

Interim Financial Information

Magazine Luiza S.A.

March 31, 2016
with Independent Auditor's Report

Magazine Luiza S.A.

Interim financial information

March 31, 2016

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Report on the review of interim information

The Shareholders, Board of Directors and Officers
Magazine Luiza S.A.
Franca - SP

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Magazine Luiza S.A. ("Company") contained in the Quarterly Information Form - ITR for the quarter ended March 31, 2016, which comprises the balance sheet (statement of financial position) as of March 31, 2016 and the related statement of income, statements of comprehensive income (loss), of changes in equity and cash flow statement for the three-month period then ended, including the notes to financial statements.

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

Scope of the review

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



Conclusion on the individual and consolidated interim financial information

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

Other matters

Statements of value added

We have also reviewed the individual and consolidated statements of value added (SVA) for the three-month period ended March 31, 2016, prepared under the responsibility of Company management, the presentation of which in the interim information is required by the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to preparation of Quarterly Financial Information (ITR), and as supplemental information under the IFRS, whereby no statement of value added presentation is required. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

São Paulo, May 4, 2016.

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

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

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Statement of financial position
At March 31, 2016 and December 31, 2015
(Amounts in thousands of Brazilian reais - R\$)

	Note	Company		Consolidated	
		3/31/2016	12/31/2015	3/31/2016	12/31/2015
Assets					
Current					
Cash and cash equivalents	5	382,994	590,400	411,265	617,465
Securities	6 e 27	302,246	497,623	302,246	497,623
Trade receivables	7	385,568	430,549	389,638	435,225
Inventories	8	1,272,978	1,343,741	1,279,280	1,353,092
Related parties	9	56,143	88,140	55,389	86,152
Taxes recoverable	10	319,893	333,475	320,883	334,344
Other assets		59,470	35,531	60,692	36,614
Total current assets		2,779,292	3,319,459	2,819,393	3,360,515
Noncurrent assets					
Securities	6 e 27	7,798	46,728	7,798	46,728
Trade receivables	7	1,864	2,595	1,864	2,595
Taxes recoverable	10	164,209	177,295	164,209	177,295
Deferred income tax and social contribution	11	235,340	228,602	236,136	229,347
Escrow deposits	19	260,101	248,450	260,101	248,450
Other assets		47,103	51,977	49,417	54,291
Investments in subsidiaries	12	60,628	56,905	-	-
Investments in joint ventures	13	368,531	384,025	368,531	384,025
Property and equipment	14	568,874	577,811	569,582	578,571
Intangible assets	15	463,952	463,726	507,278	506,720
Total noncurrent assets		2,178,400	2,238,114	2,164,916	2,228,022
Total assets		4,957,692	5,557,573	4,984,309	5,588,537

	Note	Controladora		Consolidado	
		3/31/2016	12/31/2015	3/31/2016	12/31/2015
Liabilities and equity					
Current liabilities					
Trade payables	16	1,389,030	1,885,251	1,394,133	1,894,157
Borrowings and financing	17	713,485	568,220	713,615	568,350
Payroll, vacation pay and payroll charges		138,854	150,419	141,664	153,903
Taxes payable		28,469	29,497	29,505	30,605
Related parties	9	62,647	68,787	61,947	68,404
Deferred revenue	18	40,818	41,399	40,818	41,399
Other payables		88,689	116,038	92,233	117,964
Total current liabilities		2,461,992	2,859,611	2,473,915	2,874,782
Noncurrent liabilities					
Borrowings and financing	17	1,050,400	1,254,830	1,050,494	1,254,960
Provision for tax, civil and labor contingencies	19	242,322	230,010	254,661	243,412
Deferred revenue	18	539,393	550,910	539,393	550,910
Other payables		-	-	2,261	2,261
Total noncurrent liabilities		1,832,115	2,035,750	1,846,809	2,051,543
Total liabilities		4,294,107	4,895,361	4,320,724	4,926,325
Equity					
Capital stock	20	606,505	606,505	606,505	606,505
Capital reserve		15,683	14,567	15,683	14,567
Treasury shares		(16,438)	(9,574)	(16,438)	(9,574)
Legal reserve		16,143	16,143	16,143	16,143
Profit retention reserve		36,199	36,199	36,199	36,199
Other comprehensive income		239	(1,628)	239	(1,628)
Profit for the period		5,254	-	5,254	-
Total equity		663,585	662,212	663,585	662,212
Total liabilities and equity		4,957,692	5,557,573	4,984,309	5,588,537

See accompanying notes.

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Statement of income

For the three-month periods ended March 31, 2016 and 2015

(Amounts in thousands of Brazilian reais - R\$)

	Note	Company		Consolidated	
		3/31/2016	3/31/2015	3/31/2016	3/31/2015
Net sales revenue	21	2,232,440	2,228,632	2,263,474	2,252,433
Cost of goods resold and services rendered	22	(1,571,042)	(1,632,723)	(1,579,910)	(1,638,609)
Gross profit		661,398	595,909	683,564	613,824
Operating income (expenses)					
Selling	23	(424,308)	(419,707)	(426,777)	(421,328)
General and administrative	23	(103,319)	(102,467)	(111,063)	(109,042)
Doubtful account losses		(7,715)	(6,172)	(7,715)	(6,172)
Depreciation and amortization	14 e 15	(30,742)	(31,629)	(30,895)	(31,748)
Equity in earnings of subsidiaries	12 e 13	17,408	31,642	14,685	26,989
Other operating income, net	23 e 24	(9,559)	18,356	(8,579)	23,129
		(558,235)	(509,977)	(570,344)	(518,172)
Operating profit before financial result		103,163	85,932	113,220	95,652
Finance income		37,524	27,642	28,613	20,428
Finance expenses		(142,171)	(124,584)	(142,544)	(124,755)
Financial result	25	(104,647)	(96,942)	(113,931)	(104,327)
Operating (loss) before income tax and social contribution		(1,484)	(11,010)	(711)	(8,675)
Current and deferred income tax and social contribution	11	6,738	13,862	5,965	11,527
Profit for the period		5,254	2,852	5,254	2,852
Profit attributable to:					
Owners of the Company		5,254	2,852	5,254	2,852
Earnings per share					
Basic and diluted (R\$ per share)		0.24	0.16	0.24	0.16

See accompanying notes.

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Statement of comprehensive income
For the three-month periods ended March 31, 2016 and 2015
(Amounts in thousands of Brazilian reais - R\$)

	Company and Consolidated	
	3/31/2016	3/31/2015
Profit for the period	5,254	2,852
Other comprehensive income deriving from previous periods:		
Available-for-sale financial assets deriving from investments		
Available-for-sale financial assets	(2,959)	(2,103)
Tax effect	1,331	841
Total	(1,628)	(1,262)
Other comprehensive income:		
Available-for-sale financial assets, deriving from investments		
Available-for-sale financial assets	3,394	(23)
Tax effect	(1,527)	9
Total	1,867	(14)
Statement of comprehensive income	239	(1,276)
Total other comprehensive income for the period, net of taxes	5,493	1,576
Attributable to:		
Controlling shareholders:	5,493	1,576

See accompanying notes.

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Statement of changes in equity

For the three-month periods ended March 31, 2016 and 2015

(Amounts in thousands of Brazilian reais - R\$)

	Note	Capital stock	Capital reserve	Treasury shares	Legal reserve	Profit retention reserve	Profit for the period	Other comprehensive income	Total
Balances at January 01, 2015		606,505	10,103	(20,195)	16,143	143,173	-	(1,262)	754,467
Stock option plan		-	1,116	-	-	-	-	-	1,116
Treasury shares		-	-	(4,116)	-	-	-	-	(4,116)
Profit for the period		-	-	-	-	-	2,852	-	2,852
		606,505	11,219	(24,311)	16,143	143,173	2,852	(1,262)	754,319
Other comprehensive income:									
Financial instruments adjustment		-	-	-	-	-	-	(14)	(14)
Balances at March 31, 2015		606,505	11,219	(24,311)	16,143	143,173	2,852	(1,276)	754,305
Balances at January 01, 2016		606,505	14,567	(9,574)	16,143	36,199	-	(1,628)	662,212
Stock option plan		-	1,116	-	-	-	-	-	1,116
Treasury shares		-	-	(6,864)	-	-	-	-	(6,864)
Profit for the period		-	-	-	-	-	5,254	-	5,254
		606,505	15,683	(16,438)	16,143	36,199	5,254	(1,628)	661,718
Other comprehensive income:									
Financial instruments adjustment	13	-	-	-	-	-	-	1,867	1,867
Balances at March 31, 2016		606,505	15,683	(16,438)	16,143	36,199	5,254	239	663,585

See accompanying notes.

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Statement of cash flows

For the three-month periods ended March 31, 2016 and 2015

(Amounts in thousands of Brazilian reais - R\$)

	Note	Company		Consolidated	
		3/31/2016	3/31/2015	3/31/2016	3/31/2015
Cash flow from operating activities					
Profit for the period		5,254	2,852	5,254	2,852
Adjustments to reconcile profit for the period to cash generated from operating activities					
Income tax and social contribution expenses recognized in P&L	11	(6,738)	(13,862)	(5,965)	(11,527)
Depreciation and amortization	14 e 15	30,742	31,629	30,895	31,748
Interest rate accrued over borrowings and financing		61,158	56,153	61,164	56,165
Yield on securities		(9,893)	(7,883)	(9,893)	(7,883)
Equity in the earnings (losses) of subsidiaries	12 e 13	(17,408)	(31,642)	(14,685)	(26,989)
Changes in allowance for asset losses		31,806	13,547	31,806	13,547
Provision for tax, civil and labor contingencies	19	15,880	(12,480)	14,817	(17,219)
Gains (losses) on sale, net of write-off of property and equipment	24	180	188	180	188
Appropriation of deferred revenue	24	(9,907)	(23,187)	(9,907)	(23,187)
Stock option plan expenses		1,116	1,116	1,116	1,116
Adjusted profit for the period		102,190	16,431	104,782	18,811
(Increase) decrease in operating assets:					
Receivables		33,617	131,615	34,223	131,311
Securities		-	-	198,467	148,558
Inventories		51,052	78,713	54,101	79,228
Related parties		12,449	30,069	11,215	30,058
Taxes recoverable		26,668	14,978	26,547	14,825
Other assets		(30,523)	(34,962)	(30,661)	(35,065)
Changes in operating assets		93,263	220,413	293,892	368,915
Increase (decrease) in operating liabilities:					
Trade payables		(496,221)	(549,794)	(500,024)	(550,698)
Payroll, vacation pay and related charges		(11,565)	(5,768)	(12,239)	(6,178)
Taxes payable		(1,028)	(24,488)	(1,351)	(24,475)
Related parties		(6,140)	(17,927)	(6,457)	(17,919)
Tax paid in installments		-	-	-	-
Other payables		(6,926)	15,992	(5,308)	15,287
Changes in operating liabilities		(521,880)	(581,985)	(525,379)	(583,983)
Income tax and social contribution paid		-	-	(573)	(462)
Dividends received from subsidiaries		36,594	54,233	36,594	54,233
Cash flow deriving from (used) in operating activities		(289,833)	(290,908)	(90,684)	(142,486)

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Statement of cash flows (Continued)

For the three-month periods ended March 31, 2016 and 2015

(Amounts in thousands of Brazilian reais - R\$)

	Note	Company		Consolidated	
		3/31/2016	3/31/2015	3/31/2016	3/31/2015
Cash flows from investing activities					
Purchase of property and equipment	14	(12,450)	(15,589)	(12,459)	(15,638)
Purchase of intangible assets	15	(9,954)	(16,967)	(10,379)	(16,967)
Investments in exclusive investment fund		(155,039)	(104,700)	-	-
Redemptions in exclusive investment fund		353,506	253,258	-	-
Exclusive contract renegotiation payment		(11,182)	-	(11,182)	-
Capital increase in subsidiary		(1,000)	-	-	-
Cash flow (used in) deriving from investing activities		163,881	116,002	(34,020)	(32,605)
Cash flow from financing activities					
Borrowings and financing		88,601	575,000	88,601	575,000
Payment of borrowings and financing		(110,813)	(482,689)	(110,846)	(482,722)
Repayment of interest on borrowings and financing		(52,378)	(40,465)	(52,387)	(40,477)
Payment of dividends		-	(2,018)	-	(2,018)
Treasury shares acquired		(6,864)	(4,116)	(6,864)	(4,116)
Cash flow deriving from (used in) financing activities		(81,454)	45,712	(81,496)	45,667
Decrease in cash and cash equivalents		(207,406)	(129,194)	(206,200)	(129,424)
Cash and cash equivalents at the beginning of the period					
		590,400	391,763	617,465	412,170
Cash and cash equivalents at the end of the period					
		382,994	262,569	411,265	282,746
Decrease in cash and cash equivalents		(207,406)	(129,194)	(206,200)	(129,424)

See accompanying notes.

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Statement of value added

For the three-month periods ended March 31, 2016 and 2015

(Amounts in thousands of Brazilian reais - R\$)

	Company		Consolidated	
	3/31/2016	3/31/2015	3/31/2016	3/31/2015
Revenue				
Goods and products sold and services rendered	2,571,971	2,504,002	2,605,589	2,529,179
Allowance for doubtful accounts, net of reversals	(7,715)	(6,172)	(7,715)	(6,172)
Other operating revenue	9,509	33,853	10,490	38,629
	2,573,765	2,531,683	2,608,364	2,561,636
Inputs acquired from third parties				
Cost of products and goods sold and services rendered	(1,706,293)	(1,785,057)	(1,715,181)	(1,790,953)
Material, electricity, outsourced services and other	(216,664)	(245,208)	(222,168)	(249,684)
Impairment of assets	(19,711)	(4,941)	(19,711)	(4,941)
	(1,942,668)	(2,035,206)	(1,957,060)	(2,045,578)
Gross value added	631,097	496,477	651,304	516,058
Depreciation and amortization	(30,742)	(31,629)	(30,895)	(31,748)
Net value added generated by the entity	600,355	464,848	620,409	484,310
Value added received through transfer				
Equity in earnings of subsidiaries	17,408	31,642	14,685	26,989
Finance income	37,524	27,642	28,613	20,428
Total value added to distribute	655,287	524,132	663,707	531,727
Distribution of value added				
Personnel and charges:				
Direct compensation	170,778	185,285	174,030	187,965
Benefits	30,045	32,599	30,366	32,913
Government Severance Indemnity Fund for Employees (FGTS)	22,154	18,308	22,499	18,505
	222,977	236,192	226,895	239,383
Taxes, fees and contributions:				
Federal	47,723	10,546	50,041	14,010
State	151,856	71,734	153,198	72,062
Municipal	9,246	9,029	9,627	9,362
	208,825	91,309	212,866	95,434
Value distributed to providers of capital:				
Interest	131,590	116,679	131,893	116,817
Rentals	77,675	69,195	77,799	69,304
Other	8,966	7,905	9,000	7,937
	218,231	193,779	218,692	194,058
Equity remuneration:				
Retaining earnings	5,254	2,852	5,254	2,852
	655,287	524,132	663,707	531,727

See accompanying notes.

Magazine Luiza S.A.

Notes to the interim financial information
March 31, 2016
(Amounts in thousands of Brazilian reais - R\$)

1. Operations

Magazine Luiza S.A. (the “Company”) is primarily engaged in the retail sale of consumer goods (mainly home appliances, personal electronics and furniture), through physical and virtual stores or through e-commerce, with headquarters in the city of Franca, state of São Paulo, Brazil. Its parent and holding company is LTD Administração e Participação S.A.

At March 31, 2016, the Company and its subsidiaries owned 786 stores (786 stores on December 31, 2015) and nine distribution centers (nine distribution centers on December 31, 2015), located in the South, Southeast, Mid-west and Northeast regions of Brazil.

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

The interim financial information was approved and the Board of Directors authorized its publication on May 4, 2016.

2. Presentation and preparation of the interim financial information

2.1. Accounting practices

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

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

The accounting practices, policies and main judgments and sources of uncertainties on the estimates adopted when preparing the Company and Consolidated interim financial information are consistent with those adopted and disclosed in Notes 3, 4, 6, 8, 9, 12, 15, 16, 20, 22, 23 and 29 to the financial statements for the year ended December 31, 2015, which were made available on February 29, 2016.

In view of the above mentioned, the interim financial information must be read jointly with the financial statements for the year ended December 31, 2015.

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

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

2.1. Accounting practices (Continued)

The Statement of Value Added (“DVA”) is intended to evidence the wealth created by the Company and its distribution during certain period and is presented pursuant to the Brazilian Corporation Law, since it is neither required nor mandatory statement under the IFRS.

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

3. New standards, amendments and interpretations

Regarding the accounting pronouncements and interpretations in effect as at December 31, 2015, there were no significant changes for the interim information in relation to that disclosed in Note 5 to the financial statements of December 31, 2015. Regarding the accounting pronouncements and interpretations in effect as of January 1, 2016, as disclosed in Note 5 to the financial statements of December 31, 2015, there are no significant impacts for the Company and its subsidiaries.

4. Notes included in the financial statements as of December 31, 2015 not presented in this interim financial information

This interim financial information is presented in conformity with CPC 21 (R1) and IAS 34 Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) and the provisions set forth by CVM Circular Letter SNC/SEP 003/2011, of April 28, 2011. The preparation of this interim financial information requires the Company’s management to make judgments on the relevance and changes that should be disclosed in explanatory notes. Accordingly, this interim financial information includes selected explanatory information and does not comprise all the explanatory information presented in the financial statements for the fiscal year ended December 31, 2015. As permitted by CVM Circular Letter 03/2011, the following explanatory information and its reference to the financial statements as of December 31, 2015 are no longer reported:

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

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

5. Cash and cash equivalents

	Rates	Company		Consolidated	
		3/31/2016	12/31/2015	3/31/2016	12/31/2015
Cash		27,672	31,646	27,678	31,651
Banks		15,544	30,857	15,855	31,500
Bank deposit certificates	From 80% to 105% of CDI	339,536	527,316	351,450	542,893
Non-exclusive investment funds	102% of CDI	242	581	16,282	11,421
Total cash and cash equivalents		382,994	590,400	411,265	617,465

6. Securities and other financial assets

Financial assets at fair value through profit or loss	Rates	Company and Consolidated	
		3/31/2016	12/31/2015
Securities held for trading			
Non-exclusive investment funds	105% of CDI	6,681	6,319
Exclusive investment funds:	(a)		
Debentures		1,330	1,375
Federal government securities and repo operations		213,662	387,394
Time deposits and other securities		6,103	21,261
	Note 9.a	221,095	410,030
Other financial assets			
Swap receivable - fair value hedge	(b)	82,268	128,002
Total securities and other financial assets		310,044	544,351
Current		302,246	497,623
Noncurrent		7,798	46,728

(a) Considers the exclusive fixed income investment funds. At March 31, 2016, the portfolio was distributed into the investment types described in the table above, which are linked to financial operations securities, indexed to the monthly variation of CDI rate, to return the average profitability of 105% of the CDI to the Company.

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

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

7. Trade receivables

	Company		Consolidated	
	3/31/2016	12/31/2015	3/31/2016	12/31/2015
Trade receivables:				
Credit cards (a)	173,088	155,017	176,063	158,749
Debit cards (a)	3,026	8,061	3,026	8,061
Own installment plan (b)	92,694	106,252	92,741	106,305
Additional warranty agreements (c)	82,711	104,274	82,711	104,274
Total trade receivables	351,519	373,604	354,541	377,389
Arising from sales agreements (d)	101,004	126,974	102,089	127,904
Allowance for doubtful accounts	(42,575)	(46,640)	(42,575)	(46,640)
Present value adjustment	(22,516)	(20,794)	(22,553)	(20,833)
Total receivables	387,432	433,144	391,502	437,820
Current assets	385,568	430,549	389,638	435,225
Noncurrent assets	1,864	2,595	1,864	2,595

The average term to receive trade receivables is 13 days in the Company and Consolidated. Receivables were assigned to secure borrowings for R\$105,563 on March 31, 2016 (R\$109,588 on December 31, 2015), represented by credit card receivables.

- (a) Refers to credit and debit card receivables, which the Company receives from credit card companies at the amount, term and number of installments, defined when the product is sold. At March 31, 2016, the Company had credits granted to financial institutions totaling R\$1,433,097 (R\$1,417,827 on December 31, 2015), where a discount between 105.0% and 108.0% of CDI is applied, which is recognized in profit or loss under "Financial expenses." The Company, through assignment of card receivables transactions, transfers to the credit card companies and financial institutions all risks of payment by customers and, therefore, does not recognize the receivables referring to these credits. The respective financial charges are recorded in profit or loss for the year upon derecognition.
- (b) Refer to receivables from sales financed by the Company.
- (c) These sales are intermediated by the Company on behalf of Luizaseg. The Company allocates to Luizaseg the extended warranty amount, in full, in the month following the sale and receives from customers according to the transaction term.
- (d) Refer to bonuses on products to be received from suppliers, arising from the fulfillment of the purchase volume and a portion of agreements defining the suppliers' percentage in the disbursements related to advertising and marketing (joint advertising).

Changes in the allowance for doubtful accounts are as follows:

	Company and Consolidated	
	3/31/2016	12/31/2015
Balance at the beginning of the period/year	(46,640)	(49,511)
(+) Additions	(12,095)	(72,265)
(-) Write-offs	16,160	75,136
Balance at the end of the period/year	(42,575)	(46,640)

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Notes to the interim financial information (Continued)

March 31, 2016

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7. Trade receivables (Continued)

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

	Trade receivables				Receivables from Sales Agreements			
	Company		Consolidated		Company		Consolidated	
	3/31/2016	12/31/2015	3/31/2016	12/31/2015	3/31/2016	12/31/2015	3/31/2016	12/31/2015
Falling due:								
Up to 30 days	50,838	81,197	52,851	83,487	55,250	29,395	56,335	30,325
Between 31 and 60 days	34,600	54,729	34,648	55,689	18,494	64,818	18,494	64,818
Between 61 and 90 days	26,470	44,619	26,579	45,096	19,210	30,609	19,210	30,609
Between 91 and 180 days	45,619	86,177	46,458	86,235	409	181	409	181
Between 181 and 360 days	160,846	67,184	160,859	67,184	15	18	15	18
Over 361 days	3,599	4,319	3,599	4,319	-	-	-	-
	321,972	338,225	324,994	342,010	93,378	125,021	94,463	125,951
Past-due:								
Up to 30 days	6,394	7,223	6,394	7,223	4,096	714	4,096	714
Between 31 and 60 days	5,342	6,192	5,342	6,192	2,311	68	2,311	68
Between 61 and 90 days	4,406	5,991	4,406	5,991	614	310	614	310
Between 91 and 180 days	13,405	15,973	13,405	15,973	605	861	605	861
	29,547	35,379	29,547	35,379	7,626	1,953	7,626	1,953
Total	351,519	373,604	354,541	377,389	101,004	126,974	102,089	127,904

8. Inventories

	Company		Consolidated	
	3/31/2016	12/31/2015	3/31/2016	12/31/2015
Resale goods	1,296,734	1,362,818	1,303,036	1,372,169
Consumption material	10,034	11,314	10,034	11,314
Provision for losses	(33,790)	(30,391)	(33,790)	(30,391)
Total	1,272,978	1,343,741	1,279,280	1,353,092

At March 31, 2016, the Company has revolving inventories assigned as guarantee in legal lawsuits in progress, totaling approximately R\$2,353 (R\$2,353 at December 31, 2015).

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

	Company and Consolidated	
	3/31/2016	12/31/2015
Opening balance	(30,391)	(20,828)
Provision	(19,711)	(64,807)
Inventories sold or disposed of	16,312	55,244
Closing balance	(33,790)	(30,391)

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

9. Related-party transactions (Continued)

b) Related-party transactions

<u>Profit or loss</u>	<u>Company</u>		<u>Consolidated</u>	
	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2016</u>	<u>3/31/2015</u>
<u>Income from service intermediation commissions</u>				
Joint ventures:				
Luizacred (i)	31,570	35,399	31,570	35,399
Luizaseg (ii)	61,235	67,913	61,235	67,913
	92,805	103,312	92,805	103,312
Subsidiaries:				
Luiza Administradora de Consórcios ("LAC") (iii)	2,178	1,977	-	-
<u>Revenue from return on exclusive fund:</u>				
Investment Funds (vii)	9,683	7,728	9,683	7,728
<u>Reimbursement of shared expenses</u>				
Joint venture:				
Luizacred (i)	13,167	17,162	13,167	17,162
Total revenues	117,833	130,179	115,655	128,202
<u>Costs related to the acquisition of goods</u>				
Campos Floridos Comércio de Cosméticos Ltda. (viii)	(2,649)	(1,130)	-	-
Total costs	(2,649)	(1,130)	-	-
<u>Related-party expenses</u>				
<u>Office building rental expenses and other expenses</u>				
Controlled by the Company's controlling shareholders:				
MTG Administração, Assessoria e Participações S.A. (iv)	(5,142)	(4,106)	(5,142)	(4,106)
PJD Agropastoril Ltda. (vi)	(120)	(109)	(126)	(109)
	(5,262)	(4,215)	(5,268)	(4,215)
<u>Freight expenses</u>				
PJD Agropastoril Ltda. (vi)	(606)	(661)	(692)	(661)
<u>Credit card anticipation charge expenses:</u>				
Luizacred (i)	(30,888)	(21,099)	(30,888)	(21,099)
<u>Advertising campaign expenses</u>				
Controlled by the Company's controlling shareholders:				
ETCO - Special Partnership (v)	(40,177)	(84,185)	(40,177)	(84,185)
	(76,933)	(110,160)	(77,025)	(110,160)

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

9. Related-party transactions (Continued)

b) Related-party transactions (Continued)

- (i) Transactions with Luizacred, subsidiary jointly controlled with Banco Itaúcard S.A., refer to the following activities:
 - (a) Financial expenses on the advance of receivables from such cards;
 - (b) Receivables from sales of products financed to customers by Luizacred, received by the Company on the following day ("D+1");
 - (c) Commissions on the services monthly provided by the Company, which include the attraction of customers, management and administration of consumer credit transactions, control and collection of financing granted, recommendation of insurance associated to financial products and services. Access to telecommunication systems and network, in addition to storage and availability of physical space in the points of sale. The amounts payable (current liabilities) refer to the receipt of customers' installments by the Company's store cashiers, which are transferred to Luizacred on D+1;
 - (d) Balance receivable referring to Luizacred's dividend proposal;
 - (e) Balance receivable referring to targets not achieved due to the sale of specific financial insurance.
- (ii) The amounts receivable (current assets) and revenues of Luizaseg, subsidiary jointly controlled with NCVP Participações Societárias S.A., a subsidiary of Cardif do Brasil Seguros e Previdência S.A., arise from commissions on services monthly provided by the Company, relating to the sale of extended warranties and proposed dividends. The amounts payable (current liabilities) refer to the transfers of extended warranties sold to Luizaseg, in full, in the month following the sale.
- (iii) The amounts receivable (current assets) of LAC, wholly-owned subsidiary, refers to dividends proposed and commissions and sales made by the Company as the agent of consortium transactions. The amounts payable (current liabilities) refer to the transfers to be made to LAC relating to the installments of consortiums received by the Company through the cashiers of its points of sale.
- (iv) Transactions with MTG Administração, Assessoria e Participações S.A. ("MTG"), controlled by the Company's controlling shareholders, refer to expenses with rental of office buildings for the installation of its stores, distribution centers and head office.
- (v) Transactions with ETCO, a special partnership which has as partner an entity controlled by the Chairman of the Company's Board of Directors, refer to advertising and marketing service contracts, also including transfers relating to placement, media production and graphic design services.
- (vi) Transactions with PJD Agropastoril Ltda., an entity controlled by the Company's indirect controlling shareholders, refer to expenses with rental of commercial buildings for installation of stores and truck rental for freight of goods.
- (vii) Refers to investments and redemptions, and income from exclusive investment funds (ML Renda Fixa Crédito Privado FI and FI Caixa ML RF Longo Prazo - see Note 6 - Securities).
- (viii) Transactions with Campos Floridos Comércio de Cosméticos Ltda., a wholly-owned subsidiary, refer to the sale of products for resale by the Company.

c) Management compensation

	3/31/2016		3/31/2015	
	Board of Directors	Board of Executive Officers	Board of Directors	Board of Executive Officers
Fixed and variable compensation	427	2,067	102	2,041
Stock option plan	613	216	96	733

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Notes to the interim financial information (Continued)
March 31, 2016
(Amounts in thousands of Brazilian reais - R\$)

9. Related-party transactions (Continued)

c) Management compensation (Continued)

The Company does not grant post-employment benefits, severance benefits, or other long-term benefits. Short-term benefits to the Board of Executive Officers are the same to other employees of the Company. The Company's Board of Directors approved on April 18, 2016 management's overall compensation for the fiscal year ended at December 31, 2016, establishing the maximum limit for Management's overall compensation at R\$15,598.

10. Recoverable taxes

	Company		Consolidated	
	3/31/2016	12/31/2015	3/31/2016	12/31/2015
Recoverable ICMS (a)	436,943	450,115	436,943	450,115
Recoverable income tax and social contribution	2,461	2,461	2,463	2,463
Withholding income tax recoverable	28,966	23,853	28,983	23,878
PIS and COFINS recoverable	14,251	32,859	15,222	33,701
Other	1,481	1,482	1,481	1,482
	484,102	510,770	485,092	511,639
Current assets	319,893	333,475	320,883	334,344
Noncurrent assets	164,209	177,295	164,209	177,295

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

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

11. Income tax and social contribution

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

	Company		Consolidated	
	3/31/2016	3/31/2015	3/31/2016	3/31/2015
Loss before income tax and social contribution	(1,484)	(11,010)	(711)	(8,675)
Statutory rate	34%	34%	34%	34%
Expected income tax and social contribution credit at statutory rates	505	3,743	242	2,950
Reconciliation for effective rate (effects of applying tax rates):				
Exclusion - equity in the earnings (losses) of subsidiaries	5,919	10,758	4,993	9,176
Other permanent exclusions, net	314	(639)	730	(599)
Debit from income tax and social contribution	6,738	13,862	5,965	11,527
Current	-	-	(824)	(2,318)
Deferred	6,738	13,862	6,789	13,845
Total	6,738	13,862	5,965	11,527
Effective tax rate	454.0%	125.9%	839.0%	132.9%

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

	Company		Consolidated	
	3/31/2016	12/31/2015	3/31/2016	12/31/2015
Deferred income tax and social contribution assets:				
Tax losses and social contribution tax loss carryforwards	155,817	146,684	156,317	147,170
Allowance for doubtful accounts	14,487	15,857	14,487	15,857
Provision for inventory losses	11,488	10,333	11,550	10,393
Provision for present value adjustment	6,868	7,194	6,909	7,194
Provision for tax, civil and labor contingencies	82,390	78,203	82,583	78,402
Other provisions	440	4,821	440	4,821
	271,490	263,092	272,286	263,837
Deferred income tax and social contribution liabilities:				
Amortization of intangible assets	(36,150)	(34,490)	(36,150)	(34,490)
Deferred income tax and social contribution	235,340	228,602	236,136	229,347

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

13. Investment in joint ventures

	Luizacred (a)		Luizaseg (b)	
	3/31/2016	12/31/2015	3/31/2016	12/31/2015
Total shares - in thousands	978	978	133,883	133,883
Direct interest percentage	50%	50%	50%	50%
Current assets	3,627,084	3,845,850	165,526	188,934
Noncurrent assets	464,268	484,162	274,840	272,202
Current liabilities	3,441,940	3,660,700	171,264	178,714
Noncurrent liabilities	110,374	106,052	71,078	77,632
Capital stock	274,624	274,624	133,883	133,883
Equity	539,038	563,260	198,024	204,790
Net revenues	408,994	1,834,284	96,448	383,592
Net income for the period/year	26,156	123,278	3,216	27,932

Changes in investments

	Luizacred (a)		Luizaseg (b)	
	3/31/2016	12/31/2015	3/31/2016	12/31/2015
Balances at the beginning of the period	281,630	280,566	102,395	39,038
Capital increase	-	-	-	60,000
Dividends proposed	(25,188)	(60,575)	(6,858)	(10,243)
Other comprehensive income (losses)	-	-	1,867	(366)
Equity in the earnings (losses) of subsidiaries	13,077	61,639	1,608	13,966
Balance at the end of the period	269,519	281,630	99,012	102,395

Total investments in joint ventures

	3/31/2016	12/31/2015
Luizacred	269,519	281,630
Luizaseg	99,012	102,395
	<u>368,531</u>	<u>384,025</u>

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

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

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Notes to the interim financial information (Continued)
March 31, 2016
(Amounts in thousands of Brazilian reais - R\$)

14. Property and equipment

Changes in property and equipment for the quarter ended March 31, 2016 are as follows:

	<u>Company</u>	<u>Consolidated</u>
Net property and equipment at December 31, 2015	577,811	578,571
Additions	12,450	12,459
Write-offs	(370)	(371)
Depreciation	(21,017)	(21,077)
Net property and equipment at March 31, 2016	<u>568,874</u>	<u>569,582</u>
Breakdown of property and equipment at March 31, 2016:		
Cost of property and equipment	1,085,426	1,087,691
Accumulated depreciation	(516,552)	(518,109)
Net property and equipment at March 31, 2016	<u>568,874</u>	<u>569,582</u>

In the course of this quarter, no indications that property and equipment items might be impaired were identified.

15. Intangible assets

Changes in property and equipment for the quarter ended March 31, 2016 are as follows:

	<u>Company</u>	<u>Consolidated</u>
Net intangible assets at December 31, 2015	463,726	506,720
Additions	9,954	10,379
Write-offs	(3)	(3)
Amortization	(9,725)	(9,818)
Net intangible assets at March 31, 2016	<u>463,952</u>	<u>507,278</u>
Breakdown of intangible assets at March 31, 2016		
Cost of the intangible assets	703,647	748,225
Accumulated amortization	(239,695)	(240,947)
Net intangible assets at March 31, 2016	<u>463,952</u>	<u>507,278</u>

In the course of this quarter, no indications that property and equipment items might be impaired were identified.

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

16. Trade payables

	Company		Consolidated	
	3/31/2016	12/31/2015	3/31/2016	12/31/2015
Resale of goods - domestic market	1,399,009	1,907,626	1,403,049	1,915,222
Other trade payables	15,945	15,092	17,277	16,683
Present value adjustment	(25,924)	(37,467)	(26,193)	(37,748)
	1,389,030	1,885,251	1,394,133	1,894,157

The Company maintains agreements entered into with partner banks to structure together with its main suppliers the operation of factoring of receivables. In this operation, suppliers transfer the right to receive the instruments to the Bank in exchange for the early payment of the instrument. The Bank, in turn, becomes the creditor of the operation, and the Company settles the instrument on the same date originally agreed with its supplier and receives a commission from the Bank for this intermediation and confirmation of the instruments payable. This commission is recorded as finance income.

The abovementioned operation is carried out by the Company and does not change the terms, prices and conditions previously established with suppliers and, therefore, the Company records it under Suppliers. Trade accounts payable is originally recorded at present value, matched against "Inventories". The reversal of the present value adjustment is recorded under "Cost of goods resold" during the realization of term.

As of March 31, 2016, the balance payable negotiated by suppliers and accepted by Magazine Luiza totaled R\$220,748 (R\$452,092 as of December 31, 2015).

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

17. Borrowings and financing

Type	Charge	Collaterals	Final maturity	Company		Consolidated	
				3/31/2016	12/31/2015	3/31/2016	12/31/2015
Working capital in foreign currency (a)	2.07% p.a. to 6.41% p.a. + foreign exchange variation	N/A	Mar/18	537,687	590,491	537,687	590,491
Working capital in domestic currency	110.4% to 111.0% of CDI	Collateral signature ("Aval")	Dec /19	138,598	163,606	138,822	163,866
Finance leases (b)	CDI	Fiduciary sale	Dec /19	24,356	30,264	24,356	30,264
Debentures - restricted offer (d)	108.8 % to 113.0% of CDI	Credit card receivables	Mar/20	1,027,207	1,016,166	1,027,207	1,016,166
Innovation financing - FINEP (c)	4% p.a.	Bank guarantee	Dec /22	36,037	22,523	36,037	22,523
				1,763,885	1,823,050	1,764,109	1,823,310
Current liabilities				713,485	568,220	713,615	568,350
Noncurrent liabilities				1,050,400	1,254,830	1,050,494	1,254,960

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

(b) The Company has finance lease contracts relating to IT equipment and software, whose contracts expire in 2019.

(c) The Company entered into a credit facility agreement with Study and Projects Financing Agency – FINEP, with the purpose of investing in technological innovation research and development projects, in the amount of R\$44,968, to be released in four installments. Until March 31, 2016, the first three installments were released, totaling R\$35,974.

(d) The Company issued the following nonconvertible debentures:

Issues	Guarantee	Principal Amount R\$	Issue date	Final maturity	Outstanding securities	Financial charges	Company and Consolidated	
							3/31/2016	12/31/2015
1 st issue - single series	Clean	200,000	12/26/2011	6/16/2017	200	113.0% of DI	154,755	149,175
3 rd issue - single series	Clean	200,000	10/21/2013	10/21/2016	20,000	108.8% of DI	105,766	102,090
4 th issue - single series	Clean	400,000	5/30/2014	5/30/2019	40,000	112.0% of DI	417,172	402,262
5 th issue - single series	(i)	350,000	3/17/2015	3/17/2020	35,000	113.2% of DI	349,514	362,639
							1,027,207	1,016,166

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

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

17. Borrowings and financing (Continued)

Maturity schedule

The borrowings and financing payment schedule is as follows:

Maturity year	Company			Consolidated		
	Debt considering hedge accounting	Fair value hedge Note 6	Debt not considering hedge accounting	Debt considering hedge accounting	Fair value hedge Note 6	Debt not considering hedge accounting
2016	431,559	46,913	384,646	431,624	46,913	384,711
2017	669,824	28,037	641,787	669,889	28,037	641,852
2018	328,141	7,318	320,823	328,235	7,318	320,917
2019	267,266	-	267,266	267,266	-	267,266
2020	55,613	-	55,613	55,613	-	55,613
2021 onwards	11,482	-	11,482	11,482	-	11,482
Total	1,763,885	82,268	1,681,617	1,764,109	82,268	1,681,841

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

17. Borrowings and financing (Continued)

The Company entered into credit facility agreements with Banco do Nordeste do Brasil S.A. ("BNB"), aiming at renovating the stores in the Northeast region and build a new Distribution Center in the city of Candeias (BA). The agreements totaled R\$68,013, at the cost of 7% p.a., to be released during 2016. Until March 31, 2016, no amount has been released.

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

- (i) Brazilian Federal Savings Bank: maintenance of the adjusted net debt/adjusted EBITDA ratio below 3.0 times. The adjusted net debt is understood as the sum of all borrowings and financing, including debentures, excluding cash and cash equivalents, financial investments, marketable securities, credit card receivables not anticipated. The adjusted EBITDA is calculated in accordance with CVM Rule 527 of October 4, 2012, excluding non-recurring operational events (revenue/expenses).
- (ii) 5th Issue of Debentures: maintenance of the adjusted net debt/adjusted EBITDA ratio below 3.0 times. The adjusted net debt is understood as the sum of all borrowings and financing, including debentures, excluding cash and cash equivalents, financial investments, marketable securities, credit card receivables not anticipated. The adjusted EBITDA is calculated in accordance with CVM Rule 527 of October 4, 2012, excluding non-recurring operational events (revenue/expenses).

The Company is found in compliance with the above-mentioned covenants at March 31, 2016.

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

18. Deferred revenue

	<u>Company and Consolidated</u>	
	<u>3/31/2016</u>	<u>12/31/2015</u>
Deferred revenue with third parties:		
Exclusive dealing agreement with Cardif (a)	172,547	176,458
Exclusive dealing agreement with Banco Itaúcard S.A. (b)	143,375	146,500
Other agreements	3,694	4,234
	319,616	327,192
Deferred revenue from related parties:		
Exclusive dealing agreement with Luizacred (b)	152,345	155,117
Exclusive dealing agreement with Luizaseg (a)	108,250	110,000
	260,595	265,117
Total deferred revenue	580,211	592,309
Current liabilities	40,818	41,399
Noncurrent liabilities	539,393	550,910

(a) On December 14, 2015, Luizaseg entered into a new Strategic Partnership Agreement with the Cardif group's companies, 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 a cash inflow of R\$330,000 into the Company. Of this amount, R\$42,000 were allocated to the joint venture Luizacred, since it had exclusive rights over credit card insurance. The Company's revenue recognition deriving from this agreement is 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 Itaúcard S.A., under which the Company grants to Luizacred the exclusive right to offer, distribute, and sell financial products and services in its store chain for a 20-year period. In consideration for the aforementioned alliance, Itaú group companies paid in cash R\$250,000, of which: (i) R\$230,000 relating to the completion of the negotiation, without right of recourse; and (ii) R\$20,000 subject to the achievement of profitability targets in Luizacred. Said targets had been fully achieved at the end of 2014.

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

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

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Notes to the interim financial information (Continued)

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19. Provision for tax, civil and labor contingencies

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

Company

	Tax	Civil	Labor	Total
Balance at December 31, 2015	183,748	15,350	30,912	230,010
Additions	4,080	2,450	4,783	11,313
Reversal	-	-	-	-
Payments	-	(2,100)	(1,468)	(3,568)
Inflation Adjustments	4,567	-	-	4,567
Balance at March 31, 2016	192,395	15,700	34,227	242,322

Consolidated

	Tax	Civil	Labor	Total
Balance at December 31, 2015	195,025	15,647	32,740	243,412
Additions	4,080	2,537	4,793	11,410
Reversal	(797)	-	(363)	(1,160)
Payments	-	(2,100)	(1,468)	(3,568)
Inflation Adjustments	4,567	-	-	4,567
Balance at March 31, 2016	202,875	16,084	35,702	254,661

As of March 31, 2016, the Company's main lawsuits classified by Management as probable loss based on the opinion of its legal counsel, as well as legal obligations whose amounts are deposited in court, for which the amounts were included in the provision for contingencies, are as follows:

a) Tax lawsuits

The Company discusses on an administrative and legal basis several tax claims classified as probable loss, therefore, these are accrued, which involve federal taxes, totaling R\$6,019 at March 31, 2016 (R\$8,950 at December 31, 2015), state taxes, totaling R\$30,837 at March 31, 2016 (R\$25,262 at December 31, 2015) and municipal taxes totaling R\$60 (R\$60 at December 31, 2015).

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

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

a) Tax lawsuits (Continued)

The Company also has other lawsuits to which escrow deposits are made, as well as other provisions related to business combination, which involve federal taxes, totaling R\$155,583 at March 31, 2016 (R\$149,580 at December 31, 2015), state taxes, totaling R\$10,376 at March 31, 2016, (R\$11,173 at December 31, 2015).

b) Civil lawsuits

Consolidated civil contingencies of R\$16,084 at March 31, 2016 (R\$15,647 at December 31, 2015) are related to claims filed by customers on possible product defects.

c) Labor lawsuits

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

The accrued amount of R\$35,702 at March 31, 2016 (R\$32,740 at December 31, 2015) in consolidated reflects the risk of probable loss assessed by the Company's Management jointly with its legal counsel.

In August 2015, the Superior Labor Court (TST) issued a decision in which, in summary, it changed the understanding on the monetary restatement index of labor lawsuits, whereby labor liabilities related to lawsuits filed as of June 30, 2009 are no longer restated by the Reference Rate (TR) but by the Special Expanded Consumer Price Index (IPCA-E). This decision, however, was suspended in October 2015 by the Federal Supreme Court (STF). The Company's Management, supported by the opinion of its legal counsel that the obligation to settle such liabilities restated by the IPCA-E is not definitive and that, therefore, said liability is considered a contingent liability with a risk of possible loss, decided not to record the impact of the restatement by reference to the IPCA-E, of R\$4,952, and maintain the TR as the restatement index of labor liabilities. The Company will monitor the outcome of this issue so as to reconsider its conclusion at the end of each reporting period.

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

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

In order to deal with tax, civil and labor contingencies, the Company has a balance in escrow deposits of R\$260,101 at March 31, 2016 (R\$248,450 at December 31, 2015).

The Company is a party to other lawsuits that were assessed as possible losses by Management, based on the opinion of its legal counsel, and, therefore, no provision was recognized for such lawsuits. The amounts related to lawsuits involving federal taxes sum up R\$323,191 at March 31, 2016 (R\$320,062 at December 31, 2015), in relation to state taxes these amounts sum up R\$165,646 at March 31, 2016 (R\$168,142 at December 31, 2015) and as to municipal taxes these amounts sum up R\$725 at March 31, 2016 (R\$690 at December 31, 2015).

The Company has challenged in court the breach of a number of legal principles of Law No. 13241/2015, which extinguished the exemption of PIS and COFINS contributions on revenue from the sale of goods eligible for the Basic Production Process. Additionally, the Company has obtained a favorable court decision in Interlocutory Relief. In accordance with its internal and external legal counsel, the chances of loss are possible or remote, which is why the Company did not record any provision for this contingency. Moreover, the Company declares that it will monitor the discussion every quarter and, if the scenario changes, the Company will carry out net assessments of risk and losses.

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

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

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Notes to the interim financial information (Continued)

March 31, 2016

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20. Equity

a) Capital stock

At March 31, 2016, the Company's ownership structure is reported as follows, all shares are non-par, book-entry, registered, common shares:

	<u>Number of shares</u>	<u>Interest %</u>
Controlling shareholders	15,610,501	70.16
Outstanding shares	6,013,432	27.03
Treasury shares	625,000	2.81
Total	22,248,933	100.00

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

b) Treasury shares

In the last quarter, the Company repurchased 250,224 shares of its issue to be held in treasury, at an average cost of R\$27.43.

21. Net sales revenue

	<u>Company</u>		<u>Consolidated</u>	
	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2016</u>	<u>3/31/2015</u>
Gross revenue:				
Retail - resale of goods	2,583,695	2,514,908	2,596,419	2,522,545
Retail - services rendered	106,122	114,479	113,627	120,230
Consortium management	-	-	13,566	11,860
	2,689,817	2,629,387	2,723,612	2,654,635
Taxes and returns:				
Resale of goods	(443,331)	(385,321)	(444,950)	(385,753)
Services rendered	(14,046)	(15,434)	(15,188)	(16,449)
	(457,377)	(400,755)	(460,138)	(402,202)
Net sales revenue	2,232,440	2,228,632	2,263,474	2,252,433

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

22. Cost of goods resold and services rendered

	Company		Consolidated	
	3/31/2016	3/31/2015	3/31/2016	3/31/2015
Costs:				
Goods resold	(1,571,042)	(1,632,723)	(1,575,203)	(1,634,578)
Services rendered	-	-	(4,707)	(4,031)
	(1,571,042)	(1,632,723)	(1,579,910)	(1,638,609)

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

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

	Company		Consolidated	
	3/31/2016	3/31/2015	3/31/2016	3/31/2015
Personnel expenses	(272,226)	(234,101)	(273,519)	(234,101)
Service providers expenses	(122,838)	(156,920)	(125,458)	(156,920)
Other	(142,122)	(112,797)	(147,442)	(116,220)
Total	(537,186)	(503,818)	(546,419)	(507,241)

	Company		Consolidated	
	3/31/2016	3/31/2015	3/31/2016	3/31/2015
<u>Classified by function as:</u>				
Selling expenses	(424,308)	(419,707)	(426,777)	(421,328)
General and administrative expenses	(103,319)	(102,467)	(111,063)	(109,042)
Other operating income, net (Note 24)	(9,559)	18,356	(8,579)	23,129
	(537,186)	(503,818)	(546,419)	(507,241)

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

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

24. Other operating income, net

	Company		Consolidated	
	3/31/2016	3/31/2015	3/31/2016	3/31/2015
Loss on sale of property and equipment	(180)	(188)	(180)	(188)
Recognition of deferred revenue (a)	9,907	23,187	9,907	23,187
Provision for tax losses	(931)	(854)	48	3,902
Non-recurring expenses (b)	(19,001)	(5,070)	(19,001)	(5,070)
Other	646	1,281	647	1,298
Total	(9,559)	18,356	(8,579)	23,129

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

(b) Refers to expenses with restructuring and adequacy of the administrative personnel. In 2015, refers mainly to stores' pre-operating expenses.

25. Financial income (expenses), net

	Company		Consolidated	
	3/31/2016	3/31/2015	3/31/2016	3/31/2015
Finance income:				
Interest on extended warranty sales	8,785	10,385	8,785	10,385
Income from short-term financial investments and securities	13,779	10,710	4,868	3,489
Interest on sale of goods - interest on delay in receivables	1,266	1,285	1,266	1,285
Discount obtained and monetary restatement	13,368	5,259	13,368	5,266
Other	326	3	326	3
	37,524	27,642	28,613	20,428
Financial expenses:				
Interest on borrowings and financing	(66,403)	(60,824)	(66,408)	(60,836)
Charges on credit card advances	(65,187)	(55,855)	(65,485)	(55,981)
Provision for interest on extended warranty	(4,820)	(2,434)	(4,820)	(2,434)
Exchange losses	-	(488)	-	(488)
Other	(5,761)	(4,983)	(5,831)	(5,016)
	(142,171)	(124,584)	(142,544)	(124,755)
Net financial result	(104,647)	(96,942)	(113,931)	(104,327)

26. Segment reporting

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

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

26. Segment reporting (Continued)

Retail - mainly resale of goods and provision of services in the Company's stores and e-commerce;

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

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

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

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

Statement of income

	3/31/2016			
	Retail (*)	Financial operations	Insurance operations	Consortium management
Gross revenue	2,712,224	204,497	48,224	13,566
Revenue deductions	(458,996)	-	-	(1,142)
Segment net revenue	2,253,228	204,497	48,224	12,424
Costs	(1,577,381)	(30,382)	(8,686)	(4,707)
Gross profit	675,847	174,115	39,538	7,717
Selling expenses	(426,777)	(72,711)	(33,465)	-
General and administrative expenses	(105,116)	(505)	(6,104)	(5,947)
Result from allowance for doubtful accounts	(7,715)	(78,393)	-	-
Depreciation and amortization	(30,810)	(1,518)	(1,288)	(85)
Equity in earnings of subsidiaries	16,282	-	-	-
Other operating income	(8,581)	3,315	16	1
Financial income (expenses), net	(114,632)	-	4,542	701
Income tax and social contribution	6,756	(11,226)	(1,631)	(791)
Profit for the period	5,254	13,077	1,608	1,596

Equity accounting reconciliation

Equity in the earnings of LAC (Note 12)	1,596
Equity in the earnings of Luizacred (Note 13)	13,077
Equity in the earnings of Luizaseg (Note 13)	1,608
(=) Equity accounting of retail segment	16,281
(-) Elimination effect - LAC	(1,596)
(=) Consolidated equity in the earnings of subsidiaries	14,685

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

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

26. Segment reporting (Continued)

Statement of income (Continued)

	3/31/2015			
	Retail (*)	Financial operations	Insurance operations	Consortium management
Gross revenue	2,644,752	226,372	46,970	11,860
Revenue deductions	(401,187)	-	-	(1,015)
Segment net revenue	2,243,565	226,372	46,970	10,845
Costs	(1,636,555)	(30,873)	(6,038)	(4,031)
Gross profit	607,010	195,499	40,932	6,814
Selling expenses	(421,328)	(74,942)	(33,422)	-
General and administrative expenses	(103,660)	(919)	(6,178)	(5,382)
Result from allowance for doubtful accounts	(6,172)	(81,397)	-	-
Depreciation and amortization	(31,669)	(1,569)	(1)	(79)
Equity in earnings of subsidiaries	28,227	-	-	-
Other operating income	23,112	2,795	-	17
Financial income (expenses), net	(104,806)	-	4,149	479
Income tax and social contribution	12,138	(15,781)	(2,177)	(611)
Profit for the period	2,852	23,686	3,303	1,238
Equity accounting reconciliation				
Equity in the earnings of LAC	1,238			
Equity in the earnings of Luizacred	23,686			
Equity in the earnings of Luizaseg	3,303			
(=) Equity accounting of retail segment	28,227			
(-) Elimination effect - LAC	(1,238)			
(=) Consolidated equity in the earnings of subsidiaries	26,989			

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

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

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Notes to the interim financial information (Continued)

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(Amounts in thousands of Brazilian reais - R\$)

26. Segment reporting (Continued)

Statement of financial position

	3/31/2016			
	Retail (*)	Financial operations	Insurance operations	Consortium management
<u>Assets</u>				
Cash and cash equivalents	383,566	2,503	193	27,699
Securities and other financial assets	310,044	10,316	146,035	-
Trade receivables	391,502	1,801,240	-	-
Inventories of goods for resale	1,279,280	-	-	-
Investments	389,578	-	-	-
Property and equipment and intangible assets	1,075,810	80,441	53,718	1,050
Other	1,145,457	151,176	20,237	3,590
	4,975,237	2,045,676	220,183	32,339
<u>Liabilities</u>				
Trade payables	1,393,056	-	1,574	1,077
Borrowings and financing	1,764,109	-	-	-
Interbank deposits	-	947,280	-	-
Credit card operations	-	744,765	-	-
Insurance technical reserves	-	-	102,406	-
Provision for contingencies	254,094	34,222	462	567
Deferred revenue	580,211	20,965	-	-
Other	320,182	28,925	16,729	9,648
	4,311,652	1,776,157	121,171	11,292
Equity	663,585	269,519	99,012	21,047
<u>Investment reconciliation</u>				
Investment in LAC (Note 12)	21,047			
<u>Investment in joint ventures</u>				
Investment in Luizacred (Note 13)	269,519			
Investment in Luizaseg (Note 13)	99,012			
	368,531			
Total investments	389,578			
(-) Elimination effect - LAC	(21,047)			
(=) Result of consolidated investment	368,531			

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

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Notes to the interim financial information (Continued)

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26. Segment reporting (Continued)

Statements of financial position (Continued)

	12/31/2015			
	Retail (*)	Financial operations	Insurance operations	Consortium management
<u>Assets</u>				
Cash and cash equivalents	591,223	3,810	231	26,242
Securities and other financial assets	544,351	8,708	148,243	-
Trade receivables	437,820	1,900,907	-	-
Inventories of goods for resale	1,353,092	-	-	-
Investments	403,476	-	-	-
Property and equipment and intangible assets	1,084,393	81,942	55,005	898
Other	1,165,675	169,639	27,089	3,572
	5,580,030	2,165,006	230,568	30,712
<u>Liabilities</u>				
Trade payables	1,893,119	-	1,837	1,038
Borrowings and financing	1,823,310	-	-	-
Interbank deposits	-	971,644	-	-
Credit card operations	-	807,641	-	-
Insurance technical reserves	-	-	103,763	-
Provision for contingencies	242,942	31,921	428	470
Deferred revenue	592,309	21,000	-	-
Other	366,138	51,170	22,145	9,753
	4,917,818	1,883,376	128,173	11,261
Equity	662,212	281,630	102,395	19,451
<u>Investment reconciliation</u>				
Investments in subsidiaries				
Investment in LAC (Note 12)	19,451			
Investment in joint ventures				
Investment in Luizacred (Note 13)	281,630			
Investment in Luizaseg (Note 13)	102,395			
	384,025			
Total investments	403,476			
(-) Elimination effect - LAC	(19,451)			
(=) Result of consolidated investment	384,025			

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

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Notes to the interim financial information (Continued)

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27. Financial instruments

Capital risk management

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

The Company's capital structure comprises financial liabilities, cash and cash equivalents, securities and equity. Periodically, Management reviews the capital structure and its ability to settle its liabilities, as well as monitors, on a timely basis, the average term of suppliers in relation to the average term of inventory turnover. Actions are promptly taken when these balances ratio pose relevant imbalance.

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

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

	Company		Consolidated	
	3/31/2016	12/31/2015	3/31/2016	12/31/2015
Borrowings and financing	1,763,885	1,823,050	1,764,109	1,823,310
(-) Cash and cash equivalents	(382,994)	(590,400)	(411,265)	(617,465)
(-) Securities and other financial assets	(310,044)	(544,351)	(310,044)	(544,351)
(-) Third-party credit cards	(173,088)	(155,017)	(176,063)	(158,749)
(-) Related-party credit cards	(8,055)	(13,884)	(8,055)	(13,884)
Adjusted net debt	889,704	519,398	858,682	488,861
Equity	663,585	662,212	663,585	662,212

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Notes to the interim financial information (Continued)
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27. Financial instruments (Continued)

Categories of financial instruments

	Company		Consolidated	
	3/31/2016	12/31/2015	3/31/2016	12/31/2015
<u>Financial assets</u>				
Loans and receivables:				
Cash and banks	43,216	62,503	43,533	63,151
Escrow deposits	260,101	248,450	260,101	248,450
Trade receivables	387,432	433,144	391,502	437,820
Related-party transactions	56,143	88,140	55,389	86,152
At fair value through profit or loss:				
Cash equivalents, securities and other financial assets	649,822	1,072,248	677,776	1,098,665
<u>Financial liabilities</u>				
Amortized cost:				
Trade payables	1,389,030	1,885,251	1,394,133	1,894,157
Borrowings and financing	1,226,198	1,232,559	1,226,422	1,232,819
Related-party transactions	62,647	68,787	61,947	68,404
At fair value through profit or loss:				
Borrowings and financing	537,687	590,491	537,687	590,491

Fair value measurement

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

- Level 1 - Market prices quoted (not adjusted) in active markets for identical assets or liabilities;
- Level 2 - Evaluation techniques for which the lowest level information, relevant to measure fair value, is directly or indirectly observable;
- Level 3 - Evaluation techniques for which the lowest level information, relevant to measure fair value, is not available.

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Notes to the interim financial information (Continued)

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27. Financial instruments (Continued)

Fair value measurement (Continued)

The fair value measurement of the Company's assets and liabilities is as follows:

	Company		Consolidated		Fair value measurement
	3/31/2016	12/31/2015	3/31/2016	12/31/2015	Level
Financial assets					
At fair value through profit or loss:					
Cash equivalents, marketable securities	567,554	944,246	595,508	970,663	Level 1
Other financial assets	82,268	128,002	82,268	128,002	Level 2
Financial liabilities					
At fair value through profit or loss:					
Borrowings and financing	537,687	590,491	537,687	590,491	Level 2

Liquidity risk management

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

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

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

	Less than one year	1 to 3 years	Over 3 years	Total
Trade payables	1,394,133	-	-	1,394,133
Borrowings and financing	713,615	767,441	283,053	1,764,109
Related parties	61,947	-	-	61,947

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Notes to the interim financial information (Continued)
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27. Financial instruments (Continued)

Considerations on risks

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

Credit risk: arises from the possibility that the Group may incur losses due to non-receipt of amounts billed to their customers, whose consolidated balance amounts to R\$354,541 as at March 31, 2016 (R\$377,389 as at December 31, 2015). This risk is assessed by the Company as low due to the normal widespread sales, as a result of the large number of customers; however, there are no guarantees of actual receipt of the total balance of trade receivables due to the nature of the Group's activities. Even so, the risk is managed by means of periodic analysis of default rate and the adoption of more efficient collection measures. As at March 31, 2016, the Group recorded past-due or uncollectible balances under "trade receivables," whose terms were renegotiated, in the amount of R\$11,185 (R\$11,844 as at December 31, 2015), which are included in the Group's analysis on the need to recognize an allowance for doubtful accounts.

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

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

Foreign exchange rate risk management: the Company uses derivatives to meet its market risk management requirements, arising from mismatching between currencies and indices. Derivative transactions are carried out through the Finance Department, pursuant to the strategies previously approved by the Company's Board of Directors. Upon initial recognition of hedge, the Company formally classifies and reports the hedge ratio to which the Company intends to apply the hedge accounting, as well as the objective and the Management's risk management strategy to materialize the hedge.

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Notes to the interim financial information (Continued)

March 31, 2016

(Amounts in thousands of Brazilian reais - R\$)

27. Financial instruments (Continued)

Considerations on risks (Continued)

Documentation includes to identify the hedge instrument, the item or transaction, purpose of hedge, the nature of the risk, purpose of hedge, the nature of risks excluded from the hedge ratio, the prospective statement of effective hedge ratio and how the Company will assess the hedge instrument's efficacy for the purposes of offsetting the exposure to changes in fair value of item, purpose of hedge or cash flows related to risks, purpose of hedge.

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

Below, a description of agreements that affected profit or loss for the period ended March 31, 2016:

Fair value hedge

Hedge instrument

	Swaps			Average indexes
	Amortized cost	MTM adjustment	Fair value (a)	
Assets	538,845	(1,158)	537,687	US\$ + 3.08%
Liabilities	455,419	-	455,419	112.72% of CDI
Total	83,426	(1,158)	82,268	

Hedged item

	Working capital in USD			Average indexes
	Amortized cost	MTM adjustment	Fair value (a)	
Liabilities(a)	538,845	(1,158)	537,687	US\$ + 3.08%

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

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Notes to the interim financial information (Continued)
March 31, 2016
(Amounts in thousands of Brazilian reais - R\$)

27. Financial instruments (Continued)

Considerations on risks (Continued)

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

Sensitivity analysis of financial instruments

As of March 31, 2016, Management carried out a sensitivity analysis, taking into consideration a probable increase and scenarios with 25 and 50 percent increase in the expected interest rates. The probable increase scenario was measured based on future exchange rates disclosed by BM&FBOVESPA and/or BACEN. The expected effects of interest expenses net of finance income of financial investments for the next three months are as follows:

	Probable rate	Scenario I Probable	Scenario II (+ 25%)	Scenario III (+ 50%)
Interest to be incurred exposed to:				
CDI	14.25%	(65,368)	(81,710)	(98,052)
Impact on financial result, net of taxes		<u>(43,143)</u>	<u>(53,929)</u>	<u>(64,714)</u>

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

28. Insurance

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

As of March 31, 2016 and December 31, 2015, insurance coverage is as follows:

	3/31/2016	12/31/2015
Civil liability and D&O	41,000	41,000
Sundry risks - inventories and property and equipment	1,905,145	1,905,145
Vehicles	17,285	16,696
	<u>1,963,430</u>	<u>1,962,841</u>