods indicating the need for assessing impairment of property and equipment

16. Intangible assets

Accounting policy

Intangible assets represented by amounts paid on the acquisition of points-of-sale (commercial funds) are amortized in a straight-line basis for a 10 year period, reflecting Management's best estimate as to the minimum period of occupancy in a leased property.

Goodwill arising on the acquisition of investments are initially measured as the excess of consideration transferred in relation to the net assets acquired. After initial recognition, goodwill, which has undefined useful life, is measured at cost, less any accumulated impairment loss, as described under Note 3.2. to the financial statements.

Software refers to the cost of acquisition of the business management system which is being amortized on a straight-line basis over a five-year period.

Research expenditures are recorded as expenses when incurred, and development expenses related to the technological innovation of existing products are capitalized, if they are technologically and economically feasible, and amortized under the group of other expenses during the expected period of benefits. While these developments are not concluded, the balances are recorded under "Projects in progress".

Intangible assets acquired in a business combination refer, substantially, to goodwill registered on the acquisition of investments. In the consolidated financial statements, intangible assets acquired from a business combination and recognized separately from goodwill are registered at fair value on the date of acquisition, which is equivalent to their cost.

An intangible asset is written off upon disposal or when there is no future economic benefits related thereto, being recognized under profit or loss when the asset is written off.

The accounting policy related to impairment of assets is described under Note 3.2. to the financial statements.

Changes in intangible assets for the years ended December 31, 2020 and 2019 are demonstrated below:

Parent Company

	Balance as at 12/31/2019	Additions	Amortization	Write-off	Transfer	Balance as at 12/31/2020
Goodwill	**313,856**	**-**	**-**	**-**	**-**	**313,856**
Software and internal development	**210,568**	**26,408**	**(72,799)**	**(27)**	**78,765**	**242,915**
Projects in progress	**2,327**	**113,174**	**-**	**(198)**	**(78,765)**	**36,538**
Other	**118**	**-**	**-**	**-**	**-**	**118**
	526,869	**139,582**	**(72,799)**	**(225)**	**-**	**593,427**

	Balance as at 01/01/2019	Additions	Amortization	Write-off	Transfer	Transfer - IFRS 16	Balance as at 12/31/2019
Goodwill	313,856	-	-	-	-	-	313,856
Commercial fund	22,345	-	-	-	-	(22,345)	-
Software and internal development	156,247	16,985	(59,405)	(2)	96,743	-	210,568
Projects in progress	8,972	90,165	-	(67)	(96,743)	-	2,327
Other	119	-	-	(1)	-	-	118
	501,539	107,150	(59,405)	(70)	-	(22,345)	526,869

	2020			2019		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Goodwill	**313,856**	**-**	**313,856**	325,451	(11,595)	313,856
Commercial fund	**-**	**-**	**-**	25,988	(25,988)	-
Software and internal development	**480,519**	**(237,604)**	**242,915**	492,723	(282,155)	210,568
Projects in progress	**36,538**	**-**	**36,538**	2,327	-	2,327
Other	**118**	**-**	**118**	118	-	118
	831,031	**(237,604)**	**593,427**	846,607	(319,738)	526,869

Consolidated

	Balance 12/31/2019	Additions	Addition for acquisition of subsidiary	Amortization	Write-off	Transfer	Balance 12/31/2020
Goodwill	**867,425**	**-**	**235,315**	**-**	**-**	**-**	**1,102,740**
Commercial fund	**2,234**	**-**	**-**	**-**	**-**	**1**	**2,235**
Client portfolio	**175,900**	**-**	**38,447**	**(44,983)**	**-**	**5,300**	**174,664**
Software and internal development	**350,862**	**39,659**	**3,662**	**(118,041)**	**(67)**	**93,157**	**369,232**
Projects in progress	**2,327**	**131,978**	**-**	**-**	**(198)**	**(93,124)**	**40,983**
Trademark and patents	**120,985**	**213**	**55,194**	**-**	**(210)**	**(1)**	**176,181**
Other	**25,895**	**-**	**400**	**-**	**-**	**(5,333)**	**20,962**
	1,545,628	**171,850**	**333,018**	**(163,024)**	**(475)**	**-**	**1,886,997**

	Balance 01/01/2019	Additions	Addition for acquisition of subsidiary	Amortization	Write-off	Transfer	Transfer - IFRS 16	Balance 12/31/2019
Goodwill	398,434	-	489,520	-	-	(20,529)	-	867,425
Commercial fund	24,579	-	-	-	-	-	(22,345)	2,234
Client portfolio	-	-	175,900	-	-	-	-	175,900
Software and internal development	162,952	31,890	131,948	(82,569)	(2)	106,643	-	350,862
Projects in progress	8,972	90,165	-	-	(67)	(96,743)	-	2,327
Trademark and patents	3,649	-	116,056	-	-	1,280	-	120,985
Other	236	30	16,297	(16)	(1)	9,349	-	25,895
	598,822	122,085	929,721	(82,585)	(70)	-	(22,345)	1,545,628

	2020			2019		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Goodwill	**1,102,740**	**-**	**1,102,740**	879,020	(11,595)	867,425
Commercial fund	**2,235**	**-**	**2,235**	28,222	(25,988)	2,234
Client portfolio	**219,647**	**(44,983)**	**174,664**	175,900	-	175,900
Software and internal development	**804,131**	**(434,899)**	**369,232**	777,351	(426,489)	350,862
Projects in progress	**40,983**	**-**	**40,983**	2,327	-	2,327
Trademarks and patents	**176,683**	**(502)**	**176,181**	121,487	(502)	120,985
Other	**20,962**	**-**	**20,962**	25,913	(18)	25,895
	2,367,381	**(480,384)**	**1,886,997**	2,010,220	(464,592)	1,545,628

Expenses related to the amortization of intangible assets are recorded under “Depreciation and amortization” in the profit or loss for the year.

Impairment tests of goodwill and intangible assets

Goodwill and other intangible assets were submitted to impairment tests as at December 31, 2020 and 2019. Management prepared an estimate of recoverable values or values in use of all the assets.

The impairment test for the goodwill in the acquisition of companies comprises the calculation of the recoverable values of the Cash Generating Units (CGU’s) identified in each business. A CGU identified is the grouping of all brick-and-mortar retail chain stores acquired, whose goodwill totals R$ 313,856. Another relevant CGU identified is the fashion and sports products, whose goodwill corresponds mainly to the acquisition of Netshoes.

CGU value in use is determined at the discounted cash flow method, before taxes, at the following rates:

	Physical Retail	Netshoes
	Rate p.a.	
Discounted cash flow - discount rate before taxes	13.8% (1)	13.8% (1)
Average weighted growth rate in first five years.	9.2%	12.4%
Perpetuity	3.2%	3.2%

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

The assumptions about the future cash flows and growth prospects for the CGU is based on the Company’s annual budget and business plans for the next 5 years approved by the Board of Directors, as well as comparable market data, representing the Management’s best estimate as to current economic conditions during the useful economic lives of the group of assets generating cash flows. From the tests performed, the Company did not identify any impairment of the goodwill and intangibles with indefinite useful life to be recorded.

17. Trade accounts payable

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Goods for resale – internal market	**7,542,524**	5,372,599	**8,311,440**	5,867,239
Other suppliers	**154,534**	67,258	**216,617**	99,698
Adjustment to present value	**(17,197)**	(26,311)	**(26,659)**	(32,060)
Total suppliers	**7,679,861**	5,413,546	**8,501,398**	5,934,877

The Company has agreements signed with partner banks to structure with its main suppliers the operation of anticipation of receivables. In this operation, the suppliers transfer the right to receiving the notes to the Bank in exchange for anticipated receipt of the notes. The Bank, in turn, becomes the creditor of the operation, and the Company settles the note on the same date originally agreed-to with its supplier and receives, subsequently, a commission from the Bank for this intermediation and confirmation of the notes payable. This commission is registered as financial income.

The above operation performed by the Company does not alter the terms, prices and conditions previously established with the suppliers and, therefore, the Company classifies it under trade accounts payable.

As at December 31, 2020 the balance payable negotiated by suppliers, and with the acceptance of the Company, totaled R$ 1,204,925 (R$ 1,389,804 as at December 31, 2019).

Accounts payable to suppliers are initially recorded at present value with the counterentry in “Inventory”. The reversal of the adjustment to present value is registered under “Cost of goods sold and services rendered” for the benefit of the term.

18. Partners and other deposits

As of December 31, 2020, the Company has a balance of R$ 718,482 related to amounts to be transferred to marketplace’s partners, related to purchases made by clients on the Magazine Luiza’s digital platform, of products sold by partner storeowners (sellers) and traded by Magalu Pagamentos.

19. Loans and financing

Modality	Charge	Guarantee	Final maturity	Parent Company 2020	Parent Company 2019	Consolidated 2020	Consolidated 2019
Promissory notes - 4th issue (a)	104.0% of CDI	Clean	June 2021	**847,239**	822,542	**847,239**	822,542
Debentures - restricted offer - 8th issue (b)	100% CDI + 1.5%	Clean	Mar 2021	**821,832**	-	**821,832**	-
Innovation financing - FINEP (c)	4% p.a.	Bank guarantee	Dec 2022	**14,776**	22,215	**14,776**	22,215
Expansion financing - BNB (d)	7% year	Bank guarantee	Dec 2022	**-**	2,203	**-**	2,203
Other	113.5% CDI	Clean	Oct 2020	**121**	94	**2,915**	1,869
Total				**1,683,968**	847,054	**1,686,762**	848,829
Current liabilities				**1,666,243**	8,192	**1,667,181**	9,967
Non-current liabilities				**17,725**	838,862	**19,581**	838,862

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

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

c) Refers to financial lease contracts related to IT equipment and software, which contracts have final maturity in 2019.

d) The Company entered into a financing contract with Banco do Nordeste do Brasil - BNB, with the purpose of modernizing, renovating stores in the Northeastern region of Brazil and building a new distribution center in the municipality of Candeias (BA).

Cash flow reconciliation of operating and financing activities

	Parent Company 2020	Parent Company 2019	Consolidated 2020	Consolidated 2019
Initial balance	**847,054**	454,087	**848,829**	455,967
Funding	**800,000**	798,944	**801,126**	798,944
From acquisition of subsidiary	**-**	-	**11,187**	201,857
Payment of principal	**(11,342)**	(407,247)	**(22,637)**	(607,002)
Payment of interest	**(796)**	(49,560)	**(797)**	(52,320)
Accrued interest	**49,052**	50,830	**49,054**	51,383
Final balance	**1,683,968**	847,054	**1,686,762**	848,829

Amortization schedule

The amortization schedule of the loans and financing is demonstrated below:

Year of maturity	Parent Company	Consolidated
2021	**1,669,071**	**1,669,071**
2022	**14,897**	**17,691**
Total	**1,683,968**	**1,686,762**

Covenants

The 8th issue of Debentures has a restrictive clause (covenant" equivalent to the maintenance of the "adjusted net debt adjusted EBITDA" of not over 3.0 times.

The adjusted net debt is defined as the sum of all loans and borrowings, including debentures, excluding cash and cash equivalents, financial investments, marketable securities, credit card receivables. The adjusted EBITDA is calculated in accordance with CVM 527 instruction, of October 4, 2012, excluding non-recurring operating events (revenue/expenses), as per the debenture issue indenture as disclosed under Note 29 to the financial statements.

20. Deferred revenue

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Deferred revenue from third parties:				
Exclusive agreement with Cardif (a)	**87,345**	104,814	**87,345**	104,814
Exclusive agreement with Banco Itaúcard S.A. (b)	**84,000**	96,500	**84,000**	96,500
Other Contracts	**-**	-	**18,255**	21,157
	171,345	201,314	**189,600**	222,471
Deferred revenue from related parties:				
Exclusive agreement with Luizacred (b)	**99,679**	110,766	**99,679**	110,766
Exclusive agreement with Luizaseg (a)	**55,000**	66,600	**55,000**	66,600
	154,679	177,366	**154,679**	177,366
Total deferred revenues	**326,024**	378,680	**344,279**	399,837
Current liabilities	**39,157**	39,157	**43,009**	43,036
Non-current liabilities	**286,867**	339,523	**301,270**	356,801

(a) On December 14, 2015, the Company entered into a new Strategic Partnership Agreement with the Cardif and with Luizaseg, aiming to extend the rights and obligations set forth in the agreements between the parties that expired on December 31, 2015, for an additional 10-year period, effective from January 1, 2016 to December 31, 2025. This agreement enabled a cash inflow of R$ 330,000 into the Company in 2015. Of this amount, R$ 42,000 was allocated to the jointly-owned subsidiary Luizacred, since it had exclusive rights over credit card insurance. The Company's revenue recognition deriving from this agreement will be registered in profit (loss) over the term of the agreement, part of which is subject to the achievement of certain targets.

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

On December 29, 2010, the parties entered into a partnership agreement with Luizacred, extending the exclusive right to offer, distribute and sell financial products and services at the chain of stores then acquired in the Northeast of Brazil (Lojas Maia) for a 19-year period. As consideration, Luizacred paid R$ 160,000 to the Company, which is recognized in profit (loss) over the term of the agreement. As part of this partnership agreement, the amount of R$ 20,000, mentioned in the paragraph above was increased to R$ 55,000.

On December 16, 2011, the Company entered into a second amendment to the partnership agreement with Luizacred, due to acquisition of New-Utd ("Lojas do Baú"). As consideration, Luizacred paid R$ 48,000 to the Company, which will be allocated to profit (loss) over the remaining term of the agreement.

21. Other accounts payable

	Parent Company		Consolidated	
	2020	2019	2020	2019
Advances from costumers	**550,198**	242,085	**567,132**	252,638
Payables to sellers	**105,176**	123,419	**133,075**	123,419
Services	**6,969**	31,679	**117,524**	47,496
Freight payable	**110,172**	62,303	**154,069**	138,007
Marketing payable	**96,558**	36,484	**96,558**	68,237
Amounts payable to former shareholders	**12,725**	10,581	**71,272**	10,581
Other	**49,804**	31,274	**69,015**	63,314
Total	**931,602**	537,825	**1,208,645**	703,692
Current liabilities	**931,602**	537,825	**1,203,655**	701,719
Non-current liabilities	**-**	-	**4,990**	1,973

22. Provision for tax, civil and labor contingency risks

Accounting policy

Provisions for tax, civil and labor contingencies are recognized based on legal opinions and Management's assessment on the lawsuits known at the end of the reporting period, for the risks deemed as probable loss, with the best estimate for future disbursement by the Company. The assessment of probability of loss includes the evaluation of available evidence, hierarchy of the laws, available jurisprudence, most recent court decisions and relevance in the legal framework, as well as the evaluation of external and internal legal advisors. Management believes that the provisions for tax, civil and labor risks are correctly presented in the financial statements

Changes in the provision for tax, civil and labor contingency risks are demonstrated below:

Parent company

	Tax	Civil	Labor	Total
Balances as at December 31, 2019	713,547	16,272	38,119	767,938
Additions	**269,477**	**8,406**	**6,000**	**283,883**
Reversal	**(49,402)**	**-**	**-**	**(49,402)**
Payments	**(2,387)**	**(7,740)**	**(1,763)**	**(11,890)**
Adjustments	**7,721**	**-**	**-**	**7,721**
Balances as at December 31, 2020	**938,956**	**16,938**	**42,356**	**998,250**

Consolidated

	Tax	Civil	Labor	Total
Balances as at December 31, 2019	977,900	19,130	40,089	1,037,119
Additions	**309,058**	**10,302**	**7,170**	**326,530**
Additions from business combinations	**73,315**	**29**	**66**	**73,410**
Reversal	**(50,919)**	**127**	**(13)**	**(50,805)**
Payments	**(3,427)**	**(9,480)**	**(2,073)**	**(14,980)**
Adjustments	**8,606**	**55**	**-**	**8,661**
Balances as at December 31, 2020	**1,314,533**	**20,163**	**45,239**	**1,379,935**

As at December 31, 2020 and 2019 the natures of the main lawsuits of the Company, classified by Management with assistance from its legal advisors as of having a probable risk of loss, as well as legal obligations related to judicial deposits, included in the above mentioned provisions, are as follows:

a) Tax claims

The Company discusses on an administrative and legal basis several tax claims classified as probable loss, therefore, these are provisioned. In addition to these lawsuits, the Company has a provision for other legal discussions to which judicial deposits are made, as well as provisions related to business combinations of its acquired businesses. The tax risks are as follows:

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Federal	**507,198**	431,342	**797,825**	682,978
State	**431,732**	282,179	**516,185**	294,534
Municipal	**26**	26	**523**	388
	938,956	713,547	**1,314,533**	977,900

b) Civil claims

The provision for civil risks of R$ 16,938 in the Company and R$ 20,163 in Consolidated as of December 31, 2020 (R$ 16,272 in the Company and R$ 19,130 in the Consolidated as of December 31, 2019) is related to claims filed by customers on possible product defects.

c) Labor claims

At the labor courts, the Company is a party to various labor claims, mostly in relation to the payment of overtime.

The amount provisioned of R$ 42,356 in the Company and R$ 45,239 in the Consolidated as of December 31, 2020 (R$ 38,119 in the Company and R$ 40,089 in the Consolidated as of December 31, 2019), reflecting the risk of probable loss assessed by the Company's Management with assistance from its legal advisors.

In order to address the tax, civil and labor contingencies, the Company has a balance in judicial deposits of R$ 660,734 in the Company and R$ 843,852 in the Consolidated as at December 31, 2020 (R$ 428,042 in the Company and R$ 570,142 in the Consolidated as at December 31, 2019).

d) Contingent liabilities – possible loss

The Company is a party to other claims that were assessed by Management, with assistance from its legal advisors, as possible losses and, therefore, no provision was recognized for such claims. The amounts related to claims involving federal taxes sum as at December 31, 2020 reach a total of R$ 1,809,930 (R$ 1,791,196 as at December 31, 2019), in Company and R$ 1,913,162 (R$ 1,887,776 as at December 31, 2019) in Consolidated, and in relation to state taxes these amounts, as at December 31, 2020 reach a total of R$ 712,079 (R$ 425,727 as at December 31, 2019) in Company and R$ 769,209 (R$ 485,723 as at December 31, 2019) in consolidated and as to municipal taxes these amount to on December 31, 2020, a total of R$ 3,927 (R$ 2,446 as at December 31, 2019) in Company and R$ 3,939 (R$ 2,458 as at December 31, 2019) in Consolidated.

Among the main claims of a tax nature, classified as of possible loss, we highlight: (i) Administrative Process in which the Company discusses with the tax authorities the nature/concept of the bonuses/reimbursements of its suppliers for the purpose of PIS/COFINS taxation, as well as the characterization of some expenses related to its core activity as inputs for the purpose of PIS/COFINS credits; (ii) Legal Process in which the

Company discusses the violation of various legal principles of Law 13241/2015, which extinguished the exemption of PIS and COFINS contribution over income from the sale of eligible products to the Basic Production Process. According to the analysis of the Company's internal and external legal advisors the chances of loss are possible maybe remote; (iii) Process in which the Company discusses with the state tax authorities supposed ICMS credit or divergences; (iv) Administrative Process in which the Company discusses with the state tax authorities assessments for ICMS tax credits appropriated on the purchase of goods from suppliers subsequently declared as inapt; (v) Administrative Process in which the Company discusses with the tax authorities the increase in the RAT (environmental labor risk) rate; (vi) Sundry tax assessments in which the Company discusses the collection of ICMS credits appropriated on the acquisition of goods from some of its suppliers, once these were granted tax benefits by other States of the Federation; and (vi) risk related to the lack of tax credits reversal due to losses in physical inventories. The Company accompanies the evolution of all the discussions at each quarter and when there are alterations to the scenario, the risk evaluations and eventual loss are also re-evaluated

The risks of claims are continuously assessed and reviewed by Management. Additionally, the Company also challenges civil and labor administrative claims, with chances of possible loss, with immaterial amounts for disclosure.

e) Contingent assets

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

23. Net equity

a) Capital

The Extraordinary General Meeting held on October 07, 2020 approved the proposal of stock splitting, to the ratio of one (1) common share to four (4) common shares, with no change in the Company's capital value. Therefore, the number of shares went from 1,524,731,712 to 6,498,926,848, all common nominative shares with no par value.

Accordingly, considering the total split shares, as at December 31, 2020 and December 31, 2019, the Company's shareholding structure is as follows:

	12/31/2020		12/31/2019	
	Number of shares	Interest %	Number of shares	Interest %
Controlling shareholders	3,794,249,028	58.38	3,835,553,580	59.02
Outstanding shares	2,669,138,132	41.07	2,646,856,644	40.73
Treasury shares	35,539,688	0.55	16,516,624	0.25
Total	**6,498,926,848**	**100.00**	**6,498,926,848**	**100.00**

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

According to article 7 of the Bylaws, the Company may increase its capital, pursuant to Article 168, Law 6404/76, by means of the issue of up to 1,200,000,000 new common shares.

b) Capital reserve

As at December 31, 2020, the Company has the amount of R$ 390,644 (R$ 323,263 as at December 31, 2019) registered under Capital Reserve.

Share purchase option plan

1st Granting of the Share Purchase Option Plan

For this Stock Option Plan ("Plan"), the Company's executives, employees or service providers became eligible to receive stock options. In the first grant of the Plan, on January 5, 2012, 40,791,424 options were granted at the strike price of R$ 0.43 (already considering the effect of split of shares). The Plan was in effect for an eight-year period counted from the grant date, being closed on January 5, 2020.

2nd Granting of the Share Purchase Option Plan

The second grant of the Stock Option Plan was approved on October 25, 2013. In this opportunity, 38,831,232 options were granted and the strike price was established at R$ 0.30 (the effect from split of shares was considered). Said plan will have a maximum exercise period of 12 years, counted from the execution date, provided that the beneficiary continues linked to the Company and has complied with the vesting periods of the plan.

The fair value of each option granted is estimated on the grant date applying the pricing model of the Black & Scholes options, considering the following assumptions:

Assumption	1st granting	2nd granting
Expected average life of options (a)	5.5 years	5.5 years
Average annual volatility	43.5%	37.9%
Risk-free interest rate	10%	6%
Weighted average of fair value of granted options (b)	R$0.21	R$0.19

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

The table below demonstrates the changes in the quantity of share options and the strike price weighted average (MPPE):

	After the stock splitting		Before the stock splitting	
	Quantity	MPPE	Quantity	MPPE
Outstanding at January 1, 2019	12,127,232	R$0.33	3,031,808	R$1.33
exercised during the period	(5,692,352)	R$0.38	(1,423,088)	R$1.50
Outstanding on December 31, 2019	6,434,880	R$0.30	1,608,720	R$1.18
exercised during the period	(5,374,000)	R$0.30	(1,343,500)	R$1.18
Outstanding on December 31, 2020	**1,060,880**	**R$0.30**	**265,220**	**R$1.18**

[1]Weighted Average of the Stock Option Strike Price: calculated based on the contractual terms, not considering the inflation adjustment to the strike price.
[2]The weighted average price of stock options at exercise date was R$ 10.24 in 2020 (R$ 6.35 in 2019), considering the share price after the split.

Share-based incentive plan – "share matching"

The Board of Directors approved on April 20, 2017 a new incentive plan linked to the shares of the Company. The plan has the aim of regulating the concession of incentives linked to common shares issued by the Company through programs to be implemented by the Executive Officers, whereby Management, employees or service providers of the Company or of its subsidiaries or jointly-owned subsidiaries are eligible.

The main objectives of the plan are: (a) to increase the capacity of attracting and retaining talents by the Company; (b) reinforce the culture of sustainable development and search for the development of our Managers, employees and service providers, aligned to the interests of our shareholders to those of the eligible parties; and (c) stimulate the expansion of the Company and the scope and surpassing our business targets and achievement of our social objectives, aligned to the interests of our shareholders, through the long-term commitment of the beneficiaries.

The following table shows the balance (number) of shares granted on December 31, 2020:

			After the stock splitting		Before the stock splitting	
Type of program	Grant date	Maximum grace period	Position of shares granted	Fair value [1]	Position of shares granted	Fair value [1]
1st Matching share	June 28, 2017	4 years and 10 months	10,075,072	R$0.97	2,518,768	R$3.88
2nd Matching share	April 05, 2018	5 years	7,149,980	R$3.08	1,787,495	R$12.30
3rd Matching share	April 04, 2019	5 years	2,172,192	R$5.05	543,048	R$20.20
4th Matching share	April 15, 2020	5 years	1,613,352	R$10.96	403,338	R$43.85
1st Restricted share	April 05, 2018	3 years	595,232	R$3.08	148,808	R$12.30
2nd Restricted share	April 04, 2019	3 years	2,535,104	R$5.05	633,776	R$20.20
3rd Restricted share	June 05, 2019	3 years	1,158,080	R$5.98	289,520	R$23.90
4th Restricted share	April 04, 2019	3 years	2,555,040	R$5.27	638,760	R$21.08
5th Restricted share	April 15, 2020	3 years	3,151,032	R$10.96	787,758	R$43.85
1st Performance share	February 20, 2019	5 years	43,020,608	R$5.08	10,755,152	R$20.31
			74,025,692	**R$4.71**	**18,506,423**	**R$17.34**

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

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

Consideration in business combination

In its acquisition processes, the Company has been using the negotiation of part of the acquisition price with shares issued by it ("MGLU3"). Considering that the consideration will be settled using an equity instrument, the Company has an accounting policy of recording the fair value under the capital reserve item. We show below the amount related to the consideration in shares, on December 31, 2020:

Acquisition	Acquisition date	Amount	Number of shares[1]	Calculation of goals
Hubsales	07/30/2020	5,000	259,841	01/01/2021–12/31/2025
Canaltech	09/30/2020	24,000	1,222,930	10/01/2020–08/30/2025
Aiqfome	09/03/2020	37,500	1,749,476	01/01/2021–12/31/2025
GFL Logística	09/25/2020	5,783	260,000	01/01/2021–12/31/2025
Stoq	08/24/2020	7,560	364,723	01/01/2021–12/31/2025
ComSchool	10/15/2020	3,510	154,521	01/01/2021–12/31/2025
		83,353	**4,011,491**	

[1] Part of the shares are linked to the achievement of certain targets and other obligations. The number of shares was calculated considering the fair value of reaching 100% of the targets provided for in the contracts. It considers the number of shares after splitting.

c) Treasury shares

	After the stock splitting		Before the stock splitting	
	Quantity	Valor[1]	Quantity	Amount
January 1, 2019	52,072,736	87,015	13,018,184	87,015
Acquired in the year	17,061,776	142,773	4,265,444	142,773
Disposed in the year	(52,617,888)	(105,255)	(13,154,472)	(105,255)
December 31, 2019	16,516,624	124,533	4,129,156	124,533
Acquired in the year	30,583,100	573,827	17,083,100	573,827
Disposed in the year	(11,560,036)	(94,679)	(2,942,509)	(94,679)
December 31, 2020	35,539,688	603,681	18,269,747	603,681

The decrease in treasury share balance is equal to the weighted average of the cost incurred to acquire the shares. Any exceeding cash received for the disposal on decrease of treasury shares is recoded as capital reserve.

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

d) Profit reserve

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

Due to the worsening of the pandemic crisis caused by the coronavirus (Covid-19), the Board of Directors decided to cancel the additional dividend proposal in the amount of R$ 290,914 on March 22, 2020, allocating said amount to the working capital reinforcement reserve, and maintaining the distribution of interest on own capital in the amount of R$ 170,000. At the same meeting, the Board of Directors decided to postpone the Annual General Meeting from April 9, 2020 to July 27, 2020, pursuant to CVM Resolution 489/2020.

At the Annual General Meeting held on July 27, 2020, the payment of dividends in the amount of R$ 152,640 was approved, in addition to the amount of R$ 170,000 declared as interest on own capital, totaling a distribution of R$ 322,640, which is equivalent to 35% of the net income for the year 2019, to be settled as of August 19, 2020. The amount of R$ 138,274, related to the difference in the amount of R$ 490,914 approved by the Board of Directors in 2019 and the amount of R$ 322,640 approved in the Annual Shareholder's Meeting, was added to the allocation to the working capital reinforcement reserve, which was also approved at the same Annual Shareholder's Meeting.

On December 22, 2020, the Board of Directors approved the distribution of R$ 170,000 of interest on own capital related to the year ended December 31, 2020. Considering that interest on own capital is assigned to dividends, R$ 39,953 of this amount was classified in current liabilities as minimum mandatory dividends.

e) Equity valuation adjustments

In the year ended December 31, 2020, the Company recorded in "Equity valuation adjustments" the amount of R$ (22,004), (R$ 3,168 in 2019), related to adjustment to fair value of financial assets.

f) Earnings per share

The calculations of basic and diluted earnings per share, considering the effect from split of shares, are disclosed below:

	Basic earnings		Diluted earnings	
	2020	**2019**	**2020**	**2019**
In thousands				
Total common shares	**6,498,926,848**	6,498,926,848	**6,498,926,848**	6,498,926,848
Effect of treasury shares	**(35,539,688)**	(16,516,624)	**(35,539,688)**	(16,516,624)
Effect of stock plans to be exercised (a)	**-**	-	**76,477,926**	75,292,052
Outstanding common shares	**6,463,387,160**	6,482,410,224	**6,539,865,086**	6,557,702,276
Net income for the year:	**391,709**	921,828	**391,709**	921,828
Earnings per share: (in reais - R$)	**0.061**	0.142	**0.060**	0.141

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

24. Net revenue from sales

Accounting policy

Revenue is measured at the fair value of the consideration received or receivable, less returns, discounts and sales taxes, as follows:

Resale of goods – revenue is recognized when the products are delivered and the clients obtain the control of the goods, considering also the fact that the following conditions have been met:

- Revenue and terms of payment can be identified;
- It is likely that the Company will receive the consideration to which it has the right associated to the goods transferred to the client.

The Company grants to the client the right to return the goods within a specified period and prerequisites. The value of the recognized revenue is adjusted to expected returns of sales. The Company uses the expected value for the purpose of estimating goods that will not be returned. When Company receive the return of goods, a credit is available for the customer change or choose another product. In these circumstances, a liability of the return and a right of recovery of the asset to be returned are recognized.

Revenue from services rendered:

a) calculated for the intermediation of financial services (warranties and insurance) to its joint venture subsidiaries as well as to other associated companies of the Company;
b) calculated for services rendered related to the integration and management among store owners and marketplaces.
c) commissions charged by the Company, through its subsidiary Magalu Pagamentos, from its clients for processing financial transactions carried out on the Magalu Group's e-commerce platforms.

Revenue from services is recognized when it is probable that significant benefits of the service rendered will flow to the Company.

Consortium management: in the subsidiary Luiza Administradora de Consórcios, revenue from the management of the consortium groups is recognized monthly upon effective receipt of the installments from the consortium members, which, for the consortium management services, represents the effective period of the service rendered.

	Parent Company		Consolidated	
	2020	2019	2020	2019
Gross revenue:				
Retail – resale of goods	**31,070,722**	21,480,674	**34,150,361**	23,141,019
Retail – services rendered	**1,210,130**	1,102,928	**1,665,058**	1,132,489
Other services	**-**	-	**300,617**	103,625
	32,280,852	22,583,602	**36,116,036**	24,377,133
Taxes and returns:				
Retail – resale of goods	**(6,041,085)**	(3,972,172)	**(6,733,548)**	(4,354,851)
Retail – services rendered	**(109,223)**	(119,569)	**(137,062)**	(119,591)
Other services	**-**	-	**(68,313)**	(16,381)
	(6,150,308)	(4,091,741)	**(6,938,923)**	(4,490,823)
Net sales revenue	**26,130,544**	18,491,861	**29,177,113**	19,886,310

25. Cost of goods sold and services rendered

Accounting policy

Costs of goods sold and services rendered include costs related to the acquisition of goods and services rendered, less costs recovered from suppliers and recoverable ICMS tax substitution. Freight expenses related to transportation of suppliers' goods to the distribution centers ("DCs") are incorporated into the cost of goods to be sold.

	Parent Company		Consolidated	
	2020	2019	2020	2019
Costs:				
Goods sold	**(19,672,090)**	(13,464,405)	**(21,312,383)**	(14,259,726)
Other services	**-**	-	**(344,768)**	(72,623)
Total	**(19,672,090)**	(13,464,405)	**(21,657,151)**	(14,332,349)

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

The presentation of the statement of income of the Company used a classification of expenses based on function. The information on the nature of the expenses recognized in the statement of income are presented below:

	Parent Company		Consolidated	
	2020	2019	2020	2019
Personnel expenses (a)	**(2,179,129)**	(1,995,490)	**(2,419,255)**	(2,132,269)
Expenses with outsourced services	**(2,002,665)**	(1,051,840)	**(2,337,470)**	(1,328,526)
Other	**(938,975)**	(269,798)	**(1,237,948)**	(268,242)
Total	**(5,120,769)**	(3,317,128)	**(5,994,673)**	(3,729,037)
Classified by function as:				
Sales expenses	**(4,476,887)**	(3,134,586)	**(5,162,618)**	(3,444,112)
General and administrative expenses	**(725,716)**	(534,573)	**(906,799)**	(701,587)
Other operating income, net (Note 27)	**81,834**	352,031	**74,744**	416,662
Total	**(5,120,769)**	(3,317,128)	**(5,994,673)**	(3,729,037)

(a) The Company provides its employees with benefits, such as health care insurance, dental care refund, life insurance, food ticket, transportation ticket, scholarships, in addition to the Share Option Plan for the eligible employees, as described in Note 23. Expense arising from these benefits recorded in 2020, was R$ 332,861 for the Company (R$ 280,070 in 2019) and R$ 483,256 for consolidated (R$ 305,553 in 2019).

Freight expenses related to the transport of the goods from the DCs to the physical stores and delivery of the products sold to consumers are classified as sales expenses.

27. Other operating revenues, net

	Nine-month period ended			
	Parent Company		Consolidated	
	2020	2019	2020	2019
Exclusive rights income (a)	**53,691**	51,457	**57,032**	53,118
Reversal (provision) for tax, civil and labor risks	**35,002**	(227,999)	**35,374**	(240,702)
Gain from a lawsuit (b)	**53,248**	731,197	**56,434**	816,467
Other revenues	**141,941**	554,655	**148,840**	628,883
Gain (Loss) on the sale of property and equipment	**(3,720)**	4,986	**(3,344)**	7,235
Experts' fees (c)	**(14,446)**	(134,318)	**(27,815)**	(149,646)
Pre-operating expenses	**(9,526)**	(21,241)	**(9,526)**	(21,241)
Aspects related to Covid-19 and other (d)	**(32,415)**	(52,051)	**(33,411)**	(48,569)
Other expenses	**(60,107)**	(202,624)	**(74,096)**	(212,221)
Total	**81,834**	352,031	**74,744**	416,662

(a) Refers to the appropriation of deferred income for assignment of rights of exploration, as described under Note 20. The variation observed between the appropriation of the years 2018 and 2017 refer to attaining certain goals in the contracts with the companies Cardif and Luizaseg.

(b) It refers to the recognition of effects determined and recorded in 2019 for the final decision on the Company's and its subsidiaries' lawsuits on the exclusion of ICMS from the PIS and COFINS calculation basis, as shown in Note 10.
(c) Expenses related to pre-operational expenses of the stores.
(d) In 2020, it refers mainly to expenditures incurred due to Covid-19, such as supplies for cleaning the Distribution Centers and administrative units, among others. In 2019, it mainly referred to non-competition agreements entered into with the Company's executives.

28. Financial income

Accounting policy

Interest income and expenses are recognized under statement of income using the effective interest method.

Additionally, the Company classifies interest received, dividends and interest on own capital received as cash flows from investment activities. Interest paid over loans and financing are classified as cash flow of financing activities.

	Parent Company		Consolidated	
	2020	2019	2020	2019
Financial income:				
Income from financial investments and securities	**44,761**	49,982	**44,761**	49,982
Yield from interest earning bank deposits and securities	**66,428**	29,845	**18,953**	8,544
Interest on the sale of goods – interest in arrears in receivables	**13,903**	7,705	**13,907**	7,807
Discounts obtained and monetary adjustments (a)	**76,222**	530,565	**105,402**	576,969
Other	**149**	29,324	**345**	31,061
	201,463	647,421	**183,368**	674,363
Financial expenses:				
Interest on loans and financing	**(46,327)**	(49,465)	**(46,574)**	(56,371)
Interest on lease	**(173,430)**	(147,715)	**(179,434)**	(152,353)
Charges on credit card advances	**(207,871)**	(388,737)	**(239,838)**	(402,308)
Provision for loss with interest on extended warranties	**(26,223)**	(29,679)	**(26,223)**	(29,679)
Financial income tax	**(9,961)**	(30,230)	**(11,374)**	(30,245)
Inflation adjustments - liabilities	**(17,898)**	(33,120)	**(41,912)**	(33,446)
Other	**(44,833)**	(35,464)	**(48,508)**	(40,374)
	(526,543)	(714,410)	**(593,863)**	(744,776)
Net financial income (loss)	**(325,080)**	(66,989)	**(410,495)**	(70,413)

(a) It basically refers to the monetary correction of the effects determined and recorded for the final decision on the Company's and its subsidiaries' lawsuits on the exclusion of ICMS in the PIS and COFINS calculation basis, as shown in Note 12.

29. Segment reporting

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

Retail – basically the resale of goods and rendering of services in the Company's stores and e-commerce (traditional e-commerce and marketplace) and Aiqfome acting as intermediary. In the context of the marketplace, information related to Magalu Pagamentos is added to this segment;

Financial operations - through the joint venture Luizacred, mainly engaged in the offer of credit to customers of the Company for the acquisition of products;

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

Other Services – comprises the rendering of consortium management services through the subsidiary LAC, mainly engaged in the management of Consortia to the Company's clients, for the acquisition of products; and product delivery management services, through the subsidiary Magalog and software development services through the subsidiaries of the Softbox Group.

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

Statements of income

	2020					
	Retail (a)	Financial operations	Insurance operations	Other services	Elimination (b)	Consolidated
Gross revenue	35,815,419	1,170,869	298,224	516,772	(1,685,248)	36,116,036
Tax and returns	(6,870,610)	-	-	(68,313)	-	(6,938,923)
Net revenue from segment	28,944,809	1,170,869	298,224	448,459	(1,685,248)	29,177,113
Costs	(21,312,383)	(63,396)	(32,090)	(355,608)	106,326	(21,657,151)
Gross profit	7,632,426	1,107,473	266,134	92,851	(1,578,922)	7,519,962
					-	
Sales expenses	(5,334,192)	(449,111)	(212,740)	(33,741)	867,166	(5,162,618)
Administrative and general expenses	(863,761)	(8,484)	(28,843)	(43,038)	37,327	(906,799)
Losses on trade receivables	(109,531)	(447,142)	-	(8,588)	447,142	(118,119)
Depreciation and amortization	(697,367)	(5,990)	(5,339)	(5,156)	11,329	(702,523)
Equity in investments	118,458	-	-	-	1,471	119,929
Other operating income	73,410	(25,224)	183	1,334	25,041	74,744
Financial income	181,534	-	17,416	1,834	(17,416)	183,368
Financial expenses	(591,193)	-	(79)	(2,670)	79	(593,863)
Income tax and social contribution	(18,075)	(69,093)	(19,232)	(4,297)	88,325	(22,372)
Net income	391,709	102,429	17,500	(1,471)	(118,458)	391,709

Equity accounting reconciliation

Equity in Other services (Note 12)	(1,471)
Equity in Luizacred (Note 13)	102,429
Equity in Luizaseg (Note 13)	17,500
(=) Equity in the retail segment	118,458
(-) Effect of elimination of Other services	1,471
(=) Consolidated investment	119,929

Statements of income

	2019					
	Retail (a)	Financial operations	Insurance operations	Other services	Eliminations (b)	Consolidated
Gross revenue	24,273,508	1,284,111	282,291	159,100	(1,621,877)	24,377,133
Deductions from income	(4,474,442)	-	-	(16,381)	-	(4,490,823)
Net revenue from segment	19,799,066	1,284,111	282,291	142,719	(1,621,877)	19,886,310
Costs	(14,259,726)	(127,167)	(26,528)	(87,370)	168,442	(14,332,349)
Gross profit	5,539,340	1,156,944	255,763	55,349	(1,453,435)	5,553,961
Sales expenses	(3,481,736)	(429,770)	(221,059)	(3,104)	691,557	(3,444,112)
General and administrative expenses	(662,698)	(16,915)	(26,058)	(38,889)	42,973	(701,587)
Losses on trade receivables	(74,345)	(636,797)	-	(1,648)	636,797	(75,993)
Depreciation and amortization	(486,011)	(5,962)	(5,084)	(964)	11,046	(486,975)
Equity in investments	38,144	-	-	-	(11,537)	26,607
Other operating income	413,047	(32,806)	198	3,615	32,608	416,662
Operating expenses	637,896	-	18,067	3,021	(18,067)	640,917
Financial expenses	(710,751)	-	(40)	(579)	40	(711,330)
Income tax and social contribution	(291,058)	(14,531)	(15,343)	(5,264)	29,874	(296,322)
Net income	921,828	20,163	6,444	11,537	(38,144)	921,828

Equity accounting reconciliation

Equity in Other services (Note 12)	11,537
Equity in Luizacred (Note 13)	20,163
Equity in Luizaseg (Note 13)	6,444
(=) Equity in the retail segment	38,144
(-) Effect of elimination of Other services	(11,537)
(=) Consolidated investment	26,607

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

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

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

Balance sheet

	2020			
	Retail (*)	Financial operations	Insurance operations	Other services
Assets				
Cash and cash equivalents	1,584,648	13,199	212	96,728
Securities and other financial assets	1,220,095	7,255	300,302	1,684
Accounts receivable	4,729,705	5,587,189	-	48,334
Inventory	5,927,236	-	-	-
Investments	648,460	-	-	-
Property, plant and equipment, right-of-use and intangible assets	5,331,199	52,773	27,835	229,740
Other	5,003,590	234,710	39,185	101,809
	24,444,933	5,895,126	367,534	478,295
Liabilities				
Suppliers	8,450,342	-	1,231	51,056
Onlendings and other deposits	718,482	-	-	-
Loans and financing	1,684,246	-	-	2,516
Leases	2,526,304	-	-	-
Interbank deposits	-	1,580,845	-	-
Credit card operations	-	2,721,818	-	-
Technical provision of insurance	-	-	320,887	-
Provision for tax, civil and labor contingency risks	1,314,929	30,945	1,824	57,412
Deferred revenue	344,279	10,501	-	-
Other	2,081,064	1,166,066	41,817	150,297
	17,119,646	5,510,175	365,759	261,281
Shareholders' equity	7,325,287	384,951	1,775	217,014

Reconciliation of investment	
Investments (Note 12)	
Lac	52,129
Magalog	145,212
Softbox Group	64,396
Magalu Pagamentos	156,721
	418,458
Jointly-controlled subsidiaries (Note 13)	
Luizacred	384,951
Luizaseg	1,774
	386,725
Total investments	805,183
(-) Elimination effect	(418,458)
(=) Total consolidated investments	386,725

Balance sheet

	2019			
	Retail (*)	Financial operations	Insurance operations	Other services
Assets				
Cash and cash equivalents	248,988	15,327	103	56,758
Marketable securities and other financial assets	4,446,143	37,975	270,552	2,229
Accounts receivable	2,906,243	5,174,703	-	25,633
Inventories	3,801,763	-	-	-
Investments	410,894	-	-	-
Property, plant and equipment, intangible assets and right-of-use	4,838,386	58,718	33,148	5,244
Other	3,084,414	306,323	36,948	18,358
	19,736,831	5,593,046	340,751	108,222
Liabilities				
Suppliers	5,911,232	-	1,185	23,645
Loans and financing and other financial liabilities	847,054	-	-	1,775
Leases	2,280,322	-	-	-
Interbank deposits	-	2,677,682	-	-
Credit card operations	-	2,341,973	-	-
Technical Reserves - Insurance	-	-	285,283	-
Provision for tax, civil and labor contingency risks	1,027,341	61,621	1,312	667
Deferred revenue	399,837	12,986	-	-
Other	1,706,108	203,313	43,351	22,807
	12,171,894	5,297,575	331,131	48,894
Net equity	7,564,937	295,471	9,620	59,328

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

(*) Consolidated balances contemplating Magazine Luiza S.A, Netshoes, Época Cosméticos, Integra Commerce, Magalu Pagamentos and Aiqfome.

30. Financial instruments

Accounting policy

(i) Initial classification and subsequent measurement

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

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

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

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

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

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

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

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

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

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

(ii) Derecognition and offset

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

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expired. In the derecognition of a financial liability, the difference between the derecognized value and the consideration paid (including assets and liabilities with no cash impacts) is recognized in statement of income.

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

(iii) Impairment of financial assets

The Company opted to measure provisions for losses on accounts receivable and contractual assets at an amount equal to the credit loss expected for the entire life. When determining if the credit risk of a financial asset has significantly increased since the initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without excessive cost or effort. This includes quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment, and considering forward-looking information. The Company considers a financial asset with impairment trigger when: - it is very unlikely that the creditor will fully pay its credit obligations, without having to resort to actions like the realization of guarantee (if any); or - financial asset is overdue for more than 30 days.

Measurement of losses on trade receivables

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

Financial assets with credit recovery problems

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

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Categories of financial instruments

			Parent Company				Consolidated			
			2020		2019		2020		2019	
Categories of financial instruments	Rating	Measurement of fair value	Book	Fair value	Book	Fair value	Book	Fair value	Book	Fair value
Cash and equivalents	Amortized cost	Level 2	**154,895**	**154,895**	167,618	167,618	**362,166**	**362,166**	240,618	240,618
Accounts receivable - credit and debit cards	Amortized cost	Level 2	**2,651,043**	**2,651,043**	2,042,299	2,042,299	**3,856,923**	**3,856,923**	2,126,642	2,126,642
Accounts receivable – other trade receivables and commercial agreements	Amortized cost	Level 2	**825,808**	**825,808**	741,664	741,664	**921,116**	**921,116**	805,234	805,234
Accounts receivable from related parties	Amortized cost	Level 2	**412,350**	**412,350**	104,510	104,510	**80,634**	**80,634**	100,551	100,551
Accounts receivable from related parties – Credit cards	Amortized cost	Level 2	**2,249,014**	**2,249,014**	269,485	269,485	**2,249,014**	**2,249,014**	269,485	269,485
Cash equivalents	FVTPL	Level 2	**509,583**	**509,583**	7,914	7,914	**509,583**	**509,583**	7,914	7,914
Cash equivalents	Amortized cost	Level 2	**617,091**	**617,091**	5,267	5,267	**777,208**	**777,208**	16,333	16,333
Securities	Amortized cost	Level 2	**12,287**	**12,287**	12,094	12,094	**13,811**	**13,811**	14,323	14,323
Securities	FVTPL	Level 2	**1,207,808**	**1,207,808**	4,434,049	4,434,049	**1,207,968**	**1,207,968**	4,434,049	4,434,049
Total financial assets			**8,639,879**	**8,639,879**	7,784,900	7,784,900	**9,978,423**	**9,978,423**	8,015,149	8,015,149

			Parent Company				Consolidated			
			2020		2019		2020		2019	
Categories of financial instruments	Rating	Measurement of fair value	Book	Fair value	Book	Fair value	Book	Fair value	Book	Fair value
Trade accounts payable	Amortized cost	Level 2	**7,679,861**	**7,679,861**	5,413,546	5,413,546	**8,501,398**	**8,501,398**	5,934,877	5,934,877
Onleading's and other deposits	Amortized cost	Level 2	**-**	**-**	-	-	**718,482**	**718,482**	-	-
Loans and financing	Amortized cost	Level 2	**1,683,968**	**1,676,769**	847,054	847,054	**1,686,762**	**1,679,563**	848,829	848,829
Leases	Amortized cost	Level 2	**2,497,323**	**2,497,323**	2,205,750	2,205,750	**2,526,304**	**2,526,304**	2,280,322	2,280,322
Accounts payable to related parties	Amortized cost	Level 2	**189,135**	**189,135**	152,094	152,094	**130,286**	**130,286**	152,126	152,126
Other accounts payable ex-quotaholders/shareholders	Amortized cost	Level 2	**12,725**	**12,725**	10,581	10,581	**71,272**	**71,272**	10,581	10,581
Total financial liabilities			**12,063,012**	**12,055,813**	8,629,025	8,629,025	**13,634,504**	**13,627,305**	9,226,735	9,226,735

Fair value measurement

The fair value measurement policy is presented under Note 3.7. to the financial statements. All assets and liabilities for which the fair value is measured or disclosed in the financial statements are classified within the fair value hierarchy described below, based on the lowest level of information that is significant to the fair value measurement as a whole:

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - Valuation techniques for which the lowest and significant level of information to measure the fair value directly or indirectly observable. The Company uses the discounted cash flow technique for measurement;
Level 3 - Valuation techniques for which the lowest and significant level of information to measure the fair value is unobservable.

Evaluation techniques and significant unobservable inputs

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

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

• The fair value for credit card receivables is determined based on assumptions usually used for the sale of similar assets, considering the discounted cash flows for a rate by acquiring companies.

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

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Capital risk management

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

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

Management of liquidity risk

The Company’s Finance Management has the ultimate responsibility for the management of the liquidity risk and prepares an appropriate liquidity risk management model to manage funding requirements and short, medium and long-term liquidity management. The Company manages the liquidity risk through the continuous monitoring of estimated and actual cash flows, the combination of the maturity profiles of financial assets and liabilities and the maintenance of a close relationship with financial institutions, with regular disclosure of information to support credit decisions when external funds are necessary.

The table below details the remaining contractual maturity of the Company's financial liabilities and the contractual amortization terms. This table was prepared using the undiscounted cash flows of financial liabilities.

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

Parent Company	Book balance	<01 year	01–03 years	>03 years	Total
Trade accounts payable	7,679,861	7,679,861	-	-	7,679,861
Leases	2,497,323	477,099	857,030	2,165,725	3,499,854
Loans and financing	1,683,968	1,685,002	15,308	-	1,700,310
Accounts payable to related parties	189,135	189,135	-	-	189,135
Other accounts payable	12,725	5,291	14,890	5,011	25,192

Consolidated	Book balance	<01 year	01–03 years	>03 years	Total
Trade accounts payable	8,501,398	8,501,398	-	-	8,501,398
Leases	2,526,304	488,388	877,308	2,216,969	3,582,665
Loans and financing	1,686,762	1,685,002	18,102	-	1,703,104
Accounts payable to related parties	130,286	130,286	-	-	130,286
Other accounts payable	71,272	15,046	44,076	14,739	73,861

Other financial risk considerations

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

Credit risk: the risk arises from the possibility that the Company may incur in losses due to non-receipt of amounts billed to customers, the consolidated balance of which amounts to R$ 4,630,480 as at December 31, 2020 (R$ 2,726,430 as at December 31, 2019). A large part of the sales of the Company are made using the credit card as a form of payment, which is substantially securitized with the credit card administrators. For other receivables the Company also evaluates the risk as being low, due to the widespread sales, as a result of the large number of customers, nevertheless there are no guarantees of actual receipt of the total balance of trade receivables due to the nature of the business. All the same, risk is managed by means of continued analysis of default rate (with consistent criteria to support the requirements of IFRS 9 – see Note 3.2. to the financial statements), as well as adopting more efficient collection measures. As at December 31, 2020, the Company had registered a balance of receivables past due or uncollectible, which terms were renegotiated, in the amount of of R$ 37,537 (R$ 14,841 as at December 31, 2019), which have been included in the Company's analysis on the need for recognizing losses on trade receivables. See Note 7 to the financial statements for further information on accounts receivable.

The policy of the Company for investments in debt securities (financial investments) is to invest in securities that have ratings attributed by the main credit risk agencies and that have a classification equal or superior to sovereign ratings (on a global scale). As at December 31, 2020, almost the total amount of investments held by the Company had such rating levels, reaching the amount of R$ 2,346,769 (R$ 4,459,324 as at December 31, 2019) in Company and R$ 2,540,989 (R$ 4,513,500 as at December 31, 2019) in Consolidated.

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

Foreign exchange rate risk management: The Company uses derivatives to meet its market risk management requirements, arising from mismatching between currencies and indexes. Derivative transactions are carried out through the Finance Department, pursuant to the strategies previously approved by the Company's Board of Directors.

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

As at December 31, 2020, Management carried out a sensitivity analysis, considering a probable scenario and scenarios of 25% and 50% increases in the expected interest rates. The probable scenario was measured using the future interest rates disclosed by BM&FBOVESPA and/or BACEN, considering the CDI base rate of 1.90%. The expected effects of interest expenses net of financial income from financial investments for the next three months are as follows:

	Parent Company	Consolidated
	2020	2020
Bank deposit certificates (Note 5)	1,126,674	1,286,791
Non-exclusive investment funds (Note 5)	-	32,419
Cash equivalents	1,126,674	1,319,210
Securities (Note 6)	1,220,095	1,221,779
Total cash equivalents and securities	2,346,769	2,540,989
Loans and financing (Note 19)	(1,683,968)	(1,686,762)
Net exposure	662,801	854,227
Financial revenue from interest - exposure to CDI	1.90%	1.90%
Impact on financial income (loss), net of taxes:		
Scenario I - Probable – Rate of 1.90% p.a.	2,293	2,956
Scenario II, 25% decr., rate of 1.43% p.a.	1,720	2,217
Scenario II, 50% decr., rate of 0.95% p.a.	1,147	1,478

31. Statements of cash flows

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

	Parent Company		Consolidated	
	2020	2019	2020	2019
Changes in fair value of financial assets	**(6,127)**	(5,846)	**(6,127)**	(5,846)
Offset of recoverable taxes	**(869,794)**	-	**(869,794)**	-
Share option plan - Netshoes	**(11,783)**	(4,344)	**(11,783)**	(4,344)
Other accounts payable	**(83,354)**	(13,950)	**(83,354)**	15,582
Dividends proposed by subsidiaries and joint venture subsidiaries and not received	**38,064**	22,522	**38,064**	19,912
Dividends declared and interest on own capital unpaid in the year	**(39,953)**	(123,566)	**(39,953)**	(123,566)
Additions IFRS 16 - Right-of-use and lease	**585,571**	428,244	**560,368**	428,244
First-time adoption of IFRS 16 - Right-of-use and lease	**-**	1,947,468	**-**	1,947,468
Remeasurement of IFRS 16 - Right-of-use of Lease	**-**	77,962	**-**	77,962

32. Insurance coverage

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

The insurance coverage, as at December 31, 2020 and 2019 are demonstrated below:

	Parent Company		Consolidated	
	2020	**2019**	**2020**	**2019**
Civil liability and D&O	**100,000**	100,000	**331,202**	230,425
Sundry risks – inventory and property and equipment	**5,137,238**	3,674,701	**5,492,117**	4,139,459
Vehicles	**23,823**	22,872	**23,823**	35,706
Total	**5,261,061**	3,797,573	**5,847,142**	4,405,590

33. Subsequent events

In March 2, 2021, the Company through its subsidiary Softbox, communicated to the market the acquisition of the 100% of capital quotas from Company VipCommerce Sistemas Ltda, (“VipCommerce”), a technology startup of *Software as a Service (SaaS).* VipCommerce is an e-commerce white-label platform created exclusively to attends the food retailers, permitting that supermarkets and retailers and wholesale sells online. With a complete e-commerce solution, VipCommerce offers not only a online store (including desktop, cell phone and app), VipCommerce offers also total management of sales order, since the purchase to the delivery. VipCommerce acquisition will permit supermarkets join power with the Company in its market. The Company will pay to the sellers between R$ 47.500 e R$ 65.000 for the acquisition, depending on the achievement of determined goals.