

Magalu

Quarterly Information (ITR) June 30, 2022



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

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

To the Shareholders, Board of Directors and Officers

Magazine Luiza S.A.

Franca - SP

Introduction

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

The executive board is responsible for preparation of the individual and consolidated interim financial information in accordance with NBC TG 21 and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion on the individual and consolidated interim financial information

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



Other matters

Statements of value added

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

Audit of corresponding figures

The Company's individual and consolidated financial statements as of December 31, 2021 and the individual and consolidated interim financial information, the related statements of profit or loss and of comprehensive income for the three and six-month periods ended June 30, 2021, and of changes in equity and cash flows for the six-month period then ended, presented for comparison purposes, were conducted under the responsibility by another independent auditor, who issued unmodified audit and review reports dated March 14, 2022 and August 12, 2021, respectively.

São Paulo, August 11, 2022.

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

Alexandre Rubio
Accountant CRC-1SP223361/O-2

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

Magazine Luiza S.A.

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

	Note	Individual		Consolidated	
		06/30/2022	12/31/2021	06/30/2022	12/31/2021
Assets					
Current assets					
Cash and cash equivalents	5	856,759	1,458,754	1,710,712	2,566,218
Marketable securities	6	211,313	1,556,211	211,313	1,556,371
Accounts receivable	7	3,465,745	3,928,531	5,621,703	5,650,759
Inventories	8	6,743,581	7,873,544	7,965,704	9,112,214
Accounts receivable from related parties	9	3,206,177	4,201,742	2,565,085	3,707,284
Taxes recoverable	10	1,245,248	1,151,721	1,431,362	1,279,257
Income and social contribution taxes recoverable	11	226,269	205,312	265,605	234,886
Other assets		127,432	136,516	294,145	402,821
Total current assets		16,082,524	20,512,331	20,065,629	24,509,810
Noncurrent assets					
Accounts receivable	7	-	17,351	-	17,351
Taxes recoverable	10	1,593,101	1,408,706	1,691,534	1,551,556
Deferred income and social contribution taxes	11	1,245,026	874,232	1,296,146	915,111
Judicial deposits	22	1,045,704	935,329	1,384,861	1,189,894
Other assets		107,352	175,902	14,698	184,816
Investments in subsidiaries	12	4,362,320	4,099,575	-	-
Investments in jointly-controlled entities	13	368,397	407,780	368,397	407,780
Right of use - lease	14	3,311,272	3,324,747	3,344,800	3,362,998
Property and equipment	15	1,823,556	1,777,788	1,990,726	1,938,713
Intangible assets	16	797,231	728,998	4,344,165	4,306,587
Total noncurrent assets		14,653,959	13,750,408	14,435,327	13,874,806
Total assets		30,736,483	34,262,739	34,500,956	38,384,616

See accompanying notes.

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

	Note	Individual		Consolidated	
		06/30/2022	12/31/2021	06/30/2022	12/31/2021
Liabilities					
Current liabilities					
Trade accounts payable	17	6,300,808	9,108,542	7,380,799	10,098,944
Partners and other deposits	18	-	-	1,362,946	1,418,897
Loans and financing	19	77,842	44,100	377,694	407,968
Salaries, vacation pay and social charges		234,124	237,270	409,234	370,176
Taxes payable		128,474	146,332	212,063	239,595
Accounts payable to related parties	9	213,972	195,894	116,065	125,302
Lease	14	402,069	415,329	421,638	433,834
Deferred revenue	20	39,157	39,157	50,474	50,329
Dividends payable		-	41,434	-	41,434
Other accounts payable	21	1,506,387	1,535,455	1,926,536	2,070,710
Total current liabilities		8,902,833	11,763,513	12,257,449	15,257,189
Noncurrent liabilities					
Loans and financing	19	6,463,421	6,368,605	6,468,883	6,384,904
Taxes payable		4,614	4,614	7,836	24,274
Lease	14	3,036,814	2,996,959	3,053,597	3,020,844
Deferred income and social contribution taxes	11	-	-	94,505	113,899
Provision for tax, civil, and labor contingencies	22	761,355	717,977	1,135,131	1,154,109
Deferred revenue	20	207,882	234,210	217,271	245,258
Other accounts payable	21	421,717	915,630	328,437	922,908
Total noncurrent liabilities		10,895,803	11,237,995	11,305,660	11,866,196
Total liabilities		19,798,636	23,001,508	23,563,109	27,123,385
Equity					
Capital	23	12,352,498	12,352,498	12,352,498	12,352,498
Capital reserve		(1,777,494)	(1,637,055)	(1,777,494)	(1,637,055)
Treasury shares		(1,275,785)	(1,449,159)	(1,275,785)	(1,449,159)
Legal reserve		137,442	137,442	137,442	137,442
Income reserve		1,797,916	1,856,665	1,797,916	1,856,665
Equity adjustments		(427)	840	(427)	840
Net loss for the period		(296,303)	-	(296,303)	-
Total equity		10,937,847	11,261,231	10,937,847	11,261,231
Total liabilities and equity		30,736,483	34,262,739	34,500,956	38,384,616

See accompanying notes.

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Statements of profit or loss Six- and three-month periods ended June 30, 2022 and 2021 (In thousands of reais - R\$)

	Note	Six-month period				Three-month period			
		Individual		Consolidated		Individual		Consolidated	
		06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Net sales revenue	24	14,016,397	15,571,114	17,324,565	17,266,121	6,879,807	8,041,434	8,562,389	9,013,308
Cost of goods resold and services rendered	25	(10,320,725)	(11,753,221)	(12,440,040)	(12,887,750)	(5,030,552)	(6,063,034)	(6,109,614)	(6,705,039)
Gross profit		3,695,672	3,817,893	4,884,525	4,378,371	1,849,255	1,978,400	2,452,775	2,308,269
Operating income (expenses)									
Selling expenses	26	(2,613,759)	(2,805,600)	(3,158,973)	(3,031,622)	(1,280,835)	(1,497,479)	(1,569,740)	(1,611,416)
General and administrative expenses	26	(437,395)	(366,510)	(690,074)	(481,198)	(222,432)	(192,852)	(337,687)	(255,642)
Expected credit losses		(118,032)	(61,705)	(120,152)	(66,589)	(57,700)	(28,940)	(59,013)	(32,782)
Depreciation and amortization	14 15 16	(424,915)	(323,501)	(535,845)	(383,028)	(214,817)	(174,855)	(270,786)	(204,702)
Equity pickup	12 13	112,327	207,242	(15,541)	53,730	59,554	115,283	(7,588)	30,772
Other operating income (expenses), net	26 27	(97,401)	223,097	(102,846)	308,008	(14,545)	6,153	(21,315)	25,910
		(3,579,175)	(3,126,977)	(4,623,431)	(3,600,699)	(1,730,775)	(1,772,690)	(2,266,129)	(2,047,860)
Operating income before finance income (costs)		116,497	690,916	261,094	777,672	118,480	205,710	186,646	260,409
Finance income		309,428	76,817	360,262	85,659	127,964	45,740	155,568	52,068
Finance costs		(1,093,022)	(430,073)	(1,276,210)	(485,663)	(559,057)	(248,335)	(649,406)	(281,744)
Finance income (costs)	28	(783,594)	(353,256)	(915,948)	(400,004)	(431,093)	(202,595)	(493,838)	(229,676)
Income (loss) before income and social contribution taxes		(667,097)	337,660	(654,854)	377,668	(312,613)	3,115	(307,192)	30,733
Current and deferred income and social contribution taxes	11	370,794	16,517	358,551	(23,491)	177,609	92,422	172,188	64,804
Net income (loss) for the period		(296,303)	354,177	(296,303)	354,177	(135,004)	95,537	(135,004)	95,537
Income (loss) attributable to:									
Controlling shareholders		(296,303)	354,177	(296,303)	354,177	(135,004)	95,537	(135,004)	95,537
Earnings (loss) per share									
Basic (reais per share)	23	(0.044)	0.055	(0.044)	0.055	(0.000)	0.015	(0.000)	0.015
Diluted (reais per share)	23	(0.044)	0.054	(0.044)	0.054	(0.000)	0.015	(0.000)	0.015

See accompanying notes.

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

	Six-month period		Three-month period	
	Individual and Consolidated		Individual and Consolidated	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Net income (loss) for the period	(296,303)	354,177	(135,004)	95,537
Items that may be subsequently reclassified to profit or loss:				
Investments valued under the equity method - share in other comprehensive income (OCI)	(1,920)	(11,450)	(1,543)	(3,754)
Tax effects	653	4,552	525	1,359
Total items that may be subsequently reclassified to profit or loss	(1,267)	(6,898)	(1,018)	(2,395)
Total comprehensive income (loss) for the period, net of taxes	(297,570)	347,279	(136,022)	93,142
Attributable to:				
Controlling shareholders	(297,570)	347,279	(136,022)	93,142

See accompanying notes.

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

Note	Capital	Capital reserve	Treasury shares	Legal reserve	Income reserve			Net income (loss) for the period	Equity adjustments	Total
					Reserve for working capital increase	Additional dividends proposed	Tax incentive reserve			
Balances at January 1, 2021	5,952,282	390,644	(603,681)	122,968	1,003,374	130,194	318,355	-	11,151	7,325,287
Stock option plan	-	55,869	-	-	-	-	-	-	-	55,869
Treasury shares acquired	-	-	(409,811)	-	-	-	-	-	-	(409,811)
Treasury shares disposed of	-	(185,630)	177,311	-	-	-	-	-	-	(8,319)
Consideration for acquisition	-	85,500	-	-	-	-	-	-	-	85,500
Additional dividends proposed	-	-	-	-	-	(130,194)	-	-	-	(130,194)
Net income for the period	-	-	-	-	-	-	-	354,177	-	354,177
	-	(44,261)	(232,500)	-	-	(130,194)	-	354,177	-	(52,778)
Other comprehensive income:										
Equity adjustments	-	-	-	-	-	-	-	-	(6,898)	(6,898)
Balances at June 30, 2021	5,952,282	346,383	(836,181)	122,968	1,003,374	-	318,355	354,177	4,253	7,265,611
Balances at December 31, 2021	12,352,498	(1,637,055)	(1,449,159)	137,442	582,635	58,749	1,215,281	-	840	11,261,231
Stock option plan	23	-	44,426	-	-	-	-	-	-	44,426
Treasury shares delivered in stock option plans and business combinations	23	-	(184,865)	173,374	-	-	-	-	-	(11,491)
Additional dividends proposed	23	-	-	-	-	(58,749)	-	-	-	(58,749)
Loss for the period	23	-	-	-	-	-	-	(296,303)	-	(296,303)
	-	(140,439)	173,374	-	-	(58,749)	-	(296,303)	-	(322,117)
Other comprehensive income:										
Equity adjustments	-	-	-	-	-	-	-	-	(1,267)	(1,267)
Balances at June 30, 2022	12,352,498	(1,777,494)	(1,275,785)	137,442	582,635	-	1,215,281	(296,303)	(427)	10,937,847

See accompanying notes.

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

Note	Individual		Consolidated		
	06/30/2022	06/30/2021	06/30/2022	06/30/2021	
Cash flows from operating activities					
Net income (loss) for the period	(296,303)	354,177	(296,303)	354,177	
Adjustments to reconcile net income (loss) for the period to cash flows from operating activities:					
Income and social contribution taxes recognized in P&L	11	(370,794)	(16,517)	(358,551)	23,491
Depreciation and amortization	14 15 16	424,915	323,501	535,845	383,028
Accrued interest on loans, financing and lease	14 19	521,121	148,593	544,019	149,531
Gain (loss) on marketable securities		(23,338)	(10,745)	(23,338)	(10,745)
Equity pickup	12 13	(112,327)	(207,242)	15,541	(53,730)
Changes in the provision for losses on assets		217,514	80,911	220,301	85,974
Provision for tax, civil, and labor contingencies	22	46,978	(168,651)	55,217	(243,631)
Gain on disposal of property and equipment	27	701	(263)	798	699
Appropriation of deferred revenue	27	(26,328)	(26,865)	(27,283)	(28,251)
Stock option plan expenses		31,981	53,271	31,981	53,272
Net income for the period		414,120	530,170	698,227	713,815
(Increase) decrease in operating assets:					
Accounts receivable		337,112	746,839	(95,484)	916,478
Marketable securities		1,368,236	762,534	1,368,396	764,058
Inventories		1,055,474	(1,551,490)	1,068,100	(1,586,986)
Accounts receivable from related parties		948,891	701,966	1,095,525	575,113
Taxes recoverable		(298,879)	(183,784)	(322,802)	(176,400)
Judicial deposits		(110,375)	(218,688)	(194,967)	(295,288)
Other assets		(90,971)	(19,126)	178,129	(70,740)
Changes in operating assets		3,209,488	238,251	3,096,897	126,235
Increase (decrease) in operating liabilities:					
Trade accounts payable		(2,807,734)	(56,461)	(2,718,145)	(259,969)
Partners and other deposits		-	-	(55,951)	160,217
Salaries, vacation pay and social charges		(3,146)	(37,734)	39,058	11,647
Taxes payable		(22,290)	(280,448)	(131,590)	(314,543)
Accounts payable to related parties		18,078	8,789	(9,237)	(67,528)
Other accounts payable		102,197	(73,535)	(89,178)	19,872
Changes in operating liabilities		(2,712,895)	(439,389)	(2,965,043)	(450,304)
Income and social contribution taxes paid		-	(5,475)	(32,817)	(41,471)
Dividends received		70,220	29,454	70,220	29,454
Cash flows from operating activities		980,933	353,011	867,484	377,729
Cash flows from investing activities					
Acquisition of P&E	14 15	(152,839)	(295,908)	(169,041)	(305,032)
Acquisition of intangible assets	16	(130,601)	(112,270)	(189,727)	(161,697)
Capital increase at subsidiary	12	(60,792)	(297,280)	-	-
Payment for acquisition of subsidiary, net of cash acquired		(526,908)	-	(543,663)	(66,372)
Cash flows used in investing activities		(871,140)	(705,458)	(902,431)	(533,101)
Cash flows from financing activities					
Loans and financing raised	19	-	2,300,000	-	2,300,000
Repayment of loans and financing	19	(4,058)	(1,607,230)	(88,767)	(1,607,328)
Payment of interest on loans and financing	19	(256,376)	(90,757)	(267,244)	(90,757)
Payment of lease	14	(209,032)	(167,711)	(220,052)	(173,093)
Payment of interest on lease	14	(142,356)	(115,336)	(144,530)	(116,274)
Dividends paid out		(99,966)	(146,133)	(99,966)	(146,133)
Acquisition of treasury shares, net of disposal		-	(404,077)	-	(404,078)
Cash flows used in financing activities		(711,788)	(231,244)	(820,559)	(237,663)
Increase (decrease) in cash and cash equivalents		(601,995)	(583,691)	(855,506)	(393,035)
Cash and cash equivalents at beginning of period		1,458,754	1,281,569	2,566,218	1,681,376
Cash and cash equivalents at end of the period		856,759	697,878	1,710,712	1,288,341
Increase (decrease) in cash and cash equivalents		(601,995)	(583,691)	(855,506)	(393,035)

See accompanying notes.

Magazine Luiza S.A.

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

	Individual		Consolidated	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Revenues				
Sales of goods, products and services	16,252,252	18,166,924	20,276,296	20,116,750
Allowance for expected credit losses, net of reversals	(118,032)	(61,705)	(120,152)	(66,589)
Other operating income	38,655	377,214	68,267	448,718
	16,172,875	18,482,433	20,224,411	20,498,879
Bought-in inputs				
Cost of goods resold and services rendered	(10,899,014)	(13,080,375)	(12,979,019)	(14,205,099)
Materials, energy, third-party services and other expenses	(2,157,111)	(2,172,058)	(2,726,652)	(2,271,538)
Loss/recovery of receivables	(82,732)	(16,509)	(84,873)	(18,157)
	(13,138,857)	(15,268,942)	(15,790,544)	(16,494,794)
Gross value added	3,034,018	3,213,491	4,433,867	4,004,085
Depreciation and amortization	(424,915)	(323,501)	(535,845)	(383,028)
Net value added produced by the Company	2,609,103	2,889,990	3,898,022	3,621,057
Value added received in transfer				
Equity pickup	112,327	207,242	(15,541)	53,730
Finance income	309,428	76,817	360,262	85,659
Total value added to be distributed	3,030,858	3,174,049	4,242,743	3,760,446
Distribution of value added				
Personnel and charges:				
Salaries	820,127	781,409	1,154,308	922,618
Benefits	157,162	198,144	207,349	237,375
Unemployment Compensation Fund (FGTS)	72,955	62,884	107,593	81,138
	1,050,244	1,042,437	1,469,250	1,241,131
Taxes, charges and contributions:				
Federal	28,063	6,675	320,338	227,084
State	1,091,112	1,274,870	1,359,225	1,353,963
Local	41,211	34,940	68,588	50,782
	1,160,386	1,316,485	1,748,151	1,631,829
Debt remuneration:				
Interest	1,031,263	390,304	1,203,541	442,007
Rent	44,260	27,701	51,708	33,124
Other	41,008	42,945	66,396	58,178
	1,116,531	460,950	1,321,645	533,309
Equity remuneration:				
Retained profit (accumulated losses)	(296,303)	354,177	(296,303)	354,177
	3,030,858	3,174,049	4,242,743	3,760,446

See accompanying notes.

Notes to quarterly information

1. Operations

Magazine Luiza S.A. (“Company”) is a publicly-held corporation listed under the special segment called “Novo Mercado” of B3 S.A. – Brasil, Bolsa, Balcão, under ticker symbol “MGLU3” and is primarily engaged in the retail sale, through physical stores, e-commerce and its SuperApp, which is an application that offers products and services from Magazine Luiza, its subsidiaries, as well as from commercial partners (“sellers”) through the marketplace platform. Its jointly-controlled entities (Note 13) offer loans, financing and insurance services to customers. It is headquartered in the city of Franca, São Paulo State, and its parent and holding company is LTD Administração e Participação S.A.

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

As at June 30, 2022, the Company owned 1,429 stores and 23 distribution centers (1,481 stores and 26 distribution centers as at December 31, 2021) located in all regions in Brazil. The Company also operated on the e-commerce websites www.magazineluiza.com.br, www.epocacosmeticos.com.br, www.netshoes.com.br, www.zattini.com.br, www.shoestock.com.br, www.kabum.com.br, and their respective mobile applications, as well as through AiQfome, Tônolucro and Plus Delivery food delivery applications.

On August 11, 2022, the Board of Directors authorized the issue of these interim financial statements.

2. Presentation and preparation of interim financial statements

2.1. Accounting policies

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

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

Accounting practices, policies and key accounting judgments and sources of uncertainty about estimates adopted in the preparation of the individual and consolidated quarterly information are consistent with those adopted and disclosed in the notes to the financial statements for the year ended December 31, 2021, which disclosed on March 10, 2022, and should be read together.

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

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

2.2. Impacts related to the Covid-19 pandemic

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

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

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

3. New standards, amendments and interpretations of standards

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

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

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

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

5. Cash and cash equivalents

	Rates	Individual		Consolidated	
		06/30/2022	12/31/2021	06/30/2022	12/31/2021
Cash		78,666	37,732	79,370	38,775
Banks		66,096	73,410	106,622	750,450
Bank deposit certificates	From 70% to 101% of the CDI	711,997	1,347,612	1,485,916	1,742,161
Non-boutique investment funds	From 92.5% to 100% of the CDI	-	-	38,804	34,832
		856,759	1,458,754	1,710,712	2,566,218

Credit risk and sensitivity analysis are described in Note 30.

6. Marketable securities

Financial assets	Rates	Individual		Consolidated	
		06/30/2022	12/31/2021	06/30/2022	12/31/2021
Non-boutique investment fund	97% of the CDI	13,605	12,734	13,605	12,734
Boutique investment fund:					
Repurchase agreements	(a)	160,611	27,512	160,611	27,512
Federal government securities		37,097	1,515,965	37,097	1,516,125
		211,313	1,556,211	211,313	1,556,371

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

Credit risk and sensitivity analysis are described in Note 30.

7. Accounts receivable

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Trade accounts receivable:				
Credit cards (a)	2,576,807	3,111,344	4,545,570	4,618,014
Debit cards (a)	16,596	9,417	20,375	14,396
Own installment sales plan (b)	849,407	789,111	849,407	789,111
Customer services (c)	201,300	166,625	212,433	208,837
Other receivables (d)	30,779	44,139	169,487	182,588
Total trade accounts receivable	3,674,889	4,120,636	5,797,272	5,812,946
From commercial agreements (e)	303,801	295,757	342,238	343,837
Allowance for expected credit losses	(208,913)	(151,426)	(213,775)	(169,588)
Present value adjustment	(304,032)	(319,085)	(304,032)	(319,085)
	3,465,745	3,945,882	5,621,703	5,668,110
Current assets	3,465,745	3,928,531	5,621,703	5,650,759
Noncurrent assets	-	17,351	-	17,351

Days sales outstanding is of 41 and 50 days, individual and consolidated, respectively, as of June 30, 2022 (27 and 33 days, individual and consolidated, respectively, as of December 31, 2021).

- (a) Accounts receivable from sales made through credit and debit cards, which the Company receives from the buyers in amounts, terms and number of installments defined at the time of sale of the products. The consolidated information includes receivables from buyers transacted through Magalu Pagamentos, to be transferred to the partners (sellers) as described in Note 18. As of June 30, 2022, the Company recorded credits assigned to buyers and financial institutions amounting to R\$2,578,788 (R\$2,656,104 as of December 31, 2021), individual, and R\$4,981,155 (R\$5,165,898 as of December 31, 2021), consolidated, on which a discount ranging from 105% to 109.71% of the CDI is applied. Through assignment of receivables from cards, the Company transfers to the buyers and financial institutions all risks from customer receivables and, thus, settles the amounts receivable related to these credits.
- (b) Refers to receivables from sales financed by the Company and by other financial institutions.
- (c) Refers substantially to sales intermediated by the Company for Luizaseg and Cardif do Brasil Seguros e Garantias S.A. The Company allocates to its partners the extended warranty and other insurance, in full, in the month following the sale, and receives from customers in accordance with the agreed transaction term. Additionally, receivables for marketplace services and other services are allocated to this account.
- (d) Refers mostly to receivables for transportation services of subsidiaries Magalog and GFL Logística to third parties, as well as services rendered and entries in Hub Fintech's payment accounts.
- (e) Refers to bonuses to be received from suppliers, arising from the fulfillment of the purchase volume, as well as from agreements that define the share of suppliers in disbursements related to advertising and marketing (joint advertising).

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

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Opening balance	(151,426)	(95,832)	(169,588)	(115,207)
(+) Additions	(143,025)	(167,496)	(141,891)	(174,278)
(-) Write-offs	85,538	111,902	97,704	119,897
Closing balance	(208,913)	(151,426)	(213,775)	(169,588)

The credit risk analysis is detailed in Note 30.

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

	Trade accounts receivable				From commercial agreements			
	Individual		Consolidated		Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Falling due:								
Within 30 days	284,657	217,534	482,628	517,617	56,541	40,577	75,360	57,714
31 to 60 days	213,676	151,049	336,554	477,441	38,604	52,469	46,444	75,429
61 to 90 days	444,062	167,493	564,526	417,431	127,311	52,238	128,153	52,970
91 to 180 days	1,554,309	867,283	2,471,891	1,095,766	64,768	53,630	65,485	53,630
181 to 360 days	955,951	2,556,412	1,716,561	3,118,855	-	63,710	288	63,710
More than 361 days	44,937	52,636	46,418	60,598	-	263	-	288
	3,497,592	4,012,407	5,618,578	5,687,708	287,224	262,887	315,730	303,741
Overdue:								
Within 30 days	49,296	31,573	50,693	32,628	4,687	19,670	9,166	22,223
31 to 60 days	30,494	20,500	30,494	22,041	1,660	7,480	5,312	10,740
61 to 90 days	31,336	16,239	31,336	16,239	836	1,133	1,705	1,133
91 to 180 days	66,171	39,917	66,171	54,330	9,394	4,587	10,325	6,000
	177,297	108,229	178,694	125,238	16,577	32,870	26,508	40,096
	3,674,889	4,120,636	5,797,272	5,812,946	303,801	295,757	342,238	343,837

8. Inventories

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Goods for resale	6,895,057	7,971,149	8,121,256	9,210,072
Consumption materials	18,873	44,921	37,581	65,698
Provision for inventory losses	(170,349)	(142,526)	(193,133)	(163,556)
	6,743,581	7,873,544	7,965,704	9,112,214

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

Changes in the provision for inventory losses are shown below:

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Opening balance	(142,526)	(90,108)	(163,556)	(101,178)
Set-up of provision	(74,489)	(505,891)	(78,410)	(519,663)
Inventories written off or sold	46,666	453,473	48,833	457,285
Closing balance	(170,349)	(142,526)	(193,133)	(163,556)

9. Transactions with related parties

Company	Assets (liabilities)				P&L for the six-month period				P&L for the quarter			
	Individual		Consolidated		Individual		Consolidated		Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Luizacred (i)												
Commissions for services rendered	4,579	2,478	4,579	2,478	123,166	118,385	123,166	118,385	55,669	57,459	55,669	57,459
Credit cards	2,508,063	3,592,443	2,508,063	3,592,443	(180,909)	(102,010)	(180,909)	(102,010)	(86,667)	(59,724)	(86,667)	(59,724)
Transfers of receivables	(39,743)	(46,638)	(39,743)	(46,638)	-	-	-	-	-	-	-	-
Dividends receivable	-	35,018	-	35,018	-	-	-	-	-	-	-	-
Reimbursement of shared expenses	5,785	22,193	5,785	22,193	68,527	56,525	68,527	56,525	33,324	26,952	33,324	26,952
	2,478,684	3,605,494	2,478,684	3,605,494	10,784	72,900	10,784	72,900	2,326	24,687	2,326	24,687
Luizaseg (ii)												
Commissions for services rendered	44,283	40,760	44,283	40,760	233,945	207,945	233,945	207,945	124,633	114,392	124,633	114,392
Dividends receivable	-	8,953	-	8,953	-	-	-	-	-	-	-	-
Transfers of receivables	(70,502)	(66,074)	(70,502)	(66,074)	-	-	-	-	-	-	-	-
	(26,219)	(16,361)	(26,219)	(16,361)	233,945	207,945	233,945	207,945	124,633	114,392	124,633	114,392
Total jointly-controlled entities	2,452,465	3,589,133	2,452,465	3,589,133	244,729	280,845	244,729	280,845	126,959	139,079	126,959	139,079
Netshoes (iii)												
Reimbursement of expenses	14,176	10,854	-	-	-	-	-	-	-	-	-	-
Discounted notes	-	-	-	(4,053)	-	-	-	-	-	-	-	-
Commissions for services rendered	-	-	-	-	8,637	2,596	-	-	4,801	1,106	-	-
	14,176	10,854	-	(4,053)	8,637	2,596	-	-	4,801	1,106	-	-
Época Cosméticos (iv)												
Commissions for services rendered	914	1,333	-	-	3,423	1,381	-	-	2,015	695	-	-
Kabum (v)												
Commissions for services rendered	602	-	-	-	9,936	-	-	-	-	-	-	-
Consórcio Luiza (vi)												
Commissions for services rendered	1,362	2,643	-	-	7,591	7,090	-	-	3,818	3,556	-	-
Dividends receivable	-	2,703	-	-	-	-	-	-	-	-	-	-
Group of consortia	(399)	(362)	(536)	(362)	-	-	-	-	-	-	-	-
	963	4,984	(536)	(362)	7,591	7,090	-	-	3,818	3,556	-	-
Magalog (vii)												
Transfers of receivables	(20,255)	(50,357)	-	-	-	-	-	-	-	-	-	-
Freight	-	-	-	-	721,718	(315,966)	-	-	352,504	(188,795)	-	-
	(20,255)	(50,357)	-	-	721,718	(315,966)	-	-	352,504	(188,795)	-	-
Magalu Pagamentos (viii)												
Transfers of receivables	559,273	465,672	-	-	(54,762)	(25,672)	-	-	(22,248)	(19,886)	-	-
Luizalabs (ix)												
System development	(13,094)	(13,101)	-	-	-	-	-	-	-	-	-	-
Total Subsidiaries	542,579	419,385	(536)	(4,415)	696,544	(330,571)	-	-	350,826	(203,324)	-	-
MTG Participações (x)												
Rent and other transfers	(2,503)	(2,463)	(2,573)	(2,529)	(19,963)	(16,622)	(19,963)	(16,622)	(10,313)	(8,711)	(10,313)	(8,711)
PJD Agropastoril (xi)												
Rent, freight and other transfers	(56)	(51)	(56)	(51)	(612)	(1,001)	(612)	(1,001)	(248)	(509)	(248)	(509)
LH Participações (xii)												
Rent	(201)	(156)	(201)	(156)	(1,207)	(1,100)	(1,207)	(1,100)	(604)	(550)	(604)	(550)
ETCO – SCP (xiii)												
Agency fee	-	-	-	-	(3,989)	(3,696)	(3,989)	(3,696)	(1,519)	(2,064)	(1,519)	(2,064)
Marketing expenses	(79)	-	(79)	-	(124,660)	(115,725)	(124,660)	(115,725)	(47,462)	(58,238)	(47,462)	(58,238)
	(79)	-	(79)	-	(128,649)	(119,421)	(128,649)	(119,421)	(48,981)	(60,302)	(48,981)	(60,302)
Total other related parties	(2,839)	(2,670)	(2,909)	(2,736)	(150,431)	(138,144)	(150,431)	(138,144)	(60,146)	(70,072)	(60,146)	(70,072)
Total related parties	2,992,205	4,005,848	2,449,020	3,581,982	790,842	(187,870)	94,298	142,701	417,639	(134,317)	66,813	69,007

	Assets (liabilities)				P&L for the six-month period				P&L for the quarter			
	Individual		Consolidated		Individual		Consolidated		Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Boutique investment fund transactions – classified as Marketable securities (xiv)	197,708	1,543,477	197,708	1,543,637	8,262	10,612	8,262	10,612	5,570	5,880	5,570	5,880

Reconciliation	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Accounts receivable from related parties	3,206,177	4,201,742	2,565,085	3,707,284
Accounts payable to related parties	(213,972)	(195,894)	(116,065)	(125,302)
	2,992,205	4,005,848	2,449,020	3,581,982

- I. Transactions with Luizacred, jointly-controlled entity with Banco Itaúcard S.A., refer to the following activities:
 - (a) Receivables with private label credit cards and finance costs with advance of such receivables;
 - (b) Balance receivable from the sale of financial products to customers by Luizacred, received by the Company;
 - (c) Commissions on services provided monthly by the Company, including attraction of new customers, management and administration of consumer credit transactions, control and collection of financing granted, indication of insurance linked to financial services and products. The amounts payable (current liabilities) refer to the receipt of customer installments at the Company's store cashiers, which are transferred to Luizacred;
- II. The amounts receivable (current assets) and revenues of Luizaseg, jointly-controlled entity with NCVP Participações Societárias S.A., a subsidiary of Cardif do Brasil Seguros e Previdência S.A., arise from commissions on services provided monthly by the Company, relating to the sale of extended warranties and proposed dividends. The amounts payable (current liabilities) refer to transfers of extended warranties sold, to Luizaseg, in full, on the month following the sale.
- III. The amounts of Netshoes, a wholly-owned subsidiary, refer to commissions for sales made via the Parent Company's Marketplace platform.
- IV. Transactions with Época Cosméticos, a wholly-controlled subsidiary, refer to sales commissions through the Parent Company's Marketplace platform.
- V. Transactions with KaBuM, a wholly-controlled subsidiary, refer to sales commissions through the Parent Company's Marketplace platform.
- VI. The amounts receivable (current assets) from Consórcio Luiza (LACs), a wholly-owned subsidiary, refer to proposed dividends and commissions for sales made by the Parent Company as an agent for consortium operations. The amounts payable (current liabilities) refer to unrealized onlending operations to LACs relating to consortia installments received by the Parent Company through cashiers at the points of sale.
- VII. Transactions with "Magalog," a wholly-owned subsidiary, refer to freight expenses.
- VIII. Transactions with Magalu Pagamentos, a wholly-owned subsidiary, refer to commissions receivable for sales carried out in its Marketplace by sellers, as well as fees for the use of the sub-acquisition operation.
- IX. Refers to provision of system development services by the subsidiary Luizalabs Computação e Sistemas de Informação Ltda.
- X. Transactions with MTG Administração, Assessoria e Participações S.A., controlled by the same controlling shareholders of the Company, refer to expenses with rent of commercial buildings for establishment its stores, as well as distribution centers, central office, and reimbursement of expenses.
- XI. Transactions with PJD Agropastoril Ltda., a company controlled by the Company's indirect controlling shareholders, refer to expenses with truck rentals for freight of goods.
- XII. Transactions with LH Agropastoril, Administração Participações Ltda., controlled by the same controlling shareholders of the Company, refer to expenses with rent of commercial buildings.
- XIII. Transactions with ETCO Sociedade em Conta de Participação, whose participating partner is a company controlled by the chairman of the Company's Board of Directors, refer to contracts for provision of publicity and advertising services, including transfers related to broadcasting, media production and graphic creation services.
- XIV. Refers to investments, redemptions and income from boutique investment funds (ML Renda Fixa Crédito Privado FI and FI Caixa ML RF Longo Prazo - see Note 6 – Marketable securities).

b) Management compensation

	06/30/2022		06/30/2021	
	Board of Directors	Statutory Board	Board of Directors	Statutory Board
Fixed and variable compensation	2,028	3,759	2,434	6,675
Stock option plan	6,547	11,858	9,834	21,395

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

10. Taxes recoverable

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
ICMS recoverable (a)	2,355,170	2,001,716	2,416,470	2,052,515
PIS and COFINS recoverable (b)	479,565	555,098	698,245	771,339
Other	3,614	3,613	8,181	6,959
	2,838,349	2,560,427	3,122,896	2,830,813
Current assets	1,245,248	1,151,721	1,431,362	1,279,257
Noncurrent assets	1,593,101	1,408,706	1,691,534	1,551,556

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

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

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

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

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

Offset of the credits occurs as the validations take place via administrative procedures with the Brazilian IRS.

11. Income and social contribution taxes

a) Income and social contribution taxes recoverable

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
IRPJ and CSLL recoverable (a)	173,658	173,658	192,564	189,924
Withholding Income Tax (IRRF) to be offset	52,611	31,654	73,041	44,962
	226,269	205,312	265,605	234,886

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

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

	Six-month period				Quarter			
	Individual		Consolidated		Individual		Consolidated	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Income (loss) before income and social contribution taxes	(667,097)	337,660	(654,854)	377,668	(312,613)	3,115	(307,192)	30,733
Current statutory rate	34%	34%	34%	34%	34%	34%	34%	34%
Expected income and social contribution tax credit (debit) at current rates	226,813	(114,804)	222,650	(128,407)	106,288	(1,059)	104,445	(10,449)
Reconciliation to effective rate (effects of application of tax rates):								
Exclusion - equity pickup	38,191	70,462	(5,284)	18,268	20,248	39,196	(2,580)	10,462
Effect of interest on equity	-	34,000	-	34,000	-	34,000	-	34,000
Deferred IRPJ and CSLL not accrued on tax losses	-	-	31,157	23,607	-	-	18,111	8,860
Technological innovation	-	15,591	-	15,591	-	15,591	-	15,591
Effect of government grant (1)	52,282	17,044	58,659	22,574	33,222	8,728	36,590	11,720
Interest on undue tax payments (2)	56,145	-	56,145	-	18,958	-	18,958	-
Other permanent exclusions, net	(2,637)	(5,776)	(4,776)	(9,124)	(1,107)	(4,034)	(3,336)	(5,380)
Income and social contribution tax debit	370,794	16,517	358,551	(23,491)	177,609	92,422	172,188	64,804
Current	-	(58,323)	(41,878)	(108,723)	-	(58,097)	(16,324)	(85,036)
Deferred	370,794	74,840	400,429	85,232	177,609	150,519	188,512	149,840
Total	370,794	16,517	358,551	(23,491)	177,609	92,422	172,188	64,804
Effective rate	55.6%	-4.9%	54.8%	6.2%	56.8%	-2967.0%	56.1%	-210.9%

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

Deferred tax

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

	Individual			Consolidated		
	Balance at 12/31/2021	Income (expenses)	Balance at 06/30/2022	Balance at 12/31/2021	Income (expenses)	Balance at 06/30/2022
Deferred income and social contribution taxes on:						
Income and social contribution tax losses	503,823	216,600	720,423	547,235	225,925	773,160
Allowance for expected credit losses	51,485	19,545	71,030	51,485	19,545	71,030
Provision for inventory losses	48,459	9,460	57,919	48,762	9,460	58,222
Provision for present value adjustments	80,605	(3,953)	76,652	80,605	(3,953)	76,652
Provision for tax, civil, and labor contingencies	220,466	38,395	258,861	336,353	38,395	374,748
Provision for stock option plan	109,602	(7,193)	102,409	109,602	(7,193)	102,409
Temporary differences on leases	70,026	14,271	84,297	70,026	14,271	84,297
Temporary differences on fair value in acquisitions	(41,679)	-	(41,679)	(294,344)	50,132	(244,212)
Judicial deposits	628	(11)	617	628	(11)	617
Deferred tax credits	(169,164)	85,527	(83,637)	(169,164)	56,032	(113,132)
Other provisions	(19)	(1,847)	(1,866)	20,024	(2,174)	17,850
Deferred income and social contribution tax assets (liabilities)	874,232	370,794	1,245,026	801,212	400,429	1,201,641

	Individual			Consolidated			
	Balance at 12/31/2020	Income (expenses)	Balance at 06/30/2021	Balance at 12/31/2020	Income (expenses)	Business combination	Balance at 06/30/2021
Deferred income and social contribution taxes on:							
Income and social contribution tax losses	-	85,592	85,592	19,334	92,457	-	111,791
Allowance for expected credit losses	32,583	8,114	40,697	32,583	8,114	-	40,697
Provision for inventory losses	30,637	(7,610)	23,027	30,940	(7,610)	-	23,330
Provision for present value adjustments	17,092	13,924	31,016	17,092	13,924	-	31,016
Provision for tax, civil, and labor contingencies	200,447	(7,347)	193,100	291,113	(11,013)	3,353	283,453
Provision for stock option plan	69,392	19,640	89,032	69,392	19,640	-	89,032
Temporary differences on fair value in acquisitions	(41,679)	-	(41,679)	(161,284)	-	(5,346)	(166,630)
Judicial deposits	(11,394)	853	(10,541)	(11,394)	853	-	(10,541)
Deferred tax credits (1)	(186,184)	(43,822)	(230,006)	(186,184)	(43,822)	-	(230,006)
Temporary differences on leases (IFRS 16)	44,967	12,717	57,684	44,967	12,717	-	57,684
Other provisions	8,186	(7,221)	965	25,334	(28)	-	25,306
Deferred income and social contribution tax assets (liabilities)	164,047	74,840	238,887	171,893	85,232	(1,993)	255,132

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

(2) Breakdown of deferred income and social contribution taxes by company

	Balance at 12/31/2021	Deferred tax assets	Deferred tax liabilities	Balance at 06/30/2022
Individual	874,232	1,245,026	-	1,245,026
Netshoes	(10,105)	1,329	(944)	385
KaBuM	(84,164)	-	(78,614)	(78,614)
Consórcio Luiza	795	2,598	-	2,598
Época Cosméticos	10,176	8,777	-	8,777
Magalog	26,759	35,671	-	35,671
Softbox	3,004	2,745	-	2,745
Magalu Pagamentos	(19,485)	-	(14,947)	(14,947)
Consolidated	801,212	1,296,146	(94,505)	1,201,641

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

12. Investments in subsidiaries

a. Changes in investments in subsidiaries

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

Position at 06/30/2022

Subsidiary	Ownership interest		Assets		Liabilities		Capital	Equity	Net revenue	Net income (loss)
	Shares/units of interest	%	Current	Noncurrent	Current	Noncurrent				
	1,514,532,42									
Netshoes	8	100%	850,414	565,512	776,246	216,721	625,057	422,959	1,116,816	19,552
KaBuM	1,976,774	100%	1,225,023	131,228	852,788	110,689	861,020	392,774	1,472,256	73,430
Época Cosméticos	34,405,475	100%	173,814	124,303	129,679	1	91,705	168,437	358,446	32,391
Magalu Pagamentos	2,000,000	100%	2,091,645	543,941	2,006,601	25,931	2,000	603,054	405,524	40,105
Consórcio Luiza	6,500	100%	84,698	4,822	17,389	2,530	50,050	69,601	8,262	9,101
Magalog	16,726	100%	271,206	301,135	267,595	56,015	219,969	248,731	69,290	(18,966)
Luizalabs	23,273,616	100%	90,218	222,987	106,988	10,977	119,314	195,240	787,487	(9,107)

Changes	Opening balance	Capital increase/ Future capital contribution	Other comprehensive income	Action plan	Remeasurement of goodwill	Business combination	Equity pickup	Closing balance
Netshoes	1,098,743	7,137	(654)	1,637	-	(6,488)	19,552	1,119,927
KaBuM	1,738,137	-	-	5,974	68,037	(10,771)	73,430	1,874,807
Época Cosméticos	175,727	2,300	-	(426)	-	-	32,391	209,992
Magalu Pagamentos	563,283	-	-	(334)	-	-	40,105	603,054
Consórcio Luiza	60,817	-	(317)	-	-	-	9,101	69,601
Magalog	238,986	37,339	-	(928)	-	(328)	(18,966)	256,103
Luizalabs	221,912	14,016	-	3,066	-	(1,051)	(9,107)	228,836
	4,097,605	60,792	(971)	8,989	68,037	(18,638)	146,506	4,362,320

Position at 12/31/2021

Subsidiary	Ownership interest		Assets		Liabilities		Capital	Equity	Net revenue	Net income (loss)
	Shares/units of interest	%	Current	Noncurrent	Current	Noncurrent				
	1,514,532,42									
Netshoes	8	100%	791,994	564,462	743,803	217,344	617,919	395,309	2,477,798	134,697
KaBuM ¹	1,976,774	100%	1,199,864	125,828	856,045	204,680	2,000	264,967	156,667	13,361
Época Cosméticos	34,405,475	100%	204,022	100,425	170,460	13	89,405	133,974	725,313	45,329
Magalu Pagamentos	2,000,000	100%	2,005,967	552,603	1,963,472	31,815	2,000	563,283	658,811	156,147
Integra Commerce	100	100%	150	-	-	-	4,156	150	-	-
Consórcio Luiza	6,500	100%	82,068	4,415	23,391	2,275	50,050	60,817	129,530	11,383
Magalog	16,726	100%	265,539	288,833	262,234	60,863	182,630	231,276	1,031,358	(858)
Luizalabs	23,273,616	100%	59,296	223,906	84,606	11,329	105,297	187,267	90,084	(6,981)

Changes	Opening balance	Capital increase/ Future capital contribution	Acquisition of subsidiaries (2)	Other comprehensive income	Action plan	Dividends declared	Net assets merged	Equity pickup	Closing balance
Netshoes	763,450	216,170	-	1,853	3,427	-	-	113,843	1,098,743
KaBuM	-	-	1,724,776	-	-	-	-	13,361	1,738,137
Época Cosméticos	121,454	9,000	-	-	(256)	-	-	45,329	175,527
Magalu Pagamentos	169,536	237,770	-	-	(170)	-	-	156,147	563,283
Integra Commerce	2,170	-	-	-	-	-	-	-	2,170
Consórcio Luiza	52,129	-	-	-	-	(2,695)	-	11,383	60,817
Magalog	145,212	82,079	12,800	-	(247)	-	-	(858)	238,986
Luizalabs	62,843	80,395	82,800	-	3,979	-	1,328	(9,433)	221,912
Kelex	1,072	-	-	-	-	-	(844)	(228)	-
Certa	481	-	-	-	-	-	(484)	3	-
Total	1,318,347	625,414	1,820,376	1,853	6,733	(2,695)	-	329,547	4,099,575

- (1) The amounts of net revenue and net income at KaBuM refer to the period after closing of the acquisition process;
(2) Refers to the amount of consideration payable for the acquisition of companies, in MGLU3 shares.

b. Reconciliation of the book value

Subsidiary	Equity	Goodwill on acquisition	Surplus value ¹	06/30/2022
Netshoes	422,959	486,718	210,250	1,119,927
KaBuM	392,774	769,779	712,254	1,874,807
Época Cosméticos	168,437	36,826	4,729	209,992
Magalu Pagamentos	603,054	-	-	603,054
Consórcio Luiza	69,601	-	-	69,601
Magalog	248,731	3,756	3,616	256,103
Luizalabs	195,240	25,421	8,175	228,836
	2,100,796	1,322,500	939,024	4,362,320

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

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

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

13. Investments in jointly-controlled entities

Position at 06/30/2022

Jointly-controlled entity	Ownership interest		Assets		Liabilities		Capital	Equity	Net revenue	Net income (loss)
	Shares/units of interest	%	Current	Noncurrent	Current	Noncurrent				
Luizacred	31,056,244	50%	17,160,415	1,924,220	18,220,580	66,489	596,000	797,566	1,996,598	(55,515)
Luizaseg	12,855	50%	377,709	373,200	344,179	184,966	133,883	221,764	348,053	35,690

Changes	Opening balance	Dividends	Other comprehensive income	Unrealized income	Equity pickup	Closing balance
Luizacred	426,422	-	119	-	(27,758)	398,783
Luizaseg	(18,642)	(23,546)	(415)	(5,628)	17,845	(30,386)
	<u>407,780</u>	<u>(23,546)</u>	<u>(296)</u>	<u>(5,628)</u>	<u>(9,913)</u>	<u>368,397</u>

Position at 12/31/2021

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

Changes	Opening balance	Dividends	Other comprehensive income	Equity pickup	Closing balance
Luizacred	384,951	(35,018)	-	76,489	426,422
Luizaseg	1,774	(31,091)	(12,164)	22,839	(18,642)
	<u>386,725</u>	<u>(66,109)</u>	<u>(12,164)</u>	<u>99,328</u>	<u>407,780</u>

Total investments in jointly-controlled entities

	06/30/2022	12/31/2021
Luizacred (a)	398,783	426,422
Luizaseg (b)	110,882	117,001
Luizaseg – Unrealized income (c)	(141,268)	(135,643)
	<u>368,397</u>	<u>407,780</u>

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

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

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

14. Lease

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

Changes in the right of use in the six-month periods ended June 30, 2022 and 2021 were as follows:

	Individual	Consolidated
Right of use at December 31, 2021:	3,324,747	3,362,998
Additions/remeasurements	303,651	308,362
Direct costs	2,851	2,851
Write-offs	(60,949)	(59,191)
Depreciation	(259,028)	(270,220)
Right of use at June 30, 2022:	<u>3,311,272</u>	<u>3,344,800</u>

Breakdown:

Cost value	4,718,456	4,793,385
Accumulated depreciation	(1,407,184)	(1,448,585)
Right of use at June 30, 2022:	<u>3,311,272</u>	<u>3,344,800</u>

	Individual	Consolidated
Right of use at January 1, 2021:	2,441,539	2,465,514
Additions/remeasurements	706,644	724,117
Write-offs	(28,009)	(28,009)
Depreciation	(211,758)	(216,057)
Right of use at June 30, 2021	<u>2,908,416</u>	<u>2,945,565</u>

Breakdown:

Cost value	3,815,714	3,868,477
Accumulated depreciation	(907,298)	(922,912)
Right of use at June 30, 2021:	<u>2,908,416</u>	<u>2,945,565</u>

Changes in the right of use in the six-month periods ended June 30, 2022 and 2021 were as follows:

	Individual	Consolidated
Lease at December 31, 2021:	3,412,288	3,454,678
Remeasurements/additions	310,666	315,648
Payment of principal	(209,032)	(220,052)
Payment of interest	(142,356)	(144,530)
Accrued interest	132,129	134,303
Write-offs	(64,812)	(64,812)
Lease at June 30, 2022:	3,438,883	3,475,235
Current liabilities	402,069	421,638
Noncurrent liabilities	3,036,814	3,053,597
	Individual	Consolidated
Lease at January 1, 2021:	2,497,323	2,526,304
Remeasurements/additions	694,220	711,693
Payment of principal	(167,711)	(173,093)
Payment of interest	(115,336)	(116,274)
Accrued interest	105,383	106,321
Write-offs	(31,339)	(31,339)
Lease at June 30, 2021:	2,982,540	3,023,612
Current liabilities	385,713	398,484
Noncurrent liabilities	2,596,827	2,625,128

15. Property and equipment

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

	Individual	Consolidated
Net P&E at December 31, 2021:	1,777,788	1,938,713
Additions	149,988	166,190
Write-offs	(528)	(528)
Depreciation	(103,692)	(113,649)
Net P&E at June 30, 2022	1,823,556	1,990,726
Breakdown:		
Cost value	2,665,727	2,962,315
Accumulated depreciation	(842,171)	(971,589)
Net P&E at June 30, 2022	1,823,556	1,990,726
	Individual	Consolidated
Net P&E at January 1, 2021:	1,171,758	1,258,162
Additions	278,669	287,793
Additions from business combination	-	451
Write-offs	(600)	(2,540)
Depreciation	(73,808)	(83,032)
Net P&E at June 30, 2021	1,376,019	1,460,834
Breakdown:		
Cost value	2,042,032	2,226,816
Accumulated depreciation	(666,013)	(765,982)
Net P&E at June 30, 2021	1,376,019	1,460,834

No indication of impairment was identified in the six month-period ended June 30, 2022.

16. Intangible assets

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

	Individual	Consolidated
Net intangible assets at December 31, 2021:	728,998	4,306,587
Additions	130,601	189,727
Write-offs	(173)	(173)
Amortization	(62,195)	(151,976)
Net intangible assets at June 30, 2022:	797,231	4,344,165

Breakdown:

Cost value	1,172,355	5,047,754
Accumulated amortization	(375,124)	(703,589)
Net intangible assets at June 30, 2022:	797,231	4,344,165

	Individual	Consolidated
Net intangible assets at January 1, 2021:	593,427	1,886,997
Additions	112,270	161,697
Addition of intangible assets due to business combination	-	33,618
Addition of goodwill based on expected future profitability (a)	-	144,533
Write-offs	(20)	(982)
Amortization	(37,935)	(83,939)
Net intangible assets at June 30, 2021:	667,742	2,141,924

Breakdown:

Cost value	922,866	2,684,359
Accumulated amortization	(255,124)	(542,435)
Net intangible assets at June 30, 2021:	667,742	2,141,924

No indication of impairment was identified in the six month-period ended June 30, 2022.

17. Trade accounts payable

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Goods for resale	6,367,350	9,037,611	7,421,213	9,990,475
Other suppliers	53,264	142,710	93,390	190,371
Present value adjustment	(119,806)	(71,779)	(133,804)	(81,902)
	6,300,808	9,108,542	7,380,799	10,098,944

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

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

At June 30, 2022, the balance payable negotiated by suppliers and accepted by the Company totaled R\$3,799,695, individual, and R\$3,824,990, consolidated (R\$4,414,266, individual, and R\$4,460,556, consolidated, at December 31, 2021).

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

18. Partners and other deposits

	Consolidated	
	06/30/2022	12/31/2021
Onlending to sellers – marketplace (a)	1,024,118	934,030
Payment arrangements to be settled (b)	17,346	18,983
Digital customer accounts (c)	321,482	465,884
	1,362,946	1,418,897

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

19. Loans and financing

Type	Charges	Guarantee	Final maturity	Individual		Consolidated	
				06/30/2022	12/31/2021	06/30/2022	12/31/2021
Promissory notes (a)	100% of CDI + 1.25% p.a.	Clean	April/24	1,662,860	1,567,971	1,662,860	1,567,971
Debentures – restricted offer (b)	100% of CDI + 1.25% p.a.	Clean	Dec/26	4,874,441	4,837,054	4,874,441	4,837,054
Working capital (c)	CDI + +1.8% to 4.9% p.a.	Surety	Oct/25	-	-	302,635	356,167
Innovation financing – FINEP (d)	4% p.a.	Bank guarantee	Dec/22	3,635	7,351	3,182	7,063
Other	113.5% of CDI p.a.	Clean	Oct/25	327	329	3,459	24,617
				6,541,263	6,412,705	6,846,577	6,792,872
Current liabilities				77,842	44,100	377,694	407,968
Noncurrent liabilities				6,463,421	6,368,605	6,468,883	6,384,904

- a) On April 30, 2021, the Company carried out the 5th issue of promissory notes, including one thousand and five hundred (1,500) promissory notes with a par value of one million reais (R\$1,000,000) each, with a single maturity on April 29, 2024 at the cost of 100% of CDI + 1.25% p.a. The amounts raised have been used to improve the cash flow in the ordinary course and management of the Company's business. The amount related to the 4th issue of commercial promissory notes was settled in June 2021.

- b) The Company raised R\$800 million on January 15, 2021 through the 9th issue of debentures, via public distribution and with restricted placement efforts, remunerated at CDI + 1.25% p.a. and maturing on January 15, 2024. On October 14 and December 23, 2021, according to the debt extension strategy, the Company carried out the 10th and 11th issues of unsecured nonconvertible debentures, for public distribution with restricted placement efforts. Four million (4,000,000) shares were issued with a par value of R\$1,000 each, with final maturities on October 15 and December 23, 2026, at the cost of 100% of CDI + 1.25% p.a. b) The main purpose of the amount raised was to increase the Company's working capital.
- c) This refers to agreements signed by the subsidiary KaBuM for working capital purposes.
- d) This concerns a financing agreement signed with Financiadora de Estudos e Projetos - FINEP, for the purpose of investing in technological innovation research and development projects.

Reconciliation of cash flows from operating and financing activities

	Individual		Consolidated	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Opening balance	6,412,705	1,683,968	6,792,872	1,686,762
Funding	-	2,300,000	-	2,300,000
Payment of principal	(4,058)	(1,607,230)	(88,767)	(1,607,328)
Payment of interest	(256,376)	(90,757)	(267,244)	(90,757)
Accrued interest	388,992	43,210	409,716	43,210
Closing balance	6,541,263	2,329,191	6,846,577	2,331,887

Maturity schedule

The maturity schedule of loans and financing is as follows:

Maturity	Individual	Consolidated
2022	77,436	359,173
2023	-	14,393
2024	2,463,826	2,465,590
2025	2,000,000	2,007,420
2026	2,000,001	2,000,001
	6,541,263	6,846,577

Covenants

Debentures and the 5th issue of Promissory Notes are subject to covenants corresponding to maintenance of the adjusted net debt-to-EBITDA ratio below 3.0 times. Adjusted net debt corresponds to the sum of all loans and financing, including debentures, excluding cash and cash equivalents, short-term investments and marketable securities, and credit card receivables not paid in advance. Adjusted EBITDA is calculated in accordance with CVM Ruling No. 527, of October 4, 2012, excluding operational events (revenue/expenses) of an extraordinary nature. Covenants are measured on an annual basis.

20. Deferred revenue

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Deferred revenue with third parties:				
Exclusivity agreement with Cardif (a)	61,141	69,876	61,141	69,876
Exclusivity agreement with Banco Itaúcard S.A. (b)	65,250	71,500	65,250	71,500
Other agreements	-	-	20,706	22,220
	126,391	141,376	147,097	163,596
Deferred revenue with related parties:				
Exclusivity agreement with Luizacred (b)	83,047	88,591	83,047	88,591
Exclusivity agreement with Luizaseg (a)	37,601	43,400	37,601	43,400
	120,648	131,991	120,648	131,991
Total deferred revenue	247,039	273,367	267,745	295,587
Current liabilities	39,157	39,157	50,474	50,329
Noncurrent liabilities	207,882	234,210	217,271	245,258

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

(b) On September 27, 2009, the Company entered into a partnership agreement with Itaú Unibanco Holding S.A. ("Itaú") and Banco Itaúcard S.A., under which the Company granted to Luizacred the exclusive right to offer, distribute, and sell financial products and services in its chain of stores for a 20-year period. Under the aforementioned partnership, Itaú institutions paid the amount of R\$250,000 in cash, of which: (i) R\$230,000 refers to the completion of the negotiation itself, without the right of recourse, and (ii) R\$20,000 is subject to achievement of profitability goals in Luizacred. Said targets were fully achieved by the end of 2014.

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

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

21. Other accounts payable

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Sales pending delivery, net of returns	586,527	542,076	674,966	584,385
Amounts to be transferred to partners (a)	109,812	104,767	122,771	153,722
Specialized services	92,020	126,302	110,306	149,240
Freight payable	156,011	91,407	234,109	196,885
Marketing payable	40,640	77,367	128,906	183,382
Payables for acquisitions (b)	927,880	1,427,749	895,699	1,565,412
Other	15,214	81,417	88,216	160,592
	1,928,104	2,451,085	2,254,973	2,993,618
Current liabilities	1,506,387	1,535,455	1,926,536	2,070,710
Noncurrent liabilities	421,717	915,630	328,437	922,908

- (a) Transfers of amounts carried out through sales of services (insurance, technical assistance, furniture installations, etc.) from partners intermediated by the Company in its physical stores.
- (b) Agreed consideration payable for acquisitions of companies, the highest amount of which refers to acquisition of KaBuM (R\$924,196 at June 30, 2022 and R\$1,422,793 at December 31, 2021).

22. Provision for tax, civil, and labor contingencies

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

Individual

	Tax	Civil	Labor	Total
Balances at December 31, 2021	652,074	20,047	45,856	717,977
Additions	12,648	4,200	2,971	19,819
Payments	-	(722)	(2,879)	(3,601)
Restatement	27,160	-	-	27,160
Balances at June 30, 2022	691,882	23,525	45,948	761,355

	Tax	Civil	Labor	Total
Balances at January 1, 2021	938,956	16,938	42,356	998,250
Additions	212,768	4,200	3,000	219,968
Reversals	(405,706)	-	(2,000)	(407,706)
Payments	-	(1,960)	-	(1,960)
Restatement	19,087	-	-	19,087
Balances at June 30, 2021	765,105	19,178	43,356	827,639

Consolidated

	Tax	Civil	Labor	Total
Balances at December 31, 2021	1,073,207	30,937	49,965	1,154,109
Additions	20,432	5,656	3,613	29,701
Allocation of price in business combination	(67,068)	-	-	(67,068)
Reversals	(2,866)	-	-	(2,866)
Payments	-	(3,823)	(3,304)	(7,127)
Restatement	28,382	-	-	28,382
Balances at June 30, 2022	1,052,087	32,770	50,274	1,135,131

	Tax	Civil	Labor	Total
Balances at January 1, 2021	1,314,533	20,163	45,239	1,379,935
Additions	217,493	4,200	3,546	225,239
Allocation of price in business combination – Note 12	15,255	-	824	16,079
Reversal (a.1)	(487,590)	788	(2,000)	(488,802)
Payments	-	(3,561)	(1,056)	(4,617)
Restatement	19,758	-	-	19,758
Balances at June 30, 2021	1,079,449	21,590	46,553	1,147,592

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

a) Tax contingencies

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

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Federal	482,602	464,442	842,806	885,575
State	209,255	187,606	209,255	187,606
Local	25	26	26	26
	691,882	652,074	1,052,087	1,073,207

b) Civil contingencies

The provision for civil contingencies of R\$23,525, individual, and R\$32,770, consolidated, at June 30, 2022 (R\$20,047 – individual and R\$30,937 - consolidated at December 31, 2021) refers to claims arising mainly from customers about possible defects of products.

c) Labor contingencies

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

The provisioned amount of R\$45,948, individual, and R\$50,274, consolidated, at June 30, 2022 (R\$45,856, individual, and R\$49,965, consolidated, at December 31, 2021) reflects the risk of probable loss assessed by the Company management together with its legal advisors.

d) Judicial deposits

To cover tax, civil and labor contingencies, the Company has judicial deposits in the amount of R\$1,045,704, individual, and R\$1,384,861, consolidated, at June 30, 2022 (R\$935,329, individual, and R\$1,189,894, consolidated, at December 31, 2021).

e) Contingent liabilities – possible loss

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

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Federal	1,751,199	1,933,845	1,969,112	2,172,908
State	842,589	809,521	1,272,954	1,165,019
Local	4,364	3,719	4,371	3,719
	2,598,152	2,747,085	3,246,436	3,341,645

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

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

23. Equity

a) Capital

The Company's shareholding structure as of June 30, 2022 and December 31, 2021, with common, registered, book-entry no par value shares, is shown below:

	06/30/2022		12/31/2021	
	Number of shares	Interest %	Number of shares	Interest %
Controlling shareholders	3,794,984,960	56.23	3,794,169,268	56.22
Outstanding shares	2,880,512,190	42.68	2,871,349,076	42.55
Treasury shares	73,429,698	1.09	83,408,504	1.24
	6,748,926,848	100.00	6,748,926,848	100.00

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

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

b) Capital reserve

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

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

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

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

There were 284,928 exercisable stock options as of June 30, 2022. In the six-month period ended June 30, 2022, there were no changes in active stock options.

Share-based payment

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

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

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

Type of program	Grant date	Maximum grace period	Position of granted shares	Fair value ¹
2 nd Matching share	April 05, 2018	5 years	2,874,124	R\$3.08
3 rd Matching share	April 04, 2019	5 years	1,303,840	R\$5.05
4 th Matching share	April 15, 2020	5 years	1,290,748	R\$10.96
5 th Matching share	May 04, 2021	5 years	1,021,443	R\$19.86
4 th Restricted share - Board	January 04, 2021	3 years	1,082,709	R\$24.63
5 th Restricted share	April 15, 2020	3 years	1,051,432	R\$10.96
6 th Restricted share	May 04, 2021	3 years	1,816,116	R\$19.86
1 st Performance share	February 20, 2019	5 years	34,238,152	R\$5.08
			44,678,564	R\$6.67

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

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

c) Treasury shares

	Number of shares	Amount
At January 1, 2021	35,539,688	603,681
Acquired in the year	59,416,900	1,055,885
Disposed of in the year	(11,548,084)	(210,407)
At December 31, 2021	83,408,504	1,449,159
Disposed of in the period	(9,978,806)	(173,374)
At June 30, 2022	73,429,698	1,275,785

The reduction in the balance of treasury shares is equal to the weighted average of the cost incurred to acquire the shares. Any excess cash received for the disposal on the reduction of treasury shares is recorded as capital reserve. The value of the MGLU3 share at June 30, 2022 was of R\$2.34.

d) Additional dividends proposed

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

e) Equity adjustments

In the period ended June 30, 2022, the Company recorded the amount of R\$427 (R\$840 as of December 31, 2021) under equity adjustments, related to the fair value adjustments of financial assets in subsidiaries and jointly-controlled entities.

f) Earnings (loss) per share

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

In thousands	Basic earnings		Diluted earnings	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Total number of common shares	6,748,926,848	6,498,926,848	6,748,926,848	6,498,926,848
Effect of treasury shares	(73,429,698)	(45,277,327)	(73,429,698)	(45,277,327)
Effect of exercise of stock option plans (a)	-	-	53,726,078	73,638,698
Weighted average number of outstanding common shares	6,675,497,150	6,453,649,521	6,729,223,228	6,527,288,219
Net earnings (losses) for the period ended:	(296,303)	354,177	(296,303)	354,177
Net earnings (losses) per share (in reais):	(0.044)	0.055	(0.044)	0.054
Net earnings (losses) for the quarter ended:	(135,004)	95,537	(135,004)	95,537
Net earnings (losses) per share (in reais):	(0.000)	0.015	(0.000)	0.015

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

24. Net sales revenue

	Six-month period				Quarter			
	Individual		Consolidated		Individual		Consolidated	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Retail - resale of goods	16,145,149	18,275,302	19,397,225	19,774,912	7,937,358	9,377,686	9,580,216	10,207,600
Retail - provision of services	839,589	681,091	1,328,347	1,007,103	430,441	365,808	684,534	544,095
Other services	-	-	218,576	249,198	-	-	102,458	161,136
Gross revenue	16,984,738	18,956,393	20,944,148	21,031,213	8,367,799	9,743,494	10,367,208	10,912,831
					-		-	
Retail - resale of goods	(2,900,713)	(3,323,459)	(3,329,716)	(3,566,049)	(1,454,584)	(1,669,163)	(1,665,227)	(1,791,246)
Retail - provision of services	(67,628)	(61,820)	(110,493)	(85,496)	(33,408)	(32,897)	(53,976)	(45,766)
Other services	-	-	(179,374)	(113,547)	-	-	(85,616)	(62,511)
Taxes and returns	(2,968,341)	(3,385,279)	(3,619,583)	(3,765,092)	(1,487,992)	(1,702,060)	(1,804,819)	(1,899,523)
					-		-	
Net sales revenue	14,016,397	15,571,114	17,324,565	17,266,121	6,879,807	8,041,434	8,562,389	9,013,308

25. Cost of goods resold and services rendered

	Six-month period				Quarter			
	Individual		Consolidated		Individual		Consolidated	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Cost of goods resold	(10,320,725)	(11,753,221)	(12,401,875)	(12,578,331)	(5,030,552)	(6,063,034)	(6,090,808)	(6,524,814)
Cost of services rendered	-	-	(38,165)	(309,419)	-	-	(18,806)	(180,225)
Costs	(10,320,725)	(11,753,221)	(12,440,040)	(12,887,750)	(5,030,552)	(6,063,034)	(6,109,614)	(6,705,039)

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

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

	Six-month period				Quarter			
	Individual		Consolidated		Individual		Consolidated	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Personnel expenses	(1,207,067)	(1,224,893)	(1,519,752)	(1,436,841)	(573,584)	(626,179)	(743,834)	(759,588)
Expenses with service providers	(1,333,623)	(1,239,050)	(1,393,193)	(1,046,360)	(645,955)	(675,678)	(686,849)	(546,036)
Other	(607,865)	(485,070)	(1,038,948)	(721,611)	(298,273)	(382,321)	(498,059)	(535,524)
	(3,148,555)	(2,949,013)	(3,951,893)	(3,204,812)	(1,517,812)	(1,684,178)	(1,928,742)	(1,841,148)
Classified by function								
as:								
Selling expenses	(2,613,759)	(2,805,600)	(3,158,973)	(3,031,622)	(1,280,835)	(1,497,479)	(1,569,740)	(1,611,416)
General and administrative expenses	(437,395)	(366,510)	(690,074)	(481,198)	(222,432)	(192,852)	(337,687)	(255,642)
Other operating income (expenses), net	(97,401)	223,097	(102,846)	308,008	(14,545)	6,153	(21,315)	25,910
	(3,148,555)	(2,949,013)	(3,951,893)	(3,204,812)	(1,517,812)	(1,684,178)	(1,928,742)	(1,841,148)

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

27. Other operating income, net

	Six-month period				Quarter			
	Individual		Consolidated		Individual		Consolidated	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Appropriation of deferred revenue (a)	26,328	26,865	27,283	29,208	13,164	13,701	13,723	15,398
Reversal (set-up) of provision for tax, civil and labor contingencies (b)	(6,948)	281,755	(18,651)	358,896	(2,580)	16,609	(8,569)	28,212
Tax credits and other amounts recovered	13,474	-	21,401	7,500	-	-	-	7,500
Other income	32,854	308,620	30,033	395,604	10,584	30,310	5,154	51,110
Gain (loss) on disposal of property and equipment	(701)	283	(798)	679	(403)	430	(403)	826
Expert fees (c)	(16,866)	(49,281)	(18,902)	(52,927)	(2,747)	(1,895)	(3,766)	(3,499)
Preoperating expenses of stores and restructuring (d)	(108,570)	(19,518)	(108,570)	(19,518)	(22,061)	(17,918)	(22,061)	(17,918)
Covid-19-related aspects and other (e)	(4,118)	(17,007)	(4,609)	(15,830)	82	(4,774)	(239)	(4,609)
Other expenses	(130,255)	(85,523)	(132,879)	(87,596)	(25,129)	(24,157)	(26,469)	(25,200)
	(97,401)	223,097	(102,846)	308,008	(14,545)	6,153	(21,315)	25,910

(a) Refers to appropriation of deferred revenue for assignment of exploration rights, as described in Note 20.

(b) In 2021, refers mainly to the impacts of reversal of the provision related to judgment by the STF of the unconstitutionality of the payment of ICMS - Difal.

(c) Expenses related to advisory costs for acquisition of companies, as well as corporate structuring and lawyers' success fees for the aforementioned processes.

(d) This refers to expenses with the opening and closing of physical stores, as well as additional expenses with staff adjustment.

(e) Refers substantially to expenses incurred as a result of Covid-19, such as supplies for cleaning of the Distribution Centers and administrative units, among others.

28. Finance income (costs)

	Six-month period				Quarter			
	Individual		Consolidated		Individual		Consolidated	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Finance income								
Interest from sales of extended warranty	58,995	14,921	58,995	14,921	29,661	12,022	29,661	12,022
Yield from short-term investments and marketable securities	36,147	13,515	67,621	5,516	13,805	6,813	32,613	2,695
Late payment interest	13,292	9,129	13,319	9,136	7,150	5,510	7,159	5,514
Monetary restatement receivable	200,118	38,703	205,483	42,806	76,734	20,978	78,872	23,401
Other	876	549	14,844	13,280	614	417	7,263	8,436
	309,428	76,817	360,262	85,659	127,964	45,740	155,568	52,068
Finance costs								
Interest on loans and financing	(373,222)	(41,428)	(396,191)	(41,769)	(202,508)	(26,371)	(213,674)	(26,668)
Interest on lease	(132,128)	(105,383)	(134,302)	(106,321)	(64,979)	(59,495)	(66,044)	(59,934)
Charges on credit card advances	(369,275)	(218,906)	(517,303)	(262,850)	(162,310)	(120,987)	(236,974)	(149,508)
Provision for loss on interest from extended warranty	(28,993)	(6,449)	(28,993)	(6,449)	(20,220)	(4,209)	(20,220)	(4,209)
Taxes on finance income	(12,291)	(4,083)	(14,847)	(5,085)	(7,054)	(2,228)	(8,402)	(2,810)
Monetary restatement payable	(86,068)	(14,510)	(83,468)	(20,054)	(44,803)	(6,363)	(39,692)	(7,696)
Other	(91,045)	(39,314)	(101,106)	(43,135)	(57,183)	(28,682)	(64,400)	(30,919)
	(1,093,022)	(430,073)	(1,276,210)	(485,663)	(559,057)	(248,335)	(649,406)	(281,744)
	(783,594)	(353,256)	(915,948)	(400,004)	(431,093)	(202,595)	(493,838)	(229,676)

29. Segment information

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

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

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

Statements of profit or loss

	06/30/2022					Consolidate d
	Retail (a)	Financial operations	Insurance operations	Other services	Eliminations (b)	
Gross revenue	20,725,575	998,300	174,027	1,043,268	(1,997,022)	20,944,148
Deductions from revenue	(3,440,208)	-	-	(179,375)	-	(3,619,583)
Net revenue of the segment	17,285,367	998,300	174,027	863,893	(1,997,022)	17,324,565
Costs	(12,417,121)	(128,871)	(24,762)	(30,510)	161,224	(12,440,040)
Gross profit	4,868,246	869,429	149,265	833,383	(1,835,798)	4,884,525
Selling expenses	(3,158,857)	(266,850)	(121,458)	(817,220)	1,205,412	(3,158,973)
General and administrative expenses	(658,223)	(7,169)	(16,360)	(31,851)	23,529	(690,074)
Gains (losses) on allowance for expected credit losses	(118,798)	(603,237)	-	(1,354)	603,237	(120,152)
Depreciation and amortization	(527,875)	(2,993)	(2,992)	(7,970)	5,985	(535,845)
Equity pickup	(35,892)	-	-	-	20,351	(15,541)
Other operating income	(106,380)	(35,027)	285	3,534	34,742	(102,846)
Finance income	352,894	-	15,520	7,368	(15,520)	360,262
Finance costs	(1,264,724)	-	(42)	(11,486)	42	(1,276,210)
Income and social contribution taxes	353,306	18,089	(12,001)	5,245	(6,088)	358,551
Net income (loss) for the period	(296,303)	(27,758)	12,217	(20,351)	35,892	(296,303)

Reconciliation of equity pickup

Equity pickup – Other services (Note 12)	(20,351)
Equity pickup – Luizacred (Note 13)	(27,758)
Equity pickup – Luizaseg (Note 13)	12,217
(=) Equity pickup of the retail segment	(35,892)
(-) Effect of elimination – Other services	20,351
(=) Consolidated equity pickup	(15,541)

Statements of profit or loss

	06/30/2021					Consolidated
	Retail (a)	Financial operations	Insurance operations	Other services	Eliminations (b)	
Gross revenue	20,782,015	652,616	160,257	611,980	(1,175,655)	21,031,213
Deductions from revenue	(3,651,539)	-	-	(113,553)	-	(3,765,092)
Net revenue of the segment	17,130,476	652,616	160,257	498,427	(1,175,655)	17,266,121
Costs	(12,578,062)	(26,480)	(17,419)	(316,778)	50,989	(12,887,750)
Gross profit	4,552,414	626,136	142,838	181,649	(1,124,666)	4,378,371
Selling expenses	(3,251,384)	(240,359)	(113,797)	(135,930)	709,848	(3,031,622)
General and administrative expenses	(454,293)	(3,222)	(14,812)	(26,905)	18,034	(481,198)
Gains (losses) on allowance for doubtful accounts	(64,702)	(299,779)	-	(1,887)	299,779	(66,589)
Depreciation and amortization	(379,070)	(2,971)	(2,671)	(3,958)	5,642	(383,028)
Equity pickup	56,610	-	-	-	(2,880)	53,730
Other operating income	305,508	(18,015)	444	2,500	17,571	308,008
Finance income	84,147	-	11,494	1,512	(11,494)	85,659
Finance costs	(477,494)	-	(25)	(8,169)	25	(485,663)
Income and social contribution taxes	(17,559)	(19,872)	(11,659)	(5,932)	31,531	(23,491)
Net income (loss) for the period	354,177	41,918	11,812	2,880	(56,610)	354,177

Reconciliation of equity pickup

Equity pickup – Other services	2,880
Equity pickup – Luizacred	41,918
Equity pickup – Luizaseg	11,812
(=) Equity pickup of the retail segment	<u>56,610</u>
(-) Effect of elimination – Other services	<u>(2,880)</u>
(=) Consolidated equity pickup	<u><u>53,730</u></u>

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

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

Statement of financial position

	06/30/2022			
	Retail	Financial operations	Insurance operations	Other services
Assets				
Cash and cash equivalents	1,556,848	19,571	140	153,864
Marketable securities	211,313	25,114	310,243	-
Accounts receivable	5,652,405	9,020,655	-	80,946
Inventories	7,965,514	-	-	190
Investments	922,936	-	-	-
Property and equipment, intangible assets and right of use	9,148,830	43,982	19,463	530,861
Other	8,883,535	432,998	45,610	254,737
	34,341,381	9,542,320	375,456	1,020,598
Liabilities				
Trade accounts payable	7,474,928	-	1,021	17,519
Transfers and other deposits	1,362,946	-	-	-
Loans and financing	6,844,813	-	-	1,764
Lease	3,475,235	-	23	-
Interbank deposits	-	2,777,527	-	-
Credit card operations	-	4,980,081	-	-
Insurance reserves	-	-	350,508	-
Provision for tax, civil and labor contingencies	1,062,432	33,247	1,693	72,699
Deferred revenue	267,745	-	-	-
Other	2,915,435	1,352,682	52,597	374,077
	23,403,534	9,143,537	405,842	466,059
Equity	10,937,847	398,783	(30,386)	554,539
Investment reconciliation				
Subsidiaries (Note 12)				
Consórcio Luiza				69,601
Magalog				256,103
Luizalabs				228,836
Magalu Pagamentos				603,054
				1,157,594
Jointly-controlled entities (Note 13)				
Luizacred				398,783
Luizaseg				(30,386)
				368,397
Total investments				1,525,991
(-) Effect of elimination				(1,157,594)
(=) Consolidated income (losses) on investments				368,397

Statement of financial position

	12/31/2021			
	Retail	Financial operations	Insurance operations	Other services
Assets				
Cash and cash equivalents	2,452,950	19,085	110	113,268
Marketable securities and other financial assets	1,556,211	7,990	316,117	160
Accounts receivable	5,582,053	8,121,521	-	87,301
Inventories	9,112,101	-	-	113
Investments	929,496	-	-	-
Property and equipment, intangible assets and right of use	9,077,477	46,968	22,454	483,773
Other	9,324,082	362,365	43,109	239,601
	38,034,370	8,557,929	381,790	924,216
Liabilities				
Trade accounts payable	10,067,199	-	1,458	31,745
Transfers and other deposits	1,418,897	-	-	-
Loans and financing and other financial liabilities	6,790,828	-	-	2,044
Lease	3,454,678	-	33	-
Interbank deposits	-	1,900,576	-	-
Credit card operations	-	4,196,935	-	-
Insurance reserves	-	-	352,871	-
Provision for tax, civil and labor contingencies	1,078,800	33,860	1,581	69,842
Deferred revenue	295,587	13,128	-	-
Other	3,667,172	1,987,008	44,489	341,065
	26,773,161	8,131,507	400,432	444,696
Equity	11,261,209	426,422	(18,642)	479,520
Investment reconciliation				
Subsidiaries (Note 12)				
Consórcio Luiza				60,817
Magalog				238,986
Luizalabs				221,912
Magalu Pagamentos				563,283
				1,084,998
Jointly-controlled entities (Note 13)				
Luizacred				426,422
Luizaseg				(18,642)
				407,780
Total investments				1,492,778
(-) Effect of elimination				(1,084,998)
(=) Consolidated income (losses) on investments				407,780

30. Financial instruments

Accounting policy

(i) Initial classification and subsequent measurement

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

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

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

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

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

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

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

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

(ii) Derecognition and offset

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

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

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

(iii) Impairment of financial assets

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

Measurement of expected credit losses

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

Financial assets with credit recovery issues

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

Financial instruments by category

Financial instruments by category	Classification	Fair value measurement	Individual				Consolidated			
			06/30/2022		12/31/2021		06/30/2022		12/31/2021	
			Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Cash and banks	Amortized cost	Level 2	144,762	144,762	111,142	111,142	185,992	185,992	789,225	789,225
Accounts receivable – Credit and debit cards	Amortized cost	Level 2	2,593,403	2,593,403	3,120,761	3,120,761	4,565,945	4,565,945	4,632,410	4,632,410
Accounts receivable – Other trade accounts receivable and receivables from commercial agreements	Amortized cost	Level 2	872,342	872,342	825,121	825,121	1,055,758	1,055,758	1,035,700	1,035,700
Accounts receivable from related parties	Amortized cost	Level 2	698,114	698,114	609,299	609,299	57,022	57,022	114,841	114,841
Accounts receivable from related parties – Credit card	Amortized cost	Level 2	2,508,063	2,508,063	3,592,443	3,592,443	2,508,063	2,508,063	3,592,443	3,592,443
Cash equivalents - Bills	FVTPL	Level 2	3,968	3,968	5,887	5,887	3,968	3,968	5,887	5,887
Cash equivalents - CDBs	Amortized cost	Level 2	708,029	708,029	1,341,725	1,341,725	1,481,948	1,481,948	1,736,274	1,736,274
Marketable securities	Amortized cost	Level 2	13,605	13,605	12,734	12,734	13,605	13,605	12,734	12,734
Marketable securities	FVTPL	Level 2	197,708	197,708	1,543,477	1,543,477	197,708	197,708	1,543,637	1,543,637
Total financial assets			7,739,994	7,739,994	11,162,589	11,162,589	10,070,009	10,070,009	13,463,151	13,463,151

Financial instruments by category	Classification	Fair value measurement	Individual				Consolidated			
			06/30/2022		12/31/2021		06/30/2022		12/31/2021	
			Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Trade accounts payable	Amortized cost	Level 2	6,300,808	6,300,808	9,108,542	9,108,542	7,380,799	7,380,799	10,098,944	10,098,944
Transfers and other deposits	Amortized cost	Level 2	-	-	-	-	1,362,946	1,362,946	1,418,897	1,418,897
Loans and financing	Amortized cost	Level 2	6,541,263	6,721,665	6,412,705	7,149,049	6,846,577	7,026,979	6,792,872	7,529,216
Lease	Amortized cost	Level 2	3,438,883	3,438,883	3,412,288	3,412,288	3,475,235	3,475,235	3,454,678	3,454,678
Accounts payable to related parties	Amortized cost	Level 2	213,972	213,972	195,894	195,894	116,065	116,065	125,302	125,302
Other accounts payable - acquisition	Amortized cost	Level 2	927,880	927,880	1,427,750	1,427,750	895,699	895,699	1,565,413	1,565,413
Total financial liabilities			17,422,806	17,603,208	20,557,179	21,293,523	20,077,321	20,257,723	23,456,106	24,192,450

Fair value measurement

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

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

Valuation techniques and significant unobservable inputs:

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

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

Capital risk management

The primary objective of the Company's capital management is to ensure its ability to continue as a going concern in order to offer return to shareholders and benefits to stakeholders, maintaining an adequate capital structure to reduce cost and maximize the resources to be applied in opening and modernization of stores, new technologies, process improvements, and advanced management methods.

The Company's capital structure comprises financial liabilities, cash and cash equivalents and marketable securities. From time to time, management reviews the capital structure and its ability to settle liabilities, as well as monitors, on a timely basis, the days purchase outstanding in relation to the average term of inventory turnover. Necessary actions are promptly taken in the event of significant imbalances.

Liquidity risk management

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

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

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

Position at 06/30/2022

Individual	Book balance	Up to 1 year	1 to 3 years	More than 3 years	Total
Trade accounts payable	6,300,808	6,300,808	-	-	6,300,808
Lease	3,438,883	660,412	1,196,862	3,092,189	4,949,463
Loans and financing	6,541,263	107,168	2,463,101	4,000,001	6,570,270
Transactions with related parties	213,972	213,972	-	-	213,972
Other accounts payable - acquisition	927,880	546,883	321,376	103,217	971,476

Consolidated	Book balance	Up to 1 year	1 to 3 years	More than 3 years	Total
Trade accounts payable	7,380,799	7,380,799	-	-	7,380,799
Lease	3,475,235	665,263	1,205,652	3,114,900	4,985,815
Loans and financing	6,846,577	412,482	2,463,101	4,000,001	6,875,584
Transactions with related parties	116,065	116,065	-	-	116,065
Other accounts payable - acquisition	895,699	566,681	356,481	15,255	938,417

Considerations about other financial risks

The Company's business is mostly comprised of the retail trade of consumer goods and insurance, financial and other services, as described in Note 29, segment information. The main market risk factors that affect the Company's business are summarized below:

Credit risk: the credit risk arises from the possibility that the Company may incur losses resulting from the non-receipt of amounts billed to its customers, the consolidated balance of which as of June 30, 2022 was R\$5,797,272 (R\$5,812,946 as of December 31, 2021). A significant portion of the Company's sales are made using the credit card as payment method, which is substantially securitized with the credit card companies. For other accounts receivable, the Company also assesses the risk as low, in view of the natural dispersion of sales due to the large number of customers, but there are no real guarantees of receipt of the total balance of accounts receivable given the nature of the business. Even so, the risk is managed through periodic analysis of the level of default (with consistent criteria to support the requirements of IFRS 9), as well as adoption of more effective forms of collection. As of June 30, 2022, the Company recorded accounts receivable balances that would be overdue or lost, whose terms were renegotiated, in the amount of R\$59,235 (R\$49,123 as of December 31, 2021), which are included in the analysis on the need to set up a provision for expected credit losses. Note 7 provides further information on accounts receivable.

The Company's policy for investing in debt securities (financial investments) is to invest in securities that are assessed by the main credit rating agencies and that have a rating equal to or higher than the sovereign rating (on a global scale). As of June 30, 2022, almost all of the investments held by the Company have such a rating level, reaching the amount of R\$923,310 (R\$2,903,823 as of December 31, 2021), individual, and R\$1,736,033 (R\$3,333,364 as of December 31, 2021), consolidated.

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

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

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

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

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

	Individual	Consolidated
	06/30/2022	06/30/2022
Bank Deposit Certificates (Note 5)	711,997	1,485,916
Non-boutique investment funds (Note 5)	-	38,804
Cash equivalents	711,997	1,524,720
Marketable securities (Note 6)	211,313	211,313
Total cash equivalents and marketable securities	923,310	1,736,033
	(6,541,263)	(6,846,577)
Loans and financing (Note 19)	(6,541,263)	(6,846,577)
Net exposure	(5,617,953)	(5,110,544)
Finance cost related to interest - exposure to CDI	13.65%	13.65%
Impact on finance income (costs), net of taxes:		
Base scenario – rate of 13.65% p.a.	(207,053)	(191,289)
Scenario of 25% increase – rate of 17.06% p.a.	(258,816)	(239,112)
Scenario of 50% increase – rate of 20.48% p.a.	(310,579)	(286,934)
Scenario of 25% decrease – rate of 10.24% p.a.	(155,290)	(143,467)
Scenario of 50% decrease – rate of 6.83% p.a.	(103,526)	(95,645)

31. Statements of cash flows

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

	Individual		Consolidated	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Changes in the fair values of financial assets	1,266	6,898	1,266	6,898
Additions – IFRS 16 – Right of use and lease	303,605	661,396	308,362	680,354
Stock option plan - subsidiaries	14,077	4,862	14,077	4,862
Dividends proposed by subsidiaries and jointly-controlled entities	23,546	22,131	23,546	22,131

32. Insurance coverage

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

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

	Individual		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Civil liability D&O	100,000	100,000	194,025	194,025
Sundry risks – inventories and P&E	6,419,058	6,779,389	7,668,085	7,756,705
Vehicles	34,711	25,228	34,711	23,823
	6,553,769	6,904,617	7,896,821	7,974,553

33. Events after the reporting period

On July 13, 2022, the subsidiary KaBuM, with the Company as guarantor, made its 1st issue of unsecured, non-convertible debentures, in a single series, for public distribution, with restricted placement efforts. A total of 400,000 debentures were issued with a par value of R\$1,000 each, with a single maturity on July 13, 2025. The debentures will be remunerated at 100% of the DI rate variation, plus 1.25% per year and will be amortized semi-annually. The purpose of the issuance is to extend and reduce the cost of KaBuM's debt.