Magazine Luiza S.A.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Financial statements
December 31, 2019 and 2018

Contents

KPMG Auditores Independentes
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Independent auditors' report on the individual and consolidated financial statements

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

Opinion

We have audited the individual and consolidated financial statements of Magazine Luiza S.A. ("Company"), identified as Parent Company and Consolidated, respectively, which comprise the balance sheet as of December 31, 2019 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising the significant accounting policies and other explanatory information.

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of Magazine Luiza S.A. as of December 31, 2019, the individual and consolidated performance of its operations and its individual and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Auditing Standards. Our responsibilities under those standards, are further described in the following section denominated "Auditor's responsibilities for the audit of the individual and consolidated financial statements". We are independent of the Company and its subsidiaries, in accordance with the relevant ethical requirements provided for in the Accountant's Code of Professional Ethics and in professional standards issued by the Federal Accounting Council, and we comply with other ethical responsibilities according to these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

First-time adoption of CPC 06 (R2) - Leases (IFRS 16 - Leases) – Parent Company and Consolidated

See Notes 4 and 5 of individual and consolidated financial statements

Key audit matters	How our audit addressed this matter
The Company and its subsidiaries maintain relevant commitments resulting from lease agreements, mainly for properties where their stores, administrative headquarters, distribution centers, among others, operate. The new accounting pronouncement CPC 06 (R2) - Leases (IFRS 16 - Leases), which came into force as from January 1, 2019, introduced complex accounting requirements that were the basis to measure the right-of-use of an asset, as well as lease liability, and are related to: i) determination of discount rate of each lease contract; ii) establishment of terms of each lease agreement, which includes the assessment of rights of renewals and / or early terminations; iii) establishment of the lease and non-lease components of the agreements. Due to the volume of contracts, to the judgment inherent to the measurement process of the right-of-use asset and the lease liability, as well as due to the fact that variations in the assumptions used may significantly impact the individual and consolidated financial statements for the year ended December 31, 2019, we consider this topic as significant for our audit.	Our audit procedures included, but were not limited to: – Evaluation of management process to identify the lease agreements and the controls implemented to capture the information from lease agreements required to measure the right-of-use and lease liability. – Evaluation, with the help of corporate finance experts, of the reasonableness of the assumptions used to determine the discount rates used. – For a sample of the agreements, we compared the lease terms and the amounts considered in the measurement with the respective agreements, and we also assessed the reasonableness of judgments applied by the Company to establish the lease terms, including the Company's assessment of the reasonable certainty of contractual renewals. – Evaluation whether the disclosures in the individual and consolidated financial statements included relevant information. During our financial audit, we identified adjustments that would affect the measurement of right-of-use assets and lease liability, which were not recorded by Management since they were considered immaterial. Based on evidences obtained through above-summarized procedures, we consider as acceptable the measurement of right-of-use asset and lease liability, as well as disclosures made in the context of individual and consolidated financial statements taken as a whole referring to year ended December 31, 2019.

ICMS in PIS and COFINS calculation basis - Parent Company and Consolidated

See notes 4, 12 and 22 of individual and consolidated financial statements.

Key audit matters	How our audit addressed this matter
During 2019, the Company and its subsidiary NS2.com Internet S.A. (Netshoes) have obtained the successful outcome by Brazilian Supreme Court of their lawsuits regarding the unconstitutionality of the ICMS inclusion in the PIS and COFINS calculation basis, granting the Company and such subsidiary the right to recover amounts already collected and not prescribed regarding PIS and COFINS, monetarily corrected. Accordingly, relevant amounts of PIS and COFINS credits were recognized in the individual and consolidated financial statements, which were measured considering the management's judgments and assumptions, net or gross amount of the tax mentioned in the invoice and other information in accordance with the documentation that supports the credit. Additionally, the measurement process of these tax credits involved a significant volume of operations, a high complexity of the transactions, as well as significant management's judgments about the ICMS modalities that gave rise to the registered tax credits. Due to the relevance of the amounts involved, the significant judgment in determining the bas of the assumptions to measure the referred asset, and the impact of any changes that the considered assumptions could have in the amounts recorded in the individual and consolidated financial statements, we considered this matter as significant for our audit.	Our audit procedures included, among others: – Assessment of the management process for measurement and recognition of tax credits jointly with our tax experts. – The evaluation, with the assistance of our tax and legal experts, of the judicial decision (unappealable) documentation, the legal opinions issued, the legal and tax aspects of the Brazilian legislation for understanding the merit and arguments that guided the Company and its subsidiary on the recognition and measurement of the recognized asset through the analysis of calculations and supporting documents of the amounts to be offset. – On a sampling basis, we recalculated the credit amount and requested supporting documentation for the items selected for audit test. – We analyzed the estimated recovery of the tax credits recorded, and their presentation between current and non-current assets. – Also, we evaluated whether the disclosures in the individual and consolidated financial statements included relevant information. During our audit, we identified adjustments that would affect the presentation of tax credits, which were not recorded by Management since they were considered immaterial. Based on evidences obtained through above-summarized procedures, we consider the recognition and measurement of ICMS credit in the PIS and COFINS calculation basis as acceptable in the context of individual and consolidated financial statements taken as a whole.

Other issues - Statements of added value

The Individual and consolidated statement of added value (DVA) for the year ended December 31, 2019, prepared under responsibility of Company's management, and presented as supplementary information for IFRS purposes, were submitted to audit procedures carried out together with the audit of Company's individual and consolidated financial statements. In order to form our opinion, we evaluated whether these statements are reconciled with the individual and consolidated financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in CPC 09 Technical Pronouncement - Statement of Added Value. In our opinion, these individual and consolidated statements of added value were prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

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Other information accompanying individual and consolidated financial statements and the auditors' report

The Company's management is responsible for such other information that comprise the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion on such report.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is, in a material way, inconsistent with the financial statements or with our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the works performed, we conclude that there is a material misstatement in the Management Report, we are required to disclose this fact. We have nothing to report in this regard.

Responsibilities of management and governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Accounting Practices Adopted in Brazil and with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance of the Company and its subsidiaries are the people responsible for overseeing the process of preparation of the financial statements.

Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance that the individual and consolidated financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error, and to issue an audit report containing our opinion. Reasonable assurance means a high level of security, but is not a guarantee that an audit conducted in accordance with Brazilian and international auditing standards always detects any existing material misstatements. Misstatements may be due to fraud or error and are considered material when, individually or taken as a whole, can influence, within a reasonable perspective, the economic decisions of users taken based on these financial statements.

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

– Identified and assessed the risks of material misstatement in the individual and consolidated financial statements, whether due to fraud or error, planned and performed audit procedures in response to such risks, and obtained proper and sufficient audit evidence to support our opinion. The risk of not detecting a material misstatement due to fraud is higher than due to error, since a fraud may involve the act of override of internal controls, collusion, falsification, omission or intentional misrepresentations.

– Obtained an understanding of the internal controls relevant to the audit to plan the audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls of the Company and its subsidiaries.

– Assessed the adequacy of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

– Concluded on the appropriateness of Management's use of the accounting basis for going concern and, based on the audit evidence obtained, whether there is a material uncertainty regarding events or

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conditions that could raise a significant doubt regarding the Company's and its subsidiaries' capacity for going concern. If we conclude that there is a material uncertainty, we are required required to draw attention in our auditors' report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

– Assessed the overall presentation, structure and content of the individual and consolidated financial statements, including disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner consistent with the objective of fair presentation.

– Obtained appropriate and sufficient audit evidence regarding the financial information of the entities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated those charged with governance with regarding, among other aspects, the planned scope, time of the audit and significant audit findings, including possible material weaknesses in internal controls identified by us during our engagements.

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

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

São Paulo, February 17, 2020
KPMG Auditores Independentes
CRC 2SP014428/O-6
(Original report in Portuguese signed by)
Marcelle Mayume Komukai
Accountant CRC 1SP249703/O-5

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Balance sheets at December 31, 2019 and 2018

(Amounts expressed in thousands of reais – R$)

	Note	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Assets					
Current assets					
Cash and cash equivalents	7	**180,799**	548,553	**305,746**	599,087
Securities and other financial assets	8	**4,446,143**	409,111	**4,448,158**	409,111
Accounts receivable	9	**2,769,649**	2,024,685	**2,915,034**	2,051,557
Inventories	10	**3,509,334**	2,790,726	**3,801,763**	2,810,248
Accounts receivable from related parties	11	**373,995**	193,635	**370,036**	190,190
Recoverable taxes	12	**777,929**	299,746	**864,144**	303,691
Other assets		**99,166**	46,357	**136,280**	48,506
Total current assets		**12,157,015**	6,312,813	**12,841,161**	6,412,390
Non-current assets					
Securities and other financial assets	8	**-**	-	**214**	214
Accounts receivable	9	**14,314**	7,571	**16,842**	7,571
Recoverable taxes	12	**1,039,684**	150,624	**1,137,790**	150,624
Deferred income tax and social contribution	13	**-**	171,488	**12,712**	181,012
Judicial deposits	22	**428,042**	349,228	**570,142**	349,239
Other assets		**9,030**	32,442	**11,003**	34,154
Investments in subsidiaries	14	**935,573**	146,703	**-**	-
Investments in jointly-controlled subsidiaries	15	**305,091**	308,462	**305,091**	308,462
Right-of-use of leases	5	**2,203,827**	-	**2,273,786**	-
Property, plant and equipment	16	**992,372**	749,463	**1,076,704**	754,253
Intangible assets	17	**526,869**	501,539	**1,545,628**	598,822
Total non-current assets		**6,454,802**	2,417,520	**6,949,912**	2,384,351
Total assets		**18,611,817**	8,730,333	**19,791,073**	8,796,741

See the accompanying notes to the financial statements.

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Balance sheets at December 31, 2019 and 2018
(Amounts expressed in thousands of reais – R$)

	Note	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Liabilities					
Current liabilities					
Suppliers	18	**5,413,546**	4,068,459	**5,934,877**	4,105,244
Loans and financing	19	**8,192**	130,685	**9,967**	130,743
Salaries, vacations and social security charges		**309,007**	250,792	**354,717**	258,983
Taxes payable		**307,695**	135,384	**352,008**	140,979
Accounts payable to related parties	11	**152,094**	125,353	**152,126**	125,383
Lease	5	**311,960**	-	**330,571**	-
Deferred revenue	20	**39,157**	39,157	**43,036**	39,157
Dividends payable	23	**123,566**	182,000	**123,566**	182,000
Other accounts payable	21	**537,825**	403,805	**701,719**	406,109
Total current liabilities		**7,203,042**	5,335,635	**8,002,587**	5,388,598
Non-current liabilities					
Loans and financing	19	**838,862**	323,402	**838,862**	325,224
Lease	5	**1,893,790**	-	**1,949,751**	-
Deferred income tax and social contribution	13	**3,725**	-	**39,043**	-
Provision for tax, civil and labor risks	22	**767,938**	377,444	**1,037,119**	387,355
Deferred revenue	20	**339,523**	390,980	**356,801**	390,980
Other accounts payable	21	**-**	-	**1,973**	1,712
Total non-current liabilities		**3,843,838**	1,091,826	**4,223,549**	1,105,271
Total liabilities		**11,046,880**	6,427,461	**12,226,136**	6,493,869
Shareholders' equity	23				
Capital		**5,952,282**	1,719,886	**5,952,282**	1,719,886
Capital reserve		**323,263**	52,175	**323,263**	52,175
Treasury shares		**(124,533)**	(87,015)	**(124,533)**	(87,015)
Legal reserve		**109,001**	65,644	**109,001**	65,644
Profit reserves		**1,301,756**	546,851	**1,301,756**	546,851
Equity valuation adjustment		**3,168**	5,331	**3,168**	5,331
Total shareholders' equity		**7,564,937**	2,302,872	**7,564,937**	2,302,872
Total liabilities and shareholders' equity		**18,611,817**	8,730,333	**19,791,073**	8,796,741

See the accompanying notes to the financial statements.

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Statements of income
Years ended December 31, 2019 and 2018
(Amounts expressed in thousands of reais – R$)

	Note	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Net sales	24	**18,491,861**	15,385,737	**19,886,310**	15,590,444
Cost of goods resold and services rendered	25	**(13,464,405)**	(10,941,965)	**(14,332,349)**	(11,053,022)
Gross income		**5,027,456**	4,443,772	**5,553,961**	4,537,422
Operating revenues (expenses)					
From sales	26	**(3,134,586)**	(2,713,474)	**(3,444,112)**	(2,747,447)
General and administrative expenses	26	**(534,573)**	(557,944)	**(701,587)**	(596,143)
Expected credit loss		**(69,676)**	(59,737)	**(75,993)**	(59,737)
Depreciation and amortization	16 and 17	**(438,009)**	(161,811)	**(486,975)**	(163,690)
Equity in net income of subsidiaries	14 and 15	**79,730**	61,841	**26,607**	57,757
Other operating revenues, net	26 and 27	**352,031**	49,608	**416,662**	53,389
		(3,745,083)	(3,381,517)	**(4,265,398)**	(3,455,871)
Operating income before financial income		**1,282,373**	1,062,255	**1,288,563**	1,081,551
Financial revenues		**614,301**	149,528	**640,917**	133,929
Financial expenses		**(681,290)**	(426,546)	**(711,330)**	(428,617)
Financial income (loss)	28	**(66,989)**	(277,018)	**(70,413)**	(294,688)
Operating income before income tax and social contribution		**1,215,384**	785,237	**1,218,150**	786,863
Deferred income tax and social contribution	13	**(293,556)**	(187,808)	**(296,322)**	(189,434)
Net income for the year		**921,828**	597,429	**921,828**	597,429
Income attributable to:					
Controlling shareholders		**921,828**	597,429	**921,828**	597,429
Earnings per share					
Basic (R$ per share)	23	**0.569**	0.395	**0.569**	0.395
Diluted (R$ per share)	23	**0.562**	0.392	**0.562**	0.392

See the accompanying notes to the financial statements.

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Statements of comprehensive income
Years ended December 31, 2019 and 2018
(Amounts expressed in thousands of reais – R$)

	Parent Company and Consolidated	
	2019	**2018**
Net income for the year	**921,828**	597,429
Items that can subsequently be reclassified to profit or loss:		
Investments evaluated through the equity accounting method – participation in other comprehensive income - OCI	**6,001**	38
Tax effects	**(2,318)**	227
Total	**3,683**	265
Financial assets measured at fair value - FVOCI	**(8,858)**	3,648
Tax effects	**3,012**	(1,241)
Total	**(5,846)**	2,407
Total items that can subsequently be reclassified to profit or loss	**(2,163)**	2,672
Total comprehensive income for the year, net of taxes	**919,665**	600,101
Attributable to:		
Controlling shareholders	**919,665**	600,101

See the accompanying notes to the financial statements.

Magazine Luiza S.A.

Statements of changes in shareholders' equity
Years ended December 31, 2019 and 2018
(Amounts expressed in thousands of reais – R$)

	Note	Capital	Capital reserve	Treasury shares	Profit reserves: Legal reserve	Profit reserves: Working capital reinforcement reserves	Profit reserves: Additional dividends proposed	Profit reserves: Tax incentive reserves	Retained earnings (losses)	Equity valuation adjustment	Total
Balances at January 1, 2018		1,719,886	37,094	(13,955)	39,922	220,072	-	68,299	-	2,659	2,073,977
Dividends declared		-	-	-	-	(50,000)	-	-	-	-	(50,000)
Stock option plan		-	17,673	-	-	-	-	-	-	-	17,673
Treasury shares		-	-	(87,984)	-	-	-	-	-	-	(87,984)
Sale of treasury shares for payment of stock option plan		-	(2,592)	14,924	-	-	-	-	-	-	12,332
First-time adoption of IFRS 9 and 15 in parent company		-	-	-	-	(24,411)	-	-	-	-	(24,411)
First-time adoption IFRS 9 in jointly-controlled subsidiaries		-	-	-	-	(56,816)	-	-	-	-	(56,816)
Net income for the year		-	-	-	-	-	-	-	597,429	-	597,429
Allocations:							-				
Legal reserve		-	-	-	25,722	-	-	-	(25,722)	-	-
Dividends and interest on own capital		-	-	-	-	-	-	-	(182,000)	-	(182,000)
Profit reserves		-	-	-	-	306,716	-	82,991	(389,707)	-	-
		1,719,886	52,175	(87,015)	65,644	395,561	-	151,290	-	2,659	2,300,200
Other comprehensive income:											
Equity valuation adjustment		-	-	-	-	-		-	-	2,672	2,672
Balance as at December 31, 2018		1,719,886	52,175	(87,015)	65,644	395,561	-	151,290	-	5,331	2,302,872
Issue of common shares	**23**	**4,300,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,300,000**
Expenditures with issuing of shares, net of taxes	**23**	**(67,604)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(67,604)**
Stock option plan	**23**	**-**	**92,126**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**92,126**
Treasury shares acquired	**23**	**-**	**-**	**(142,773)**	**-**	**-**	**-**	**-**	**-**	**-**	**(142,773)**
Treasury shares sold	**23**	**-**	**178,962**	**105,255**	**-**	**-**	**-**	**-**	**-**	**-**	**284,217**
Net income for the year	**23**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**921,828**	**-**	**921,828**
Allocations:							**-**				
Legal reserve	**23**	**-**	**-**	**-**	**43,357**	**-**	**-**	**-**	**(43,357)**	**-**	**-**
Interest on own capital stated	**23**	**-**	**-**	**-**	**-**	**-**	**170,000**	**-**	**(170,000)**	**-**	**-**
Additional dividends proposed	**23**	**-**	**-**	**-**	**-**	**-**	**167,348**	**-**	**(290,914)**	**-**	**(123,566)**
Profit reserves	**23**	**-**	**-**	**-**	**-**	**362,860**	**-**	**54,697**	**(417,557)**	**-**	**-**
		4,232,396	**271,088**	**(37,518)**	**43,357**	**362,860**	**337,348**	**54,697**	**-**	**-**	**5,264,228**
Other comprehensive income:											
Equity valuation adjustment		**-**	**-**	**-**	**-**	**-**	**-**	**-**		**(2,163)**	**(2,163)**
Balances at December 31, 2019		**5,952,282**	**323,263**	**(124,533)**	**109,001**	**758,421**	**337,348**	**205,987**	**-**	**3,168**	**7,564,937**

See the accompanying notes to the financial statements.

Magazine Luiza S.A.
Statements of cash flows
Years ended December 31, 2019 and 2018
(Amounts expressed in thousands of reais – R$)

	Note	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Cash flow from operating activities					
Net income for the year		**921,828**	597,429	**921,828**	597,429
Adjustments to reconcile net income for the year to cash generated by (invested in) operating activities:					
Income tax and social contribution recognized under profit or loss	13	**293,556**	187,808	**296,322**	189,434
Depreciation and amortization	5 | 16 | 17	**438,009**	161,811	**486,975**	163,690
Interest on loans, financing and leases	5 and 19	**198,545**	49,714	**203,736**	49,714
Yield from securities		**(30,083)**	(18,299)	**(30,098)**	(18,299)
Equity in net income of subsidiaries	14 and 15	**(79,730)**	(61,841)	**(26,607)**	(57,757)
Changes in provision for loss in assets		**348,246**	130,212	**331,898**	130,550
Provision for tax, civil and labor risks	22	**431,730**	98,428	**452,133**	95,113
Loss on sale of property, plant and equipment	27	**(4,986)**	88	**(4,986)**	88
Appropriation of deferred revenue	27	**(51,457)**	(76,947)	**(53,255)**	(76,947)
Stock option plan expenses		**75,151**	17,673	**84,358**	17,673
Adjusted net income for the year		**2,540,809**	1,086,076	**2,662,304**	1,090,688
(Increase) decrease in operating assets:					
Accounts receivable		**(855,983)**	(910,101)	**(885,488)**	(925,580)
Securities and other financial assets		**(4,006,949)**	867,363	**(4,008,899)**	867,149
Inventories		**(967,469)**	(878,508)	**(1,026,647)**	(882,998)
Accounts receivable from related parties		**(168,839)**	(98,920)	**(168,325)**	(92,707)
Recoverable taxes		**(1,367,243)**	(85,443)	**(1,467,118)**	(85,919)
Other assets		**(99,631)**	2,406	**(127,171)**	2,962
Changes in operating assets		**(7,466,114)**	(1,103,203)	**(7,683,648)**	(1,117,093)
Increase (decrease) in operating liabilities:					
Suppliers		**1,345,087**	1,170,434	**1,409,920**	1,185,107
Salaries, vacations and social security charges		**58,215**	18,972	**63,428**	19,946
Taxes payable		**98,960**	22,170	**119,687**	22,420
Accounts payable to related parties		**26,741**	32,548	**26,743**	32,543
Other accounts payable		**130,489**	74,045	**102,902**	71,778
Change in operating liabilities		**1,659,492**	1,318,169	**1,722,680**	1,331,794
Income tax and social contribution		**(52,129)**	(96,622)	**(52,129)**	(100,589)
Dividends received		**23,848**	39,444	**21,238**	31,364
Cash flow generated by (invested in) in operating activities		**(3,294,094)**	1,243,864	**(3,329,555)**	1,236,164
Cash flow from investing activities					
Acquisition of property, plant and equipment	16	**(396,221)**	(284,531)	**(399,429)**	(285,072)
Acquisition of intangible assets	17	**(107,150)**	(76,490)	**(122,085)**	(79,334)
Capital increase in subsidiaries	14	**(275,000)**	(46,332)	**-**	(30,000)
Investment in subsidiary, net of acquired cash		**(475,856)**	(3,212)	**(407,072)**	294
Net cash invested in investment activities		**(1,254,227)**	(410,565)	**(928,586)**	(394,112)
Cash flow from financing activities					
Loans and financing	19	**798,944**	-	**798,944**	-
Payment of loans and financing	19	**(407,247)**	(412,590)	**(607,002)**	(412,590)
Payment of interest on loans and financing	19	**(49,560)**	(53,157)	**(52,320)**	(53,157)
Lease payment	5	**(205,695)**	-	**(214,309)**	-
Payment of interest on lease	5	**(147,715)**	-	**(152,353)**	-
Payment of dividends		**(182,000)**	(114,273)	**(182,000)**	(114,273)
Divestment (acquisition) of treasury shares	23	**141,445**	(75,652)	**141,445**	(75,652)
Funds from issue of shares	23	**4,300,000**	-	**4,300,000**	-
Payments of expenditures with share issuance, net of taxes	23	**(67,605)**	-	**(67,605)**	-
Cash flow generated by (invested in) in financing activities		**4,180,567**	(655,672)	**3,964,800**	(655,672)
Increase (decrease) in the balance of cash and cash equivalents		**(367,754)**	177,627	**(293,341)**	186,380
Cash and cash equivalents at the beginning of the year		**548,553**	370,926	**599,087**	412,707
Cash and cash equivalents at the end of the year		**180,799**	548,553	**305,746**	599,087
Increase (decrease) in the balance of cash and cash equivalents		**(367,754)**	177,627	**(293,341)**	186,380

See the accompanying notes to the financial statements.

Magazine Luiza S.A.

Statements of added value
Years ended December 31, 2019 and 2018
(Amounts expressed in thousands of reais – R$)

	Parent Company		Consolidated	
	2019	2018	2019	2018
Revenues				
Sale of goods, products and services	**21,611,120**	17,853,991	**23,312,470**	18,089,439
Allowance for doubtful accounts, net of reversals	**(69,676)**	(59,737)	**(75,993)**	(59,737)
Other operating revenues	**560,561**	63,125	**654,037**	66,912
	22,102,005	17,857,379	**23,890,514**	18,096,614
Inputs acquired from third parties				
Cost of goods resold and services rendered	**(14,734,096)**	(11,628,141)	**(15,577,346)**	(11,739,569)
Materials, energy, outsourced services and other	**(1,943,257)**	(1,456,354)	**(2,273,691)**	(1,503,073)
Loss and recovery of asset values	**(143,479)**	(44,203)	**(143,680)**	(44,541)
	(16,820,832)	(13,128,698)	**(17,994,717)**	(13,287,183)
Gross added value	**5,281,173**	4,728,681	**5,895,797**	4,809,431
Depreciation and amortization	**(438,009)**	(161,811)	**(486,975)**	(163,690)
Net added value produced by the Entity	**4,843,164**	4,566,870	**5,408,822**	4,645,741
Added value received as transfer				
Equity in net income of subsidiaries	**79,730**	61,841	**26,607**	57,757
Financial revenues	**614,301**	149,528	**640,917**	133,929
Total added value payable	**5,537,195**	4,778,239	**6,076,346**	4,837,427
Distribution of added value				
Personnel and related charges:				
Direct remuneration	**1,228,902**	992,772	**1,338,652**	1,010,082
Benefits	**361,209**	255,431	**390,164**	258,282
FGTS	**104,012**	86,841	**113,553**	88,293
	1,694,123	1,335,044	**1,842,369**	1,356,657
Taxes, rates and contributions:				
Federal	**557,168**	719,926	**689,134**	729,386
State	**1,558,901**	1,280,216	**1,746,614**	1,303,768
Municipal	**73,098**	53,648	**79,047**	55,275
	2,189,167	2,053,790	**2,514,795**	2,088,429
Third parties' capital remuneration				
Interest	**588,038**	354,119	**637,474**	355,585
Rentals	**80,439**	374,707	**89,299**	375,598
Other	**63,600**	63,150	**70,581**	63,729
	732,077	791,976	**797,354**	794,912
Remuneration of own capital:				
Dividends and Interest on own capital	**460,914**	182,000	**460,914**	182,000
Retained earnings	**460,914**	415,429	**460,914**	415,429
	921,828	597,429	**921,828**	597,429
	5,537,195	4,778,239	**6,076,346**	4,837,427

See the accompanying notes to the financial statements.

Notes to the financial statements

1. General information

Magazine Luiza S.A. (“Parent Company”) is a publicly-held 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, electronics and furniture, through physical and virtual stores or through e-commerce. Through its jointly-controlled subsidiaries (Note 15) it offers loans, financing and insurance services to its clients. Its headquarters is in the city of Franca, state of São Paulo, Brazil and its parent and holding company is LTD Administração e Participação S.A. 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 December 31, 2019 the Company owned 1,113 stores and 17 distribution centers (954 stores and 12 distribution centers as at December 31, 2018) located in all regions in Brazil and worked with the e-commerce sites www.magazineluiza.com.br , www.epocacosmeticos.com.br. In view of the acquisition of the Netshoes Group (Note 14), the websites www.netshoes.com.br, www.zattini.com.br and www.shoestock.com.br.

As of February 14, 2020, the Board of Directors authorized the issuance of these financial statements.

2. Presentation and preparation of financial statements

2.1. Basis of preparation, presentation and statement of compliance

The Company’s individual and consolidated financial statements have been prepared based on accounting practices adopted in Brazil, comprising the provisions of Corporation Law, provided in Law 6404/76 and subsequent amendments and international accounting standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”), implemented in Brazil through the Accounting Pronouncement Committee (“CPC”) and technical interpretations (“ICPC”) and guidelines (“OCPC”), as approved by the Securities Commission (“CVM”)

All relevant information in financial statements, and only them, are being evidenced and correspond to that used by Management.

This is the first set of annual financial statements of the Company in which CPC 06 (R2)/IFRS 16 – Leases was adopted. Changes in significant accounting policies are described in Note 5.

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

2.2. Functional and presentation currency of financial statements

The Company's functional currency is the Brazilian Real. The financial statements of each subsidiary, as well as those used as a basis for evaluating investments under the equity method are prepared in Reais. All balances have been rounded to the nearest value, except otherwise indicated.

2.3. Basis of consolidation and investments in subsidiaries

Consolidated financial statements include financial statements of the parent company and its subsidiaries. Control is obtained when the Company holds, either directly or indirectly, most of voting rights or is exposed or entitled to variable returns based on its involvement with the investee and has the capacity to affect those returns through the power exercised in relation to the investee.

The details of the Company's subsidiaries at the end of each year are as follows:

		Direct or indirect interest - %	
Subsidiary's name	**Main activity**	**2019**	**2018**
Época Cosméticos	E-commerce of perfumes and cosmetics	**100%**	**100%**
Integra Commerce	Integration and relationship management between merchants and marketplaces	**100%**	**100%**
Luiza Administradora de Consórcios (LAC)	Management of consortia	**100%**	**100%**
Magalu Log (Magalog)	Company engaged in logistics services	**100%**	**100%**
Softbox Sistemas de Informação	Technological solutions for retail and consumer goods industries	**100%**	**100%**
Certa Administração	Marketplace of financial services	**100%**	**100%**
Kelex Tecnologia	Integration and relationship management between merchants and marketplaces	**100%**	**100%**
Netshoes	E-commerce of sports and fashion products	**100%**	**-**
Magalu Pagamentos	Company's Payment Institution	**100%**	**-**

The consolidated financial statements also include exclusive investment funds in which the Company keeps part of its financial investments, as shown in note 8.

In the consolidation process of the financial statements the following eliminations are considered:

- Shares of the parent company in capital, reserves and retained earnings of the consolidated companies;
- Balances of asset and liability accounts maintained between the consolidated companies; and
- Balances of revenues and expenses from transactions among consolidated companies.

In the individual financial statements, financial information of subsidiaries and jointly-controlled subsidiaries are recognized under the equity method.

3. Main accounting policies and practices

The main accounting policies and practices are described in each corresponding note, except those presented below that are related to more than one note. The accounting policies and practices were consistently applied to the years presented and to the Company's individual and consolidated financial statements, except for the adoption of CPC 06 (R2)/IFRS 16, which came into force as from January 1, 2019 and which policies and impacts are disclosed in note 5.

3.1. Transactions and inflation adjustment of rights and obligations

Monetary assets and liabilities subject to contractual adjustments or exchange-rate changes and inflation adjustments are restated up to the balance sheet date, and these changes are recognized as financial revenues or expenses in income (loss).

If any, monetary assets and liabilities denominated in foreign currency are translated to Reais, using the exchange rate in effect on the respective balance sheet closing date. The differences arising from translation conversion are recognized as financial revenues or expenses in income (loss).

3.2. Asset impairment, net

ii) Non-financial assets

The book values of the Company's non-financial assets are reviewed at each reporting date for indication of impairment. If such indication exists, the asset's recoverable amount is estimated. In case of goodwill, recoverable value is tested on an annual basis.

Investees recorded under the equity method of accounting

An impairment loss referring to an investee valued under the equity method is measured by comparing the investment's recoverable value to its book value. An impairment loss is recognized in the statement of income and is reversed if there has been a favorable change in the estimates used to determine the recoverable value.

iii) Allocation of goodwill balances

Goodwill is allocated to each cash generating unit and is annually submitted to an assessment of its recovery or, more frequently, when there is an indication that a cash generating unit is performing below expectations. If the recoverable value of the cash generating unit is lower than its book value plus the goodwill allocated, the impairment loss is allocated first to reduce the goodwill allocated to the unit and then to the other assets of the unit pro rata based on the book value of each asset. Any loss in the amount of goodwill is recognized directly in income (loss) for the year in which it was identified, which is not reversed in subsequent periods, even if the factors that led to its recording no longer exist.

3.3. Adjustment to present value

The main transactions that result in adjustments to present value are related to transactions for the purchase of goods for resale, carried out in installments, as well as transactions for the resale of goods, which balances are paid in installments to customers carried out at pre-fixed interest rates. Sales and purchases are discounted to establish the present value on the transactions date and considering the installment terms.

The discount rate used considers the effects of the financing rates applied to the final consumer, weighted by the percentage of default risk assessed and already considered in the allowance for doubtful accounts.

The adjustment to present value of operations related to credit resale of goods has as contra-entry the heading “Accounts receivable”. Its realization is recorded under “Revenue from resale of goods” caption, also over its term.

The adjustment to present value of the liability related to the purchase of goods for resale is recorded under “Suppliers” caption, with a contra entry in the “Inventories” account. Its reversal is registered under “Cost of resold goods and services rendered” for the benefit of the term.

3.4. Provisions

Provisions are recognized for obligations or risks resulting from past events, for which it is possible to reliably estimate amounts and whose reimbursement is probable. Recognized provision amount is the best estimate of the consideration required to settle the obligation in the end of each year or period, considering risks and uncertainties related to the obligation.

3.5. Employee benefits

<u>Short-term employee benefits</u>

Obligations for short-term employee benefits are recognized as personnel expenses as the related service is rendered. The liability is recognized at the amount expected to be paid, if the Company has a legal or constructive obligation to pay this amount as a result of prior service rendered by the employee, and the obligation can be reliably estimated.

<u>Share-based payment agreements</u>

The fair value of share-based payment agreements is recognized at the grant date, as personnel expenses, with a corresponding increase in shareholders' equity, over the period when eligible employees become unconditionally entitled to the premiums. The amount recognized as an expense is adjusted to reflect the number of awards meeting these performance conditions at vesting date.

3.6. Statement of added value ("SAV")

The purpose of this statement is to show the wealth created by the Company and its distribution during a certain period. It is presented as part of its individual financial statements as required by Brazilian Corporation Law and as supplemental information to the consolidated financial statements, since it is not a planned or required statement pursuant to the IFRS.

3.7. Measurement of fair value

Fair value is the price that would be received upon the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date, on the primary market or, in the absence thereof, on the most advantageous market to which the Company has access on such date. Fair value of a liability reflects its risk of not being performed. Non-compliance risk includes the Company's own credit risk, among others.

When available, the Company measures the fair value of a security using the price quoted on an active market for such securities. A market is considered as active if the transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If an asset or a liability measured at fair value has a purchase and a selling price, the Company measures the assets based on purchase prices and liabilities based on selling prices. The chosen valuation technique incorporates all the factors market participants would take into account when pricing a transaction.

The best evidence of the fair value of a financial instrument upon initial recognition is usually the transaction price – i.e., the fair value of the consideration given or received.

4. Significant accounting judgments and sources of uncertainties about estimates

When applying the Company's accounting policies, Management must make judgments and prepare estimates on book values of assets and liabilities for objective information is not easily obtained from other sources. Estimates and respective assumptions are based on historic experience and on other factors that are considered relevant. The actual results of these book values may differ from these estimates.

Estimates and assumptions are reviewed on a continuous basis. Reviews of estimates are recognized on a prospective basis.

a) Judgments

Information about judgment referring to the adoption of accounting policies which impact significantly the amounts recognized in the individual and consolidated financial statements are included in the following notes:

- Note 2.3 - Basis of consolidation and investments in subsidiaries: determine if the Company in fact holds control over an investee;
- Note 5.1 - lease term: if the Company is reasonably sure of exercising an extension option; and
- Note 12 – establishment of tax credits included in the final and unappealable processes.

b) Uncertainties on assumptions and estimates

Information on uncertainties as to assumptions and estimates that pose a high risk of resulting in a material adjustment in book balances of assets and liabilities for the next year are included in the following notes:

- Note 5 – Discount rate applied in CPC 06 (R2) IFRS 16;
- Note 9 – Accounts receivable: criteria and amounts of allowance for doubtful accounts;
- Note 10 - Inventories: criteria and amounts for provision for loss on inventories;
- Note 13 – Income tax and social contribution: availability of future taxable income against which tax losses may be used;
- Note 14 - Investments in subsidiaries: acquisition of subsidiary at fair value of consideration transferred and the fair value of assets acquired and liabilities assumed;
- Note 16 and 17 - Property, plant and equipment and intangible asset - useful life of long-term assets;
- Note 17 – Intangible assets: main assumptions regarding recoverable values, including recoverability of development costs. The determination of goodwill in acquisition of retail companies' network is a complex process and involves a high level of subjectivity, and is based on several assumptions, such as the determination of cash generating units, discount rates, projection of inflation, growth percentages, longevity and profitability of business of the Company for the next years, among other. These assumptions will be affected by market conditions or future economic scenarios in Brazil, which cannot be accurately estimated;
- Note 22 - Provision for tax, civil and labor risks: main assumptions about the likelihood and magnitude of the outflows of funds;
- Note 30 - Asset impairment, net: determination of fair value based on significant non-observable data.

5. Changes in significant accounting policies

5.1 First-time adoption of CPC 06 R2/ IFRS 16 – Leases

CPC 06 (R2)/IFRS 16 provides a single in balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability, representing its obligation to make lease payments.

The Company previously classified operating or financial leases based on the assessment on whether the lease transferred or not substantially all the risks and benefits of ownership. In accordance with CPC 06 (R2)/IFRS 16, the Company recognizes the right-of-use assets and liabilities of the lease for most of the leases, in other words, these leases are recognized on the balance sheet.

i) Accounting policies

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

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

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

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

ii) Transition effects

The Company applied CPC 06 (R2)/IFRS 16 using the modified retrospective approach, which does not require the restatement of the corresponding amounts, does not have any impact on net equity, and does not alter the calculation of dividends and permits the adoptions of practical expedients. Thus, the comparative information presented for 2018 has not been restated – that is, it is presented as previously reported according to CPC 06 (R2)/IAS 17 and related interpretations. Details of the changes in accounting policies are disclosed below.

During transition, for leases classified as operating leases in accordance with CPC 06(R1)/IAS 17, the lease liabilities were measured at the present value of the remaining payments, discounted at the incremental loan rate of the Company at January 1, 2019. “The right-of-use assets were measured at the amount equivalent to the lease liability on the date of first-time adoption. For leases classified as financial ones according to CPC (R1)/IAS 17, the book value of the right-of-use asset and the lease liability as of January 1, 2019 were determined by the book value of the lease asset and the lease liability pursuant to CPC 06 (R1)/IAS 17 immediately before that date.

The Company opted to use the practical expedient for the transition and not recognize the right-of-use assets and lease liabilities for some of the low value leases (for example, lease of printers), of for short-term leases. The Company recognizes associated payments to these leases as expenses using the straight-line method over the term of the lease. Additionally, the Company excludes the initial direct costs from the measurement of the right-of-use asset on the date of initial application.

When measuring the lease liability for leases previously classified as operating leases, the Company discounted the payment of the lease using its incremental rate for loans as at January 1, 2019. The weighted average rate used was from 7.76% p.a. to 8.00% p.a. in Parent Company and 12.13% p.a. in Netshoes.

iii) Impacts of first-time adoption on the financial statements

The tables below demonstrate the equity effects on first-time adoption:

	Parent Company			Consolidated		
	Prior balance	First-time adoption adjustment	Balance after first-time adoption	Prior balance	First-time adoption adjustment	Balance after first-time adoption
	01/01/2019	IFRS16	01/01/2019	01/01/2019	IFRS16	01/01/2019
Assets						
Current assets						
Total current assets	6,312,813	**-**	**6,312,813**	6,412,390	**-**	**6,412,390**
Non-current assets						
Deferred income tax and social contribution	171,488	**-**	**171,488**	181,012	**-**	**181,012**
Right-of-use – lease	-	**1,947,468**	**1,947,468**	-	**1,947,468**	**1,947,468**
Other assets	2,246,032	**-**	**2,246,032**	2,203,339	**-**	**2,203,339**
Total non-current assets	2,417,520	**1,947,468**	**4,364,988**	**2,384,351**	**1,947,468**	**4,331,819**
Total assets	8,730,333	**1,947,468**	**10,677,801**	**8,796,741**	**1,947,468**	**10,744,209**
Liabilities						
Current liabilities						
Lease	-	**224,642**	**224,642**	-	**224,642**	**224,642**
Other liabilities	5,335,635	**-**	**5,335,635**	5,388,598	**-**	**5,388,598**
Total current liabilities	5,335,635	**224,642**	**5,560,277**	5,388,598	**224,642**	**5,613,240**
Non-current assets						
Lease	-	**1,722,826**	**1,722,826**	-	**1,722,826**	**1,722,826**
Other liabilities	1,091,826	**-**	**1,091,826**	1,105,271	**-**	**1,105,271**
Total non-current liabilities	1,091,826	**1,722,826**	**2,814,652**	1,105,271	**1,722,826**	**2,828,097**
Shareholders' equity	2,302,872	**-**	**2,302,872**	2,302,872	**-**	**2,302,872**
Total liabilities and shareholders' equity	8,730,333	**1,947,468**	**10,677,801**	8,796,741	**1,947,468**	**10,744,209**

iv) Impact on the financial statements for the year

As a result of the initial application of CPC 06 (R2)/IFRS 16, in relation to the leases that were previously classified as operational leases, the Company recognized R$ 1.9 billion in right-of-use assets and lease liabilities as at January 1, 2019.

Considering the requirements of the standard, the Company recognized depreciation and interest expenses, previously recorded as operating lease expenses. During the year ended December 31, 2019, the Company recognized the amount of R$ 279,774 (R$ 292,281 in Consolidated) for depreciation and R$ 147,715 (R$ 152,353 in Consolidated) for interest of these leases.

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

	Parent Company	Consolidated
First-time adoption - IFRS 16	**1,947,468**	**1,947,468**
Remeasurement	**77,962**	**87,455**
Addition	**384,869**	**384,869**
Initial direct costs	**43,375**	**43,375**
Transfer of fixed assets	**8,495**	**8,495**
Transfer to intangible assets	**22,345**	**22,345**
Additions due to business combination	**-**	**72,973**
Write-off	**(913)**	**(913)**
Depreciation	**(279,774)**	**(292,281)**
Total	**2,203,827**	**2,273,786**
Breakdown		
Cost	**2,606,785**	**2,697,648**
Accumulated depreciation	**(402,958)**	**(423,862)**
Property, plant and equipment, net	**2,203,827**	**2,273,786**

Changes in the lease liability during the year ended December 31, 2019 were as follows:

	Parent Company	Consolidated
First-time adoption	**1,947,468**	**1,947,468**
Remeasurement of contracts	**77,962**	**87,455**
Addition of new contracts	**386,015**	**386,015**
Additions due to business combination	**-**	**73,693**
Payment of principal	**(205,695)**	**(214,309)**
Interest payment	**(147,715)**	**(152,353)**
Accrued interest	**147,715**	**152,353**
Closing balance	**2,205,750**	**2,280,322**
Current liabilities	**311,960**	**330,571**
Non-current liabilities	**1,893,790**	**1,949,751**

v) Additional Information

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

MGLU3 NOVO MERCADO BM&FBOVESPA

Contractual flows in first-time adoption:

Maturity	Average rate	Contractual Payment Flow - Consolidated						
Maturity	Discount	2020	2021	2022	2023	2024	2025	>2025
2020-2022	7.80%	38,626	36,902	17,494	-	-	-	-
2023-2025	7.80%	98,361	98,361	98,361	82,618	53,498	21,727	-
2026-2028	7.90%	141,691	141,691	141,691	141,691	141,691	141,691	207,492
2029-2031	7.90%	11,312	11,312	10,926	10,849	10,849	10,849	47,551
2032-2034	7.90%	8,740	8,829	8,829	8,829	8,829	8,829	68,907
2035-2037	8.00%	11,358	11,358	11,358	11,358	11,358	11,358	123,570
>2038	8.00%	11,289	11,294	11,295	11,295	11,295	11,295	140,255
Total		**321,377**	**319,747**	**299,954**	**266,640**	**237,520**	**205,749**	**587,775**
Projected inflation[1]		3.40%	3.40%	3.40%	3.60%	3.60%	3.60%	3.80%

Contractual flows as of December 31, 2019:

Maturity	Average rate	Contractual Payment Flow - Consolidated						
Maturity	Discount	2020	2021	2022	2023	2024	2025	>2025
2020-2022	8.06%	59,004	50,088	50,250	-	-	-	-
2023-2025	8.16%	121,383	121,418	121,392	98,649	64,395	28,039	-
2026-2028	8.04%	160,797	161,069	160,478	160,205	160,205	160,158	238,678
2029-2031	7.90%	20,639	20,643	20,643	20,643	18,561	17,528	73,330
2032-2034	7.90%	9,335	9,364	9,364	9,364	9,364	9,364	73,276
2035-2037	8.00%	20,445	20,460	20,460	20,460	20,460	20,460	164,049
>2038	8.00%	30,116	30,270	30,420	30,425	30,432	30,432	392,346
Total		**421,719**	**413,312**	**413,007**	**339,746**	**303,417**	**265,981**	**941,679**
Projected inflation[1]		3.40%	3.40%	3.40%	3.60%	3.60%	3.60%	3.80%

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

5.2 IFRIC 23/ICPC 22 – Uncertainty over Tax Treatments

The interpretation explains how to consider the uncertainty in accounting for income tax. IAS 12/CPC32 - Income Taxes specifies how to account for current and deferred income taxes, but not how to reflect the effects of uncertainty. For instance, it may not be clear:

- how to apply the tax legislation to specific transactions or circumstances;
- or whether the tax authorities will accept a particular tax treatment adopted by the entity.

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

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

6. New standards and interpretations not yet effective

Several new standards will become effective for the years started after January 1, 2020. The Company did not adopt these changes for preparation of these financial statements. The following changed standards and interpretations should not have a significant impact on the
the Company's consolidated financial statements:

- Changes in the references to the conceptual framework in IFRS standards.

- Definition of business (amendments to CPC 15/IFRS 3)
- Definition of materiality (amendments to CPC 26/IAS 1 and CPC 23/IAS 8).

7. Cash and cash equivalents

Accounting policy

Company's Management defines "Cash and cash equivalents" as amounts maintained for the purpose of meeting short-term financial commitments rather than for investment or other purposes. Investments are readily convertible in relation to the issuer into known amounts of cash and are not subject to an significant risk of change of value, and they are recorded at cost values plus yield accrued up to balance sheet dates not exceeding the market or realization value. The credit risk and sensitivity analysis is described in Note 30.

		Parent Company		Consolidated	
	Rates	2019	2018	2019	2018
Cash		**84,112**	62,874	**84,215**	62,985
Banks		**83,506**	73,186	**156,403**	75,310
Bank deposit certificates	60–105% CDI	**13,181**	409,710	**24,247**	416,401
Non-exclusive investment funds	101% CDI	**-**	2,783	**40,881**	44,391
Total cash and cash equivalents		**180,799**	548,553	**305,746**	599,087

8. Securities and other financial assets

		Parent Company		Consolidated	
Financial assets	Rates	2019	2018	2019	2018
Securities					
Non-exclusive investment funds	97% CDI	**12,094**	11,455	**14,323**	11,669
Exclusive investment funds	(a)				
Federal Government Bonds and repurchase and resale agreements		**4,434,049**	397,656	**4,434,049**	397,656
	Note 11	**4,434,049**	397,656	**4,434,049**	397,656
Total securities		**4,446,143**	409,111	**4,448,372**	409,325
Current		**4,446,143**	409,111	**4,448,158**	409,111
Non-current		**-**	-	**214**	214

(a) Refers to exclusive fixed income investment funds. As at December 31, 2019 and December 31, 2018, 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 change in the Interbank Deposit Certificate (CDI) rate, to return the average profitability of 103% of the CDI rate to the Company.

The credit risk and sensitivity analyses are presented in Note 30.

9. Accounts receivable

Accounting policy

Accounts receivable are recorded and maintained in the balance sheet at the securities amount, adjusted to present value, as applicable, represented mainly by resale credits payable in installments and by credit card, accounts receivable for services rendered, receivables from suppliers' bonus and allowance for doubtful accounts, which is formed in an amount considered sufficient by Management to cover possible risks on the financing portfolio and other amounts receivable existing on the balance sheet date. The criterion for recognizing the provision considers, for retail activities, the historical loss indices per maturity range of the portfolio, as mentioned in note 30.

	Parent Company		Consolidated	
	2019	2018	2019	2018
Trade accounts receivable:				
Credit cards (a)	**2,036,665**	1,477,322	**2,121,008**	1,492,316
Debit cards (a)	**5,634**	13,967	**5,634**	13,967
Own credit plan (b)	**345,655**	224,146	**341,513**	229,229
Client services (c)	**185,716**	121,469	**185,716**	121,469
Other accounts receivable	**14,718**	28,622	**72,559**	30,332
Total trade accounts receivable	**2,588,388**	1,865,526	**2,726,430**	1,887,313
Commercial agreements (d)	**301,207**	279,346	**327,104**	284,431
Allowance for doubtful accounts	**(93,248)**	(73,510)	**(109,274)**	(73,510)
Adjustment to present value	**(12,384)**	(39,106)	**(12,384)**	(39,106)
Total accounts receivable	**2,783,963**	2,032,256	**2,931,876**	2,059,128
Current	**2,769,649**	2,024,685	**2,915,034**	2,051,557
Non-current	**14,314**	7,571	**16,842**	7,571

The average term to receive trade accounts receivable is 37 days (30 days as at December 31, 2018), in the Parent Company and Consolidated.

(a) Accounts receivable 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 December 31, 2019, the Parent Company had credits assigned to financial institutions amounted to R$ 1,405,428 (R$ 1,360,242 as at December 31, 2018) and Consolidated R$ 1,679,790 (R$ 1,385,779 as at December 31, 2018), over which a discount varying 105.0–107.0% of the CDI (from 104.5% to 107% in 2018) rate 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. The difference between the face value and the fair value of receivables is currently recorded in other comprehensive income and, after the effective settlement of accounts receivable, they are recorded in result for the year.

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

(c) It refers mainly to sales intermediated by the Parent Company for Luizaseg and Cardif do Brasil Seguros e Garantias S.A. The Parent Company allocates to its partners the extended warranty and other insurance, in full, in the month following the sale and receives from customers in accordance with the transaction term. Additionally, receivables for marketplace services and other services are allocated in this caption.

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

Changes in the allowance for doubtful accounts are as follows:

	Parent Company		Consolidated	
	2019	2018	2019	2018
Opening balance	**(73,510)**	(42,672)	**(73,510)**	(42,672)
(+) Additions	**(99,385)**	(86,008)	**(105,672)**	(86,008)
(+) Additions for acquisition of subsidiary	**-**	-	**(16,786)**	-
(+) First-time adoption IFRS09	**-**	(14,726)	**-**	(14,726)
(-) Write-offs	**79,647**	69,896	**86,694**	69,896
Closing balance	**(93,248)**	(73,510)	**(109,274)**	(73,510)

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

	Trade accounts receivable				Receivables from commercial agreements			
	Parent Company		Consolidated		Parent Company		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
Amounts falling due:								
Up to 30	**526,828**	168,436	**581,871**	190,223	**23,716**	45,816	**45,039**	50,901
31–60	**295,077**	114,711	**317,626**	114,711	**27,079**	123,446	**27,079**	123,446
61–90	**313,013**	122,706	**328,798**	122,706	**97,994**	69,490	**97,994**	69,490
91–180	**685,185**	880,668	**700,311**	880,668	**122,262**	31,459	**122,262**	31,459
181–360	**683,473**	524,688	**695,840**	524,688	**18,899**	1,513	**18,899**	1,513
>361	**21,195**	14,348	**21,198**	14,348	**-**	-	**-**	-
	2,524,771	1,825,557	**2,645,644**	1,847,344	**289,950**	271,724	**311,273**	276,809
Amounts overdue:								
Up to 30	**18,015**	11,425	**18,491**	11,425	**1,648**	2,282	**3,846**	2,282
31–60	**10,005**	7,160	**10,005**	7,160	**6,488**	1,779	**7,662**	1,779
61–90	**9,283**	6,027	**9,283**	6,027	**593**	802	**976**	802
91–180	**26,314**	15,357	**43,007**	15,357	**2,528**	2,759	**3,347**	2,759
	63,617	39,969	**80,786**	39,969	**11,257**	7,622	**15,831**	7,622
Total	**2,588,388**	1,865,526	**2,726,430**	1,887,313	**301,207**	279,346	**327,104**	284,431

10. Inventories

Accounting policy

Inventories are presented at the lower value between the average cost and net realizable value. The average acquisition cost comprises the purchase price, non-recoverable taxes, such as ICMS tax substitution, as well as other costs directly attributable to the acquisition. Provisions for losses on inventories are comprised of the provision for realization of inventories that corresponds to the estimated selling price of the inventories, less all costs required to consummate the sale and provision for obsolescence, which considers slow-moving goods and those sent to technical assistance, in addition to the provision for losses on physical inventories of stores and distribution centers.

	Parent Company		Consolidated	
	2019	2018	2019	2018
Goods for resale	**3,668,831**	2,850,966	**3,972,334**	2,871,342
Consumption material	**17,018**	8,699	**25,277**	8,699
Provisions for inventory losses	**(176,515)**	(68,939)	**(195,848)**	(69,793)
Total	**3,509,334**	2,790,726	**3,801,763**	2,810,248

As at December 31, 2019, the Company had inventories of goods for resale given in guarantee of legal proceedings, under execution, in the approximate amount of R$ 30,810 (R$ 30,761 as at December 31, 2018).

Changes in the provision for inventory loss are demonstrated below:

	Parent Company		Consolidated	
	2019	2018	2019	2018
Opening balance	**(68,939)**	(56,036)	**(69,793)**	(56,552)
Formation of provision	**(266,558)**	(44,203)	**(266,861)**	(44,541)
Addition for acquisition of subsidiary	**-**	-	**(60,129)**	-
Inventory written-off or sold	**158,982**	31,300	**200,935**	31,300
Closing balance	**(176,515)**	(68,939)	**(195,848)**	(69,793)

11. Related parties

Company	Assets (Liabilities)				Income (loss)			
	Parent Company		Consolidated		Parent Company		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
Luizacred (i)								
Commissions for services rendered	**15,635**	10,176	**15,635**	10,176	**199,309**	162,544	**199,309**	162,544
CDC	**373**	3,439	**373**	3,439	**-**		**-**	
Credit card	**269,485**	106,687	**269,485**	106,687	**(262,817)**	(232,550)	**(262,817)**	(232,550)
Transfer of receivables	**(75,668)**	(58,367)	**(75,668)**	(58,367)	**-**	-	**-**	-
Dividends receivable	**14,274**	1,322	**14,274**	1,322	**-**	-	**-**	-
Reimbursement of shared expenses	**7,830**	12,221	**7,830**	12,221	**95,447**	73,816	**95,447**	73,816
	231,929	75,478	**231,929**	75,478	**31,939**	3,810	**31,939**	3,810
Luizaseg (ii)								
Commissions for services rendered	**49,712**	46,825	**49,712**	46,825	**417,371**	352,252	**417,371**	352,252
Dividends receivable	**5,638**	4,976	**5,638**	4,976	**-**	-	**-**	-
Transfer of receivables	**(66,420)**	(55,600)	**(66,420)**	(55,600)	**-**	-	**-**	-
Clawback - exclusivity agreement	**-**	(4,282)	**-**	(4,282)	**-**	-	**-**	-
	(11,070)	(8,081)	**(11,070)**	(8,081)	**417,371**	352,252	**417,371**	352,252
Total jointly-controlled Subsidiaries	**220,859**	67,397	**220,859**	67,397	**449,310**	356,062	**449,310**	356,062
Luiza Administradora de Consórcio ("LAC") (iii)								
Commissions for services rendered	**1,078**	1,286	**-**	-	**14,747**	12,413	**-**	-
Dividends receivable	**2,610**	2,093	**-**	-	**-**	-	**-**	-
Consortium groups	**(1,060)**	(1,063)	**(1,060)**	(1,063)	**-**	-	**-**	-
	2,628	2,316	**(1,060)**	(1,063)	**14,747**	12,413	**-**	-
Campos Floridos "Época" (iv)								
Commissions for services rendered	**222**	66	**-**	-	**397**	360	**-**	-
Donatelo – "Integra Commerce" (v)								
Reimbursement of shared expenses	**-**	-	**-**	-	**-**	148	**-**	-
Magalu Log Serviços Logísticos "Magalog" (vi)								
Amounts receivable	**49**	-	**-**	-	**-**		**-**	-
Freight expenses	**-**	-	**-**	-	**(26,249)**	(1,929)	**-**	-
	49	-	**-**	-	**(26,249)**	(1,929)	**-**	-
Total Subsidiaries	**2,899**	2,382	**(1,060)**	(1,063)	**(11,105)**	10,992	**-**	-
MTG Adm., Asses. e Partic. S.A. (vii)								
Rent and other expenses	**(1,262)**	(1,222)	**(1,269)**	(1,225)	**(24,822)**	(23,573)	**(24,822)**	(23,616)
PJD Agropastoril Ltda. (viii)								
Rent, freight and other expenses	**(32)**	(31)	**(57)**	(58)	**(2,673)**	(2,607)	**(2,673)**	(2,969)
LH Agrop., Adm. de Partic. Ltda. (ix)								
Rentals	**(127)**	(77)	**(127)**	(77)	**(1,622)**	(911)	**(1,622)**	(911)
ETCO - Sociedade em Conta de Participação (x)								
Agencing fee	**-**	-	**-**	-	**(6,764)**	(6,229)	**(6,764)**	(6,229)
Marketing expenses	**(436)**	(167)	**(436)**	(167)	**(216,891)**	(200,612)	**(216,891)**	(200,612)
	(436)	(167)	**(436)**	(167)	**(223,655)**	(206,841)	**(223,655)**	(206,841)
Total other related parties	**(1,857)**	(1,497)	**(1,889)**	(1,527)	**(252,772)**	(233,932)	**(252,772)**	(234,337)
Total related parties	**221,901**	68,282	**217,910**	64,807	**185,433**	133,122	**196,538**	121,725

Reconciliation	Parent Company		Consolidated	
	2019	2018	2019	2018
Accounts receivable from related parties	**373,995**	193,635	**370,036**	190,190
Accounts payable to related parties	**(152,094)**	(125,353)	**(152,126)**	(125,383)
Total	**221,901**	68,282	**217,910**	64,807

Other related parties: Securities	Assets (Liabilities)				Income (loss)			
	Parent Company		Consolidated		Parent Company		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018
Investment funds (xi)	**4,434,049**	397,656	**4,434,049**	397,656	**29,428**	17,992	**29,428**	17,992

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

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

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

(c) Commissions on services rendered monthly by the Company, including attracting new customers, management and administration of consumer credit transactions, control and collection of financing granted, indication of insurance linked to financial services and products. Access to telecommunication systems and network, in addition to filing and availability of physical space at sales outlets. 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-controlled subsidiary with NCVP Participações Societárias S.A., a subsidiary of Cardif do Brasil Seguros e Previdência S.A., arise from commissions on services rendered monthly 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, on the month following the sale. In 2018 a balance payable was registered resulting from the "clawback" of the exclusivity agreement signed in 2015 (Note 20).

(iii) The amounts receivable (current assets) from LAC refer to proposed dividends, commissions for sales made by the Parent Company as an agent for consortium operations. The amounts payable (current liabilities) refer to transfers to be made to LAC relating to consortium installments received by the Parent Company through cashiers at sales outlets.

(iv) Transactions with Campos Floridos refer to the cost of acquisition of goods for resale and also sales commissions through the Parent Company's *Marketplace* platform.

(v) Transactions with Donatelo - "Integra Commerce" refer to the reimbursement of shared expenses.

(vi) Transactions with Magalu Log Serviços Logísticos "Magalog" refer to freight expenses.

(vii) Transactions with MTG Administração, Assessoria e Participações S.A. ("MTG"), controlled by the same controlling companies of the Company, refer to expenses with the rental of commercial buildings for establishing its stores, as well as distribution centers and central office and reimbursement of expenses.

(viii) 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, truck rental for freight of goods and expenses with kitchen and pantry.

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

(x) 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

(xi) 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 8 – Securities).

Additionally, the Company took part in transactions involving Luiza Factoring Fomento Mercantil Ltda., a company controlled by the Company's indirect controlling parties, which operates advancing receivables from certain suppliers. With this operation, the Company settles the security initially traded with its suppliers with Luiza Factoring, which in turn, advances payment to said suppliers. Transactions carried out in 2019 totaled R$ 152,452 in the parent company and R$ 154,323 in consolidated; all transactions with the Parent Company were settled until the end of the year. In Consolidated, the outstanding balance totals R$ 1,871.

b) Management compensation

	2019		2018	
	Board of Directors	Executive Officers	Board of Directors	Executive Officers
Fixed and variable compensation	**4,586**	**37,986**	3,833	25,264
Share-incentive plan	**94**	**37,025**	94	4,913

The Company does not grant post-employment benefits, severance benefits or other long-term benefits. Short-term benefits for the statutory executive board are the same of the other employees of the Company, and certain eligible employees are beneficiaries of an incentive plan linked to shares, as mentioned in Note 26. 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. On April 12, 2019 in an Ordinary and Extraordinary Meeting the management's overall remuneration (Board of Directors and Executive Officers) was approved for the year ending December 31, 2019, where a maximum limit for management's overall remuneration was established at R$ 65,285 (R$ 28,480 as at December 31, 2018).

12. Recoverable taxes

	Parent Company		Consolidated	
	2019	2018	2019	2018
ICMS recoverable (a)	**706,857**	411,267	**750,068**	411,267
IRPJ and CSLL recoverable	**5,017**	8,718	**8,764**	10,544
IRRF recoverable	**5,956**	642	**6,140**	749
PIS and COFINS recoverable (b)	**1,097,269**	27,230	**1,227,982**	29,242
Other	**2,514**	2,513	**8,980**	2,513
	1,817,613	450,370	**2,001,934**	454,315
Current assets	**777,929**	299,746	**864,144**	303,691
Non-current assets	**1,039,684**	150,624	**1,137,790**	150,624

(a) Refer to accumulated credits of own ICMS and by tax substitution, arising from the adoption of diversified rates in operations of inflow and outflow of interstate goods. These credits will be realized by refund request and offset against debts of same nature with the states of origin of the credit.

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

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

The offset of the credits occurs as homologation via administrative procedures before the Federal Revenue Service.

13. Income tax and social contribution

Accounting policy

The income tax and social contribution, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 thousand for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carryforward and negative basis of social contribution, limited to 30% of the taxable income for the year.

Current tax

Income taxes are recognized in the income (loss) for the year. Provisions for income tax and social contribution are calculated individually by the businesses belonging to the Company based on the rates in effect at the end of the years.

Government grants for investment are recognized as reducers of sales taxes, whenever there is reasonable certainty that the benefit will be received and all corresponding conditions will be met.

Deferred tax

Deferred income tax and social contribution ("deferred taxes") are recognized on the temporary differences between the balances of assets and liabilities recognized in the financial statements and the respective tax bases employed to arrive at taxable income, including the balance of tax losses and negative basis of social contribution not subject to prescription. Deferred tax liabilities are usually recognized on all taxable temporary differences, and deferred tax assets are recognized on all deductible temporary differences, only when it is probable that the future taxable basis will be in sufficient amount to use these deductible temporary differences.

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

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

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

	Parent Company		Consolidated	
	2019	2018	2019	2018
Income before income tax and social contribution	**1,215,384**	785,237	**1,218,150**	786,863
Prevailing statutory rate	**34%**	34%	**34%**	34%
Expected income tax and social contribution debits at statutory rates	**(413,231)**	(266,981)	**(414,171)**	(267,533)
Reconciliation to effective rate (effects of application of tax rates):				
Exclusion – equity in net income of subsidiaries	**27,108**	21,026	**9,046**	19,637
Effect of interest on own capital payable	**57,800**	38,080	**57,800**	38,080
Effect of government grant (i)	**18,597**	28,217	**18,597**	28,217
Effect of technological innovation	**21,599**	6,002	**21,599**	6,002
Effect of interest on own capital receivable	**-**	(9,265)	**-**	(9,265)
Non-taxable Income - Netshoes (ii)	**-**	-	**15,898**	-
Other permanent exclusions, net	**(5,429)**	(4,887)	**(5,091)**	(4,572)
Income tax and social contribution debit	**(293,556)**	(187,808)	**(296,322)**	(189,434)
Current	**(119,299)**	(128,640)	**(125,241)**	(132,913)
Deferred	**(174,257)**	(59,168)	**(171,081)**	(56,521)
Total	**(293,556)**	(187,808)	**(296,322)**	(189,434)
Effective rate	**24.2%**	23.9%	**24.3%**	24.1%

i. The Company has grant for investment, granted by some government entities where it operates, as ICMS presumed credits. Government grants are recorded in the statement of income for the year under "net sales" caption. Until the end of 2019 and 2018, the Company met all requirements of grant terms, such as fulfillment of tax obligations, maintenance of the jobs agreed upon, minimum revenue and maintenance of the logistical structure with appropriate physical space for storage of goods in the granting government entity.

ii. The subsidiary Netshoes has tax losses for the year. However, it recorded net income for the post-acquisition period, in view of the recognition of the tax credits described in Note 12. Accordingly, the taxable income for the period is being reconciled for better presentation.

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

	Parent Company			Consolidated			
	Balance 12/31/2018	Income (loss)	Balance at 12/31/2019	Balance 12/31/2018	Income (loss)	From business combination	Balance at 12/31/2019
Deferred income tax and social contribution on:							
Tax loss carryforwards and negative basis of social contribution	56,140	**(29,358)**	**26,782**	62,004	**(24,565)**	**-**	**37,439**
Allowance for doubtful accounts	24,993	**6,711**	**31,704**	24,993	**6,711**	**-**	**31,704**
Provision for inventory losses	23,439	**36,576**	**60,015**	23,729	**36,589**	**-**	**60,318**
Provision for adjustments to present value	8,906	**(3,948)**	**4,958**	8,906	**(3,948)**	**-**	**4,958**
Provision for tax, civil and labor risks	113,426	**86,360**	**199,786**	116,796	**82,990**	**71,735**	**271,521**
Temporary difference - intangible asset	(41,679)	**-**	**(41,679)**	(41,679)	**-**	**(107,053)**	**(148,732)**
Judicial deposits	(31,134)	**17,779**	**(13,355)**	(31,134)	**17,779**	**-**	**(13,355)**
Deferred tax credits (Note 12)	-	**(343,673)**	**(343,673)**	-	**(343,673)**	**-**	**(343,673)**
Other provisions	17,397	**54,340**	**71,737**	17,397	**56,092**	**-**	**73,489**
Deferred income tax and social contribution in assets (liabilities)	171,488	**(175,213)**	**(3,725)**	181,012	**(172,025)**	**(35,318)**	**(26,331)**

	Parent Company				Consolidated				
	Balance at 12/31/2017	Income (loss)	Adoption of IFRS	Balance 12/31/2018	Balance at 12/31/2017	Income (loss)	Adoption of IFRS	From business combination	Balance 12/31/2018
Deferred income tax and social contribution on:									
Tax loss carryforwards and negative basis of social contribution	113,917	(57,777)	-	56,140	117,253	(55,249)	-	-	62,004
Allowance for doubtful accounts	14,508	5,478	5,007	24,993	14,508	5,478	5,007	-	24,993
Provision for inventory losses	19,052	4,387	-	23,439	19,229	4,500	-	-	23,729
Provision for adjustments to present value	8,648	258	-	8,906	8,671	235	-	-	8,906
Provision for tax, civil and labor risks	101,027	12,399	-	113,426	101,235	12,463	-	3,098	116,796
Exchange-rate changes	4,683	(4,683)	-	-	4,683	(4,683)	-	-	-
Amortization of intangible assets	(41,679)	-	-	(41,679)	(41,679)	-	-	-	(41,679)
Judicial deposits	(8,996)	(22,138)	-	(31,134)	(8,996)	(22,138)	-	-	(31,134)
Other provisions	8,161	2,908	6,328	17,397	8,196	2,873	6,328	-	17,397
Deferred income tax and social contribution in assets (liabilities)	219,321	(59,168)	11,335	171,488	223,100	(56,521)	11,335	3,098	181,012

Breakdown of deferred income tax and of social contribution per company

	Balance 12/31/2018	Deferred assets	Deferred liabilities	Balance at 12/31/2019
Magazine Luiza	171,488	**-**	**(3,725)**	**(3,725)**
Netshoes	-	**-**	**(35,318)**	**(35,318)**
Consórcio Luiza	272	**585**	**-**	**585**
Season	6,154	**8,651**	**-**	**8,651**
Magalog	-	**378**	**-**	**378**
Softbox	3,098	**3,098**	**-**	**3,098**
	181,012	**12,712**	**(39,043)**	**(26,331)**

The balance of deferred income tax and social contribution assets recorded is limited to amounts whose realization is supported by projections of future tax bases, approved by Management. The expectation of realization of deferred income tax and social contribution on December 31, 2019 is as follows:

Year of realization	Parent Company	Consolidated
2020	27,186	41,751
2021	(78,483)	(65,973)
2022	(13,192)	(682)
2023	27,996	40,506
>2024	32,768	(41,933)
	(3,725)	**(26,331)**

c) Deferred income tax and social contribution not formed

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

14. Investments in subsidiaries

a. Business combination

Accounting policy

Business combinations are recorded using the acquisition method when control is transferred to the Company. The consideration transferred is usually measured at fair value, as well as the identifiable net assets acquired. Any goodwill arising in the transaction is tested annually for impairment. If the payment is classified as an equity instrument, it is not remeasured and the liquidation is recorded in shareholders' equity. The remaining contingent consideration is measured at fair value on each reporting date, and subsequent changes in fair value are recorded in the statement of income for the year. Transaction costs are recorded in profit or loss as incurred, except the costs related to the issue of debt or equity instruments. Transferred consideration does not include amounts referring to payment of pre-existing relations. These amounts are usually recognized in income for the year. Any contingent consideration payable is measured at its fair value on acquisition date.

Softbox Group

As at December 13, 2018, the Company acquired full control of companies Softbox Sistemas de Informação, Certa Administração and Kelex Tecnologia, which are together called “Softbox Group” or only “Softbox”.

At acquisition date, Softbox had 256 employees, of which 174 developers and IT specialists, providing solutions for retail companies and for the consumer goods industry willing to sell their products to their end consumers via internet. The vast majority of the Brazilian companies are not yet within the digital world, without access to any marketplace. With the acquisition of Softbox, the Company will support the transformation of analogic into digital companies.

Consideration transferred

Acquisition was carried out at the amount of R$ 43,561, divided into three payment methods: i) R$ 13,950 fully paid in the “closing” of the acquisition process; ii) R$ 13,950 to be paid over 5 years; and iii) R$ 15,661 to be paid in 5 years upon assignment of Company’s shares or funds immediately available in the event that it is not possible to assign the shares, provided that the number of shares will be determined at acquisition date.

Assets acquired and liabilities assumed at the acquisition date:

An analysis was conducted by an independent expert within the term defined in CPC 15 – Business Combination to make the acquisition and segregate the goodwill, using the financial statements at the time of the acquisition for determination of the purchase price. The Company previously presented the fair value allocation in 2018. In 2019, the Company is stating the definitive amounts, in view of the completion of the analyses prepared by the expert.

	Softbox	Allocation	Fair value
Current assets	9,527	-	9,527
Intangible assets - Software (a)	8	9,900	9,908
Intangible assets - Client base (b)	-	5,300	5,300
Intangible assets - Workforce (c)	-	4,050	4,050
Intangible assets - Trademark (d)	-	1,280	1,280
Other non-current assets	2,894	3,098	5,992
	12,429	23,628	36,057
Current liabilities	7,633	-	7,633
Provision for tax risks (e)	-	9,111	9,111
	7,633	9,111	16,744
Total identifiable assets, net	4,796	14,517	19,313

Valuation techniques for the acquired assets

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

a) Software: Multi-Period Excess Earning Method (MPEEM). MPEEM measures the present value of future earnings to be generated over the remaining useful life of a given asset. A 5-year period was considered as the expected useful life of this item.

b) Client portfolio: using the With or Without income method. This methodology is commonly used to assess this type of intangible asset and calculates the difference in future cash flow generation between two scenarios, one with the customer portfolio and one hypothetical scenario without this asset. A 4-year period was considered as the expected useful life of this item.

c) Workforce: using the replacement cost method.

d) Brand: using the Relief-from-Royalty method, which captures the economies of royalties related to owning the brand, instead of obtaining a license to use it. The useful life of this item is undetermined.

e) Tax risks subject to inquiries from tax authorities. Management believes that the likelihood of an outflow of funds is probable.

Goodwill on acquisition

Consideration transferred	43,561
Fair value of shareholders' equity	(19,313)
Goodwill on acquisition	24,248

The goodwill from the acquisition totals R$ 24,248, including the difference paid by the Company in relation to the fair value of the assets of the acquirees. This refers mainly to the abilities and technical skills of the labor force of Softbox Group, and the expected synergies from the integration of the entity with the existing business of the Company.

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

Netshoes

As at June 14, 2019, the Company completed the acquisition of all shares, which also include all the voting capital of Netshoes Group's companies ("Netshoes"). Established in 2000, Nethoes is a leading online retailer of clothes, shoes and sports articles with 5.8 million active customers and renowned brands, such as Netshoes, Zattini, and Shoestock. The acquisition represents a significant step towards the exponential growth strategy of the Company, increasing the online customer base and the purchase frequency. This also represents a milestone in entering new categories with high growth potential. The acquisition amounted to R$ 453,247, fully paid at the transaction's closing date. The Company incurred costs with experts' fees related to the acquisition in the amount of approximately R$ 30,830, recorded in the caption "Other operating revenues, net" (note 27).

<u>Assets acquired and liabilities assumed at the acquisition date:</u>

An analysis was conducted by an independent expert within the term defined in CPC 15 – Business Combination to allocate the purchase price and segregate the goodwill, using the financial statements at the time of the acquisition for determination of the purchase price.. The net assets acquired are as follows:

	Netshoes	Allocation	Fair value
Current assets	**448,019**	**(8,567)**	**439,452**
Property, plant and equipment (a)	**73,570**	**16,243**	**89,813**
Intangible assets - Client base (b)	**-**	**175,900**	**175,900**
Intangible assets - Trademark (c)	**14,002**	**101,998**	**116,000**
Intangible assets - Software (d)	**126,954**	**4,423**	**131,377**
Intangible assets - Workforce (e)	**-**	**16,297**	**16,297**
Other intangible assets	**627**	**-**	**627**
Other non-current assets (g)	**235,513**	**57,569**	**293,082**
	898,685	**363,863**	**1,262,548**
Current liabilities	**736,673**	**-**	**736,673**
Provision for risks (f)	**30,372**	**210,986**	**241,358**
Other non-current liabilities (g)	**210,935**	**107,053**	**317,988**
	977,980	**318,039**	**1,296,019**
Total identifiable assets, net	**(79,295)**	**45,824**	**(33,471)**

(a) Property, plant and equipment: the valuation technique used was the comparison of market and cost technique which considers the market prices for similar items, when available, and the depreciated replacement cost, when appropriate. Allocation related mainly to the surplus of Leasehold Improvements;

(b) Client portfolio: using the With or Without income method. This methodology is commonly used to assess this type of intangible asset and calculates the difference in future cash flow generation between two scenarios, one with the customer portfolio and one hypothetical scenario without this asset. The intangibles of the customer portfolio arise from the company's relationship with its customers representing a stable and recurrent source of income. A 6-year period was considered as the expected useful life of this item.

(c) Brand: using the Relief-from-Royalty method, which captures the economies of royalties related to owning the brand, instead of obtaining a license to use it. Allocation related to the strength of Netshoes, Zattini, and Shoestock brands. The useful life of this item is undetermined.

(d) Software: Multi-Period Excess Earning Method (MPEEM). MPEEM measures the present value of future earnings to be generated over the remaining useful life of a given asset. Allocation related mainly to software developed internally in Netshoes Group, vital for the operation. A 10-year period was considered as the expected useful life of this item.

(e) Allocation determined mainly by the cost of replacement of the existing labor force in the acquired entity;

(f) Netshoes Group has tax risks subject to inquiries from tax authorities. Management believes that the likelihood of an outflow of funds is probable;

(g) The allocation refers to deferred income tax assets related to tax risks identified and liability on allocation of the intangibles mentioned above.

Goodwill on acquisition

Consideration transferred - A	453,247
Fair value of shareholders' equity - B	(33,471)
Goodwill on acquisition - (A-B)	486,718

The goodwill from the acquisition totals R$ 486,718, including the difference paid by the Company in relation to the fair value of the assets of the acquirees. It is mainly attributed to the expected synergies with the integration of the entity to the existing business of the Company. This recognized goodwill may have the tax treatment provided for by the applicable legislation.

Incorporated revenues and revenues

In the year ended December 31, 2019, the Company consolidated the net revenue and net revenue amounts for the period from June 14 to December 31, 2019 arising from the acquisition, totaling R$ 1,080,034 and R$ 46,758, respectively. It is worth highlighting that this income (loss) is impacted by the recognition of tax credits related to the exclusion of ICMS in the PIS and COFINS calculation basis, as shown in Note 12. If the acquisition date were at the beginning of the reporting period, such amounts would refer to net revenue of R$ 1,701,808 and a net loss of R$ 192,430.

b. Changes in investments in subsidiaries

Changes in investments in subsidiaries, in individual financial statements are as follows:

Information of the subsidiaries

Investment position	Consórcio Luiza	Época Cosméticos	Integra Commerce	Magalu Log	Softbox	Kelex	Certa	Netshoes	Magalu Pagamentos
	2019	2019	2019	2019	2019	2019	2019	2019	2019
Quotas/shares held	6,500	12,855	100	16,726	5,431	100	100	31,056,244	2,000,000
Equity interest	100%	100%	100%	100%	100%	100%	100%	100%	100%
Current assets	56,474	68,735	389	28,936	8,076	227	117	530,943	2,800
Non-current assets	4,874	11,791	451	869	5,849	-	-	520,277	-
Current liabilities	14,336	64,055	19	23,476	7,599	3	32	693,202	808
Non-current liabilities	2,640	-	-	-	-	-	-	121,656	-
Capital	6,500	34,405	4,156	8,051	8,500	100	100	260,745	2,000
Shareholders' equity	44,372	16,471	821	6,329	6,326	224	85	236,362	1,992
Net revenue	84,756	198,138	111	23,250	34,477	162	-	1,080,034	74
Net income (loss)	10,440	(4,852)	(320)	(734)	(2,226)	35	(7)	46,758	(8)

Change	Consórcio Luiza	Época Cosméticos	Integra Commerce	Magalu Log	Softbox	Kelex	Certa	Netshoes	Magalu Pagamentos
	2019	2019	2019	2019	2019	2019	2019	2019	2019
Opening balances	36,542	57,077	2,861	8,373	40,399	974	477	-	-
Advance for future capital increase	-	5,800	300	6,400	-	-	-	260,500	2,000
Investments in subsidiaries	-	-	-	-	-	-	-	453,247	-
Acquisition pricing adjustment	-	-	-	-	1,711	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	902	-
Stock option plan	-	-	-	-	-	-	-	7,497	-
Dividends	(2,610)	-	-	-	-	-	-	-	-
Business combination	-	-	-	-	4,037	-	-	-	-
Equity in net income of subsidiaries	10,440	(4,852)	(320)	(734)	(2,226)	35	(7)	46,758	(8)
Balances at the end of the period	**44,372**	**58,025**	**2,841**	**14,039**	**43,921**	**1,009**	**470**	**768,904**	**1,992**

Investment position	Consórcio Luiza 2018	Época Cosméticos 2018	Integra Commerce 2018	Magalu Log 2018	Softbox 2018	Kelex 2018	Certa 2018
Quotas/shares held	6,500	12,855	100	16,726	5,431	100	100
Equity interest	100%	100%	100%	100%	100%	100%	100%
Current assets	48,378	43,540	122	1,390	9,306	191	120
Non-current assets	3,723	9,417	1,055	70	2,914	-	-
Current liabilities	13,047	37,434	335	796	4,789	2	28
Non-current liabilities	2,512	-	-	-	1,822	-	-
Capital	6,500	28,605	3,856	1,651	6,447	100	100
Shareholders' equity	36,542	15,523	842	664	5,609	189	92
Net revenue	71,251	127,098	306	2,762	-	-	-
Net income (loss)	8,814	(1,351)	(2,102)	(1,277)	-	-	-

Change	Consórcio Luiza 2018	Época Cosméticos 2018	Integra Commerce 2018	Magalu Log 2018	Softbox 2018
Opening balances	29,821	46,577	2,132	-	-
Advance for future capital increase	-	11,851	2,831	1,650	-
Investments in subsidiaries	-	-	-	8,000	41,850
Dividends	(2,093)	-	-	-	-
Equity in net income of subsidiaries	8,814	(1,351)	(2,102)	(1,277)	-
Balances at the end of the period	36,542	57,077	2,861	8,373	41,850

c. Reconciliation of book value

Investment per company	SE	Goodwill	Goodwill	2019
Consórcio Magalu	**44,372**	**-**	**-**	**44,372**
Época Cosméticos	**16,471**	**36,827**	**4,727**	**58,025**
Integra Commerce	**821**	**-**	**2,020**	**2,841**
Magalu Log	**6,329**	**3,756**	**3,954**	**14,039**
Softbox	**6,326**	**23,078**	**14,517**	**43,921**
Kelex	**224**	**785**	**-**	**1,009**
Certa	**85**	**385**	**-**	**470**
Netshoes	**236,362**	**486,718**	**45,824**	**768,904**
Magalu Bank	**1,992**	**-**	**-**	**1,992**
Total	**312,982**	**551,549**	**71,042**	**935,573**

Investment per company	SE	Goodwill	Goodwill	2018
Consórcio Magalu	36,542	-	-	36,542
Época Cosméticos	15,523	36,827	4,727	57,077
Integra Commerce	841	-	2,020	2,861
Magalu Log	663	3,756	3,954	8,373
Softbox	(125)	-	41,975	41,850
Total	53,444	40,583	52,676	146,703

15. Investments in jointly-controlled subsidiaries

Accounting policy

The investment in a joint venture is initially recognized at cost. As of acquisition date, the book value of the investment is adjusted for recognizing changes in the Company's interest in the joint venture's shareholders' equity.

The statement of income reflects the Company's interest in the operating results of the joint venture. Any change in other comprehensive income of these investees is presented as part of the Company's other comprehensive income. Furthermore, when there is a change recognized directly in the shareholders' equity of the joint venture, the Company will recognize its interest in any changes, when applicable, in the statement of changes in shareholders' equity. Unrealized gains and losses arising from transactions between the Company and the joint venture are eliminated in proportion to the interest in joint venture.

Financial statements of joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made so that the accounting policies are aligned with those of the Company.

After applying the equity accounting method, the Company determines whether it is necessary to recognize additional impairment on the investment in its joint venture. The Company determines, at each balance sheet closing date, if there is objective evidence that investment in the joint venture suffered impairment loss. If so, the Company calculates the amount of impairment loss as the difference between the recoverable value of joint venture and the book value and recognizes the loss in the statement of income. The Company did identify objective evidence to recognize impairment in 2019 and 2018.

	Luizacred (a)		Luizaseg (b)	
	2019	2018	2019	2018
Total shares – in thousands	1,054	1,054	133,883	133,883
Direct equity interest	50%	50%	50%	50%
Current assets	**9,686,106**	7,447,394	**231,400**	233,745
Non-current assets	**1,499,986**	854,518	**450,102**	349,992
Current liabilities	**10,445,936**	7,560,045	**305,904**	238,613
Non-current liabilities	**149,214**	165,347	**134,598**	117,549
Capital	**400,000**	371,102	**133,884**	133,883
Shareholders' equity	**590,942**	576,520	**241,000**	227,575
Net revenues	**2,568,222**	2,002,175	**564,582**	474,950
Net income for the year	**40,326**	87,650	**47,476**	41,924

Changes in investments	Luizacred 2019	Luizacred 2018	Luizaseg 2019	Luizaseg 2018
Opening balances	**288,260**	293,574	**20,202**	17,773
Proposed dividends	**(12,952)**	(22,323)	**(19,807)**	(11,768)
Other comprehensive income	**-**	-	**2,781**	265
First-time adoption IFRS 9	**-**	(56,816)	**-**	-
Capital increase	**-**	30,000	**-**	-
Unrealized profit	**-**	-	**(17,294)**	(7,030)
Equity in net income of subsidiaries	**20,163**	43,825	**23,738**	20,962
Closing balances	**295,471**	288,260	**9,620**	20,202

Total investments in jointly-controlled subsidiaries

	2019	2018
Luizacred (a)	**295,471**	288,260
Luizaseg (b)	**120,500**	113,788
Luizaseg - Unrealized profits (c)	**(110,880)**	(93,586)
Total investments in jointly-controlled subsidiaries	**305,091**	308,462

(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. and is engaged in the supply, distribution and trade of financial products and services to customers at the Company's chain of stores.

(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., and is engaged in the development, sale and administration of extended warranties for any type of product sold in Brazil through the Parent Company's chain of stores.

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

16. Property, plant and equipment

Accounting policy

Property, plant and equipment is stated at cost of acquisition or construction, less the respective accumulated depreciations , except land and construction in progress, plus interests incurred and capitalized during the construction phase of assets, when applicable. Depreciation is recognized so as to fully write off their residual values of each asset or family of assets over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are annually reviewed, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits that arise from the continued use of the asset. Gains or losses in sale or write-off are recognized in income (loss) when incurred.

Accounting policy on impairment of fixed assets is described in Note 3.2.

Changes in property, plant and equipment during the years ended December 31, 2019 and 2018 were as follows:

a) *Parent Company*

	Balance 12/31/2018	Additions	Depreciation	Write-offs	Transfer	Transfer - IFRS 16	Balance at 12/31/2019
Furniture and fixtures	**126,895**	**63,062**	**(24,432)**	**(697)**	**1,397**	**-**	**166,225**
Machinery and equipment	**84,228**	**51,049**	**(7,461)**	**(327)**	**84**	**-**	**127,573**
Vehicles	**17,706**	**4,924**	**(2,642)**	**(625)**	**(79)**	**(8,495)**	**10,789**
Computers and peripherals	**62,886**	**50,240**	**(23,845)**	**(280)**	**823**	**-**	**89,824**
Improvements	**327,930**	**213**	**(36,343)**	**(40)**	**195,858**	**-**	**487,618**
Works in progress	**108,457**	**175,697**	**-**	**(267)**	**(196,037)**	**-**	**87,850**
Other	**21,361**	**7,661**	**(4,107)**	**(376)**	**(2,046)**	**-**	**22,493**
	749,463	**352,846**	**(98,830)**	**(2,612)**	**-**	**(8,495)**	**992,372**

	Balance at 01/01/2018	Additions	Depreciation	Write-offs	Transfer	Balance 12/31/2018
Furniture and fixtures	94,113	49,296	(19,108)	(646)	3,240	126,895
Machinery and equipment	67,920	21,975	(5,591)	(158)	82	84,228
Vehicles	11,073	10,225	(3,532)	(60)	-	17,706
Computers and peripherals	38,606	40,728	(16,361)	(122)	35	62,886
Improvements	333,311	-	(53,204)	(10)	47,833	327,930
Works in progress	8,251	150,438	-	(311)	(49,921)	108,457
Other	13,811	11,869	(2,960)	(90)	(1,269)	21,361
	567,085	284,531	(100,756)	(1,397)	-	749,463

	2019			2018		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Furniture and fixtures	**306,354**	**(140,129)**	**166,225**	246,549	(119,654)	126,895
Machinery and equipment	**174,906**	**(47,333)**	**127,573**	124,261	(40,033)	84,228
Vehicles	**27,762**	**(16,973)**	**10,789**	41,957	(24,251)	17,706
Computers and peripherals	**258,470**	**(168,646)**	**89,824**	208,843	(145,957)	62,886
Improvements	**915,405**	**(427,787)**	**487,618**	719,399	(391,469)	327,930
Works in progress	**87,850**	**-**	**87,850**	108,457	-	108,457
Other	**42,708**	**(20,215)**	**22,493**	37,517	(16,156)	21,361
	1,813,455	**(821,083)**	**992,372**	1,486,983	(737,520)	749,463

b) Consolidated

	Balance 12/31/2018	Additions	Addition for acquisition of subsidiary	Depreciation	Write-offs	Transfer	Transfer - IFRS 2016	Balance at 12/31/2019
Furniture and fixtures	**126,911**	**63,076**	**3,630**	**(24,747)**	**(697)**	**1,516**	**-**	**169,689**
Machinery and equipment	**84,228**	**51,053**	**28,051**	**(9,042)**	**(377)**	**311**	**-**	**154,224**
Vehicles	**17,706**	**5,023**	**37**	**(2,694)**	**(625)**	**2**	**(8,495)**	**10,954**
Computers and peripherals	**62,972**	**50,644**	**7,699**	**(25,421)**	**(297)**	**1,250**	**-**	**96,847**
Improvements	**327,930**	**391**	**33,064**	**(45,683)**	**(173)**	**196,863**	**-**	**512,392**
Works in progress	**108,457**	**177,015**	**1,089**	**-**	**(267)**	**(196,037)**	**-**	**90,257**
Other	**26,049**	**8,852**	**16,243**	**(4,522)**	**(376)**	**(3,905)**	**-**	**42,341**
	754,253	**356,054**	**89,813**	**(112,109)**	**(2,812)**	**-**	**(8,495)**	**1,076,704**

	Balance at 12/01/2018	Additions	Addition for acquisition of subsidiary	Depreciation	Write-offs	Transfer	Balance 12/31/2018
Furniture and fixtures	94,129	49,298	-	(19,110)	(646)	3,240	126,911
Machinery and equipment	67,922	21,975	-	(5,591)	(160)	82	84,228
Vehicles	11,073	10,225	-	(3,532)	(60)	-	17,706
Computers and peripherals	38,659	40,770	-	(16,370)	(122)	35	62,972
Improvements	333,311	-	-	(53,204)	(10)	47,833	327,930
Works in progress	8,251	150,438	-	-	(311)	(49,921)	108,457
Other	15,682	12,366	2,687	(3,325)	(92)	(1,269)	26,049
	569,027	285,072	2,687	(101,132)	(1,401)	-	754,253

	2019			2018		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Furniture and fixtures	**312,735**	**(143,046)**	**169,689**	246,567	(119,656)	126,911
Machinery and equipment	**215,280**	**(61,056)**	**154,224**	124,261	(40,033)	84,228
Vehicles	**28,153**	**(17,199)**	**10,954**	41,957	(24,251)	17,706
Computers and peripherals	**285,748**	**(188,901)**	**96,847**	208,940	(145,968)	62,972
Improvements	**976,809**	**(464,417)**	**512,392**	719,399	(391,469)	327,930
Works in progress	**90,257**	**-**	**90,257**	108,457	-	108,457
Other	**64,147**	**(21,806)**	**42,341**	44,596	(18,547)	26,049
	1,973,129	**(896,425)**	**1,076,704**	1,494,177	(739,924)	754,253

As of December 31, 2019, the Company recorded R$ 510 (R$ 2,146 as of December 31, 2018), related to capitalized loan costs for the opening of new stores and acquisition of facilities and equipment. The average loan rate was used to calculate the loan costs eligible to be capitalized.

c) *Depreciation rates*

The annual depreciation rates are as follows:

	2019	2018
Furniture and fixtures	**10%**	10%
Machinery and equipment	**5%**	5%
Aircrafts	**5%**	5%
Light vehicles	**20%**	20%
Heavy vehicles	**14.3%**	14.3%
Computers and peripherals	**20%**	20%
Improvements	**8.1%**	7.6%

As of December 31, 2019, the Company had property, plant and equipment fully depreciated during operation in the amount of R$ 186,816 (R$ 154,632 on December 31, 2018). The Company has neither fixed assets idle nor held for sale.

d) *Asset impairment*

In the years presented, no events were identified indicating the need to perform calculations to evaluate the possible impairment of property, plant and equipment.

17. Intangible assets

Accounting policy

Intangible assets represented by amounts paid in the acquisition of new commercial points (goodwill) are amortized on a straight-line method over 10 years, a period that better reflects Management's estimate of the minimum period of stay in the rented property.

Goodwill determined in acquisition of investments are initially measured as being the excess of consideration transferred in relation to net assets acquired (acquired identifiable assets, net and assumed liabilities). After initial recognition, the goodwill, which has a undefined useful life, is carried at cost less any accumulated loss for the impairment losses as described in Note 3.2.

Software refers to the acquisition cost of the corporate management system, which has been amortized on a straight-line method over five years.

Research expenditures are recorded as expenses when incurred, and development expenditures linked to technological innovations of existing products are capitalized if they are technologically and economically feasible, and amortized over the expected period of benefits in the operating expenses group.. While such developments are not closed, balances are controlled in the group of “Projects in progress”.

Intangible assets acquired in a business combination are substantially related to goodwill determined in the acquisitions of investments. In the consolidated financial statements, the intangible assets acquired in a business combination and recognized separately from the premium are recorded by the fair value on the date of acquisition, which is equivalent to their cost.

An intangible asset is derecognized on disposal, or when there are no future economic benefits related and recognized in income (loss) when asset is written off.

Accounting policy on impairment of intangible assets is described in Note 3.2.

Changes in intangible assets during the years ended December 31, 2019 and 2018 were as follows:

a) Parent Company

	Balance 12/31/2018	Additions	Amortization	Write-offs	Transfer	Transfer - IFRS 16	Balance at 12/31/2019
Goodwill	313,856	-	-	-	-	-	313,856
Goodwill	22,345	-	-	-	-	(22,345)	-
Software	156,247	16,985	(59,405)	(2)	96,743	-	210,568
Projects in progress	8,972	90,165	-	(67)	(96,743)	-	2,327
Other	119	-	-	(1)	-	-	118
	501,539	107,150	(59,405)	(70)	-	(22,345)	526,869

	Balance at 01/01/2018	Additions	Amortization	Write-offs	Transfer	Balance 12/31/2018
Goodwill	313,856	-	-	-	-	313,856
Goodwill	27,334	74	(5,063)	-	-	22,345
Software	143,735	18,499	(55,992)	(7)	50,012	156,247
Projects in progress	1,067	57,917	-	-	(50,012)	8,972
Other	119	-	-	-	-	119
	486,111	76,490	(61,055)	(7)	-	501,539

	2019			2018		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Goodwill	325,451	(11,595)	313,856	325,451	(11,595)	313,856
Goodwill	25,988	(25,988)	-	139,479	(117,134)	22,345
Software	492,723	(282,155)	210,568	398,661	(242,414)	156,247
Projects in progress	2,327	-	2,327	8,972	-	8,972
Other	118	-	118	6,654	(6,535)	119
	846,607	(319,738)	526,869	879,217	(377,678)	501,539

b) Consolidated

	Balance 12/31/2018	Additions	Addition for acquisition o subsidiary	Amortization	Write-offs	Transfer	Transfer - IFRS 16	Balance at 12/31/2019
Goodwill	398,434	-	489,520	-	-	(20,529)	-	867,425
Goodwill	24,579	-	-	-	-	-	(22,345)	2,234
Client portfolio	-	-	175,900	-	-	-	-	175,900
Software	162,952	31,890	131,948	(82,569)	(2)	106,643	-	350,862
Projects in progress	8,972	90,165	-	-	(67)	(96,743)	-	2,327
Trademark and patents	3,649	-	116,056	-	-	1,280	-	120,985
Other	236	30	16,297	(16)	(1)	9,349	-	25,895
	598,822	122,085	929,721	(82,585)	(70)	-	(22,345)	1,545,628

	Balance at 01/01/2018	Additions	Addition for acquisition of parent company	Amortization	Write-offs	Transfer	Balance 12/31/2018
Goodwill	352,703	-	45,731	-	-	-	398,434
Goodwill	29,073	74	495	(5,063)	-	-	24,579
Software	146,011	21,317	3,108	(57,489)	(7)	50,012	162,952
Projects in progress	1,067	57,917	-	-	-	(50,012)	8,972
Trademark and patents	3,387	-	262	-	-	-	3,649
Other	119	26	97	(6)	-	-	236
	532,360	79,334	49,693	(62,558)	(7)	-	598,822

	2019			2018		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Goodwill	**879,020**	**(11,595)**	**867,425**	410,029	(11,595)	398,434
Goodwill	**28,222**	**(25,988)**	**2,234**	141,713	(117,134)	24,579
Client portfolio	**175,900**	**-**	**175,900**	-	-	-
Software	**777,351**	**(426,489)**	**350,862**	409,119	(246,167)	162,952
Projects in progress	**2,327**	**-**	**2,327**	8,972	-	8,972
Trademarks and patents	**121,487**	**(502)**	**120,985**	3,649	-	3,649
Other	**25,913**	**(18)**	**25,895**	6,429	(6,193)	236
	2,010,220	**(464,592)**	**1,545,628**	979,911	(381,089)	598,822

Expenses related to the amortization of intangible assets are recorded in the caption “Depreciation and amortization”, in result for the year.

Non-recoverability tests of goodwill and intangible assets

Goodwill and other intangible assets were submitted to devaluation test as of December 31, 2019 and 2018. Management prepared an estimate of recoverable values or values in use of all assets.

The non-recovery test for the goodwill in the acquisition of new chains of retail companies comprises the calculation of recoverable values of the Cash Generating Unit (CGU), which corresponds to the grouping of all chain stores acquired, which totaled R$ 313,856 in 2019 and 2018 and have already been incorporated.

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

	Rate (p.a.)
Discounted cash flow - discount rate before taxes	10.8% (1)
Average weighted growth rate in first five years.	4.8%
Perpetuity	3.5%

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

Future cash flow assumptions and growth perspective for CGU is based on the Company’s annual budget and on business plans for the next five years approved by the Board of Directors, as well as on comparable market data representing the best Management estimate regarding economic conditions prevailing during useful economic life of the group of assets generating cash flows. Based on tests carried out, the Company did not identify losses deriving from not recovering recorded goodwill.

18. Suppliers

	Parent Company		Consolidated	
	2019	2018	2019	2018
Goods for resale – domestic Market	**5,372,599**	4,022,357	**5,867,239**	4,050,931
Other suppliers	**67,258**	81,108	**99,698**	89,319
Adjustment to present value	**(26,311)**	(35,006)	**(32,060)**	(35,006)
Total suppliers	**5,413,546**	4,068,459	**5,934,877**	4,105,244

The Company has agreements signed with associated 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 security. The Bank, in turn, starts to receive the amount of the operation, and the Company settles the security 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 securities payable. This commission is registered as financial revenue.

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 December 31, 2019, the balance payable negotiated by suppliers, and with the acceptance of the Company, totaled R$ 1,389,804 (R$ 781,549 as at December 31, 2018) in parent company and R$ 1,432,179 (R$ 781,549 as at December 31, 2018) in consolidated.

Trade accounts 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.

19. Loans and financing

Description	Charges	Guarantees	Final maturity	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Debentures – 7th issue (a)	113.5% CDI	Clean	Mar 2020	**-**	306,545	**-**	306,545
Promissory notes – 3rd issue	112.0% CDI	Clean	May 2019	**-**	113,931	**-**	113,931
Promissory notes - 4th issue (b)	104.0% CDI	Clean	Jun 2021	**822,542**	-	**822,542**	-
Innovation financing - FINEP (c)	4% p.a.	Bank guarantee	Dec 2022	**22,215**	29,620	**22,215**	29,620
Expansion financing - BNB (d)	7% p.a.	Bank guarantee	Dec 2022	**2,203**	2,936	**2,203**	2,936
Other	113.5% CDI	Clean	Mar 2020	**94**	1,055	**1,869**	2,935
Total loans and financing				**847,054**	454,087	**848,829**	455,967
Current				**8,192**	130,685	**9,967**	130,743
Non-current				**838,862**	323,402	**838,862**	325,224

(a) The 7th issue of debentures was settled in advance in 2019.

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

(c) Refers to a financing contract signed with *Financiadora de Estudos e Projetos - FINEP*, with the purpose of investing in technological innovation research development 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).

Cash flow reconciliation of operating and financing activities

	Parent Company 2019	Parent Company 2018	Consolidated 2019	Consolidated 2018
Opening balance	454,087	871,498	455,967	871,498
Funding	**798,944**	-	**798,944**	-
From acquisition of subsidiary	**-**	-	**201,857**	1,880
Payment of principal	**(407,247)**	(412,590)	**(607,002)**	(412,590)
Interest payment	**(49,560)**	(53,157)	**(52,320)**	(53,157)
Accrued interest	**50,830**	49,714	**51,383**	49,714
Fair value hedge	**-**	(1,378)	**-**	(1,378)
Closing balance	**847,054**	454,087	**848,829**	455,967

Amortization schedule

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

Maturity	Parent Company	Consolidated
2020	**8,192**	**9,967**
2021	**796,437**	**796,437**
2022	**25,166**	**25,166**
2023	**17,259**	**17,259**
Total	**847,054**	**848,829**

Covenants

The Company has restrictive clauses (covenants) for the 4th issue of Promissory Notes, 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, interest earning bank deposits, 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) of extraordinary nature.

20. Deferred revenue

	Parent Company		Consolidated	
	2019	2018	2019	2018
Deferred revenue with third parties:				
Exclusivity agreement with Cardif (a)	**104,814**	122,283	**104,814**	122,283
Exclusivity agreement with Banco Itaúcard S.A. (b)	**96,500**	109,000	**96,500**	109,000
Other Contracts	**-**	-	**21,157**	-
	201,314	231,283	**222,471**	231,283
Deferred revenue with related parties:				
Exclusivity agreement with Luizacred (b)	**110,766**	121,854	**110,766**	121,854
Exclusivity agreement with Luizaseg (a)	**66,600**	77,000	**66,600**	77,000
	177,366	198,854	**177,366**	198,854
Total deferred revenues	**378,680**	430,137	**399,837**	430,137
Current liabilities	**39,157**	39,157	**43,036**	39,157
Non-current liabilities	**339,523**	390,980	**356,801**	390,980

On December 14, 2015, Luizaseg entered into a new Strategic Partnership Agreement with companies of the Cardif group and Luizaseg, aiming to extend the rights and obligations set forth in the agreements between the parties that expired on December 31, 2015, for an additional 10-year period, effective from January 1, 2016 to December 31, 2025. This agreement enabled a cash inflow of R$ 330,000 to the Company. Of this amount, R$ 42,000 were allocated to the jointly-controlled 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 were fully achieved by the end of 2014.

On December 29, 2010, the parties signed the first addendum to the partnership agreement with Luizacred, extending the exclusive right to offer, distribute and sell financial products and services at the chain of stores then acquired in the Northeast of Brazil (Lojas Maia) for a 19-year period. As consideration, Luizacred paid R$ 160,000 to the Company, which is recognized in 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 addendum to the partnership agreement with Luizacred, due to acquisition of New-Utd ("Lojas do Baú"). As consideration, Luizacred paid R$ 48,000 to the Company, which was allocated to profit (loss) over the remaining term of the agreement.

21. Other accounts payable

	Parent Company		Consolidated	
	2019	**2018**	**2019**	**2018**
Sales pending delivery	**242,085**	193,136	**252,638**	193,136
Amounts subject to onlending to partners	**123,419**	87,575	**123,419**	87,575
Specialized services	**31,679**	-	**47,496**	-
Expenses payable	**110,320**	44,007	**234,851**	44,007
Amounts payable to former shareholders	**10,581**	47,638	**10,581**	47,638
Other	**19,741**	31,449	**34,707**	35,465
	537,825	403,805	**703,692**	407,821
Current	**537,825**	403,805	**701,719**	406,109
Non-current	**-**	-	**1,973**	1,712

22. Provision for tax, civil and labor risks

Accounting policy

The provision for tax, civil and labor risks is recognized based on legal opinions and the Management's evaluation whether the risks known as at the balance sheet date for the risks considered as probable loss and this is the best estimate of Company's future reimbursement. The likelihood assessment includes assessing available evidences, the hierarchy of laws, available previous decisions, most recent court decisions and their relevance within the legal system, and the assessment of the outside and inside legal counsel. Management believes that provisions for tax, civil and labor risks are correctly presented in the financial statements.

Changes in the provision for tax, civil and labor contingencies are as follows:

Parent Company

	Tax	Civil	Labor	Total
Balance as at December 31, 2018	328,547	14,971	33,926	377,444
Additions	**413,122**	**8,800**	**28,311**	**450,233**
Reversals	**(39,819)**	**-**	**(1,286)**	**(41,105)**
Payments	**(10,905)**	**(7,499)**	**(22,832)**	**(41,236)**
Restatements	**22,602**	**-**	**-**	**22,602**
Balances at December 31, 2019	**713,547**	**16,272**	**38,119**	**767,938**

Consolidated

	Tax	Civil	Labor	Total
Balance as at December 31, 2018	337,658	15,181	34,516	387,355
Additions	**430,926**	**10,650**	**29,427**	**471,003**
Additions from business combinations	**26,451**	**2,481**	**1,440**	**30,372**
Allocation of price in business combination – Note 14	**210,986**	**-**	**-**	**210,986**
Reversals	**(39,819)**	**(190)**	**(1,464)**	**(41,473)**
Payments	**(10,905)**	**(8,992)**	**(23,830)**	**(43,727)**
Restatements	**22,603**	**-**	**-**	**22,603**
Balances at December 31, 2019	**977,900**	**19,130**	**40,089**	**1,037,119**

As at December 31, 2019 and 2018, the nature of the main lawsuits of the Company, 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, which the amounts were included in the provision for contingencies, are as follows:

a) Tax proceedings

The Company discusses on an administrative and legal basis several tax claims classified as of probable loss, therefore, these are provisioned. These proceedings involve federal taxes, totaling as at December 31, 2019 the amount of R$ 225,360 (R$ 50,562 as at December 31, 2018), state taxes, in the amount of R$ 179,870 as at December 31, 2019 (R$ 117,278 as at December 31, 2018), and municipal taxes totaling R$ 26 (R$ 61 as at December 31, 2018).

The Company also has provision for other legal discussions to which escrow deposits are made, as well as other provisions related to business combinations of the acquired businesses, which involve federal taxes, totaling R$ 457,618 as at December 31, 2019 (R$ 169,395 as at December 31, 2018), state taxes totaling R$ 114,664 as at December 31, 2019 (no provisions as at December 31, 2018) and municipal taxes, totaling R$ 362 as at December 31, 2019 (R$ 362 as at December 31, 2018).

b) Civil proceedings

The provision for consolidated civil contingencies in the amount of R$ 19,130 as at December 31, 2019 (R$ 15,181 as at December 31, 2018) is related to claims filed by customers on possible product defects.

c) Labor proceedings

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

The amount provisioned of R$ 40,089 as at December 31, 2019 (R$ 34,516 as at December 31, 2018) in consolidated, reflecting 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 judicial deposits of R$ 570,142 as at December 31, 2019 (R$ 349,239 as at December 31, 2018).

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 loss; therefore, no provision has been recognized for said processes. The amounts related to claims involving federal taxes, as at December 31, 2019 reach a total of R$ 1,791,196 (R$ 1,342,949 as at December 31, 2018), in parent company and R$1,887,776 (R$ 1,360,610 as at December 31, 2018) in consolidated, and in relation to state taxes these amounts, as at December 31, 2019 reach a total of R$ 425,727 (R$ 449,789 as at December 31, 2018) in parent company and R$ 485,723 (R$ 475,383 as at December 31, 2018) in consolidated and as to municipal taxes these amount to on December 31, 2019, a total of R$ 2,446 (R$ 1,401 as at December 31, 2018) in parent company and R$ 2,458 (R$ 1,401 as at December 31, 2018) in consolidated.

Among the main claims of a tax nature, classified as of possible loss, we highlight: (i) Administrative Process in which the Company discusses with the tax authorities the nature/concept of the bonuses/reimbursements of its suppliers for the purpose of PIS/COFINS taxation, as well as the characterization of some expenses related to its core activity as inputs for the purpose of PIS/COFINS credits; (ii) Legal process and tax assessment notice 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 revenues 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 or 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) 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 assessed on an ongoing basis and reviewed by Management. Additionally, the Company also contests civil and labor administrative claims, with chances of possible loss, with immaterial amounts for disclosure.

e) Contingent assets

The Company is an author (as plaintiff) in other tax claims of various natures, in other words, filed lawsuits against various taxing entities in order to recover taxes paid and/or collected unduly by such entities. A final decision was handed down for active proceedings of the Company involving the issue of exclusion of ICMS from PIS/COFINS calculation basis, in favor to the Company in this period, as shown in Note 12.

23. Shareholders' equity

a) Capital

The Special General Meeting held on July 31, 2019 approved the proposal of stock splitting, to the ratio of one (1) common share to eight (8) common shares, with no change in the Company's capital value. Therefore, the number of shares went from 190,591,464 to 1,524,731,712, all common nominative shares with no par value.

Public Offering of Shares - "Follow-On"

On October 30, 2019, the Company started a public offering of shares with restricted placement efforts, pursuant to CVM Instruction 476, comprising the primary distribution of 100,000,000 new common shares issued by the Company and secondary distribution of 10,000,000 common shares held by the selling shareholders. The price per share was established at R$ 43.00, after completion of the procedure for collection of investment intentions with professional investors.

Therefore, the total amount of the Restricted Offering, based on the price per share, was R$ 4,730,000, and R$ 4,300,000 refers to the primary distribution and R$ 430,000 refers to the secondary distribution. The table below indicates the breakdown of Company's capital, fully subscribed and paid-up, before the Restricted Offering and after the conclusion of Restricted Offering, not considering the Offering expenses:

Shareholding structure	Quantity	Amount (in R$)
Before the Restricted Offering	1,524,731,712	1,719,886,220
Restricted offer	100,000,000	4,300,000,000
After restricted offer	1,624,731,712	6,019,886,220

The Restricted Offer ended on November 18, 2020. Net proceeds from the Primary Offering will be used to: (i) investments in long-term assets including: (a) the expansion of the marketplace platform; (b) investments in technology, innovation, research and development; (c) automation of distribution centers, (d) initiatives in digital services; (e) expansion of new categories; (f) opening of new stores; (g) transformation of existing stores into mini-distribution centers ("shoppable distribution centers"); and (h) strategic acquisitions; and (ii) optimization of the Company's capital structure, including increase of working capital.

The transaction costs, net of tax effects, are recognized and highlighted in account of reduction of shareholders' equity in the amount of R$ 67,604.

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

	Number of shares	Equity interest %
Controlling shareholders	958,888,395	59.02
Outstanding shares	661,714,161	40.73
Treasury shares	4,129,156	0.25
Total	**1,624,731,712**	**100.00**

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

According to article 7 of the Bylaws, the Company may increase its capital, pursuant to article 168, Law 6404/76, by means of the issue of up to 400,000,000 new common shares.

b) Capital reserve

As at December 31, 2019, the Company has the amount of R$ 323,263 (R$ 52,175 as at December 31, 2018) registered under Capital Reserve.

Share purchase option plan

1st Grant of Stock option plan

For this Stock Option Plan (“Plan”), the Company's executives, employees or service providers became eligible to receive stock options. In the first grant of the Plan, on January 5, 2012, 10,197,856 options were granted at the strike price of R$ 1.70 (already considering the effect of split of shares). The Plan was in effect for an eight-year period counted from the grant date, being closed on January 5, 2020.

2nd Grant of Stock option plan

The second grant of the Stock Option Plan was approved on October 25, 2013. In this opportunity, 9,707,808 options were granted and the strike price was established at R$ 1.18. Said plan will have a maximum exercise period of 12 years, counted from the execution date, provided that the beneficiary continues linked to the Company and has complied with the grace periods of the plan. As of December 31, 2019, there were no grace periods not complied with.

Fair value

The fair value of each option granted was estimated on the grant date by using the Black & Scholes option pricing model, considering the following assumptions:

Assumption	1st granting	2nd granting
Expected average life of options (a)	5.5 years	5.5 years
Average annual volatility	43.5%	37.9%
Risk-free interest rate	10%	6%
Weighted average of fair value of granted options (b)	R$0.83	R$0.76

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

The table below shows the changes in number of stock options and the weighted average of their strike price (MPPE):

	After the stock splitting			Before the stock splitting		
	Quantity	MPPE[1]		Quantity	MPPE[1]	
In circulation at January 1, 2018	5,591,360	R$	1.36	698,920	R$	10.88
exercised during the period[2]	(2,559,552)	R$	1.39	(319,944)	R$	11.14
In circulation on December 31, 2018	3,031,808	R$	1.33	378,976	R$	10.66
exercised during the period[2]	**(1,423,088)**	**R$**	**1.50**	**(177,886)**	**R$**	**12.02**
In circulation on December 31, 2019	**1,608,720**	**R$**	**1.18**	**201,090**	**R$**	**9.45**

[1]Weighted Average of the Stock Option Strike Price: calculated based on the contractual terms, not considering the inflation adjustment to the strike price.

[2]The weighted average price of stock options at exercise date was R$ 25.39 in 2019 after stock splitting (R$ 203.15 before stock splitting) and R$ 48.82 in 2018 after stock splitting (R$ 97.64 before stock splitting).

Share-based incentive plan

The Company has a long-term incentive plan based on shares, approved by the Special General Meeting of April 20, 2017. The purpose of the plan is to grant incentives linked to common shares issued by the Company through programs to be implemented by our Board of Directors, and the managers, employees or service providers of the Company or its subsidiaries and joint ventures are eligible to participate.

The plan’s key objectives are: (a) increase the Company's capacity to attract and retain talents; (b) reinforcing the culture of sustainable performance and the pursuit of development of our managers, employees and service providers, aligning the interests of our shareholders with those of the eligible persons; and (c) stimulating the Company's expansion and the achievement and exceeding of our business goals and the attainment of our corporate objectives, aligned with the interests of our shareholders, through the long-term commitment of the beneficiaries.

The following table shows the total shares granted in each program instituted by the Company's Board of Directors:

Type of program	Grant date	Number of shares granted[1]	Fair value [2]	Maximum grace period
1st Matching share	June 28, 2017	4,411,584	R$3.88	4 years and 10 months
2nd Matching share	April 05, 2018	2,338,344	R$12.30	5 years
3rd Matching share	April 04, 2019	555,336	R$20.20	5 years
1st Restricted share	April 05, 2018	535,744	R$12.30	3 years
2nd Restricted share	April 04, 2019	513,552	R$20.20	3 years
3rd Restricted share[3]	June 05, 2019	798,895	R$23.90	3 years
1st Performance share	February 20, 2019	10,755,152	R$20.31	5 years
		19,908,607	**R$15.65**	

[1]The number of shares granted and their respective fair values already consider the stock split approved at July 31, 2019.

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

[3] Plan granted to employees of the subsidiary Netshoes.

In addition to the plans shown above, the Company granted 2,229,047 shares (considering the stock split) in the Softbox group acquisition process, part linked to the acquisition price to the former owners of the acquiree who continue to act as employees and part to the other employees. The fair value measured at grant date was R$ 22.73 (considering the stock split), and the maximum grace period is 5 years.

c) Legal reserve

As at December 31, 2019, the Company has the amount of R$ 109,001 (R$ 65,644 as at December 31, 2018) registered under Legal Reserve.

d) Treasury shares

	After the stock splitting		Before the stock splitting	
	Quantity	Amount	Quantity	Amount
January 1, 2018	10,880,480	13,955	1,360,060	13,955
Acquired in the year	6,947,200	87,984	868,400	87,984
Disposed in the year	(4,809,496)	(14,924)	(601,187)	(14,924)
December 31, 2018	**13,018,184**	**87,015**	**1,627,273**	**87,015**
Acquired in the period	**4,265,444**	**142,773**	**533,181**	**142,773**
Disposed in the period	**(13,154,472)**	**(105,255)**	**(1,644,309)**	**(105,255)**
December 31, 2019	**4,129,156**	**124,533**	**516,145**	**124,533**

The Company disposed the treasury stock in the period for a total amount of R$ 284,217. The decrease in treasury stock balance is equal to the weighted average of the cost incurred to acquire the stock. Any exceeding cash received for the disposal on decrease of treasury stock is recoded as capital reserve.

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

e) Profit reserve

Under the Profit Reserve item a specific reserve is registered for reinforcement or working capital in the total amount of R$ 949,335 and tax incentive reserve, in the amount of R$ 205,987.

f) Dividends and interest on own capital

In 2019, the Board of Directors approved the distribution of Interest on Own Capital in the amount of R$ 170,000, in addition to the proposal for the distribution of dividends in the amount of R$ 290,914; the proposed distribution totaled R$ 460,914, equivalent to 50% of net income, of which R$ 123,566 refers to minimum mandatory dividends.

The allocations of income (loss) will be submitted to the approval of the Annual General Meeting on April 9, 2020.

g) Equity valuation adjustments

As at December 31, 2019 the Company has registered under the item Equity Valuation Adjustment the amount of R$ 3,168 (R$ 5,331 as at December 31, 2018), related to adjustment to fair value of financial assets.

h) Earnings per share

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

	Basic earnings		Diluted earnings	
	2019	2018	2019	2018
In thousands				
Total common shares	**1,624,731,712**	1,524,731,712	**1,624,731,712**	1,524,731,712
Effect of treasury shares	**(4,129,156)**	(13,018,184)	**(4,129,156)**	(13,018,184)
Effect of stock plans to be exercised (a)	**-**	-	**18,823,013**	11,729,072
Weighted average of outstanding common shares	**1,620,602,556**	1,511,713,528	**1,639,425,569**	1,523,442,600
Net income for the year	**921,828**	597,429	**921,828**	597,429
Earning per share: (In reais)	**0.569**	0.395	**0.562**	0.392

a) Considers the effect of exercisable shares in accordance with the stock-option plan disclosed above. The number of shares and earnings per share amounts already consider the stock split as at July 31, 2019.

24. Net revenue from sales

Accounting policy

Net revenue is measured at the fair value of the consideration received or receivable, net of returns, rebates and sales taxes, as follows:

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

- The revenue amount and the payment terms can be identified;
- It is probable that the Company will receive the consideration to which it will be entitled in exchange for the goods transferred to the customer.

The Company grants the customer the right to return the goods within a specified period and assumptions. The amount of revenue recognized is adjusted for the expected returns. The Company uses the expected-value method to estimate the assets that will not be returned. In these circumstances, the Company recognizes a liability for the return and a right to recover the asset to be returned.

Revenue from services rendered – they are recognized when it is probable that the significant benefits to the service rendered will be transferred by the Company. The Company has the following main sources of revenues from services:

a) intermediation of financial services for its joint ventures, as well as other Company's partner businesses;
b) integration and management between merchants and marketplaces; and
c) management of consortia in the subsidiary Luiza Administradora de Consórcios, where the revenue from the management fees of the consortium groups is recognized monthly upon the effective receipt of the installments of the consortium members, that, for the consortium management activities, represent the effective period of service provision.

	Parent Company		Consolidated	
	2019	2018	2019	2018
Gross revenue:				
Retail – resale of goods	**21,480,674**	17,863,053	**23,141,019**	18,016,152
Retail – services rendered	**1,102,928**	796,567	**1,132,489**	802,153
Other services	**-**	-	**103,625**	78,208
	22,583,602	18,659,620	**24,377,133**	18,896,513
Taxes and returns:				
Retail – resale of goods	**(3,972,172)**	(3,178,321)	**(4,354,851)**	(3,204,322)
Retail – services rendered	**(119,569)**	(95,562)	**(119,591)**	(95,623)
Other services	**-**	-	**(16,381)**	(6,124)
	(4,091,741)	(3,273,883)	**(4,490,823)**	(3,306,069)
Net sales	**18,491,861**	15,385,737	**19,886,310**	15,590,444

25. Cost of goods resold and services rendered

Accounting policy

Costs of resold goods and services provided include costs with the acquisition of goods and services rendered, less recovery of costs received from suppliers and ICMS recoverable tax substitution. Expenses with freights, related to the transportation of goods from suppliers to Distribution Centers (CDs) are incorporated to the cost of goods to be resold.

	Parent Company		Consolidated	
	2019	2018	2019	2018
Costs of:				
Goods resold	**(13,464,405)**	(10,941,965)	**(14,259,726)**	(11,031,074)
Other services	**-**	-	**(72,623)**	(21,948)
	(13,464,405)	(10,941,965)	**(14,332,349)**	(11,053,022)

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

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

	Parent Company		Consolidated	
	2019	2018	2019	2018
Personnel expenses (a)	**(1,995,490)**	(1,562,569)	**(2,132,269)**	(1,572,662)
Expenses from services rendered	**(1,051,840)**	(839,500)	**(1,328,526)**	(866,042)
Other	**(269,798)**	(819,741)	**(268,242)**	(851,497)
Total	**(3,317,128)**	(3,221,810)	**(3,729,037)**	(3,290,201)

	Parent Company		Consolidated	
	2019	2018	2019	2018
Classified by function as:				
Sales expenses	**(3,134,586)**	(2,713,474)	**(3,444,112)**	(2,747,447)
Administrative and general expenses	**(534,573)**	(557,944)	**(701,587)**	(596,143)
Other operating revenues, net (Note 27)	**352,031**	49,608	**416,662**	53,389
Total	**(3,317,128)**	(3,221,810)	**(3,729,037)**	(3,290,201)

(a) The Company provides its employees with health care benefits, dental reimbursement, life insurance, food vouchers, transportation vouchers, scholarship, "mother check", in addition to an action plan for eligible employees, as described in the Note 23. The expense arising from such benefits, recorded in 2019, was R$ 280,070 for the parent company (R$ 196,259 in 2018) and R$ 305,553 for consolidated (R$ 197,136 in 2018).

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

27. Other operating revenues, net

	Parent Company		Consolidated	
	2019	2018	2019	2018
(Gain) Loss on sale of fixed assets	**4,986**	(88)	**7,235**	(88)
Recognition of deferred revenue (a)	**51,457**	76,947	**53,118**	76,947
Tax credits (b)	**731,197**	-	**816,467**	-
	787,640	76,859	**876,820**	76,859
Provision for tax risks	**(227,999)**	(14,113)	**(240,702)**	(10,331)
Experts' fees (c)	**(134,318)**	-	**(149,646)**	-
Pre-operating expenses	**(21,241)**	(13,207)	**(21,241)**	(13,207)
Retention agreements and others (d)	**(52,051)**	69	**(48,569)**	68
	(435,609)	(27,251)	**(460,158)**	(23,470)
	352,031	49,608	**416,662**	53,389

(a) Refers to the recognition of deferred revenue by assignment of exploration rights, as described under Note 20.

(b) It refers to the recognition of effects determined and recorded in 2019 for the final decision on the Company's and its subsidiaries' lawsuits on the exclusion of ICMS in the PIS and COFINS calculation basis, as shown in Note 12.
(c) Expenses related to advisory costs for the acquisition of Netshoes, as well as attorneys' success fees for the aforementioned processes.
(d) It mainly refers to non-competition agreements entered into with the Company's executives.

28. Financial income (loss)

Accounting policy

Interest revenue and expenses are recognized in income (loss) at the effective interest method. The effective interest rate is the rate that exactly discounts payments or receipts in estimated future cash flows over the expected life of the financial instrument at: (i) gross book value of financial assets; or (ii) at amortized cost of financial liability. In the calculation of revenue or interest expense, the effective interest rate is levied on the gross book value of the asset or at amortized cost of liability. Additionally, the Company classifies interests received, dividends and interest on own capital received as cash flows from operating activities. Interest paid on loans and financing are classified as cash flow from financing activities.

	Parent Company		Consolidated	
	2019	2018	2019	2018
Financial revenues:				
Interest from the sale of extended guarantee	**49,982**	72,964	**49,982**	72,964
Yield from interest earning bank deposits and securities	**29,845**	24,370	**8,544**	8,771
Interest from the sale of goods – interest in arrears in receipts	**7,705**	5,678	**7,807**	5,678
Inflation adjustment (a)	**497,445**	45,126	**543,523**	45,126
Other	**29,324**	1,390	**31,061**	1,390
	614,301	149,528	**640,917**	133,929
Financial expenses:				
Interest on loans and financing	**(49,465)**	(50,163)	**(56,371)**	(50,163)
Interest from lease	**(147,715)**	-	**(152,353)**	-
Charges on credit card advances	**(388,737)**	(303,956)	**(402,308)**	(305,422)
Provision for loss from interest on extended guarantee	**(29,679)**	(26,271)	**(29,679)**	(26,271)
Financial income tax	**(30,230)**	(9,312)	**(30,245)**	(9,312)
Other	**(35,464)**	(36,844)	**(40,374)**	(37,449)
	(681,290)	(426,546)	**(711,330)**	(428,617)
Net financial income (loss)	**(66,989)**	(277,018)	**(70,413)**	(294,688)

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

29. Information per business segment

To manage its business taking into consideration its financial and operating activities, the Company classified its business into Retail, Financial Operations, Insurance Operations and Other Services. These divisions are considered as the primary segments for information disclosure. 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-controlled subsidiary Luizacred, mainly engaged in granting of credit to the Company's customers for acquisition of products;

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

Other services – sum of services rendered in consortium management through its subsidiary LAC, mainly engaged in the management of consortia to the Company's customers for the purchase of products; product delivery management services - through the subsidiary Magalog and software development services through the subsidiaries of the Softbox Group.

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

Statements of profit or loss

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

Equity accounting reconciliation

Equity in net income of subsidiaries – Other services (Note 14)	11,537
Equity in net income of subsidiaries - Luizacred (Note 15)	20,163
Equity in net income of subsidiaries - Luizaseg (Note 15)	6,444
(=) Equity in net income of subsidiaries of the retail segment	38,144
(-) Elimination effect – Other services	(11,537)
(=) Consolidated equity in net income of subsidiaries	26,607

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

c) The transfers of net revenue between the operating segments are lower than 10% of the combined net revenue of all segments and are not regularly reviewed by the Company's main operating manager.

Statements of profit or loss

	2018					
	Retail (a)	Financial operations	Insurance operations	Other services	Eliminations (b)	Consolidated
Gross revenue	18,830,718	1,001,088	237,475	80,137	(1,252,905)	18,896,513
Deductions from revenue	(3,299,945)	-	-	(6,124)	-	(3,306,069)
Net revenue of the segment	15,530,773	1,001,088	237,475	74,013	(1,252,905)	15,590,444
Costs	(11,031,074)	(91,577)	(19,376)	(34,361)	123,366	(11,053,022)
Gross income	4,499,699	909,511	218,099	39,652	(1,129,539)	4,537,422
Sales expenses	(2,747,312)	(366,435)	(181,875)	(2,064)	550,239	(2,747,447)
Administrative and general expenses	(568,552)	(12,577)	(18,067)	(27,591)	30,644	(596,143)
Allowance for doubtful accounts	(59,737)	(418,910)	-	-	418,910	(59,737)
Depreciation and amortization	(163,294)	(5,926)	(4,725)	(396)	10,651	(163,690)
Equity in net income of subsidiaries	65,294	-	-	-	(7,537)	57,757
Other operating revenues	53,394	(16,918)	(4,670)	(5)	21,588	53,389
Financial revenues	131,536	-	16,690	2,393	(16,690)	133,929
Financial expenses	(428,430)	-	(59)	(187)	59	(428,617)
Income tax and social contribution	(185,169)	(44,920)	(11,461)	(4,265)	56,381	(189,434)
Net revenue for the period	597,429	43,825	13,932	7,537	(65,294)	597,429

Equity accounting reconciliation

Equity in net income of subsidiaries – Other services (Note 14)	7,537
Equity in net income of subsidiaries - Luizacred (Note 15)	43,825
Equity in net income of subsidiaries - Luizaseg (Note 15)	13,932
(=) Equity in net income of subsidiaries of the retail segment	65,294
(-) Elimination effect – Other services	(7,537)
(=) Consolidated Equity in net income of subsidiaries	57,757

d) 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 other services, once this amount is contained in the profit or loss amounts of the segment used by the main operations management.

e) 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.

f) The transfers of net revenue between the operating segments are lower than 10% of the combined net revenue of all segments and are not regularly reviewed by the Company's main operating manager.

Statements of financial position

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

Reconciliation of investment	
Investments in subsidiaries	
Investment Consórcio Magalu (Note 14)	44,372
Magalu Log Investment (Note 14)	14,039
Investment - Softbox Group	45,400
Magalu Bank Investment (Note 14)	1,992
	105,803
Investments in jointly-controlled subsidiaries	
Investment - Luizacred (Note 15)	295,471
Investment - Luizaseg (Note 15)	9,620
	305,091
Total investments	410,894
(-) Elimination effect	(105,803)
(=) Total consolidated investments	305,091

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

Statements of financial position

	2018			
	Retail (*)	Financial operations	Insurance operations	Other services
Assets				
Cash and cash equivalents	549,048	8,671	121	46,796
Securities and other financial assets	409,111	36,513	219,617	-
Accounts receivable	2,053,726	3,797,293	-	1,679
Inventories	2,810,248	-	-	-
Investments	395,227	-	-	-
Property, plant and equipment and intangible assets	1,298,891	64,078	38,105	1,809
Other	1,248,382	244,401	34,026	3,277
	8,764,633	4,150,956	291,869	53,561
Liabilities				
Suppliers	4,101,560	-	1,051	3,155
Loans and financing and other financial liabilities	454,087	-	-	-
Interbank deposits	-	1,931,922	-	-
Credit card operations	-	1,737,286	-	-
Technical Reserves - Insurance	-	-	233,835	-
Provision for tax, civil and labor contingency risks	377,444	65,654	1,411	800
Deferred revenue	430,137	17,020	-	-
Other	1,098,533	110,814	35,370	12,401
	6,461,761	3,862,696	271,667	16,356
Shareholders' equity	2,302,872	288,260	20,202	37,205

Reconciliation of investment	
Investments in subsidiaries	
Investment Consórcio Magalu (Note 14)	36,542
Magalu Log Investment (Note 14)	8,373
Investment - GSoftbox (Note 14)	41,850
	86,765
Investments in jointly-controlled subsidiaries	
Investment - Luizacred (Note 15)	288,260
Investment - Luizaseg (Note 15)	20,202
	308,462
Total investments	395,227
(-) Elimination effect	(86,765)
(=) Total consolidated investments	308,462

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

30. Financial instruments

Accounting policy

(i) Initial classification and subsequent measurement

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

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

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

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

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

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

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

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

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

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

(ii) Derecognition and offset

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

The Company derecognizes a financial liability when its contractual obligations are discharged or canceled or expired. In the derecognition of a financial liability, the difference between the extinct book value and the consideration paid (including assets transferred that do not pass through the cash or assumed liabilities) is recognized in income (loss).

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

(iii) Impairment of financial assets

The Company opted to measure provisions for losses on accounts receivable and contractual assets at an amount equal to the credit loss expected for the entire life. When determining if the credit risk of a financial asset has significantly increased since the initial recognition and when estimating expected credit losses, the Company considers reasonable and tolerable information that is relevant and available without excessive cost or effort. This includes quantitative and qualitative information and analysis, based on the Company's historical experience, credit assessment, and considering forward-looking information. The Company considers a financial asset as non-performing when: - it is very unlikely that the creditor will fully pay its credit obligations, without having to resort to actions like the realization of guarantee (if any); or - financial asset is overdue for more than 180 days.

Measurement of expected credit losses

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

Financial assets with credit recovery problems

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

Presentation of impairment

Provision for losses for financial assets measured at amortized cost are deducted from the gross book value of the assets. For financial assets measured at FVTOCI, the provision for losses is recognized in OCI.

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

Categories of financial instruments

		Parent Company				Consolidated			
		2019		2018		2019		2018	
Categories of financial instruments	Rating	Book	Fair value	Book	Fair value	Book	Fair value	Book	Fair value
Cash and banks	Amortized cost	**167,618**	**167,618**	136,060	136,060	**240,618**	**240,618**	138,295	138,295
Accounts receivable - Credit and debit cards	FVOCI	**2,042,299**	**2,042,299**	1,491,289	1,491,289	**2,126,642**	**2,126,642**	1,506,283	1,506,283
Accounts receivable - Other trade accounts receivable and commercial agreements	Amortized cost	**741,664**	**741,664**	540,967	540,967	**805,234**	**805,234**	552,845	552,845
Accounts receivable from related parties	Amortized cost	**104,510**	**104,510**	86,948	86,948	**100,551**	**100,551**	83,503	83,503
Accounts receivable from related parties – Credit cards	FVTPL	**-**	**-**	106,687	106,687	-	-	106,687	106,687
Accounts receivable from related parties – Credit cards	FVOCI	**269,485**	**269,485**	-	-	**269,485**	**269,485**	-	-
Cash equivalents	FVTPL	**7,914**	**7,914**	408,907	408,907	**7,914**	**7,914**	408,907	408,907
Cash equivalents	Amortized cost	**5,267**	**5,267**	803	803	**16,333**	**16,333**	7,494	7,494
Securities	Amortized cost	**12,094**	**12,094**	11,455	11,455	**14,323**	**14,323**	11,669	11,669
Securities	FVTPL	**4,434,049**	**4,434,049**	397,656	397,656	**4,434,049**	**4,434,049**	397,656	397,656
Total financial assets		**7,784,900**	**7,784,900**	3,180,772	3,180,772	**8,015,149**	**8,015,149**	3,213,339	3,213,339

		Parent Company				Consolidated			
		2019		2018		2019		2018	
Categories of financial instruments	Rating	Book	Fair value	Book	Fair value	Book	Fair value	Book	Fair value
Suppliers	Amortized cost	**5,413,546**	**5,413,546**	4,068,459	4,068,459	**5,934,877**	**5,934,877**	4,105,244	4,105,244
Loans and financing (i)	Amortized cost	**847,054**	**847,054**	454,087	454,087	**848,829**	**848,829**	455,967	455,967
Lease (i)	Amortized cost	**2,205,750**	**2,205,750**	-	-	**2,280,322**	**2,280,322**	-	-
Accounts payable to related parties	Amortized cost	**152,094**	**152,094**	125,353	125,353	**152,126**	**152,126**	125,383	125,383
Other accounts payable - ex-quotaholders	Amortized cost	**10,581**	**10,581**	47,638	47,638	**10,581**	**10,581**	-	-
Total financial liabilities		**8,629,025**	**8,629,025**	4,695,537	4,695,537	**9,226,735**	**9,226,735**	4,686,594	4,686,594

(i) Measured based on tier 2 of fair value.

Fair value measurement

All assets and liabilities for which the fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy described below based on the lowest level information that is significant to the measurement of the fair value 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 of assets and liabilities of the Company is demonstrated below:

Category of financial instruments – Assets	Rating	Parent Company		Consolidated		Level
		2019	2018	2019	2018	
Accounts receivable – Credit and debit cards	FVOCI	**2,042,299**	1,491,289	**2,126,642**	1,506,283	**Level 2**
Accounts receivable from related parties – Credit cards	FVTPL	**-**	106,687	**-**	106,687	**Level 2**
Accounts receivable from related parties – Credit cards	FVOCI	**269,485**	-	**269,485**	-	
Cash equivalents	FVTPL	**7,914**	408,907	**7,914**	408,907	**Level 2**
Securities	FVTPL	**4,434,049**	397,656	**4,434,049**	397,656	**Level 2**
Total financial assets		**6,753,747**	2,404,539	**6,838,090**	2,419,533	

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 accounts receivable from credit cards is determined based on assumptions usually used for the sale of similar assets, considering the discounted cash flows at a rate of acquiring companies.

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

Management of liquidity risk

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 closest date on which the Company should settle the related obligations:

	Book balance	<1 year	1–3 years	>3 years	Total
Suppliers	5,934,877	5,934,877	-	-	5,934,877
Loans and financing	848,829	25,285	875,595	17,259	918,139
Related parties	152,126	152,126	-	-	152,126
Lease	2,280,322	22,658	72,478	3,013,835	3,108,971
Other accounts payable - ex-quotaholders/partners	10,581	4,461	5,899	1,035	11,395

Other financial risk considerations

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 goods 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 to R$ 2,726,430 as at December 31, 2019 (R$ 1,887,313 as at December 31, 2018). 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 accounts receivable 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 accounts receivable due to the nature of the Company's activities. Nevertheless, the risk is managed by means of periodic analysis of default rate (with consistent criteria to support the requirements of IFRS 9) and the adoption of more efficient collection measures. As at December 31, 2019, the Company recorded past-due or uncollectible balances, which terms were renegotiated, in the amount of R$ 14,841 (R$ 7,334 as at December 31, 2018), which are included in the Company's analysis on the need to recognize an allowance for doubtful accounts. More information on accounts receivable is disclosed in Note 9.

The policy of the Company for investments in debt securities (interest earning bank deposits) is to invest in securities that have ratings attributed by the main credit risk agencies, of at least

Sovereign Credit Ratings (on a global scale). As at December 31, 2019, almost the total amount of investments held by the Company had such rating levels, reaching the amount of R$ 4,459,324 (R$ 821,604 as at December 31, 2018) in Parent Company and R$ 4.5133.500 (R$ 870,117 as at December 31, 2018) in Consolidated.

Market risk: arises from the slowdown of retail sales in the Brazilian economic environment. The risks involved in these transactions are managed by establishing operational and commercial policies, determining limits for derivative transactions, and constantly monitoring assumed positions. The main related risks are changes 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 December 31, 2019, Management carried out a sensitivity analysis, considering a probable scenario and scenarios of 25% and 50% decreases in the expected interest rates. The probable scenario and decrease in interest rates were measured using the future interest rates disclosed by BM&F BOVESPA and/or BACEN, considering a CDI base rate of 4.40%. The expected effects of revenues from interest earning bank deposits, net of financial expenses from loans and financing for the next three months are as follows:

	Parent Company	Consolidated
	2019	2019
Bank deposit certificates (Note 7)	**13,181**	**24,247**
Non-exclusive investment funds (Note 7)	**-**	**40,881**
Cash equivalents	**13,181**	**65,128**
Securities (Note 8)	**4,446,143**	**4,448,372**
Total cash equivalents and securities	**4,459,324**	**4,513,500**
Loans and financing (note 19)	(847,054)	(848,829)
Net exposure	3,612,270	3,664,671
Financial revenue from interest - exposure to CDI		
Impact on financial income (loss), net of taxes:		
Scenario I Probable	**57,750**	**58,555**
Scenario II - Decrease of 25%	**43,313**	**43,916**
Scenario III - Decrease of 50%	**28,875**	**29,278**

31. Statements of cash flows

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

	Parent Company		Consolidated	
	2019	2018	2019	2018
Dividends proposed by subsidiaries and jointly-controlled subsidiaries and not received	**22,522**	8,391	**19,912**	6,298
Dividends or interest on shareholders' equity declared but not paid in the year	**(123,566)**	(182,000)	**(123,566)**	(182,000)
Other accounts payable - ex-quotaholders (acquirees)	**(13,950)**	(46,850)	**(13,950)**	(46,850)
First-time adoption IFRS 9 and 15 - FVOCI	**-**	(36,219)	**-**	(36,219)
First-time adoption IFRS 9 and 15 – FVTPL	**-**	(768)	**-**	(768)
First-time adoption IFRS 9 and 15 – Jointly-controlled subsidiaries	**-**	(56,816)	**-**	(56,816)
First-time adoption IFRS 9 and 15 – IR/CS effect	**-**	12,576	**-**	12,576
First-time adoption of IFRS 16 - Right-of-use and lease	**1,947,468**	-	**1,947,468**	-
Remeasurement of IFRS 16 - Right-of-use of Lease	**77,962**	-	**87,455**	-
Additions IFRS 16 - Right-of-use and lease	**428,244**	-	**428,244**	-
Transfer of property, plant and equipment to Right-of-use - IFRS 16	**8,495**	-	**8,495**	-
Transfer of intangible assets to Right-of-use - IFRS 16	**22,345**	-	**22,345**	-
Stock option plan - Netshoes	**-**	-	**7,497**	-
Offset of recoverable taxes	**(191,655)**	-	**(191,655)**	-
Fair value change for financial instruments	**3,684**	2,673	**3,684**	2,673

32. Insurance coverage

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

The insurance coverage, as at December 31, 2019 and December 31, 2018, are demonstrated below:

	Parent Company		Consolidated	
	2019	2018	2019	2018
Civil responsibility and D&O	100,000	70,000	230,425	70,000
Sundry risks – inventory and property and equipment	3,674,701	2,925,028	4,139,459	2,925,028
Vehicles	22,872	22,872	35,706	22,872
	3,797,573	3,017,900	4,405,590	3,017,900

33. Subsequent events

The Company is in an advanced phase for conclusion of the acquisition of Estante Virtual, which is a platform for selling new and used books, being the largest used book marketplace in Brazil. With the acquisition, the Company increases the base of sellers of its marketplace, accelerating the expansion strategy into new categories and greater frequency of purchases on its platform.

February 17, 2020

Magazine Luiza S.A. (B3: MGLU3)
4th Quarter 2019 Earnings Release (IFRS equivalent)

IBOVESPA

MGLU3 NOVO MERCADO BM&FBOVESPA

4Q19 HIGHLIGHTS

Total sales rose 51%, reaching R$9.0 billion (R$27.3 billion in 2019)
E-commerce grew 93%, reaching R$4.3 billion and 48% of total sales
Marketplace grew 216%, reaching 27% of total e-commerce
Physical store sales grew 26% (13% same store sales)
Adjusted EBITDA of R$395 million, 6.2% margin (R$1.3 billion in 2019)
Adjusted Net profit reached R$185 million, 2.9% margin (R$552 million in 2019)
Cash flow operation of R$1.8 billion in 4T19

- **Consistent market share gains.** In 4Q19, total sales (physical stores, traditional e-commerce (1P) and marketplace (3P)) increased 51.3% to R$9.0 billion, reflecting growth of 92.8% in e-commerce (on top of 57.4% growth in 4Q18) and 26.1% in physical stores (same store sales growth of 12.6% on top of 16.1% growth in 4Q18). It is worth highlighting the performance of the 159 stores opened in the last 12 months that generated sales above our expectations, expanding total physical store sales growth by 13.5 p.p.

- **Accelerated growth in e-commerce.** E-commerce sales grew 92.8% in 4Q19, reaching 48.0% of total sales, compared to market growth of 16.3% (E-bit). In traditional e-commerce (1P), sales grew 68.6%, and the marketplace contributed with additional sales of R$1.2 billion, growing 216.4% and representing 26.8% of total e-commerce. Among other things, Magalu's market share gains were driven by: app performance--with 19 million MAU (including Magalu Superapp, Netshoes, Zattini and Época Cosméticos); an increase in the seller base; the growth of marketplace assortment; faster delivery, and the maintenance of our high level of customer service and the best retail experience.

- **Evolution of gross profit, investments in service levels and new customer acquisition.** In 4Q19, adjusted gross profit increased 40.8% to R$1.8 billion. Gross margin increased 50 bps to 28.6% reflecting the growth of new categories, especially by Netshoes sales, and the excellent performance of the marketplace. Adjusted operating expenses increased 50.6% in 4Q19 due to the acquisition of Netshoes, as well as additional investment in service levels. It is worth highlighting the fast evolution of Netshoes results, specifically the fact that they have already practically reached breakeven in EBITDA margin again.

- **Significant Luizacred growth.** Luizacred´s total revenue grew 19.6% in 4Q19. The Luiza Card base increased 22.8% YoY reaching 5.2 million cards. In the same period, Luiza Card revenue grew 31.5% to R$8.1 billion. The total portfolio grew an impressive 37.4% in the last 12 months reaching R$11.5 billion. Luizacred's profit grew again in 4Q19, reaching R$34.8 million, taking into account the high customer base growth and the effects of adopting IFRS 9

- **EBITDA and net income.** In 4Q19, Adjusted EBITDA reached R$394.5 million. High sales growth and the positive contribution of e-commerce were responsible for the EBITDA. Additional investments in service levels and the Netshoes consolidation influenced the EBITDA margin, which went from 7.6% to 6.2% in 4Q19. Taking into account the financial expenses dilution and the benefit of interest on equity, adjusted net income reached R$185.3 million, net margin of 2.9%.

- **Strong cash flow generation and ROIC.** Cash flow from operations adjusted by receivables, reached R$1.5 billion in the last twelve months (LTM), due to positive results and disciplined working capital management. It is worth highlighting the cash generation of R$1.8 billion in 4Q19. Once again, the Company presented high growth with high ROIC and strong cash generation. In 4Q19, ROIC reached 24% and 21% LTM.

- **Net cash position and capital structure.** In the last 12 months, adjusted net cash went from R$2.2 billion in Dec/18 to R$6.3 billion in Dec/19, including capital raised in the follow-on offering totaling R$4.3 billion. As of this date the Company reached a total cash position of R$7.1 billion, with cash and securities of R$4.7 billion and credit card receivables of R$2.4 billion.

R$ million (except when otherwise indicated)	4Q19	4Q18	% Chg	12M19	12M18	% Chg
Total Sales[1] (including marketplace)	8,988.1	5,942.3	51.3%	27,270.7	19,667.8	38.7%
	-	-				
Gross Revenue	7,868.3	5,598.5	40.5%	24,377.1	18,896.5	29.0%
Net Revenue	6,385.0	4,610.5	38.5%	19,886.3	15,590.4	27.6%
Gross Income	1,825.4	1,296.2	40.8%	5,554.0	4,537.4	22.4%
Gross Margin	0.3	28.1%	50 bps	27.9%	29.1%	-120 bps
EBITDA	499.1	353.5	41.2%	1,775.5	1,245.2	42.6%
EBITDA Margin	7.8%	7.7%	10 bps	8.9%	8.0%	90 bps
Net Income	168.0	189.6	-11.4%	921.8	597.4	54.3%
Net Margin	2.6%	4.1%	-150 bps	4.6%	3.8%	80 bps
Adjusted - Gross Income	1,825.4	1,296.2	40.8%	5,789.96	4,537.4	27.6%
Adjusted - Gross Margin	28.6%	28.1%	50 bps	29.1%	29.1%	0 bps
Adjusted - EBITDA	394.5	348.2	13.3%	1,303.9	1,233.3	5.7%
Adjusted - EBITDA Margin	6.2%	7.6%	-140 bps	6.6%	7.9%	-130 bps
	-	-	-		-	
Adjusted - Net Income	185.3	186.2	-0.5%	552.1	589.6	-6.4%
Adjusted - Net Margin	2.9%	4.0%	-110 bps	2.8%	3.8%	-100 pp
Same Physical Store Sales Growth	12.6%	16.1%	-	7.8%	18.6%	-
Total Physical Store Sales Growth	26.1%	24.2%	-	17.9%	25.8%	-
Internet Sales Growth (1P)	68.6%	43.8%	-	51.4%	48.4%	-
Total E-commerce Sales Growth	92.8%	57.4%	-	76.0%	60.1%	-
E-commerce Share in Total Sale	48.0%	37.7%	10.4 pp	45.3%	35.7%	9.6 pp
Number of Stores - End of Period	1,113	954	159 stores	1,113	954	159 stores
Sales Area - End of Period (M2)	648,227	572,394	13.2%	648,227	572,394	13.2%

(1) Total Sales includes sales from physical stores, traditional e-commerce (1P) and marketplace (3P).
(2) E-commerce Sales include Netshoes sales.

IFRS 16 AND NON-RECURRING EVENTS

IFRS 16 introduced a single model for the accounting of leases in the balance sheet of lessees. As a result, the Company, as lessee, recognized as assets the right to use underlying assets and their corresponding lease liabilities.

For ease of comparability with 4Q18, 4Q19 results are also being presented in an adjusted view, without the effects of IFRS 16, and other non-recurring provisions and expenses.

CONCILIATION ADJUSTED INCOME STATEMENT (R$ million)	4Q19 Pro-forma	V.A.	IFRS 16	Non-recurring	4Q19	V.A.
Gross Revenue	7,868.3	123.2%	-	-	7,868.3	123.2%
Taxes and Deductions	(1,483.3)	-23.2%	-	-	(1,483.3)	-23.2%
Net Revenue	6,385.0	100.0%	-	-	6,385.0	100.0%
Total Costs	(4,559.6)	-71.4%	-	-	(4,559.6)	-71.4%
Gross Income	1,825.4	28.6%	-	-	1,825.4	28.6%
Selling Expenses	(1,204.8)	-18.9%	69.8	-	(1,135.0)	-17.8%
General and Administrative Expenses	(235.2)	-3.7%	31.8	-	(203.4)	-3.2%
Provisions for Loan Losses	(30.2)	-0.5%	-	-	(30.2)	-0.5%
Other Operating Revenues, Net	20.9	0.3%	-	2.9	23.8	0.4%
Equity in Subsidiaries	18.4	0.3%	-	-	18.4	0.3%
Total Operating Expenses	(1,430.8)	-22.4%	101.6	2.9	(1,326.3)	-20.8%
EBITDA	394.5	6.2%	101.6	2.9	499.1	7.8%
Depreciation and Amortization	(71.0)	-1.1%	(51.3)	-	(122.3)	-1.9%
EBIT	323.6	5.1%	50.3	2.9	376.8	5.9%
Financial Results	(108.7)	-1.7%	(79.3)	-	(188.0)	-2.9%
Operating Income	214.9	3.4%	(29.0)	2.9	188.8	3.0%
Income Tax and Social Contribution	(29.7)	-0.5%	9.9	(1.0)	(20.8)	-0.3%
Net Income	185.3	2.9%	(19.2)	1.9	168.0	2.6%

Adjustments – Non - Recurring Events

Adjustments	4Q19	12M19
Increased Inventory Provision	-	(236.0)
Tax Credits	-	812.0
Tax Provisions	6.0	(240.7)
Expert Fees	(5.6)	(149.6)
Pre-operating Store Expenses	0.9	(17.8)
Retention Contracts and Others	3.5	(52.1)
EBITDA Adjustments	**2.9**	**115.8**
Update - Tax Credits	-	522.5
PIS/Cofins - Tax Credits	-	(22.2)
Acquisition Expenses / Non recurring	-	(39.7)
Financial Result Adjustments	**-**	**460.7**
Income Tax and Social Contribution	(1.0)	(158.8)
Net Income Adjustments	**1.9**	**417.7**

MESSAGE FROM THE EXECUTIVE DIRECTORS

The digital revolution has transformed business paradigms across every industry. Rules and business models that were once canonized in literature, dispensed by consultants and adopted by incumbents for decades, have changed. In this letter, we would like to share details on how the digital revolution has impacted strategic positioning.

Today, almost every corporate narrative related to strategy is filled with buzzwords borrowed from the digital dictionary: platform, superapp, ecosystem, big data, agile, lean, APIs, including ours. The homogenization of narratives makes it increasingly difficult for the market to verify their authenticity.

Most companies seem to be pursuing the same pot of gold at the end of the rainbow. They want to be the next Facebook, Google, Amazon, or Alibaba -- or to at least enjoy the same valuation multiples. This applies to companies in a broad range of industries, from finance to healthcare, education to utilities. For many of these companies, failing to adopt a “digital” narrative is the same as admitting to being anachronistic.

Point, Line and Plane

The digital revolution, however, has done more than merely increase the size of our lexicon. It has also opened the door to new strategic possibilities which were impossible in the analog world. There is no single digital strategy. Each company is responsible for taking stock of their own characteristics and following the strategy that is most viable and suitable for their reality.

To better understand the issue of strategic positioning in digital environments, we find the concepts of *point*, *line* and *plane*, pioneered by Alibaba’s former Chief Strategist, Ming Zeng, informative.

Zeng updated business strategy guru Michael Porter’s theories for the digital era, advancing the idea that companies will either become digital ecosystems (*planes*); control whole segments of a business (*lines*), or specific parts (*points*). According to Zeng, being a *plane* is not feasible for most organizations due to either their vocation (or lack thereof), scale, or capacity. *Lines*, on the other hand, control a particular chain (e.g.: large sellers in a marketplace and category killers in a given retail segment). *Points*, in turn, are highly specialized companies that provide solutions for *lines* and *planes*. The recent boom in Brazilian logistics and fintech startups targeting specific pain *points* are good examples of *points*.

For 18 years, we at Magalu followed a successful strategic *line* model. We became a profitable multichannel company in the durable goods segment. In 2018, however, we decided that we would transition to a *plane* model. We would become a digital retail ecosystem.

This decision is consistent with our mission. With just 5% e-commerce penetration, Brazil is rapidly falling behind in the digitalization race. Today, out of a universe of 6 million retailers, only 50,000 are selling online. And available solutions do little to solve the problems faced by the Brazilian retail segment.

Magalu is uniquely well-positioned to digitalize Brazilian retail. We are intimately familiar with the issues facing analog retailers. We were not born digital. We had to overcome the same issues that analog retailers face today. This makes a huge difference. The fact that we have never had a license to burn cash also makes a difference. Our shareholders have always demanded sustainable results. As such, we developed a profitable model adapted to Brazil’s reality, leveraging our physical platform. Finally, our corporate DNA contains the key traits for a company that successfully transitions into an ecosystem. We have a win-win mentality; a customer-centric focus and believe in legal, ethical relationships. To us, these are the fundamental building blocks necessary to scale Brazilian e-commerce.

Democratizing access. This is our purpose. We want to realize our purpose through the digitalization of Brazilian companies and consumers. Our focus is on small and medium-sized businesses and, above all, consumers who are at the base of the socioeconomic pyramid.

We believe that digitalization is among the most powerful tools at our disposal to mitigate the profound inequalities that plague our country. Improved access to the digital world will enable microentrepreneurs to make their businesses more efficient, asset light and competitive. And being a part of this digital world will enable even the humblest consumers from the country’s most remote regions to gain access to a wider array of products at a lower cost.

We took a giant step towards this goal with the launch of our marketplace in 2017 and the success of our marketplace since then has been nothing short of incredible. It took us 43 years to reach our first billion reais in revenue in our physical stores. With e-commerce, it took us 10 years. Our marketplace business, however, achieved 3 billion reais in GMV *in just three years.*

A *plane*, or a digital ecosystem, depends on various elements to become a success: widely accessible, digitalized processes available on a simple and scalable digital platform; smart algorithms connecting sellers and buyers, and intuitive interfaces available to all players in the chain. However, none of these elements is as important as scale. The more buyers there are, the more sellers will be attracted to the ecosystem. The more sellers and offers, the more buyers will wish to become a part of it. This is the positive, reinforcing network effect. The benefit offered by a product or service increases as the number of users grows.

As such, increasing scale was our top objective in 2019. We decided that Magalu would experience 365 days of China-like, exponential growth. Most of our KPIs were linked to expansion: GMV growth; active customer base; number of new categories and items for sale; number of sellers; monthly active users in the app, and new stores.

Magalu ended the fourth quarter of 2019 with 51% growth in sales—the highest in our history. We currently have almost 25 million active customers (more than 20 million of them with the superapp installed) and 15,000 sellers who, together, offer 13 million products on our platform. The company grew organically. During the year, we opened 159 new physical stores, same-store sales saw double-digit growth in the fourth quarter. Magalu also grew through acquisitions.

The most spectacular of them, due to its immediate impact, was the acquisition of Netshoes in June of last year. With Netshoes, not only did we enter two categories with huge potential—sports items and apparel—but we also incorporated one of the most loved brands in Brazilian e-commerce. Netshoes also provided Magalu with a highly skilled team of digital professionals and a platform with 1,000 sellers; 4 million customers, and 2.5 billion reais in GMV. With this major contribution from Netshoes, Magalu's e-commerce business took off in the last two quarters of the year: growing over 90% during the period.

This year, Netshoes will celebrate its 20th anniversary. This visionary venture no longer stands alone. By joining Magalu, Netshoes went from being a *line*, as per Ming Zeng's nomenclature, to becoming a *plane*. The company is the leader in the sports e-commerce category and one of the largest online apparel retailers. The difference is that it now belongs to a much larger ecosystem, benefiting from network effects. Netshoes contributes specific know-how and receives economies of scale from the ecosystem, such as logistics services, in return. By the end of this year, for example, Netshoes products will be available for pick up at all Magalu stores.

The same phenomenon has happened with other companies acquired by Magazine Luiza. First Época Cosméticos, then Estante Virtual. The value of these businesses as stand-alone entities is significantly lower than their value as part of the combined entity, the Magalu *plane*. Netshoes, Época Cosméticos, and Estante Virtual combine to help bring Magalu closer to becoming a category-rich one stop shop, similar to Chinese super apps like WeChat.

If 2019 was the year of China-paced growth, 2020 will be the year of #TemNoMagalu (or, #HaveAtMagalu). A vintage edition of Dostoyevsky's *Crime and Punishment*? #TemNoMagalu. The latest book by Brazil's most famous YouTuber? #TemNoMagalu. A 50-inch TV? #TemNoMagalu. A toolbox? #TemNoMagalu. The latest fashion trend? #TemNoMagalu. The official jersey for Brazil's national soccer team? …or your local team? #TemNoMagalu. Chocolate? Your child's favorite toy? Diapers? Beer for next weekend's barbecue? A couch for your new home? Whatever it is: #TemNoMagalu.

Our mission for 2020 is to go further down the long tail path. We want our 25 million active customers to know that they can find anything that they need in a single place, a place that adheres to strong legal and ethical principles.

To achieve this, we will focus on integrating our newly acquired companies. We will continue to increase the number of sellers in our marketplace and integrate their product catalogs and back-office operations. Of equal importance is the task of communicating to our customers that we are rapidly becoming a retailer of all things. Ideally, almost every type of product should be available in the Magalu catalog and should be found through a simple, intuitive search.

As for sellers, one of our main responsibilities as an ecosystem is to provide powerful, yet easy to use technology and management tools which will help them improve their operations. As parts of the same organism, it is essential that our partners be capable of maintaining the same service levels, reliability, professionalism, and customer service as Magalu.

Therefore, Magalu as a Service, or MassS, has become a strategic pillar for the company. At the end of 2019, we launched MagaluPagamentos, which is currently being rolled out. This service is for sellers. With MagaluPagamentos we will be able to monetize the accelerated marketplace growth while monitoring the chain, controlling payment flows to our partners, and offering funds to them at lower rates than the market. We also recently launched MagaluPay, a digital banking service for consumers that is fully integrated into our superapp. Its purpose is to create value for the retail ecosystem as a whole instead of operating as a siloed entity.

In both cases, we continue to pursue a *plane* strategy instead of a *line* strategy. We wish to connect our customers—be they sellers or consumers--to the best financial solutions available. We have no intention of becoming a bank. We want to create a digital payment platform that will feed and fortify our overall retail platform.

Within MaaS, we have also launched MagaluEntregas. We currently offer the highest quality, lowest cost logistics service in Brazilian e-commerce. This is mainly attributable to our multichannel integration and our proprietary distribution network. For 1P products (products originating from our own inventory), 66% of deliveries are currently completed within two days, a percentage that keeps improving. With increased access to MagaluEntregas, our sellers will benefit from the same logistics chain, which enables pickup in our 1100 stores. This is a true multichannel marketplace.

We went through our year of China-like exponential growth (our theme for 2019) while remaining customer-centric (our theme for 2018). As we grew, we also improved our Net Promotor Score or NPS and reduced the number of formally filed customer complaints. We are the only major retailer in Brazil to achieve the top RA1000 seal on Reclame Aqui, a consumer ratings website, despite the fact that we chose to list our marketplace (3P) and e-commerce businesses (1P) together.

We have started our 2020 theme, #TemNoMagalu, while maintaining our 2019 theme, China-like exponential growth, and our 2018 theme, focus on customers. We will now continue to focus on and invest in all three themes simultaneously, trading off short-term margin whenever optimal to guarantee the best long-term results.

Over the last 2 years, Magalu has invested around 2 percentage points of EBITDA margin--from 8% to 6%--in the acquisition of new customers; in the creation of the best shopping experience, in reducing delivery times and in the consolidation of Netshoes, generating a great deal of value for all of our customers and shareholders. And we will not stop there. We have many opportunities ahead of us. This year, following the same trend, we will continue to invest in faster delivery; in expanding our super app; in extending MagaluPay; in acquiring companies and in accelerating the integration process of acquired companies, such as Netshoes. All done in a sustainable and value accretive way.

While these initiatives may increase our expenses in the short term, we believe that they will generate a great deal of value in the future. After our successful follow-on offering in November, Magalu has built a solid capital structure, strong enough to carry out our mission.

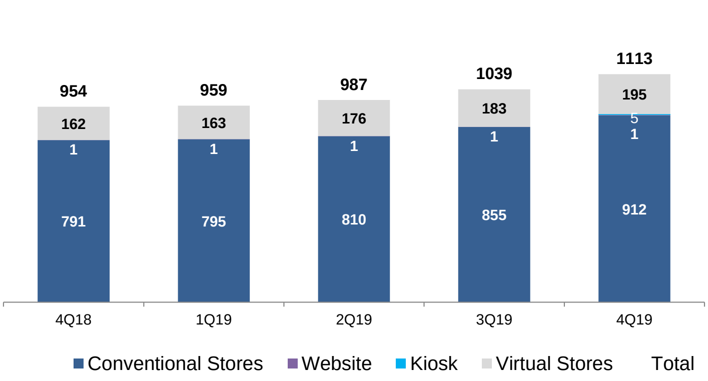
Finally, we would like to thank our more than 30,000 employees, whose energy and enthusiasm have managed to scale with our ambitions, our sellers, suppliers, business partners and shareholders. And a special daily thanks to each of our customers. Gratitude is something that we also #TemNoMagalu.

EXECUTIVE MANAGEMENT TEAM

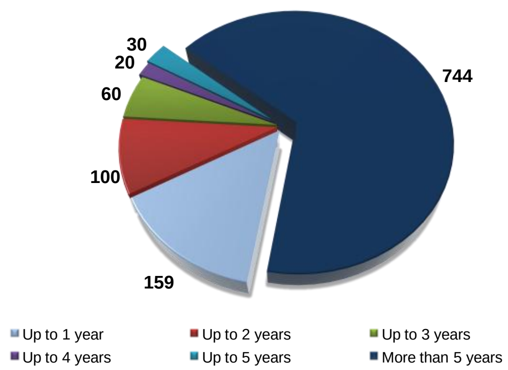
OPERATING AND FINANCIAL PERFORMANCE

Magalu ended 4Q19 with 1.113 stores (912 conventional and 195 virtual), 5 kioks (Lojas Marisa partnership) and an e-commerce operation). In 4Q19, the Company inaugurated 74 stores. In the last 12 months, the Company opened 159 new stores (34 in the South, 29 in the Southeast, 28 in the Midwest, 19 in the Northeast and 49 in the North). Thirty three percent of our total number of stores are not yet mature.

Number of Stores

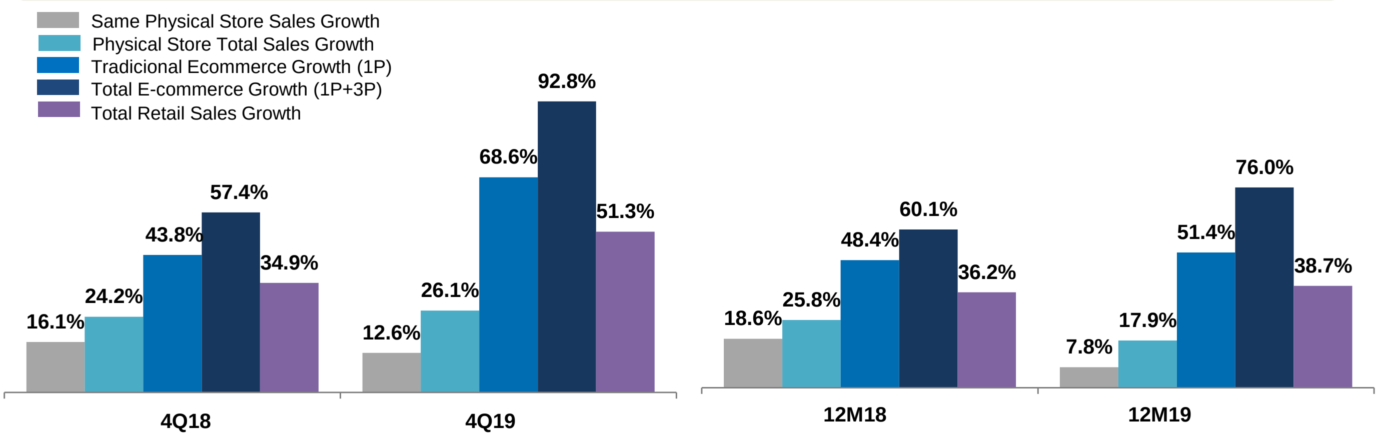


Average Age of Stores (number of stores)



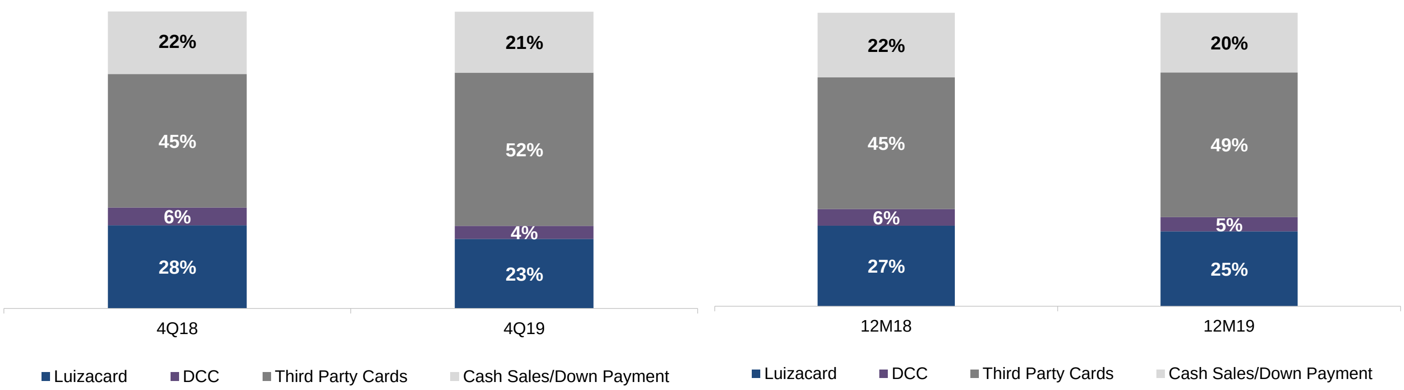
Total Retail sales were up 51.3% in 4Q19 as a result of a 26.1% increase in brick-and-mortar store sales and a 92.8% increase in e-commerce sales.

Total Sales Growth (%)



Luiza Card total sales penetration was 23% in 4Q19, contributing to the Company's strategy of increasing customer loyalty. The percentage of DCC (direct credit to consumers) was 4% in 4Q19 (-200 bps YoY). In 12M19, Luiza Card's share of sales reached 25%.

Financed Sales Mix (% of total sales)



Gross Revenues

(in R$ million)	4Q19	4Q18	% Chg	12M19	12M18	% Chg
Gross Revenue - Retail - Merchandise Sales	7,488.8	5,339.7	40.2%	23,141.0	18,016.2	28.4%
Gross Revenue - Retail - Services	362.5	239.9	51.1%	1,132.1	814.6	39.0%
Gross Revenue - Retail	**7,851.3**	**5,579.6**	**40.7%**	**24,273.1**	**18,830.7**	**28.9%**
Gross Revenue - Other Services	51.8	23.4	121.1%	159.1	80.1	98.5%
Inter-Company Eliminations	(34.7)	(4.5)	678.4%	(55.1)	(14.3)	284.0%
Gross Revenue - Total	**7,868.3**	**5,598.5**	**40.5%**	**24,377.1**	**18,896.5**	**29.0%**

In 4Q19, total gross revenues grew 40.5% to R$7.9 billion, due to the accelerated growth of e-commerce, including Netshoes, physical same store sales growth and the significant contribution of new stores. Also notable was the growth in services revenue of 51.1%, especially marketplace sales which rose 216.4%. In 12M19, total gross revenue grew 29.0% to R$24.4 billion.

Net Revenues

(in R$ million)	4Q19	4Q18	% Chg	12M19	12M18	% Chg
Net Revenue - Retail - Merchandise Sales	6,049.5	4,380.6	38.1%	18,786.2	14,811.8	26.8%
Net Revenue - Retail - Services	324.3	212.5	52.6%	1,012.5	718.9	40.8%
Net Revenue - Retail	**6,373.8**	**4,593.1**	**38.8%**	**19,798.7**	**15,530.8**	**27.5%**
Net Revenue - Other Services	46.0	21.9	109.7%	142.7	74.0	92.8%
Inter-Company Eliminations	(34.7)	(4.5)	678.4%	(55.1)	(14.3)	284.0%
Net Revenue - Total	**6,385.0**	**4,610.5**	**38.5%**	**19,886.3**	**15,590.4**	**27.6%**

In 4Q19, total net revenues rose 38.5% to R$6.4 billion in line with total gross revenue. In 12M19, net revenue grew 27.6% to R$19.9 billion.

Gross Profit

(in R$ million)	4Q19	4Q18	% Chg	12M19	12M18	% Chg
Gross Profit - Retail - Merchandise Sales	1,515.0	1,073.6	41.1%	4,526.4	3,780.8	19.7%
Gross Profit - Retail - Services	324.3	212.5	52.6%	1,012.5	718.9	40.8%
Gross Profit - Retail	**1,839.3**	**1,286.1**	**43.0%**	**5,538.9**	**4,499.7**	**23.1%**
Gross Profit - Other Services	17.2	11.0	56.4%	55.3	39.7	39.6%
Inter-Company Eliminations	(31.1)	(0.9)	3421.5%	(40.3)	(1.9)	1991.9%
Gross Profit - Total	**1,825.4**	**1,296.2**	**40.8%**	**5,554.0**	**4,537.4**	**22.4%**
Gross Margin - Total	**28.6%**	**28.1%**	**50 bps**	**27.9%**	**29.1%**	**-120 bps**

In 4Q19, adjusted gross profit increased by 40.8% to R$1.8 billion, equivalent to a gross margin of 28.6%. This margin is due to the growth of new categories, especially by Netshoes sales which reached a gross margin of 38.4%, and the excellent performance of the marketplace, which grew by 216.4%. In 12M19, adjusted gross profit increased by 27.6% to R$5.8 billion, equivalent to a gross margin of 29.1%.

Operating Expenses

(in R$ million)	4Q19 Adjusted	% NR	4Q18 Adjusted	% NR	% Chg	12M19 Adjusted	% NR	12M18 Adjusted	% NR	% Chg
Selling Expenses	(1,204.8)	-18.9%	(775.0)	-16.8%	55.5%	(3,698.7)	-18.6%	(2,747.4)	-17.6%	34.6%
General and Administrative Expenses	(235.2)	-3.7%	(181.4)	-3.9%	29.6%	(802.9)	-4.0%	(596.1)	-3.8%	34.7%
General and Administrative Expenses	**(1,440.0)**	**-22.6%**	**(956.4)**	**-20.7%**	**50.6%**	**(4,501.6)**	**-22.6%**	**(3,343.6)**	**-21.4%**	**34.6%**
Provisions for Loan Losses	(30.2)	-0.5%	(16.6)	-0.4%	81.1%	(76.0)	-0.4%	(59.7)	-0.4%	27.2%
Other Operating Revenues, Net	20.9	0.3%	10.4	0.2%	100.3%	64.8	0.3%	41.5	0.3%	56.3%
Total Operating Expenses	**(1,449.3)**	**-22.7%**	**(962.6)**	**-20.9%**	**50.6%**	**(4,512.7)**	**-22.7%**	**(3,361.8)**	**-21.6%**	**34.2%**
% Expenses/ Total Sales	**-16.1%**		**-16.2%**			**-16.5%**		**-17.1%**		

Adjusted Selling Expenses

In 4Q19, selling expenses totaled R$1.2 billion or 18.9% of net revenues, 210 bps higher YoY. The increase in expenses was due to the Netshoes consolidation, as well as additional investments in the acquisition of new customers, specially via the Magalu App and Luiza Card, and investments to improve user experience, including logistics and customer service. In 12M19, selling expenses totaled R$3.7 billions or 18.6% of net revenues (+100bps YoY).

Adjusted General and Administrative Expenses

General and administrative expenses came to R$235.2 million or 3.7% of net revenues in 4Q19 (20 bps lower YoY), due to the strong sales growth. In 12M19, general and administrative expenses came to R$802.9 million or 4.0% of net revenues.

Provisions for Loan Losses

Provisions for loan losses reached R$30.2 million in 4Q19 and R$76.0 million in 12M19.

Other Operating Revenues and Expenses, Net

(in R$ million)	4Q19	% NR	4Q18	% NR	% Chg	12M19	% NR	12M18	% NR	% Chg
Gain on Sale of Assets	2.8	0.0%	0.3	0.0%	-	7.2	0.0%	(0.1)	0.0%	-
Deferred Revenue Recorded	13.6	0.2%	10.1	0.2%	34.7%	53.1	0.3%	41.6	0.3%	27.8%
Others	4.5	0.1%	-	0.0%	-	4.5	0.0%	-	0.0%	-
Subtotal - Adjusted	**20.9**	**0.3%**	**10.4**	**0.2%**	**100.3%**	**64.8**	**0.3%**	**41.5**	**0.3%**	**56.3%**
Tax Credits	-	0.0%	-	0.0%	-	812.0	4.1%	-	0.0%	-
Tax Provisions	6.0	0.1%	(24.0)	-0.5%	-	(240.7)	-1.2%	(10.3)	-0.1%	-
Expert Fees	(5.6)	-0.1%	-	0.0%	-	(149.6)	-0.8%	-	0.0%	-
Pre-operating Store Expenses	(0.9)	0.0%	(6.1)	-0.1%	-84.6%	(21.2)	-0.1%	(13.2)	-0.1%	60.8%
Retention Contracts and Others	3.5	0.1%	(0.0)	0.0%	-	(48.6)	-0.2%	0.1	0.0%	-
Deferred Revenue Recorded	-	0.0%	35.4	0.8%	-	-	0.0%	35.4	0.2%	-
Subtotal - Non Recurring	**2.9**	**0.0%**	**5.3**	**0.1%**	**-44.9%**	**351.8**	**1.8%**	**11.9**	**0.1%**	**2854%**
Total	**23.8**	**0.4%**	**15.7**	**0.3%**	**51.5%**	**416.7**	**2.1%**	**53.4**	**0.3%**	**680.4%**

Other adjusted net operating revenues and expenses came to R$20.9 million in 4Q19, chiefly due to a deferred revenues allocation of R$13.6 million. In 12M19, other adjusted net operating revenues and expenses came to R$64.8 million.

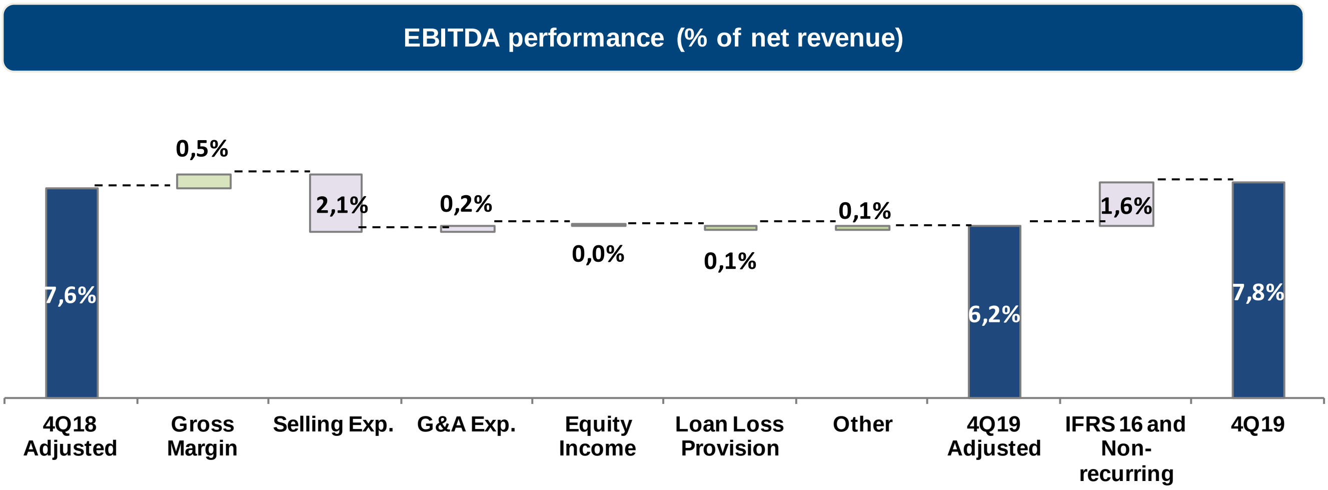
Equity Income

In 4Q19, equity income was R$18.4 million. Luizacred was responsible for R$17.4 million and Luizaseg, was responsible for R$1.0 million. In 12M19, equity income was positive by R$26.6 million.

It is worth noting that Luizacred's result continues to be influenced by the strong growth of the card base and the credit limit available to the best customers. However, with strong sales growth and improvement in the delinquency rate, Luizacred´s results grew again, reaching R$34.8 million.

EBITDA

In 4Q19, adjusted EBITDA reached R$394.5 million, growing 13.3%. High sales growth and a positive contribution from e-commerce, including the marketplace, contributed to the EBITDA growth. The additional investments were made to improve service levels and the Netshoes consolidation influenced the adjusted EBITDA margin, which went from 7.6% in 4Q18 to 6.2% during the quarter. In 12M19, Adjusted EBITDA was R$1.3 billion (6.6% margin).



Financial Results

R$ million	4Q19	% NR	4Q18	% NR	% Chg	12M19	% NR	12M18	% NR	% Chg
Financial Expenses	(210.9)	-3.3%	(126.5)	-2.7%	66.8%	(711.3)	-3.6%	(428.6)	-2.7%	66.0%
Interest on loans and financing	(15.5)	-0.2%	(8.4)	-0.2%	83.7%	(56.4)	-0.3%	(50.2)	-0.3%	12.4%
Interest on prepayment of receivables – third party card	(26.3)	-0.4%	(17.0)	-0.4%	54.8%	(139.5)	-0.7%	(72.9)	-0.5%	91.4%
Interest on prepayment of receivables – Luiza Card	(66.7)	-1.0%	(74.5)	-1.6%	-10.5%	(262.8)	-1.3%	(232.6)	-1.5%	13.0%
Other expenses	(23.0)	-0.4%	(26.5)	-0.6%	-13.0%	(100.3)	-0.5%	(73.0)	-0.5%	37.3%
Lease	(79.3)	-1.2%	-	0.0%	0.0%	(152.4)	-0.8%	-	0.0%	0.0%
Financial Revenues	22.9	0.4%	35.8	0.8%	-36.0%	640.9	3.2%	133.9	0.9%	378.5%
Gains on marketable securities	3.7	0.1%	1.6	0.0%	128.5%	8.5	0.0%	8.8	0.1%	-2.6%
Other financial revenues	19.2	0.3%	34.2	0.7%	-43.7%	632.4	3.2%	125.2	0.8%	405.3%
Total Financial Results	(188.0)	-2.9%	(90.7)	-2.0%	107.3%	(70.4)	-0.4%	(294.7)	-1.9%	-76.1%
(-) IFRS 16	(79.3)	-1.2%	-	-	-	(152.4)	-0.8%	-	-	-
(-) Monetary Update Tax Credits	-	0.0%	-	-	-	522.5	2.6%	-	-	-
(-) Expenses and Taxes / Non-recurring	-	0.0%	-	-	-	(61.9)	-0.3%	-	-	-
Total Financial Results - Adjusted	(108.7)	-1.7%	(90.7)	-2.0%	19.8%	(378.7)	-1.9%	(294.7)	-1.9%	28.5%

In 4Q19, adjusted net financial results came to R$108.7 million or 1.7% of net revenue. In relation to net revenue, net financial expenses improved by 30 bps. This improvement is a consequence of the Company's strong cash generation, lower interest rates and the follow-on offering concluded in Nov/19. In 12M19, the adjusted net financial result was R$378.7 million, or 1.9% of net revenue.

Net Income

Taking into account EBITDA growth, financial expenses dilution and the benefit of interest on equity, 4Q19 adjusted net income reached R$185.3 million (2.9% net margin). In 12M19, adjusted net profit was R$552.1 million, with a net margin of 2.8%.

Working Capital - Adjusted

CONSOLIDATED (R$ million)	LTM	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18
(+) Accounts Receivables	863.5	2,915.0	1,875.0	1,460.8	1,761.3	2,051.6
(+) Inventories	991.5	3,801.8	2,885.7	2,556.3	2,484.6	2,810.2
(+) Related Parties	179.8	370.0	239.2	126.2	260.0	190.2
(+) Recoverable Taxes	560.5	864.1	745.7	712.7	221.9	303.7
(+) Other Assets	87.8	136.3	145.1	112.7	94.8	48.5
(+) Current Operating Assets	2,683.1	8,087.3	5,890.7	4,968.8	4,822.6	5,404.2
	-					
(-) Suppliers	1,829.6	5,934.9	3,802.8	3,395.9	2,973.6	4,105.2
(-) Payroll, Vacation and Related Charges	95.7	354.7	349.8	302.3	270.0	259.0
(-) Taxes Payable	211.0	352.0	208.8	174.2	203.3	141.0
(-) Related Parties	26.7	152.1	125.6	113.1	106.0	125.4
(-) Deferred Revenue	3.9	43.0	43.0	43.0	39.2	39.2
(-) Other Accounts Payable	295.6	701.7	688.2	688.4	446.6	406.1
(-) Current Operating Liabilities	2,462.6	7,538.5	5,218.3	4,716.7	4,038.6	5,075.9
	-					
(=) Working Capital	220.4	548.8	672.5	252.1	784.1	328.3
(-) Credit Card - Third Party Card	628.7	2,121.0	1,142.0	817.2	1,146.8	1,492.3
(-) Credit Card - Luiza Card	162.8	269.5	157.4	68.2	175.9	106.7
(-) Total Credit Card	791.5	2,390.5	1,299.4	885.4	1,322.7	1,599.0
(=) Working Capital Adjusted	(571.1)	(1,841.7)	(627.0)	(633.3)	(538.6)	(1,270.7)
% of Gross Revenue (LTM)	-0.8%	-7.6%	-2.8%	-3.1%	-2.7%	-6.7%
(=) Working Capital	220.4	548.8	672.5	252.1	784.1	328.3
(+) Balance of Discounted Receivables	294.0	1,679.8	1,992.9	2,322.9	1,777.7	1,385.8
(=) Working Capital Expanded	514.4	2,228.6	2,665.4	2,574.9	2,561.7	1,714.1
% of Gross Revenue (LTM)	0.1%	9.1%	12.1%	12.5%	12.9%	9.1%

In Dec/19, adjusted working capital needs were negative R$1.8 billion showing an improvement YoY and contributing to the Company's cash flow generation. Highlights include disciplined inventory management (75 days on average) and purchasing time (98 days on average). In the last twelve months, adjusted working capital contributed R$571.1 million to operating cash generation and adjusted net cash.

Capex

CAPEX (in R$ million)	4Q19	%	4Q18	%	%Chg	12M19	%	12M18	%	%Chg
New Stores	57.2	44%	31.6	24%	81%	179.2	34%	86.7	24%	107%
Remodeling	9.1	7%	29.5	23%	-69%	47.3	9%	54.2	15%	-13%
Technology	34.4	26%	20.4	16%	68%	118.8	23%	84.9	23%	40%
Logistics	23.9	18%	41.0	31%	-42%	131.3	25%	88.8	24%	48%
Other	6.2	5%	7.7	6%	-20%	45.0	9%	49.8	14%	-10%
Total	**130.8**	**100%**	**130.2**	**100%**	**0%**	**521.5**	**100%**	**364.4**	**100%**	**43%**

In 4Q19, investments totaled R$130.8 million. Investments included: the opening of new stores; the remodeling of existing stores, and investments in technology and logistics, including the automation of the Louveira, Sao Paulo distribution center. During this period, the Company inaugurated 74 new stores.

Capital Structure

CONSOLIDATED (R$ million)	LTM	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18
(-) Current Loans and Financing	120.8	(10.0)	(313.4)	(43.3)	(128.9)	(130.7)
(-) Non-current Loans and Financing	(513.6)	(838.9)	(832.7)	(1,120.4)	(321.6)	(325.2)
(=) Gross Debt	(392.9)	(848.8)	(1,146.1)	(1,163.7)	(450.5)	(456.0)
(+) Cash and Cash Equivalents	(293.3)	305.7	221.8	625.7	293.2	599.1
(+) Current Securities	4,039.0	4,448.2	238.7	441.1	217.3	409.1
(+) Non-current Securities	-	0.2	0.3	0.3	0.2	0.2
(+) Total Cash	3,745.7	4,754.1	460.8	1,067.1	510.7	1,008.4
(=) Net Cash	3,352.8	3,905.3	(685.3)	(96.6)	60.2	552.4
(+) Credit Card - Third Party Card	628.7	2,121.0	1,142.0	817.2	1,146.8	1,492.3
(+) Credit Card - Luiza Card	162.8	269.5	157.4	68.2	175.9	106.7
(+) Total Credit Card	791.5	2,390.5	1,299.4	885.4	1,322.7	1,599.0
(=) Adjusted Net Cash	4,144.3	6,295.8	614.1	788.8	1,382.9	2,151.4
Short Term Debt / Total	-27%	1%	27%	4%	29%	29%
Long Term Debt / Total	27%	99%	73%	96%	71%	71%
Adjusted EBITDA (LTM)	70.5	1,303.9	1,257.5	1,237.9	1,252.0	1,233.3
Adjusted Net Cash / Adjusted EBITDA	3.1 x	4.8 x	0.5 x	0.6 x	1.1 x	1.7 x
Cash, Securities and Credit Cards	4,537.2	7,144.6	1,760.2	1,952.5	1,833.4	2,607.4

In the last 12 months, the Company improved its adjusted net cash positionby R$4.1 billion, from an adjusted net cash position of R$2.2 billion in Dec/18 to R$6.3 billion in Dec/19. This improvement was driven in large part by the proceeds of the Nov/19 follow-on offering which totaled R$4.3 billion.

The Company ended 4Q19 with a total cash position of R$7.1 billion, with cash and securities worth R$4.7 billion and R$2.4 billion worth of credit card receivables.

ANNEX I
FINANCIAL STATEMENTS – CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT (R$ million)	4Q19	V.A.	4Q18	V.A.	% Chg	12M19	V.A.	12M18	V.A.	% Chg
Gross Revenue	7,868.3	123.2%	5,598.5	121.4%	40.5%	24,377.1	122.6%	18,896.5	121.2%	29.0%
Taxes and Deductions	(1,483.3)	-23.2%	(988.0)	-21.4%	50.1%	(4,490.8)	-22.6%	(3,306.1)	-21.2%	35.8%
Net Revenue	6,385.0	100.0%	4,610.5	100.0%	38.5%	19,886.3	100.0%	15,590.4	100.0%	27.6%
Total Costs	(4,559.6)	-71.4%	(3,314.4)	-71.9%	37.6%	(14,332.3)	-72.1%	(11,053.0)	-70.9%	29.7%
Gross Income	1,825.4	28.6%	1,296.2	28.1%	40.8%	5,554.0	27.9%	4,537.4	29.1%	22.4%
Selling Expenses	(1,135.0)	-17.8%	(775.0)	-16.8%	46.5%	(3,444.1)	-17.3%	(2,747.4)	-17.6%	25.4%
General and Administrative Expenses	(203.4)	-3.2%	(181.4)	-3.9%	12.1%	(701.6)	-3.5%	(596.1)	-3.8%	17.7%
Provisions for Loan Losses	(30.2)	-0.5%	(16.6)	-0.4%	81.1%	(76.0)	-0.4%	(59.7)	-0.4%	27.2%
Other Operating Revenues, Net	23.8	0.4%	15.7	0.3%	51.5%	416.7	2.1%	53.4	0.3%	680.4%
Equity in Subsidiaries	18.4	0.3%	14.7	0.3%	25.6%	26.6	0.1%	57.8	0.4%	-53.9%
Total Operating Expenses	(1,326.3)	-20.8%	(942.7)	-20.4%	40.7%	(3,778.4)	-19.0%	(3,292.2)	-21.1%	14.8%
EBITDA	499.1	7.8%	353.5	7.7%	41.2%	1,775.5	8.9%	1,245.2	8.0%	42.6%
Depreciation and Amortization	(122.3)	-1.9%	(41.0)	-0.9%	198.2%	(487.0)	-2.4%	(163.7)	-1.0%	197.5%
EBIT	376.8	5.9%	312.5	6.8%	20.6%	1,288.6	6.5%	1,081.6	6.9%	19.1%
Financial Results	(188.0)	-2.9%	(90.7)	-2.0%	107.3%	(70.4)	-0.4%	(294.7)	-1.9%	-76.1%
Operating Income	188.8	3.0%	221.8	4.8%	-14.9%	1,218.2	6.1%	786.9	5.0%	54.8%
Income Tax and Social Contribution	(20.8)	-0.3%	(32.1)	-0.7%	-35.3%	(296.3)	-1.5%	(189.4)	-1.2%	56.4%
Net Income	168.0	2.6%	189.6	4.1%	-11.4%	921.8	4.6%	597.4	3.8%	54.3%

Calculation of EBITDA

Net Income	168.0	2.6%	189.6	4.1%	-11.4%	921.8	4.6%	597.4	3.8%	54.3%
(+/-) Income Tax and Social Contribution	20.8	0.3%	32.1	0.7%	-35.3%	296.3	1.5%	189.4	1.2%	56.4%
(+/-) Financial Results	188.0	2.9%	90.7	2.0%	107.3%	70.4	0.4%	294.7	1.9%	-76.1%
(+) Depreciation and Amortization	122.3	1.9%	41.0	0.9%	198.2%	487.0	2.4%	163.7	1.0%	197.5%
EBITDA	499.1	7.8%	353.5	7.7%	41.2%	1,775.5	8.9%	1,245.2	8.0%	42.6%

Reconciliation of EBITDA for non-recurring expenses

EBITDA	499.1	7.8%	353.5	7.7%	41.2%	1,775.5	8.9%	1,245.2	8.0%	42.6%
IFRS 16	(101.6)	-1.6%	-	0.0%	0.0%	(355.9)	-1.8%	-	0.0%	-
Non-recurring Result	(2.9)	0.0%	(5.3)	-0.1%	0.0%	(115.8)	-0.6%	(11.9)	-0.1%	-
Adjusted EBITDA	394.5	6.2%	348.2	7.6%	13.3%	1,303.9	6.6%	1,233.3	7.9%	5.7%

Net Income	168.0	2.6%	189.6	4.1%	-11.4%	921.8	4.6%	597.4	3.8%	54.3%
IFRS 16	19.2	0.0%	-	0.0%	0.0%	47.9	0.2%	-	0.0%	-
Non-recurring Result	(1.9)	0.0%	(3.5)	-0.1%	0.0%	(417.7)	-2.1%	(7.9)	-0.1%	-
Adjusted Net Income	185.3	2.9%	186.2	4.0%	-0.5%	552.1	2.8%	589.6	3.8%	-6.4%

* EBITDA (EBITDA - Earnings before Interest, Income Taxes including Social Contribution on Net Income, Depreciation and Amortization) is a non-GAAP measurement prepared by the Company, in accordance with CVM Instruction No. 527 of April 04 October 2012. EBITDA consists of the Company's net income, plus net financial income, income tax and social contribution, and depreciation and amortization costs and expenses.
Adjusted EBITDA consists of adjusted EBITDA for extraordinary expenses and IFRS 16 effects. In the case of the adjustment identified above, this result refers to tax credits, the Netshoes acquisition and other provisions and non-recurring expenses. The Company understands that the disclosure of Adjusted EBITDA is necessary to understand the actual impact on cash generation, excluding extraordinary events. Adjusted EBITDA is not a performance metric adopted by IFRS. The Company's adjusted EBITDA definition may not be comparable to similar measures provided by other companies.

ANNEX II – PRO FORMA
FINANCIAL STATEMENTS – CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT (R$ million)	4Q19 Adjusted	V.A.	4Q18 Adjusted	V.A.	% Chg	12M19 Adjusted	V.A.	12M18 Adjusted	V.A.	% Chg
Gross Revenue	7,868.3	123.2%	5,598.5	121.4%	40.5%	24,377.1	122.6%	18,896.5	121.2%	29.0%
Taxes and Deductions	(1,483.3)	-23.2%	(988.0)	-21.4%	50.1%	(4,490.8)	-22.6%	(3,306.1)	-21.2%	35.8%
Net Revenue	6,385.0	100.0%	4,610.5	100.0%	38.5%	19,886.3	100.0%	15,590.4	100.0%	27.6%
Total Costs	(4,559.6)	-71.4%	(3,314.4)	-71.9%	37.6%	(14,096.3)	-70.9%	(11,053.0)	-70.9%	27.5%
Gross Income	1,825.4	28.6%	1,296.2	28.1%	40.8%	5,790.0	29.1%	4,537.4	29.1%	27.6%
Selling Expenses	(1,204.8)	-18.9%	(775.0)	-16.8%	55.5%	(3,698.7)	-18.6%	(2,747.4)	-17.6%	34.6%
General and Administrative Expenses	(235.2)	-3.7%	(181.4)	-3.9%	29.6%	(802.9)	-4.0%	(596.1)	-3.8%	34.7%
Provisions for Loan Losses	(30.2)	-0.5%	(16.6)	-0.4%	81.1%	(76.0)	-0.4%	(59.7)	-0.4%	27.2%
Other Operating Revenues, Net	20.9	0.3%	10.4	0.2%	100.3%	64.8	0.3%	41.5	0.3%	56.3%
Equity in Subsidiaries	18.4	0.3%	14.7	0.3%	25.6%	26.6	0.1%	57.8	0.4%	-53.9%
Total Operating Expenses	(1,430.8)	-22.4%	(948.0)	-20.6%	50.9%	(4,486.1)	-22.6%	(3,304.1)	-21.2%	35.8%
EBITDA	394.5	6.2%	348.2	7.6%	13.3%	1,303.9	6.6%	1,233.3	7.9%	5.7%
Depreciation and Amortization	(71.0)	-1.1%	(41.0)	-0.9%	73.0%	(210.9)	-1.1%	(163.7)	-1.0%	28.8%
EBIT	323.6	5.1%	307.2	6.7%	5.3%	1,093.0	5.5%	1,069.6	6.9%	2.2%
Financial Results	(108.7)	-1.7%	(90.7)	-2.0%	19.8%	(378.7)	-1.9%	(294.7)	-1.9%	28.5%
Operating Income	214.9	3.4%	216.5	4.7%	-0.7%	714.3	3.6%	775.0	5.0%	-7.8%
Income Tax and Social Contribution	(29.7)	-0.5%	(30.3)	-0.7%	-2.2%	(162.1)	-0.8%	(185.4)	-1.2%	-12.5%
Net Income	185.3	2.9%	186.2	4.0%	-0.5%	552.1	2.8%	589.6	3.8%	-6.4%

ANNEX III
FINANCIAL STATEMENTS – CONSOLIDATED BALANCE SHEET

ASSETS (R$ million)	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18
CURRENT ASSETS					
Cash and Cash Equivalents	305,7	221,8	625,7	293,2	599,1
Securities	4.448,2	238,7	441,1	217,3	409,1
Accounts Receivable - Credit Card	2.121,0	1.142,0	817,2	1.146,8	1.492,3
Accounts Receivable - Others	794,0	733,0	643,6	614,6	559,2
Inventories	3.801,8	2.885,7	2.556,3	2.484,6	2.810,2
Related Parties - Credit Card	269,5	157,4	68,2	175,9	106,7
Related Parties - Others	100,6	81,8	58,1	84,1	83,5
Taxes Recoverable	864,1	745,7	712,7	221,9	303,7
Other Assets	136,3	145,1	112,7	94,8	48,5
Total Current Assets	12.841,2	6.351,2	6.035,6	5.333,1	6.412,4
NON-CURRENT ASSETS					
Securities	0,2	0,3	0,3	0,2	0,2
Accounts Receivable	16,8	11,7	11,3	4,4	7,6
Recoverable Taxes	1.137,8	1.275,5	944,6	246,8	150,6
Deferred Income Tax and Social Contribution	12,7	14,2	27,0	168,9	181,0
Judicial Deposits	570,1	518,2	480,1	383,9	349,2
Other Assets	11,0	36,4	34,7	32,7	34,2
Investments in Subsidiaries	305,1	305,0	293,6	294,6	308,5
Right of use	2.273,8	2.168,2	1.804,9	1.882,0	
Fixed Assets	1.076,7	1.016,1	941,2	789,4	754,3
Intangible Assets	1.545,6	1.556,0	1.509,5	605,1	598,8
Total Non-current Assets	6.949,9	6.901,6	6.047,0	4.408,1	2.384,4
TOTAL ASSETS	19.791,1	13.252,8	12.082,7	9.741,2	8.796,7

LIABILITIES (R$ million)	Dec-19	Sep-19	Jun-19	Mar-19	Dec-18
CURRENT LIABILITIES					
Suppliers	5.934,9	3.802,8	3.395,9	2.973,6	4.105,2
Loans and Financing	10,0	313,4	43,3	128,9	130,7
Payroll, Vacation and Related Charges	354,7	349,8	302,3	270,0	259,0
Taxes Payable	352,0	208,8	174,2	203,3	141,0
Related Parties	152,1	125,6	113,1	106,0	125,4
Lease	330,6	213,1	212,6	224,6	-
Deferred Revenue	43,0	43,0	43,0	39,2	39,2
Dividends Payable	123,6	112,0	-	166,4	182,0
Other Accounts Payable	701,7	688,2	688,4	446,6	406,1
Total Current Liabilities	8.002,6	5.856,8	4.972,6	4.558,6	5.388,6
NON-CURRENT LIABILITIES					
Loans and Financing	838,9	832,7	1.120,4	321,6	325,2
Lease	1.949,8	1.991,2	1.621,3	1.667,2	-
Deferred Income Tax and Social Contribution	39,0	65,3	58,1	-	-
Provision for Tax, Civil and Labor Risks	1.037,1	941,0	813,0	380,9	387,4
Deferred Revenue	356,8	370,5	384,3	378,1	391,0
Other Accounts Payable	2,0	1,8	1,9	1,8	1,7
Total Non-current Liabilities	4.223,5	4.202,4	3.999,1	2.749,6	1.105,3
TOTAL LIABILITIES	12.226,1	10.059,2	8.971,7	7.308,2	6.493,9
SHAREHOLDERS' EQUITY					
Capital Stock	5.952,3	1.719,9	1.719,9	1.719,9	1.719,9
Capital Reserve	323,3	296,3	268,1	54,9	52,2
Treasury Shares	(124,5)	(80,4)	(9,5)	(84,2)	(87,0)
Legal Reserve	109,0	65,6	65,6	65,6	65,6
Profit Retention Reserve	1.301,8	434,9	546,9	546,9	546,9
Other Comprehensive Income	3,2	3,4	1,2	(2,1)	5,3
Retained Earnings	-	753,8	518,7	132,1	-
Total Shareholders' Equity	7.564,9	3.193,6	3.110,9	2.433,0	2.302,9
TOTAL	19.791,1	13.252,8	12.082,7	9.741,2	8.796,7

ANNEX IV
FINANCIAL STATEMENTS – ADJUSTED CONSOLIDATED STATEMENT OF CASH FLOWS

ADJUSTED CASH FLOW STATEMENTS (R$ million)	4Q19	4Q18	12M19	12M18
Net Income	**168.0**	**189.6**	**921.8**	**597.4**
Effect of Income Tax and Social Contribution Net of Payment	20.8	11.7	244.2	88.8
Depreciation and Amortization	122.3	41.0	487.0	163.7
Interest Accrued on Loans	87.2	9.6	203.7	49.7
Equity Income	(18.4)	(14.7)	(26.6)	(57.8)
Dividends Received	0.0	15.6	21.2	31.4
Provision for Losses on Inventories and Receivables	35.4	15.9	331.9	130.6
Provision for Tax, Civil and Labor Contingencies	57.2	34.6	452.1	95.1
Gain on Sale of Fixed Assets	(0.8)	(0.3)	(5.0)	0.1
Recognition of Deferred Income	(13.3)	(45.5)	(53.3)	(76.9)
Stock Option Expenses	28.6	5.6	84.4	17.7
Other	0.0	0.0	0.0	0.0
Adjusted Net Income	**487.0**	**263.3**	**2,661.5**	**1,039.7**
Trade Accounts Receivable	(101.6)	(46.8)	(256.8)	(253.5)
Inventories	(916.0)	(693.3)	(1,026.6)	(883.0)
Taxes Recoverable	19.3	(60.4)	(1,467.1)	(85.9)
Other Receivables	(28.3)	9.3	(132.7)	(25.4)
Changes in Operating Assets	**(1,026.6)**	**(791.2)**	**(2,883.3)**	**(1,247.8)**
Trade Accounts Payable	2,132.1	1,451.6	1,409.9	1,185.1
Other Payables	152.1	102.0	312.8	146.7
Change in Operating Liabilities	**2,284.2**	**1,553.6**	**1,722.7**	**1,331.8**
Cash Flow from Operating Activities	**1,744.5**	**1,025.8**	**1,501.0**	**1,123.7**
Additions of Fixed and Intangible Assets	(130.8)	(130.2)	(521.5)	(364.4)
Cash on Sale of Fixed Assets	0.0	0.0	0.0	0.0
Sale of Exclusive Dealing and Exploration Right Contract	0.0	0.0	0.0	0.0
Renegotiation Payment of Exclusive Contract	0.0	0.0	0.0	0.0
Investment in Subsidiary	(6.1)	3.5	(407.1)	0.3
Capital Increase in Affiliated Company	0.0	(30.0)	0.0	(30.0)
Cash Flow from Investing Activities	**(136.9)**	**(156.7)**	**(928.6)**	**(394.1)**
Loans and Financing	(3.8)	0.0	798.9	0.0
Repayment of Loans and Financing	(297.3)	(127.7)	(607.0)	(412.6)
Changes in Other Financial Assets (Hedge)	0.0	0.0	0.0	(1.4)
Payment of Interest on Loans and Financing	(4.6)	(5.7)	(52.3)	(53.2)
Payment of Lease	(26.5)	0.0	(214.3)	0.0
Payment of Interest on Lease	(79.2)	0.0	(152.4)	0.0
Payment of Dividends	0.0	0.0	(182.0)	(114.3)
Treasury Shares	(44.2)	(20.0)	141.4	(75.7)
Proceeds from the Secondary Equity Offering	4,300.0	0.0	4,300.0	0.0
Payment of expenses with the Secondary Equity Offering	(67.6)	0.0	(67.6)	0.0
Cash Flow from Financing Activities	**3,776.8**	**(153.4)**	**3,964.8**	**(657.1)**
Cash, Cash Equivalents and Securities at Beginning of Period	1,760.2	1,891.7	2,607.4	2,534.9
Cash, Cash Equivalents and Securities at end of Period	7,144.6	2,607.4	7,144.6	2,607.4
Change in Cash and Cash equivalents	**5,384.4**	**715.7**	**4,537.2**	**72.5**

Note: The difference between the Statement of Cash Flows and the Adjusted Statement of Cash Flows derives from:
(i) the accounting treatment of marketable securities as cash and cash equivalents.
(ii) the accounting treatment of credit card receivables as cash and cash equivalents.

ANNEX V
RETURN ON INVESTED CAPITAL (ROIC) AND ON EQUITY (ROE)

INVESTED CAPITAL (R$ million)	Dec-19	Sep-19	Jun-19	mar-19	Dec-18
Working Capital	218,2	459,3	39,4	559,4	328,3
(+) Accounts Receivable	16,8	11,7	11,3	4,4	7,6
(+) Income Tax and Social Contribution deferred	12,7	14,2	27,0	168,9	181,0
(+) Taxes Recoverable	1.137,8	1.275,5	944,6	246,8	150,6
(+) Judicial Deposits	570,1	518,2	480,1	383,9	349,2
(+) Other Assets	11,0	36,4	34,7	32,7	34,2
(+) Investment In Joint Subsidiaries	305,1	305,0	293,6	294,6	308,5
(+) Right of use	2.273,8	2.168,2	1.804,9	1.882,0	
(+) Fixed Assets	1.076,7	1.016,1	941,2	789,4	754,3
(+) Intangible Assets	1.545,6	1.556,0	1.509,5	605,1	598,8
(+) Non Current Assets	6.949,7	6.901,3	6.046,8	4.407,9	2.384,1
(-) Provision for Contingencies	1.037,1	941,0	813,0	380,9	387,4
(-) Lease	1.949,8	1.991,2	1.621,3	1.667,2	
(-) Deferred Revenue	356,8	370,5	384,3	378,1	391,0
(-) Income Tax and Social Contribution deferred	39,0	65,3	58,1	-	-
(-) Other Accounts Payable	2,0	1,8	1,9	1,8	1,7
(-) Noncurrent operating liabilities	3.384,7	3.369,7	2.878,7	2.428,0	780,0
(=) Fixed Capital	3.565,0	3.531,6	3.168,1	1.979,9	1.604,1
(=) Total Invested Capital	3.783,2	3.990,9	3.207,5	2.539,3	1.932,4
(+) Net Debt	(3.905,3)	685,3	96,6	(60,2)	(552,4)
(+) Dividends Payable	123,6	112,0	-	166,4	182,0
(+) Shareholders Equity	7.564,9	3.193,6	3.110,9	2.433,0	2.302,9
(=) Total Financing	3.783,2	3.990,9	3.207,5	2.539,3	1.932,4

FINANCIAL EXPENSES RECONCILIATION (R$MM)	4Q19	3Q19	2Q19	1Q19	4Q18
Financial Income	22,9	96,2	479,7	42,2	35,8
Financial Expenses	(210,9)	(135,7)	(223,7)	(141,1)	(126,5)
Net Financial Expenses	(188,0)	(39,5)	256,0	(98,9)	(90,7)
Interest on prepayment of receivables: Luiza Card and third party card	93,0	93,6	122,1	93,6	91,5
Adjusted Financial Expenses	(95,0)	54,1	378,1	(5,3)	0,8
Taxes on Adjusted Financial Expenses	32,3	(18,4)	(128,5)	1,8	(0,3)
Net Adjusted Financial Expenses	(62,7)	35,7	249,5	(3,5)	0,6

NOPLAT AND ROIC/ROE RECONCILIATION(R$MM)	4Q19	3Q19	2Q19	1Q19	4Q18
EBITDA	499,1	501,2	379,9	395,4	353,5
Interest on prepayment of receivables: Luiza Card and third party card	(93,0)	(93,6)	(122,1)	(93,6)	(91,5)
Depreciation	(122,3)	(163,9)	(96,8)	(103,9)	(41,0)
Current and deferred taxes	(20,8)	(62,7)	(152,4)	(60,4)	(32,1)
Taxes on Adjusted Financial Expenses	(32,3)	18,4	128,5	(1,8)	0,3
Net Operating Income (NOPLAT)	230,7	199,4	137,1	135,6	189,1
Invested Capital	3.783,2	3.990,9	3.207,5	2.539,3	1.932,4
ROIC Annualized	24%	20%	17%	21%	39%
Net Income	168,0	235,1	386,6	132,1	189,6
Shareholders Equity	7.564,9	3.193,6	3.110,9	2.433,0	2.302,9
ROE Annualized	9%	29%	50%	22%	33%

ANNEX VI
BREAKDOWN OF TOTAL SALES AND NUMBER OF STORES PER CHANNEL

Breakdown of Total Sales (R$ million)	4Q19	V.A.	4Q18	V.A.	Growth Total
Virtual Stores	350.1	3.9%	277.1	4.7%	26.4%
Conventional Stores	4,319.6	48.1%	3,425.3	57.6%	26.1%
Subtotal - Physical Stores	4,669.7	52.0%	3,702.4	62.3%	26.1%
Traditional E-commerce (1P)	3,160.3	35.2%	1,873.9	31.5%	68.6%
Marketplace (3P)	1,158.1	12.9%	366.0	6.2%	216.4%
Subtotal - E-commerce	4,318.4	48.0%	2,239.9	37.7%	92.8%
Total Sales	**8,988.1**	100.0%	**5,942.3**	100.0%	51.3%

Breakdown of Total Sales (R$ million)	12M19	V.A.	12M18	V.A.	Growth Total
Virtual Stores	1,119.2	4.1%	908.8	4.6%	23.1%
Conventional Stores	13,785.8	50.6%	11,733.7	59.7%	17.5%
Subtotal - Physical Stores	14,905.0	54.7%	12,642.6	64.3%	17.9%
Traditional E-commerce (1P)	9,338.7	34.2%	6,170.2	31.4%	51.4%
Marketplace (3P)	3,027.0	11.1%	855.1	4.3%	254.0%
Subtotal - E-commerce	12,365.7	45.3%	7,025.3	35.7%	76.0%
Total Sales	**27,270.7**	100.0%	**19,667.8**	100.0%	38.7%

[1] Total Sales include gross revenue from physical stores and e-commerce plus marketplace sales

Number of stores per channel – End of the period	Dec-19	Part(%)	Dec-18	Part(%)	Growth Total
Virtual Stores	195	17.5%	162	17.0%	33
Conventional Stores	912	81.9%	791	82.9%	121
Kiosk	5	0.4%	-	0.0%	5
Subtotal - Physical Stores	1,112	99.9%	953	99.9%	159
Ecommerce	1	0.1%	1	0.1%	-
Total	**1,113**	100.0%	**954**	100.0%	159
Total Sales Area (m²)	648,227	100%	572,394	100%	13.2%

ANNEX VII
LUIZACRED

Operating Indicators

Luizacred is a joint venture between Magazine Luiza and Itaú Unibanco, responsible for financing a substantial percentage of the Company's credit sales. Magalu´s main roles and responsibilities include sales, employee management and customer service, while Itaú Unibanco is responsible for funding Luizacred, drafting the credit and collections policies and managing back office activities, such as accounting and treasury.

In 4Q19, Luizacred's total card base grew 332,000 units, reaching 5.2 million cards issued (+ 22.8% *versus* Dec/18). In-store sales to Luiza Card customers, distinguished by their loyalty and higher purchase frequency, increased by 29.4% in 4Q19.

Luizacred's credit portfolio, including credit card, DCC and individual loans, reached R$11.5 billion at the end of 4Q19, an increase of 37.4% over 4Q18. Luiza Card's portfolio grew 40.1% to R$11.4 billion, while the DCC portfolio fell to R$118 million, in line with Luizacred's strategy to focus on the Luiza Card.

LUIZACRED – Key Indicators (R$ million)	4Q19	4Q18	% Chg	12M19	12M18	% Chg
Total Card Base (thousand)	5,220	4,253	22.8%	5,220	4,253	22.8%
Luiza Card Sales – In-store	2,082	1,609	29.4%	6,708	5,194	29.1%
Luiza Card Sales – Outside Magazine Luiza	6,028	4,558	32.3%	20,390	15,059	35.4%
Subtotal - Luiza Card	**8,109**	**6,167**	**31.5%**	**27,098**	**20,253**	**33.8%**
DCC Sales	7	57	-86.8%	115	258	-55.3%
Consumer Loans Sales	6	12	-47.2%	37	55	-32.6%
Luizacred Sales - Total	**8,123**	**6,235**	**30.3%**	**27,250**	**20,566**	**32.5%**
Card Portfolio	11,414	8,149	40.1%	11,414	8,149	40.1%
DCC Portfolio	118	227	-47.9%	118	227	-47.9%
Consumer Loans Portfolio	17	31	-43.5%	17	31	-43.5%
Portfolio	**11,549**	**8,406**	**37.4%**	**11,549**	**8,406**	**37.4%**

The granting of credit at Luizacred follows strict criteria established by Itaú Unibanco's Credit Modeling and Policies area which uses proprietary statistics models based on the Risk Adjusted Return on Capital (RAROC) model.

Income Statement in IFRS

LUIZACRED – Income (R$ million)	4Q19	V.A.	4Q18	V.A.	% Chg	12M19	V.A.	12M18	V.A.	% Chg
Financial Intermediation Revenue	416,4	100,0%	348,2	100,0%	19,6%	1.600,7	100,0%	1.242,3	100,0%	28,8%
Cards	394,6	94,8%	305,9	87,8%	29,0%	1.477,4	92,3%	1.084,6	87,3%	36,2%
DCC	16,1	3,9%	33,4	9,6%	-51,7%	94,1	5,9%	118,8	9,6%	-20,8%
Consumer Loans	5,6	1,3%	9,0	2,6%	-37,5%	29,2	1,8%	38,9	3,1%	-25,0%
Financial Intermediation Expenses	(331,4)	-79,6%	(285,8)	-82,1%	16,0%	(1.411,9)	-88,2%	(906,2)	-72,9%	55,8%
Market Funding Operations	(59,4)	-14,3%	(52,0)	-14,9%	14,4%	(254,3)	-15,9%	(183,2)	-14,7%	38,9%
Provision for Loan Losses	(272,0)	-65,3%	(233,8)	-67,1%	16,3%	(1.157,6)	-72,3%	(723,0)	-58,2%	60,1%
Gross Financial Intermediation Income	84,9	20,4%	62,5	17,9%	36,0%	188,8	11,8%	336,1	27,1%	-43,8%
Other Operating Revenues (Expenses)	(25,7)	-6,2%	(30,1)	-8,6%	-14,6%	(119,4)	-7,5%	(158,6)	-12,8%	-24,7%
Service Revenue	239,6	57,5%	190,4	54,7%	25,9%	851,5	53,2%	645,1	51,9%	32,0%
Personnel Expenses	(8,7)	-2,1%	(7,8)	-2,2%	10,7%	(33,8)	-2,1%	(25,2)	-2,0%	34,5%
Other Administrative Expenses	(195,3)	-46,9%	(171,7)	-49,3%	13,8%	(723,8)	-45,2%	(629,2)	-50,6%	15,0%
Depreciation and Amortization	(3,0)	-0,7%	(3,0)	-0,8%	1,5%	(11,9)	-0,7%	(11,9)	-1,0%	0,6%
Tax Expenses	(37,2)	-8,9%	(29,5)	-8,5%	26,0%	(135,7)	-8,5%	(103,7)	-8,3%	31,0%
Other Operating Revenues (Expenses)	(21,1)	-5,1%	(8,5)	-2,4%	149%	(65,6)	-4,1%	(33,8)	-2,7%	93,9%
Income Before Tax	59,2	14,2%	32,4	9,3%	83,0%	69,4	4,3%	177,5	14,3%	-60,9%
Income Tax and Social Contribution	(24,4)	-5,9%	(16,7)	-4,8%	46,8%	(29,1)	-1,8%	(89,8)	-7,2%	-67,7%
Net Income	34,8	8,4%	15,7	4,5%	121,5%	40,3	2,5%	87,6	7,1%	-54,0%

Income Statement in compliance with accounting practices established by the Brazilian Central Bank

LUIZACRED – Income (R$ million)	4Q19	V.A.	4Q18	V.A.	% Chg	12M19	V.A.	12M18	V.A.	% Chg
Financial Intermediation Revenue	416,4	100,0%	348,2	100,0%	19,6%	1.600,7	100,0%	1.242,3	100,0%	28,8%
Cards	394,6	94,8%	305,9	87,8%	29,0%	1.476,5	92,2%	1.084,6	87,3%	36,1%
DCC	16,1	3,9%	33,4	9,6%	-51,7%	94,1	5,9%	118,8	9,6%	-20,8%
Consumer Loans	5,6	1,3%	9,0	2,6%	-37,5%	30,1	1,9%	38,9	3,1%	-22,6%
Financial Intermediation Expenses	(339,2)	-81,5%	(247,6)	-71,1%	37,0%	(1.297,3)	-81,0%	(790,0)	-63,6%	64,2%
Market Funding Operations	(59,4)	-14,3%	(52,0)	-14,9%	14,4%	(254,3)	-15,9%	(183,2)	-14,7%	38,9%
Provision for Loan Losses	(279,8)	-67,2%	(195,6)	-56,2%	43,0%	(1.043,0)	-65,2%	(606,9)	-48,8%	71,9%
Gross Financial Intermediation Income	77,2	18,5%	100,6	28,9%	-23,3%	303,4	19,0%	452,3	36,4%	-32,9%
Other Operating Revenues (Expenses)	(25,7)	-6,2%	(30,1)	-8,6%	-14,6%	(119,4)	-7,5%	(158,6)	-12,8%	-24,7%
Service Revenue	239,6	57,5%	190,4	54,7%	25,9%	851,5	53,2%	645,1	51,9%	32,0%
Personnel Expenses	(8,7)	-2,1%	(7,8)	-2,2%	10,7%	(33,8)	-2,1%	(25,2)	-2,0%	34,5%
Other Administrative Expenses	(195,3)	-46,9%	(171,7)	-49,3%	13,8%	(723,8)	-45,2%	(629,2)	-50,6%	15,0%
Depreciation and Amortization	(3,0)	-0,7%	(3,0)	-0,8%	1,5%	(11,9)	-0,7%	(11,9)	-1,0%	0,6%
Tax Expenses	(37,2)	-8,9%	(29,5)	-8,5%	26,0%	(135,7)	-8,5%	(103,7)	-8,3%	31,0%
Other Operating Revenues (Expenses)	(21,1)	-5,1%	(8,5)	-2,4%	149%	(65,6)	-4,1%	(33,8)	-2,7%	93,9%
Income Before Tax	51,5	12,4%	70,5	20,3%	-27,0%	184,0	11,5%	293,7	23,6%	-37,4%
Income Tax and Social Contribution	(21,3)	-5,1%	(23,9)	-6,9%	-10,8%	(74,9)	-4,7%	(132,2)	-10,6%	-43,4%
Net Income	30,1	7,2%	46,6	13,4%	-35,3%	109,1	6,8%	161,4	13,0%	-32,4%

Comparative: IFRS x Brazilian Central Bank

R$ milhões	4Q19	V.A.	4Q18	V.A.	% Chg	12M19	V.A.	12M18	V.A.	% Chg
Provision for Loan Losses	(7,7)	-1,9%	38,2	11,0%	-	114,6	7,2%	116,2	9,4%	-
Income Tax and Social Contribution	3,1	0,7%	(7,3)	-2,1%	-	(45,8)	-2,9%	(42,4)	-3,4%	-
Net Income	(4,6)	-1,1%	30,9	8,9%	-	68,7	4,3%	73,8	5,9%	-

Revenue from Financial Intermediation

Revenues from financial intermediation grew 19.6% in 4Q19 to R$416.4 million mainly due to the increase in sales on the Luiza Card, inside and outside of Magalu stores.

Provision for Loan Losses

Loan loss indicators continue at a low level. The portfolio of loans overdue from 15 to 90 days (NPL 15) accounted for only 2.4% of the total portfolio in Dec/19, improving 30 bps from Sep/19, reflecting the Company's conservative credit policy.

The overdue portfolio over 90 days (NPL 90) reached 8.2% of the total portfolio in Dec/19, improving 60 bps from Set/19. The variation in the portfolio overdue over 90 days (NPL 90) is related to the growth strategy and the increase in Luiza Card's new customer base.

Provision for Loan Losses expenses accounted for 2.3% of the total portfolio in 4Q19, an increase from 2.8% in 4Q18. Note that the portfolio's IFRS coverage ratio was 170% in Dec/19.

PORTFOLIO - OVERDUE	Dec-19		Sep-19		Jun-19		Mar-19		Dec-18	
000 to 014 days	10,322	89.4%	9,151	88.5%	8,428	88.3%	7,836	88.8%	7,568	90.0%
015 to 030 days	67	0.6%	65	0.6%	70	0.7%	81	0.9%	63	0.8%
031 to 060 days	81	0.7%	88	0.9%	91	1.0%	102	1.2%	69	0.8%
061 to 090 days	128	1.1%	122	1.2%	141	1.5%	123	1.4%	98	1.2%
091 to 120 days	123	1.1%	133	1.3%	124	1.3%	95	1.1%	96	1.1%
121 to 150 days	116	1.0%	118	1.1%	140	1.5%	96	1.1%	82	1.0%
151 to 180 days	110	1.0%	122	1.2%	107	1.1%	88	1.0%	74	0.9%
180 to 360 days	602	5.2%	536	5.2%	440	4.6%	399	4.5%	356	4.2%
Portfolio (R$ million)	11,549	100%	10,336	100%	9,542	100%	8,820	100%	8,406	100%
Receipt expectation of loan portfolio overdue above 360 days	133		126		120		114		111	
Total Portfolio in IFRS 9 (R$ million)	11,682		10,462		9,661		8,935		8,517	
Overdue 15-90 days	275	2.4%	275	2.7%	302	3.2%	306	3.5%	231	2.7%
Overdue Above 90 days	951	8.2%	910	8.8%	811	8.5%	678	7.7%	608	7.2%
Total Overdue	1,227	10.6%	1,185	11.5%	1,113	11.7%	984	11.2%	839	10.0%
Provisions for loan losses on Portfolio	1,335		1,260		1,097		985		924	
Provisions for loan losses on available limit	280		279		265		225		211	
Total Provisions for loan losses in IFRS 9	1,614		1,539		1,363		1,210		1,135	
Coverage of Portfolio (%)	140%		138%		135%		145%		152%	
Coverage of Total Portfolio (%)	170%		169%		168%		179%		187%	

Note: in order to facilitate comparability and analysis of NPL performance, the Company now discloses the breakdown of the portfolio by arrears criterion, while it continues disclosing the portfolio breakdown by risk level to the Central Bank.

Financial Intermediation Gross Results

Gross margin from financial intermediation totaled 20.4% in 4Q19 (+2.5 p.p. YoY), influenced by the strong growth of the card base and the credit limit available to the best customers. The strong growth in revenues and the improvement in delinquency indicators contributed to the gross margin in 4Q19. In 12M19, gross margin from financial intermediation totaled 11.8% (-15.3 p.p. YoY).

Other Operating Revenues (Expenses)

Other operating expenses totaled R$25.7 million in 4Q19, an improvement of 14.6% YoY, mainly due to service revenue growth of 25.9%. In 12M19, other operating expenses totaled R$119.4 million (-24.7% YoY).

Luizacred's operating efficiency ratio went from 44% in 4Q18 to 41% in 4Q19 (-3 p.p.), one of the best levels in recent years.

Operating Income and Net Income

In 4Q19, Luizacred recorded operating income of R$59.2 million, equivalent to 14.2% of financial intermediation (+5p.p. YoY). In 4Q19, Luizacred’s net profit reached R$34.8 million (ROE of 23.7%).

In compliance with accounting practices established by the Brazilian Central Bank, considering the minimum provisions of Law 2682, Luizacred’s net income totaled R$30.1 million in 4Q19, with ROE of 13.4% and R$109.1 million in 12M19 (ROE of 12.6%).

Shareholders’ Equity

In compliance with the same practices, Luizacred posted shareholders’ equity of R$917.9 million in Dec/19. As a result of adjustments required under IFRS, specifically additional provisions for expected losses, net of taxes, Luizacred’s shareholders’ equity for the purposes of Magazine Luiza’s financial statements came to R$616.8 million.

Magalu
4Q19 Earnings Release

EARNINGS CONFERENCE CALL

Conference Call in Portuguese/English (with simultaneous translation)
Monday, February 17th, 2020
11:00 – Brasilia time
9:00 – New York time (EST)

4Q19 Earnings Release
February 17, 2020 (Monday)
Before market

Participants from the US or other countries:
Dial in #: +1 412 717 9627
CODE: Magazine Luiza
Link de webcast:

Webcast English

HD Web Phone:
Acesso HD Magalu

Replay (available for 7 days):
Dial in # from Brazil: +55 (11) 3193-1012
Identification Code: 2515381#

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About Magazine Luiza

Magazine Luiza, or Magalu, is a technology and logistics company focused on the retail sector. From its humble origins as a traditional retailer providing electronics and home appliances to Brazil's rising middle class, the company has since transformed into a technology powerhouse providing a wide array of products to Brazilians of all classes. Magalu has one of the largest geographic footprints with seventeen distribution centers serving a network of over 1.113 stores in 18 states encompassing over 75% of Brazil's GDP. At the heart of the company's success is an omnichannel retail platform capable of reaching customers via mobile app, web and physical stores. A large part of the company's success is attributable to its in-house development team, Luizalabs, which consists of over 1,000 engineers and product development specialists. Among other things, engineers from Luizalabs use technologies such as big data and machine learning to create logistics, fintech and inventory apps which remove friction from the retail process, improving margins, delivery times and customer experience. The company has been at the forefront of e-commerce adoption in Latin America and its profitable e-commerce operation currently accounts for over 48% of total sales. Magazine Luiza has also been a logistics pioneer. The company's integrated online and offline logistics operations enable it to leverage its physical presence to radically reduce delivery times and costs in a sustainable way. The result is the fastest, lowest cost logistics network in Brazil.

EBITDA, Adjusted EBITDA and Adjusted Net Income

EBITDA (earnings before interest, income and social contribution taxes, financial income and expenses, depreciation and amortization) is not a financial performance measure under the accounting practices adopted in Brazil. Because it does not consider expenses intrinsic to the business, EBITDA has limitations that affect its use as a profitability or liquidity indicator. EBITDA should not be considered an alternative to net income or operating cash flow. In addition, EBITDA does not have a standard meaning, and our definition may not be comparable with the definitions adopted by other companies. Non-recurring results used to calculate adjusted EBITDA and adjusted net income should not be considered an alternative to EBITDA and net income in accordance with the accounting practices adopted in Brazil.