Interim Financial Information

Magazine Luiza S.A.

September 30, 2015
with Independent Auditor's Report

Magazine Luiza S.A.

Interim financial information

September 30, 2015

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A free translation from Portuguese into English of independent auditor's review report on individual interim financial information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and on consolidated interim financial information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB and specific CVM rules

Independent auditor's report on review of interim financial information

To the Management and Shareholders of
Magazine Luiza S.A.
Franca - SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Magazine Luiza S.A. ("Company"), included in the Quarterly Information Form (ITR) for the quarter ended September 30, 2015, which comprises the balance sheet (statement of financial position) as of September 30, 2015 and the related statements of operations and comprehensive income for the three- and nine-month periods then ended and the statements of changes in equity and statements of cash flows for the nine-month period then ended, including the notes to financial statements.

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

Scope of review

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

Conclusion on the individual and consolidated interim financial information

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

Other matters

Statements of value added

We have also reviewed the individual and consolidated interim statements of value added (SVA) for the nine-month period ended September 30, 2015, prepared under the Management's responsibility, the presentation of which in the interim financial information is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Financial Information (ITR), and considered supplementary information by IFRS, which do not require the presentation of an SVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they have not been prepared, in all material respects, consistently with the overall individual and consolidated interim financial information taken as a whole.

São Paulo, November 3, 2015

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Waldyr Passetto Junior
Accountant CRC-1SP173518/O-8

Magazine Luiza S.A.

Statement of financial position
September 30, 2015 and December 31, 2014
(Amounts in thousands of Brazilian reais - R$)

		Company		Consolidated	
	Note	**9/30/2015**	**12/31/2014**	**9/30/2015**	**12/31/2014**
Assets					
Current assets					
Cash and cash equivalents	5	**246,356**	391,763	**270,386**	412,170
Securities	6 and 27	**265,143**	450,979	**265,143**	450,979
Trade receivables	7	**428,499**	616,585	**431,175**	618,276
Inventories	8	**1,199,644**	1,465,553	**1,208,123**	1,472,738
Related parties	9	**49,449**	93,895	**48,739**	93,220
Taxes recoverable	10	**311,177**	295,205	**311,868**	295,595
Other assets		**99,667**	51,389	**101,138**	52,944
Total current assets		**2,599,935**	3,365,369	**2,636,572**	3,395,922
Noncurrent assets					
Securities	6 and 27	**99,842**	-	**99,842**	-
Trade receivables	7	**1,878**	5,020	**1,878**	5,020
Taxes recoverable	10	**159,852**	106,477	**159,852**	106,477
Deferred income tax and social contribution	11	**195,174**	145,436	**196,037**	146,447
Escrow deposits	19	**235,011**	209,648	**235,011**	209,648
Other assets		**51,310**	49,587	**53,663**	51,973
Investments in subsidiaries	12	**55,162**	44,793	**-**	-
Investments in joint ventures	13	**333,572**	319,604	**333,572**	319,604
Property and equipment	14	**566,938**	565,358	**567,682**	566,193
Intangible assets	15	**453,717**	446,080	**496,267**	488,753
Total noncurrent assets		**2,152,456**	1,892,003	**2,143,804**	1,894,115
Total assets		**4,752,391**	5,257,372	**4,780,376**	5,290,037

		Company		Consolidated	
	Note	9/30/2015	12/31/2014	9/30/2015	12/31/2014
Liabilities and equity					
Current liabilities					
Trade payables	16	**1,180,882**	1,784,902	**1,186,934**	1,789,898
Loans and financing	17	**446,498**	591,051	**446,602**	591,443
Payroll, vacation pay and payroll charges		**148,279**	164,739	**151,911**	167,423
Taxes payable		**24,571**	44,008	**25,260**	44,595
Related parties	9	**55,755**	80,525	**55,328**	80,305
Taxes paid in installments		**-**	6,504	**-**	6,504
Deferred revenue	18	**27,499**	37,734	**27,499**	37,734
Dividends and interest on equity payable		**-**	18,319	**-**	18,319
Other payables		**88,143**	92,848	**89,572**	95,227
Total current liabilities		**1,971,627**	2,820,630	**1,983,106**	2,831,448
Noncurrent liabilities					
Loans and financing	17	**1,564,410**	1,120,184	**1,564,598**	1,120,184
Provision for tax, civil and labor contingencies	19	**215,918**	246,225	**229,936**	265,691
Deferred revenue	18	**286,539**	315,866	**286,539**	315,866
Other payables		**-**	-	**2,300**	2,381
Total noncurrent liabilities		**2,066,867**	1,682,275	**2,083,373**	1,704,122
Total liabilities		**4,038,494**	4,502,905	**4,066,479**	4,535,570
Equity	20				
Capital stock		**606,505**	606,505	**606,505**	606,505
Capital reserve		**13,451**	10,103	**13,451**	10,103
Treasury stock		**(8,969)**	(20,195)	**(8,969)**	(20,195)
Legal reserve		**16,143**	16,143	**16,143**	16,143
Profit retention reserve		**101,804**	143,173	**101,804**	143,173
Other comprehensive income (loss)		**(1,826)**	(1,262)	**(1,826)**	(1,262)
Loss for the period		**(13,211)**	-	**(13,211)**	-
Total equity		**713,897**	754,467	**713,897**	754,467
Total liabilities and equity		**4,752,391**	5,257,372	**4,780,376**	5,290,037

See accompanying notes.

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Statement of operations
Three- and nine-month periods ended September 30, 2015 and 2014
(Amounts in thousands of Brazilian reais - R$)

		Nine-month period ended				Quarter ended			
		Company		Consolidated		Company		Consolidated	
	Note	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014
Net sales revenue	21	**6,367,984**	6,940,143	**6,442,278**	7,002,011	**2,056,250**	2,367,478	**2,082,544**	2,390,385
Cost of goods resold and services rendered	22	**(4,564,882)**	(5,054,303)	**(4,585,056)**	(5,068,757)	**(1,461,106)**	(1,705,123)	**(1,468,678)**	(1,710,851)
Gross profit		**1,803,102**	1,885,840	**1,857,222**	1,933,254	**595,144**	662,355	**613,866**	679,534
Operating income (expenses)									
Selling	23	**(1,228,638)**	(1,252,058)	**(1,234,656)**	(1,258,815)	**(406,444)**	(420,248)	**(408,922)**	(423,075)
General and administrative	23	**(314,963)**	(296,822)	**(334,757)**	(314,245)	**(105,975)**	(99,314)	**(112,959)**	(105,791)
Doubtful account losses		**(20,261)**	(16,617)	**(20,261)**	(16,617)	**(7,269)**	(4,820)	**(7,269)**	(4,820)
Depreciation and amortization		**(91,279)**	(82,520)	**(91,624)**	(82,848)	**(28,774)**	(28,058)	**(28,885)**	(28,167)
Equity in the earnings of subsidiaries	12 and 13	**79,295**	69,540	**68,926**	68,438	**23,506**	26,695	**21,114**	26,531
Other operating income, net	23 and 24	**23,361**	17,798	**27,898**	17,800	**4,071**	3,660	**4,563**	3,659
		(1,552,485)	(1,560,679)	**(1,584,474)**	(1,586,287)	**(520,885)**	(522,085)	**(532,358)**	(531,663)
Operating profit before financial result		**250,617**	325,161	**272,748**	346,967	**74,259**	140,270	**81,508**	147,871
Finance income		**121,721**	92,173	**102,719**	71,295	**39,470**	31,435	**33,431**	24,117
Finance expenses		**(435,287)**	(321,545)	**(436,021)**	(321,975)	**(157,357)**	(120,689)	**(157,699)**	(120,897)
Financial result	25	**(313,566)**	(229,372)	**(333,302)**	(250,680)	**(117,887)**	(89,254)	**(124,268)**	(96,780)
Operating income (loss) before income tax and social contribution		**(62,949)**	95,789	**(60,554)**	96,287	**(43,628)**	51,016	**(42,760)**	51,091
Current and deferred income tax and social contribution	11	**49,738**	(6,538)	**47,343**	(7,036)	**24,528**	(8,933)	**23,660**	(9,008)
Income (loss) for the period		**(13,211)**	89,251	**(13,211)**	89,251	**(19,100)**	42,083	**(19,100)**	42,083
Income (loss) attributable to:									
Owners of the company		**(13,211)**	89,251	**(13,211)**	89,251	**(19,100)**	42,083	**(19,100)**	42,083
Earnings (loss) per share									
Basic and diluted (R$ per share)		**(0.59)**	0.48	**(0.59)**	0.48	**(0.85)**	0.23	**(0.85)**	0.23

See accompanying notes.

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Statement of comprehensive income
Three- and nine-month periods ended September 30, 2015 and 2014
(Amounts in thousands of Brazilian reais - R$)

	Nine-month period ended		Quarter ended	
	Company and Consolidated		Company and Consolidated	
	9/30/2015	9/30/2014	9/30/2015	9/30/2014
Profit (loss) for the period	**(13,211)**	89,251	**(19,100)**	42,083
Other comprehensive income (loss) deriving from previous periods:				
Available-for-sale financial assets deriving from investments				
Available-for-sale financial assets	**(2,103)**	(2,740)	**(1,865)**	(1,228)
Tax effect	**841**	1,096	**746**	491
Total	**(1,262)**	(1,644)	**(1,119)**	(737)
Other comprehensive income (loss):				
Available-for-sale financial assets deriving from investments				
Available-for-sale financial assets	**(1,217)**	1,145	**(1,455)**	(367)
Tax effect	**653**	(458)	**748**	147
Total	**(564)**	687	**(707)**	(220)
Comprehensive income (loss)	**(1,826)**	(957)	**(1,826)**	(957)
Total other comprehensive income (loss) for the period, net of taxes	**(15,037)**	88,294	**(20,926)**	41,126
Attributable to:				
Controlling shareholders:	**(15,037)**	88,294	**(20,926)**	41,126

See accompanying notes.

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Statement of changes in equity
For the nine-month period ended September 30, 2015 and 2014
(Amounts in thousands of Brazilian reais - R$)

	Note	Capital stock	Capital reserve	Treasury stock	Legal reserve	Profit retention reserve	Profit for the period	Other comprehensive income (loss)	Total
Balances at December 31, 2013		606,505	5,640	(20,063)	9,715	94,458	-	(1,644)	694,611
Stock option plan		-	3,347	-	-	-	-	-	3,347
Treasury stock		-	-	(31,470)	-	-	-	-	(31,470)
Cancelation of treasury stock		-	-	39,827	-	(39,827)	-	-	-
Additional dividends proposed		-	-	-	-	(15,267)	-	-	(15,267)
Profit for the period		-	-	-	-	-	89,251	-	89,251
		606,505	8,987	(11,706)	9,715	39,364	89,251	(1,644)	740,472
Other comprehensive income (loss):									
Financial instrument adjustment		-	-	-	-	-	-	687	687
Balances at September 30, 2014		606,505	8,987	(11,706)	9,715	39,364	89,251	(957)	741,159
Balances at December 31, 2014		**606,505**	**10,103**	**(20,195)**	**16,143**	**143,173**	**-**	**(1,262)**	**754,467**
									-
Stock option plan		**-**	**3,348**	**-**	**-**	**-**	**-**	**-**	**3,348**
Treasury stock		**-**	**-**	**(14,977)**	**-**	**-**	**-**	**-**	**(14,977)**
Cancelation of treasury stock		**-**	**-**	**26,203**	**-**	**(26,203)**	**-**	**-**	**-**
Additional dividends proposed		**-**	**-**	**-**	**-**	**(15,166)**	**-**	**-**	**(15,166)**
Loss for the period		**-**	**-**	**-**	**-**	**-**	**(13,211)**	**-**	**(13,211)**
		606,505	**13,451**	**(8,969)**	**16,143**	**101,804**	**(13,211)**	**(1,262)**	**714,461**
Other comprehensive income (loss):									
Financial instrument adjustment	13	**-**	**-**	**-**	**-**	**-**	**-**	**(564)**	**(564)**
Balances at September 30, 2015		**606,505**	**13,451**	**(8,969)**	**16,143**	**101,804**	**(13,211)**	**(1,826)**	**713,897**

See accompanying notes.

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Statement of cash flows
Nine-month period ended September 30, 2015 and 2014
(Amounts in thousands of Brazilian reais - R$)

		Company		Consolidated	
	Note	**9/30/2015**	**9/30/2014**	**9/30/2015**	**9/30/2014**
Cash flow from operating activities					
Profit (loss) for the period		**(13,211)**	89,251	**(13,211)**	89,251
Adjustments to reconcile profit for the period to cash generated from operating activities:					
Income tax and social contribution expenses recognized in P&L	11	**(49,738)**	6,538	**(47,343)**	7,036
Depreciation and amortization		**91,279**	82,520	**91,624**	82,848
Interest rate accrued over loans and financing		**186,087**	119,480	**186,123**	119,480
Yield on securities		**(21,329)**	(22,422)	**(21,329)**	(22,745)
Equity in earnings (losses) of subsidiaries	12 and 13	**(79,295)**	(69,540)	**(68,926)**	(68,438)
Changes in allowance for asset losses		**101,297**	57,893	**101,297**	57,893
Provision for tax, civil and labor risks	19	**(17,853)**	34,958	**(23,297)**	35,091
Loss on sale, net of write-off of property and equipment		**530**	1,078	**530**	1,078
Appropriation of deferred revenue	24	**(39,562)**	(24,812)	**(39,562)**	(24,812)
Stock option plan expenses		**3,348**	3,348	**3,348**	3,348
Adjusted profit for the period		**161,553**	278,292	**169,254**	280,030
(Increase) decrease in operating assets:					
Receivables		**139,528**	(94,619)	**138,543**	(94,346)
Securities		**-**	-	**265,715**	78,869
Inventories		**216,312**	(27,568)	**215,018**	(30,393)
Related parties		**39,814**	18,151	**39,849**	18,202
Taxes recoverable		**(69,347)**	13,812	**(69,648)**	13,548
Other assets		**(74,978)**	(43,791)	**(74,812)**	(45,030)
Changes in operating assets		**251,329**	(134,015)	**514,665**	(59,150)
Increase (decrease) in operating liabilities:					
Trade payables		**(604,020)**	(263,011)	**(602,964)**	(263,489)
Payroll, vacation pay and related charges		**(16,460)**	5,631	**(15,512)**	6,380
Taxes payable		**(25,941)**	(12,955)	**(26,098)**	(13,023)
Related parties		**(24,770)**	(9,223)	**(24,977)**	(9,143)
Tax paid in installments		**-**	(1,782)	**-**	(1,782)
Other payables		**(17,249)**	(32,797)	**(18,284)**	(31,705)
Changes in operating liabilities		**(688,440)**	(314,137)	**(687,835)**	(312,762)
Income tax and social contribution paid		**-**	(1,558)	**(1,988)**	(3,079)
Dividends received from subsidiaries		**64,026**	24,797	**64,026**	23,697
Cash flow deriving from (used in) operating activities		**(211,532)**	(146,621)	**58,122**	(71,264)

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Statement of cash flows (Continued)
Nine-month period ended September 30, 2015 and 2014
(Amounts in thousands of Brazilian reais - R$)

		Company		Consolidated	
	Note	9/30/2015	9/30/2014	9/30/2015	9/30/2014
Cash flows from investing activities					
Purchase of property and equipment	14	**(62,327)**	(66,527)	**(62,457)**	(66,780)
Purchase of intangible assets	15	**(39,085)**	(34,253)	**(39,135)**	(34,322)
Investments in exclusive investment fund		**(366,460)**	(992,216)	**-**	-
Redemptions in exclusive investment fund		**632,175**	1,056,684	**-**	-
Sale of exclusiveness agreements and exploration right		**-**	3,000	**-**	3,000
Advances for future capital increase (AFAC) in subsidiary		**(5,000)**	(6,200)	**(5,000)**	-
Cash flow (used in) deriving from investing activities		**159,303**	(39,512)	**(106,592)**	(98,102)
Cash flow from financing activities					
Loans and financing		**686,337**	420,633	**686,337**	421,170
Payment of loans and financing		**(587,163)**	(233,299)	**(587,263)**	(233,650)
Repayment of interest on loans and financing		**(143,980)**	(102,748)	**(144,016)**	(102,748)
Payment of dividends		**(33,485)**	(31,486)	**(33,485)**	(31,486)
Treasury stock acquired		**(14,887)**	(31,471)	**(14,887)**	(31,471)
Cash flow deriving from (used in) financing activities		**(93,178)**	21,629	**(93,314)**	21,815
Decrease in cash and cash equivalents		**(145,407)**	(164,504)	**(141,784)**	(147,551)
Cash and cash equivalents at beginning of period		**391,763**	278,006	**412,170**	280,306
Cash and cash equivalents at end of period		**246,356**	113,502	**270,386**	132,755
Decrease in cash and cash equivalents		**(145,407)**	(164,504)	**(141,784)**	(147,551)

See accompanying notes.

Magazine Luiza S.A.

Statement of value added
Nine-month period ended September 30, 2015 and 2014
(Amounts in thousands of Brazilian reais - R$)

	Company		Consolidated	
	9/30/2015	**9/30/2014**	**9/30/2015**	**9/30/2014**
Revenue				
Goods and products sold and services rendered	**7,099,640**	7,792,787	**7,178,530**	7,857,766
Allowance for doubtful accounts, net of reversals	**(20,261)**	(16,617)	**(20,261)**	(16,617)
Other operating revenue	**87,884**	22,099	**92,440**	22,104
	7,167,263	7,798,269	**7,250,709**	7,863,253
Inputs acquired from third parties				
Cost of products and goods sold and services rendered	**(4,947,334)**	(5,529,559)	**(4,967,596)**	(5,544,059)
Material, electricity, outsourced services and other	**(714,738)**	(600,253)	**(728,508)**	(614,477)
Impairment of assets	**(49,597)**	(15,450)	**(49,597)**	(15,450)
	(5,711,669)	(6,145,262)	**(5,745,701)**	(6,173,986)
Gross added value	**1,455,594**	1,653,007	**1,505,008**	1,689,267
Depreciation and amortization	**(91,279)**	(82,520)	**(91,625)**	(82,848)
Net value added generated by the entity	**1,364,315**	1,570,487	**1,413,383**	1,606,419
Value added received on transfer				
Equity in the earnings of subsidiaries	**79,295**	69,540	**68,926**	68,438
Finance income	**121,721**	92,173	**102,719**	71,295
Total value added to distribute	**1,565,331**	1,732,200	**1,585,028**	1,746,152
Distribution of value added				
Personnel and charges:				
Direct compensation	**530,765**	558,737	**539,202**	565,675
Benefits	**98,584**	107,832	**99,523**	108,446
Government Severance Indemnity Fund for Employees (FGTS)	**54,549**	51,214	**55,214**	51,845
	683,898	717,783	**693,939**	725,966
Taxes, fees and contributions:				
Federal	**54,338**	147,706	**60,619**	151,543
State	**169,055**	235,236	**170,346**	235,524
Municipal	**27,900**	27,394	**28,952**	28,280
	251,293	410,336	**259,917**	415,347
Value distributed to providers of capital:				
Interest	**384,250**	283,615	**384,842**	283,956
Rentals	**209,868**	193,287	**210,204**	193,615
Other	**49,233**	37,928	**49,337**	38,017
	643,351	514,830	**644,383**	515,588
Value distributed to shareholders:				
Retained earnings (loss)	**(13,211)**	89,251	**(13,211)**	89,251
	1,565,331	1,732,200	**1,585,028**	1,746,152

See accompanying notes.

1. Operations

Magazine Luiza S.A. (the "Company") 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, with headquarters in the city of Franca, state of São Paulo, Brazil. Its parent and holding company is LTD Administração e Participação S.A.

At September 30, 2015, the Company and its subsidiaries owned 780 stores (756 stores in 2014) and eight distribution centers (eight distribution centers in 2014), located in the South, Southeast, Mid-west and Northeast regions of Brazil.

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

The interim financial information was approved and the Board of Directors authorized its publication on November 3, 2015.

2. Presentation and preparation of the interim financial information

2.1. Accounting practices

The interim financial information is presented in Brazilian reais (R$), which is the Company's functional and reporting currency.

The individual and consolidated interim financial information has been prepared according to the Brazilian Accounting Pronouncement CPC 21 (R1) (Interim Financial Reporting) and the international standard IAS 34 and presented in conformity with the standards issued by the Brazilian Securities and Exchange Commission.

The accounting practices, policies and main judgments and sources of uncertainties on the estimates adopted when preparing the Company and Consolidated interim financial information are consistent with those adopted and disclosed in Notes 3, 4, 6, 8, 9, 12, 15, 16, 20, 22, 23 and 30 to the financial statements for the year ended December 31, 2014, which were made available on February 26, 2015.

In view of the above mentioned, the interim financial information must be read jointly with the financial statements for the year ended December 31, 2014.

2. Presentation and preparation of the interim financial information (Continued)

2.1. Accounting practices (Continued)

The Statement of Value Added ("DVA") aims at evidencing the wealth created by the Company and its distribution during certain period and is presented pursuant to the Brazilian corporation law, since it is neither required nor mandatory statement under the IFRS.

The non-financial information included in these interim financial statements, such as the number of stores and distribution centers, among others, was not submitted to an audit or review by our independent auditors.

3. New standards, amendments and interpretations

Regarding the accounting pronouncements and interpretations in effect as at December 31, 2014, there were no significant changes for the interim information in relation to that disclosed in Note 5 to financial statements of December 31, 2014. Regarding the accounting pronouncements and interpretations in effect as of January 1, 2015, as disclosed in Note 5 to financial statements of December 31, 2014, there are no significant impacts for the Company and its subsidiaries.

4. Notes included in the financial statements as of December 31, 2014 not presented in this interim financial information

This interim financial information is presented in conformity with CPC 21 (R1) and IAS 34 Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and the provisions set forth by CVM Circular Letter SNC/SEP 003/2011, of April 28, 2011. The preparation of this interim financial information requires the Company's management to make judgments on the relevance and changes that should be disclosed in explanatory notes. Accordingly, this interim financial information includes selected explanatory information and does not comprise all the explanatory information presented in the financial statements for the fiscal year ended December 31, 2014. As permitted by CVM Circular Letter 03/2011, the following explanatory information and its reference to the financial statements as of December 31, 2014 are no longer reported:

- Business combination (Note 29);
- Leasing (Note 30);
- Statements of cash flows (Note 31).

(In thousands of Brazilian reais - R$)

5. Cash and cash equivalents

	Rates	Company 9/30/2015	Company 12/31/2014	Consolidated 9/30/2015	Consolidated 12/31/2014
Cash		**28,038**	30,550	**28,043**	30,558
Banks		**22,654**	35,996	**23,178**	36,262
Bank Deposit Certificates	From 80% to 105% of CDI	**194,990**	324,500	**218,491**	339,459
Non-exclusive investment funds	102% of CDI	**674**	717	**674**	5,891
Total cash and cash equivalents		**246,356**	391,763	**270,386**	412,170

6. Securities

Financial assets at fair value through profit or loss	Rates	Company and Consolidated 9/30/2015	Company and Consolidated 12/31/2014
Held for trading			
Non-exclusive investment fund	105% of CDI	**6,118**	5,597
Exclusive investment fund:	(a)		
Investment fund quotas		**1,320**	4,190
Federal government securities and repo operations		**144,333**	339,568
Time deposits and other securities		**54,822**	101,624
	Note 9.a	**200,475**	445,382
At fair value through profit or loss			
Fair value hedge	(b)	**158,392**	-
Total securities		**364,985**	450,979
Current		**265,143**	450,979
Noncurrent		**99,842**	-

(a) Considers the exclusive fixed income investment funds. At September 30, 2015, the portfolio was distributed into the investment types described in the table above, which are linked to financial operations securities, indexed to the monthly variation of CDI rate, to return the average profitability of 103% of the CDI to the Company.

(b) Fair value hedge accounting, as detailed in Note 27.

(In thousands of Brazilian reais - R$)

7. Trade receivables

	Company		Consolidated	
	9/30/2015	**12/31/2014**	**9/30/2015**	**12/31/2014**
Trade receivables:				
Debit and credit cards (a)	**157,573**	190,413	**159,574**	191,792
Own installment plan (b)	**101,348**	107,275	**101,348**	107,275
Additional warranty agreements (c)	**121,594**	162,148	**121,594**	162,148
Total trade receivables	**380,515**	459,836	**382,516**	461,215
Arising from sales agreements (d)	**127,102**	237,512	**127,827**	237,879
Allowance for doubtful accounts	**(52,681)**	(49,511)	**(52,681)**	(49,511)
Present value adjustment	**(24,559)**	(26,232)	**(24,609)**	(26,287)
Total receivables	**430,377**	621,605	**433,053**	623,296
Current assets	**428,499**	616,585	**431,175**	618,276
Noncurrent assets	**1,878**	5,020	**1,878**	5,020

The average term to receive trade receivables is 16 days in the Company and Consolidated. Receivables were assigned to secure loans for R$105,563 at September 30, 2015 (R$120,802 at December 31, 2014), represented by credit card receivables.

(a) Refers to credit and debit card receivables, which the Company receives from credit card companies at the amount, term and number of installments, defined when the product is sold. At September 30, 2015, the Company had credits granted to financial institutions totaling R$1,268,328 (R$1,515,648 in December 2014), where a discount between 105.0% and 108.0% of CDI is applied, which is recognized in profit or loss under “Financial expenses.” The Company, through card sales transactions, transfers to the credit card companies and financial institutions all risks of payment by customers and, therefore, does not recognize the receivables referring to these credits. The respective financial charges are recorded in profit or loss for the year upon derecognition.

(b) Refers to receivables from sales financed by the Company.

(c) These sales are intermediated by the Company on behalf of Luizaseg. The Company allocates to Luizaseg the extended warranty amount, in full, in the month following the sale and receives from customers according to the transaction term.

(d) Refers to bonuses on products to be received from suppliers, arising from the fulfillment of the purchase volume and a portion of agreements defining the suppliers’ percentage in the disbursements related to advertising and marketing (joint advertising).

Changes in the allowance for doubtful accounts are as follows:

	Company and Consolidated	
	9/30/2015	**12/31/2014**
Balance at the beginning of the period/year	**(49,511)**	(43,190)
(+) Additions	**(51,700)**	(61,247)
(-) Write-offs	**48,530**	54,926
Balance at end of period/year	**(52,681)**	(49,511)

(In thousands of Brazilian reais - R$)

7. Trade receivables (Continued)

The aging list of trade receivables and receivables from sales agreements is as follows:

	Trade receivables				Receivables from sales agreements			
	Company		Consolidated		Company		Consolidated	
	9/30/2015	12/31/2014	9/30/2015	12/31/2014	9/30/2015	12/31/2014	9/30/2015	12/31/2014
Falling due:								
Up to 30 days	**62,667**	70,121	**63,331**	70,550	**60,591**	50,532	**61,316**	50,899
Between 31 and 60 days	**46,597**	45,723	**46,684**	45,912	**18,356**	139,089	**18,356**	139,089
Between 61 and 90 days	**37,579**	43,599	**37,745**	43,816	**1,700**	36,467	**1,700**	36,467
Between 91 and 180 days	**71,883**	79,382	**72,297**	79,718	**13**	9,025	**13**	9,025
Between 181 and 360 days	**121,141**	179,275	**121,811**	179,483	**12**	780	**12**	780
Over 361 days	**4,683**	7,832	**4,683**	7,832	**-**	-	**-**	-
	344,550	425,932	**346,551**	427,311	**80,672**	235,893	**81,397**	236,260
Past-due:								
Up to 30 days	**9,039**	7,636	**9,039**	7,636	**32,134**	587	**32,134**	587
Between 31 and 60 days	**5,860**	5,726	**5,860**	5,726	**12,376**	300	**12,376**	300
Between 61 and 90 days	**5,461**	5,210	**5,461**	5,210	**838**	101	**838**	101
Between 91 and 180 days	**15,605**	15,332	**15,605**	15,332	**1,082**	631	**1,082**	631
	35,965	33,904	**35,965**	33,904	**46,430**	1,619	**46,430**	1,619
Total	**380,515**	459,836	**382,516**	461,215	**127,102**	237,512	**127,827**	237,879

8. Inventories

	Company		Consolidated	
	9/30/2015	12/31/2014	9/30/2015	12/31/2014
Resale goods	**1,237,626**	1,475,198	**1,246,105**	1,482,383
Consumption material	**11,778**	11,183	**11,778**	11,183
Provision for losses	**(49,760)**	(20,828)	**(49,760)**	(20,828)
Total	**1,199,644**	1,465,553	**1,208,123**	1,472,738

At September 30, 2015, the Company has revolving inventories assigned as guarantee in legal lawsuits in progress, totaling approximately R$1,989 (R$1,817 at December 31, 2014).

Changes in the provision for losses and adjustment to net realizable value are as follows:

	Company and Consolidated	
	9/30/2015	12/31/2014
Opening balance	**(20,828)**	(27,740)
Provision	**(49,597)**	(18,970)
Inventories sold or disposed of	**20,665**	25,882
Closing balance	**(49,760)**	(20,828)

(In thousands of Brazilian reais - R$)

9. Related-party transactions

a) Balances from related parties

Related-party transactions are carried out during the course of the Company's businesses and under conditions agreed upon between the parties.

At September 30, 2015, the allowance for doubtful accounts involving related-party transactions was not necessary.

	Company		Consolidated	
Current assets	**9/30/2015**	**12/31/2014**	**9/30/2015**	**12/31/2014**
Commissions on services				
Joint ventures:				
Luizacred (i)	**14,740**	24,127	**14,740**	24,127
Luizaseg (ii)	**25,112**	41,292	**25,112**	41,292
	39,852	65,419	**39,852**	65,419
Subsidiaries:				
Luiza Administradora de Consórcios ("LAC") (iii)	**710**	675	**-**	-
Reimbursement of expenses and costs with consortium draws				
Consortium Group ("LAC") (iii)	**83**	647	**83**	647
Dividends receivable:				
Luizacred (i)	**-**	2,325	**-**	2,325
Luizaseg (ii)	**-**	2,307	**-**	2,307
	-	4,632	**-**	4,632
Balance receivable from credit card sales and accounts receivable by CDC:				
Luizacred (i)	**8,804**	22,522	**8,804**	22,522
Total	**49,449**	93,895	**48,739**	93,220
Securities				
Investment Funds (vii)	**200,475**	445,382	**200,475**	445,382

	Company		Consolidated	
Current Liabilities	**9/30/2015**	**12/31/2014**	**9/30/2015**	**12/31/2014**
Transfers of receivables from services and accounts payable:				
Joint ventures:				
Luizacred (i)	**16,048**	24,234	**16,048**	24,234
Luizaseg (ii)	**34,315**	51,374	**34,315**	51,374
	50,363	75,608	**50,363**	75,608
Subsidiaries:				
Consortium Group ("LAC") (iii)	**600**	622	**600**	622
Campos Floridos Comércio de Cosméticos Ltda. (viii)	**427**	220	**-**	-
	1,027	842	**600**	622
Rentals payable and other transfers				
Controlled by the Company's controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (iv)	**1,489**	1,651	**1,489**	1,651
PJD Agropastoril Ltda. (vi)	**37**	37	**37**	37
	1,526	1,688	**1,526**	1,688
Payables relating to advertising campaigns:				
ETCO - Special Partnership. (v)	**2,839**	2,387	**2,839**	2,387
Total	**55,755**	80,525	**55,328**	80,305

(In thousands of Brazilian reais - R$)

9. Related-party transactions (Continued)

b) Related-party transactions

	Nine-month period ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014
Income from service intermediation commissions								
Joint ventures:								
Luizacred (i)	**98,114**	107,207	**98,114**	107,207	**32,325**	33,522	**32,325**	33,522
Luizaseg (ii)	**210,628**	210,898	**210,628**	210,898	**68,506**	74,375	**68,506**	74,375
	308,742	318,105	**308,742**	318,105	**100,831**	107,897	**100,831**	107,897
Subsidiaries:								
Luiza Administradora de Consórcio (“LAC”) (iii)	**6,304**	5,397	**-**	-	**2,190**	1,900	**-**	-
Revenue from return on exclusive fund:								
Investment Funds (vii)	**20,809**	22,024	**20,809**	22,024	**6,749**	7,752	**6,749**	7,752
Reimbursement of shared expenses								
Joint venture:								
Luizacred (i)	**53,879**	40,876	**53,879**	40,876	**19,305**	13,278	**19,305**	13,278
Total revenues	**389,734**	386,402	**383,430**	381,005	**129,075**	130,827	**126,885**	128,927

	Nine-month period ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014
Costs related to the acquisition of goods								
Campos Floridos Comércio de Cosméticos Ltda. (viii)	**(4,302)**	(2,428)	**-**	**-**	**(1,757)**	(619)	**-**	-
Total costs	**(4,302)**	(2,428)	**-**	**-**	**(1,757)**	(619)	**-**	-

(In thousands of Brazilian reais - R$)

9. Related-party transactions (Continued)

b) Related-party transactions (Continued)

	Nine-month period ended		Quarter ended	
	Company and Consolidated		Company and Consolidated	
	9/30/2015	9/30/2014	9/30/2015	9/30/2014
Office building rental expenses				
Controlled by the Company's controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (iv)	**(11,158)**	(10,663)	**(3,393)**	(3,592)
PJD Agropastoril Ltda. (vi)	**(331)**	(278)	**(111)**	(104)
	(11,489)	(10,941)	**(3,504)**	(3,696)
Freight expenses				
PJD Agropastoril Ltda. (vi)	**(1,774)**	(1,669)	**(532)**	(877)
Credit card anticipation charge expenses:				
Luizacred (i)	**(74,098)**	(56,197)	**(26,783)**	(20,592)
Advertising campaign expenses				
Controlled by the Company's controlling shareholders:				
ETCO - Special Partnership (v)	**(226,128)**	(166,068)	**(70,838)**	(55,294)
Total expenses	**(313,489)**	(234,875)	**(101,657)**	(80,459)

(i) Transactions with Luizacred, subsidiary jointly controlled with Banco Itaúcard S.A., refer to the following activities:

(a) Commissions on the issuance and activation of own branded credit cards ("Cartão Luiza") and financial expenses on the advance of receivables from such cards;

(b) Receivables from sales of products financed to customers by Luizacred, received by the Company on the following day ("D+1");

(c) Commissions on the services monthly provided by the Company, which include the attraction of customers, management and administration of consumer credit transactions, control and collection of financing granted, access to telecommunication systems and network, in addition to storage and availability of physical space in the points-of-sale. The amounts payable (current liabilities) refer to the receipt of customers' installments by the Company's store cashiers, which are transferred to Luizacred on D+1;

(d) Balance receivable referring to Luizacred's dividend proposal.

(ii) The amounts receivable (current assets) and revenues of Luizaseg, subsidiary jointly controlled 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 to Luizaseg, in full, in the month following the sale.

(iii) The amounts receivable (current assets) of LAC, wholly-owned subsidiary, refers to 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 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.

(v) Transactions with ETCO, a special partnership which has as partner an entity controlled by the Vice Chairman 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.

(In thousands of Brazilian reais - R$)

9. Related-party transactions (Continued)

b) Related-party transactions (Continued)

(vi) 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.

(vii) 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).

(viii) Transactions with Campos Floridos Comércio de Cosméticos Ltda., a wholly-owned subsidiary, refer to the sale of products for resale by the Company.

c) Management Compensation

	9/30/2015		9/30/2014	
	Board of Directors	Board of Executive Officers	Board of Directors	Board of Executive Officers
Fixed and variable compensation	**311**	**6.196**	306	5,684
Stock option plan	**289**	**2.198**	289	2,198

The Company does not grant post-employment benefits, severance benefits, or other long-term benefits. Short-term benefits to the Board of Executive Officers are the same to other employees of the Company. The Company's Board of Directors approved on April 27, 2015, the management's overall compensation for the fiscal year ended at December 31, 2015, where a maximum limit for Management's overall compensation was estimated at R$18,938.

10. Recoverable taxes

	Company		Consolidated	
	9/30/2015	12/31/2014	9/30/2015	12/31/2014
Recoverable ICMS (a)	**447,091**	347,762	**447,091**	347,762
Recoverable income tax and social contribution	**4,612**	5,511	**4,614**	5,511
Withholding income tax recoverable	**13,197**	13,866	**13,218**	13,876
PIS and COFINS recoverable	**4,647**	33,062	**5,315**	33,442
Other	**1,482**	1,481	**1,482**	1,481
Total taxes recoverable	**471,029**	401,682	**471,720**	402,072
Current assets	**311,177**	295,205	**311,868**	295,595
Noncurrent assets	**159,852**	106,477	**159,852**	106,477

(a) These refer to ICMS accumulated credits and credits arising from the ST ("tax prepayment at the beginning of the production chain") regime deriving from the application of different rates in the inflow and outflow of interstate goods. Thd referred to credits will be realized by refund request and offset of debts of same nature with the States of origin of credit.

(In thousands of Brazilian reais - R$)

11. Income tax and social contribution

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

	Nine-month period ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014
Income (loss) before income tax and social contribution	**(62,949)**	95,789	**(60,554)**	96,287	**(43,628)**	51,016	**(42,760)**	51,091
Nominal statutory rate	**34%**	34%	**34%**	34%	**34%**	34%	**34%**	34%
Expected income tax and social contribution credit (debit) at statutory rates	**21,403**	(32,568)	**20,588**	(32,738)	**14,834**	(17,345)	**14,538**	(17,371)
Reconciliation for effective rate (effects of applying tax rates):								
Exclusion - equity in the earnings (losses) of subsidiaries	**26,960**	23,644	**23,435**	23,269	**7,992**	9,077	**7,179**	9,021
Other permanent exclusions, net	**1,375**	2,386	**3,320**	2,433	**1,702**	(665)	**1,943**	(658)
(Debit) credit from income tax and social contribution	**49,738**	(6,538)	**47,343**	(7,036)	**24,528**	(8,933)	**23,660**	(9,008)
Current	**-**	(7,341)	**(2,247)**	(8,857)	**-**	(2,773)	**(779)**	(3,349)
Deferred	**49,738**	803	**49,590**	1,821	**24,528**	(6,160)	**24,439**	(5,659)
Total	**49,738**	(6,538)	**47,343**	(7,036)	**24,528**	(8,933)	**23,660**	(9,008)
Effective tax rate	**79.0%**	6.8%	**78.2%**	7.3%	**56.2%**	17.5%	**55.3%**	17.6%

(In thousands of Brazilian reais - R$)

11. Income tax and social contribution (Continued)

b) Breakdown of deferred income tax and social contribution assets and liabilities

	Company		Consolidated	
	9/30/2015	**12/31/2014**	**9/30/2015**	**12/31/2014**
Deferred income tax and social contribution assets:				
Tax losses and social contribution tax loss carryforwards	**106,736**	54,853	**107,353**	55,657
Allowance for doubtful accounts	**17,912**	16,834	**17,912**	16,834
Provision for inventory losses	**16,918**	7,081	**16,980**	7,141
Provision for present value adjustment	**8,626**	8,793	**8,626**	8,793
Provision for tax, civil and labor contingencies	**70,920**	80,099	**70,920**	80,246
Other provisions	**4,130**	5,324	**4,314**	5,324
	225,242	172,984	**226,105**	173,995
Deferred income tax and social contribution liabilities:				
Amortization of intangible assets	**(30,068)**	(27,548)	**(30,068)**	(27,548)
Deferred income tax and social contribution	**195,174**	145,436	**196,037**	146,447

12. Investments in subsidiaries

Changes in ownership interest in subsidiaries, stated in the Company's interim financial information, are as follows:

	Época		LAC	
	9/30/2015	**12/31/2014**	**9/30/2015**	**12/31/2014**
Units of interest held	**4,155**	4,155	**6,500**	6,500
Interest %	**100%**	100%	**100%**	100%
Current assets	**12,471**	10,136	**25,303**	21,312
Noncurrent assets	**6,298**	6,551	**3,387**	3,527
Current liabilities	**5,869**	5,185	**6,747**	6,528
Noncurrent liabilities	**13,753**	19,035	**2,753**	2,812
Capital stock	**11,255**	11,255	**6,500**	6,500
Equity	**(853)**	(7,533)	**19,190**	15,499
Net revenues	**29,645**	28,095	**34,446**	39,559
Net income (loss) for the period/year	**6,678**	(1,633)	**3,691**	4,023

Changes in investments

	Época		LAC	
	9/30/2015	**12/31/2014**	**9/30/2015**	**12/31/2014**
Balances at beginning of period	**29,294**	23,827	**15,499**	13,576
Advance for future capital increase ("AFAC")	**-**	7,100	**-**	-
Dividends proposed	**-**	-	**-**	(2,100)
Equity in the earnings (losses) of subsidiaries	**6,678**	(1,633)	**3,691**	4,023
Balance at end of period	**35,972**	29,294	**19,190**	15,499

12. Investments in subsidiaries (Continued)

Total investments in subsidiaries

	9/30/2015	12/31/2014
Época Cosmética	**35,972**	29,294
Consortium group ("LAC")	**19,190**	15,499
Total investments in subsidiaries	**55,162**	44,793

13. Investment in joint ventures

	Luizacred (a)		Luizaseg (b)	
	9/30/2015	12/31/2014	9/30/2015	12/31/2014
Total shares - in thousands	**978**	978	**13,883**	13,883
Direct interest percentage	**50%**	50%	**50%**	50%
Current assets	**3,783,048**	4,120,696	***196,316***	190,268
Noncurrent assets	**478,844**	451,520	**145,298**	154,572
Current liabilities	**3,613,484**	3,943,110	**172,202**	187,354
Noncurrent liabilities	**76,870**	67,974	**73,806**	79,410
Capital stock	**274,624**	274,624	**23,884**	13,884
Equity	**571,538**	561,132	**95,606**	78,076
Net revenues	**1,381,154**	1,746,280	**304,372**	330,620
Net income for the period/year	**115,342**	180,782	**22,510**	18,456

Changes in investments

	Luizacred (a)		Luizaseg (b)	
	9/30/2015	12/31/2014	9/30/2015	12/31/2014
Balances at the beginning of the period	**280,566**	212,501	**39,038**	39,246
Capital increase	**-**	-	**5,000**	-
Dividends proposed	**(52,468)**	(22,327)	**(6,926)**	(9,818)
Other comprehensive income	**-**	-	**(564)**	382
Equity in the earnings (losses) of subsidiaries	**57,671**	90,392	**11,255**	9,228
Balance at the end of the period	**285,769**	280,566	**47,803**	39,038

Total investments in joint ventures

	9/30/2015	12/31/2014
Luizacred (a)	**285,769**	280,566
Luizaseg (b)	**47,803**	39,038
Total investments in joint ventures	**333,572**	319,604

(a) Interest of 50% of voting capital stock representing the contractually agreed sharing, the control of business, requiring the unanimous consent of the parties about relevant 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) 50% interest in the voting capital stock representing the contractually agreed sharing, the control of business, requiring the unanimous consent of the parties about relevant 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.

(In thousands of Brazilian reais - R$)

14. Property and equipment

Changes in property and equipment for the nine-month period ended September 30, 2015 are as follows:

	Company	Consolidated
Net property and equipment at December 31, 2014	565,358	566,193
Additions	62,327	62,457
Write-offs	(885)	(934)
Depreciation	(59,862)	(60,034)
Net property and equipment at September 30, 2015	**566,938**	**567,682**
Breakdown of property and equipment at September 30, 2015:		
Cost of property and equipment	1,040,278	1,042,498
Accumulated depreciation	(473,340)	(474,816)
Net property and equipment at September 30, 2015	**566,938**	**567,682**

In the course of this nine-month period, no indications that property and equipment items might be impaired were identified.

15. Intangible assets

Changes in the intangible assets in the nine-month period ended September 30, 2015 are as follows:

	Company	Consolidated
Net intangible assets at December 31, 2014	446,080	488,753
Additions	39,085	39,135
Write-offs	(31)	(31)
Amortization	(31,417)	(31,590)
Net intangible assets at September 30, 2015	**453,717**	**496,267**
Breakdown of intangible assets at September 30, 2015		
Cost of the intangible assets	674,224	717,879
Accumulated amortization	(220,507)	(221,612)
Net intangible assets at September 30, 2015	**453,717**	**496,267**

In the course of this nine-month period, no indications that property and equipment items might be impaired were identified.

16. Trade payables

	Company		Consolidated	
	9/30/2015	12/31/2014	9/30/2015	12/31/2014
Resale of goods - domestic market	**1,191,934**	1,799,113	**1,197,010**	1,803,367
Other trade payables	**16,323**	17,939	**17,458**	18,803
Present value adjustment	**(27,375)**	(32,150)	**(27,534)**	(32,272)
Total trade payables	**1,180,882**	1,784,902	**1,186,934**	1,789,898

(Amounts in thousands of Brazilian reais - R$)

17. Loans and financing

17.1. Breakdown of loans and financing

Type	Charge	Collaterals	Final maturity	Company 9/30/2015	Company 12/31/2014	Consolidated 9/30/2015	Consolidated 12/31/2014
Working capital (a)	105% to 112.8% of CDI	Collateral signature (“Aval”) guarantees	Dec/19	**881,221**	704,434	**881,513**	704,826
Finance leases (b)	CDI/LIBOR	Fiduciary sale/ escrow deposits	Dec/19	**27,683**	26,713	**27,683**	26,713
Innovation financing -FINEP (c)	4% p.a.	Bank guarantee	Dec/22	**22,521**	22,539	**22,521**	22,539
Debentures - Restricted offer (d)	108.8 % to 113.2% of CDI	Credit card receivables	Mar/20	**1,079,483**	957,549	**1,079,483**	957,549
				2,010,908	1,711,235	**2,011,200**	1,711,627
Current Liabilities				**446,498**	591,051	**446,602**	591,443
Noncurrent liabilities				**1,564,410**	1,120,184	**1,564,598**	1,120,184

(a) A portion of the funds was contracted in foreign currency, over which fixed interest and exchange rate change are levied. In order to hedge its transactions against exchange rate change risks, the Company entered into swap transactions. Due to the increased number of funding with this purpose, this year the Company started the hedge accounting of said operations. Further details are disclosed in Note 27.

(b) The Company has finance lease contracts relating to: (i) aircraft, whose contract was entered into in 2005 and expires in 2016. For this contract, R$2,423 (equivalent to US$610 thousand) was deposited in escrow, recorded in line item “Other noncurrent assets,” which will be redeemed on the final maturity of the contract. This deposit is adjusted for inflation, whose corresponding entry is recorded in profit (loss) for the period; (ii) IT equipment and software, whose contracts expire in 2019.

(c) The Company entered into a credit facility agreement with Study and Projects Financing Agency - FINEP, with the purpose of investing in technological innovation research and development projects, in the amount of R$44,968, to be released in four installments. Until September 30, 2015, the first two installments were released, totaling R$22,484.

(d) The Company issued the following nonconvertible debentures:

Issues	Guarantee	Principal amount R$	Issue date	Final maturity	Outstanding securities	Financial charges	Company and Consolidated 9/30/2015	Company and Consolidated 12/31/2014
1st issue - single series	Clean	200,000	12/26/2011	6/16/2017	200	113.0% of DI	**155,254**	148,915
2nd issue - 1st series	Clean	100,000	3/22/2013	3/22/2015	-	112.0% of DI	**-**	102,475
2nd issue - 2nd series	Clean	100,000	3/22/2013	3/22/2016	-	114.5% of DI	**-**	102,552
3rd issue - single series	Clean	200,000	10/21/2013	10/21/2016	20,000	108.8% of DI	**158,324**	202,858
4th issue - single series	Clean	400,000	5/30/2014	5/30/2019	40,000	112.0% of DI	**416,804**	400,749
5th issue - single series	(i)	350,000	3/17/2015	3/17/2020	35,000	113.2% of DI	**349,101**	-
							1,079,483	957,549

(i) The 5th issue of nonconvertible debentures has a credit card receivables guarantee, where, until the maturity date of debentures, should account for 30% of the issue’s outstanding balance.

17. Loans and financing--Continued

17.2. Covenants and other information

In year 2014, the Company entered into credit facility agreements with Banco do Nordeste do Brasil S.A. ("BNB"), aiming at renovating the stores in the Northeast region and build a new Distribution Center in the city of Candeias (BA). The agreements totaled R$68,013, at the cost of 7% p.a., to be released during 2015. Until September 30, 2015, no amount has been released.

The Company maintains some working capital agreements with covenants. The clauses relating to financial ratios refer to:

(i) Brazilian Federal Savings Bank: maintenance of the net debt/EBITDA ratio below 3.0 times. Additionally, the evidence of use of funds raised through Capex plan and use of funds report are required.
(ii) 5th Issue of Debentures: maintenance of the adjusted Net debt/adjusted EBITDA ratio below 3.0 times. The adjusted net debt is understood as the sum of all loans and borrowings, including debentures, excluding cash and cash equivalents, financial investments, marketable securities, credit card receivables not anticipated. The adjusted EBITDA is calculated in accordance with CVM Rule No. 527 of October 4, 2012, excluding non-recurring operational events (revenue/expenses).

The Company is found in compliance with the above-mentioned covenants at September 30, 2015.

(Amounts in thousands of Brazilian reais - R$)

18. Deferred revenue

	Company and Consolidated	
	9/30/2015	**12/31/2014**
Deferred revenue with third parties:		
Exclusive dealing agreement with Banco Itaúcard (a)	**149,625**	159,000
Exploration right agreement - payroll (b)	**3,774**	4,645
Sales agreement - Cardif (c)	**1,750**	22,000
Exploration right agreement - technological assistance (e)	**1,000**	1,750
	156,149	187,395
Deferred revenue from related parties:		
Exclusive dealing agreement with Luizacred (d)	**157,889**	166,205
Total deferred revenue	**314,038**	353,600
Current Liabilities	**27,499**	37,734
Noncurrent liabilities	**286,539**	315,866

(a) On September 27, 2009, the Company entered into a partnership agreement with financial institutions 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.

As 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, to be recognized to the result in the period of the agreement; and (ii) R$20,000 subject to the achievement of profitability targets in Luizacred, recognized to the result according to compliance with such targets. In the first half of 2015, Luizacred achieved all the targets established in the agreement and, consequently, the Company was granted a letter of consent from Itaú, confirming the waiver of the penalties.

(b) On August 30, 2013, the Company entered into an assignment agreement for exclusive exploration right for a 62-month term as of November 1, 2013. This partnership enabled the inflow of R$6,000 into the Company's cash. The revenue recognition deriving from funds received is recognized in profit (loss) over the term of the agreement.

(c) On June 21, 2012, considering the merger of subsidiary Lojas Maia, as well as the intention to renew and extend the Operating and Sales Agreement for distribution of several insurance services in Magazine Luiza's distribution chain up to December 31, 2015, the Company entered into with Cardif do Brasil an amendment to the abovementioned agreements, which allowed the inflow of R$80,000 to the Company's cash, R$30,000 of which are allocated to the joint venture Luizacred, since it waived the priority in the distribution of credit card loss and theft insurance. The revenue recognition deriving from this agreement is recognized in profit (loss) over the term of the agreement.

(d) At December 29, 2010, subsidiary Lojas Maia entered into a partnership agreement with Luizacred, a joint venture, through which it has granted the exclusive right to offer, distribute and sell financial products and services at its store chain for a 19-year period. As a result of such partnership, Luizacred paid R$160,000 in cash to Lojas Maia, which are recognized in profit (loss) over the term of the agreement. As part of this partnership agreement, the amount of R$ 20,000, mentioned in item "(a) ii" above was increased to R$55,000.

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

(e) The Company entered into an assignment agreement for the technological assistance services exclusive right from extended surety insurance acquired by the Company´s clients for a three-year term. This partnership resulted in the inflow of R$3,000 to the Company's cash and revenue recognition deriving from funds received is recognized in profit (loss) over the term of the agreement.

(Amounts in thousands of Brazilian reais - R$)

19. Provision for tax, civil and labor contingencies

For labor, civil and tax lawsuits in progress, on which our legal counsel's opinion is of probable loss, the Company recognized a provision based on the best estimate of future disbursement. Changes in the provision for tax, civil and labor contingencies are as follows:

Company

	Tax	Civil	Labor	Total
Balance at December 31, 2014	206,211	17,122	22,892	**246,225**
Additions	13,317	6,040	5,851	**25,208**
Reversal	(53,602)	-	-	**(53,602)**
Payments	(142)	(8,001)	(4,311)	**(12,454)**
Inflation Adjustments	10,541	-	-	**10,541**
Balance at September 30, 2015	**176,325**	**15,161**	**24,432**	**215,918**

Consolidated

	Tax	Civil	Labor	Total
Balance at December 31, 2014	223,113	17,329	25,249	**265,691**
Additions	13,317	6,084	5,861	**25,262**
Reversal	(58,316)	(3)	(781)	**(59,100)**
Payments	(142)	(8,005)	(4,311)	**(12,458)**
Inflation Adjustments	10,541	-	-	**10,541**
Balance at September 30, 2015	**188,513**	**15,405**	**26,018**	**229,936**

As of September 30, 2015, the Company's main lawsuits classified by Management as probable loss based on the opinion of its legal counsel, as well as legal obligations whose amounts are deposited in court, for which the amounts were included in the provision for contingencies, are as follows:

a) Tax lawsuits

(i) The Company discusses on an administrative and legal basis several tax claims classified as probable loss, therefore, these are accrued, which involve federal taxes, totaling R$6,907 at September 30, 2015 (R$3,570 at December 31, 2014), state taxes, totaling R$23,660 at September 30, 2015 (R$20,043 at December 31, 2014) and municipal taxes totaling R$80 (R$79 at December 31, 2014).

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

a) Tax lawsuits (Continued)

(ii) The Company also has other lawsuits to which escrow deposits are made, as well as other provisions related to business combination, which involve federal taxes, totaling R$145,594 at September 30, 2015 (R$182,662 at December 31, 2014), state taxes, totaling R$12,269 at September 30, 2015, (R$16,745 at December 31, 2014) and municipal taxes totaling R$3 (R$14 at December, 2014).

b) Civil lawsuits

Consolidated civil contingencies of R$15,405 at September 30, 2015 (R$17,329 at December 31, 2014) are related to claims filed by customers on possible product defects.

c) Labor lawsuits

(i) At the labor courts, the Company is a party to various labor lawsuits, mostly claiming overtime.

The accrued amount of R$26,018 at September 30, 2015 (R$25,249 at December 31, 2014) in consolidated reflects the risk of probable loss assessed by the Company's Management jointly with its legal counsel.

In August 2015, the Superior Labor Court (TST) issued a decision in which, in summary, it changed the understanding on the monetary restatement index of labor lawsuits, whereby labor liabilities related to lawsuits filed as of June 30, 2009 are no longer restated by the Reference Rate (TR) but by the Special Expanded Consumer Price Index (IPCA-E). This decision, however, was suspended in October 2015 by the Federal Supreme Court (STF). The Company's Management, supported by the opinion of its legal counsel that the obligation to settle such liabilities restated by the IPCA-E is not definitive and that, therefore, said liability is considered a contingent liability with a risk of possible loss, decided not to record the impact of the restatement by reference to the IPCA-E, of R$3,626, and maintain the TR as the restatement index of labor liabilities. The Company will monitor the outcome of this issue so as to reconsider its conclusion at the end of each reporting period.

(Amounts in thousands of Brazilian reais - R$)

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

In order to deal with tax, civil and labor contingencies, the Company has a balance in escrow deposits of R$235,011 at September 30, 2015 (R$209,648 at December 31, 2014).

The Company is a party to other lawsuits that were assessed by Management, based on the opinion of its legal counsel, as possible losses and, therefore, no provision was recognized for such lawsuits. The amounts related to lawsuits involving federal taxes sum up R$301,019 at September 30, 2015 (R$296,062 at December 31, 2014), in relation to state taxes these amounts sum up R$160,290 at September 30, 2015 (R$117,546 at December 31, 2014) and as to municipal taxes these amounts sum up R$690 at September 30, 2015 (R$564 at December 31, 2014).

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

20. Equity

a) Capital stock

At September 30, 2015, the Extraordinary Shareholders' Meeting approved the reverse stock split proposed by the Company's Management, in the ratio of 8 common shares to 1 common share. Accordingly, the total number of shares went from 177,991,467 to 22,248,933 common shares.

After the change, the Company's ownership structure is as follows:

	Number of shares	Interest %
Controlling shareholders	**15,616,030**	**70.19**
Outstanding shares	**6,304,028**	**28.33**
Treasury stock	**328,875**	**1.48**
Total	**22,248,933**	**100.00**

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

20. Equity (Continued)

a) Capital stock (Continued)

According to Article 7 of the Bylaws, the Company may increase its capital stock, pursuant to Article 168 of Law 6.404/76, by means of the issue of up to fifty million (50,000,000) new common shares.

Treasury stock

On May 27, 2015, the Company's Board of Directors approved:

(a) The expiration of the Share Buyback Program created by the Company's Board of Directors on April 24, 2014 ("Program").

(b) The cancellation of all treasury shares, i.e. 3,503,000 shares (437,875 shares after the reverse split), without decreasing the capital stock;

(c) The creation of the Company's new share buyback program. From this new program, the Company already acquired 2,631,000 shares (328,875 shares after the reverse split), at an average cost of R$3.41 (R$27.28 after the reverse split).

(Amounts in thousands of Brazilian reais - R$)

21. Net sales revenue

	Nine-month period ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014
Gross revenue:								
Retail - resale of goods	7,107,276	7,843,158	7,134,341	7,860,321	2,288,700	2,658,186	2,299,100	2,665,130
Retail - services rendered	343,923	348,707	358,428	365,334	114,154	119,086	118,713	124,938
Consortium management	-	-	37,636	31,443	-		13,167	11,363
	7,451,199	8,191,865	7,530,405	8,257,098	2,402,854	2,777,272	2,430,980	2,801,431
Taxes and returns:								
Resale of goods	(1,037,041)	(1,205,200)	(1,038,763)	(1,205,803)	(331,484)	(393,743)	(332,224)	(393,997)
Services rendered	(46,174)	(46,522)	(49,364)	(49,284)	(15,120)	(16,051)	(16,212)	(17,049)
	(1,083,215)	(1,251,722)	(1,088,127)	(1,255,087)	(346,604)	(409,794)	(348,436)	(411,046)
Net sales revenue	6,367,984	6,940,143	6,442,278	7,002,011	2,056,250	2,367,478	2,082,544	2,390,385

22. Cost of goods resold and services rendered

	Nine-month period ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014
Costs:								
Goods resold	(4,564,882)	(5,054,303)	(4,571,937)	(5,058,650)	(1,461,106)	(1,705,123)	(1,463,919)	(1,707,186)
Services rendered	-	-	(13,119)	(10,107)	-	-	(4,759)	(3,665)
	(4,564,882)	(5,054,303)	(4,585,056)	(5,068,757)	(1,461,106)	(1,705,123)	(1,468,678)	(1,710,851)

(Amounts in thousands of Brazilian reais - R$)

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

The Group's statement of operations is presented based on the classification of the expenses according to their functions. Information on the nature of expenses recognized in the statement of operations is as follows:

	Nine-month period ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014
Personnel expenses	**(697,772)**	(795,395)	**(700,394)**	(795,395)	**(212,627)**	(270,294)	**(213,459)**	(270,294)
Service providers expenses	**(455,421)**	(344,425)	**(461,178)**	(344,425)	**(164,746)**	(108,844)	**(167,089)**	(108,844)
Other	**(367,047)**	(391,262)	**(379,943)**	(415,440)	**(130,975)**	(136,764)	**(136,770)**	(146,069)
	(1,520,240)	(1,531,082)	**(1,541,515)**	(1,555,260)	**(508,348)**	(515,902)	**(517,318)**	(525,207)
Classified by function as:								
Selling expenses	**(1,228,638)**	(1,252,058)	**(1,234,656)**	(1,258,815)	**(406,444)**	(420,248)	**(408,922)**	(423,075)
General and administrative expenses	**(314,963)**	(296,822)	**(334,757)**	(314,245)	**(105,975)**	(99,314)	**(112,959)**	(105,791)
Other operating income, net (Note 24)	**23,361**	17,798	**27,898**	17,800	**4,071**	3,660	**4,563**	3,659
	(1,520,240)	(1,531,082)	**(1,541,515)**	(1,555,260)	**(508,348)**	(515,902)	**(517,318)**	(525,207)

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

(Amounts in thousands of Brazilian reais - R$)

24. Other operating income, net

	Nine-month period ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014
Loss on sale of property and equipment	**(530)**	(1,078)	**(530)**	(1,078)	**(166)**	(136)	**(166)**	(136)
Recognition of deferred revenue (a)	**39,562**	24,812	**39,562**	24,812	**8,187**	8,188	**8,187**	8,188
Provision for tax losses	**(2,898)**	(2,004)	**1,626**	(2,004)	**(718)**	(2,855)	**(236)**	(2,855)
Non-recurring expenses (b)	**(13,964)**	(4,215)	**(13,964)**	(4,215)	**(3,025)**	(1,633)	**(3,025)**	(1,633)
Other	**1,191**	283	**1,204**	285	**(207)**	96	**(197)**	95
Total	**23,361**	17,798	**27,898**	17,800	**4,071**	3,660	**4,563**	3,659

(a) Refers to the allocation of deferred revenue from the assignment of exploration rights, as described in Note 18.

(b) Expenses referring to stores' pre-operating expenses.

25. Financial income (expenses), net

	Nine-month period ended				Quarter ended			
	Company		Consolidated		Company		Consolidated	
	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014	9/30/2015	9/30/2014
Finance income:								
Interest on extended warranty sales	**43,683**	46,493	**43,683**	46,493	**12,622**	16,128	**12,622**	16,128
Income from short-term financial investments and securities	**26,758**	25,689	**7,743**	4,798	**8,275**	9,060	**2,236**	1,737
Interest on sale of goods - interest on delay in receivables	**4,357**	3,736	**4,357**	3,736	**1,370**	1,394	**1,370**	1,394
Exchange gains	**95**	168	**95**	168	**-**	-	**-**	-
Discount obtained and monetary restatement	**39,235**	14,086	**39,248**	14,086	**13,601**	4,849	**13,601**	4,849
Other	**7,593**	2,001	**7,593**	2,014	**3,602**	4	**3,602**	9
	121,721	92,173	**102,719**	71,295	**39,470**	31,435	**33,431**	24,117
Financial expenses:								
Interest on borrowings and financing	**(194,837)**	(133,047)	**(194,870)**	(133,047)	**(71,663)**	(51,621)	**(71,673)**	(51,621)
Charges on credit card advances	**(189,413)**	(150,568)	**(189,972)**	(150,909)	**(70,350)**	(54,607)	**(70,610)**	(54,772)
Provision for interest on extended warranty	**(31,439)**	(25,826)	**(31,439)**	(25,826)	**(8,277)**	(9,927)	**(8,277)**	(9,927)
Exchange losses	**(1,156)**	(265)	**(1,156)**	(265)	**(668)**	(265)	**(668)**	(265)
Other	**(18,442)**	(11,839)	**(18,584)**	(11,928)	**(6,399)**	(4,269)	**(6,471)**	(4,312)
	(435,287)	(321,545)	**(436,021)**	(321,975)	**(157,357)**	(120,689)	**(157,699)**	(120,897)
Net financial result	**(313,566)**	(229,372)	**(333,302)**	(250,680)	**(117,887)**	(89,254)	**(124,268)**	(96,780)

(Amounts in thousands of Brazilian reais - R$)

26. Segment reporting

To manage its business taking into consideration its financial and operating activities, the Company classified its business into Retail, Credit, Insurance 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 - mainly resale of goods and provision of services in the Company's stores and e-commerce;

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

Insurance - through the joint venture 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, as well as of products and services offered by the Group.

Statement of operations

	9/30/2015			
	Retail (*)	**Financial operations**	**Insurance operations**	**Consortium management**
Gross revenue	**7,499,073**	**690,577**	**152,186**	**37,636**
Revenue deductions	**(1,084,937)**	**-**	**-**	**(3,190)**
Segment net revenue	**6,414,136**	**690,577**	**152,186**	**34,446**
Costs	**(4,578,241)**	**(100,633)**	**(19,232)**	**(13,119)**
Gross profit	**1,835,895**	**589,944**	**132,954**	**21,327**
Selling expenses	**(1,234,656)**	**(236,160)**	**(108,434)**	**-**
General and administrative expenses	**(317,482)**	**(2,357)**	**(17,958)**	**(17,275)**
Result from allowance for doubtful accounts	**(20,261)**	**(274,836)**	**-**	**-**
Depreciation and amortization	**(91,391)**	**(4,696)**	**(3)**	**(233)**
Equity in earnings of subsidiaries	**72,617**	**-**	**-**	**-**
Other operating income	**27,863**	**3,073**	**164**	**35**
Financial income (expenses), net	**(334,967)**	**-**	**12,200**	**1,665**
Income tax and social contribution	**49,171**	**(17,297)**	**(7,668)**	**(1,828)**
Profit (loss) for the period	**(13,211)**	**57,671**	**11,255**	**3,691**

Equity accounting reconciliation	
Equity in the earnings of LAC (Note 12)	**3,691**
Equity in the earnings of Luizacred (Note 13)	**57,671**
Equity in the earnings of Luizaseg (Note 13)	**11,255**
(=)Equity accounting of retail segment	**72,617**
(-)Elimination effect - LAC	**(3,691)**
(=)Consolidated equity in the earnings of subsidiaries	**68,926**

(*) Consolidated balance including results of Magazine Luiza S.A. and Época Cosméticos.

(Amounts in thousands of Brazilian reais - R$)

26. Segment reporting (Continued)

Statement of operations (Continued)

	9/30/2014			
	Retail (*)	**Financial operations**	**Insurance operations**	**Consortium management**
Gross revenue	**8,231,052**	**643,935**	**117,366**	**31,443**
Revenue deductions	**(1,252,325)**	**-**	**-**	**(2,762)**
Segment net revenue	**6,978,727**	**643,935**	**117,366**	**28,681**
Costs	**(5,064,047)**	**(83,980)**	**(12,228)**	**(10,107)**
Gross profit	**1,914,680**	**559,955**	**105,138**	**18,574**
Selling expenses	**(1,258,815)**	**(211,729)**	**(87,115)**	**-**
General and administrative expenses	**(299,428)**	**(1,587)**	**(16,506)**	**(14,817)**
Result from allowance for doubtful accounts	**(16,617)**	**(248,517)**	**-**	**-**
Depreciation and amortization	**(82,610)**	**(4,883)**	**(2)**	**(238)**
Equity in earnings of subsidiaries	**71,524**	**-**	**-**	**-**
Other operating income	**17,798**	**10,317**	**143**	**2**
Financial income (expenses), net	**(251,773)**	**-**	**8,802**	**1,093**
Income tax and social contribution	**(5,508)**	**(41,403)**	**(4,175)**	**(1,528)**
Profit (loss) for the period	**89,251**	**62,153**	**6,285**	**3,086**

Equity accounting reconciliation	
Equity in the earnings of LAC	**3,086**
Equity in the earnings of Luizacred	**62,153**
Equity in the earnings of Luizaseg	**6,285**
(=)Equity accounting of retail segment	**71,524**
(-)Elimination effect - LAC	**(3,086)**
(=)Consolidated equity in the earnings of subsidiaries	**68,438**

(*) Consolidated balance including results of Magazine Luiza S.A. and Época Cosméticos.

The “Financial operations” and “Insurance operations” segments are accounted for by the equity accounting method.

(Amounts in thousands of Brazilian reais - R$)

26. Segment reporting (Continued)

Statement of financial position

	9/30/2015			
	Retail (*)	Financial operations	Insurance operations	Consortium management
Assets				
Cash and cash equivalents	246,566	2,401	125	23,820
Securities	364,985	5,327	145,302	-
Trade receivables	433,053	1,880,174	-	-
Inventories	1,208,123	-	-	-
Investments	352,762	-	-	-
Property and equipment and intangible assets	1,063,065	83,457	5	884
Other	1,103,886	159,587	25,375	3,986
	4,772,440	2,130,946	170,807	28,690
Liabilities				
Trade payables	1,186,056	-	1,062	878
Loans and financing	2,011,200	-	-	-
Interbank deposits	-	1,058,254	-	-
Credit card operations	-	717,098	-	-
Insurance technical reserves	-	-	100,549	-
Provision for tax, civil and labor contingencies	229,483	30,832	354	453
Deferred revenue	314,038	7,500	-	-
Other	317,766	31,493	21,039	8,169
	4,058,543	1,845,177	123,004	9,500
Equity	713,897	285,769	47,803	19,190

Investment reconciliation	
Investments in subsidiaries	
Investment in LAC (Note 12)	19,190
Investment in joint ventures	
Investment in Luizacred (Note 13)	285,769
Investment in Luizaseg (Note 13)	47,803
	333,572
Total investments	352,762
(-) Elimination effect - LAC	(19,190)
(=) Total consolidated investment	333,572

(*) Consolidated balance including results of Magazine Luiza S.A. and Época Cosméticos.

(Amounts in thousands of Brazilian reais - R$)

26. Segment reporting (Continued)

Statements of financial position (Continued)

	12/31/2014			
	Retail (*)	**Financial operations**	**Insurance operations**	**Consortium management**
Assets				
Cash and cash equivalents	392,366	4,107	406	19,804
Securities	450,979	5,361	139,668	-
Trade receivables	623,296	2,042,635	-	-
Inventories	1,472,738	-	-	-
Investments	335,103	-	-	-
Property and equipment and intangible assets	1,053,948	88,086	6	998
Other	952,942	145,919	32,340	4,037
	5,281,372	2,286,108	172,420	24,839
Liabilities				
Trade payables	1,789,251	-	1,896	647
Loans and financing	1,711,627	-	-	-
Interbank deposits	-	1,097,614	-	-
Credit card operations	-	790,014	-	-
Insurance technical reserves	-	-	101,926	-
Provision for tax, civil and labor contingencies	265,260	26,389	235	431
Deferred revenue	353,600	7,500	-	-
Other	407,167	84,025	29,325	8,262
	4,526,905	2,005,542	133,382	9,340
Equity	754,467	280,566	39,038	15,499

Investment reconciliation	
Investments in subsidiaries	
Investment in LAC (Note 12)	15,499
Investment in joint ventures	
Investment in Luizacred (Note 13)	280,566
Investment in Luizaseg (Note 13)	39,038
	319,604
Total investments	335,103
(-)Elimination effect - LAC	(15,499)
(=) Total consolidated investment	319,604

(*) Consolidated balance including results of Magazine Luiza S.A. and Época Cosméticos.

(Amounts in thousands of Brazilian reais - R$)

27. Financial instruments

Capital risk management

The objectives of capital management are to safeguard the continuous return to the Company's shareholders and benefits to other related parties, and maintain an ideal capital structure to reduce this cost and maximize its funds to allow 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 monitors, on a timely basis, the average term of suppliers in relation to the average term of inventory turnover. Actions are promptly taken when these balances ratio pose relevant imbalance.

The Company also adopts the net debt/EBITDA ratio, which in its opinion, represents the most adequate manner to measure its indebtedness, since it reflects the net consolidated financial obligations of immediate funds available for payment, considering its operating cash generation. EBITDA means profit before income tax and social contribution, finance income and expenses, depreciation and amortization.

The Company's capital structure is broken down as follows:

	Company		Consolidated	
	9/30/2015	**12/31/2014**	**9/30/2015**	**12/31/2014**
Borrowings and financing	**2,010,908**	1,711,235	**2,011,200**	1,711,627
(-) Cash and cash equivalents	**(246,356)**	(391,763)	**(270,386)**	(412,170)
(-) Securities	**(364,985)**	(450,979)	**(364,985)**	(450,979)
Net debt	**1,399,567**	868,493	**1,375,829**	848,478
Equity	**713,897**	754,467	**713,897**	754,467

(Amounts in thousands of Brazilian reais - R$)

27. Financial instruments (Continued)

Categories of financial instruments

	Company		Consolidated	
	9/30/2015	12/31/2014	9/30/2015	12/31/2014
Financial assets				
Loans and receivables:				
Cash and banks	**50,692**	66,546	**51,221**	66,820
Escrow deposits	**235,011**	209,648	**235,011**	209,648
Trade receivables	**430,377**	621,605	**433,053**	623,296
Related parties	**49,449**	93,895	**48,739**	93,220
At fair value through profit or loss				
Cash equivalents and marketable securities	**560,649**	**776,196**	**584,150**	**796,329**
Financial liabilities				
Amortized cost:				
Trade payables	**1,180,882**	1,784,902	**1,186,934**	1,789,898
Related parties	**55,755**	80,525	**55,328**	80,305
Taxes paid in installments	**-**	6,504	**-**	6,504
At fair value through profit or loss				
Borrowings and financing	**2,010,908**	1,711,235	**2,011,200**	1,711,627

Fair value measurement

Cash and cash equivalents are classified in Level 2 and the fair value is estimated based on reports from brokerage firms making use of market prices quoted for similar instruments.

The fair value of other financial instruments described above allows approximating their carrying amounts based on the existing payment conditions. The Company has no outstanding assets or liabilities where the fair value could be measured by using non-observable relevant information (Level 3) as at September 30, 2015 and December 31, 2014.

Liquidity risk management

The Company's Management has 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 Group 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.

(Amounts in thousands of Brazilian reais - R$)

27. Financial instruments (Continued)

Liquidity risk management (Continued)

The table below details the remaining contractual maturity of the Group’s financial liabilities and the contractual repayment periods. This table was prepared using the undiscounted cash flows of financial liabilities.

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

	Less than one year	1 to 3 years	Over 3 years	Total
Trade payables	1,186,934	-	-	**1,186,934**
Borrowings and financing	446,602	1,090,815	473,783	**2,011,200**
Related parties	55,328	-	-	**55,328**
Other payables (former members of Época Cosméticos)	8,000	-	-	**8,000**

Considerations on risks

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

Credit risk: arises from the possibility that the Group may incur losses due to non-receipt of amounts billed to their customers, whose consolidated balance amounts to R$382,516 as at September 30, 2015 (R$461,215 as at December 31, 2014). This risk is assessed by the Company as low due to the normal 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 Group’s activities. Even so, the risk is managed by means of periodic analysis of default rate and the adoption of more efficient collection measures. As at September 30, 2015, the Group recorded past-due or uncollectible balances under “trade receivables,” whose terms were renegotiated, in the amount of R$11,941 (R$15,182 as at December 31, 2014), which are included in the Group’s analysis on the need to recognize an allowance for doubtful accounts.

27. Financial instruments (Continued)

Considerations on risks (Continued)

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, setting limits for derivative transactions, and constantly monitoring assumed positions. Main related risks are variations in the interest and foreign exchange rates.

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

Foreign exchange rate risk management: the Company uses derivatives to meet its market risk management requirements, arising from mismatching between currencies and indices. Derivative transactions are carried out through the Finance Department, pursuant to the strategies previously approved 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. Documentation includes to identify the hedge instrument, the item or transaction, purpose of hedge, the nature of the risk, purpose of hedge, the nature of risks excluded from the hedge ratio, the prospective statement of effective hedge ratio and how the Company will assess the hedge instrument's efficacy for the purposes of offsetting the exposure to changes in fair value of item, purpose of hedge or cash flows related to risks, purpose of hedge.

In this scenario, the Company raised foreign-currency-denominated, interest-bearing loans, for which it entered into swap transactions to hedge against exchange rate variation, swapping contracted interest rate and foreign currency exchange rate for CDI plus fixed rate. For the purposes of hedge accounting, these instruments are classified as fair value hedge and initially are recognized at fair value on the date the derivative agreement is contracted, and subsequently revalued also at fair value. Any gains or losses resulting from changes in fair value, both of the hedging derivative (*swap*) and the hedge purpose (borrowings) during the year are recorded directly in the statement of income, as finance income (expense).

(Amounts in thousands of Brazilian reais - R$)

27. Financial instruments (Continued)

Considerations on risks (Continued)

Below, a description of agreements that affected profit or loss for the period ended September 30, 2015:

				Bank index		Company index	
Instrument	**Notional value**	**Fair value through gain (loss) on swap** (a)	**Marketable securities**	**Index**	**Average interests %**	**Index**	**Average % above CDI**
Borrowings	532,975	553,052	158,392	US$	2.90%	CDI	108.81%

(a) The fair value of derivatives is determined by using a methodology normally used by market players; the present value of payments is estimated by using market curves disclosed by BM&FBOVESPA.

There were no transactions, in the reporting period, no longer classified as hedging transactions and no future commitments subject to cash flow hedge.

Sensitivity analysis of financial instruments

As of September 30, 2015, Management carried out a sensitivity analysis, taking into consideration a probable increase and scenarios with 25 and 50 percent increase in the expected interest rates. The probable increase scenario was measured based on future exchange rates disclosed by BM&F BOVESPA and/or BACEN. The expected effects of interest expenses net of finance income of financial investments for the next three months are as follows:

	Provable rate	**Probable Scenario I**	**Scenario II (+ 25%)**	**Scenario III (+ 50%)**
Interest to be incurred exposed to:				
CDI	**14.25%**	**(78,357)**	**(97,946)**	**(117,536)**
Impact on financial result, net of taxes		**(51,716)**	**(64,644)**	**(77,574)**

As discussed above, the Group’s Management understands that there is no market risk arising from foreign exchange fluctuations since all significant financial liabilities recorded in foreign currency are pegged to swap transactions, so that the accounting and financial treatment of these loans is denominated in domestic currency. Accordingly, changes in swap derivative financial instruments and loans and borrowings are offset.

(Amounts in thousands of Brazilian reais - R$)

28. Insurance

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 losses, if any, on its assets and/or liabilities.

As of September 30, 2015 and December 31, 2014, insurance coverage is as follows:

	9/30/2015	12/31/2014
Civil liability and D&O	**41,000**	41,000
Sundry risks - inventories and property and equipment	**1,823,489**	1,740,372
Vehicles	**16,696**	17,832
	1,881,185	1,799,204