Interim financial information (ITR) for the period ended March 31, 2018

Content

KPMG Auditores Independentes
Rua Arquiteto Olavo Redig de Campos, 105, 6º andar - Torre A
04711-904 - São Paulo/SP - Brasil
Caixa Postal 79518 - CEP 04707-970 - São Paulo/SP - Brasil
Telefone +55 (11) 3940-1500, Fax +55 (11) 3940-1501
www.kpmg.com.br

Independent Auditor’s Review Report of the interim financial information

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

Introduction
We have reviewed the accompanying individual and consolidated interim financial information of Magazine Luiza S.A. (the “Company”), included in the quarterly information form - ITR as at March 31, 2018, which comprise the balance sheets as at March 31, 2018 and the respective statements of income, other comprehensive income, changes in equity and cash flows for the three-months period then ended, including explanatory information.

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

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

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

Other matters – Statements of value added
The individual and consolidated interim financial information related to the statement of value added for the three-months period ended March 31, 2018, prepared under the responsibility of the Company's Management, presented as supplementary information for the purpose of IAS 34, was subject to the same review procedures performed jointly with the review of the quarterly information - ITR of the Company. To prepare our conclusion we evaluated whether these statements are reconciled with the interim financial information and accounting registers, as applicable, and whether the form and contents are in accordance with the criteria defined under Technical Pronouncement CPC 09 - Statement of Value Added. Based on our review, we are not aware of any fact that might lead us to believe that they were not prepared, in all material respects, in accordance with the individual and consolidated interim financial information, taken as a whole.

São Paulo, May 7, 2018

KPMG Auditores Independentes
CRC 2SP014428/O-6

Fernando Rogério Liani
Accountant CRC 1SP229193/O-2

Magazine Luiza S.A.

Balance sheets as at March 31, 2018 and December 31, 2017

(In thousands of Brazilian reais – R$)

	Notes	Parent Company 03/31/2018	Parent Company 12/31/2017	Consolidated 03/31/2018	Consolidated 12/31/2017
Assets					
Current					
Cash and cash equivalents	5	**736,169**	370,926	**775,152**	412,707
Securities and other financial assets	6	**299,345**	1,259,553	**299,345**	1,259,553
Trade receivables	7	**1,404,300**	1,233,983	**1,410,669**	1,241,290
Inventory	8	**1,922,871**	1,953,963	**1,937,287**	1,969,333
Receivables from related parties	9	**87,359**	99,985	**85,953**	96,766
Recoverable taxes	10	**189,985**	198,894	**191,853**	200,678
Other assets		**70,053**	75,754	**72,033**	77,290
Total current assets		**4,710,082**	5,193,058	**4,772,292**	5,257,617
Non-current assets					
Trade receivables	7	**3,269**	4,741	**3,269**	4,741
Recoverable taxes	10	**189,827**	166,033	**189,827**	166,033
Deferred income tax and social contribution	11	**190,220**	219,321	**195,191**	223,100
Escrow deposits	19	**333,935**	310,899	**333,937**	310,901
Other assets		**27,252**	42,464	**29,175**	44,387
Investments in subsidiaries	12	**91,290**	78,530	**-**	-
Investments in joint ventures	13	**277,190**	311,347	**277,190**	311,347
Property and equipment	14	**563,726**	567,085	**565,661**	569,027
Intangible assets	15	**488,414**	486,111	**534,669**	532,360
Total non-current assets		**2,165,123**	2,186,531	**2,128,919**	2,161,896
Total assets		**6,875,205**	7,379,589	**6,901,211**	7,419,513

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

Magazine Luiza S.A.

Balance sheets as at March 31, 2018 and December 31, 2017

(In thousands of Brazilian reais – R$)

	Notes	Parent Company 03/31/2018	Parent Company 12/31/2017	Consolidated 03/31/2018	Consolidated 12/31/2017
Liabilities					
Current					
Suppliers	16	**2,447,446**	2,898,025	**2,456,864**	2,919,541
Loans and financing	17	**381,416**	434,294	**381,416**	434,294
Payroll, vacation pay and related charges		**184,099**	231,820	**188,820**	236,584
Taxes payable		**88,956**	81,196	**91,732**	84,451
Accounts payable to related parties	9	**82,914**	89,486	**82,914**	89,521
Deferred income	18	**40,652**	41,566	**40,652**	41,566
Dividends payable		**114,273**	64,273	**114,273**	64,273
Other accounts payable		**251,560**	261,773	**255,228**	265,806
Total current liabilities		**3,591,316**	4,102,433	**3,611,899**	4,136,036
Non-current					
Loans and financing	17	**437,359**	437,204	**437,359**	437,204
Provisions for tax, civil and labor contingencies	19	**339,912**	297,138	**343,412**	301,534
Deferred income	18	**459,048**	468,837	**459,048**	468,837
Other accounts payable		**-**	-	**1,923**	1,925
Total non-current liabilities		**1,236,319**	1,203,179	**1,241,742**	1,209,500
Total liabilities		**4,827,635**	5,305,612	**4,853,641**	5,345,536
Net equity	20				
Capital		**1,719,886**	1,719,886	**1,719,886**	1,719,886
Capital reserve		**39,278**	37,094	**39,278**	37,094
Treasury shares		**(65,737)**	(13,955)	**(65,737)**	(13,955)
Legal reserve		**39,922**	39,922	**39,922**	39,922
Profit reserve		**161,878**	288,371	**161,878**	288,371
Equity valuation adjustment		**4,860**	2,659	**4,860**	2,659
Net income		**147,483**	-	**147,483**	-
Net equity		**2,047,570**	2,073,977	**2,047,570**	2,073,977
Total Liabilities and Net Equity		**6,875,205**	7,379,589	**6,901,211**	7,419,513

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

Magazine Luiza S.A.

Statements of income
For the quarters ended March 31, 2018 and 2017

(In thousands of Brazilian reais - R$)

	Notes	Parent Company 03/31/2018	Parent Company 03/31/2017	Consolidated 03/31/2018	Consolidated 03/31/2017
Net sales revenue	21	**3,565,692**	2,768,159	**3,613,263**	2,806,925
Cost of goods resold and services rendered	22	**(2,549,246)**	(1,961,053)	**(2,569,908)**	(1,974,478)
Gross profit		**1,016,446**	807,106	**1,043,355**	832,447
Operating income (expenses)					
From sales	23	**(634,702)**	(504,011)	**(641,873)**	(508,587)
General and administrative	23	**(123,206)**	(113,137)	**(132,940)**	(120,119)
Loss from doubtful accounts		**(12,492)**	(5,592)	**(12,492)**	(5,598)
Depreciation and amortization	14 and 15	**(36,876)**	(34,259)	**(37,235)**	(34,435)
Equity in investments	12 and 13	**24,144**	24,554	**23,319**	23,379
Other operating income, net	23 and 24	**20,187**	9,479	**21,136**	10,365
		(762,945)	(622,966)	**(780,085)**	(634,995)
Operating income before financial income		**253,501**	184,140	**263,270**	197,452
Financial income		**32,749**	36,105	**23,764**	23,523
Financial expenses		**(83,034)**	(153,390)	**(83,537)**	(153,938)
Financial income (loss)	25	**(50,285)**	(117,285)	**(59,773)**	(130,415)
Operating income before income tax and social contribution		**203,216**	66,855	**203,497**	67,037
Current and deferred income tax and social contribution	11	**(55,733)**	(8,292)	**(56,014)**	(8,474)
Net income for the period		**147,483**	58,563	**147,483**	58,563
Attributable to:					
Controlling shareholders		**147,483**	58,563	**147,483**	58,563
Earnings per share					
Basic (R$ per share)	20	**0.780**	0.344	**0.780**	0.344
Diluted (R$ per share)	20	**0.777**	0.344	**0.777**	0.344

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

Magazine Luiza S.A.

Statements of comprehensive income
For the quarters ended March 31, 2018 and 2017

(In thousands of Brazilian reais - R$)

	Parent Company and Consolidated	
	03/31/2018	03/31/2017
Net income for the period	**147,483**	58,563
Items that can subsequently be reclassified to profit or loss		
Investments evaluated through the equity accounting method – participation in other comprehensive income	**838**	2,027
Tax effects	**(377)**	(912)
Total	**461**	1,115
Financial assets measured at fair value	**2,637**	-
Tax effects	**(897)**	-
Total	**1,740**	-
Total items that can be subsequently reclassified to profit or loss	**2,201**	1,115
Total comprehensive income for the period, net of taxes	**149,684**	59,678
Attributable to:		
Controlling shareholders	**149,684**	59,678

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

MGLU3 NOVO MERCADO BM&FBOVESPA

Magazine Luiza S.A.

Statements of changes in equity
For the quarters ended March 31, 2018 and 2017

(In thousands of Brazilian reais - R$)

	Notes	Capital	Capital reserve	Treasury shares	Legal reserve	Profit reserve: Capital reinforcement reserve	Profit reserve: Tax incentive reserves	Accumulated profit or loss	Equity valuation adjustment	Total
Balance as at January 1, 2017		606,505	19,030	(28,729)	20,471	3,107	-	-	1,202	621,586
Stock option plan		-	1,116	-	-	-	-	-	-	1,116
Net income for the period		-	-	-	-	-	-	58,563	-	58,563
		606,505	20,146	(28,729)	20,471	3,107	-	58,563	1,202	681,265
Other comprehensive income							-			
Equity valuation adjustment		-	-	-	-	-	-	-	1,115	1,115
Balance as at March 31, 2017		606,505	20,146	(28,729)	20,471	3,107	-	58,563	2,317	682,380
Balance as at December 31, 2017		**1,719,886**	**37,094**	**(13,955)**	**39,922**	**220,072**	**68,299**	**-**	**2,659**	**2,073,977**
Declared dividends	**20**	**-**	**-**	**-**	**-**	**(50,000)**	**-**	**-**	**-**	**(50,000)**
Stock option plan		**-**	**2,073**	**-**	**-**	**-**	**-**	**-**	**-**	**2,073**
Treasury shares	**20**	**-**	**-**	**(56,785)**	**-**	**-**	**-**	**-**	**-**	**(56,785)**
Sale of treasury shares for payment of stock option plan	**20**	**-**	**111**	**5,003**	**-**	**-**	**-**	**-**	**-**	**5,114**
Initial adoption of IFRS 9 and 15 in Parent Company	**3.2**	**-**	**-**	**-**	**-**	**(24,411)**	**-**	**-**	**-**	**(24,411)**
Initial adoption of IFRS 9 in jointly-owned subsidiaries	**3.2/13**	**-**	**-**	**-**	**-**	**(52,082)**	**-**	**-**	**-**	**(52,082)**
Net income for the period		**-**	**-**	**-**	**-**	**-**	**-**	**147,483**	**-**	**147,483**
		1,719,886	**39,278**	**(65,737)**	**39,922**	**93,579**	**68,299**	**147,483**	**2,659**	**2,045,369**
Other comprehensive income:										
Equity valuation adjustment		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,201**	**2,201**
Balance as at March 31, 2018		**1,719,886**	**39,278**	**(65,737)**	**39,922**	**93,579**	**68,299**	**147,483**	**4,860**	**2,047,570**

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

Magazine Luiza S.A.

Statements of cash flows
For the quarters ended March 31, 2018 and 2017

(In thousands of Brazilian reais - R$)

	Notes	Parent Company		Consolidated	
		03/31/2018	03/31/2017	03/31/2018	03/31/2017
Cash flows from operating activities					
Net income for the period		**147,483**	58,563	**147,483**	58,563
Adjustments to reconcile net income for the period to cash generated by (applied to) operating activities:					
Income tax and social contribution	11	**55,733**	8,292	**56,014**	8,474
Depreciation and amortization	14 and 15	**36,876**	34,259	**37,235**	34,435
Accrued interest over loans and financing	17	**16,116**	62,216	**16,116**	62,223
Gain (loss) on securities		**(9,732)**	(13,808)	**(9,732)**	(13,808)
Equity in investments	12 and 13	**(24,144)**	(24,554)	**(23,319)**	(23,379)
Changes in provision for loss in assets		**25,620**	28,274	**25,564**	28,340
Provision for tax, civil and labor contingencies	19	**45,704**	10,786	**44,838**	10,070
Gain (loss) on sale of property and equipment	24	**144**	(2,614)	**144**	(2,614)
Appropriation of deferred income	24	**(10,703)**	(10,080)	**(10,703)**	(10,080)
Stock option plan expenses		**2,073**	1,116	**2,073**	1,116
Adjusted net income for the period		**285,170**	152,450	**285,713**	153,340
(Increase) decrease in operating assets:					
Trade receivables		**(215,508)**	(10,067)	**(214,570)**	(6,329)
Securities and other financial assets		**968,562**	297,709	**968,562**	297,709
Inventory		**23,021**	122,542	**24,031**	123,313
Receivables from related parties		**(1,035)**	4,273	**(1,066)**	4,351
Recoverable taxes		**(14,885)**	48,730	**(14,969)**	48,479
Other assets		**(2,052)**	(7,073)	**(2,497)**	(7,263)
Variations in operating assets		**758,103**	456,114	**759,491**	460,260
Increase (decrease) in operating liabilities:					
Suppliers		**(450,579)**	(598,062)	**(462,677)**	(602,581)
Payroll, vacation pay and related charges		**(47,721)**	473	**(47,764)**	(246)
Taxes payable		**(4,682)**	(7,089)	**(5,227)**	(7,379)
Accounts payable to related parties		**(6,572)**	(16,681)	**(6,607)**	(16,678)
Other accounts payable		**(16,370)**	6,769	**(16,766)**	5,634
Variation in operating liabilities		**(525,924)**	(614,590)	**(539,041)**	(621,250)
Income tax and social contribution paid		**(2,511)**	-	**(3,918)**	(655)
Dividends received		**17,506**	17,703	**15,724**	16,256
Cash flows from operating activities		**532,344**	11,677	**517,969**	7,951
Cash flows from investment activities					
Acquisition of property and equipment	14	**(19,644)**	(19,782)	**(19,725)**	(20,091)
Acquisition of intangible assets	15	**(16,390)**	(16,089)	**(16,667)**	(16,118)
Receivable from the sale of property and equipment		**-**	3,152	**-**	3,152
Capital increase in subsidiary		**(11,935)**	-	**-**	-
Cash flow applied to investment activities		**(47,969)**	(32,719)	**(36,392)**	(33,057)
Cash flows from financing activities					
Loans and financing raised	17	**-**	2,617	**-**	2,617
Payment of loans and financing	17	**(54,294)**	(250,654)	**(54,294)**	(250,692)
Payment of interest over loans and financing	17	**(13,167)**	(70,872)	**(13,167)**	(70,875)
Divestment (acquisition of treasury shares)		**(51,671)**	-	**(51,671)**	-
Cash flows applied to financing activities		**(119,132)**	(318,909)	**(119,132)**	(318,950)
Increase (decrease) in cash and cash equivalents		**365,243**	(339,951)	**362,445**	(344,056)
Cash and cash equivalents at the beginning of the period		**370,926**	562,728	**412,707**	599,141
Cash and cash equivalents at the end of the period		**736,169**	222,777	**775,152**	255,085
Increase (decrease) in cash and cash equivalents		**365,243**	(339,951)	**362,445**	(344,056)

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

Magazine Luiza S.A.

Statements of value added
For the quarters ended March 31, 2018 and 2017

(In thousands of Brazilian reais - R$)

	Parent Company		Consolidated	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Revenue				
Goods and products sold and services rendered	**4,130,223**	3,167,111	**4,183,736**	3,209,371
Allowance for doubtful accounts, net of reversals	**(12,492)**	(5,592)	**(12,492)**	(5,598)
Other operating income	**21,271**	10,042	**22,222**	10,929
	4,139,002	3,171,561	**4,193,466**	3,214,702
Inputs acquired from third parties				
Cost of goods resold and of services rendered	**(2,769,510)**	(2,108,743)	**(2,790,326)**	(2,122,136)
Materials, electricity, outsourced services and other	**(350,276)**	(268,582)	**(361,658)**	(275,793)
Impairment of assets	**(10,529)**	(19,282)	**(10,473)**	(19,342)
	(3,130,315)	(2,396,607)	**(3,162,457)**	(2,417,271)
Gross value added	**1,008,687**	774,954	**1,031,009**	797,431
Depreciation and amortization	**(36,876)**	(34,259)	**(37,235)**	(34,435)
Net value added produced by the entity	**971,811**	740,695	**993,774**	762,996
Value added received in transfer				
Equity in investments	**24,144**	24,554	**23,319**	23,379
Financial income	**32,749**	36,105	**23,759**	23,523
Total value added	**1,028,704**	801,354	**1,040,852**	809,898
Distribution of value added				
Personnel and charges:				
Direct remuneration	**216,937**	182,314	**220,683**	185,328
Benefits	**48,320**	33,945	**48,922**	34,335
Government Severance Indemnity Fund for Employees (FGTS)	**20,461**	18,753	**20,784**	19,002
	285,718	235,012	**290,389**	238,665
Taxes, fees and contributions:				
Federal	**120,658**	71,398	**122,751**	72,933
State	**293,652**	191,490	**297,833**	193,742
Municipal	**11,860**	10,543	**12,379**	10,996
	426,170	273,431	**432,963**	277,671
Third party capital remuneration:				
Interest	**75,551**	142,445	**75,951**	142,872
Rent	**87,764**	82,718	**87,948**	82,864
Other	**6,018**	9,185	**6,118**	9,263
	169,333	234,348	**170,017**	234,999
Own capital remuneration				
Retained earnings	**147,483**	58,563	**147,483**	58,563
	1,028,704	801,354	**1,040,852**	809,898

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

Notes to the interim financial information

1. General information

Magazine Luiza S.A. (“Company” or “Parent Company”) is a publicly traded corporation listed under the special segment called “Novo Mercado da B3 S.A. – Brasil, Bolsa, Balcão” under the code “MGLU3” and is primarily engaged in the retail sale of consumer goods, mainly home appliances, personal electronics and furniture, through physical and virtual stores or through e-commerce. Through its jointly-owned subsidiaries (Note 13) it offers the loans, financing and insurance operations to its clients. Its headquarters is in the city of Franca, state of São Paulo, Brazil and its parent and holding company is LTD Administração e Participação S.A.

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

As at March 31, 2018 (and December 31, 2017) the Company owned 858 stores and 10 distribution centers located in the South, Southeast, Mid-west and Northern regions of Brazil and worked with the e-commerce sites www.magazineluiza.com.br and www.epocacosmeticos.com.br.

On May 3, 2018 the Board of Directors authorized the issue of the interim financial information (ITR).

2. Presentation and preparation of the interim financial information

2.1. Accounting policies

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

The individual and consolidated interim financial information is prepared in accordance with technical pronouncement CPC 21 (R1) (interim financial reporting) and with the international standard IAS 34, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM).

With exception to the initial adoption of IFRS 9 (CPC 48) and IFRS 15 (CPC 47), which came into effect as of January 1, 2018, as described under Note 3, the practices, policies and main accounting judgments adopted in the preparation of the individual and consolidated interim financial information are consistent with those adopted and disclosed under Notes 3, 4, 6, 8, 9, 12, 14, 15, 16, 20, 22, 23, 26, 28 and 29 of the financial statements for the year ended December 31, 2017, which were disclosed on February 22, 2018 and should be read jointly.

The Statement of Value Added (“DVA”) aims at evidencing the wealth created by the Company and its Subsidiaries and its distribution during a determined period and is presented as part of its parent company financial statements pursuant to the standards issued by the Brazilian Securities and Exchange Commission (CVM), since it is neither an estimated statement nor mandatory under the International Financial Reporting Standards (IFRS).

Management adopts the accounting policy that presents interest paid as financing activities and dividends received as operating activities in the statements of cash flows.

3. New standards, amendments and interpretations

3.1 New standards

IFRS 16, Leases", issued in January 2016. This standard has as its objective to unify the lease accounting model, requiring the lessees to recognize as asset or liability all lease contracts, unless these contracts have a lease term of less than twelve months or immaterial value. The standard is effective as of January 1, 2019. The Company is evaluating the impact from the application of this standard.

Early adoption of standards, despite being encouraged by the International Accounting Standards Board (IASB), is not permitted in Brazil by the Accounting Pronouncements Committee (CPC).

3.2 Initial adoption of CPC 48/ IFRS 9 – Financial Instruments and CPC 47/ IFRS 15 – Revenue from Contracts with Customers

The Company initially adopted CPC 48/ IFRS 9 – Financial Instruments and CPC 47/IFRS 15 – Revenue from Contracts with Customers as of January 1, 2018.

The tables below demonstrate equity effects on initial adoption:

	Notes	Parent Company				Consolidated			
		Prior balance	Initial adoption adjustment		Balance after initial adoption	Prior balance	Initial adoption adjustment		Balance after initial adoption
		01/01/2018	IFRS9	IFRS15	01/01/2018	01/01/2018	IFRS9	IFRS15	01/01/2018
Assets									
Current									
Trade receivables	3.2 -b)	1,233,983	(34,209)	-	**1,199,774**	1,241,290	(34,209)	-	**1,207,081**
Inventory	3.2- a)	1,953,963	-	2,458	**1,956,421**	1,969,333	-	2,458	**1,971,791**
Receivables from related parties		99,985	(2,010)	-	**97,975**	96,766	(2,010)	-	**94,756**
Other assets		1,905,127	-	-	**1,905,127**	1,950,228	-	-	**1,950,228**
Total current assets		5,193,058	(36,219)	2,458	**5,159,297**	5,257,617	(36,219)	2,458	**5,223,856**
Non-current									
Deferred income tax and social contribution	11	219,321	12,315	261	**231,897**	223,100	12,315	261	**235,676**
Investments in jointly-owned subsidiaries	3.2-b)/13	311,347	(52,082)	-	**259,265**	311,347	(52,082)	-	**259,265**
Other assets		1,655,863	-	-	**1,655,863**	1,627,449	-	-	**1,627,449**
Total non-current assets		2,186,531	(39,767)	261	**2,147,025**	2,161,896	(39,767)	261	**2,122,390**
Total assets		7,379,589	(75,986)	2,719	**7,306,322**	7,419,513	(75,986)	2,719	**7,346,246**
Liabilities									
Current									
Other liabilities		3,840,660	-	-	**3,840,660**	3,606,038	-	-	**3,606,038**
Other payables	3.2 -a)	261,773	-	3,226	**264,999**	529,998	-	3,226	**533,224**
Total current liabilities		4,102,433	-	3,226	**4,105,659**	4,136,036	-	3,226	**4,139,262**
Non-current									
Total non-current liabilities		1,203,179	-	-	**1,203,179**	1,209,500	-	-	**1,209,500**
Total liabilities		5,305,612	-	3,226	**5,308,838**	5,345,536	-	3,226	**5,348,762**
Net equity		2,073,977	(75,986)	(507)	**1,997,484**	2,073,977	(75,986)	(507)	**1,997,484**
Total liabilities and net equity		7,379,589	(75,986)	2,719	**7,306,322**	7,419,513	(75,986)	2,719	**7,346,246**

a) CPC 47 / IFRS 15 Revenue from contracts with customers

CPC 47 / IFRS 15 establishes a comprehensive structure for determining whether, when and for which value revenue is recognized. Revenue is recognized when a customer obtains the control of the goods or services. Determining the moment of transfer of the control – at a specific moment in time or throughout time – requires judgment.

This substitutes CPC 30 / IAS 18 Revenue and related interpretations. The Company adopted CPC 47 / IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initial adoption of the standard being recognized on the date of initial application (i.e. January 1, 2018). Consequently, the information presented for 2017 was not restated and, in this manner, it was presented as previously reported in accordance with CPC 30 / IAS 18 and related interpretations.

The effect of initial application of this standard is attributed mainly to:

- Estimate of variable compensation related to the return of goods.

	01/01/2018
Net revenue from sales	(3,226)
Cost of goods resold	2,458
Income tax (IR)/Social contribution (CS)	261
Effect of initial adoption	**(507)**

The Company evaluated the impacts of the customer retention program, return of services, services offered freely and did not identify material amounts for adjustment upon initial adoption.

b) CPC 48 / IFRS 9 Financial instruments

i) Classification and measurement of financial assets

CPC 48 / IFRS 9 retains to a great extent the requirements of CPC 38 / IAS 39 for the classification and measurement of financial liabilities. Nevertheless, it eliminates the categories of CPC 38 / IAS 39 for financial assets held-to-maturity, loans and receivables and available-for-sale. The adoption of CPC 48 / IFRS 9 did not have a significant effect to the accounting policies of the Company related to financial liabilities and derivative financial instruments (for derivatives not used as hedge instruments).

According to CPC 48 / IFRS 9, upon initial recognition, a financial asset is classified as measured: at amortized cost; at fair value through other comprehensive income (FVTOCI); or at fair value through profit or loss (FVTPL). The classification of financial assets in accordance with CPC 48 / IFRS 9 is generally based on the business model in which a financial asset is managed and on its contractual cash flow characteristics.

A financial asset is measured at amortized cost when it complies with both of the following conditions and is not designated as measured at FVTPL:

- is to hold the financial asset to collect the contractual cash flows; and

- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument the choice is made investment by investment. When held-for-negotiation it shall be measured as FVTPL, or, the Company may opt irrevocably to present subsequent alterations to the fair value of the investment in other comprehensive income (OCI).

All financial assets not classified as measured at amortized cost or FVTOCI, as described above, are classified as FVTPL. On initial recognition, the Company may designate in an irrevocable manner a financial asset that meets the requirements to be measured at amortized cost or as FVTOCI as FVTPL if this eliminates or reduces significantly an accounting mismatch that would otherwise arise (fair value option available under CPC 48 / IFRS 9).

A financial asset (unless for trade receivables without a significant component of financing that is initially measured at the transaction price) is initially measured at fair value plus, for an item not measured at FVTPL, transaction costs directly attributable to its acquisition.

The following accounting policies are applicable to subsequent measurement of financial assets:

- Financial assets measured at FVTPL: These assets are subsequently measured at fair value. The net result, including interest, is recognized under profit or loss.

- Financial assets at amortized cost. These assets are measured subsequently at amortized cost using the effective interest method. The amortized cost is reduced by impairment loss. Interest gain, possible exchange gains or losses and impairment are recognized under profit or loss. Any gain or loss in derecognition is recognized under profit or loss.

- Financial assets measured at FVTOCI: These assets are measured subsequently at fair value. In derecognition, the accumulated result in OCI is reclassified to profit or loss.

The table below and the notes to the financial statements explain the original measurement categories of CPC 38 / IAS 39 and the new measurement categories of CPC 48 / IFRS 9 for each class of financial assets of the Company as at January 1, 2018.

Financial instrument category	Original classification according to CPC 38 / IAS 39	New classification according to CPC 48/IFRS 9	Original carrying value according to CPC 38/IAS 39	New carrying value according to CPC 48/IFRS 9
Cash and banks	Loans and receivables	Amortized cost	**91,928**	**91,928**
Escrow deposits	Loans and receivables	Amortized cost	**310,901**	**310,901**
Trade receivables – Credit and debit card	Loans and receivables	FVTOCI	**837,201**	**817,717**
Trade receivables – Other receivables from clients and commercial agreements	Loans and receivables	Amortized cost	**408,830**	**394,105**
Receivables from related parties	Loans and receivables	Amortized cost	**54,428**	**54,428**
Receivables from related parties – Credit Cards	Loans and receivables	FVTPL	**42,338**	**40,328**
Held-for-negotiation – Cash equivalents	Fair value through profit or loss	Amortized cost	**320,779**	**320,779**
Held-for-negotiation - Securities – Exclusive funds	Fair value through profit or loss	Amortized cost	**10,995**	**10,995**
Held-for-negotiation - Securities – Exclusive funds	Fair value through profit or loss	FVTPL	**1,247,180**	**1,247,180**
Derivative instrument asset	Fair value through profit or loss	FVTPL	**1,378**	**1,378**
			3,325,958	**3,289,739**

ii) Impairment of financial assets

CPC 48 / IFRS 9 substitutes the model of "incurred losses" of CPC 38 / IAS 39 for a model of expected credit losses The new impairment model applies to financial assets measured at amortized cost and to those measured at FVTOCI. According to CPC 48 / IFRS 9, credit losses are recognized earlier than with CPC 38 / IAS 39. Financial assets at amortized cost consist of trade receivables and cash and cash equivalents. According to CPC 48 / IFRS 9, expected credit losses are required to be measured through a loss allowance at an amount equal to: - the 12-month expected credit losses: expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date; and – full lifetime expected credit losses: expected credit losses that result from all possible default events over the life of the financial instrument.

The Company opted for measuring provision for loss with trade receivables and other receivables and contractual assets in an amount equal to the full lifetime expected credit loss. When determining whether the credit risk of a financial asset increased significantly since initial recognition and estimating expected credit losses, the Company considers reasonable and supportable information which is relevant and available without involving undue cost or effort. This includes information and quantitative and qualitative analyses and considers "*forward looking*" information. The Company considers a financial asset and in default when: it is highly unlikely that the credit will fully pay its credit obligations, without resorting to actions such as execution of the guarantee (if existing); or – the financial assets is past due for over 180 days.

Measurement of expected credit losses

Expected credit losses are weighted average of credit losses with the respective risks of a default occurring as the weightings. Credit losses are measured at present value based on all cash insufficiencies (i.e. the difference between cash flows due to the Company according to a contract and the cash flows that the Company expects to receive).

Credit impaired financial assets

At each reporting date, the Company evaluates whether the financial assets registered at amortized cost and those measured at FVTOCI are credit impaired. A financial asset is "credit impaired" when one or more events that have occurred and have a significant impact on the expected future cash flows of the financial asset.

Presentation of impairment

Provision for loss of financial assets measured at amortized cost are deducted from the gross carrying value of the assets. For financial assets measures at FVTOCI, a provision for loss is recognized under OCI.

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

Impact of the new impairment model

For assets under the scope of the CPC 48 / IFRS 9 impairment model, impairment losses must increase and become more volatile.

Trade receivables and contract assets

The Company considers the model and some of the assumptions used in the calculation of these expected credit losses as the main sources of uncertainty in the estimate. Expected credit losses were calculated based on experience of actual credit loss in the last seven years.

Positions within each group were segmented based on common characteristics of credit risks, such as: level of credit risk and default status. Actual credit loss experience was adjusted by scale factors to reflect differences between the economic conditions during the period in which the historic macro-economic data was collected, and the present conditions and the vision of the Company in relation to economic conditions during the expected lives of the receivables.

Presented below is the total effect of CPC 48/IFRS 9 – Financial instruments:

	01/01/2018
Trade receivables – credit card - FVTOCI	(19,483)
Trade receivables - PCLD - Impairment	(14,726)
Receivables from related parties – credit card - FVTPL	(2,010)
Investments in jointly-owned subsidiaries - Impairment	(52,082)
Income tax (IR)/Social Contribution (CS)	12,315
Effect of initial adoption	**(75,986)**

4. Notes included in the financial statements as at December 31, 2017 and not presented in the interim financial statements

The interim information is presented in accordance with technical pronouncements CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) observing the provisions contained under Official-Circular/CVM/SNC/SEP 003/2011 of April 28, 2011. The preparation of the interim financial information involves judgment by the Company's management in relation to the relevance and alterations that should be disclosed in the Notes to the interim financial information. In this manner, the interim information includes selected notes and does not contemplate all of the notes presented in the financial statements for the year ended December 31, 2017. As permitted by Official Circular 03/2011, issued by the Brazilian Securities and Exchange Commission (CVM), the following notes and their references to the financial statements for the year ended December 31, 2017 are not presented:

- Summary of significant accounting policies and practices (Note 3)
- Significant accounting judgments and sources of uncertainties about estimates (Note 4)
- Leasing commitments (Note 29);

5. Cash and cash equivalents

		Parent Company		Consolidated	
	Rates	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Cash		**51,805**	38,614	**51,813**	38,621
Banks		**27,416**	51,946	**27,715**	53,307
Bank deposit certificates	70% to 101% CDI	**656,752**	280,173	**665,194**	293,150
Non-exclusive investment funds	92.5% to 100% CDI	**196**	193	**30,430**	27,629
Total cash and cash equivalents		**736,169**	370,926	**775,152**	412,707

6. Securities and other financial assets

Financial assets	Rates	Parent Company and Consolidated 03/31/2018	Parent Company and Consolidated 12/31/2017
Securities			
Non-exclusive investment funds	99% CDI	**11,164**	10,995
Exclusive investment funds:	(a)		
Federal Government Securities and repo operations		**288,181**	1,242,828
Time deposits and other securities		**-**	4,352
	Note 9.a	**288,181**	1,247,180
Total Securities		**299,345**	1,258,175
Other financial assets measured at fair value through profit or loss			
Swap receivable – Fair value Hedge		**-**	1,378
Total securities and other financial assets		**299,345**	1,259,553

(a) Refers to exclusive fixed income investment funds. As at March 31, 2018 and December 31, 2017, the portfolio was distributed into the types of investment described in the table above, which are linked to financial operations and securities, indexed to the monthly variation of the Interbank Deposit Certificate (CDI) rate, to return the average profitability of 103% of the CDI to the Company.

7. Trade receivables

	Parent Company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Trade receivables:				
Credit cards (a)	**989,168**	818,154	**992,543**	820,267
Debit cards (a)	**14,000**	16,934	**14,000**	16,934
Own credit (b)	**153,061**	164,725	**153,759**	165,373
Other receivables (c)	**90,518**	63,517	**90,518**	63,517
Total trade receivables	**1,246,747**	1,063,330	**1,250,820**	1,066,091
Commercial agreements (d)	**250,868**	252,146	**253,164**	256,697
Allowance for doubtful accounts	**(59,606)**	(42,672)	**(59,606)**	(42,672)
Adjustment to present value	**(30,440)**	(34,080)	**(30,440)**	(34,085)
Total receivables	**1,407,569**	1,238,724	**1,413,938**	1,246,031
Current	**1,404,300**	1,233,983	**1,410,669**	1,241,290
Non-current	**3,269**	4,741	**3,269**	4,741

The average term to receive trade receivables is of 25 days (20 days as at December 31, 2017), Company and Consolidated.

(a) Receivables from sales made through credit and debit cards, which the Company receives from credit card operators in amounts, terms and quantity of installments defined at the moment the product is sold. As at March 31, 2018 the Parent Company had credits assigned to financial institutions amounting to R$ 1,544,528 (R$ 1,506,129 as at December 31, 2017) and Consolidated R$ 1,564,496 (R$ 1,528,700 as at December 31, 2017), over which a discount varying from 105.0% to 109.0% of the CDI is applied. The Company, through credit assignment operations of receivables from credit cards, transfers to the operators and to the financial institutions all of the risks of receiving from customers and, in this manner, settles its receivables related to these credits which, with the initial adoption of CPC 48/IFRS 9 - Financial Instruments, began to be recorded under other comprehensive income and after realization of the operation registers the respective financial charges under profit or loss for the period at the moment of settlement.

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

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

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

Changes in allowance for doubtful accounts are demonstrated below:

	Parent Company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Initial balance	**(42,672)**	(29,535)	**(42,672)**	(29,535)
(+) Additions	**(15,091)**	(52,448)	**(15,091)**	(52,455)
(+) Initial adoption IFRS09	**(14,726)**	-	**(14,726)**	-
(-) Write-off	**12,883**	39,311	**12,883**	39,318
Final balance	**(59,606)**	(42,672)	**(59,606)**	(42,672)

The aging list of trade receivables and receivables from commercial agreements by maturity is as follows:

	Trade receivables				Receivables from commercial agreements			
	Parent Company		Consolidated		Parent Company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Falling due:								
Within 30 days	**150,045**	151,232	**154,118**	153,993	**80,060**	92,319	**82,356**	96,870
From 31 to 60 days	**93,173**	99,316	**93,173**	99,316	**44,705**	106,629	**44,705**	106,629
From 61 to 90 days	**36,036**	66,499	**36,036**	66,499	**26,419**	23,797	**26,419**	23,797
From 91 to 180 days	**473,785**	284,648	**473,785**	284,648	**92,745**	17,186	**92,745**	17,186
From 181 to 360 days	**460,177**	430,941	**460,177**	430,941	**1,636**	1,837	**1,636**	1,837
Over 361 days	**8,107**	10,202	**8,107**	10,202	**1,010**	1,103	**1,010**	1,103
	1,221,323	1,042,838	**1,225,396**	1,045,599	**246,575**	242,871	**248,871**	247,422
Past due:								
Up to 30 days	**7,290**	6,105	**7,290**	6,105	**2,286**	5,499	**2,286**	5,499
From 31 to 60 days	**5,055**	3,599	**5,055**	3,599	**1,248**	284	**1,248**	284
From 61 to 90 days	**3,618**	3,065	**3,618**	3,065	**208**	148	**208**	148
From 91 to 180 days	**9,461**	7,723	**9,461**	7,723	**551**	3,344	**551**	3,344
	25,424	20,492	**25,424**	20,492	**4,293**	9,275	**4,293**	9,275
Total	**1,246,747**	1,063,330	**1,250,820**	1,066,091	**250,868**	252,146	**253,164**	256,697

8. Inventory

	Parent Company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Goods for resale	**1,975,580**	2,000,926	**1,990,456**	2,016,812
Consumption material	**9,099**	9,073	**9,099**	9,073
Provision for inventory loss	**(61,808)**	(56,036)	**(62,268)**	(56,552)
Total	**1,922,871**	1,953,963	**1,937,287**	1,969,333

As at March 31, 2018 the Company had inventories of goods for resale given in guarantee of legal processes in progress, in the amount of approximately R$ 24,364 (R$ 24,364 as at December 31, 2017).

Changes in provision for loss of inventory are as follows:

	Parent Company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Initial balance	**(56,036)**	(40,894)	**(56,552)**	(41,527)
Provision	**(10,529)**	(36,244)	**(10,473)**	(36,127)
Inventory written off or sold	**4,757**	21,102	**4,757**	21,102
Final balance	**(61,808)**	(56,036)	**(62,268)**	(56,552)

9. Related parties

a) Related party balance

Company	Assets (liabilities) Parent Company 03/31/2018	Assets (liabilities) Parent Company 12/31/2017	Assets (liabilities) Consolidated 03/31/2018	Assets (liabilities) Consolidated 12/31/2017	Result Parent Company 03/31/2018	Result Parent Company 03/31/2017	Result Consolidated 03/31/2018	Result Consolidated 03/31/2017
Luizacred (i)								
Commission for services rendered	**13,281**	10,919	**13,281**	10,919	**36,846**	31,297	**36,846**	31,297
CDC	**1,516**	2,533	**1,516**	2,533	**-**	-	**-**	-
Transfer of receivables	**(34,544)**	(43,631)	**(34,544)**	(43,631)	**-**	-	**-**	-
Credit card	**35,930**	42,338	**35,930**	42,338	**(43,773)**	(41,855)	**(43,773)**	(41,855)
Reimbursement of shared expenses	**-**	-	**-**	-	**16,240**	14,724	**16,240**	14,724
	16,183	12,159	**16,183**	12,159	**9,313**	4,166	**9,313**	4,166
Luizaseg (ii)								
Commission for services rendered	**35,034**	30,435	**35,034**	30,435	**73,284**	60,581	**73,284**	60,581
Dividends receivable	**-**	9,869	**-**	9,869	**-**	-	**-**	-
Transfer of receivables	**(45,697)**	(43,373)	**(45,697)**	(43,373)	**-**	-	**-**	-
	(10,663)	(3,069)	**(10,663)**	(3,069)	**73,284**	60,581	**73,284**	60,581
Luiza Administradora de Consórcio ("LAC") (iii)								
Commission for services rendered	**851**	1,087	**-**	**-**	**2,692**	2,961	**-**	**-**
Consortium Group	**(919)**	(590)	**(919)**	(590)	**-**	-	**-**	**-**
Dividends receivable	**-**	1,782	**-**	**-**	**-**	-	**-**	**-**
	(68)	2,279	**(919)**	(590)	**2,692**	2,961	**-**	**-**
Campos Floridos Comércio de Cosméticos Ltda. (iv)								
Commission for services rendered	**79**	22	**-**	-	**80**	17	**-**	-
Donatelo - "Integra Commerce"(v)								
Reimbursement of shared expenses	**476**	328	**-**	-	**148**	-	**-**	-
MTG Administração, Assessoria e Participações S.A. (vi)								
Rent	**(1,178)**	(1,176)	**(1,178)**	(1,179)	**(6,067)**	(5,612)	**(6,081)**	(5,652)
PJD Agropastoril Ltda. (vii)								
Rent, freight and other transfers	**(44)**	(44)	**(44)**	(76)	**(679)**	(520)	**(774)**	(613)
LH Agropastoril, Administração de participações Ltda. (ix)								
Rent	**(75)**	**-**	**(75)**	**-**	**(225)**	**-**	**(225)**	**-**
ETCO - Sociedade em Conta de Participação (viii)								
Agencing commission -"Fee"	**-**	-	**-**	-	**(1,519)**	(2,576)	**(1,519)**	(2,576)
Propaganda expenses	**(265)**	-	**(265)**	-	**(49,199)**	(41,775)	**(49,199)**	(41,775)
	(265)	-	**(265)**	-	**(50,718)**	(44,351)	**(50,718)**	(44,351)
Total related parties	**4,445**	10,499	**3,039**	7,245	**27,828**	17,242	**24,799**	14,131

Reconciliation	Parent Company 03/31/2018	Parent Company 12/31/2017	Consolidated 03/31/2018	Consolidated 12/31/2017
Receivables from related parties	**87,359**	99,985	**85,953**	96,766
Payables to related parties	**(82,914)**	(89,486)	**(82,914)**	(89,521)
Total	**4,445**	10,499	**3,039**	7,245

Other related parties: Securities	Assets (liabilities) Parent Company 03/31/2018	Assets (liabilities) Parent Company 12/31/2017	Assets (liabilities) Consolidated 03/31/2018	Assets (liabilities) Consolidated 12/31/2017	Result Parent Company 03/31/2018	Result Parent Company 03/31/2017	Result Consolidated 03/31/2018	Result Consolidated 03/31/2017
Investment Funds (x)	**288,181**	1,247,180	**288,181**	1,247,180	**9,563**	13,511	**9,563**	13,511

(i) Transactions with Luizacre, a jointly-owned subsidiary with Banco Itaúcard S.A., refer to the following activities:

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

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

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

(ii) The amounts receivable (current assets) and revenues of Luizaseg, jointly-owned subsidiary with NCVP Participações Societárias S.A., a subsidiary of Cardif do Brasil Seguros e Previdência S.A., arise from commissions on services monthly provided by the Company, relating to the sale of extended warranties and proposed dividends. The amounts payable (current liabilities) refer to the transfers of extended warranties sold, realized to Luizaseg, in full, on the month following the sale.

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

(iv) Transactions with Campos Floridos - "Época Cosméticos", a wholly-owned subsidiary, refers to the cost of acquisition of goods for resale and also sales commissions via the Marketplace platform of Magazine Luiza.

(v) Transactions with Donatelo - "Integra Commerce", a wholly-owned subsidiary, refer to reimbursement of shared expenses.

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

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

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

(ix) Transactions with LH Agropastoril, Administração Participações Ltda., controlled by the same controlling shareholders of the Company, refers to expenses with rental of commercial buildings and head-office.

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

b) Management Compensation

	03/31/2018		03/31/2017	
	Board of Directors	Executive Officers	Board of Directors	Executive Officers
Fixed and variable compensation	**938**	**1,678**	677	997
Stock option plan	**23**	**525**	521	98

The Company does not grant post-employment benefits, severance benefits, or other long-term benefits. Short-term benefits to the Executive Officers are the same as those extended to other employees of the Company. It is an internal public policy of the Company to pay Profit Sharing to its collaborators. These amounts are provisioned on a monthly basis by the Company, according to estimates for meeting targets. The Company's Board of Directors approved on April 13, 2018, the management's overall compensation(Board of Directors and Executive Officers) for the year ended December 31, 2018, where a maximum limit for management's overall compensation was estimated at R$28,480.

10. Recoverable taxes

	Parent Company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
ICMS recoverable (a)	**368,434**	341,473	**368,434**	341,495
IRPJ and CSLL recoverable	**7,290**	-	**7,432**	142
IRRF recoverable	**545**	7,793	**610**	7,794
PIS and COFINS recoverable	**1,029**	13,148	**2,690**	14,767
Other	**2,514**	2,513	**2,514**	2,513
	379,812	364,927	**381,680**	366,711
Current assets	**189,985**	198,894	**191,853**	200,678
Non-current assets	**189,827**	166,033	**189,827**	166,033

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

11. Income tax and social contribution

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

	Parent Company		Consolidated	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Income before income tax and social contribution	**203,216**	66,855	**203,497**	67,037
Prevailing statutory rate	**34%**	34%	**34%**	34%
Expected income tax and social contribution debits at statutory rates	**(69,093)**	(22,731)	**(69,189)**	(22,793)
Reconciliation to effective rate (effects of application of tax rates):				
Exclusion – equity in investments	**8,209**	8,348	**7,928**	7,949
Effect of government subventions	**5,019**	6,608	**5,019**	6,608
Other permanent exclusions, net	**132**	(517)	**228**	(238)
Income tax and social contribution debit	**(55,733)**	(8,292)	**(56,014)**	(8,474)
Current	**(14,953)**	(3,651)	**(16,426)**	(4,453)
Deferred	**(40,780)**	(4,641)	**(39,588)**	(4,021)
Total	**(55,733)**	(8,292)	**(56,014)**	(8,474)
Effective rate	**27.4%**	12.4%	**27.5%**	12.6%

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

	Parent Company					Consolidated				
	Balance 12/31/2017	Recognized under profit or loss	IFRS adoption	FVTOCI	Balance 03/31/2018	Balance 12/31/2017	Recognized under profit or loss	IFRS adoption	FVTOCI	Balance 03/31/2018
Deferred income tax and social contribution assets:										
Tax loss and negative social contribution tax base	113,917	**(6,916)**	**-**	**-**	**107,001**	117,253	**(6,017)**	**-**	**-**	**111,236**
Allowance for doubtful accounts	14,508	**7,375**	**5,007**	**-**	**26,890**	14,508	**7,375**	**5,007**	**-**	**26,890**
Provision for inventory loss	19,052	**1,127**		**-**	**20,179**	19,229	**1,106**	**-**	**-**	**20,335**
Provision for adjustments to present value	8,648	**(1,233)**	**-**	**-**	**7,415**	8,671	**(1,256)**	**-**	**-**	**7,415**
Provision for tax, civil and labor contingencies	101,027	**(6,777)**	**-**	**-**	**94,250**	101,235	**(6,760)**	**-**	**-**	**94,475**
Exchange variation	4,683	**(4,683)**	**-**	**-**	**-**	4,683	**(4,683)**	**-**	**-**	**-**
Other provisions	11,156	**(9,876)**	**7,569**	**(897)**	**7,952**	11,191	**(9,556)**	**7,569**	**(897)**	**8,307**
	272,991	**(20,983)**	**12,576**	**(897)**	**263,687**	276,770	**(19,791)**	**12,576**	**(897)**	**268,658**
Deferred income tax and social contribution liabilities:										
Amortization of intangible assets	(41,679)	**-**	**-**	**-**	**(41,679)**	(41,679)	**-**	**-**	**-**	**(41,679)**
Escrow deposits	(8,996)	**(20,006)**	**-**	**-**	**(29,002)**	(8,996)	**(20,006)**	**-**	**-**	**(29,002)**
Other	(2,995)	**209**	**-**	**-**	**(2,786)**	(2,995)	**209**	**-**	**-**	**(2,786)**
	(53,670)	**(19,797)**	**-**	**-**	**(73,467)**	(53,670)	**(19,797)**	**-**	**-**	**(73,467)**
	219,321	**(40,780)**	**12,576**	**(897)**	**190,220**	223,100	**(39,588)**	**12,576**	**(897)**	**195,191**

12. Investments in subsidiaries

Changes in investments in subsidiaries, presented in the interim financial information, are demonstrated below:

Investments in subsidiaries

	Época		LAC		Integra	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Shares/quotas held	**12,855**	12,855	**6,500**	6,500	**100**	100
Current assets	**22,553**	26,101	**41,025**	41,436	**38**	241
Non-current assets	**11,410**	10,666	**4,202**	3,904	**2,647**	2,498
Current liabilities	**10,533**	23,233	**10,643**	12,982	**813**	607
Non-current liabilities	**2,837**	3,784	**2,586**	2,537	**-**	-
Capital	**28,355**	16,755	**6,500**	6,500	**1,360**	1,025
Net equity	**20,593**	9,750	**31,998**	29,821	**1,872**	2,132
Net revenue	**23,126**	79,007	**17,560**	65,352	**94**	758
Net income (loss) for the year/period	**(757)**	(846)	**2,177**	7,505	**(595)**	(793)

	Época		LAC		Integra	
Changes in investments	03/31/2018	12/31/2017	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Initial balance	**46,577**	42,923	**29,821**	24,099	**2,132**	-
Advance for future capital increase	**11,600**	4,500	**-**	-	**335**	925
Total net identified assets	**-**	-	**-**	-	**-**	2,020
Unsecured liabilities on the date of acquisition of subsidiary	**-**	-	**-**	-	**-**	(20)
Distributed dividends	**-**	-	**-**	(1,783)	**-**	-
Equity in investments	**(757)**	(846)	**2,177**	7,505	**(595)**	(793)
Final balance	**57,420**	46,577	**31,998**	29,821	**1,872**	2,132

Total investments in subsidiaries	03/31/2018	12/31/2017
Época Cosméticos	**20,593**	9,750
Época Cosméticos - goodwill	**36,827**	36,827
Consortium Group ("LAC")	**31,998**	29,821
Integra - “Donatelo”	**1,872**	2,132
	91,290	78,530

13. Investments in jointly-owned subsidiaries

	Luizacred (a)		Luizaseg (b)	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Total shares – in thousands	**978**	978	**133,883**	133,883
Direct equity interest percentage	**50%**	50%	**50%**	50%
Current assets	**5,414,394**	5,108,440	**166,998**	174,120
Non-current assets	**656,414**	550,506	**322,520**	320,376
Current liabilities	**5,384,324**	4,903,194	**187,258**	194,592
Non-current liabilities	**165,708**	168,604	**95,544**	91,246
Capital	**291,700**	291,700	**133,884**	133,883
Net equity	**520,776**	587,148	**206,716**	208,658
Net revenue	**442,244**	1,688,512	**102,334**	395,602
Net income for the period/year	**37,792**	137,524	**8,846**	34,788

	Luizacred		Luizaseg	
Changes in investments	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Initial balance	**293,574**	275,477	**17,773**	18,353
Proposed dividends	**-**	(50,665)	**(5,855)**	(19,431)
Other comprehensive income	**-**	-	**461**	1,457
Initial adoption of IFRS 9	**(52,082)**	-	**-**	-
Equity in investments	**18,896**	68,762	**4,423**	17,394
Final balance	**260,388**	293,574	**16,802**	17,773

Total investments in jointly-owned subsidiaries

	03/31/2018	12/31/2017
Luizacred (a)	**260,388**	293,574
Luizaseg (b)	**103,358**	104,329
Luizaseg – Unrealized profits (c)	**(86,556)**	(86,556)
Total investments in jointly-owned subsidiaries	**277,190**	311,347

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

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

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

14. Property and equipment

Changes in property and equipment, during the quarter ended March 31, 2018 and 2017, are as follows:

	Parent Company	Consolidated
Net property and equipment as at December 31, 2017	567,085	569,027
Additions	**19,644**	**19,725**
Write-off	**(206)**	**(206)**
Depreciation	**(22,797)**	**(22,885)**
Net property and equipment as at March 31, 2018	**563,726**	**565,661**
Breakdown of property and equipment as at March 31, 2018:		
Cost value of property and equipment	**1,227,472**	**1,231,518**
Accumulated depreciation	**(663,746)**	**(665,857)**
Net property and equipment as at March 31, 2018	**563,726**	**565,661**

	Parent Company	Consolidated
Net property and equipment as at December 31, 2016	559,320	560,067
Additions	19,782	20,091
Depreciation	(22,119)	(22,184)
Net property and equipment as at March 31, 2017	556,983	557,974
Breakdown of property and equipment as at March 31, 2017:		
Cost value of property and equipment	1,136,347	1,139,152
Accumulated depreciation	(579,364)	(581,178)
Net property and equipment as at March 31, 2017	556,983	557,974

During the quarters, no events indicating impairment of property and equipment were identified.

15. Intangible assets

Changes in intangible assets, during the quarters ended March 31, 2018 and 2017, were as follows:

	Parent Company	Consolidated
Net intangible assets as at December 31, 2017	486,111	532,360
Additions	**16,390**	**16,667**
Write-off	**(8)**	**(8)**
Amortization	**(14,079)**	**(14,350)**
Net intangible assets as at March 31, 2018	**488,414**	**534,669**
Breakdown of intangible assets as at March 31, 2018		
Cost value of intangible assets	**819,431**	**868,220**
Accumulated amortization	**(331,017)**	**(333,551)**
Net intangible assets as at March 31, 2018	**488,414**	**534,669**

	Parent Company	Consolidated
Net intangible assets as at December 31, 2016	469,724	513,049
Additions	16,089	16,118
Amortization	(12,140)	(12,251)
Net intangible assets as at March 31, 2017	473,673	516,916
Breakdown of intangible assets as at March 31, 2017		
Cost value of intangible assets	755,073	800,004
Accumulated amortization	(281,400)	(283,088)
Net intangible assets as at March 31, 2017	473,673	516,916

During the quarters, no events indicating impairment of intangible assets were identified.

16. Suppliers

	Parent Company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Goods for resale – internal market	**2,448,751**	2,897,609	**2,454,895**	2,914,743
Other suppliers	**23,771**	34,332	**27,045**	38,945
Adjustment to present value	**(25,076)**	(33,916)	**(25,076)**	(34,147)
Total suppliers	**2,447,446**	2,898,025	**2,456,864**	2,919,541

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

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

As at March 31, 2018 the balance payable negotiated by suppliers, and with the acceptance of Magazine Luiza, totaled R$ 75,998 (R$ 294,905 as at December 31, 2017).

Trade payables are initially recorded at present value with the counterentry in "Inventories". The reversal of the adjustment to present value is registered under "Cost of resold goods and services rendered" for the benefit of the term.

17. Loans and financing

Modality	Charges	Guarantees	Final maturity	Parent Company 03/31/2018	Parent Company 12/31/2017	Consolidated 03/31/2018	Consolidated 12/31//2017
Working capital in foreign currency	1.43% to 6.41% per year + exch var.	N/A	Mar/18	**-**	52,519	**-**	52,519
Working capital in local currency	110.7% to 125.3% of CDI rate	Aval guarantees	Dec/19	**256,626**	251,600	**256,626**	251,600
Debentures – restricted offer – 7th issue	113.5% of CDI rate	Receivables from credit cards	Mar/20	**299,691**	305,116	**299,691**	305,116
Promissory notes (a)	109.0% to 112.0% of CDI rate	Clean	May/19	**216,077**	212,343	**216,077**	212,343
Financial leasing (b)	2.5% per year of CDI rate + 2.88%	Statutory lien	Dec/19	**7,723**	9,226	**7,723**	9,226
Innovation financing - FINEP (c)	4% per year.	Bank guarantee	Dec/22	**35,173**	37,024	**35,173**	37,024
Expansion financing - BNB (d)	7% per year	Bank guarantee	Dec/22	**3,485**	3,670	**3,485**	3,670
Total loans and financing				**818.775**	871.498	**818.775**	871,498
Current liabilities				**381,416**	434,294	**381,416**	434,294
Non-current liabilities				**437,359**	437,204	**437,359**	437,204

(a) The Company issued the following promissory notes:

Issue	Principal R$	Date of issue	Final maturity	Outstanding securities	Financial charges	Parent Company and Consolidated 03/31/2018	Parent Company and Consolidated 12/31/2017
3rd issue – 1st series	100,000	05/10/2017	05/10/2018	20	109.0% of CDI	**107,925**	106,085
3rd issue – 2nd series	100,000	05/10/2017	05/10/2019	20	112.0% of CDI	**108,152**	106,258
						216,077	212,343

(b) Refers to financial lease contracts related to computer hardware and software, which contracts have final maturities in 2019.

(c) Refers to financing contract with Study and Projects Financing Agency (FINEP), with the purpose of investing in technological innovation development and research projects.

(d) The Company signed a financing contract with Banco do Nordeste do Brasil - BNB, with the purpose of modernizing, refurbishing the stores in the northeastern region and building a new Distribution Center in the municipality of Candeias (BA), in the amount of R$ 68,103. As at March 31, 2018 the first installment was released in the amount of R$ 4,383.

Cash flow consolidation of operational and financing activities

	Parent Company		Consolidated	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Initial balance	**871,498**	1,848,638	**871,498**	1,848,776
Raising of capital	**-**	2,617	**-**	2,617
Payment of principal	**(54,294)**	(250,654)	**(54,294)**	(250,692)
Payment of interest	**(13,167)**	(70,872)	**(13,167)**	(70,875)
Provisioned interest	**16,116**	62,216	**16,116**	62,223
Fair value hedge	**(1,378)**	(13,879)	**(1,378)**	(13,879)
Final balance	**818,775**	1,578,066	**818,775**	1,578,170

Amortization schedule

The payment schedule of the installments of the loans and financing is demonstrated below:

Maturities	Parent Company and Consolidated
2018	**379,783**
2019	**115,691**
2020	**307,487**
2021	**7,907**
2022 onward	**7,907**
Total	**818,775**

Covenants

The Company has restrictive clauses (covenants) for the 7th issue of debentures, being the maintenance of the "adjusted net debt/adjusted EBITDA" not superior to 3.0 times.

The adjusted net debt is understood as the sum of all loans and financing, including debentures, excluding cash and cash equivalents, financial investments, securities, credit card receivables not anticipated. The adjusted EBITDA is calculated in accordance with CVM rule 527, of October 4, 2012, excluding non-recurring operational events (revenue/expenses).

As at March 31, 2018 the Company is compliant with the covenant described above.

18. Deferred income

	Parent Company and Consolidated	
	03/31/2018	12/31/2017
Deferred income with third parties:		
Exclusive agreement with Cardif (a)	**155,409**	157,552
Exclusive agreement with Banco Itaúcard S.A.	**118,375**	121,500
Other contracts	**1,496**	2,409
	275,280	281,461
Deferred income with related parties:		
Exclusive agreement with Luizacred (a)	**130,170**	132,942
Exclusive agreement with Luizaseg (b)	**94,250**	96,000
	224,420	228,942
Total deferred income	**499,700**	510,403
Current liabilities	**40,652**	41,566
Non-current liabilities	**459,048**	468,837

(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 into the Company. Of this amount, R$ 42,000 were allocated to the jointly-owned subsidiary Luizacred, since it had exclusive rights over credit card insurance. The Company's revenue recognition deriving from this agreement will be recognized in profit (loss) over the term of the agreement, part of which is subject to the achievement of certain targets.

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

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

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

19. Provision for tax, civil and labor contingencies

For labor, civil and tax claims in progress, on which the opinion of the legal advisors is unfavorable, the Company recognized a provision, which is the Management's best estimate of future disbursement. Changes in the provision for tax, civil and labor contingencies are as follows:

Parent Company

	Tax	Civil	Labor	Total
Balance as at December 31, 2017	246,122	16,173	34,843	297,138
Additions	39,464	2,500	600	42,564
Payments	-	(1,356)	(1,574)	(2,930)
Adjustments	3,140	-	-	3,140
Balance as at March 31, 2018	**288,726**	**17,317**	**33,869**	**339,912**

Consolidated

	Tax	Civil	Labor	Total
Balance as at December 31, 2017	249,906	16,339	35,289	301,534
Additions	39,464	2,741	948	43,153
Reversal	(947)	(210)	(298)	(1,455)
Payments	-	(1,386)	(1,574)	(2,960)
Adjustments	3,140	-	-	3,140
Balance as at March 31, 2018	**291,563**	**17,484**	**34,365**	**343,412**

As at March 31, 2018, the Company's main lawsuits classified by Management as of probable loss, based on the opinion of its legal advisors, as well as legal obligations which amounts are deposited in court, for which the amounts were included in the provision for contingencies, are as follows:

a) Tax claims

The Company discusses on an administrative and legal basis several tax claims classified as of probable loss, therefore, these are provisioned. These involve federal taxes, totaling as at March 31, 2018 the amount of R$ 47,581 (R$ 42,969 as at December 31, 2017), state taxes, in the amount of R$ 95,866 as at March 31, 2018 (R$ 62,085 as at December 31, 2017), and municipal taxes totaling R$ 61 (R$ 59 as at December 31, 2017).

The Company also has provision for other legal discussions to which escrow deposits are made, as well as other provisions related to business combinations, which involve federal taxes, totaling R$ 145,218 as at March 31, 2018 (R$ 141,009 as at December 31, 2017) and state taxes, totaling R$ 2,837 as at March 31, 2018 (R$ 3,784 as at December 31, 2017). No provision of this type was recorded for municipal taxes in this period.

b) Civil claims

The provision for consolidated civil contingencies in the amount of R$ 17,484 as at March 31, 2018 (R$ 16,339 as at December 31, 2017) is related to claims filed by customers on possible product defects.

c) **Labor claims**

At the labor courts, the Company is a party to various labor claims, mostly questioning overtime incurred.

The amount provisioned of R$ 34,365 as at March 31, 2018 (R$ 35,289 as at December 31, 2017), consolidated, reflects the risk of probable loss assessed by the Company's Management jointly with its legal advisors.

In order to address the tax, civil and labor contingencies, the Company has a balance in escrow deposits of R$ 333,937 as at March 31, 2018 (R$ 310,901 as at December 31, 2017).

d) **Contingent liabilities – possible loss**

The Company is a party to other claims that were assessed by Management, based on the opinion of its legal advisors, as of possible losses and, therefore, no provision was recognized for such claims. The amounts related to claims involving federal taxes, as at March 31, 2018 reach a total of R$ 1,059,113 (R$ 963,786 as at December 31, 2017), in relation to state taxes these amounts, as at March 31, 2018 reach a total of R$ 391,030 (R$ 423,877 as at December 31, 2017) and as to municipal taxes these amounts total R$ 1,350 as at March 31, 2018 (R$ 1,309 as at December 31, 2017).

Among the main claims of a tax nature, classified as of possible loss, we highlight: (i) Administrative Process in which the Company discusses with the tax authorities the nature/concept of the bonuses/reimbursements of its suppliers for the purpose of PIS/COFINS taxation, as well as the characterization of some expenses related to its core activity as inputs for the purpose of PIS/COFINS credits; (ii) Legal process in which the Company discusses the violation of various legal principles of Law 13241/2015, which extinguished the exemption of PIS and COFINS contribution over income from the sale of eligible products to the Basic Production Process. According to the analysis of the Company's internal and external legal advisors the chances of loss are possible maybe remote; (iii) Process in which the Company discusses with the state tax authorities supposed ICMS credit or divergences; (iv) Administrative Process in which the Company discusses with the state tax authorities assessments for ICMS tax credits appropriated on the purchase of goods from suppliers subsequently declared as inapt; (v) Administrative Process in which the Company discusses with the tax authorities the increase in the RAT rate; (vi) Sundry tax assessments in which the Company discusses the collection of ICMS credits appropriated on the acquisition of goods from some of its suppliers, once these were granted tax benefits by other States of the Federation. The Company accompanies the evolution of all the discussions at each quarter and when there are alterations to the scenario, the risk evaluations and eventual loss are also re-evaluated.

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

Due to uncertainties regarding the outflow of resources for said provisions, Management believes it is not possible to reliably plan a settlement schedule.

e) Contingent assets

The Company is an author (as plaintiff) in other tax claims of various natures, in other words, filled lawsuits against various taxing entities in order to recover taxes paid and/or collected unduly by such entities. Among the main lawsuits, emphasis is given to: i) the legal discussion on the exclusion of ICMS from the calculation base of the PIS and COFINS contribution, which for the Company reaches the amount of R$ 625,841, including monetary correction (R$ 620,289 as at December 31, 2017) of taxes already paid and other discussions involving PIS and COFINS credits in amounts of approximately R$ 320,217 (R$ 304,188 as at December 31, 2017). On March 15, 2017 the Supreme Federal Court concluded judgment, in the systematic of general repercussion, declaring unconstitutional the inclusion of ICMS in the calculation base of these contributions. Thus the Company is evaluating with its legal advisors the amount and monetary correction of the credits covered by its lawsuits; (ii) legal discussion on the recognized right by decision of the Supreme Federal Court of taxpayers to recover the ICMS overpaid in the systematic of tax substitution corresponding to the difference of the margin practiced in comparison with the deemed margin of the states (MVA – Value Added Margin). The Company is evaluating with its legal advisors the mapping and monetary correction of the credits covered by its lawsuits.

20. Net equity

As at March 31, 2018 the shareholder composition of the Company is presented below, all of the shares being common, nominative, registered and without par value:

	Quantity of shares	Equity interest %
Controlling shareholders	**121,378,140**	**63.68**
Outstanding shares	**67,664,436**	**35.50**
Treasury shares	**1,548,888**	**0.82**
Total	**190,591,464**	**100.00**

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

According to Article 7 of the Bylaws, the Company may increase its capital, pursuant to Article 168 of Law 6404/76, by means of the issue of up to 50,000,000 common shares.

a) Capital reserve

As at March 31, 2018 the Company has the amount of R$ 39,278 (R$ 37,094 as at December 31, 2017) registered under Capital Reserve.

b) Legal reserve

As at March 31, 2018 the Company has the amount of R$ 39,922 (R$ 39,922 as at December 31, 2017) registered under Legal Reserve.

c) Treasury shares

On February 22, 2018 the Board of Directors approved the creation of the share buy-back program in the amount of 3,000,000 shares. From the beginning of this program up until the closing of the quarter the Company acquired 630,000 shares at an average cost of R$ 90.13 and the amount of R$ 56,785.

For the quarter ended March 31, 2018 a stock option plan was carried out with treasury shares in the amount of R$ 5,114 (306,428 shares at an average sales price of R$ 16.69).

d) Profit reserve

On March 12, 2018 the Board of Directors approved a distribution of dividends in the amount of R$ 50,000, in addition to the R$ 75,000 already declared to the shareholders as interest on own capital, in accordance with the deliberation of the Board on December 13, 2017.

Under the Profit Reserve item the effects of the initial adoption of IFRS 09 and IFRS 15 are also included, as described under Note 3 to the financial statements.

Thus, as at March 31, 2018 and December 31, 2017, the Company has registered under Profit Reserve:

Period	Capital reinforcement reserve	Tax incentive reserve	Profit reserve
03/31/2018	93,579	68,299	161,878
12/31/2017	220,072	68,299	288,371

e) Equity valuation adjustment

As at March 31, 2018 the Company has registered under the item Equity Valuation Adjustment the amount of R$ 4,860 (R$ 2,659 as at December 31, 2017).

f) Earnings per share

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

	Basic earnings		Diluted earnings	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Average common shares	**190,591,464**	172,991,464	**190,591,464**	172,991,464
Effect of treasury shares	**(1,548,888)**	(2,800,000)	**(1,548,888)**	(2,800,000)
Diluting effect of shares (a)	**-**	-	**889,056**	272,308
Weighted average of outstanding common shares	**189,042,576**	170,191,464	**189,931,632**	170,463,772
Net income	**147,483**	58,563	**147,483**	58,563
Earnings per share in Brazilian Reais (b)	**0.780**	0.344	**0.777**	0.344

a) Considers the effect of exercisable shares in accordance with the share-based incentive plan disclosed above.
b) The basic and diluted earnings for the period of March 31, 2017 has the effect of the share split, approved in the Extraordinary General Assembly of September 4, 2017, in the proportion of 1 to 8 shares.

21. Net sales revenue

	Parent Company		Consolidated	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Gross revenue:				
Retail – resale of goods	**4,149,446**	3,183,273	**4,177,071**	3,199,164
Retail – services rendered	**163,206**	125,193	**170,097**	135,726
Consortium management	**-**	-	**19,122**	16,108
	4,312,652	3,308,466	**4,366,290**	3,350,998
Taxes and returns				
Retail – resale of goods	**(726,999)**	(523,689)	**(731,498)**	(526,315)
Retail – services rendered	**(19,961)**	(16,618)	**(19,967)**	(16,618)
Consortium management	**-**	-	**(1,562)**	(1,140)
	(746,960)	(540,307)	**(753,027)**	(544,073)
Net sales revenue	**3,565,692**	2,768,159	**3,613,263**	2,806,925

22. Cost of goods resold and services rendered

	Parent Company		Consolidated	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Costs:				
Goods resold	**(2,549,246)**	(1,961,053)	**(2,562,976)**	(1,966,688)
Services rendered	**-**	-	**(6,932)**	(7,790)
	(2,549,246)	(1,961,053)	**(2,569,908)**	(1,974,478)

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

The Company's statement of income is presented based on the classification of the expenses according to their functions. Information on the nature of expenses recognized in the statement of income is presented below:

	Parent Company		Consolidated	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Personnel expenses	**(342,587)**	(285,237)	**(344,106)**	(286,304)
Expenses with outsourced services	**(214,831)**	(159,917)	**(220,785)**	(164,096)
Other	**(180,303)**	(162,515)	**(188,786)**	(167,941)
Total	**(737,721)**	(607,669)	**(753,677)**	(618,341)

	Parent Company		Consolidated	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Classified by function as:				
Travel expenses	**(634,702)**	(504,011)	**(641,873)**	(508,587)
General and administrative expenses	**(123,206)**	(113,137)	**(132,940)**	(120,119)
Other operating income, net (note 24)	**20,187**	9,479	**21,136**	10,365
Total	**(737,721)**	(607,669)	**(753,677)**	(618,341)

Freight expenses related to the transportation of goods from distribution centers (DCs) to physical stores and the delivery of products resold to customers are classified as selling expenses.

24. Other operating income, net

	Parent Company		Consolidated	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Gain (loss) on sale of property and equipment	**(144)**	2,614	**(144)**	2,614
Recognition of deferred income (a)	**10,703**	10,080	**10,703**	10,080
Non-recurring tax effects	**10,595**	(1,258)	**11,541**	(772)
Non-recurring expenses (b)	**(963)**	(556)	**(963)**	(556)
Other	**(4)**	(1,401)	**(1)**	(1,001)
Total	**20,187**	9,479	**21,136**	10,365

(a) Refers to the recognition of deferred revenue by assignment of exploration rights, as described under Note 18.

(b) Expenses related to pre-operational expenses of stores.

25. Financial income

	Parent Company		Consolidated	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Financial income:				
Interest from sales of extended guarantees	**12,444**	10,528	**12,444**	10,528
Income from financial investments and securities	**10,281**	17,777	**1,296**	5,195
Interest from the sale of goods – interest in arrears	**1,255**	884	**1,255**	884
Discounts obtained and monetary adjustments	**8,356**	6,493	**8,356**	6,493
Other	**413**	423	**413**	423
	32,749	36,105	**23,764**	23,523
Financial expenses:				
Interest on loans and financing	**(16,875)**	(67,957)	**(16,875)**	(67,964)
Charges on credit card advances	**(58,676)**	(74,488)	**(59,076)**	(74,908)
Provision for loss on interest over extended guarantees	**(2,599)**	(3,400)	**(2,599)**	(3,400)
Other	**(4,884)**	(7,545)	**(4,987)**	(7,666)
	(83,034)	(153,390)	**(83,537)**	(153,938)
Net financial income	**(50,285)**	(117,285)	**(59,773)**	(130,415)

26. Segment reporting

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

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

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

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

Consortium management - through the subsidiary LAC, mainly engaged in the management of consortia to the Company's customers for purchase of products.

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

Statement of income

	03/31/2018					
	Retail (a)	Financial operations	Insurance operations	Consortium Management	Eliminations (b)	Consolidated
Gross revenue	4,349,860	221,122	51,167	19,122	(274,981)	4,366,290
Deductions from revenue	(751,465)	-	-	(1,562)	-	(753,027)
Net revenue of the segment	3,598,395	221,122	51,167	17,560	(274,981)	3,613,263
Costs	(2,565,668)	(19,708)	(5,099)	(6,932)	27,499	(2,569,908)
Gross profit	1,032,727	201,414	46,068	10,628	(247,482)	1,043,355
Sales expenses	(641,873)	(83,216)	(36,082)	-	119,298	(641,873)
General and administrative expenses	(125,196)	(1,435)	(4,180)	(7,744)	5,615	(132,940)
Allowance for doubtful accounts	(12,492)	(76,524)	-	-	76,524	(12,492)
Depreciation and amortization	(37,145)	(1,487)	(1,183)	(90)	2,670	(37,235)
Equity in investments	25,496	-	-	-	(2,177)	23,319
Other operating income	21,136	(3,073)	(1,235)	-	4,308	21,136
Financial income	23,186	-	4,482	578	(4,482)	23,764
Financial expenses	(83,499)	-	(17)	(38)	17	(83,537)
Income tax and social contribution	(54,857)	(16,783)	(3,430)	(1,157)	20,213	(56,014)
Net income for the period	147,483	18,896	4,423	2,177	(25,496)	147,483

Equity accounting reconciliation

Equity in investment LAC (Note 12)	2,177
Equity in investment Luizacred (Note 13)	18,896
Equity in investment Luizaseg (Note 13)	4,423
(=) Equity in investment retail segment	25,496
(-) Elimination effect LAC	(2,177)
(=) Consolidated equity in investments	23,319

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

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

Statement of income

	31/03/2017					
	Retail (a)	Financial operations	Insurance operations	Consortium Management	Eliminations (b)	Consolidated
Gross revenue	3,337,851	211,009	44,742	16,108	(258,712)	3,350,998
Deductions from revenue	(542,933)	-	-	(1,140)	-	(544,073)
Net revenue of the segment	2,794,918	211,009	44,742	14,968	(258,712)	2,806,925
Costs	(1,969,649)	(26,698)	(6,278)	(7,790)	35,937	(1,974,478)
Gross profit	825,269	184,311	38,464	7,178	(222,775)	832,447
Sales expenses	(508,587)	(78,521)	(30,119)	-	108,640	(508,587)
General and administrative expenses	(114,351)	(204)	(5,166)	(5,768)	5,370	(120,119)
Allowance for doubtful accounts	(5,598)	(65,854)	-	-	65,854	(5,598)
Depreciation and amortization	(34,339)	(1,494)	(1,161)	(96)	2,655	(34,435)
Equity in investments	25,087	-	-	-	(1,708)	23,379
Other operating income	9,970	(2,401)	(535)	395	2,936	10,365
Financial income	22,596	-	5,069	927	(5,069)	23,523
Financial expenses	(153,859)	-	(5)	(79)	5	(153,938)
Income tax and social contribution	(7,625)	(16,154)	(2,851)	(849)	19,005	(8,474)
Net income for the period	58,563	19,683	3,696	1,708	(25,087)	58,563

Equity accounting reconciliation

Equity in investment LAC	1,708
Equity in investment Luizacred	19,683
Equity in investment Luizaseg	3,696
(=) Equity in investment retail segment	25,087
(-) Elimination effect LAC	(1,708)
(=) Consolidated equity in investments	23,379

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

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

Balance sheets

	03/31/2018			
	Retail (*)	Financial operations	Insurance operations	Consortium management
Assets				
Cash and cash equivalents	736,694	4,804	125	38,458
Securities and other financial assets	299,345	6,331	177,642	-
Trade receivables	1,413,382	2,760,502	-	556
Inventory	1,937,287	-	-	-
Investments	309,188	-	-	-
Property and equipment and intangible assets	1,098,631	68,501	41,672	1,699
Other	1,094,782	195,266	25,320	4,514
	6,889,309	3,035,404	244,759	45,227
Liabilities				
Suppliers	2,455,067	-	1,602	1,797
Loans and financing and other financial liabilities	818,775	-	-	-
Interbank deposits	-	1,301,253	-	-
Credit card operations	-	1,342,850	-	-
Insurance reserves	-	-	202,302	-
Provision for tax, civil and labor contingencies	342,749	63,892	1,570	663
Deferred income	499,700	18,842	-	-
Other	725,448	48,179	22,483	10,769
	4,841,739	2,775,016	227,957	13,229
Net equity	2,047,570	260,388	16,802	31,998

Investment reconciliation	
Investments in subsidiaries	
Investment LAC (Note 12)	31,998
Investments in jointly-owned subsidiaries	
Investment Luizacred (Note 13)	260,388
Investment Luizaseg (Note 13)	16,802
	277,190
Total investments	309,188
(-) Elimination effect LAC	(31,998)
(=) Total consolidated investments	277,190

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

Balance sheets

	12/31/2017			
	Retail (*)	Financial operations	Insurance operations	Consortium management
Assets				
Cash and cash equivalents	373,167	5,648	211	39,540
Securities and other financial assets	1,259,553	6,251	182,343	-
Trade receivables	1,245,672	2,591,429	-	359
Inventory	1,969,333	-	-	-
Investments	341,168	-	-	-
Property and equipment and intangible assets	1,099,670	69,988	42,855	1,717
Other	1,118,628	156,157	21,839	3,724
	7,407,191	2,829,473	247,248	45,340
Liabilities				
Suppliers	2,917,836	-	1,595	1,740
Loans and financing and other financial liabilities	871,498	-	-	-
Interbank deposits	-	1,196,675	-	-
Credit card operations	-	1,217,662	-	-
Insurance reserves	-	-	203,841	-
Provision for tax, civil and labor contingencies	300,922	65,091	1,593	612
Deferred income	510,403	19,092	-	-
Other	732,555	37,379	22,446	13,167
	5,333,214	2,535,899	229,475	15,519
Net equity	2,073,977	293,574	17,773	29,821

Investment reconciliation	
Investments in subsidiaries	
Investment LAC (Note 12)	29,821
Investments in jointly-owned subsidiaries	
Investment Luizacred (Note 13)	293,574
Investment Luizaseg (Note 13)	17,773
	311,347
Total investments	341,168
(-) Elimination effect LAC	(29,821)
(=) Total consolidated investments	311,347

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

27. Financial instruments

Capital risk management

The objectives of the Company through capital management are to safeguard the going concern capacity in order to offer continuous return to the Company's shareholders and benefits to other related parties, and to maintain an ideal capital structure to reduce this cost and maximize its funds allowing for the opening and remodeling of stores, new technologies, process improvement and advanced management methods.

The Company's capital structure comprises financial liabilities, cash and cash equivalents, securities and equity. Periodically, Management reviews the capital structure and its ability to settle its liabilities, as well as monitoring, on a timely basis, the average term of trade payables in relation to the average term of inventory turnover, taking prompt actions should these balance ratios pose significant imbalance.

The Company uses the non-GAAP performance measure adjusted net debt/adjusted EBITDA, as they believe such measure is a relevant metric for monitoring the Company's level of indebtedness, since it reflects the net consolidated funds available from the Company's operating cash flow for payment of its financial obligations. The Company defines adjusted EBITDA as profit before income tax and social contribution, finance income and expenses, depreciation and amortization and non-recurring operating events. Adjusted EBITDA is not a defined performance measure under IFRS. The Company's definition of adjusted EBTIDA may not be comparable with similarly titled performance measures and disclosures by other Companies.

The capital structure of the Company is broken down as follows:

	Parent Company		Consolidated	
	03/31/2018	12/31/2017	03/31/2018	12/31/2017
Loans and financing	**(818,775)**	(871,498)	**(818,775)**	(871,498)
(+)Cash and cash equivalents	**736,169**	370,926	**775,152**	412,707
(+)Securities and other financial assets	**299,345**	1,259,553	**299,345**	1,259,553
(+)Third party credit cards	**989,168**	818,154	**992,543**	820,267
(+)Related party credit cards	**35,930**	42,338	**35,930**	42,338
Adjusted net cash	**1,241,837**	1,619,473	**1,284,195**	1,663,367
Net equity	**2,047,570**	2,073,977	**2,047,570**	2,073,977

Categories of financial instruments

Category of financial instruments	Classification	Parent Company 03/31/2018	Parent Company 12/31/2017	Consolidated 03/31/2018	Consolidated 12/31/2017
Cash and banks	Amortized cost	**79,221**	90,560	**79,528**	91,928
Escrow deposits	Amortized cost	**333,935**	310,899	**333,937**	310,901
Receivables – Credit and debit cards	FVTOCI	**1,003,168**	835,088	**1,006,543**	837,201
Receivables – Other trade receivables and commercial agreements	Amortized cost	**404,401**	403,636	**407,395**	408,830
Receivables from related parties	Amortized cost	**51,429**	57,647	**50,023**	54,428
Receivables from related parties – Credit card	FVTPL	**35,930**	42,338	**35,930**	42,338
Held-for-negotiation – Cash equivalents	Amortized cost	**656,948**	280,366	**695,624**	320,779
Held-for-negotiation – Securities	Amortized cost	**11,164**	10,995	**11,164**	10,995
Held-for-negotiation – Securities	FVTPL	**288,181**	1,247,180	**288,181**	1,247,180
Derivative instrument asset	FVTPL	-	1,378	-	1,378
Total financial assets		**2,864,377**	3,280,087	**2,908,325**	3,325,958

Category of financial instruments	Classification	Parent Company 03/31/2018	Parent Company 12/31/2017	Consolidated 03/31/2018	Consolidated 12/31/2017
Suppliers	Amortized cost	**2,447,446**	2,898,025	**2,456,864**	2,919,541
Loans and financing	Amortized cost	**818,775**	818,979	**818,775**	818,979
Loans and financing	FVTPL	**-**	52,519	**-**	52,519
Payable to related parties	Amortized cost	**82,914**	89,486	**82,914**	89,521
Total financial liabilities		**3,349,135**	3,859,009	**3,358,553**	3,880,560

Fair value measurement

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

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Valuation techniques for which the lowest and significant level of information to measure the fair value directly or indirectly observable. The Company uses the discounted cash flow technique for measurement.

Level 3 - Valuation techniques for which the lowest and significant level of information to measure the fair value is unobservable.

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

Category of financial instruments Assets	Classification	Parent Company 03/31/2018	Parent Company 12/31/2017	Consolidated 03/31/2018	Consolidated 12/31/2017	Level
Receivables – Credit and debit card	FVTOCI	**1,003,168**	-	**1,006,543**	-	**Level 2**
Receivables from related parties – Credit card	FVTPL	**35,930**	-	**35,930**	-	**Level 2**
Cash equivalents, securities, derivative instrument assets	FVTPL	**288,181**	1,538,541	**288,181**	1,578,954	**Level 2**
	FVTPL	**-**	1,378	**-**	1,378	**Level 2**
Total Financial Assets		**1,327,279**	1,539,919	**1,330,654**	1,580,332	
Loans and financing	FVTPL	**-**	52,519	**-**	52,519	**Level 2**
Total financial liabilities		**-**	52,519	**-**	52,519	

Evaluation techniques and significant unobservable inputs

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

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

• Fair value of receivables from credit cards is determined based on assumptions usually used for the sale of similar assets.

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

Liquidity risk management

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

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

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

	Book balance	Less than one year	One to three years	Over there years	Total
Suppliers	2,456,864	2,456,864	-	-	2,456,864
Loans and financing	818,775	420,205	456,168	14,116	890,489
Related parties	82,914	82,914	-	-	82,914
Other payables: ex-quotaholders	1,000	1,000	-	-	1,000

Considerations on risks

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

Credit risk: the risk arises from the possibility that the Company may incur losses due to non-receipt of amounts billed to their customers, the consolidated balance of which amounts R$ 1,250,820 as at March 31, 2018 (R$ 1,066,091 as at December 31, 2017). A large part of the sales of the Company are made using the credit card as a form of payment, which is substantially securitized with the credit card administrators. For other receivables the Company evaluates also the risk as being low, due to the widespread sales, as a result of the large number of customers; however, there are no guarantees of actual receipt of the total balance of trade receivables due to the nature of the Company's activities. Even so, the risk is managed by means of periodic analysis of default rate (with consistent criteria to support the requirements of IFRS 9 – see Note 3.2.b.ii) and the adoption of more efficient collection measures. As at March 31, 2018 the Company recorded past-due or uncollectible balances under "trade receivables," which terms were renegotiated, in the amount of R$ 5,542 (R$ 5,346 as at December 31, 2017), which are included in the Company's analysis on the need to recognize an allowance for doubtful accounts. See note 7 for more information on accounts receivables

The policy of the Company for investments in debt securities (financial investments) is to invest in securities that have ratings attributed by the main credit risk agencies, of at least Sovereign Credit Ratings. As at March 31, 2018, 100% (one hundred percent) of investments held by the Company have such rating level reaching the amount of R$ 956,293 (R$ 1,539,919 as at December 31, 2017) Parent Company and R$ 994,969 (R$ 1,580,332 as at December 31, 2017) Consolidated.. It is also important to observe that the great majority of these securities are securities with sovereign risk (Brazilian public securities).

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

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

As at March 31, 2018, Management carried out a sensitivity analysis, considering a probable scenario and scenarios of 25% and 50% increases in the expected interest rates. The probable scenario was measured using the future interest rates disclosed by BM&FBOVESPA and/or BACEN. The expected effects of interest expenses net of financial income from financial investments for the next three months are as follows:

	Parent Company	Consolidated
	03/31/2018	03/31/2018
Bank deposit certificates (note 5)	**656,752**	**665,194**
Non-exclusive investment funds (note 5)	**196**	**30,430**
Cash equivalents	**656,948**	**695,624**
Securities (note 6)	**299,345**	**299,345**
Total cash equivalents and securities	**956,293**	**994,969**
Loans and financing (note 17)	**(818,775)**	**(818,775)**
Variation	**137,518**	**176,194**
Interest to incur exposed to CDI	**6.39%**	**6.39%**
Impact on financial income, net of taxes		
Scenario I Probable	**387**	**958**
Scenario II 25% drop	**290**	**718**
Scenario III 50% drop	**193**	**479**

Foreign exchange risk management: the Company uses derivative financial instruments with the purpose of meeting its market risk management requirements arising from mismatching between currencies and indexers. Derivative transactions are carried out through the Finance Department, pursuant to the strategies previously approve by the Company's Board of Directors.

Upon initial recognition of hedge, the Company formally classifies and reports the hedge ratio to which the Company intends to apply the hedge accounting, as well as the objective and the Management's risk management strategy to materialize the hedge.

In this quarter, the Company settled all its hedge operations.

28. Statements of cash flows

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

	Parent Company		Consolidated	
	03/31/2018	03/31/2017	03/31/2018	03/31/2017
Changes in fair value of financial assets	3,098	1,115	3,098	1,115
Dividends	(50,000)	-	(50,000)	-
Initial adoption of IFRS 9 and 15 - FVTOCI	(768)	-	(768)	-
Initial adoption of IFRS 9 and 15 - FVTPL	(36,219)	-	(36,219)	-
Initial adoption of IFRS 9 and 15 – Jointly-owned subsidiary	(52,082)	-	(52,082)	-
Initial adoption of IFRS 9 and 15 – effect of IR/CS	12,576	-	12,576	-

29. Insurance coverage

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

The insurance coverage, as at March 31, 2018 and December 31, 2017, are demonstrated below:

	03/31/2018	12/31/2017
Civil responsibility and D&O	**65,000**	65,000
Sundry risks – inventory and property and equipment	**2,646,756**	2,402,335
Vehicles	**14,162**	14,162
	2,725,918	2,481,497

30. Subsequent events

30.1 Investment in subsidiary

On May 7, 2018 a contract was signed for the acquisition of a technology startup applied to logistics Logbee, São Paulo (SP), which is a platform that manages in real-time express delivery of light products, performed daily through sundry partners, entrepreneurs and owners of their own vehicles. The Company is in the process of assessing the business combination, as per CPC 15 and IFRS 03.